



**CONSOLIDATED REPORT OF THE PUBLIC
ACCOUNTS COMMITTEE ON THE REPORTS OF THE
AUDITOR GENERAL ON THE ACCOUNTS OF
MINISTRIES, DEPARTMENTS AND AGENCIES AND
LOCAL COUNCILS FOR THE FINANCIAL YEAR 2016**



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LIST OF ACRONYMS

AIG - Assistant Inspector General
ACC- Anti- Corruption Commission
ASSL - Audit Service Sierra Leone
CDS - Chief of Defence Staff
CMO - Chief Medical Officer
CRF - Consolidated Revenue Fund
DG - Director General
DHMT - District Health Management Team
DMO - District Medical Office[r]
FO - Finance Officer
HOC - Head of Chancery
HRMO - Human Resources Management Office
IT - Information Technology
JLU - Joint Logistics Unit
JMU - Joint Medical Unit
MAFFS - Ministry of Agriculture Forestry and Food Security
MD - Managing Director
MDA - Ministries, Departments and Agencies
MEST - Ministry Of Education, Science and Technology
MMOs - Mines Monitoring Officers
MoFED - Ministry of Finance and Economic Development
MOU - Memorandum of Understanding
MS - Medical Superintendent
NPPA - National Public Procurement Authority
NRA - National Revenue Authority
PHU - Primary Health Unit
PS - Permanent Secretary
PTT - Performance Tracking Table
SLRSA - Sierra Leone Road Safety Authority
IFRS - International Financial Reporting Standards
NASSIT - National Social Security and Insurance Trust
NRA- National Revenue Authority
COMAHS - College of Medicine and Allied Health Sciences
PV - Payment Vouchers
IPFMRP - Integrated Public Financial Management Reform Project
EPA - Environmental Protection Agency
SLMA - Sierra Leone Maritime Administration
LPO - Local Purchase Orders
NCB - National Competitive Bidding
PO - Procurement Officer
NCTVA - National Certificates for Technical and Vocational Awards
DAO - District Agriculture Officer

1. BACKGROUND

Mr Speaker, Honourable Members, in modern democratic dispensations, governments are being defined and judged by the way they manage public resources; i.e., financial, human and material resources. Usually, a country's constitution formally structures a kind of symbiotic relationship between the branches of Government through legislation, oversight and representation. Parliaments are charged with the responsibility of monitoring the Executive branches of governments, and the Executive branches are expected to comply with legislative processes.

In nearly all democracies, leaders of the Executive branch generally command much of the political power, control financial resources with dedicated staff to develop policies, implement laws, produce the bulk of legislations, manage government contracts, and administer government programmes. In performing those functions, Government officials are expected to demonstrate high degree of integrity, transparency and accountability in the management of public resources. Lack of the aforementioned administrative virtues by civil servants is a recipe to inhibit sustainable development, especially in 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 engrained in their legislative, representative and oversight responsibilities. The use of public funds must, therefore, be properly explained to the people's representatives by those who manage such resources and such persons must be held accountable for the use of the said resources. It has been observed that the lack of transparency and accountability on the part of civil servants and other public officials has resulted in inhibiting continued development in most developing countries like Sierra Leone. Therefore, public resources are 'held in trust for the people' and persons in position of leadership are answerable to the people.

Against this backdrop, the Public Accounts Committee [PAC] of the Sierra Leone Parliament is one of the Standing Committees with 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 through evidence taking from Vote Controllers and their Accounting Officers to confirm the comments raised in the Auditor General's Annual Reports. This function by the PAC is meant to ensure public financial accountability in government spending. In doing so, and as per Standing Orders [S.O.] 70 [6], in tandem with Sections 93 [6] and 95 of the Constitution [Act No. 6 of 1991], the Committee usually summons public officials to provide both oral and written evidence in order to form the basis of the PAC Report.

Thus, Parliament, through its oversight of the Executive, is charged with the responsibility of ensuring accountability and openness of government. This is based on the conviction that transparent budgetary practices can ensure that funds raised

by the state for public purposes are spent as promised by the government, while maximising the benefits derived from those expenditures.

2. INTRODUCTION

The PAC of the Sierra Leone House of Parliament receives 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, highlighted important concerns of financial mismanagement flagged up by the Auditor-General's Reports.

The Public Accounts Committee 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:

- issues raised in the 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 a review of the accounts of Local Councils, and Ministries, Departments and Agencies [MDAs] for 2016 financial year, compiled a report that was presented to Parliament at the end of 2017, which formed the basis of PAC's deliberations. The Committee then conducted its hearings on the Audit Report and hereby presents its findings to the House, clearly highlighting the actions to be taken on officials put in charge of managing those resources.

The findings and recommendations contained in this report are the outcome of the public hearings conducted by the Committee with Vote Controllers, Accounting and Procurement Officers, Store Clerks, and other core staff of Local Councils and Ministries, Departments and Agencies [MDAs] under consideration. This Report, originating from the Report of the Auditor-General is an attempt to present the Committee's observations and recommendations. In this regard, the Report focuses on quality service delivery and provides recommendations for improvement.

3. MANDATE OF THE COMMITTEE

Mr Speaker, Honourable Members, the Standing Orders are in effect the rules of procedure governing the work of the Sierra Leone Parliament. This indicates that much of Parliament's work is carried out by various parliamentary Committees. One such Committee is the PAC, which is one of the Standing Committees in the House, with the power to subpoena witnesses and documents. This shows that the PAC has the power to generate evidence in the use of public funds.

The Committee draws its legal mandate 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. The Committee is expected to represent Parliament as a whole and not the separate political parties to which individual members belong, and its authority is enhanced by its unanimous decisions.

In Section 119[2] of the 1991 Constitution of Sierra Leone, the Auditor-General is required to audit and submit annual reports on public expenditure to Parliament. The PAC's role is to examine the audited financial statements of all Government entities; i.e., Local Councils and MDAs. The Committee also examines the audited financial statements of entities that are state-owned, like statutory corporations. The PAC's examination of public accounts seeks to ascertain the extent to which expenditures have been incurred in the way Government intended. In consequence, therefore, the Committee uses the Auditor-General's report [as a convenient starting point] to probe into the activities of accounting officers and other persons entrusted with the receipt and utilisation of public funds. At the end of its exercise, the Committee is expected to present a report of its findings and recommendations for the consideration of the House.

The Committee assesses and evaluates levels of compliance with the established laws of Sierra Leone, including adherence and compliance with a set of performance standards and regulations governing public expenditures. Also, the Committee's mandate is guided by the Financial Management Regulations, the Audit Service Sierra Leone Act, the Public Procurement Act, and the Government Budgeting and Accountability Act, 2011 [Now known as the Public Financial Management Act], the Local Government Act, and other related legislations and regulations, which impact on public financial management and fiscal discipline.

4. PROCEDURE

The Committee received and examined the Auditor-General's report on the Accounts of Sierra Leone for the year 2016 on Local Councils and MDAs submitted under Section 119[4] of the 1991 Constitution, as laid before Parliament at the end of 2017. 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 exercise commenced, summon letters on the Auditor-General's Report on Local Councils and MDAs for 2017 were sent out to all Vote Controllers, requesting their physical presence and of past and present core staff; i.e., Chief Administrators [CAs], Permanent Secretaries, Finance Officers [FOs], Accountants, Procurement Officers [POs], Internal Auditors [IAs], Store Clerks [SCs], and other senior officials to respond to queries reported by the Auditor General. The Committee further requested Vote Controllers to 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 2016 Audit Report, the Committee observed traditionally established parliamentary procedures. For instance, reading the relevant provisions in the Constitution and the Standing Orders to accentuate the Committee's legal standing, and putting the witnesses 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 open to the public, but the

Committee admonished media houses about premature publications of Committee decisions as contained in S.O. 75[1 – 3].

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 and MDAs who took their time to attend the hearings. Their attendance and contributions guided the Committee's deliberations during the course of reviewing the issues raised in the Audit Report. This acknowledgement would be incomplete without mentioning the representatives from Audit Service Sierra Leone for their invaluable input during the hearings, especially in explaining the queries and verification of documents submitted during the investigations.

The Committee would also like to thank members of the public, journalists from the Sierra Leone Broadcasting Corporation [SLBC], Africa Young Voices Television [AYV-TV] and other Media Houses who were present throughout the period the hearings lasted. Special thanks go to the secretariat of the Committee, David Saffa and Musa L. A. Foullah, for putting the committee findings together in 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. Segepoh S. Thomas, **Chairman;**

Hon. Lahai Marah, **Deputy Chairman;**

Hon. Alhassan Jero Kamara, Member;

Hon. Alusine Kanneh, Member;

Hon. Emilia Loloh Tongi, Member;

Hon. Boston Munda, Member;

Hon. Francis A. Kaisamba, Member;

Hon. Peter Musa Moigua, Member

Hon. Sallieu Osman Sesay, Member;

Hon. Osman Abdal Timbo, Member; and

Hon. Ibrahim Aziz Bangura, 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

For the financial year 2016, the hearings were conducted in Parliament and at various District and City Council Halls in the provinces. The exercise covered all 19 Local Councils audited by Audit Service; 13 District and 6 Municipal Councils and 24 MDAs. The Report is structured in two parts: Part One deals with Local Councils and Part Two focuses on MDAs for the period under review.

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 2016 are indicated below:

[i] The Committee observed, from the review of the AG's Report, that sitting allowances were paid to some Councillors who were absent from council sittings for which valid excuse was neither provided to Audit Service, nor the Committee. That aside, the Committee also 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 it contravened Section 30[2] of the 2004 Local Government Act. Contingent upon that the Committee hereby recommends that:

[a] 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;

[b] signed minutes of Councils' meetings for every month should be forwarded to Audit Service for inspection.

[ii] The Committee 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 government of the much needed revenue to provide basic social amenities to the citizens. Thus, the Committee strongly recommends that:

[a] Finance Officers [FOs] 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 be provided to Audit Service for verification; and

[b] any Finance Officer/Accountant who fails to deduct and pay same to NRA the 5.5% withholding tax, will have his/her salary suspended for a period of two months, when such information is brought to the notice of the Committee. However, during the hearings some monies were collected as withholding taxes and paid to the Consolidated Revenue Fund

Account and receipts are withheld with ASSL. The following is the breakdown of taxes paid to the NRA:

- **Koinadugu District Council-Le 9,757,728**
- **Portloko District Council- Le 40,950,000**
- **WARDC-Le 28,020,000**
- **Ministry of Political Affairs- Le 62,862,600**
- **Office of Diaspora Affairs – Le 158,935,725**

[iii] The Committee further noted, from the review of the AG's Report, 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's hearings. Their absence during the period under review affected the work of both Audit Service and 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. The problem was further exacerbated when majority of Council officials failed to leave behind handing over notes for their successors. In view of the above, the Committee hereby recommends that:

[a] 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;

[b] the Local Government Service Commission should ensure that before a particular staff is transferred, a copy of the handing over notes must be sent to the Commission for verification within thirty days; and

[c] 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.

[d] the Local Government Service Commission should ensure that transfers are made base on the natural calendar year which will enhance the smooth transfer of responsibility from one accounting officer to another also to ease the audit exercises.

[iv] It was also observed that some Council 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 view of the above, the Committee hereby recommends that:

[a] Chief Administrators should ensure that council committee meetings are regularly held and minutes are properly preserved for the Committee's inspection; and that

[b] the Ministry of Local Government and Rural Development should put in place a policy that spells out the penalties for non-performing Council committees; and that the same penalties be imposed on any Chief Administrator/Senior Official whose action may thwart the work of any Council committees.

[v] The Committee further observed that authorised users of the PETRA System, such as Chairmen, Chief Administrators and Internal Auditors, who were supposed to monitor transactions posted on 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 of 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 this, the Committee recommends that:

[a] 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;

[b] 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; and

[vi] During cross examination of the witnesses on the Auditor General's Report, the Committee observed ineffectuality of Internal Audit Units in the Local Councils. The ineffectuality, the Committee noted, was due to the failure of the Chief Administrators to create conducive working environments providing the required documents to aid the work of the Internal Auditors. In certain instances, the Committee was reliably informed that some Chief Administrators quarreled with the Internal Auditors, thereby denying them the opportunity to access vital information needed to do their work. Again, 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 was observed; 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. Further, the Committee noted lethargy, inefficiency and ineptitude on the part of the Internal Auditors to provide their quarterly reports. Contingent upon this the Committee recommends that:

[a] 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;

[b] Vote Controllers of Local Councils should always ensure that they provide all documentation requested by Internal Auditors, and accept

that Internal Auditors are partners in ensuring prudent financial management, transparency and accountability;

[c] 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 should be immediately designed and implemented; and

[d] the Independent Audit Committees, 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.

[vii] Another key observation the Committee noted from the review of the AG's Report was the permissiveness of 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 are still 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 this respect, 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 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 to avoid 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 with the Committee's previous recommendations to act bona fide in the execution of their responsibilities as public officials. The Committee noted how 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:

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

[b] 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:

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.



**RT.HON. SEGPOH SOLOMON THOMAS
CHAIRMAN - PUBLIC ACCOUNTS COMMITTEE [PAC]**

PART ONE

LOCAL COUNCILS - 2016

SPECIFIC FINDINGS AND RECOMMENDATIONS

10. KAMBIA DISTRICT COUNCIL

Mr Speaker, Honourable Members, Kambia District Council had a qualified audit opinion in 2015 and the Committee observed a number of unresolved audit queries. However, the 2016 Auditor General's Report revealed that a good number of those issues have been addressed, with the exception of the following:

- the Cadastre System, which was set up by the Japanese International Cooperation Agency [JICA], was still not operational as at the time of the Committee's engagement with officials of Council;
- absence of 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;
- absence of minutes of meetings to justify that Council committees such as health, sport and education committees were operational;
- absence of a charter or any formal document stating the purpose, authority, responsibility and scope of the Internal Audit Unit;
- absence of evidence to indicate that an Independent Audit Committee was operational to supervise and monitor the work of the Internal Auditor;
- lack of evidence to indicate that the IA Unit had a suitable audit manual, including written policies, procedures and work programs for individual assignments and reporting lines at each level of management; and
- 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.

Asked to react why the 2015 Audit queries were still lingering in the Auditor General's Report, the former Chief Administrator, Alhaji Alhaji Bangura, informed the Committee that part payment for the installation of the Cadastre System had been made to the Contractor and the issue had been resolved.

The Committee however asked the auditors to keep an eye on the said issue during the next audit exercise.

On the issue relating to the PETRA System, the Finance Officer revealed the difficulty in getting qualified personnel and limited equipment. He further stated that the issue of the PETRA System had been a perennial problem in his Council, stating that only the Finance Officer had access to the System; thereby inhibiting the CA, the Chairman and Internal Auditor from accessing it. He further stated that the Public Financial Management Reform Unit [PFMRU] in the Ministry of Finance and Economic Development **"is responsible to install the PETRA Software into the computers and not the responsibility of Council."** The CA said that frantic efforts had been made and that the issue had been communicated to the Local Government Finance Department for possible collaboration with the ICT Unit in the Ministry of Finance, so that the problem could be resolved. He however lamented that his efforts had not yielded any dividend because those who were to resolve the

issue gave it deaf ears. However, the CA could not provide any tangible evidence to authenticate his claims.

The Committee emphasised the importance of the PETRA System, stating that it is meant to ensure checks and balances in Council's financial operations. **"In view of that,"** the Committee maintained, **"The FO and Accountant have operational rights, whereas the CA, IA and Mayor have a responsibility to monitor the activities of the FO and Accountant."** The Committee sympathized with the situation, but faulted Management, stating that certain officials did not want the system to operate effectively and efficiently for personal gains.

Mr Speaker, Honourable Members, the issues raised under the PETRA System are still outstanding and the Council is facing serious challenges with regards to the operational effectiveness of the PETRA. The issues relating to the PETRA System have been reported for the past four years, but there seemed no headway.

Thus, the Committee reiterated its previous advice that if the Petra System is not user friendly, Management should think of resorting to the manual system until a more user friendly accounting software is acquired.

Speaking on the query relating to 'absence of guidelines to justify the payment of sitting fees to Councillors, contrary to Section 30 [2] of the Local Government Act, 2004,' the FO told the Committee that it had been very difficult to withhold Councillors' sitting fees, as **"There is nowhere in the Act, preventing Councilors from accessing their sitting allowances."**

The Committee advised the FO not to pay any Councilor who failed to attend Council meetings without valid excuse.

Addressing the witnesses on the inefficacy of the Internal Audit Unit, absence of minutes of meetings of Council's committees and the ineffectiveness of the Independent Audit Committee which is meant to supervise and monitor the work of the Internal Auditor, the Committee faulted the CA and the entire Management team for allowing those lapses to take place, stating that as Vote Controller, he should always ensure that internal control measures are properly monitored by his office.

Mr Speaker, Honourable Members, a review of the 2016 Auditor General's Report revealed that a total of 217 out of 419 transactions were tested to assess whether expenses reported by the Kambia District Council were incurred for the intended purpose and in accordance with the relevant financial management rules and regulations. According to the Report, the auditors were unable to conclude on a total of twenty-four [24] transactions due to a lack of documentation. The Report further stated that an average of **11%** of the transactions with amounts totaling **Le482, 143,103** did not have adequate supporting documents; vis-à-vis, receipts, delivery notes, distribution list, etc. The Report concluded that out of the total queried amount of **Le482, 143, 103**, supporting documents were provided for transactions amounting to **Le430, 890,853**, a reminder of **Le51, 252,250**

Asked to respond to the above audit query, the Finance Officer informed the Committee that the delay in the submission of the documents in question was due to mis-filing, but the documents had been recovered. He tendered the documents to the auditors, who later confirmed to the Committee that the documents provided covered the queried amount and that the issue had been addressed.

The Committee applauded Management, but specifically cautioned the CA and FO to address issues relating to the PETRA System, Internal Audit Unit and Council's committees.

11. PORT LOKO DISTRICT COUNCIL-2016

Mr Speaker, Honourable Members, core staff of the Port Loko District Council appeared before the Committee to respond to few audit queries that have not been addressed. Like Kambia District Council, Port Loko District Council had an unqualified audit opinion during the period under review. However, a review of the AG's Report revealed that the issue relating to the **Le40, 950,000** was still standing against Port Loko District Council. According to the Report, the auditors tested a total of 260 out of 632 transactions to assess whether expenditure reported by the Port Loko District Council were incurred for the intended purpose, and in accordance with the financial management rules and regulations. However, the Report revealed that the auditors were unable to conclude on 50 transactions due to a lack of documentation. The Report indicated that an average of **19%** of the transactions with amounts totaling **Le595, 419,950** did not have adequate supporting documents like receipts, delivery notes, distribution lists, etc. The Report confirmed that supporting documents for transactions amounting to **Le554, 469,950**, leaving a balance of **Le40, 950,000**.

Reacting to the query, the FO tendered documents in respect of the **Le40, 950,000** to the auditors. During Council's final appearance before the Committee, the Committee asked Mr Mustapha, Principal Auditor attached to the PAC, to update the Committee on the said matter. Mr Mustapha reported that the documents were satisfactory and that the issue had been resolved.

The Committee expressed satisfaction and called on Management teams in other Councils to follow suit. **"This is what the Committee wants to hear. The people's money must be properly and prudently spent."** the Chairman remarked.

Mr Speaker, Honourable Members, a close examination of the AG's Report disclosed that a good number of issues that were previously flagged up in 2015 Audit Report have not been addressed. These are:

- 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;
- lack of charter or any formal document stating the purpose, authority, responsibility and scope of the IA Unit;

- absence of evidence to show that an independent audit committee was operational to supervise and monitor the work of the IA;
- lack of evidence that the IA Unit had a suitable audit manual, including written policies, procedures and work programmes for individual assignments, and reporting lines at each level of management;
- 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; and
- absence of minutes of meetings to justify that Council committees such as health, sports and the education committees, were operational.

The Committee faulted the CA and FO for not resolving issues relating to minutes of meetings to justify that Council committees were operational, activeness of the Independent Audit Committee to supervise and monitor the work of the Internal Auditor, etc.

The Committee further reminded Management that issues relating to payment of sitting fees and other allowances to councilors and ward committee members kept appearing every year in the AG's Report.

The Committee therefore recommends that the Chairman of the parliamentary Committee on Local Government engages the Ministry and the Local Government Service Commission on how to address issues relating to:

- **payment of sitting fees and other allowances to councilors and ward committee members;**
- **guidelines to justify the payment of sitting fees to councilors;**
- **audit Committee and audit manual;**
- **PETRA Accounting Software; and**
- **other internal control issues.**

12. TONKOLILI DISTRICT COUNCIL - 2016

Mr Speaker, Honourable Members, the Chief Administrator and Management team appeared before the Committee to respond to queries raised in the 2016 AG's Report. It was revealed that Tonkolili District Council [TDC] had an unqualified audit opinion for the period under review. That notwithstanding, few issues were identified against TDC. These are:

- inadequate supporting documents;
- inadequate control over the generation, banking and recording of revenue;

12.1. Lack of adequate supporting documents

A review of the AG's Report revealed that they tested a total of 245 out of 422 transactions in order to ascertain whether expenditure reported by this Council were incurred for the intended purpose and in accordance with the financial management rules and regulations. According to the Report, the auditors were unable to conclude on a total of 23 transactions due to the lack of documentation. In other words, an average of **9%** of the transactions with amounts totaling **Le1, 085,513,995** did

not have adequate supporting documents like receipts, delivery notes, distribution lists etc. It was however observed from the AG's Report that out of the total queried amount of **Le1, 085,513,995**, supporting documents were provided for transactions amounting to **Le1, 057,013,995**, leaving **Le28, 500,000** still outstanding.

Reacting to the abovementioned query, the FO informed the Committee that the documents in question had been submitted to the Procurement Officer, whom he said had been sent on leave. The Committee rebuffed the FO's explanation, stating that as Finance Officer, he ought to have kept duplicate copies for future reference. **"Besides,"** the Committee further stated, **"staff proceeding on leave should not affect Council's operations."** The FO however reminded the Committee that Local Councils received monitors from different institutions who usually took away their documents and it was sometimes very difficult to trace them. The Committee reiterated its earlier advice that no administrator should give away original copies of documents. The FO confirmed to the Committee that the documents were available for verification.

Thus, the Committee advised Management to submit the documents to the auditors for verification, but warned sternly that such attitude would not be tolerated; asserting that every document that had to do with audit verification should have been verified before appearing before the Committee.

12.2. Inadequate Control over the Generation, Banking and Recording of Revenue

The Committee observed from the AG's Report inadequate controls over the generation, banking and recording of revenue. The Report revealed that material variances were identified among the revenue receipt book listings, bank statements and the amounts reported in the financial statements. The Report further stated that the differences from among the receipt books, bank statements and financial statements could indicate the following:

- [i] Revenue generated was neither banked nor brought to account;
- [ii] Reconciliation process was not robust enough to allow for follow-up action to be taken on reconciling items; and
- [iii] Receipt books were either not made available or issued to justify the correct amount of own-source revenue generated.

The Report concluded that the submission of more receipt books and bank statements revealed a variance of **Le19, 107,328** which was noted by Council as moneys paid directly into their bank account for which receipts were not issued.

In his reaction, the FO told the Committee that those who paid directly to the bank failed to bring the paying slips to Council for onward issuance of receipt. He disclosed that the **Le19, 107,328** in question was still in the bank, but identifying those who had paid the said amount was a problem.

The Committee noted laxity on the part of the FO because he failed to undertake systemic reconciliation process, stating that he had not been doing his work. During Council's second appearance to the Committee, the FO presented the bank statement to the auditors for verification. The auditors confirmed the amount on the bank statement, but advised the FO to undertake robust reconciliation process in future.

12.3. Physical Verification of fixed Assets Register

The Committee noted from the review of the AG's Report that the auditors undertook physical verification exercise and reviewed payments vouchers and other supporting documents to determine whether fixed assets procured were delivered to the intended beneficiaries and were in existence. According to the AG's Report, the auditors made the following observations:

[i] sewing machines costing **Le20, 000,000**, which were claimed to have been procured by the Council [through the Ministry of Social Welfare, Gender and Children's Affairs Tonkolili District], for the Disabled Skills Centre in Magburaka on September, 27th, 2016, were neither produced for verification nor these were documentary evidence submitted to justify their delivery to the intended beneficiaries; and

[ii] a number of fixed assets, including vehicles, computer equipment, generators, motor bikes etc. which were recorded in Councils Fixed Asset Register, as assets owned and controlled by them, were neither found on the Council's premises nor were they made available for physical verification. The Report also cited the Toyota Land Cruiser with registration number ADP-096, which, according to the assets register, was in the possession of Council Chairman.

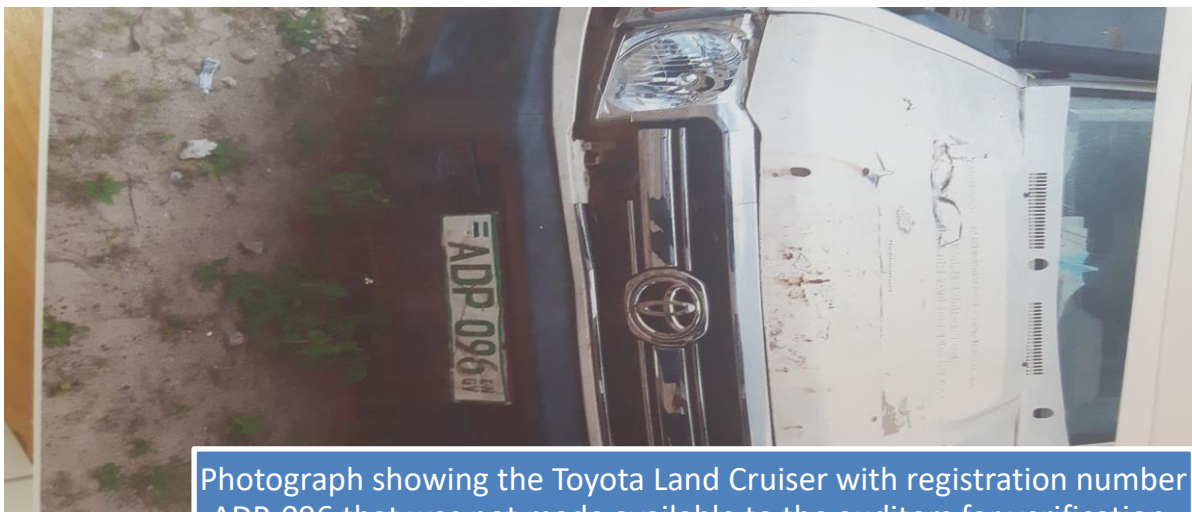
Asked to respond to the aforementioned queries, the FO stated that the sewing machines were in transit from Freetown at the time of the audit, but they had however been delivered and were fully functional. The CA confirmed that some sewing machines were distributed to the beneficiaries. The Committee noted disparity of what the CA told the Committee and the response in the Management Letter, and warned him not to play games with the Committee. However, Management tendered a photograph of the queried sewing machines to the Clerk for verification. This is shown below:



Photograph showing the sewing machines that were not made available during the audit exercise

Thus, the Committee instructed the audit team to 'keep an eye on the issue' in their next audit exercise, but advised Management to provide the machines for physical verification and that if the issue appeared in the next audit report, stern action would be meted on the entire team.

Asked to provide lucid explanation as to the whereabouts of the Toyota Land Cruiser with the registration number ADP-096, the Procurement Officer stated that the vehicle was parked at the WFP Compound in Magburaka. When asked to confirm whether the vehicle was still parked at the said compound, he said: **"The vehicle is supposed to be there,"** a response the Committee rejected, stating that **"the PAC believes in precision and not supposition."** The Committee demanded photograph of the said vehicle, which was presented to it on Council's second appearance, but they maintained that the vehicle was still faulty. See pictorial evidence of the said vehicle below:



Photograph showing the Toyota Land Cruiser with registration number ADP-096 that was not made available to the auditors for verification.

The Committee was happy to note that the vehicle had been brought back and parked within Council's premises, but warned Management to maintain proper records of all assets owned by Council. The Committee further indicated that if fixed assets are not properly marked, they could be susceptible to theft.

12.4. Payment of Sitting fee and other allowances to Councilors

The Committee observed from the AG's Report that sitting fees and other allowances were paid to councilors without evidence such as attendance list, minute of meeting, etc. to show that meetings were held and that the moneys were paid to the right people. In his reaction, the CA stated that attendance lists were available for audit inspection.

Though the attendance register was provided at the time of Council's second appearance, the Committee however faulted the FO for failing to provide those pieces of evidence to the auditors for inspection. The Committee stated that any payment without supporting documents to substantiate such payments could not be recognised as genuine disbursement and therefore could not be accepted as charges on government funds. The Committee informed Management that what they had done was an indication of control weakness, which if not addressed, might lead to fraud and other irregularities.

Thus, the Committee recommends that:

- **the parliamentary Committee on Local Government and Rural Development engages the Ministry of Local Government and the Local Government Service Commission on how to address this issue;**
- **all payments to Councilors must be supported with relevant documents or the amount be surcharged; and**
- **no payment should be made to any Councilor who fails to attend Council meeting without approved excuse.**

13. MAKENI CITY COUNCIL

Mr Speaker, Honourable Members, a review of the AG's Report for 2016 revealed that a number of issues were still standing against Makeni City Council. Some of the issues were noted to be recurrent. The Committee further observed that these have been recurrent issues over the years, and Council showed no sign of willingness to implement audit recommendations over the years. These issues are:

13.1. Payment of Sitting fees and other allowances to Councilors

The Committee noted from the AG's Report that the sum of **Le16, 600,000** was paid to some absentee Councilors as sitting fees and other allowances for the period under review with no evidence that they attended Council meetings.

Asked to update the Committee on the current status of the said issue, the FO shifted the blame to the lack of guidelines which had still not been issued by the Ministry of Local Government and Rural Government. He added that sometimes some Councilors attended official functions and it had been very difficult to get a **100%** attendance. The Committee rejected the FO's elucidation, stating that **"a Councillor who fails to attend Council meeting must provide a written excuse to the appropriate authority and without that, the CA has no right to authorise payment to that Councillor. Council meetings are meant to discuss issues bordering on the development of Council and its locality. If**

Councillors continue to be absent, how can they chart the development of their localities?”

In that regard, the Committee warned that henceforth no payment should be made to absentee Councillors without written excuse, and that Management must keep proper records of minutes and attendance lists, which must be dated and signed by the relevant authorities and beneficiaries, respectively.

13.2. The PETRA and Cadastre Systems

The Committee noted from the review of the AG’s Report 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.

The Committee’s discussion with the former CA revealed that the PETRA and Cadastre Systems had not been effective for a very long time due to factors beyond their control. He disclosed that despite the correspondences being sent to the PFMRU for a review of the Systems, nothing had happened. He revealed that with the exception of the FO and Accountant, the Chairman, the CA and the Internal Auditor had no access to the System for the period under review.

The Committee informed Management that both Systems were meant to enhance revenue mobilisation, and financial transparency and accountability within the operations of Local Councils.

Thus, the Committee advised that if the Systems continued to pose problems, Management should work towards introducing parallel accounting Systems that are user friendly.

13.3. Internal Audit [IA] Unit not Effective

The AG reported that there was no charter or any formal document [approved by the relevant authorities] that outlined the scope, authority, responsibilities and purpose of the IA Unit. The Committee also discovered that there was no evidence that the IA Unit had a suitable audit manual that incorporated written policies and procedures, work programmes for individual assignments and reporting lines at each level of management.

In his explanation, the FO stated that the Ministry of Finance **“is responsible to develop and distribute audit manuals to all Councils.”** He said that the attention of the Ministry had been drawn to the issue, but council had not received any response. The Committee demanded proofs of communication between Council and the Ministry of Finance in the form of correspondences, which were not made available to the Committee.

Emphasising on the importance of the Internal Audit Unit, the Committee stated that the said Unit is meant to identify and report certain foibles to Management, so that remedial actions are taken before the arrival of the external auditors. The Committee

maintained that in the absence of an Internal Auditor, Council's finances and assets are susceptible to mismanagement.

Thus, the Committee encouraged Management to:

- **liaise with the Local Government Service Commission via correspondences for a replacement of the former Internal Auditor; and**
- **communicate with the Ministry of Finance and Economic Development through correspondences for the provision of a charter and a suitable audit manual that incorporate written policies and procedures, work programmes for individual assignments and reporting lines at each level of management.**

14. BOMBALI DISTRICT COUNCIL

Mr Speaker, Honourable Members, core staff of Bombali District Council appeared before the Committee to respond to the Auditor General's queries flagged up in the 2016 Audit Report. During Council's first appearance before the Committee, it was observed that only the issue relating to an outstanding amount of **Le 14,790,000** was still unresolved. According to the audit Report, the auditors tested a total of 395 out of 618 transactions, to assess whether expenses reported by the Kambia District Council were incurred for the intended purpose and in accordance with the relevant financial management rules and regulations. The Report revealed that the auditors were unable to conclude on sixty-one [61] transactions due to the lack of documentation. An average of **15%** of the transactions with amounts totaling **Le431, 757,111** did not have adequate supporting documents like receipts, delivery notes, distribution list etc.

The Report further disclosed that out of the total queried amount of **Le431, 757,111**, supporting documents for transactions amounting to **Le416, 967,111** were provided, leaving **Le14, 790,000** as un-cleared.

Asked to apprise the Committee why the documents were not submitted, the former CA informed the Committee that the documents relating to the **Le14, 790,000** were actually submitted, but could not provide any evidence to show that the documents were submitted to the auditors for verification. The Committee snubbed her explanation, but however pleaded with the auditors to accept and verify the documents.

During Council's second appearance before the Committee, evidence of payment of the **Le14, 790,000** was provided to the auditors as earlier requested by the Committee and the auditors disclosed that issue as having been cleared.

Thus, The Committee recommends that the issue be closed.

14.1. Stale Cheques

The audit Report revealed that cheques amounting to **Le15, 219,290**, in respect of transactions relating to certain devolved sectors have been held for more than six months by the payees without withdrawal or replacement. However, it was observed

that out of the **Le15, 219,290** that was queried, cheques amounting to **Le11, 455,150** were presented and verified, leaving a balance of **Le3, 764,140** still unresolved.

Asked to provide explanation, the FO presented the cheques to the Committee, stating that at the time the cheques were prepared, there was no money in the account and that was why the cheques were cancelled. He however mentioned that reconciliation had been done and the issue had been addressed.

In light of the above, the Committee advised Management not to prepare cheques without confirming the availability of funds in Council's account.

15. KOINADUGU DISTRICT COUNCIL - 2016

Mr Speaker, Honourable Members, officials of Koinadugu District Council appeared before the Committee to reply to queries raised in the 2016 AG's report. The Committee noted the following as outstanding issues:

- the sum of **Le14,110,000** was paid to some Councillors as sitting fees and other allowances for certain months with no evidence that they attended Council meetings;
- transfer made to the Council for the payment of sitting fees and the actual amount paid to Councillors as sitting fees for the review period revealed a difference of **Le8,300,000**;
- 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;
- a difference of **Le9,752,728** was noted between the receipt books listing and the bank statements;
- weak Internal Audit Unit;
- absence of 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; and
- minutes of meetings were not made available to justify that Council committees such as the health, sports and the education, were operational.

Asked to update the Committee on the present status of the aforementioned audit queries, the CA proudly told the Committee that all the issues had been resolved. Asked to confirm the validity of the CA's claim, the Principal Auditor, Mr Mustapha, endorsed the CA's submission, pointing out that the issues under consideration had been addressed.

Mr Speaker, Honourable Members, the Committee noted the efforts of the CA in terms of addressing the audit queries. The Committee reminded Management and the general public that the PAC is not meant to witch-hunt anybody, but to ensure straight and transparent records are straightened. The Committee applauded the team and called on other CAs to work towards achieving similarly excellent results.

16. KONO DISTRICT COUNCIL – 2016

Mr Speaker, Honourable Members, during the Committee's engagement with officials of Kono District Council, the Principal Auditor attached to the PAC, Mr Mustapha, outlined the following issues from the AG's Report as still outstanding:

- Ineffective Management of Council's Budget and Budgetary Control Processes;
- Inadequate Control of the Reporting and Presentation of Financial Information;
- Inconsistencies between Disclosures made by those Charged with Governance and the Financial Statements;
- Inadequate Control of the Collection, Recording and Banking of Revenue;
- Construction of Kundi Bridge-**Le790,000,000**;
- Ineffective control over Information Technology;
- Procurement procedures not followed; and
- Payments without adequate supporting documents.

16.1. Ineffective Management of the Council's Budget and Budgetary Control Processes

The Committee observed from the review of the AG's Report that monthly actual versus budget variance reports were not submitted to the Budget and Finance Committee. The Committee noted the risk of revenue and expenditure being diverted to other uses and appropriate records not being made for financial transactions of the Council.

In his reaction, the CA informed the Committee that monthly actual versus budget variance were not submitted because they did not receive transfer of grants from Ministry of Finance on a monthly basis, stating that they did not budget on a monthly basis and therefore, it would be very difficult to perform monthly. The Committee deciphered from the CA submission that reconciliation was only performed on needs basis. He however told the Committee that steps had been taken and regular reconciliation had been instituted. He assured the Committee that the issue would not reappear in the next audit Report.

The Committee took the CA at his words, but encouraged him and team to ensure that:

- **reconciliations are performed regularly; and**
- **monthly budgets are prepared.**

16.2. Inadequate Control of the Reporting and Presentation of Financial Information

A review of the AG's Report revealed the following:

[i] Cash and cash equivalent reported in Statement 1 of the financial statements did not agree with cash and cash equivalents reported in Statement 4 of the Council's financial statements and the difference was **Le 415,538,110**;

[ii] Net cash flow reported in Statement 1 of the financial statements did not agree with the actual net cash flow reported in Statement 2 of the financial statements and the difference was **Le -88,708,091;**

[iii] Outstanding commitments by Council were not disclosed in Statement 19 of the Council's financial statements.

[iv] Bank reconciliation statements were not provided for eight accounts for the period under review

Responding to the above mentioned issues, the FO stated the following:

[i] The ADB Rural Water account was opened midway during the 2016 FY for the payment of allowances to staff on the ADB Project and the account was not included in the PETRA Accounting Software due to an oversight. He however stated that it had now been included to reflect the amount of revenue and expenditure that went through the account.

[iii] The Council did not have any outstanding commitments for the fiscal year 2016.

[iv] The eight accounts for which the reconciliation were not provided had some errors committed by the finance clerks, but the issue had been corrected by the Accountant.

The Committee further noted from the discussions it had with the Resident Auditor that most of those anomalies were as a result of errors for which management had asked the system operators to correct. The Committee also learnt that assets purchased in 2016 financial year were not disclosed in Statement 17, but had however been included in the revised financial statements for verification. Again, the Resident Auditor disclosed that it would be very difficult for Management to address those because **"they lack the capacity to do so."**

Thus, the Committee observed that almost all the issues raised by the auditors had to do with reconciliation, which could mean the FO had not been doing his job. The Committee reminded the CA to monitor his staff consistently.

16.3. Inconsistencies between Disclosures made by those Charged with Governance and the Financial Statements

The Committee noted from the review of the AG's Report the following issues:

[i] the approved budgeted figure reported by the Chief Administrator on page 12 of the financial statements did not reconcile with the revised budget figures reported in the financial statements [statement 2];

[ii] the revenue projection for the revised budget reported in statement 2 was not equal to the projected expenditure figure to reflect a cash based budget system; and

[iii] the comprehensive list of established committees within the Council was not disclosed in the financial statement under any of the statements from those charged with governance.

The Committee further observed that the recommendations of the auditors were not implemented, as all statements from those charged with governance and queried were not reconciled with actual disclosures in the financial statements.

In his reaction, the FO informed the Committee that:

[i] Council was asked to reduce the approved amount of the DSDP FUND component which creates the difference with the one reported by the CA. He however disclosed that the revised Financial Statements had been prepared to effect the correctness of the budgeted figure.

[ii] the issue that had to do with revenue was a result of system error, which they had asked the system operators to correct; and

[iii] Council had four mandatory committees according to the Local Government Act-2004, i.e., Development and Planning Committee, Budget and Finance Committee, Internal Audit Committee and other sub-committees. He stated that those were included in the financial statements, but other committees had however been included in the revised financial statements.

The Committee took the CA at his word, but reminded him to ensure that disclosures are in line with what was actually reported in the financial statements and the list of all committees existing in the Council is provided and that these committees are effective.

16.4. Inadequate Control of the Collection, Recording and Banking of Revenue

The Committee observed the following from the review of the AG's Report:

[i] the sum of **Le91, 000,000** was collected as property taxes and there was no evidence such as schedules of payments to confirm the payers of the property taxes and business licences. There was also no evidence of demand notices sent to tax payers, names of tax payers and defaulters;

[ii] 31 receipt books valued at **Le31, 000,000** were not submitted for audit purposes;

[iii] there were very poor controls over the printing of receipt books as receipt books were duplicated during the ordering process from the Government Printer; and

[iv] the auditors could not access the revenue Cadastre System to confirm that demand notices were prepared and sent out to tax payers. The Report further disclosed that there was no evidence to confirm that demand notices were actually issued. The bases on which revenue projection was made for property taxes and business licences could not be determined.

The Report maintained the auditors' recommendations were not fully implemented because

[a] they were unable to verify whether the postings were done as they did not have access to the database;

[b] 27 receipt books were submitted and verified during the verification exercise, but four receipt books were still outstanding; and

[c] there was no evidence to confirm that Council contacted the Government Printer regarding the duplicated receipt books.

In response, the FO told the Committee that the **Le 91,000,000** collected as property was based on a survey conducted by a private entity hired by Council. He claimed that individual payment slips were submitted for audit inspection, but nevertheless admitted that demand notices were not issued in 2016. He stated that Council had recently started issuing demand notices in order to capture all information of tax payers.

Speaking on the issue relating to the 31 receipt books, the FO revealed to the Committee that the books in question had been held by collectors who failed to return same before the start of the audit exercise. He however informed the Committee that those books had now been returned and were available for verification.

On the issue regarding the duplicated receipt books, the FO stated that it was due to a mistake on the part of Government Printing Department who could have referred to their last printing records for the Council, but Council had however asked them to do the necessary correction. He further explained that the accountable documents register was in the custody of the Finance Clerk, who was unavoidably absent from office, but had produced it and would be made available for verification.

Asked to confirm whether documents had been submitted, the Resident Auditor answered in the affirmative, but stated that they had not looked at them yet. The Committee reminded the auditors to keep an eye on that issue, and that the death certificate must be provided and the issue relating to the four receipt books worth **Le 4, 000,000** must be addressed.

16.5. Construction of Kundi Bridge worth Le790, 000,000

The Committee noted with grave concern from the AG's Report that Council undertook a project to construct a bridge which cost **Le790, 000,000**. According to AG's Report, the procurement documents revealed that:

[i] in the evaluation report, it was stated that the contractor had previous experience to undertake such projects. It was however observed that there was no evidence in file to confirm that the contractor actually had previous experience in the construction of bridges;

[ii] there was no bank guarantee in file to confirm that the contractor had the financial capacity to undertake the construction project; and

[iii] the construction was expected to be completed in November, 2016, but a verification of the site revealed that the construction was still in progress. The Report further revealed that the required documents were not provided during the verification exercise.

The Committee's engagement with officials of Council revealed that the Project under consideration could have been completed in November, 2016, but due to financial constraint, it was completed in 2017. The Committee reminded Management about the quality of work done on that bridge, but the CA stated that

the quality was of high standard. The Committee demanded the submission of completion certificate and technical evaluation report to the auditors.

On the issue relating to the Contractor's previous experience, the CA disclosed that copies of the evidence of previous experience of the contractor were in the file, but the Contractor later requested for those documents to bid for another contract.

The Committee promised to visit certain project sites undertaken by Council and the Kundi Bridge Contract was no exception.

Furthermore, the Committee noted from the review of the AG's Report the following as outstanding issues from the previous year's audit:

- [i] ineffective control over Information Technology;
- [ii] Final payments were made for contracts worth **Le337, 446,494** without Work Completion Certificate;
- [iii] goods and services totaling **Le113, 662,000** were procured using the shopping method. However, request for quotations, Local Purchase Order and delivery notes were not provided for audit purposes; and
- [iv] relevant documentary evidence such as request, receipt/certification, sensitisation and training reports were not made available to justify the disbursement of funds amounting to **Le165,240,000**.

The Committee's discussions with the Principal Auditor and the FO revealed that reconciliation was only performed on a need basis. The FO claimed that those issues had been resolved and the auditors would confirm his assertion.

The Committee asked the auditors to speedily verify the documents and capture their observations in the 2017 AG's Report.

17. KENEMA CITY COUNCIL

Mr Speaker, Honourable Members, the Management team of Kenema City Council first appeared before the Committee on the 17th August, 2018 to answer queries raised in the 2016 AG's Report. The Committee noted from the review of the AG's Report a number of unresolved issues as are listed below:

- ineffective Solid Waste Management;
- ineffective Internal Controls;
- ineffective Management of the Council's Budget and Budgetary Process;
- ineffective Revenue Management;
- misstatement of Account Line Items in the Financial Statements;
- inconsistency in Comparative Figures Disclosed and Presented;
- material Misstatement of Information;
- inadequate Control of the General Processing of Payment Vouchers **[Le975,345,250]**;
- inadequate Control of the Distribution and Use of Fuel, Repairs and Maintenance Costs;
- procurement Procedures not Followed;
- ineffective Management of Personnel and Related Matters;

- management and Security of Furniture and Equipment;
- ineffective Internal Controls; and
- ineffective Internal Audit.

It was however observed during Council's second appearance before the Committee that all these issues had been resolved with the exception of:

- revenue collected for which receipts were not issued amounting to **Le745, 170,527**; and
- own source revenue to the tune of **Le7, 732,883** was collected, but not banked.

During scrutiny, the Committee noted from the auditors that evidence of receipts totaling **Le334, 302,606** was produced and verified, leaving a balance of **Le410, 867,921** for the issue relating to revenue collected but receipts were issued. It was also disclosed that evidence of receipts and pay in slips totaling **Le2, 822,000** was produced and verified, leaving a balance of **Le4, 910,000** not paid into Council's account. The Committee inferred that Council lacked a proper supervisory team to monitor revenue mobilisation.

Thus, the Committee ordered the CA and FO to ensure that the sum of Le4, 910,000 is paid if the documents in question are not provided. The Committee further intimated the auditors to keep an eye on those two issues, but warned that if the issues are flagged up in the 2017 Audit Report, stern action would be taken against the CA and FO.

18. KOIDU NEW SEMBEHUM COUNCIL

Mr Speaker, Honourable Members, core staff of Koidu New Sembehun Council appeared before the Committee to respond to the Auditor General's queries flagged up in the 2016 Audit Report. Like many other Councils, Koidu New Sembehun Council had a plethora of unresolved issues. During scrutiny, it was however observed that issues relating to solid waste management, internal controls, management of the Council's budget and budgetary process, revenue management, misstatements of account, line items in the Financial Statements, inadequate control of the distribution and use of fuel, repairs and maintenance costs, procurement procedures, management and security of furniture and equipment, Information Technology and Control Environment and management of Council's property were reported to have been resolved, leaving the issue relating to 'management of personnel and related matters' still standing against Council:

18.1. Ineffective Management of Personnel and Related Matters

The Committee observed from the assessment of the AG's Report that the auditors reviewed the payroll and personnel management, and discovered that:

- evidence in the form of receipt [s] justifying that **15%** NASSIT contributions totalling **Le19, 537,884** deducted from support staff salaries, were paid to the National Social Security and Insurance Trust was not submitted for audit;
- six support staff who had reached the mandatory retirement age of 60 years were in active service;
- Council failed to comply with the regulatory minimum wage payment of **Le500, 000** to all public service workers, starting from February, 2016. It was noted that

from January to December 2016, support staff employed by the Council were paid below the required minimum wage.

Reacting to the auditors findings, the CA informed the Committee he inherited the problem, but the sum of **Le 4,484,471** for the months of January, February and March, 2016 had however been paid to NASSIT Account, leaving a balance of **Le 15,053,413**. The Committee reminded the CA that NASSIT contributions had to do with the lives of the people and nobody should toy with people's lives.

Thus, the Committee advised Management to ensure that the issue is addressed before the conclusion of the 2017 audit; otherwise an uncompromising action would be taken against the CA and team.

Speaking on the issue relating to Council's failure to comply with the regulatory minimum wage payment of **Le500, 000** the CA stated that since January, 2017 to date, junior staff are now paid **Le 500,000** and above; and that no junior staff is paid less than the minimum wage.

The Committee applauded Management's effort in addressing the issue, but called on the CA to pay all backlogs to the affected staff.

19. KENEMA DISTRICT COUNCIL - 2016

Mr Speaker, Honourable Members, during the Committee's engagement with the Management team, it was discovered that issues of revenue management, material misstatement of information, inadequate control of the distribution and use of fuel, repairs and maintenance cost, procurement procedures, management of personnel and related matters, ineffective Internal Audit Unit and environmental issues identified during the audit were still standing against the Council.

Asked to react to the queries raised in the AG's Report, the CA disclosed that they had submitted the documents to the auditors for verification. The Resident Auditor confirmed that he had received a stockpile of documents relating to procurement procedures, inadequate control of the distribution and use of fuel, repairs and maintenance cost, management of personnel and related matters, material misstatement of information and ineffective management of the Council's budget and budgetary process, but were yet to be verified.

The Committee asked the auditors to exercise urgency in the verification of those documents, but called on Management to ensure that all queried documents are made available for audit inspection. The Committee maintained that any disbursement without adequate supporting documents cannot be accepted as genuine and such payments could be surcharged.

Mr Speaker, Honourable Members, the Committee further probed into the AG's Report and noted the following issues:

- absence of risk assessment process for the identification and management of fraud and fraud related matters;

- absence of disaster recovery and continuity plan in place;
- committees formed by the Council were ineffective as the terms of reference and composition to justify their formation were not submitted. That besides, minutes of meetings to show the committees' contributions to the development of the Council were not submitted for audit review.

The Committee's discussions with officials of Council revealed the following:

[i] Management accepted the findings as envisaged by the audit and preparations were underway even before the audit exercise. The CA further disclosed that in collaboration with the Anti-corruption Commission, Council had set up an Integrity Committee that would be responsible to identify and manage incidences of fraud and corrupt practices; and that Council would ensure that that committee is provided with the necessary tools to guarantee its effectiveness in carrying out its functions.

[ii] Management had put in place a disaster recovery plan and would ensure its robustness. The CA also revealed that a committee for disaster recovery and continuity plan had started working effectively.

[iii] Four of the committees; i.e., Budget & Finance, Audit, Health, and Works were now operating effectively. The CA stated that minutes of those committees were part of the documents submitted to the auditors.

The Committee thanked the CA for that exquisite explanation, but reminded Management that if internal controls are not taken seriously, it could lead to loss of assets.

Thus, the Committee recommends that Management puts in place risk management policy and business continuity plan, and update same on a regular basis.

19.1. Ineffective Revenue Management

Again, a review of the AG's Report revealed that:

- Council's property cadastre system was not functioning and as a result, the auditors were unable to obtain a comprehensive report, detailing the amount of property tax arrears;
- Council owned two buildings [i.e., a guest house at Nyandeyama Road and a Cold Room in Tongo that were constructed solely for public use and from which revenue should be generated.

The Report disclosed that Council was yet to generate revenue from those two buildings. The Report maintained that there was no maintenance done on the property cadastre system. The Committee also noted that the recommendation of the auditors was only partially implemented, stating that reviewed contract agreements between the Council and the contractors for both the functioning of the guest house and the cold room were seen and verified, but that the guest house was still not functioning and the Council was yet to receive any revenue from the contractor.

Reacting to the abovementioned issues, the FO stated that the former consultant whose responsibility was to ensure the effective functioning of the Cadastre System was unable to reset the cadastre data base due to some technical reasons. The FO however stated that the services of a new consultant had been hired in order to train data entry clerks for the functioning of the cadastre, so that demand notices could be printed and distributed on time.

In light of the above, the Committee asked the auditors to keep an eye on the issue in their next audit, but reminded management to ensure the maintenance and update of the property cadastre to function regularly so as to produce up-to-date reports.

Dilating on the issue relating to the two buildings; i.e., a guest house at Nyandeyama Road and a Cold Room in Tongo that were constructed solely for public use and from which revenue should be generated, the Committee urged management to put measures in place to ensure that Council receives revenue from all its investments and improved on its tax collection.

20. KAILAHUN DISTRICT COUNCIL - 2016

Mr Speaker, Honourable Members, at the time of the Committee's engagement with officials of the Kailahun District Council, the Committee noted a number of issues that were flagged up in the AG's Report. These are:

- ineffective internal controls;
- ineffective management of the Council's budget and budgetary process;
- ineffective revenue management;
- ineffective management of cash and bank balances;
- misstatements of account line items in the Financial Statements;
- material misstatement of information;
- inadequate control of the general processing and management of expenditures;
- inadequate control of the distribution and use of fuel and repairs and maintenance costs;
- procurement procedures not followed;
- ineffective management of personnel and related matters;
- management and security of furniture and equipment; and
- sitting fees and other allowances paid to councillors.

20.1. Ineffective Internal Controls

A review of the AG's Report revealed the following:

- there was no risk assessment process in place for the identification and management of fraud and related matters;
- there was no disaster recovery/ business continuity plan in place; and
- the Committees formed by the Council were ineffective as their terms of reference and composition were not submitted. In addition, minutes of meetings to justify their contribution towards the development of the Council were not submitted for audit inspection.

In his response, the CA stated that a risk assessment process and a disaster recovery or business continuity plan had been instituted. He added that all major committees were effective and they had terms of reference. The Committee wondered how those Committees could be effective, when the CA failed to submit minutes of meetings as evidence of their effectiveness. The CA could not provide a convincing answer. Thus, the Committee inferred that the CA was not telling the truth and reminded him that he was on oath and nothing was expected from him other than the truth. In a remorseful mood, the CA then conceded that some of the committees were actually meeting.

The Committee retold the auditors' earlier comment that those committees formed by Council were meant to discuss pertinent issues regarding the development of the district as a whole. The committees are formed to guide the entire operations of Management in terms of charting the way forward.

In this regard, the Committee recommends that:

- a suitable risk assessment process and policy for the identification and management of fraud and fraud related matters is designed and effectively implemented;
- a disaster recovery/business continuity plan is compiled and put in place by the Council;
- Council should develop the 'terms of reference' for established committees to serve as the basis of Councillors' participation in the Council; and
- regular meetings for the discussion of developmental activities should be held.

20.2. Ineffective Revenue Management

The Committee noted from the review of the AG's Report the following issues:

- evidences in the form of requests and application letters authorised by the CA to the Government Printing Department and delivery notes/invoices for the printing of receipt books were not submitted for audit inspection;
- revenue collected for which receipts were not issued amounted to **Le21,153,600**;
- an agreement was signed between the Council and various contractors on the 26th January, 2015 for the collection of business licences, evacuation fees and property taxes valued at **Le260,000,000**. This amount was to be paid by these contractors to the Council. The Committee noted from the Report that only the sum of **Le93,532,100** was paid, leaving an outstanding balance of **Le166,467,900**.

The AG's Report further revealed that the auditors could not access the revenue cadastre system used for the valuation and recording of property taxes and business licences. As a result, a comprehensive report, detailing the amount of arrears of property tax was not prepared and submitted for audit inspection. There were no evidence or reports to justify that payments made by property owners were appropriately reflected in the system as these were not prepared and submitted.

In his response, the CA disclosed that:

- letters, receipts, delivery note and invoice for printing of receipt books by Government Printing Department had been submitted to the auditors;
- receipts for funds credited to the Council's account had been prepared and forwarded to the creditors;
- the issue regarding arrears owing to Kailahun District Council by various contractors for own revenue collection was taken seriously and correspondences had been submitted to the auditors during the verification exercise; and
- Kailahun District Council still had no autonomy over the cadastre system. The Council continued to face problems with the software for which there was no resident technician to salvage the situation.

The auditors confirmed that they had received documents, but would try to verify them as soon as possible. The Committee observed that there was no systemic reconciliation between the outstanding debt records maintained by Council and creditors' statements.

Thus, the Committee urged Management to perform the reconciliation process on a regular basis. The Committee further asked Management to develop a Property and Financial Management Manuals if the Cadastre and PETRA Systems continued to pose problems.

Speaking on the issues relating to 'management of cash and bank balances, misstatements of account line items in the Financial Statements, material misstatement of information and inadequate control of the general processing and management of expenditures,' the Committee observed that those were PETRA related issues.

In this regard, the Committee advised Management to develop a user friendly Financial Management Manual if the PETRA System continued to pose problems.

Mr Speaker, Honourable Members, the Committee further noted a number of issues that are directly related to internal control weakness. They are:

- ineffective management of the Council's budget and budgetary process;
- inadequate control over of the distribution and use of fuel and repairs and maintenance costs;
- procurement procedures not followed;
- ineffective management of personnel and related matters;
- management and security of furniture and equipment;
- sitting fees and other allowances paid to councillors;
- ineffective IT control environment; and
- ineffective management of the master inventory register.

The Committee wasted no time of soliciting explanations from Management, but reminded the CA and team of their lackadaisical attitudes towards addressing audit queries. The Committee stated unequivocally that those issues were an indication of control weaknesses, which if not addressed, might lead to fraud and other irregularities. The Committee maintained that any sober minded administrator would

not like to be reminded that fuel log books, master inventory register, etc. needed to be updated on a regular basis.

The Committee advised the CA and team to avoid any act that could result in discomfiture to Council and his personality, stating that those internal control foibles must be addressed before the conclusion of the 2017 audit.

21. BO DISTRICT COUNCIL - 2016

Mr Speaker, Honourable Members, officials of Bo District Council appeared before the Committee to respond to queries raised in the AG's Report. The Committee noted from the review of the AG's Report the following issues:

- payments without adequate supporting documents;
- review of own-sourced revenue generation- property tax and business license; and
- receipt books and delivery note not submitted.

21.1. Payments without Adequate Supporting Documents

The Committee observed from the review of the AG's Report that expenditure incurred for the period under review was **Le943, 828,903.00** without adequate supporting documents such as receipts, reports, delivery notes, etc. The Report however revealed that out of that amount, supporting documents were submitted for payments totaling **Le910, 198,903**, leaving an outstanding balance of **Le 33,630,000** without adequate supporting documents.

Reacting to the issue above, the FO said that every activity had its own report; and that the Civil Works Engineer's reports were filed separately by the Engineer, which during the audit exercise, could not be easily traced. The CA further stated that the same applied to the supporting documents which were not properly attached. According to the CA, the documents were detached from their original payment vouchers which were not detected by Management during the submission of those documents. The CA informed the Committee that the documents in question had been assembled and would be made available for audit verification.

In light of the above, the Committee reminded Management that payment vouchers should have adequate supporting documents attached to substantiate such payments; otherwise those disbursements would be doubted and considered as meretricious.

21.2. Review of Own-sourced Revenue Generation - Property Tax and Business License

From the review of the AG's Report, the Committee observed the following issues:

- As part of the contract agreement, Council was to closely monitor the operation of the company and the company was to send status report to the Council, involve and train Council personnel in the Valuation Unit. The Report maintained that there was no evidence that those activities and provisions were complied with by the parties;

- Council should provide security for the company staff to effectively undertake the revenue mobilisation process. During interviews with key company and Council personnel, it was revealed that that was not done and the company staff were faced with resistance from tax payers.
- In the implementation of the contract agreement, the company set up a Cadastre system, conducted a new assessment and demand notices prepared and printed from the new data generated. In undertaking that process, the old Cadastre system that was operated by the Council was condemned and all the arrears from prior year were not incorporated into the new system generated by the company. Further enquiries from the personnel of Council and the company revealed that the new system was incompatible with the old one operated by Council. It was also revealed that the expert that was in charge of the system operated by Council failed to provide the 2016 update codes for the system, which made the system not operational; and as such, the closing information in the old system was not taken into account in the new system generated by the company as opening information for 2016 property taxes and business licenses.
- In Statement No. 16 Statement of Revenue Arrears as at 31st December, 2016 Council reported the total sum of **Le960,819,317.60** as arrears from property tax, but was difficult to ascertain the completeness and accuracy of this figure as demand notices outstanding for 2016 were not made available for audit inspection.
- There was no evidence submitted for audit to indicate the total quantity of demand notices prepared, issued and collected. Also outstanding debts for the period under review were not evidenced. In addition general receipts were not issued to tax payers for the payment of property rates. That made it difficult to ascertain the accuracy of figure disclosed in the FS as property tax.

Reacting to the abovementioned issues, the CA stated the following:

- The assessment of properties and billing started very late in June, 2016 due to some administrative bottlenecks. Therefore, assessment of property rates were billed first to generate the needed revenue at that time, while assessment of business licenses ended very late and they could not collect for this revenue stream. He however stated that billing of business licenses had been completed for 2017 and issuance to various business owners had started and payments were now in progress;
- Council was involved in setting up the parameters and mill rates for Rate Demand Notices. Council's Valuator and the Deputy CA were charged with the responsibility of overseeing their operations. Council Valuation Officer mostly attended meetings organised by Credit Recovery Agency where updates were given for Council's attention;
- a training was also organised by Credit Recovery Agency for Council staff on the use of their software and hardware packages;
- Council had put in place modalities to address the issue of security by engaging the AIG South- West Division to assist Council by providing police personnel

when undertaking revenue mobilisation drive. In some instances Council had taken defaulters to the police where Council revenue Collectors had faced resistance from tax payers;

- Council engaged the Service Providers in incorporating the old system into the new one which did not materialise due to the parameter setting. Quite apart from the above, the old software programmer was also out of the country as he could have assisted the new software programmer to harmonise the system; and
- Due to the above challenges in harmonising the two systems and thinking of the time factor, it was resolved in one of Council's management meetings to give a waiver to those who owed payments on property rates for the previous year.

The Committee ordered Council to submit all documents demanded by the auditors to their branch office in Bo for verification.

21.3. Receipt Books and Delivery Note not submitted

The Committee observed from the review of the AG's Report that four general receipt books, estimated at **Le77, 750,760.81** were not presented for audit inspection. The Report however revealed that three general receipt books, valued at **Le6, 060,000** were presented and verified and one book [with serial number-0000101-0000150], was still outstanding.

The Committee noted laxity in records management, but encouraged the CA and team to ensure that the receipt book in question is submitted for audit inspection.

22. BO CITY COUNCIL - 2016

Mr Speaker, Honourable Members, the Committee's engagement with the auditors and officials of Bo City Council revealed that almost all the documents previously requested by the auditors were submitted to the Committee and the auditors for verification. The Committee accepted the documents, but warned that submitting documents at the time of the hearing would not be allowed the next time, stating that those documents should have been provided to the auditors before the commencement of the public hearings. Among the documents submitted to the Committee were those related to withholding tax to the tune of **Le 44,622,450.73** and NASSIT contribution to the tune of **Le Le58, 623,600?**

It was however observed that most of the issues raised in the AG's Report were due to the FO's inept attitude in performing his duties, pointing out that some of those 'so called mistakes' were deliberate and had the tendency to thwart the effectiveness of Council performance. The Committee informed the CA that in as much as Council's general performance in terms of addressing audit queries was phenomenal; the FO's foolhardy mistakes had thrown "a monkey wrench" into that effort.

The CA pleaded on behalf of the FO and promised to mount effective monitoring mechanisms on the activities of the FO and the entire team in the Finance Department. The CA however submitted documents relating to development projects in the procurement plan that were completed and ongoing in 2016 which the

auditors reported were understated in the financial statement by **Le427,013,000**. The auditors disclosed that the documents had been verified and the issue addressed.

The Committee reminded the CA to monitor the activities of the FO and take action against any Council official who tried to foil the smooth operations of Council.

23. PUJEHUN DISTRICT COUNCIL - 2016

Mr Speaker, Honourable Members, during the Committee's engagement with officials of Pujehun District Council, the Committee discovered a number of issues still standing against it. These are:

- inconsistencies in the recognition of Financial Information in the Financial Statements;
- undisclosed Financial Information;
- over/understatement of revenue/expenditure in the FS;
- incorrect application of International Public Sector Accounting Standard [IPSAS];
- payments without adequate supporting documents;
- poor management of fixed assets;
- procurements procedures not followed;
- inadequate control over the collection of own source revenue;
- non reconciliation of own source revenue records;
- bank confirmation and bank statements not received;
- existence of vacant positions;
- performance appraisals not done;
- payroll expenditures without adequate supporting documents;
- sitting fees and transport allowances paid to absentees;
- Internal Audit Unit not effective;
- inconsistency and key target not achieved in the performance contract;
- bank withdrawals not supported by payment vouchers; and
- no proper and documented waste management procedure.

Asked to give a general overview of the issues listed above, the FO disclosed that majority of the issues came as a result of the PETRA and Cadastre Systems, which he said were not working properly. He however stated that those challenges had been addressed and reconciliations were already done and the documents in question had been submitted to the auditors for verification. The Committee took the FO at his words, but demanded lucid explanation on the following issues:

23.1. Poor Management of Fixed Assets

The Committee observed from the review of the Ag's Report that there was no policy on the use and maintenance of the Councils' fixed asset. The Report maintained that there was no evidence that inventory or stock takes were done when officials were transferred to other Councils or resigned from the job.

Questioned on why an assets policy had not been put in place, the Acting CA stated that Management had started developing a fixed assets policy. Management was therefore exhorted by the Committee to exercise urgency in terms of ensuring that a

fixed assets policy is developed and enforced, so as to avoid pilferage of Councils assets.

23.2. Internal Audit Unit not effective

A review of the AG's Report on the operations of the Internal Audit [IA] unit revealed that:

- the Internal Audit Charter was still in the draft stage and yet to be finalised for effective implementation;
- there was an Internal Audit Committee set up, comprising nine members, headed by a councillor. The Report however disclosed that there was no evidence to confirm that that committee sat for the period under review; and
- the Internal Audit Plan, current working paper files and reports were not provided for review.

The CA acknowledged the fact that the Internal Audit Charter was still in the draft stage and yet to be finalised for effective implementation. He however shifted the blame to the Ministry of Local Government and Rural Development, which he said was responsible to finalise that document.

Addressing the other issues flagged up in the Report, the CA revealed that the Internal Auditor was transferred at the time of audit exercise and the new Internal Auditor was not on post during the audit period. He further disclosed that it was very difficult to explain the contents of the files left behind. He however stated that the files had been submitted to the auditors.

The Committee heartened the auditors to verify those documents as soon as possible, but reminded Management that if those issues were not resolved as purported, the Committee would take an uncompromising action against him. The Committee further advised the CA to write to the Local Government Service Commission, requesting the services of an Internal Auditor.

23.3. Vacant Positions and Performance Appraisal not done

The Committee observed from the review of the AG's Report that the Human Resource Officer and Valuator positions were vacant in the Council. The Report however stated that there was an Acting Human Resource Officer who had been there since February, 2017 without salary. The Report further revealed that the Valuator Officer resigned on the 5th May, 2017.

The FO informed the Committee that recruitments had been done for those vacant positions, but the Valuator Officer had not been trained on the use of the Cadastre System. He further disclosed that staff performance appraisals were not done, but the newly recruited Human Resource Officer had started appraising staff.

The Committee encouraged Management to formulate a comprehensive staff performance appraisal system to assess the performance of all employees, including top management each year, as a reference point for considering staff promotions, development and training.

24. FREETOWN CITY COUNCIL – 2016

Mr Speaker, Honourable members, officials of Freetown City Council [FCC] appeared before the Committee to respond to queries raised in the 2016 AG's Report. The Committee asked Management to give an update on the status of the issues raised in the AG's Report. The FO first informed the Committee that the CA who was in post when those transactions were undertaken had been sent on suspension, but he however assured the Committee of his competence to respond to those queries. He stated that he met a plethora of unresolved issues when he took over as FO of the FCC in 2016, but he had worked very hard to ensure that the FCC had an unqualified audit report for the first time in the history of its existence.

The FO told the Committee that documents in respect of the issues raised in that Report were available for the Committee's inspection. The Committee was shown a carton full of documents for its perusal. The Committee however refused to accept the documents, stating that Management should have submitted them to the auditors before that time. However, the Committee decided to engage the FO and team on the issues mentioned in the AG's Report.

24.1. Disclosures in Financial Statements not adequately supported

A review of the AG's Report revealed that statement No. 12 - Statement of outstanding debts as at 31st December, 2016 as disclosed in the financial statements was **Le2,963,403,843**. The Report however disclosed that schedules/listings in support of outstanding debts totaling **Le1,363,553,872.10** were submitted and verified, leaving a balance of **Le1,599,849,970.9** without supporting documents.

Reacting to the abovementioned issue, the FO presented documents in respect of the outstanding amount of **Le1, 599,849,970.9** to the Committee and auditors for inspection.

The Committee accepted the documents on the condition that this particular issue had been addressed and it would not reappear in the 2017 AG's Report. The Committee exhorted the auditors to accept and verify the documents under consideration.

24.2. Revenue management

The Committee noted from the review of the AG's Report on Council's revenue control and management that:

[i] a comprehensive cadastre/database for all land and buildings owned and controlled by the Council from which revenue is collected was not submitted for verification. In addition, a report detailing Council's land and buildings under lease/rent was not maintained neither were lease/rent agreements prepared for land and buildings under lease/rent; and

[ii] a list/report detailing lorry parks/parking lots under the control of the Council was not submitted for audit. The Report further revealed that FCC did not derive revenue from the utilisation of lorry parks/parking lots as evidenced in the form of receipts, deposit slips and bank statements, to justify that revenue collected from these revenue streams were deposited into Council's Own Source Revenue Account.

In his response, the FO first informed the Committee that the Cadastre System had been set up and that FCC had started printing its own demand notices. The Committee reminded the FO and team about the importance of the Cadastre System and called on the auditors to 'keep the issue in view,' in their next audit exercise.

Speaking on the issue relating to lorry parks/parking lots, the FO frankly told the Committee about the challenges they encountered in their bid to solicit the attention of the 'Drivers Union.' He maintained that political interference disturbed Council's ability to take possession of lorry park management within the municipality since 2014. He concluded that despite several meetings with stakeholders, nothing positive happened.

Thus, the Committee called on Management to ensure that:

- **a comprehensive database for all Council's lands and buildings from which revenue is generated is submitted to the auditors without further delay;**
- **a report detailing land/buildings under lease/rent must be submitted to the auditors for verification;**
- **a report detailing parking lots under Council's control must be submitted for audit inspection; and**
- **measures should be put in place to coordinate the collection of lorry parks/parking lots fees.**

24.3. Ineffective revenue mobilisation

Based on the analysis carried out on the Council's revenue collection and review of budget by the auditors, the Committee noted from the review of the AG's Report that:

- FCC's revenue base decreased by **6%** when compared to the prior year, and a **43%** decrease in actual as against budgeted revenue. The Report maintained that there was no indication that an appropriate revenue generation strategy was developed by the Council to ensure that revenue target is achieved. This was manifested in one of its main revenue generation streams [property rates]. Year-on-year, arrears in property rates continue to increase. When compared to the prior year, arrears of property rates increased by **15%**. In addition, Council's revenue generation target of **Le18 billion** as per the performance contract signed between the Mayor and the President was not achieved; and
- an effective revenue generation and sustainable service delivery drive starts with consultations and surveys, as well as meetings with wards and devolved sectors. The Report however stated that evidence in the form of minutes of meetings held and survey reports to suggest that the Council consulted with wards and devolved sectors in the preparation of their yearly development plan and setting of revenue targets, was not submitted for audit.

Asked to explain the strategies being formulated by Management to increase Council's revenue generation, the FO mentioned 'naming' and 'shaming' of defaulters and sometimes 'ringing of bells.' The Committee was disappointed at the FO's explanation, stating that those strategies were inadequate to meet Council's revenue

target for the period under review. The Committee faulted the entire Management team for the shortfall in revenue collection, pointing out that Council did not have documents relating to revenue raised from packing lots nor of inventory on leased and rented properties, etc.

Though the FO assured the Committee that the issue had been addressed, the Committee however exhorted Management to ensure that:

- [i] an appropriate revenue generation strategy is developed to augment Council's revenue base and effectively communicate to all stakeholders;**
- [ii] realistic targets reflective of the prevailing economic conditions are set and consultations at ward and devolved sector levels are held to achieve targets; and**
- [iii] periodic inspection report of new properties and businesses to augment Council's revenue generation drive is carried out on a regular basis.**

24.4. Ineffective payroll management

From the review of the AG's Report, the Committee noted that:

- forty five casual workers in the category of market sweepers and sanitary labourers were hired by the Council for the period under review. The Report revealed that a schedule detailing total wages paid to them was not submitted for audit inspection and that the workers in question were paid below the minimum wage of **Le500, 000** as stipulated by the government of Sierra Leone;
- out of an amount of **Le312, 109,108.70** ascertained as deductions made in 2016, only **Le11, 347,524** was paid to NASSIT during the period under review, leaving a balance of **Le300, 761,656.70**, which contravened Section 25[3] of the NASSIT Act 2001.
- **Le124, 594,182** was recognised and disclosed in the Council's financial statements as payment made to contract staff. A list/schedule detailing the names and period of employment for these staff was not submitted for audit. In addition, signed contract agreement detailing the terms of the contract and responsibility of both parties was not submitted for audit.

Reacting to the issues mentioned above, the FO stated that the salaries of casual workers had been increased from **Le150, 000** to **Le350, 000**. He further stated that the issue relating to NASSIT deductions to the tune of **Le300, 761,656.70** had been cleared. He tendered documents to the Committee in confirmation of his claims.

Mr Speaker, Honourable Members, the Committee however noted with dismay from its further discussions with the auditors and FCC Management team that the Human Resource Department was completely elided from the decision to recruit and supervise the casual workers under discussion. It was revealed that the Environmental Officer assumed the role of the HR Officer.

Without further explanation, the Committee ordered the CA to ensure that HR functions are clearly delineated and that issues relating to staff should

be under the purview of the HR Department. The CA was also reminded to forward all documents relating to casual workers to the HR Department.

24.5. Sitting fees paid to absentee Councillors

The Committee observed from the review of the AG's Report that amounts totalling **Le152, 717,500** were paid as sitting fees to councillors that were not present at Council meetings, contrary to Section 30 of the Local Government Act of 2004.

The Report further revealed that evidence of recoveries from the said Councillors was not submitted to the auditors for inspection.

The Committee repeated its earlier warning to other Chief Administrators that no payment should be made to absentee Councillors without written excuse, and that Management must keep proper records of minutes and attendance lists, which must be dated and signed by the relevant authorities and beneficiaries, respectively.

24.6. Non-submission of procurement documents

The Committee observed from the AG's Report that the sum of **Le150, 000,000** was paid to Kahmarg Construction and General Services on 16th November, 2016. The Report stated that the auditors could not confirm the contractor, contract start and completion dates, and the basis upon which that amount was paid, because the contract agreement and other documents were not submitted for audit inspection.

Reacting to the abovementioned issue, the FO reiterated his response to the auditors that procurement documents such as bid, bid register and bid opening minute were submitted to the auditors. He added that without the NASSIT, NRA, Evaluation reports, and signed contract agreement, they could not have made payment to the various service providers.

Speaking on the nature of the contract, the FO stated that the contract for the construction of Calaba Town Health Facility was not undertaken by the FCC, but the Sierra Leone Brewery Limited. He maintained that there was already a contract existing between Sierra Leone Brewery Limited and Kahmarg Construction and General Services; and that FCC made an addendum to the original contract. He added that the contract was pre-financed by the contractor and that was why there was no Advanced Payment Guarantee. The Procurement Officer spoke about the Memorandum of Understanding [MoU] between FCC and the contractors, which he said was not available at the time of audit. The FO added that there was a Performance Bond and a Performance Guarantee and that the contractor requested thirty per cent [**30%**] payment as stated in the contract agreement.

Asked to tell the Committee whether these issues were captured in his reports, he said in the affirmative that some of those issues flagged up in the AG's Report were in his internal audit reports. The Committee noted laxity by the FO and other senior officials in the implementation of audit recommendations.

The Committee asked the auditors to verify all documents relating to the issues, but warned the FO and team to ensure that the issue is laid to rest and would not reappear in the 2017 AG's Report; otherwise stern action would be taken against him.

24.7. Breach of procurement threshold

The Committee observed from the AG's Report that the sums of **Le69, 000,000** and **Le83, 735,000** were utilised to procure a vehicle and photocopiers respectively. It was noted that Request for Quotation method was used instead of the National Competitive bidding method. The Report further revealed that the appropriate authority from the National Public Procurement Authority for a diversion in the threshold was not submitted for audit inspection

In his response, the FO told the Committee that he was aware of the provisions in the Public Procurement Act of 2016, but the amount used to procure the said vehicle was **Le 58,000,000** and not **Le 69,000,000**. He however stated that **Le 11,000,000** was used to procure spare parts. Asked why he used RFQs, he stated that they decided to do so because he wanted to avoid splitting, which he said is against Section 29[3] of the Public Procurement Act of 2016. He maintained that the payment was made to the supplier for the procurement of the said vehicle and spare parts. He said the National Competitive Bidding method was used and tendered documents in support of his claims.

The Committee exhorted the FO and PO to adhere to procurement laws and that an appropriate authorisation must be sought from the National Public Procurement Authority in the event of a diversion in procurement method. The Committee however asked the auditors to 'keep the issue in view' and follow-up in their next audit exercise.

24.8. Payments without Adequate Documentary Evidence

The Committee observed from the review of the AG's Report that payments totalling **Le791,249,399** disbursed from various sectors accounts were made without adequate supporting documents, such as receipts, back to office reports, beneficiaries list etc. to substantiate the utilisation of funds, which according to the auditors was in violation of Section 81[1a&b] of the Financial Management Regulations 2007, which stipulates that payment vouchers be properly supported by prescribed documents, and that the documents attached to the voucher are correct and complete. The Committee however further noted that supporting documents for **Le691, 136,650** were submitted and verified, leaving an outstanding amount of **Le100, 112,749** unverified.

In his response, the FO submitted documents relating to the outstanding amount of **Le100, 112,749** to the Committee and the auditors. The Committee asked the auditors to verify the documents but warned the FO to ensure that:

- **adequate supervision is provided over the preparation and documentation of the Council's transactions;**

- **public funds are properly accounted for in accordance with the laws; and**
- **all transactions are supported by the relevant documentation.**

24.9. Inventory management not effective and appropriately supervised

From the review of the AG's Report, the Committee noted the following:

- an inventory management policy that regulates the control and management of assets owned and controlled by the Council was not in existence as request made for the submission of this policy was not acted upon;
- there was no central management system for the management and accounting for of assets as they were identified in various locations with no specific personnel or department responsible for the safeguard of these assets;
- the inventory register was not properly maintained and updated with vital information like the date of purchase, description, amount, location and status. As a result, assets purchased at the cost of **Le1, 087,597,304** were not recorded in the register; and
- delivery notes that should serve as proof that assets purchased at an amount of **Le25,280,000** were delivered to the Council, were not submitted for audit.

The FO told the Committee that an asset register had been put in place and would be submitted to the auditors for inspection. The Committee was not impressed with the FO's explanations, stating that FCC is the oldest Council in Sierra Leone and the Committee was not expecting such matter in the audit report. The Committee viewed this as internal control weakness, which if not addressed, would lead to fraud and other irregularities. The Committee added that if an asset register is not maintained, Council's assets would be susceptible to theft without noticed.

Thus, the Committee heartened the FO and team to strengthen their internal control systems, so as to safe guard Councils assets from theft and other abnormalities.

24.10. Physical verification of assets

From the review of the AG's Report, the Committee observed the following:

- four motorbikes could not be verified as they were not seen/made available during verification conducted; and
- registration cards that should serve as proof of legal title and ownership were not submitted for twenty-four [24] vehicles and seven motorbikes included in the list of vehicles and motorbikes under the control of the Council.

The FO submitted documents in respect of the twenty-four vehicles and seven motorbikes to the Committee for inspection. Asked to tell the Committee the whereabouts of the four motorbikes, he said the motorbikes were available for verification.

Again, the Committee encouraged the auditors to verify the documents, but warned the FO and team that if the same issues are reported by the auditors, an uncompromising action would be taken against them.

25. BONTHE DISTRICT COUNCIL

Mr Speaker, Honourable Members, at the time of the Committee's engagement with officials of the Bonthe District Council, only four issues were still standing against their Council; i.e., inadequate control over the management and security of assets, withholding taxes not deducted and paid to the NRA, payments without adequate supporting documents, and statutory deductions not paid over to the respective authorities.

25.1. Payments without Adequate Supporting Documents

The Committee observed from the review of the AG's Report that payments, totaling **Le636, 891,529.96** were without adequate supporting documents, such as requests, PET Forms, receipts, invoices, delivery notes, etc.

Asked to explain why the documents were not submitted to the auditors, the CA submitted the said documents to the Committee for verification. The Committee gave a strong worded warning that such would not be tolerated in future. The Committee maintained its earlier warning to other CAs that documents relating to all transactions must be submitted to the auditors for verification before Council's appearance before the Committee. The Committee further stated that it had neither the time nor the technical expert to verify those documents.

The Committee however heartened the auditors to accept and verify the documents, but warned that if the issue under discussion is reported in the 2017 AG's Report, the CA and other officials would be penalised.

25.2. Withholding Taxes not paid over to the National Revenue Authority [NRA]

It was observed from the review of the AG's Report that withholding taxes amounting to **Le43, 017,702.78** were deducted at source from the payment for goods, works and services, but not paid over to the NRA as required by Section 117 [4] of the Income Tax Act of 2000 and the provisions in the Finance Act of 2016.

The Committee wasted no time but to ask the CA and team to pay the said sum without further delay and submit a copy of the receipt to the auditors for authentication. The Committee further warned that if the issue is reported again, it would show no mercy to the CA, FO and PO.

25.3. Poor Management of Fixed Assets

From the review of the AG's Report, the Committee noted the following:

- fixed asset register was not updated as assets procured during the year under review amounting to **Le187,950,000.00** and assets donated were not recorded in the assets register. Information on assets, such as the date of acquisition, funding source, category of assets, assets unique code numbers, registration numbers of vehicles and motor bikes were not included in the assets register;
- asset inventory lists were not placed at different locations in the council and devolved sectors;
- some of Council's assets were not marked with identification marks;
- there was no evidence that inventory or stock takes were done when officers are transferred to other Councils or resigned from the job;
- some assets in the asset register were not made available for verification; and
- there was no policy on the use and maintenance of the Councils' fixed asset.

Though the CA claimed that a fixed asset register had been put in place, the Committee counseled that if Council failed to put assets policy in place, Council's assets would be susceptible to pilferage.

The Committee asked the CA to submit a comprehensive and up-to-date fixed asset register and other related documents to the auditors for inspection and at the same time reminded Management to strictly follow its capitalisation policy.

25.4. Statutory Deductions Not Paid Over to the Respective Authorities

The Committee observed from the review of the AG's Report that there was no NASSIT receipt to confirm that the total sum of **Le44, 667,852.50** NASSIT contribution deducted from core staff's salary have been paid over to NASSIT. The Report also revealed that NASSIT and PAYE deductions were not done for support staff.

Again, the Committee wasted no time but to order the CA and the FO to pay same to the NRA without delay and submit the receipt to the auditors for verification.

26. WESTERN AREA RURAL DISTRICT [WARD-C]

Mr Speaker, Honourable Members, officials of Western Area District Council appeared before the PAC to respond to queries flagged up in the 2016 AG's Report. The Committee noted a number of issues that were still lingering in the AG's Report for the period under review. These are:

26.1. Lack of contract agreement between the Council and PEC SL [PTY] Ltd

The Committee observed from the review of the AG's Report that Council signed a contract with PEC SL [PTY] Ltd on 20th July, 2015 for the billing and collection of property rates from Hill Station to Rokel. The contract agreement expired at the end of December, 2015. The Committee further noted that the new contract agreement between the Council and PEC for the financial year ending 31st December, 2016 was not submitted for audit inspection. The AG's Report also revealed that even though there was no document of an extended contract agreement between the Council and PEC SL [PTY] Ltd, the auditors observed that PEC billed and collected property rates within the same jurisdiction as allocated in the expired contract signed with the Council.

Asked to proffer explanation as to why PEC SL [PTY] Ltd continued to bill and collect property rates within the same jurisdiction even after the expiration of the first contract signed with Council, the CA stated there was another contract agreement signed with PEC [PTY] Ltd, but at the time of the audit exercise, the document was with him [the Chief Administrator], but he was out of the country and could not submit it for verification. He implored the indulgence of the Committee to accept the document.

The Committee rebuffed the CA's explanation, pointing out that he could have given duplicate copies of sensitive documents to the Deputy CA, the FO or PO. But the

Committee noticed a strained relationship existing between the CA and other officials.

Thus, the Committee entreated the auditors to accept the document, but encouraged the CA to work closely with his colleagues of ensuring better coordination and collaboration.

26.2. Service level agreements not fulfilled as per contract agreement

The Committee observed from the review of the AG's Report, as per the contract agreement signed with PEC SL [PTY] Ltd, that PEC [PTY] Ltd was to perform specific duties which included property evaluation and numbering, design of a custom-made software [Cadastre], implementation of comprehensive sensitisation programmes, identification and naming of all streets within specified areas of the District. The Report revealed that evidence to certify these activities were carried out was not submitted for inspection.

In his response, the CA admitted that though there was progress in that regard, but the desired results were not fully achieved. He also stated that the execution of the contract was largely inhibited by the outbreak of the Ebola Virus Disease. He however revealed that Council had instructed them to fully comply with the terms and conditions as enshrined in the contract or the contract maybe terminated. Management was exhorted to discourage non-performing contractors and search for better options.

The Committee instructed the CA and team to submit evidence which indicate that the specific duties, as inscribed in the contract agreement, had been performed or terminate the contract.

26.3. Expired contract agreement with credit recovery agency [CRA]

The Committee noted from the review of the AG's Report that the contract between the Council and CRA expired in December, 2016. It was further observed that even though the contract was not being renewed, CRA was still performing activities under the expired contract.

Reacting to the Committee, the CA admitted that the Contract expired on the 31st December, 2016 and Council was in the process of reviewing it when the Chief Administrator travelled out of the country and it could not be submitted to the auditors at the time it was requested for. He however presented the reviewed contract to the auditors for inspection.

The Committee reminded the CA to always ensure that a valid contract agreement is signed between the Council and any service provider before that service provider engages in any task on behalf of the Council and the contract agreement should be retained for audit and reference purposes.

26.4. Transit bank accounts and bank statements not submitted for audit

The Committee noted from the review of the AG's Report there was a contract between the Council and PEC in 2015 in which a transit bank account was to be opened for the collection of property rates. This contract was certified by three

signatories from the Council and one from PEC. The Committee also observed that the 2016 contract between Council and CRA required two transit bank accounts to be opened; one for the collection of 2015 property rates, and the other for the 2010 - 2014 property rates arrears, with the Council having three signatories and CRA two signatories to these bank accounts. The Report however stated that statements for the three transit bank accounts were not made available for audit inspection.

The CA informed the Committee that they had written to the bank and the three transit bank accounts had been retrieved. The Committee implored the auditors to accept and verify the CA's claims, but unequivocally rebuked the CA for his laxity and apathetic attitude towards providing the required documents to ease the work of the auditors. The Committee maintained that PAC hearings on the 2017 audit report would be uncompromising and inflexible.

26.5. Lack of clarity over other payments options for property rates

According to the AG's Report, Council's previous contractual agreement with PEC and CRA did not contain provisions that identify controls over alternative payments options, such as overseas transfers, Airtel Money, Splash and other electronic transfers.

In his response, the CA said that payment options were not of concern to Council as the contract stipulated the monthly amount to be paid to Council by PEC and CRA.

Though the Report did not state clearly the reasons behind this query, the Committee however counseled Management to ensure that new contract agreements with outsourced firms should make provisions for control and accountability over other payment options, especially electronic payments.

26.6. Withholding tax deducted but not paid to the National Revenue Authority

The Committee observed from the review of the AG's Report that withholding taxes to the tune of **Le225, 764,641.35** were deducted at source from the payments made to suppliers/contractors for goods and services, but only **Le79, 796,247** was paid to the NRA, leaving a balance of **Le145, 968,394.35**. The Report further revealed that the outstanding withholding tax of **Le145, 968,394.35** was not disclosed as outstanding debts in the financial statement.

The Committee's discussions with the CA and auditors revealed that only the sum of **Le28, 000,000** was still outstanding.

Typically, the Committee ordered the CA and team to pay the Le28, 000,000 to the NRA without further delay and submit a copy of the receipt to the auditors for verification. The Committee further warned that this issue should not reappear in the 2017 audit report.

Asked to give a general overview of the internal control issues as mentioned in the AG's Report, the CA stated that internal control measures had been put in place and that those issues would not reappear in the 2017 audit report. The Committee took him at his words and encouraged the team to work in unison, so as to achieve the desired goals for which the Council was created.

PART TWO

MINISTRIES, DEPARTMENTS AND AGENCIES [MDAs] - 2016

27. GENERAL OBSERVATIONS AND RECOMMENDATIONS

Mr Speaker, Honourable Members, the Committee observed from the review of the AG's Report and testimonies from Vote Controllers several issues across the various MDAs that were examined. Some of the issues that were observed generally are listed below:

[i] The Committee observed that procurement rules were not fully adhered to, which led to a huge amount of transactions undertaken by MDAs regarding goods and services procured for the period under review left unaccounted for.

Thus, the Committee recommends that the National Public Procurement Act of 2014 be strictly adhered to.

[ii] The Committee observed that there were no standard rules relating to the distribution of airtime/top-up cards to officials in the MDAs.

In light of the above, the Committee recommends that standard rules for the distribution of airtime/top-up cards be developed and approved by management for onward implementation.

[iii] During cross examination of the issues raised by the auditors, the Committee observed some amount of dishonesty in the use of fuel. In fact, the non-availability of guidelines for the distribution of fuel chits to officials further worsened the situation.

The Committee therefore recommends that guidelines are put in place for the distribution of fuel chits.

[iv] The Committee noted that withholding taxes were not normally deducted at source and paid to the NRA. Besides, it was observed that some MDAs withheld taxes, but failed to pay same to the NRA.

In view of the above, therefore, the Committee recommends that all statutory deductions are remitted to the various authorities in or on time.

[v] The Committee further observed that Managements queries were not responded to within 30 days by many MDAs as stipulated by the Audit Service Act, 2016 as amended.

In that regard, the Committee recommends that Section 94 of the Public Financial Management Act be invoked by Audit Service Sierra Leone, [without prejudice to any other provisions of the Public Financial Management Act any person who fails or refuses to reply to an audit query or observation within the appropriate period specified in Section 93[3] shall, if the Auditor General so direct, have his/her emoluments and allowances withheld for as long as the officer fails to reply].

[vi] The Committee observed that most MDAs failed to submit their annual financial accounts for auditing on time, thereby contravening the provisions of the Public Financial Management Act, 2016.

In light of the above, therefore, the Committee recommends that institutions that failed to submit their annual accounts on time be dealt with appropriately; and Section 94 of the Public Financial Management Act be invoked.

[vii] The Committee also observed, especially revenue generating MDAs, that receipt books, Fixed Assets Registers and Inventory Ledgers were not properly maintained.

The Committee recommends that the various accounting manuals are developed and implemented.

[viii] The Committee noted weak internal control systems in almost all the MDAs under consideration. As a result, it has been very difficult for public institutions to implement accurate and reliable accounting procedures, or keep accurate records of office equipment and store items.

Therefore, the Committee recommends that effective internal controls are put in place in all MDAs to minimise and/or eradicate wastage.

[ix] During the Committee's engagement with the MDAs under consideration, the Committee observed that some MDAs were still retaining staff who had exceeded the statutory retirement age of 60 years. In that regard, the Committee promised to summon the Public Service Commission [PSC], Head of the Civil Service and the Human Resource Management Office [HRMO] to find possible ways of resolving the issue.

However, the Committee recommends that monthly reconciliations between details on the payroll database and the MDAs staff lists are carried out so as to reduce irregularities.

[x] The Committee noted much progress made by a number of institutions to meet the due date for the submission of their annual financial accounts to the Auditor General for audit purposes.

The Committee recommends that penalties are levied on institutions that fail or are late to submit their annual accounts for audit purposes.

[xi] Accounting manuals, revenue receipt books in the case of revenue generating institutions, Fixed Assets Registers and Inventory Ledgers were not maintained by most Ministries/Departments and Agencies [MDAs] and Public Enterprises.

The Committee recommends that those documents are put in place.

Mr. Speaker, Honourable Members, based on the gravity of queries levied on key MDAs stated in the report, the Committee resolves to refer two of these MDAs [Ministry of Defense and Agriculture] to the ACC for further probing and a report being submitted to the Committee for final conclusions on the matters.

The Committee recommends urgent actions must be taken by the ACC.

28. PUBLIC ACCOUNT OF SIERRA LEONE

Mr Speaker, Honourable Members, officials from the Ministry of Finance, the National Revenue Authority and the Accountant General's Department appeared before the Committee to respond to queries relating to the Public Accounts of Sierra Leone as raised in the AG's Report. These issues are discussed below:

29. MINISTRY OF FINANCE

29.1. External Public Debts

From the Review of the AG's Report, the Committee noted significant differences between the external debt figures recorded in CS-DRMS, the Schedule of Outstanding Debt prepared by the Public Debt Unit and external confirmations received directly from creditors. The Report maintained that the lack of adequate reconciliation between these three information sources made it impossible for the auditors to ascertain that the figure, as presented in the Consolidated Revenue Fund Account, were free from material misstatement. It was also observed that aside from the implications over the Consolidated Revenue Fund Account, the figures should be reconciled on a monthly basis to ensure that an accurate and up to date debt position is provided at any point in time. This information could then be used by Government to properly plan cash flows and to have access to the best information when making decisions on the most desirable debt structure for government.

In his response, the Acting Director of Public Debt Unit in the Ministry of Finance told the Committee that there was a schedule debt financing plan where the country's debts had been progressively serviced over the years. He said with the exception of BADEA, which the Director told the Committee that it had been cancelled.

The Committee noted that the BADEA debt was still lingering in the books as debt to be serviced. The Committee further requested the Directorate to submit update of all outstanding debts, including a debt servicing plan of the Ministry, both external and domestic debts. Subsequently, the Committee recalled the Financial Secretary to proffer further explanations regarding the management of BADEA debt. The FS told the Committee that ***"the debt of US\$4.59 million disclosed in the Public Accounts includes four loans which are treated as a single consolidated loan instrument in the books of Government, based on debt relief agreement signed with BADEA in May 2008. The affected loans are : (i) Third Power (ii) Eastern Integrated (iii) FASSA – First Loan (iv) FASSA – Second Loan. These four loans, consistent with the debt relief agreement, have been consolidate and included in our records as one loan. This loan was shown in the loan by loan scheduled submitted to the auditors as a single loan dubbed Rescheduled Agreement under HIPC Relief with reference 2009020/DR GOSL. It should be noted that while the CSDRMS system has treated the four parent loans as a consolidated child loan, the creditors maintained the four loans in their books. This has been explained to Audit Service year-in-year out for the last several years.***

In order to ensures the same identity of these loans in both the books of the Government and BADEA, a round table reconciliation exercise has been agreed between Government and BADEA, to sign up to a single identity of these loans which would guide the reporting format in both the

books of Government and BADEA. The exercise was scheduled to be conducted from 30th July to 3rd August 2017 at the Headquarters of BADEA in Khartoum, Sudan". The Committee issued a seven-day ultimatum for the FS to submit all pending documentations to ASSL of which he did in support of his position for the final verification on this matter which will be addressed in the subsequent audits.

Thus, the Committee recommends that the Ministry should be proactive in providing relevant information about operations of the Ministry for ease of reference.

29.2. Confirmations from third parties

It was observed from the review of the AG's that it is one of the procedures of the auditors to confirm the completeness and accuracy of debts recorded involved the requesting of confirmation from external creditors and obtaining roll forward schedules detailing the movement of individual debts during the year. The Report stated that despite the improvements in the amount of debt confirmed by external creditors, confirmations received as part of the 2016 audit identified a number of errors in the Consolidated Revenue Fund Account that have now been corrected in the Financial Statements. Government should ensure that external confirmations and statements are used to reconcile the correct debt position. This is important not only that the Annual Consolidated Revenue Fund Accounts submitted for audit are correct, but Government has up-to-date information on which to base fiscal and macroeconomic policy decisions.

In his reaction, the Acting Director of Public Debt told the Committee that letters are regularly sent to the creditors to confirm outstanding issues regarding the loans.

Thus, the Committee noted that there considerable increase in the confirmations from third parties and thus recommends that the Ministry should collaborate with other parties regarding creditors' information.

30. NATIONAL REVENUE AUTHORITY

30.1. DOMESTIC REVENUE COLLECTION

According to the Ag's Report, perhaps the biggest areas of concern are the major issues that continue to be identified in the collection and reporting of government revenue. Many of the key revenue streams are operated on a self-assessment system, with individuals and businesses completing their own returns. Consequently, there is a risk that deliberate or accidental inaccuracies in self-assessments may lead to under-collection of tax. The Committee further noted the following:

- inadequate reconciliation between assessment and money collected by NRA;
- inadequate reconciliation between NRA cashbooks and transit bank statements;
and
- inadequate reconciliation between the transit banks and the CRFA.

Taxes due for collection from individuals, corporate bodies and other institutions by the Domestic Tax Revenue and Customs Divisions of the National Revenue Authority, but which had remained uncollected for stated reasons during the period being

reported on, arrears stood at approximately **Le 3.8bln** based on the auditors' samples tested.

The Commissioner General of the NRA told the Committee that most of the irregularities arose from assessed tax unpaid, poor supervision of Schedule Officers, failure to enforce tax laws and financial regulations and failure to promptly settle disputes and sanction offenders. The Commissioner General stated that government could not afford to waste money if controls are not put in place to ensure that all moneys are collected and banked.

The Committee recommends that the NRA should be conducting periodic reconciliation with all transit banks that are receiving revenue on behalf of government.

30.2. Reporting of Revenue

Once money from NRA is received by the transit banks, it should be transferred to the Bank of Sierra Leone and recorded in IFMIS. However, the reconciliation between money received and NRA records is still not being performed properly and differences were identified between money collected as per NRA, money in the transit bank accounts, money in the Bank of Sierra Leone and revenue as disclosed in the Consolidated Revenue Fund Account.

The Commissioner General told the Committee that without regular reconciliations [at the assessment, collection and reporting stages], government revenue would remain relatively uncontrolled, funds would likely be misused and it would prove impossible to ascertain whether revenue disclosed in the Consolidated Revenue Fund Account is free from material misstatement. The Commissioner explained the likelihood that revenue received could not be coded correctly to the correct revenue stream.

The Committee noted that despite the fact that the Commissioner was new in post, but had been very robust to control leakages. Thus, the Committee exhorted the Commissioner General to ensure that the leakages are minimised.

30.3. Compliance Unit - Differences between ASYCUDA records and the assessment files

In order to ascertain the accuracy of the ASYCUDA records of customers for the period under review, a comparison between records from the Assessment Files and the ASYCUDA records were done. It was observed from the review of the AG's Report that an amount totaling **Le7.03bln** was actually recorded as debt based on the assessment files submitted whilst the ASYCUDA records only captured **Le6.326bln**. The Report maintained that there is a potential debt understatement of **Le703mln** in the ASYCUDA, which may likely be unrecovered.

The Commissioner General told the Committee that efforts are being put in place to automate all revenue collection.

The Committee recommends that proper assessments are carried out for incoming goods and services.

30.4. Large Tax Office

According to the AG's Report, thirty-two assessment and collection files with their draft financial statements were reviewed to ascertain taxpayers corporation tax

liability and confirm whether they paid all their required corporation taxes for the year under review. The Report maintained that potential tax arrears of **Le 5.7bln** from thirteen taxpayers remained uncollected. Evidence of arrears payments of **Le3.62bln** out of the **Le 5.7bln** were submitted and satisfactorily verified. Thirty-six assessment and collection files were reviewed to ascertain the completeness and accuracy of their corporation tax liabilities. We observed that five taxpayers out of the 36 had potential tax arrears of **Le1.75bln** owed to NRA for the period under audit.

The Vote Controller told the Committee that the collection of **Le 2.08bln** arrears remained unsupported and that the amounts remained uncollected.

Thus, the Committee recommends that a comprehensive data base is developed to ascertain the correct tax payer in the Large Tax Office.

Foreign Travel Tax [FTT]-Sales Report and other relevant documents not submitted:

From the review of the AG's Report, the Committee observed that sales reports and other relevant information for the month of January to March were not submitted for Air France. Therefore, the auditors could not confirm the accuracy and completeness for **Le228mln** paid as FTT by the said airline. The Report mentioned the exchange rate difference from what was supposed to be paid as FTT to the NRA to what was actually paid by the airlines. As a result, there is a potential tax revenue underpayment and tax loss amounting to **Le 163mln**.

The Commissioner of Domestic Tax said that poor filling had been one of the biggest challenges they encountered. He however stated that measures had been put in place to overcome this challenge.

In this respect, the Committee recommends that proper filling system is put in place for future reference.

31. ACCOUNTANT GENERAL DEPARTMENT

31.1. PAYROLL

The Committee observed from the review of the AG's Report that the Government of Sierra Leone operates a centralised payroll payment system which has been characterised by numerous weaknesses. Under this process, most Accounting Officers perceived their role within the payroll payment process as implementing the assignment on behalf of the Human Resources Management Office [HRMO], but without full responsibility and accountability on what happens in the process. The Report mentioned that payroll irregularities committed were mainly in respect of consultants on open-ended contracts and staff receiving salaries twice from the CRFA as described below.

The Accountant General told the Committee that the Accountant General Department is responsible to run state payroll, but due to the nature of the payroll, sometimes those errors emerged. He however stated that periodic review had been carried out to rectify those errors.

The Committee recommends that the Department conducts periodic review to minimise the occurrence of these errors.

31.2. Staff who received salaries twice from the CRFA

From the review of the AG's Report, the Committee noted the following:

- One staff received salary amounting to **Le68, 294,317** as a consultant and **Le15, 049,696** as an employee of an MDA in the month of February, 2016. Hence a potential salary overpayment;
- another staff received a net salary amounting to **Le257, 328,987** twice in the month of February, 2016. Hence a potential salary overpayment **of Le257, 328,987;**
- review of the payroll for consultant revealed that total amount paid as wages and salaries amounted to **Le43.34bln**. According to the Report, the auditors observed that some consultants paid only **5%** withholding tax whilst others paid no tax as per payroll vouchers. The Income Tax Act 2000 however, stipulates that in a contract of service, full PAYE tax deduction should be levied.

The Accountant General told the Committee the Department had stopped paying those staff as consultants for the state because they had been re-appointed as government Ministers.

Thus, the Committee recommends that over payment amounts made to those consultants are rebated to the CRF and all arrears relating to the 5.5% withholding tax are paid with immediate effect.

31.3. Consultants without contract agreement or extension letters

The Committee observed from the AG's Report that the sum of **Le6.74bln** was paid to consultants without evidence of contract agreement or extension letters in the months of April, August and December, 2016. The Report added that two employees of the Open Government Initiative Unit at State House received a memo for the non-renewal of their contracts of appointments on the 3rd May, 2016. Without any evidence of renewal or extension letters, the said employees were paid amounts totaling **Le32.2mln** and **Le.5.2mln** respectively.

In his reaction, the Accountant General informed the Committee that the Permanent Secretaries of the various MDAs, in collaboration with officials of HRMO, had been informed adequately to review the terms of reference of those consultants in order to determine their relevance and possible extension and/or termination of their contracts.

The Committee stated that the continued delay or failure to regularise the anomaly resulted in that situation. The Committee maintained that if remedial actions are not taken, government would continue to pay consultants whose services are not required anymore, thereby leading to a misuse of government funds.

Contingent upon the above, the Committee recommends that the various MDAs, in collaboration with the HRMO, work together in order to prevent unnecessary nugatory expenditure.

32. MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT- 2016

32.1. Disaggregation of procurement

A Review of the AG's Report revealed that payments were made to service providers for goods and services totaling **Le3.8bln**. However, a valid contract document was not submitted upon request to support such transactions. It is apparent that management reviews on transactions before they are authorised is either not done or it is only done for few transactions. The AG's Report further revealed that procurements of goods and services are not centralised and that if a department desired to procure a good or service, a request is forwarded to the head of procurement by the departmental head. The Procurement Unit then procures and submits same to the requesting Department. This implies that procurement is not centralised, but disaggregated. This may have severe consequences on the budget formulation and implementation.

The Principal Deputy Financial Secretary stated that a valid contract to support transactions totaling **Le3.8bln** to service providers had been retrieved and would be provided to the auditors for verification.

The Committee's further discussions with the auditors revealed that as at the time of audit verification, valid framework contracts were provided to support the Le3.8bln transactions. The Committee however noted that the principle of contracting on behalf of the entire Ministry [bulk buying] has not been done and it has persisted.

Therefore, the Committee recommends that the Principal Deputy Financial Secretary ensures that the procurement process is in accordance with the rules stated in the NPPA and any breach should not be treated with levity. Again, the Ministry should consider the possibility of wholesome procurement process, rather than procuring in bits.

33. MINISTRY OF MINES AND MINERAL RESOURCES HQ - 2016

33.1. Physical verification of staff

From the review of the AG's Report, the Committee observed that out of a total of 70 staff of the Ministry stationed in Freetown, 32 personnel were unverified [they failed to avail themselves for physical verification exercise] even though letters were issued for them to avail themselves. It was recommended that the Senior Human Resource Officer should inform these personnel of their availability for verification within 15 days of receipt of the report, otherwise, failure to report for verification will result in their names been sent to HRMO for deletion from the Ministry's payroll.

Reacting to the issue, the PS told the Committee that an updated staff list from the region showed that most of the staff were in the respective regional offices. He however noted that those in Freetown had been contacted and were ready for physical verification. Further discussions with the auditors and Management revealed that 69 staff had been verified staff and one staff had gone on retirement.

Thus, the Committee recommends the issue be closed.

34. MINISTRY OF MINES AND MINERAL RESOURCES [REVENUE–SURFACE RENT] - 2016

34.1. Negotiation of surface rent revenue

The Committee observed from the review of the AG's Report that interviews conducted with sample of stakeholders revealed that the participation of key land owners was not sought in the negotiation process of the terms and amount of the surface rent to be paid. The Report maintained that there was no evidence that a decision was taken by the Minister in consultation with the Minerals Advisory Board. Based on the interviews conducted with the beneficiaries and other government officials of the Ministry of Mines and Mineral Resources, and the National Mineral Agency [NMA], it was not clear who actually negotiated the surface rent payment with the mining companies.

Asked to respond to the query, the Director General of NMA [DG-NMA] said: "Section 34 of the Mines and Minerals Act, 2009 requires companies to negotiate surface rent rates with landowners. Apart from Sierra Rutile Limited [SRL] where the rate is actually stated in the SRL Act, the landowners for the other companies have been accepting and signing for payments received without a formal supporting document specifying the rates such as a land lease agreement. As already mentioned, this is what the NMA is now trying to address and this will take some time."

In that regard, the Committee recommends that the Director-General of the NMA should ensure that companies involve landowners and other beneficiary groups in negotiating the terms and the amount of the surface rent; and their involvement should be documented and evidence submitted to the NMA before licenses are issued or renewed.

34.2. Assessment of surface rent revenue

The Committee noted from the review of the AG's Report that there was no evidence of assessment made by mining companies in determining the amounts paid as surface rent to beneficiaries. The ASSL also requested from NMA, copies of the assessment/schedules made by the companies for the payment of surface rent. These documents were however not made available to the ASSL. During interviews conducted with staff of NMA, it was stated that the Agency normally reviews and verifies the assessment/payment schedules before the companies make disbursement to beneficiaries. However, evidence of such assessments and verification reports were not submitted by NMA to the ASSL for inspection. We further discussed and requested copies of the assessment of the surface rent payments from the beneficiaries; it was however noted that they also did not have copies of the assessment. The beneficiaries stated that the companies only informed them about the amount they will be paid, but they did not know how the amount was calculated. Based on best practice, payment of surface rent should be determined on an agreed rate and the total surface area of the land occupied by the company.

According to the DG of the NMA the assessment was based on the actual area occupied or used by the companies within their mining lease area and the unit rate agreed on between the company and the landowners each year. He further stated that rate per acre used by SRL for 2017 was **US\$15.141**. "We have checked this against the SRL Act which should be US\$10 per acre for 2003 escalated at 3% per annum. For 2017, this translates to $10 * [1 + 0.03]^{14}$ or US\$15.13 per acre. SRL is therefore using the correct rate as per the SRL Act. Incidentally, this is the same rate agreed on between Sierra Minerals and the Landowners [US\$15.13 per acre for 2017.]. The reason for this is that SRL and Sierra Minerals Limited [SML] were actually sister companies until SRL sold SML to Vimetco in 2008."

The Committee observed that assessment was not submitted for the other large scale mining company except for Sierra Rutile Limited.

Therefore, the Committee recommends that the Director-General of NMA should ensure that the companies prepare annual assessment and forward same to the NMA for verification. Again, the NMA should verify the assessment in accordance with the agreement made, and send verification reports to the companies and copies are forwarded to the relevant stakeholders, including the beneficiary groups.

34.3. Agreement between the land owners and the companies not available for inspection

Paragraph 1.1 of Section 34, of the Mines and Minerals Act, 2009 requires that the holders of large scale mining licenses to obtain a land lease upon such terms as to the rents payable, duration and area of the land to which such licenses shall relate. NMA and Ministry of Mines and Mineral Resources [MMMR] failed to comply with the auditors' request for the submission of land lease agreements between the companies and the land owners. Further to this, other stakeholders – local councils, chiefdom administration and land owners - were contacted for copies of the land lease agreements. The ASSL thereby concluded that there was no evidence of land lease agreement between the companies and the land owners.

The DG-NMA referred the Committee to Section 34 of the Mines and Minerals Act of 2009. He however told the Committee that since the NMA Act of 2009 was passed by Parliament, no mining company had signed a land lease agreement with landowners. He said that mining companies had been making payments based on provisions in their respective Mining Lease Agreements ratified by Parliament. The Committee noted that the NMA had tried to put a formal land lease agreement to be signed between the mining companies and the land owners. He said the exercise would be expected to be completed by the end of this year.

The Committee observed that the Director-General neglected to evoke Section 172 of the Mines and Minerals Act of 2009 on the companies, which states thus: "Any person who fails to deliver any document required to be delivered under this Act within fourteen calendar days of being called upon to do so by the Director, commits an offence and shall be liable on conviction to a fine not less than two thousand

United States Dollars or its equivalent in Leones or to imprisonment for a term not exceeding six months, or to both.”

Therefore, the Committee recommends the following:

- **the Director-General of NMA should ensure that all mining companies obtain their land lease agreement between the company and the land owners and witnessed by other beneficiaries before licenses are issued or renewed;**
- **the companies should distribute copies of the lease agreements to the land owners and other stakeholders;**
- **the Director-General should evoke Section 172 of the Mines and Minerals Act of 2009 on any company that fails to comply with the Act; and**
- **Copies of these agreements should be forwarded to Audit Service for verification within 15 days upon receipt of this report.**

34.4. Underpayment of surface rent

Surface rent should be paid by mining companies to beneficiaries in accordance with the agreed rate per acre of the piece of land occupied by the companies. There were clear indications that the mining companies were not paying the full amounts of surface rents to the beneficiaries. For instance, a review of the Sierra Rutile Agreement [Ratification] Act, 2002 revealed that the company should pay surface rent of US\$10 per acre per annum beginning 2003, and such rate increasing in respect of each subsequent year at the rate of **3%** per annum. ASSL computation of total surface rents to beneficiaries in 2013 and 2014 amounted to **US\$1,569,274** and US\$1,605,488 respectively. On the other hand, the actual total surface rents reported by the company paid to beneficiaries for these years were **US\$581,922** and **US\$605,164** respectively. This revealed significant underpayments of surface rents in 2013 and 2014 of **US\$987,352** and **US\$1,000,324** respectively. It was observed that the company made total payment of **Le3.7bln** [approximately **US\$608,986**] in respect of surface rent in 2016. ASSL computation of the total surface rents due to beneficiaries in accordance with section 6 of the Sierra Rutile Agreement [Ratification] Act, 2002 in 2016 was **US\$1,677,916**. This resulted in a total underpayment of surface rent by **US\$1,068,930**.

In his response, the DG stated that the area covered by surface rent payments was not necessarily the same as the mining lease area. He said that companies are required to pay mining rent annually over the entire mining lease area into the Consolidated Fund. He however stated that in the case of surface rent, the companies usually pay for areas occupied or used by the companies and not available to the land owners for their own use [Section 6 [a][2] of SRL Act,2002]. He added that since the land owners are not deprived of their livelihoods, then the companies are not obliged to make surface rent payments. He said they had requested details of Sierra Rutile computations and supporting documents to substantiate the auditors’ claims.

The Committee noted that details of actual payments made by the Sierra Rutile Limited were submitted by the NMA and reviewed and the difference in computation has been reconciled. It was however observed that the computations and payment details of surface rent by the other large scale mining companies were not submitted as recommended.

Thus, the Committee recommends the following:

- **the NMA should ensure that the companies submit the land lease agreement and the total surface rent should be re-computed by the NMA in accordance with the agreements; and**
- **all companies should refund to the beneficiaries differences of surface rent resulted in underpayment being identified.**

35. MINISTRY OF HEALTH AND SANITATION - 2016

35.1. Proceeds from the sale of bidding documents

In violation of section 42[1] of the Financial Management Regulation [FMR], 2007 which requires all revenue collectors to deposit revenues collected into a bank account, it was observed that proceeds from the sale of bidding documents which amounted to Le33million was not deposited into a bank account. Furthermore, a cashbook was not maintained by the Ministry to appropriately record the proceeds from sale of bids and details of utilisation.

According to the PS, revenue collected from the sale of bids was not deposited into bank account because of the under mentioned payments:

- payment for newspapers for all tender advertisements;
- payment for printing and binding of bidding documents;
- payment of transportation cost to evaluators;
- Payment for refreshment for evaluators; and
- Payment for stationery items procured for tender process.

The Committee observed that its previous recommendation was not implemented as evidence in the form of cashbook, detailing records of bids sold and bank deposit slips justifying deposit made were not submitted for audit review. In addition, supporting documents in the form of payment vouchers, receipts, invoices justifying utilisation of the amount were not submitted for audit verification.

Thus, the Committee recommends that the Director of Financial Resources, in collaboration with the Procurement Manager, ensures that all public funds collected are deposited into a designated bank account in accordance with the relevant laws. Also, appropriate records in the form of a cashbook should be maintained and used in recording all revenue received and utilised by the Ministry.

35.2. No letter of notification to unsuccessful bidders

Section 27 of the Public Procurement Act, 2016 states: **"The procuring entity shall soon after a successful bidder has been identified, inform the**

unsuccessful bidder [s] of the reason for which their respective bids were unsuccessful.” According to the AG’s Report, four procurements worth **Le13, 332,299,701** were undertaken. Appropriate notification letters informing unsuccessful bidders of the reasons why their bids were rejected were not submitted for audit inspection.

Reacting to the issue, the PS stated that all unsuccessful bidders in the procurement activities under review were duly notified with copies of the notification letters. The Committee however observed that the previous recommendation was not implemented as notification letters to unsuccessful bidders stating the reasons why their bids were unsuccessful were not submitted.

In future, the Committee asked the PS to ensure that notifications are sent to unsuccessful bidders in accordance with the Public Procurement Act of 2016.

35.3. Procurement activities not captured in the procurement plan and procurement documents not submitted for audit review

Contrary to section 28[1] of the Public Procurement Regulations [PPR], 2006, we observed that procurement for the grading of the construction site of the tertiary hospital in Waterloo and the construction of the medical centre in the Tokeh community were not in the procurement plan for 2016. No amendment was made to the procurement plan as required by section 27[3] of the PPR, 2006.

Furthermore, the procurement procedures used for the selection of the contractors to carry out the grading of the construction site of the tertiary hospital in Waterloo and the construction of the medical centre in the Tokeh community were not made known to the auditors. At the exit meeting held with the management team of the Ministry on 10th May 2017, the PS stated that this procurement was an addendum to an existing contract awarded to the contractor-Nimo Construction Company for the construction of the hospital under the Kuwaiti Fund; and that the consulting engineer, IDEAS Ltd recommended that the contract be awarded to the existing contractor, Nimo Construction Company. However, the written recommendation of IDEAS Ltd, minutes of the procurement committee meeting where IDEAS’ recommendation was approved and documents relating to the original contract were not made available for audit review. These were required to support the direct sourcing method used by the contractor, without complying with the procurement procedures. The procurement documents for these two procurement activities undertaken were not submitted for audit verification to ascertain how the sums of **Le1, 718,225,000** and **Le410, 486,185** paid to the contractors were determined.

The PS said that the Ministry will ensure that an updated procurement plan is maintained at all times and documents relating to the grading of the land at Waterloo for the construction of a hospital with funding loaned by the Kuwaiti Fund were available for audit inspection.

The Committee decided to keep the issue relating to the Procurement Plan in view. However, the Committee observed that documents relating to the grading and recommendation made by IDEAS and the minutes of the procurement committee meeting were not submitted for audit.

The Committee recommends that:

- **the PS supervises all procurement activities undertaken are appropriately planned and included in the procurement plan at the start of each year, and in the event of amendment, appropriate authority must be obtained in accordance with Section 27[3] of the Public Procurement Regulation of 2006; and**
- **The Procurement Manager submits to the ASSL all procurement documents relating to the grading, including the recommendation made by IDEAS and the minutes of the procurement committee meeting being submitted with immediate effect.**

35.4. Names of staff to be retired, but still on the payroll

The Committee observed from the review of the AG's Report that names of seven staff were still on the Ministry's payroll as at 31st December, 2016 and had received salaries which amounted to **Le35, 709,528**. These names were on the final right-sizing list of staff that were to be removed from the government's payroll effective 1st June, 2016, under the approved Civil Servant Right-Sizing Policy implemented by the Human Resources Management Office [HRMO] and the Ministry of Finance and Economic Development [MoFED].

Though the PS promised to take action, the Committee observed that the previous recommendation was not implemented.

In this regard, the Committee recommends that the Director of Human Resources at the Ministry informs the HRMO to take the necessary action with immediate effect.

35.5. Staff not available for physical verification

From the review of the AG's Report, the Committee noted that of the 140 personnel of the Ministry working in the Western Area who were selected for physical verification, 76 did not present themselves.

The PS stated that staff were selected at random for verification and a good number of them worked in health facilities in the provinces. He maintained that it would be difficult to take them away from their duty stations to Freetown for the verification.

Thus, the Committee recommends that the Director of Human Resources at the Ministry ensures that the remaining staff avail themselves for physical verification with immediate effect.

35.6. Staff list not updated with National Social Security numbers and duty location

The Committee observed from the review of the AG's Report that the staff list lacked vital information such as National Social Security and Insurance Trust [NASSIT]

numbers. The duty station for 176 personnel was also not stated. In addition, 297 personnel of the Ministry were without NASSIT numbers. Discussions held with the Director of Human Resources at the Ministry revealed that the lack of funding to the directorate was one of the causes for him not to follow up with NASSIT on staff identification numbers.

The PS said that a comprehensive staff list had been put in place maintained and that consultations will be held with the HRMO and NASSIT to ensure that appropriate NASSIT identification numbers were given to staff affected within the shortest possible time.

The Committee observed that previous recommendations were not implemented because Management failed to maintain comprehensive staff list, including duty station of personnel. That besides, was not submitted also evidence in the form of letter or minutes of meeting of consultation held with HRMO and NASSIT was also not submitted.

The Committee recommends that the Director of Human Resources at the Ministry should ensure that they maintain a comprehensive staff list that includes their duty station and this should be updated regularly. The Director of Human Resources at the Ministry, through consultation with the HRMO and NASSIT, should ensure that NASSIT identification numbers are assigned to these staff within the shortest possible time.

35.7. No overseas medical returns submitted for 20 patients

From the review of the AG's Report, the Committee observed that there were no returns for overseas medical expenditure such as admission cards, discharge cards, invoices and receipts to support the sum of **Le1, 247,016,444**.

The PS stated that it had not been the practice for returns to be submitted to this Ministry by patients when they return home from medical treatment overseas. He however stated that action would be taken to inform all beneficiaries to submit returns after their treatment.

The Committee recommends that in future, the Chief Medical Officer should ensure that mechanisms are instituted for medical returns to be submitted by beneficiaries upon their return from overseas treatment and all documents relating to Le1, 247,016,444 should be submitted by beneficiaries to the Chief Medical Officer.

35.8. Medical payment exceeding stipulated threshold

The Committee noted from the AG's Report that payment of **US\$10,000** made in respect of overseas medical treatment exceeded the approved amount of **US\$8,000** authorised by the Sierra Leone Medical Board. This resulted in an overpayment of **US\$2,000**.

According to the PS, payments for medical treatment abroad were processed only after executive approval and payments were computed from the Executive Clearance approved by His Excellency. The Committee observed that the previous

recommendation was not implemented as evidence in the form of medical bills and receipts for the excess payment made was not submitted for verification.

Contingent upon the above, the Committee recommends that:

- **the Director of Financial Resources provides appropriate explanation why the amount paid exceeded the amount approved; and**
- **evidence in the form of medical bills and receipts, justifying excess payments should be submitted by the Director of Financial Resources to the auditors before the adoption of this report by Parliament.**

36. MINISTRY OF WORKS, HOUSING AND INFRASTRUCTURE, HQ - 2015

36.1. Assessment and reconciliation reports for building permits, quarry licenses not submitted for audit.

The Committee noted from the review of the AG's Report that the Ministry did not submit assessment and reconciliation reports for building permits, quarry licenses and petroleum storage, in order to verify that assessments were done before building and other permits were issued to the applicants. The Report maintained that that was in contravention of section 40[1] of the Financial Management Regulation 2007 even though the sum of **Le983, 155,650** was collected for various license fees for the year under review.

In his reaction, the PS said that the National Revenue Authority Officer in the Ministry usually collect revenue. He stated that the applicants would make their payments through the bank and the pay-in slips in triplicate are brought to the NRA Officer who then records and refers the client to the specific division for processing. The PS however promised to ensure that assessment reports are prepared by the revenue generating divisions and submit same to the Principal Accountant for reconciliation. The Committee observed that the Ministry did not submit evidence of assessment and reconciliation reports for verification with all the effort applied by the auditors.

Therefore, the Committee recommends that the PS should ensure that the various heads of divisions develop assessment and reconciliation reports on the issuance of building permit, quarry licence and petroleum storage fees and make sure the Ministry implements the various provisions within the law books.

36.2. No contract agreement for erection of masts on top of Youyi Building

Five mobile companies [Airtel, Africell, Smart, Comium and Datatel] erected their masts on top of Youyi Building. However, no agreement was submitted for audit inspection. It was further observed that only Smart Mobile Company made rental payment of **Le32bln** for four year period between 2012 to 2016 in respect of its mast erected on top of Youyi Building. There was also no evidence to ascertain whether that amount was the actual fee that should have been paid for the said period. Although Comium and Datatel mobile companies had ceased operations, their masts were not dismantled from the building.

The PS stated that the Ministry had written a letter to the five mobile companies, inviting them to a meeting to resolve the matter. He added that the issue would be settled accordingly as recommended. However, the Committee observed that the letter written to the mobile companies to meet and resolve the issue was not submitted for audit verification and the amounts owed by the mobile companies had not been recovered.

In view of the above, the Committee recommends that the professional head correct these anomalies with immediate effect, and that the mobile companies pay their outstanding amounts without further delay.

36.3. Purchase of properties without relevant documents

It was observed from the review of the AG's Report that a property was bought in Belgium as an additional building to the diplomatic chancery for **Le10, 050,119,000**. Another property was also bought in Kabala for **Le1, 541,727,750**. The Report revealed that supporting documents such as conveyances, receipts, survey plan and purchase agreements were however not submitted for audit, even though requests were made.

Asked to explain why those documents were not provided, the PS said that in the case of property bought in Belgium for **Le10, 050,119,000**, as an annex to the diplomatic chancery, this transaction was processed and paid for by the Accountant Generals Department, who should be in a better position to provide the relevant documents requested for by the auditors. He however stated that for the property bought in Kabala, the relevant documents such as conveyances, survey plan and purchase agreement had been put together and would be made available to the auditors.

Committee observed that the Ministry submitted for verification copy of preliminary contract agreement in respect of the purchase of real property in Belgium and that the preliminary agreement did not make provision for the parties [seller and buyer] to sign.

Therefore, the Committee recommends that the Procurement Officer should submit the conveyances, receipts, survey plan and purchase agreements with immediate effect.

36.4. Bank statement and reconciliation not submitted

From the review of the AG's Report, the Committee noted that out of five bank accounts maintained by the Ministry, bank statements for two accounts were not submitted for audit inspection. These are: Rehabilitation of Community Poverty Reduction Project account and the Agricultural Sector Rehabilitation account at the Bank of Sierra Leone. As a result, evidence of bank reconciliation were also not submitted for audit which is in contravention of section 139[1] of the FMR, which requires each bank account to be reconciled with the cashbook at least once a month. It was also noted that a total of **Le36, 695,988** was given out as loan to different officers from the Miatta Conference Hall account for which there is no evidence of payment or repayment plan.

The PS in his response said statement of one of the bank accounts [i.e. Agriculture Sector Rehabilitation Account] was re-submitted to the auditors during the audit exit meeting and an explanation further that the Bank of Sierra Leone during the time of upgrading their system of T24, lost sight of the other bank account [Rehabilitation of Community Poverty Reduction Account]. The PS said that they could not locate it at the time. He promised to submit the Agriculture Sector Rehabilitation Account to the auditors before the conclusion of the 2017 audit exercise.

The Committee observed that the payment plan in question was submitted and the bank statement for the Agriculture Sector Rehabilitation Account with a closing balance of **Le318,650** was verified, whilst the bank statement for the Rehabilitation of Community Poverty Reduction Account was not submitted for verification.

Thus, the Committee recommends that the Principal Accountant should ensure that the bank statements for the remaining two bank accounts are submitted with immediate effect and that the loans are collected from the different officers.

36.5. Personnel who failed to turn up for verification

The Committee noted from the review of the AG's Report that twenty personnel of the Ministry who received a total salary of **Le279, 313,672** for the year under review, were not available for physical verification.

The PS stated that out of the 20 personnel, two of them were deceased and their names had been deleted from the payroll. The others, he said, were in posts. He added that a personnel list would be available for verification.

The Committee recommends that the Human Resource Officer should ensure that the personnel in question are available within two weeks; otherwise their names should be forwarded to the HRMO for appropriate action.

37. MINISTRY OF LANDS, COUNTRY PLANNING AND THE ENVIRONMENT–2015

37.1. Conversion of leasehold to freehold before expiration date

From the review of the AG's Report, the Committee noted the following:

- Leases were granted for longer periods and later converted into freehold purchases few years down the line. For instance, a lease was offered to an applicant on 11th February, 2014 for 21 years for **Le5, 000,000** per annum, and sold on 11th November 2015 for **Le8, 000,000**. This was in contravention of the lease agreement which negates any outright sale of the leased land. This issue has been repeating itself and nothing has been done to amend the anomaly;
- An agreement was entered into on the 8th September, 2008 with Central Atlantic Investment, a commercial property developer. The agreement stipulates that the ministry was entitled to **10%** of the net profit realised in respect of any housing unit constructed by Central Atlantic Investment. We were however unable to

determine the total amount realised by the Ministry as a report in the form of financial records or status detailing the number of housing units constructed and sold by this company was not made available for audit. Evidence such as bank statement, pay-in slip, etc. indicating payment of the **10%** of the net profit was not made available to confirm that this requirement was met by Central Atlantic Investment.

The PS stated that all leases were operated within the lease agreement and all variation regarding leases and sales of state lands had the express approval of the Minister as provided by law. He added that Atlantic Investment had been approached on the issues of the **10%** and their responses had been that sales were yet to be concluded. He mentioned that he awaits further action from them.

The Committee observed that the issues were unresolved as a guideline on the conversion of state lands from leasehold to freehold was not developed. On the issue of Central Atlantic Investment, the Committee observed that it was un-cleared as a status report in the form of financial records detailing the number of housing units constructed and sold by Central Atlantic Investment was not made available to the Committee for inspection.

In that regard, the Committee recommends that:

- **The PS should ensure that a clear guideline on the conversion of state land to freehold is developed and implemented within the shortest possible time in order to prevent reoccurrence; and**
- **The PS should also ensure that a status report on the sale of the housing units by Central Atlantic Investment is submitted to recover the amount due to government within 30 days of the adoption of this report by Parliament.**

37.2. Poor management regarding lease of state lands

The Committee observed from the review of the AG's Report that the Excel sheet submitted in respect of lease arrears for personal and commercial leases did not specify the period for which the amounts were owed. In addition, the Ministry did not maintain a database of private lease of state lands and as such we could not determine the actual number and category of people benefitting from the lease of state land. This also restricted us from making a reasonable estimate of the total lease rent to be derived from such leases. Furthermore, review of personal files maintained for lease of state land revealed that some files lack key documents such as application letter, acceptance of offer letter, lease agreements, site plan, offer letter, and inspection report to justify that key processes for the allocation of the lease of state land were adhered to.

In his response, the PS stated that a database of private leases had been put in place for audit inspection. He maintained that the Ministry had been making frantic effort to improve records management system of state lands. The further stated that the Ministry maintained analogue records of all lease transactions which they had been gradually transferring into the digital format and updated on a daily basis.

The Committee observed that the database of private leaseholds and records was submitted during the audit for verification. The periods in arrears were not included in the database submitted. On the issue of records management of the lease of state lands, the Committee noted the need for improvement.

The Committee recommends that arrears for personal and commercial leases should specify the years for which the amounts were owed and the PS should ensure that a database of private leases and records of arrears is prepared and maintained for reference to aid the Ministry in planning and for reference purpose.

37.3. Procurement procedures not followed

Payments totaling **Le211,340,000** were made for various procurement for which procurement documents such as valid tax clearance, request for quotations and signed local purchase order, etc. were not made available for audit inspection.

Though the PS said that the documents were available for inspection, the Committee however observed that a balance of **Le151, 590,000** relating to the procurement document was still outstanding.

Therefore, the Committee recommends that the Procurement Officer should submit the procurement documents with immediate effect or refund the outstanding amount to the CRF.

37.4. Withdrawals from land shelter development account without supporting documents.

Withdrawals amounting to **Le87, 244,062** were made from the Land Shelter Development bank accounts without supporting documents to substantiate the utilisation of funds.

The PS informed the Committee that the documents had been numbered and cross referenced. The Committee observed that supporting documents for **Le56, 300,000** were submitted and verified, leaving a balance of **Le 30,944,062** still outstanding.

Therefore, the Committee recommends that the Accountant should ensure that payments from initiation to completion are supported by payment vouchers and the relevant supporting documents, and these should be numbered and cross referenced, otherwise the remaining amount should be refunded to the CRFA and evidence forwarded to the Committee within 30days of the adoption of this report by Parliament.

37.5. Payment without adequate supporting documents

The Committee observed from the review of the AG's Report that payments totaling **Le296, 790,966** were made in respect of the Land Shelter Development Bank Accounts, special imprest, travelling, stationery, etc. without adequate supporting documents such as report, receipts, beneficiaries list etc. to substantiate the utilisation of funds.

The PS stated that the documents were ready for audit verification. The Committee observed that supporting documents for **Le130, 253,404** were submitted and verified, leaving a balance of **Le 166,537,562** outstanding.

Therefore, the Committee recommends that the Accountant should ensure that supporting documents are made available to the auditors; otherwise the remaining amount should be refunded to the CRFA.

37.6. Withholding taxes deducted but not paid to NRA

An amount totaling **Le38, 868,000** was deducted as **5%** withholding tax of which only **Le33, 507,500** was paid to the NRA, leaving a balance of **Le5, 360,500** unpaid.

The PS stated that management would follow this issue up and the evidence would be submitted in due course. The Committee observed that the withholding tax receipt submitted did not relate to the period under review.

Therefore, the Committee exhorted the Accountant to ensure that the outstanding amount is paid to the NRA and evidence without any undue delays, otherwise; the entire amount must be surcharged from his salary and pay to the CRFA without undue lays.

37.7. Bank statement not submitted for audit inspection

The Committee observed from the review of the AG's Report the NRA's hard copy bank statements for the period under audit were not made available for audit inspection upon request; instead, a soft copy of the bank statement whose authenticity cannot be guaranteed due to the fact that it can be easily manipulated was submitted. Additionally, from the reviewed NRA cashbooks, amounts totaling **Le4, 664,282,713** were collected, but these could not be traced to the bank statement due to its lack of adequate description.

The PS told the Committee that management had requested the NRA to provide bank the statement. The Committee observed that a copy of the bank statement was submitted for the NRA General Revenue Transit Leones Account held at the First International Bank for audit verification. It was also observed that of the total **Le4,664,282,713**, only **Le1,926,890,730** was deposited, leaving a balance of **Le2,737,391,983**.

The Committee recommends that the NRA Officer ensures that the hard copies of the said bank statements for the various NRA accounts are made available for audit inspection with immediate effect or amount be surcharged.

38. MINISTRY OF LANDS AND COUNTRY PLANNING - SOUTH-2016

38.1. Control over lands leased by government.

Kakua Chiefdom [Government Reservation]

The Committee observed from the review of the AG's Report that the lease document between Government, the land holding family and the tribal authorities in respect of the lease of the government reservation in Kakua Chiefdom, Bo District was not submitted.

The AG's Report stated that during a review of correspondences between the land holding family, tribal authorities and the Ministry, it was observed that the government leased lands [government reservation] from the land holding families and tribal authorities in the Kakua Chiefdom, Bo District in 1945. Furthermore, it was observed that the Ministry's records revealed that government stopped the lease payment to the lessees in 1961. In March 1996, the Provincial Secretary South recommended the release of acres of leased lands by the Government. In August 2001, the Regional Surveyor was instructed by the Acting Permanent Secretary to survey 10 acres of land on behalf of the Sandemahun family in Bo, out of the 150 acres of land leased to the government by the family. However, no further evidence was provided to confirm that both of these letters were acted upon.

The Committee further noted that the land holding families promised to replace the said portion of land elsewhere in fulfillment of Government's desire to create a land bank. However, no further evidence was provided to confirm that this promise was fulfilled by the land holding family. Additionally, it was observed that some of the lands in the government reservation have been sold by the land holding families to private individuals.

39. Tikonko Chiefdom [Bo Airfield]

During a review of lease documents in respect of Government lands [Bo Airfield] that was leased since 1953 for a period of 50 years, it was observed that the lease agreement expired in August 2003 and there was no evidence to show that it was renewed. Further review of documents revealed that the Government owed the land holding family arrears for 31 years [that is 2nd January, 1972 to 2nd January, 2003] and there was no evidence to show that these arrears had been settled by the Government or that lease payment was made for January 2004 to January 2016. Additionally, it was observed that some of the lands at the Bo Airfield had been sold by the land holding families to private individuals.

According to the Regional Surveyor [RS], the lease document for reservation between Government and the land holding family was not submitted because it was not found in their archive. He admitted that Government stopped paying leasehold rent to the leased. **"In 2003,"** he told the Committee, **"a letter was written to the Regional Surveyor South by the Permanent Secretary for the replacement of 35 acres of land situated at the outskirts of Bo, to be added to Government Land Bank."** He said that the letter was written by the then Permanent Secretary to the Regional Surveyor South to survey 10 acres of land on behalf of the Sandemahun family in Bo out of the 150 acres lease to the Government by the family.

The Report maintained that the land holding family promised to replace the said portion of land elsewhere but the land was not surveyed by the Regional Surveyor South. Some of the land in the Government Reservation has been sold by the land holding families to private individuals without the approval of the Government showing that they have released these lands. These include so many buildings erected in there by private individuals.

40. Tikonko Chiefdom [Bo Airfield]

In his response, the RS stated that government leased the Bo Airfield from the tribal authorities in the Tikonko Chiefdom, Bo District on 17th August, 1953 for a period of 50 years. The lease agreement expired in August, 2003 and since then; Government has not renewed the lease agreement. The Bo Airfield lease commenced from 1953 with the initial period of 50 years and the lease rent for the period extending from 2nd January, 1972 to 2nd January, 2003.

The Committee recommends that:

- **the lease documents are provided for inspection;**
- **all negotiations are clearly set and promises fulfilled; and**
- **disputes over lands are settled immediately.**

40.1. Control over lease of state lands

In an interview with key officials of the Ministry, it was observed that applications, approval and payment for the leases of state lands were made in the Ministry's headquarters in Freetown without reference to the regional office. In addition, the Ministry's regional office did not have copies of lease documents and other vital documents such as lease agreement, receipts for payments made for the land and letter for the renewal of expired lease agreement for all of the 31 state owned lands under lease during the period under review. The lease period for 30 of 31 leases of state owned lands had expired and there was no evidence to confirm that renewal was done by the occupants.

The RS stated that the processing of state land lease was done at the Ministry's headquarters in Freetown, such as offer letters, payment of lease rent and the signature of the Director of Surveys and lands. On non-availability of lease documents, the RS revealed that the lease documents, such as survey plans were not provided, but the list of 31 lands under lease was provided.

Addressing the issue relating to the on expiration of lease without renewal, the RS said that there were long term leases, but modalities had been put in place for the occupants to renew their leases. The Committee observed that all issues outlined are yet to be resolved by the Ministry.

Therefore, the Committee recommends that:

- **the regional office is involved in the process of leasing state lands in the Southern Region; and**
- **copies of all documents on leases of state owned lands should be kept in the regional office for reference purposes.**

40.2. Non allocation of imprest grants and fuel

The Committee observed from the review of the AG's Report that there was no documentary evidence to confirm that imprest, grants and fuel were allocated to the regional office from headquarters for the period under review.

The RS mentioned that there were no imprest, grants and fuel allocation in the regional office from headquarter. The Committee observed that the regional office is yet to receive periodic allocations and the issues are still unresolved.

In that regard, the Committee recommends that PS should ensure that supports in the form of grants, fuel and imprest are provided to the regional office.

41. MINISTRY OF FISHERIES AND MARINE RESOURCES -2016

41.1. Revenue not deposited into the Consolidated Revenue Fund Account

The Committee observed from the review of the AG's Report that the Ministry assessed and recorded revenue in respect of licences and other fees totaling **Le56, 774,996,318**. However, bank statements from the Bank of Sierra Leone indicated that the sum of **Le Le55, 481,270,896** was deposited by the National Revenue Authority [NRA]. There was however a difference of **Le1, 293,725,421** not deposited by NRA. Furthermore, the bank statements of the transit account[s] from NRA were not submitted for audit, thereby restricting us from ascertaining the actual amount deposited into the account[s], as well as the amount transferred to the CRFA. Appropriate reconciliation/reasonable explanation justifying this difference was not provided for audit.

The PS stated that the NRA had the responsibility to deposit funds into the CRFA and the noted that Ministry had written to the Commissioner General of the NRA, requesting them to reconcile the **Le1, 202,447,666**. The Committee observed that the variance of **Le1, 202,447,666** in the Marine Resources Account had been verified.

The Committee recommends that the NRA officer, in consultation with the Accountant in the Ministry, investigates any difference and evidence provided as part of their periodic review report.

41.2. Disbursement without adequate supporting documents

Payments totaling **Le451, 215,750** were disbursed by the Ministry without adequate supporting documents such as receipts, back-to-office reports, beneficiaries list, etc. to substantiate the utilisation of the said funds.

The PS said that the Auditor-General's recommendation had been strictly adhered to. He spoke about the mistake made, but however said that the approved distribution list, signed list of beneficiaries, certificates of receipt of goods and expenditure returns/retirement details [receipts, invoices, certification, delivery note etc.] were available for audit verification. As for the payment in respect of Fisheries and Marine Training Institute and the West Africa Regional Fisheries Project [WARFP], these payments were logged into their various accounts in 2017 financial year.

The Committee observed that supporting documents such as signed list of beneficiaries, certificate of receipt, etc. totaling **Le313, 507,000** were submitted, leaving a balancing of **Le137, 708,750**.

The Committee recommends that the PS must ensure that the accountant performs the following:

- **all transactions are supported by the relevant documentation and they must be numbered and cross referenced for of reference;**
- **evidence in respect of Le451,215,750 is forwarded to the Committee for inspection with immediate effect.**

41.3. Ineffective personnel management

The Committee observed from the review of the AG's Report that a staff failed to report for duty since March, 2016 when she was posted to the Ministry. Total salary paid to her amounted to **Le8, 075,180**.

The PS stated that he submitted a payroll anomaly form to the Accountant General through the Director General, HRMO pointing out the anomaly. He also mentioned that the Senior Human Resource Officer also did a memo to the Director General, HRMO on the same issue of which the document was available for verification.

The Committee observed that the staff who was initially posted to the Ministry had been re-posted to the Ministry of Finance and Economic Development [MoFED] and there was no evidence from the Human Resource Management Office justifying that appropriate action had been taken despite several letters sent by the Ministry.

Thus, the Committee recommends that the PS, the Senior Human Resource Officer and the HRMO ensure that the staff avail herself for verification, otherwise the amount paid to her should be refunded.

41.4. Ineffective internal audit unit

The Committee observed from the review of the AG's Report that there was no functional internal audit committee at the Ministry as there was no list of committee members; neither was there minutes of committee meetings. Of the seven audit exercises planned by the internal audit unit for the year under review, it was however observed that none was executed. There was also no evidence of working papers or an internal audit report presented for those planned audits.

The PS said that the Internal Audit Committee had been formed and was operating effectively and efficiently. The committee will be available for audit verification. The Internal Audit documentary explanation for the anomalies observed was also available for verification, he added.

The Committee observed that evidence in the form of letters justifying that appropriate collaboration had been made between the Ministry and the Internal Audit Directorate and list of Audit Committee members, and minutes of meetings in support of the establishment of an Internal Audit Committee was not submitted for audit.

The Committee recommends that the PS, in collaboration with key management staff and the Internal Audit Directorate of MoFED, should ensure that an appropriate Audit Committee, charged with the responsibility of supervising the Internal Audit Unit, is established within the shortest possible time.

41.5. Withholding taxes not deducted and paid to NRA

Contrary to section 117[3 & 4] of the Income Tax Act, 2000 which stipulates that withholding taxes be deducted on the gross amount of any payment made to contractor[s], it was observed that withholding taxes which totaled **£4,250** was not deducted from contract staff's salaries, and **5%** withholding taxes which totaled **Le11, 304,350** and **£2,127** from payments to suppliers were also not deducted.

The PS said that they were awaiting responses from West Africa Regional Fisheries Project [WARFP] management team.

The Committee observed that evidence in the form of receipts from the National Revenue Authority justifying payment of withholding tax was not submitted for audit verification. The Committee recommends that project coordinator must ensure that the Accountant recover the total amounts of **£6,378** and **Le11, 304,350**, and pay them to the NRA without further delays.

41.6. Improper procurement activities

Contrary to section 2[1] of the Financial Management Regulations, 2007 which mandated a vote controller to operate, open, competitive and transparent procurement, it was observed that procurement undertaken for goods and services through the request for quotation method worth **Le88,497,000**, was improper. Business registration certificate, NRA tax clearance certificate, NASSIT contribution clearance certificate etc. to justify the basis upon which suppliers were selected were not seen during review of files submitted for audit.

The PS said that they were awaiting response from West Africa Regional Fisheries Project [WARFP] management team. The Committee observed that documents such as business registration certificate, NRA tax clearance certificate etc. justifying the basis for the selection of suppliers were submitted and verified for procurement worth **Le10,012,000**, leaving a balance of **Le78,485,000** worth of procurement documents not submitted for verification.

The Committee recommends that the Project Coordinator and the Senior Procurement Officer at the Ministry ensures proper supervision over the project's procurement process. The Project Accountant should ensure that the relevant documents are submitted for inspection; otherwise the amount involved be refunded.

41.7. Supporting documents not submitted for audit

The Committee observed from the review of the AG's Report that the project did not prepare and submit financial statements for monies received from the Government of the Isle of Man as grant to the Ministry of Fisheries from 7th July, 2015 to 31st December, 2016. In addition, documents such as bank reconciliation statement, project assets register, etc. not submitted for audit inspection.

The PS said that they were awaiting response from West Africa Regional Fisheries Project [WARFP] management team. The Committee observed that the financial statement and project assets register were submitted, but other documents such as bank reconciliation statements were not submitted.

The Committee recommends that the Project Coordinator and the Principal Accountant must ensure that the Project Accountant prepares and submits the annual accounts for audit.

42. MINISTRY OF POLITICAL AND PUBLIC AFFAIRS - 2014–2016

42.1. Annual procurement plan not submitted

The Committee observed from the review of the AG's Report that the procurement plans for 2014, 2015 and 2016 were not submitted for audit.

The PS stated that evidence of procurement plans for the years referred to were available for inspection. The Committee's engagement with officials of the Ministry revealed that the approved procurement plans for 2014, 2015 and 2016 were not submitted for verification.

The Committee recommends that the Procurement Officer should submit the approved procurement plans for 2014, 2015 and 2016 within 30 days after the adoption of this report by Parliament. The Committee further advised that procurement plans must be prepared and approved by relevant authorities.

42.2. Contract splitting

From the review of the AG's Report, the Committee noted that contract worth **Le91,800,000** for the procurement of t-shirts was divided into two portions of **Le47,800,000** and **Le44,000,000**, then awarded to Techno Graph Designs/Artist in June 2015 contrary to Section 37 [2] of the Public Procurement Act, 2016.

The PS said that the supply was issued on diverse dates because at the time of the activity, funds were not readily available for upfront procurement of the items. He added that he would endeavour to comply with the rules in future.

The Committee advised the PS to avoid contract splitting, so as to prevent wastages.

42.3. Withdrawals with no supporting documents

Review of bank statements revealed that cash withdrawals totaling **Le275,437,500** were made from the United Bank for Africa bank account up to 30th November, 2016. Payment vouchers and supporting documents were not submitted for these payments. The PS stated that the bank withdrawal statement documents had been retrieved.

The Committee noted five payment vouchers reflecting the sum of **Le22,073,750** were submitted for inspection. The Committee however observed that those payment vouchers were not backed by adequate supporting documents, such as fuel and lubricant receipts, a back-to-office report, etc.

Therefore, the Committee recommends that the PS must ensure that the required supporting documents be submitted to the Committee otherwise, the entire amount should be refunded to the CRFA and evidence of such forwarded to the ASSL for verification.

42.4. Payments without adequate supporting documents

The Ministry made payments totaling **Le94, 099,295, Le473, 659,008** and **Le120, 845,000** in 2014, 2015 and 2016 respectively, without adequate supporting documents such as invoices, fuel chits and reconciliation, distribution list, etc.

The PS informed the Committee that supporting documents were now available for audit inspection.

The Committee observed that supporting documents for the distribution lists and retirement details for special imprest were submitted in the region of **Le15, 000,000, Le30, 000,000** and **Le37, 000,000** for 2014, 2015 and 2016 respectively.

The Committee recommends that the required supporting documents are submitted within 30 days of the adoption of this report by Parliament; otherwise, the entire amount should be refunded to the CRF and forward the evidence to the Committee.

42.5. Withholding taxes not paid over to the National Revenue Authority [NRA]

The Committee observed from the review of the AG's Report that withholding taxes totaling **Le7, 315,000** was deducted from payments to various suppliers but evidence of payment to the National Revenue Authority was not submitted for audit.

The PS stated that it was an oversight, but action had been taken to correct the situation. He mentioned that the Accountant would henceforth ensure that withholding taxes were deducted from payments. Though the evidence of payment was not provided to the Committee, the PS insisted that payment of the said amount was made to the NRA.

The Committee recommends that the PS must ensure that the taxes deducted are immediately recovered and paid over to the NRA; otherwise the accountant will be liable to pay the withholding tax within 30 days after the adoption of this report by Parliament.

42.6. Withholding taxes not deducted paid over to the National Revenue Authority [NRA]

From the review of the AG's Report, the Committee observed the following:

- the Ministry did not deduct withholding taxes totaling **Le4, 696,125** from payments to suppliers in 2015;
- the Ministry did not withhold taxes totaling **Le56, 166,500** from contract staff's salaries from January 2014 to May 2016; and
- the Office of Diaspora Affairs [ODA] did not deduct withholding taxes totaling **Le158,935,725** from January 2014 to December 2016 from payments to suppliers/vendors for goods and services and contract staff.

The PS apologised to the Committee, but stated that action had been taken to address all the issues. The Committee noted that the said amount had been paid and evidence was produced for verification.

Thus, the Committee recommends that the issue be closed.

42.7. Office equipment not distributed to regional offices

From the review of the AG's Report, the Committee observed that in 2016 the Ministry opened offices in Bo, Kenema and Makeni and staff have been assigned to these offices. At the time of audit, these offices were without office furniture and equipment even though the Ministry procured assets such as office fans, clocks, printers, televisions, video cameras, small fridges, electric water heaters and LED television for these regional offices. These items were delivered to the Ministry on 29th October 2014, but were not distributed to these regional offices.

The PS in his response said "lack of funds has been responsible for the lack of equipment and furniture in the regional offices. However, action will be taken to start provision of at least basic furniture and equipment to these offices when government allocated budget to the Ministry for 2017 is received. The office fans, clocks, printers, fridges etc. that were originally bought for the regional offices had to be issued to new offices in Freetown, because at the time they were procured, the regional offices were still not acquired and because they were in demand by the new offices, the Ministry had no choice but to distribute them among the Deputy Secretary, the Internal Audit and Procurement offices."

Committee's Comments and Recommendations

The Committee observed that the regional offices are still not equipped with office furniture and equipment. Therefore, the issue remains unresolved. The Committee recommends that the regional offices should be equipped with office furniture and equipment with immediate effect.

42.8. Unverified motorbikes

The Committee observed from the review of the AG's Report that the Ministry procured four motorbikes in 2015 for **Le35, 000,000 [Le8, 750,000/motorbike]** which were delivered on 21st March 2015. At the time of our audit verification, 12th January, 2017, we verified only two motorbikes which had not been used since the Ministry took delivery of them. The other two were not made available for physical verification.

The PS stated that the two motorbikes in questions were already delivered to the Bo and Kenema offices before the audit commenced. He said due to the urgent need for motorbikes by the officers in Bo and Kenema, they were allowed to be registered privately as government procedure of licensing takes a long time. He however stated that those motorbikes were available for inspection in Bo and Kenema. He concluded that the process to have those motorbikes undergo through the government registration process had begun.

The Committee informed the PS that registering two state owned motorbikes under the names of private individuals, amounted to a breach of control procedures which could result in the misappropriation of these motorbikes.

Thus the Committee recommends that the two motorbikes are re-registered as property of government of Sierra Leone with immediate effect.

42.9. Fixed assets register not updated

From the review of the AG's Report, the Committee observed that fixed assets register maintained by the Ministry was not updated because all assets were not recorded. In addition, the labels on majority of assets were not recorded in the fixed assets register.

The PS stated that some of the assets were recorded and the Accountant had been advised to update the assets record. The Committee noted that the updated fixed assets register was submitted for verification.

The Committee recommends that the Accountant should always ensure that the fixed assets register is updated.

42.10. Unverified staff

Of 13 contract staff at the Ministry, only eight were physically verified, leaving five unverified. It was also noted that one staff on the Ministry's payroll did not show up for audit verification, thereby restricting us from making a reasonable judgment as to whether he was a legitimate staff working for the Ministry.

The PS said that the five contract staff who were not verified were stationed in the provinces and staff with pin code number 170497 was not a staff of the Ministry. He said he had severally been reported to the Accountant General's Office for necessary action.

The Committee recommends that the staff in question avails himself for verification with immediate effect. Also, the Human Resource Officer should submit evidence of action taken to remove this individual from the Ministry's payroll and salaries paid to him recovered and paid into the CRF.

43. OFFICE OF DIASPORA AFFAIRS

43.1. Payments without adequate supporting documents

The ODA made payments totaling **Le174, 679,500**. Adequate supporting documents such as invoices, delivery notes, receipts, etc. were however not submitted for audit inspection.

The Director of the Office of Diaspora Affairs [DODA] stated that the supporting documents were submitted for inspection and that they might not have reflected the amount stated. He however noted that they had taken stock of the lapses and would try to improve as soon as possible.

The Committee recommends that the Director of ODA ensures that the required supporting documents are provided within 30 days of the adoption of this report by Parliament or refund the said amount.

43.2. Lack of fixed assets register and inventory Management Policy

The ODA did not have fixed assets register and an inventory management policy guiding the acquisition, management and disposal of its assets.

The DODA stated that the ODA had already embarked on preparing its fixed assets register. He promised to develop an asset policy that would readily guide the acquisition, management and disposal of assets.

The Committee recommends that the ODA should develop a fixed asset register with immediate effect. Also, the finance officer should ensure that the assets policy is developed and implemented.

43.3. Bank statement, cashbook and bank reconciliation statements not submitted

From the review of the AG's Report, the Committee observed that the ODA did not provide cashbooks and bank reconciliations, etc. from 2008 when it started operation, to December 2016. It also did not submit payment vouchers from 2008 to 2013 for audit.

In his response, the DODA said that ODA worked strictly on the timeframe as stated in the letter sent to them; i.e., from 2014 to 2016 and it was within that period they provided documents for. The Committee noted that management was reluctant to submit cashbook, bank statement and bank reconciliations, payment vouchers and supporting documents from 2008–2013 for inspection.

Contingent upon the above, the Committee recommends that the Finance Officer submits the cashbook, bank statement and bank reconciliations, payment vouchers and supporting document for inspection with immediate effect.

43.4. Supporting documents of duty-waiver beneficiaries not submitted

From the review of the AG's Report, the Committee observed that part of the ODA function is to approve and facilitate duty-waiver to diaspora returnees with official appointment by the government of Sierra Leone. The Committee noted that a database of duty-waiver beneficiaries was submitted, but supporting documents such as copies of official Government of Sierra Leone appointment letter, bill of lading, packing list, etc. were not submitted for audit inspection.

Reacting to the aforementioned issue, the DODA stated that all approved duty free concessions for diaspora returnees, processed by the officer-in-charge for duty waiver should have the required documentation. He however mentioned that he would check to see which waiver had not got the necessary documentation for processing and to fix such anomaly as soon as possible. The Committee noted that supporting documents such as copies of appointment letters, bills of lading, packing list, etc., were not submitted for verification.

The Committee recommends that supporting documents such as appointment letters, bill of lading, packing list, etc. be submitted within 30 days of the adoption of this report by Parliament.

44. AFRICAN PEER REVIEW MECHANISM

44.1. Rental agreement for APRM office space not submitted for audit

The rental agreement for the APRM office space at Sanders Street was not signed by either party even though the institution is presently occupying the building; and extensive repairs were being done at a cost to APRM, without any agreement. At the time of audit, the office environment was not conducive for official work.

Reacting to the issue, the Executive Chairman said that the rental agreement had been forwarded electronically to the office owner for signature because she was not within the country. He also spoke about the clause in the agreement which talks about recouping any amount being spent on repairs. He concluded thus: **"Rehabilitation work had been completed and office space is now conducive for work."** The Committee however noted that the signed rental agreement was submitted to the Committee and verified.

Therefore, the Committee recommends that the issue be closed.

45. MINISTRY OF LABOUR AND SOCIAL SECURITY, HQ 2014-2016

45.1. Revenue target not set by the ministry

From the review of the AG's Report, the Committee observed that Section 8[1] of the FMR 2007 was not adhered to owing to the fact that a reasonable estimate of revenue to be collected in respect of the issuance of work permits and factory inspection fee was not submitted by the Ministry.

The PS said that revenue projection/target was available in the Ministry's Performance Tracking Table for the period 2014 -2016. The Committee observed that the revenue projection/budget for the period under review was not submitted for inspection.

Thus, the Committee recommends that the PS, in collaboration with the NRA, should ensure that the revenue projections are realistic and achievable.

45.2. Revenue receipts not submitted

The Committee observed from the review of the AG's Report that receipts in respect of work permit and factory inspection fees from the National Revenue Authority to confirm revenue collected and recorded in the cashbook for 2014 to 2016 were not submitted for an amount totaling **Le8, 981,207,000**. This was in violation of section 42[2] of the FMR 2007.

The PS stated that the issue fell within the purview of the NRA to submit a comprehensive list of all NRA receipts for the period under review. He further revealed that the Ministry had already informed the NRA to make provide revenue receipts for the period under review.

The Committee noted that work permit and factory inspection fees totaling **Le7, 959,010,000** were submitted and reviewed, leaving an outstanding balance of **Le1, 022,197,000**.

The Committee recommends that the PS, in collaboration with the NRA, ensures that documents relating to revenue collected, totaling Le8, 981,207,000 are provided for inspection.

45.3. Bank deposit slips not submitted

We were unable to determine whether revenues collected for 2014 to 2016 totaling **Le8, 846,768,194** were deposited in various transit accounts maintained by the NRA and remitted to the CRFA; as bank deposit slips to justify deposits made were not submitted for audit.

The PS said that the issue also fell within the purview of NRA to maintain original copies of all bank slips submitted by the clients to NRA upon receipt of payment from the various commercial banks. He however said that the Ministry had communicated the issue to the NRA to submit same.

The Committee noted that the bank pay-in slips in respect of work permit and factory inspection fees totaling **Le5,315,490,000** were submitted and verified, leaving an outstanding balance of **Le3,531,278,194** for which bank pay-in slips were not submitted.

The Committee recommends that the PS must ensure that the bank deposit slips in support of revenue collected and recorded totaling Le8,846,768,194 are submitted by the NRA within 15 days after the adoption of this report by Parliament; otherwise, all parties involved must investigated by other relevant authorities precisely the ACC.

45.4. Differences between revenue collected, recorded and deposited by NRA and computation made by ASSL

Based on an analysis carried out by ASSL in respect of work permit forms and fees for 2016 fiscal year; ASSL's computation revealed total revenue collected as **Le4,963,600,000**. Records from the National Revenue Authority however indicate total revenue collected and recorded as **Le4, 851,437,000**. This however resulted in a difference of **Le112, 163,000** not recorded. In addition, bank deposits slips listed by the ASSL for 2016 indicated total deposits of **Le3,917,796,306** and a difference of **Le1,045,803,694** not deposited.

The Committee observed from the AG's Report that the sum of **Le4, 963,600,000** was not properly accounted for and this resulted in huge loss of revenue.

The Committee recommends that the PS should ensure that the differences noted are investigated and appropriate actions taken. The Committee warned if the issue is not addressed, it would be referred to the ACC for further probing.

45.5. Revenue assessment document not submitted

Work permit application forms, payment advice and bank deposit slips to ascertain total revenue collected, as well as to enable us perform a reasonable comparison with revenue recorded as per National Revenue Authority's cashbook and receipts were not submitted for the 2014 financial year.

In his response, the PS disclosed that Work Permit Bureau/NRA was currently putting together the required documents i.e. payments advice, application forms and bank deposit slips to ascertain total revenue collected in 2014 financial year. In addition, payment advice slips were maintained by the respective commercial banks /NRA upon receipt of payment. However copies maintained by MLSS will be made available.

The Committee observed that the work permit application forms, payment advice and bank pay-in-slips in respect of 2014 totaling **Le5,315,490,000** were submitted and verified, leaving a balance of **Le557,430,000**.

The Committee recommends that the Work Permit unit in collaboration with the NRA should ensure that the work permit application forms, payment advice and bank deposit slips are submitted with immediately effect.

45.6. Ineffective functioning of the Factory Inspectorate

From the review of the AG's Report, the Committee observed that interviews conducted with key personnel of the Ministry, as well as physical verification of factory facilities revealed that the majority of the Factory Inspectorate's equipment/machines such as gas oven, central lathe machine, liquid petroleum gas cylinder testing bay, tensile strength machine, rope and chain testing machine which were identified as defective and obsolete. were not functional enough to support the thorough inspection of factories as stipulated in the Factories Act of 1974.

The Factory Inspectorate Division did not maintain a comprehensive database of the status of factories operating in the country for the period under review as provided for in the Factories Act of 1974. Sections 7&8 of the Factories Act of 1974 make it mandatory for the annual registration of factories operating in the country. It was however observed that this provision was not complied with by factories operating in the country during the period under review. Review of a validated list of factories not registered revealed that 118 factories assessed with an estimated registration fee totaling **Le62, 250,000** failed to regularise their status even though they were verified and advised to do so by the Factory Inspectorate.

Section 8[3] of the Factories Act of 1974 mandates that failure by factories to pay assessment fees should attract a fine of Le100. This fine is not reflective of the prevailing economic situation in the country, taking into consideration financial and other resources spent to conduct assessment of factories.

The Committee observed that no action was instituted and therefore recommends that the PS ensures that funds are provided to procure

equipment necessary for the proper functioning of the Factory Inspectorate.

45.7. No Policies on Overseas Migration and Occupational Safety

From the review of the AG's Report, the Committee observed that the ensuring of occupational safety and the combating of illegal overseas employment constitute the core functions of the Ministry. There were however no detailed policies developed and implemented on overseas migration and occupational safety and health especially taking into consideration the current spate of unplanned migration of citizens.

The PS stated that a concept note had already been developed with members of the technical team to lead the process identified for the development of a policy on Occupational Health and Safety. The Committee further noted that evidence in the form of a detailed policy on overseas migration and occupational safety was not submitted for verification.

Consequently, the Committee recommends that the PS makes appropriate consultations with key stakeholders of which relevant labour laws are reviewed and ratified, and detailed policies developed on overseas migration as well as on occupational safety and health.

45.8. Functioning Inter-ministerial Committee

The Committee observed from the review of the AG's Report that the Ministry of Labour has the mandate to develop policies and manage programmes relating to employment, social security and industrial relations. There was however no indication of an established inter-ministerial committee on employment as agreed in the performance contract signed with His Excellency the President.

According to the PS, part of the governance structure for the implementation of the National Employment Policy was the Inter-Ministerial Committee set up to provide strategic direction on the implementation and also update progress made. He mentioned that the Committee was established after the launch of the policy as evidenced in correspondences of the Ministry. The challenge, he added, had been getting the ministers to meet since their appointment. The Committee noted that evidence in the form of a register and minutes of inter-ministerial meetings conveyed was not submitted for verification.

In this regard, the Committee recommends that the PS should ensure that an Inter-ministerial Committee on employment is established with immediate effect.

45.9. No policy/guideline on the implementation of the Social Safety Net Scheme

From the review of the AG's Report, the Committee observed that the Social Safety Net Scheme was set up to provide social assistance for the poor and needy. It targeted vulnerable groups like orphans, disabled persons and the aged, all of whom must be unable to work even if jobs were available. There was however no evidence of a comprehensive policy/guideline on the implementation of the scheme which

received and utilised the sum of **Le6, 347,460,000** for the period under review. In addition, evidence in the form of minutes and an attendance register of meetings held was not submitted to confirm that there was an established committee with the responsibility of vetting and approving beneficiaries of the scheme.

In his reply, the PS said that the Social Safety Net Programme was established by a cabinet conclusion with comprehensive guidelines regarding its implementation methodology and strategy. He added that the formulation of a comprehensive policy and implementation strategy, entitled 'National Ageing Policy was at an advanced stage.

The Committee recommends that the coordinator should ensure that a comprehensive policy/guideline on the management of the Social Safety Net Scheme is developed and evidence of such document submitted to the Committee for inspection.

45.10. No comprehensive register of beneficiaries submitted

From the review of the AG's Report, the Committee observed that a database of registered beneficiaries aged 60 years or over of the scheme, monitoring and evaluation and annual reports for the years under review were not submitted for inspection, despite written requests and several verbal reminders .

The PS stated that the Unit did maintain a dataset of all registered and photo verified vulnerable aged nationwide, together Social Safety Net Stakeholders Committees in all the 149 Chiefdoms in the Provinces and 21 Constituencies in the Western Area. Unfortunately, he told the Committee, the personnel who were handling those reports went for training in China at the time of the audit.

The Committee noted that the approved list of beneficiaries of the scheme was submitted and verified. It was however observed that monitoring and evaluation reports and other relevant reports on the activities of the scheme were not submitted for inspection.

In view of the above, the Committee advised the PS to ensure that an approved list of beneficiaries of the scheme is submitted for inspection.

45.11. Disbursements not backed by adequate supporting documents

A review of the AG's Report revealed that disbursements totaling **Le146, 265,520** were not backed by adequate supporting documents such as receipt, back-to-office report, etc. in contravention of section 73[1] of the Financial Management Regulations, 2007.

The PS stated that the amount in question comprise of DSA for the Honourable Minister, Permanent Secretary and Head, Labour Migration and cost of return air tickets for trip to Kuwait on fact finding mission on the status of Sierra Leonean workers. According to the Report, auditors were informed that the trip was still pending; therefore, there was no back to office report until it was accomplished. The PS concluded that the delegation was expected to make the trip in October, 2017

and the DSA that was paid to the then PS was refunded into the Consolidated Revenue Fund and documents to the effect were shown to the auditors.

The Committee observed that the relevant supporting documents in the form of back to office report and boarding pass for payments amounting to **Le28,675,840** were inspected leaving an outstanding balance of **Le117,589,680**.

The Committee recommends that the Accountant should ensure that all public funds are properly accounted for and amount in question must be accounted for otherwise it must be refunded to CRF.

45.12. Poor management of assets maintained by the Ministry

From the review of the AG's Report, the Committee observed that the Ministry did not have an inventory management policy to guide the management of its assets during the period under review.

Thus, the Accountant should ensure that an inventory management policy that addresses the control and utilisation of the Ministry's assets is developed and implemented.

45.13. Inadequate controls over store items

The Committee noted from the review of the AG's Report that there were inadequate controls over the handling of stationery and consumables procured by the Ministry. Stationery and consumables purchased and utilised for the period under review worth **Le144, 400,000** were not taken on ledger charge, in violation of section 188[1] of the Financial Management Regulations 2007. The Committee further noted that requisitions, store issue vouchers and distribution list to justify this utilisation were not submitted for audit.

In his response, the PS stated that the amount in question comprised payment for stationery, computer consumables, furniture and office equipment. He added that the furniture and equipment were procured for the Regional Offices and signed distribution list would be made available. He disclosed that there was a delay in updating the allocated stores ledger for stationery items because the Ministry was without a store keeper. He however revealed that the stores ledger had been updated and available for audit inspection.

The Committee noted that evidence of procured items worth **Le98, 300,000** was verified, leaving a balance of **Le46, 100,000**.

In that regard, the Committee recommends that the Accountant provides the relevant store records and all purchased items are recorded on a timely basis in accordance with relevant PFM laws.

46. ADMINISTRATOR AND REGISTRAR GENERAL-2016

46.1. Poor fuel management

A review of the AG's Report revealed that the purpose of fuel policy is to provide guidance for authorised and efficient use of fuel by employees of the Department. The Report disclosed that there was no fuel policy at the OARG. In addition, the fuel register was not properly maintained as the register did not show the fuel balance

for the period under review. The AG's Report revealed that from the total chits which amounted to **Le122, 231,250** as recorded in the fuel register, only **Le81, 300,000** worth of chits were provided for audit review, giving a difference of **Le40, 931,250**.

The Administrator and Registrar General stated that the total fuel that was allocated to the office for the year under review amounted to **Le110, 000,000** which was entered in the Vote Service Ledger [VSL] and now available for verification. She however disclosed that the total fuel utilised for the period under review was **Le81, 300,000** and the balance of **Le28, 700,000** was not utilised but was carried forward to the FY 2017. She said chits of the said balance were available for inspection.

The Committee noted that during the verification exercise, fuel chits and register were submitted, but reconciliation and fuel policy were not submitted.

The Committee recommends that the Accountant should formulate a policy to guide and control the distribution and use of fuel and ensure that a fuel register is maintained and reconciled regularly with the fuel register at the fuel station; and the difference must be accounted for with immediate effect.

46.2. Revenue collected but not traced to the Consolidated Revenue Fund Account

From the review of the AG's Report, the Committee observed that the sum of **Le17, 535,000** was transferred from the transit account operated at the Sierra Leone Commercial Bank [SLCB] to be remitted to the CRFA. The said amount could not however be traced to the CRFA account at the Bank of Sierra Leone [BSL].

The Administrator and Registrar General stated that the transit account was controlled and operated by the NRA. The Committee noted that no response was received from the NRA in respect to this query.

The Committee therefore recommends that the NRA, in collaboration with the Sierra Leone Commercial Bank, should provide evidence of payment to the CRFA without further delay.

47. HUMAN RESOURCE MANAGEMENT OFFICE – 2016

47.1. Suppliers' business documents not attached to the payment vouchers

A critical review of the AG's Report revealed that the sum of **Le 222,705,000** were disbursed on procurement, but for which the suppliers were without business documents such as business registration certificates, NRA tax clearance and NASSIT clearance certificates.

The Committee's discussion with the auditors revealed that business documents such as registration certificate, tax clearance and NASSIT clearance certificate were not presented for procurement amounting to Le43, 403,000.

In view of the above, the Committee recommends that the relevant business documents are presented for inspection within 30 days of the adoption of this report by Parliament.

47.2. Revenue from Hall Rental not accounted for

From the review of the AG's Report, the Committee observed that with the exception of the subventions received, the team was not provided with information on any other source of income. It was further revealed that the team was able to observe that the Civil Service Training College had been renting its hall, for which fees had been paid. The monies received from had not been paid into the College's account. The team was able to confirm that during the year, two receipt books had been used by the college, i.e. 101-150 and 701-750. From the sample of six receipts examined during the course of the audit, a total **Le16, 000,000** was received by the College during 2016, but which was not accounted for.

The DG stated that the Civil Service Training College [CSTC] is a subvented agency and therefore, the Human Resource Management Office [HRMO] could not respond on their behalf as the college's funds were managed solely by the principal and his staff.

In view of the above, the Committee recommends that the amount in question be deposited in the college's account and evidence be forwarded for inspection with no delay.

48. IMMIGRATION DEPARTMENT HQ - 2016

48.1. Personnel files not submitted

From the review of the AG's Report, the Committee observed that forty-one staff files were not provided to the auditors for audit review.

The Chief Immigration Officer [CIO] admitted that 41 personnel files were not submitted for audit inspection since documents were not completed in those files. He further mentioned that he had endeavoured to contact all personnel concerned to send photocopies of their relevant documents to be inserted in their files. He said the files would be provided to the auditors.

The Committee recommends that the CIO must ensure that the files are produced with immediate effect for verification.

48.2. Passport production records not properly secured

A review of the AG's Report revealed that proper records were not maintained on the production of passports as was evidenced in the request made for the under-mentioned records which were not submitted:

- requests to BSL for issuing of blank passport for 2016;
- list of blank passports taken on charge at the CIO's office for 2016;
- list of blank passports submitted to the production room for the printing of passport for the period under review;
- list of unused blank passport from the production room for 2016;
- monthly production list of passports for 2016; and
- reconciliation of the production list with the CIO's list of applicants for 2016.

The CIO informed the Committee that the documents in question had been retrieved and they would be provided to the auditors for verification.

The Committee recommends that the CIO provides all documents within 30 days of the adoption of this report by Parliament.

49. SIERRA LEONE POLICE HQ-2016

49.1. Internally generated revenue utilised without approval from the Ministry of Finance and Economic Development

Section 51 [1] of the Public Financial Management Act 2016 states: “[1] Every person who collects, receives, or has a custody of any public money shall promptly deposit it into a bank account in such manner and within such period as prescribed by the Accountant-General, and a person who is not authorised by a head of a budgetary agency to do so may not collect, receive, or have a custody of, any public money.” The Committee observed from the AG’s Report that **Le 4,000,759,885** generated as own source revenue for various chargeable services offered by the SLP was retained in contradiction to the above regulation, and without the written permission of the Minister of Finance and Economic Development [MOFED]. Although there was evidence that the SLP had approached MoFED on the matter, the later was yet to respond, and therefore, the SLP had been in breach of the above regulation since the past five years.

In his reaction, the Inspector General of Police told the Committee that verbal approval was granted by the then Minister of Finance. He further disclosed that he held a meeting with Minister of Finance and the Commissioner General of the NRA and the Sierra Leone Police was permitted to retain revenue collected from services provided by SLP armed guards. He revealed that he had written two separate letters to the Chairmen of the parliamentary Committees on Finance and Public Accounts in order to seek their approval for the utilisation of revenue collected by the Sierra Leone Police.

The Committee’s engagement with the auditors and the Sierra Leone Police noted that the letters from the Inspection General of Police, dated 28th April, 2015, 9th October, 2015 and 1st March, 2017 were sent to the Honourable Minister of Finance and Economic Development, the Chairman of Public Accounts Committee and the Chairman of the Finance Committee in Parliament, seeking permission for the retention and utilisation of own source revenue collected by the SLP. However, the Committee stated that **“until a written approval is granted by the Honourable Minister of Finance and Economic Development, the said funds should not be utilised.”**

The Committee recommends that the Inspector General of Police seeks the approval of MoFED and other relevant authorities for the utilisation of these funds with immediate effect, otherwise the Sierra Leone Police must not utilise such funds.

49.2. Asset register not updated

The Committee noted from the review of the AG's Report that computer accessories and furniture worth **Le207, 050,000** were purchased during the year under review, but were not recorded in the fixed assets register.

In his response, the IG disclosed that the head of the Assets Management Unit had updated the fixed assets register with all assets purchased in the period under review. Evidence of such was now available for audit verification.

The Committee was shown the updated asset register and was verified by the auditors.

In that regard, the Committee recommends that the issue be closed.

50. SIERRA LEONE CORRECTIONAL SERVICES, HQ-2016

50.1. Procurement procedures not followed

A critical review of the AG's Report revealed that a request for quotation method was used in the procurement of office stores and suppliers instead of the national competitive bidding [NCB] method. The Report revealed that an amount of **Le124, 321,000** was used in the process. The contract was awarded to All Creature and General Services.

According to the DG, the procurement in question was for the construction of a wall fence at the female correctional centre at Willoughby Lane, Freetown. He said the procurement fell below the threshold of **Le 150,000,000** for works, as stipulated in the Procurement Act of 2016.

The Committee noted that management's response contradicts the description on the PV as stated in their response that the procurement was for works when the procurement was actually for office and supplies.

In view of the above, the Committee recommends that the Director General provides adequate explanation why the NPPA Act of 2016 was not followed for the said procurement; otherwise, other relevant authorities such as the ACC must probe into this matter.

50.2. Payments without adequate supporting documents

From the review of the AG's Report, the Committee observed that the institution procured spare parts worth **Le 801,801,000** for the period under review. It was however revealed that documents such as store receipts and issue vouchers were not presented for audit inspection to confirm the utilisation of these spare parts.

Asked the DG to update the Committee, he disclosed that stores issue voucher receipts in respect of the above were available, but the response was done verbally when the request was made during the audit exercise. He however stated that the documents 'are available for verification.' The Committee noted that store vouchers to the tune of **Le501, 265,000** were inspected, leaving an outstanding amount of **Le300, 536,000**.

The Committee recommends that the Director General provides the relevant documents with immediate effect otherwise, the amount in question must be surcharged.

50.3. Inefficient inventory management

From the review of the AG's Report, the Committee observed that some assets such as computer accessories, furniture etc. purchased by the Department for a total of **Le180,300,000**, were not recorded in the assets register for the period under review. The Committee observed that updated inventory ledger was submitted and inspected.

Therefore the Committee recommends that the issue be closed.

50.4. General observations

A critical review of the AG's Report revealed that the hospital at the Freetown Male Correctional Centre at Pademba Road with a capacity of 30 beds was not equipped with overhead fans, oxygen machines, sterilising equipment, defibrillator machine, etc.

The DG apologised to the Committee, but promised to take appropriate action when funds are made available by MoFED. He however stated that condition at the Male Correctional Centre had been improved considerably. The auditors confirmed to the Committee that there had been considerable improvement, but the exhorted the Director General to ensure that basic medical equipment are provided to enhance the condition of the hospital.

51. NATIONAL ELECTORAL COMMISSION - 2015

51.1. Lack of IT strategic Plan

A critical review of the AG's Report revealed that there was no evidence that an IT strategic plan was in place for the implementation of the Commission's information systems. It was recommended that the Commission should ensure that an IT strategic plan that covers all core business processes is developed and implemented.

In his response, the Executive Secretary [ES] stated that the IT Strategic Plan was included in the overall strategic plan 2014-2019 of the Commission. The Committee observed that the said document was submitted and verified.

In view of the above, the Committee recommends the matter be closed.

51.2. Lack of up to date licensed antivirus

The Committee observed from the review of the AG's Report that there was no updated licensed antivirus to prevent data loss within the server and computers used by staff.

In his reaction, the Executive Secretary mentioned that the lack of internet was responsible for the outdated status of the antivirus programme, adding that licenses had expired, but the Commission had an approved budget for licenses renewal. He further noted that procurement for the renewal of antivirus licenses was ongoing.

The Committee observed that the issue had not been resolved and called on the ES to ensure that updated licensed antivirus software is provided and installed to prevent data loss.

51.3. Lack of user profile policy

From the review of the AG's Report, the Committee observed that the Commission was yet to develop and implement formal policies and procedures guiding the creation, modification and management of user profiles on its information system. For instance, no document existed to show the number of users who were permitted into the Human Resource Information System [HRIS] and their level of access rights.

The ES noted that the aspect of profiling and user access right control was included in the IT Policy [Chapter 4] that had been approved by the Commission. He added that the department would work with the HR Director to develop the required document for the HRIS.

The Committee counseled Management to ensure that such policies are put in place without further delay.

52. SIERRA LEONE CIVIL AVIATION AUTHORITY- 2011-2014

52.1. Management of personnel files

From the review of the AG's Report, the Committee observed the following:

- Personnel files were not properly updated and maintained to prove that the actual file reflected the staff who owned them;
- evidence like birth certificates was not available in some staff file;
- promotion letters and confirmation letters after probation could not be traced within some staff personal files;
- loan application letters could not be traced on any of the staff files; and
- reports on training attended by staff could not be traced on staff individual file.

The Committee's discussion with the auditors revealed that personnel files in question had been submitted and verified.

In that regard, the Committee recommends this matter closed.

52.2. Regular bank reconciliation

A critical review of the AG's Report revealed that bank statements were not obtained from the bank on a regular basis, and bank reconciliations were not done on a regular basis.

The DG stated that all the bank reconciliations statements for the period had been prepared and in future all bank statements would be obtained on a monthly basis.

The Committee recommends that bank reconciliation should be done at the end of every month and management should follow-up with the bank to receive bank statement at the end of each month.

52.3. Pro-forma Invoices

The Committee observed from the review of the AG's Report that a number of transactions of material amount were made during the period under review without following prescribed procurement procedures.

The DG stated that all documents relating to the various procurement activities were available as stipulated in the National Public Procurement Authority Act, such as three requests for quotations [RFQ] evaluation reports and local purchase orders [LPO].

The Committee recommends that pro-forma invoices be obtained from three different suppliers before any purchase/transaction is undertaken in accordance with procurement procedures.

52.4. Personnel Policy

The Committee observed from the review of the AG's Report that the Authority issued fuel chits to members of staff while those staff were entitled to monthly transportation allowance apart from their salary.

In his response, the DG referred to Article 37.1 of the staff conditions of service, stating that the 'Director General, Deputy Director General and Directors and Senior Managers are entitled to official vehicles assigned to them, but that had not been implemented. He said 'Article 37.2 mentioned that the above category of senior staff is entitled to weekly allocation of fuel for their vehicles, as shall be determined by management to perform their official assignment.

The Committee noted that management has complied with the rules and evidence was submitted for inspection. The Committee recommends that this matter closed.

52.5. Board meetings and external monitoring

Board meetings were not held for the period under review. However, we noticed amounts were spent on board allowances and sitting fees

The DG stated that all the Board minutes for the period under review had been submitted and verified.

The Committee confirmed with the auditors and therefore recommends that the matter closed.

53. SIERRA LEONE PORTS AUTHORITY – 2016

53.1. Construction/Rehabilitation of Queen Elizabeth II main exit

According to the AG's Report, Section 29[6] of the Public Procurement Act, 2016 requires procuring entities to, where necessary and on a quarterly basis, review and update their procurement plans. The Report noted that contract for the construction or rehabilitation of the main exit road of the Queen Elizabeth II Quay, worth **Le3,283,174,278**, was not included in the 2016 procurement plan and budget

The General Manager [GM] told the Committee that Management reviewed and updated its procurement plan quarterly and on a need basis. He however noted that due to exigency and the bad state of the road, coupled with warning of halt of operation by commercial road users and stakeholders, Management requested the

Board to approve the construction of the exit road out of necessity, for which all necessary NPPA procedures were followed.

The Committee noted that the procurement process and decision taken to construct or rehabilitate the exit road to the quay was not prudent. However, when procurement was carried out, the original plan should have been updated accordingly and this was not done.

The Committee recommends that the PPA [2016] be complied and the procurement plans should be updated as and when the need arises and forward same to the Board for approval.

53.2. Inadequate controls over the processing of financial transactions

The Committee observed from the review of the AG's Report that payments totaling **Le432, 752,417** were made without adequate supporting documents such as invoice, receipt, back-to-office report, training report, beneficiary list, etc.

The Committee noted that supporting documents to the tune of **Le398, 116,093** were submitted and verified, leaving a balance of **Le34, 636, 323.20**.

Thus, the Committee recommends that the Financial Controller provides adequate supporting documents and maintains same at all times, and the outstanding amount must be properly accounted for and update the board for further actions.

53.3. Casual Labour

A critical review of the AG's Report revealed that the Authority engaged casual labourers. During the period under review, the Authority renewed the contracts without any break period to an extent that those contracts could be legally deemed as continuous employment.

Asked the GM to update the Committee, he stated that management had instituted fixed term contract for all contractors for which at the expiration of such contract, there was a break. He further disclosed that a review of performance had been undertaken which if positive, could lead to getting a new fixed term contract.

The Committee observed that evidence to substantiate the response given by management was not submitted. In that respect, the Committee asked the Authority to rectify the situation and ensure that in future, contracts relating to casual workers are renewed without any break.

54. SIERRA LEONE WATER COMPANY 2013-2015

54.1. Preparation of bank reconciliation

The Committee observed from the review of the AG's Report that the Company maintained two current bank accounts: one for the United State Dollars-USD [\$] account and another for Sierra Leone Leones-SSL [Le] account. However, the Institution had only accounted for one bank account in its records. The auditors became aware of a second bank account when they received confirmation from the bank. This of course means that the two accounts had not been reconciled.

Asked to brief the Committee on the status of the said issue, the Director General [DG] stated Bank reconciliations are often carried out on a monthly basis for all active bank accounts of the Company. The said USD account has not been used for any form of transaction since inception [over four years ago]. The Committee noted from the AG's Report that since it has not been an active account for that long, coupled with the immaterial balance it was opened with, it has been overlooked in the implementation of bank reconciliations. We however note the observation and will ensure that all subsequent bank reconciliations take due consideration of the said USD account.

The Committee recommends that management follows the due process in the opening of bank accounts and records are kept to prevent a reoccurrence of such query and ensure that the signatories thereto are current authorities of the bank.

54.2. No cash count certificate

The Committee observed from the review of the AG's Report that there was no evidence of cash counts conducted by any independent or superior staff on cash held by the Accounts Officer during the year under review.

Thus, the Committee recommends that regular and/or random cash counts should be conducted by a senior personnel or the Internal Auditor and correctly documented by the Accounts Officer. Again, staff who performs the count should ensure improvement in the monitoring over cash balances and discourage misappropriations of funds.

54.3. Monitoring of advance payment to staff

As part of benefits accruing to employees of the Company, advances are given to qualified staff to meet personal needs. These advances are expected to be repaid on a monthly basis over a specified number of months through payroll deductions. However, we noted from our review that advances given to staff are not appropriately monitored as some of the advances were granted without proper documentation on the repayment period.

In his response, the DG told the Committee that employees of SALWACO after their probationary period **"are entitled to staff loan and the amount is contingent on their basic salary and level of responsibility in the office. The repayment of these loans with a minimal interest rate is clearly stated in the Company's staff policy manual."**

The Committee encouraged management to ensure that the conditions are implemented for advances or staff loans. The Committee maintained that there must be an agreement for cash outstanding balances which should state or specify the period over which the staff should pay.

54.4. Improve controls over loans

A critical review of the AG's Report revealed that some loans given to the staff were over the specified credit limit stated in the loan policy and procedure manual.

According to the DG the ceilings stated in the loan policy/staff policy manual of the Company were stated using the old salary structure of the Company. He revealed that giving the new salary structure of the Company, middle level management staff and supervisory staff are automatically qualify for a maximum of **Le 10mln** [based on their revised basic salary]. He said that had a cascading effect on the quantum of loan junior staff level gets.

Thus, the Committee recommends that the Company complies with the written policies and procedures relating staff loans.

54.5. Improve control over property, plant and equipment

From the review of the AG's Report, the Committee observed that the following:

- aggregated items of property, plant and equipment were recorded in the property, plant and equipment register without any proper breakdown analysis, i.e., opening balance;
- the Company did not have a policy for the capitalisation of property, plant and equipment;
- property, plant and equipment were capitalised based on management's discretion without reference to cost.
- property, plant and equipment were not coded in order to facilitate identification; e.g. technical equipment.
- no physical verification of property, plant and equipment was performed during the period; and
- the existing property and equipment register did not include reference numbers.

After a fruitful discussion with the auditors, the Committee recommends the following:

- **all major property, plant and equipment should be coded with reference numbers [which should also be reflected in the fixed assets], so as to facilitate their identification whenever required;**
- **regular physical verifications of fixed assets should be done and the result of each physical verification should be reconciled with the fixed assets register and the general ledger. Any discrepancies should be investigated and corrected immediately;**
- **fixed assets should be individually recorded based on the coded numbers provided, and be promptly updated in the fixed asset register; and**
- **the fixed assets register should contain a reference to payment vouchers.**

54.6. No fixed wage rate for casual staff

The Committee observed from the review of the AG's Report that SALWACO stations had different wage rates per day as per station. For example some SALWACO stations pay **Le7, 500** per day, while some pay **Le10, 500** and others pay **Le 10,000** without any apparent approval from the Board.

Asked to update the Committee on the said issue, the DG said that management realised the differential wage rate for casual workers based on their areas of

operations. He however stated that a review was carried out and wage rates for daily wage workers were harmonised and fixed at a flat rate of **Le 17,500** per day in consonance with the government minimum wage rate.

Contingent upon the above, the Committee recommends that all casual staff should have contract agreements from the Head Office and with a uniform rate of payment to avoid inconsistencies and prevent the risk of loss of funds.

54.7. Properly update personnel files

A critical review of the AG's Report revealed that personnel files were not updated with payroll information. For example, in the area of salary increment, there was no documentary evidence in staff files to support the increment.

The DG told the Committee that **"personnel files are often maintained and updated for all staff of the Company. All salary increments are often forwarded to the Admin and Human Resources Department for filing purpose."**

Thus, the Committee recommends that employee's personnel files are updated regularly with all relevant documents of the employees, including payroll information.

54.8. Meetings of Board members

The Committee observed from the review of the AG's Report that the Board met once during the year under review, which was in contravention of the ACT. The Report maintained that the Board should meet at least once every month or at the discretion of the Chairman.

In his response, the DG explained that during the period under review, the Board was not fully constituted because appointments to the Board were still ongoing. He however revealed that the Board had been fully constituted with a chairman and meetings were often held twice a month.

The Committee encouraged the DG to ensure that the Board meets regularly to deliberate on strategic issues affecting the Company as stated in the Act.

54.9. Failure to account for withholding tax payable

We noted during the year under review that some amounts were withheld by management for some payments above **Le 500,000** as required by the Income Tax Act but no ledger amount was reported in the general ledger and no payment was made during this same period.

The DG told the Committee that they held meetings with the National Revenue Authority to reconcile all withholding tax payments outstanding, and a payment plan had been drawn to ensure that the outstanding withholding taxes are duly paid. He promised to ensure that subsequent withholding taxes are duly paid on time. The Committee encouraged the DG and team to comply with all statutory deductions in future.

55. SIERRA LEONE COMMERCIAL BANK LIMITED - 2015

55.1. Dissemination and flow of audit information

The Committee observed from the review of the AG's Report that considerable delays were noted in the flow of information from most of the departments in the Bank. This is mostly as a result of the existing control environment and procedures, and the lack of adequate preparation for external audit in respect to provision of the required schedules and supporting documents for audit purposes. According to the Report, the situation significantly affected the flow of information and time spent on the audit. The Report indicated evidence of management neglect of the accounting functions of the Bank, to the extent that 34 audit journals were raised by independent auditors.

In his reaction, the Managing Director [MD] told the Committee that the change of auditors took place in December, 2015 and the audit exercise did not commence till the last week in January 2016. On hindsight, the combination of both interim and balance sheet audits coupled with the task of reviewing both the control environment and substantiation of financials accounted for undue delays and unplanned resource allocations. He however stated that with the separation of substantive and interim audit, the concerns would be largely addressed.

The Committee cautioned Management to put measures in place for proper preparation for external audit issues. The Committee further exhorted Management to handle issues with seriousness and commitment.

55.2. The corporate governance environment

From the review of the AG's Report, the Committee observed that the previous Board of Directors was replaced by a four man oversight committee which, comprised representatives of the Ministry of Finance and Economic Development, National Commission for Privatisation, National Social Security and Insurance Trust and the Bank of Sierra Leone. The Report further revealed that the oversight committee included technocrats and full time employees from various institutions who did not have adequate time and enough human resource to effectively man the various committees and properly deliberate on strategic, operational and corporate affairs issues of the Bank, cascaded from the following committees:

Audit Committee;
Risk Management Committee;
Human Resources Committee;
Governance Committee;
Credit Approval Committee;
Assets and Liabilities Committee; and
Special Debt Recovery Committee.

The Committee further learnt that since the oversight committee did not have human resources and time, the above committees were largely manned by management staff that did not have appropriate representation at Board level.

Asked to react to the auditors' query, the MD said that the matter relating to corporate governance had been duly escalated. He further noted that other related

issues were discussed by the oversight committee as evidenced in the terms of reference.

The Committee encouraged Management to closely cooperate with the National Commission for Privatisation and the shareholders to quickly finalise the appointment of substantive Board members as soon as possible. The Committee also advised that membership of the various internal committees should be defined and finalised, in order to enhance effective internal controls, particularly in a financial institution like the SLCB.

55.3. Additional loan impairment provisioning as per Bank of Sierra Leone Prudential guidelines

Our review of the Bank's loan book as per the Bank of Sierra Leone prudential guidelines revealed an additional loan loss provision of **Le27bln** as per Bank of Sierra Leone regulatory requirement over IFRS provision. This happened in the wake of the downgrading of facilities as per prudential guideline categorisation of current, substandard, doubtful and loss, and the IFRS impairment provisions. The intention of management under provide for risk portfolio as required by the Banking Act/Regulations was unknown here. The provision had been adjusted for by the auditors in the financial statement for the year ended 31st December, 2015 to reflect the true position of loans and advances as at 31stDecember 2015.

The Committee recommends that a regular review and monitoring of all credit facilities should be instituted and corrective action taken on all facilities, showing signs of deterioration from the early stages of non-performance. Again, Management should also be actively involved in such reviews and evaluations in order to ensure that the interest of shareholders is always protected.

55.4. Servicing loan accounts with overdraft accounts

A critical review of the AG's Report revealed that some of the term loan accounts were being serviced at the expense of their current overdrawn accounts.

The MD informed the Committee that for Hotel Conteh-U, Danaisha Enterprises, Bo Club House and Pee Cee & Sons, payments were being made into the current account to reduce liabilities. He said that Sierra Fishing Company's debt had been fully repaid. For Marika Enterprises and Sayenu, those are delinquent accounts under loss category for which an exit strategy such as realisation of security was being pursued. He concluded that Ya Marie Agro Enterprises debt had been referred to a debt collection agency and crystallised.

The Committee encouraged Management to put a policy in place for all customers to service their loans and advances accounts with actual cash.

55.5. Misstatement of depreciation

Review of the fixed assets register revealed that the depreciation charges during the period under review were misstated. This occasioned a wrong net book value. The Committee's engagement with Management and the auditors revealed the issue had not been addressed.

Thus, the Committee recommends that the fixed assets register should be updated to ensure that fully depreciated assets are not continually depreciated when they are being carried at nil net book value in the register.

55.6. Items not physically verified

In the process of carrying out a physical verification of fixed assets, it was noted that some items were not in existence, yet they were still recorded in the fixed assets register.

According to the MD, the assets disposal function in Flex Cube was not working. The Committee encouraged Management to write off all the items that were no longer in their possession and they should be removed from the fixed assets register completely. The Committee also encouraged the Bank to review its fixed assets register on an annual basis.

55.7. Resignation of Directors and Bank staff

The Committee observed from the review of the AG's Report that the Bank did not inform the Bank of Sierra Leone within five working days of the resignation of the former Managing Director and other staff who served within period. The Report maintained that it was in contravention of Section 5.3.2.4 of the revised Prudential Guideline of 2012.

Though the MD stated that the bank would ensure compliance with prudential guidelines in future, the Committee encouraged the Bank to comply with all regulatory requirements as set out by the regulator so as to avoid fines and penalties.

55.8. Capital adequacy ratio

In our review of the Bank's compliance with the Bank of Sierra Leone prudential guidelines, it was noted that the bank was in breach of section 20 of the Bank Act and Section 3.3.2 of the revised Prudential Guidelines Act which requires the Bank to maintain a minimum capital adequacy and core capital ratio of **15%** and **7.5%** respectively. The Bank's capital adequacy and core capital ratios as at December 2015 were **10.6%** and **7%** respectively.

The MD stated that arose from capital deficiency which arose in 2013 when **Le 58bln** was provided as impairment towards the loan book. He further revealed that the issue of trading capital had escalated to the shareholders.

Therefore, the Committee recommends that the Bank should comply with central Bank of Sierra Leone regulations and restrictions to avoid future fines and penalties.

55.9. Single borrower limits

Section 7.4.2.11 of the prudential guidelines requires the bank to maintain a single obligor ratio of **25%** on secured loans and **10%** on unsecured loans. The Bank breached the regulation by reporting **78 %** on secured exposure and **12.9 %** on unsecured loans in December 2015. We also noted that the Bank has not been reporting on monthly basis as required by the regulator.

The MD in his response says: **“This arose from capital deficiency in 2013 when Le58 billion was provided as impairment towards the loan book. However, this issue of trading capital has been escalated to the shareholders.”**

The Committee recommends that management should ensure prudent and efficient monitoring measures in order to adhere to the guidelines.

55.10. Ratio of aggregate exposure to capital base

Review of the Bank’s aggregate exposure to capital base was above the maximum **300%** as required by the revised prudential guidelines. During the year, the ratio for December 2015 was **977%**.

According to the MD, the issue arose from capital deficiency in 2013 when **Le58bln** was provided as impairment towards the loan book. However, this issue of trading capital has been escalated to the shareholders.

The Committee therefore recommends that management should monitor and maintain its exposures within the maximum requirement.

55.11. Non-performing loan to total loans

Our review of the Bank’s non-performing and performing loans revealed that the latter was higher than the minimum requirement of the revised prudential guidelines during the year. The AG’s Report maintained that the ratio for the non-performing loan to total loan as at 31st December, 2015 was **48.17%** which was higher than the statutory requirement.

The MD told the Committee that the Bank was in the process of writing down non performing advances against provision and interest in suspense to reduce the NPL. He disclosed that the Board had approved a policy on special assets management for non-performing advances and a committee had also been committee constituted, tasked with the responsibility of recovery same. He revealed that total recoveries made as at 31st December 2015 was **Le10bln**, hence NPL ratio improved to 48.17 in 2015 from 62 in 2014.

Thus, the Committee recommends that the Bank should comply with the Bank of Sierra Leone’s requirements and put more efforts to recover non-performing loans from the respective customers.

55.12. Cash suspense and lack of supporting documentation

The Committee observed from the review of the AG’s Report that the cash suspense account in which transactions were recorded temporarily till their proper accounts are determined, contained transactions which management could not provide any supporting documents or explanations for.

The MD said that management had taken action to charge the impaired amount to a profit and loss account. He added that that they would ensure strict compliance with the general ledger policy on the timely resolution of outstanding/transit items.

The Committee recommends that the Cash Suspense Account should be reviewed and investigated regularly, so as to move the transactions to their appropriate accounts.

55.13. Lack of documentation for setting up exchange rates

During the view of the indicative rates used by the Bank during the year under review, it was noted that there was no documentation of this process and the Bank kept no physical record of the rates used during the period.

The MD stated that Management had introduced and deployed a new documented methodology of the parameters used in reviewing the bank's indicative foreign exchange rates. He assured the Committee that a hard copy file was maintained at the treasury level which contained all the rates reviewed as well as the relevant management approval of the reviewed exchange rates.

The Committee recommends that the Bank documents the parameters used for indicative exchange rates as and when the rates of the Bank changes and evidence of appropriate authorisation of any new rate set.

55.14. Resource capacity constraints

From the AG's Report, the Committee noted significant gaps between the Directors and the rest of the staff in terms of capacity and competence in handling accounting issues and other functions of the department [specifically the departments handling reconciliations and other accounting issues].

In his response, the MD stated that management had recruited a new Head of Operations who had overall responsibility for Nostro and ACP/ACH reconciliations which function had been separated from Department. He concluded that all the other directorates were fully manned.

The Committee recommends that the departments handling a transaction in the bank should be manned by professionally qualified staff, and management should also employ qualified staff who will be able to narrow the gap between the directors and the other lower support staff in the department.

55.15. Prepayment for rent support documentation

The Committee observed from the review of the AG's Report that the auditors were not provided with an updated rental agreement for three years prepaid rent in respect of Waterloo branch to the tune of **Le 42,703,605**.

Asked to explain why an updated rental agreement was not provided in respect of Waterloo branch to the tune of **Le 42,703,605** the MD disclosed that payment for rent was made on the basis of automatic renewal clause in the rent agreement. He however revealed that negotiations for the new lease were ongoing.

In view of the above, the Committee counseled Management to ensure that an updated rental agreement for the period under review is provided.

55.16. ATM cash holding suspense

The Committee observed from the review of the AG's Report that cash balances held in automated teller machines located at various branches were not physically verified by either the Finance Department or Internal Audit.

According to the MD, the verification was done by the Compliance Unit as at 31st December, 2015. The Committee took the MD's at his words, but encouraged him to ensure that cash balances held in the automated teller machines at various locations are regularly verified by the Internal Audit Unit to confirm its existence and accuracy.

55.17. Administration of BAO Asset

From the of the AG's Report, the Committee noted that expenses to the tune of **Le101, 992,500** made in respect of security services for property belonging to BAO located at Roti funk and Goodrich seized by the Bank in respect of an expired facility was classified as other asset. The Committee noted that the auditors were not provided with written evidence of the recoverability of the above amount.

The MD told the Committee that as at 31st December, 2015 the sum of **Le Le73.7mln** was recovered from the disposal of BAO assets and balance held in the account had been fully expensed and would be recovered against future assets disposal proceeds.

The Committee implored management to obtain written evidence of the recovery of such expenses before they are classified as assets, and work towards recovering the balance.

55.18. Cash overage and shortages

The Committee observed from the review of the AG's Report that the sum of **Le 134,617,798** which relates to penal charges levied by the Bank of Sierra Leone in respect of shortages in cash deposited was classified as other assets. According to the AG's Report, the auditors were not provided with explanation or supporting documents as to the recoverability of the amount.

In his response the MD said that balance held in the account had been expensed in 2015. He added that the shortages occurred during cash counting of mutilated notes at the Bank of Sierra Leone, which had been deposited for the past two years and the related wrappers obliterated over time, hence their inability to identify the responsible note-counters.

Therefore, the Committee recommends that management obtains sufficient evidence regarding the recoverability of the amount before classification as other asset.

55.19. Overstatement of prepayments

The Committee observed from the review of the AG's Report that balances were classified as prepaid expenses, but a review of the invoice revealed that the payment was made for the period under review and that the entire amount to the tune of **Le555, 161,598** should have been charged to profit and loss.

The MD stated that the accumulation of unapplied charge-outs was as a result of software malfunction relating to automated standing orders. He added that manual journals numbered item 32 had been raised in the 2015 accounts.

The Committee recommends that the prepayment schedule should be reviewed by management to confirm the charge to profit and loss and the prepaid amount to avoid misstatement.

56. SIERRA LEONE ROAD SAFETY AUTHORITY - 2014-2015

56.1. Customer deposits

The Committee observed from the review of the AG's Report that the Road Safety Authority [SLRA] maintained control accounts referred to as 'Customers Deposit Accounts' for each substation, where customers' payments for various services are temporarily deposited. According to the Report, the payments were only recognised as revenue when the services are completed; i.e., vehicles registered or license issued. The Report further revealed that the sums of **Le1, 753,161,570** and **Le2, 112,859,670** were disclosed in the financial statements as year-end balances for customers deposits for 2014 and 2015 respectively. The AG's Report disclosed that these balances were not reconciled on a regular basis, and the auditors were not provided with a breakdown of the amounts or any other supporting document to explain the figures in the financial statements.

The General Manager stated that the amounts disclosed in the Customers Deposit Accounts were as a result of the timing in the process cycle. He disclosed that customers usually pay into the bank accounts before services are rendered and that the balance in the account was associated with services of new registration of vehicles and driver's licenses, especially for those at the outstations or branch offices. He further revealed that the provision of those services was centralised at the head office and that was why the customers at the outstations deposited their moneys into the bank accounts. The GM further stated that the provision of services would take some time as the heads of the outstations later collected those jobs and after collecting reasonable quantities, they were then sent to the head office for processing.

The GM disclosed that in order to resolve the problem, SLRSA had planned and would soon implement a robust ICT platform, interlinking their various banks and our operating systems. He said even though it was highly capital intensive, management was working on it to ensure that they reach that platform. He maintained that adverts had been placed in respect of the proposed ICT platform and the process would be completed very soon. The GM concluded that the account team had been investigating the balances in the various accounts to ascertain whether the jobs had been completed.

Contingent upon the above, the Committee recommends that the head of finance provides the relevant listings and other supporting document so as to resolve the issue. The Committee also implored management to ensure

regular reconciliations, and that these reconciliations must be reviewed by the Executive Director for proper controls and monitoring.

56.2. Evidence of payment for motorbikes seized by SLP not submitted

The Committee observed from the review of AG's Report that approximately 400 motorbikes were seized by the Sierra Leone Police [SLP] during their operations and handed over to the Authority. However, evidence of payment of fines with respect to those motorbikes was not submitted for audit inspection.

In his response, the GM explained that SLRSA had a police representative on the Board and the police representative had the mandate to inform the Board that some motorbikes had been arrested and suggested that the SLRSA sent a finance representative to count the motorcycles and make arrangement on how those payments would be collected. Based on his advice, a representative was sent and some payments were made and payment receipts issued. He told the Committee that the bank statements were available for audit inspections.

In that respect, the Committee recommends that the head of finance provides evidence of payment with respect to the fines for the approximately 400 motorbikes arrested by the Sierra Leone Police with immediate effect.

56.3. Lack of Board's approval for the write-off of assets

From the review of the AG's Report, the Committee observed that several assets were written-off for the period under review. The Report stated that there was no evidence of the Board's approval for the write-off of the said assets.

The GM informed the Committee that some assets were disposed in 2014 and 2015 since most of them had been fully depreciated, but had been kept in the assets register as listings. He added that the decision was approved by the Board. He presented the evidence of Board minutes for the Committee for audit inspection.

The Committee recommends that this issue be closed.

56.4. Capital Grants

The Committee observed from the review of AG's Report **Le1, 467,977,260** and **Le3, 437,123,010** were disclosed as capital grants for the respective years. The Report revealed that those amounts were set aside by management for future capital expenditure. It was however noted that evidence to show how the 'capita grants' amounts were determined was not submitted for audit review. The Report maintained that the auditors expected management to have a capital budget to justify the amount reserved. In fact, the Committee further observed that the amount disclosed in the financial statements as Accumulated Fund and Retained Earnings had remained constant over the years.

Queried why this issue had not been addressed, the GM stated that in terms of the account retained by the Authority for capital grant, SLRSA had embarked on massive capital-intensive projects over the years to ensure that the Authority functions properly. **"As an entity, we intend to undertake some future capital-intensive projects, such as providing a platform that interlinks our bank accounts with our operating systems. Hence, there is a need of funds."**

The Committee recommends that the Executive Director should provide the relevant supporting information otherwise; the amount must be transferred to the Roads Fund. Again, the head of finance must provide an explanation why the accumulated fund and retained earning balances remained constant over the years.

56.5. Non-Submission of statistical records for 2014

The AG reported that statistical records for the 2014 financial year with respect to new and renewal of drivers' licenses and vehicles registrations were not submitted for audit inspection.

Asked the documents in question were not submitted, the GM said that the Planning and Statistical Manager was in possession of the statistical report. The Committee encouraged the GM and team to ensure that all statistical records for period under review be submitted to inspection within 30 days of the adoption of this report by Parliament.

56.6. Delays in payment of statutory obligations

The AG's Report referenced Section 130 of the Income Tax Act, 2000 which states: **"Any tax that has been withheld or should have been withheld by a withholding agent shall be paid by such agent to the Commissioner within fifteen days of the end of the month in which it was or should have been withheld."** Section 27[a] of the NASSIT Act, 2001 states: **"If any contribution is not paid within the period prescribed in Section 25, it shall attract an interest equivalent to the 90-day Treasury Bill rate, plus twenty per centum of that rate compounded on a monthly basis."** According to the AG's Report, the auditors observed that PAYE to the tunes of **Le620,819,370** and **Le1,081,765,890**; withholding taxes of **Le668,996,720** and **Le453,207,370** and NASSIT contributions of **Le136,948,857** and **Le382,397,513** were reported as outstanding liabilities in the 2014 and 2015 financial statements respectively. The Report maintained that those outstanding liabilities related to statutory deductions which were not paid to the relevant authorities on a timely basis as stipulated in the respective Acts mentioned above.

The GM stated that Management had always paid its statutory liabilities on time. He however mentioned that management had taken the necessary steps to minimise all delays in the payments of these liabilities. The Committee stated that all statutory deductions are nonnegotiable.

Thus, the Committee recommends that the head of finance provides lucid explanation why the Authority failed to pay its obligation in accordance with the statutory requirement and urges the Authority to pay those deductions with immediate effect.

56.7. Non-deduction and payment of withholding tax

From the review of the AG's Report, the Committee observed withholding taxes of **Le32, 852,575 [5% x 657,051,500]** and **Le28, 340,584 [5% x 566,811,680]** for 2014 and 2015 respectively were not deducted from the monthly allowances paid

to Board members, contrary to Section 117[3] of the Income Tax Act, 2000 which states thus: **"payments to contractors, including any charge or fee paid for the provision of management services other than under an employment contract shall attract 5% withholding tax."** The Report further revealed that withholding taxes to the tunes of **Le113, 388,257** and **Le139, 612,425** for 2014 and 2015 respectively were not deducted from payments made to various suppliers.

Though the GM promised to be more proactive in future, the Committee noted laxity and nonchalant attitude on the part of management to withhold such huge amounts over the years. The Committee reminded the GM that all statutory deductions are nonnegotiable.

In that regard, the Committee recommends that the said sums, as mentioned above, should be retrieved and paid same to the various authorities without further delay, otherwise an uncompromising action will be taken against key players of the Authority.

56.8 Terminal benefits not provided

From the review of the AG's Report, the Committee observed that the Authority did not make any provision for terminal benefits payable to staff of the Authority, contrary to international accounting standards.

The GM stated that the Authority had always calculated and planned its commitment to pay terminal benefit. He promised to ensure that the relevant International and Accounting Standards are fully complied with in future.

The Committee recommends that the head of finance ensures that the total amount owed to staff in respect of terminal benefit be calculated and disclosed in the account in line with IAS 19.

56.9. Payment of terminal benefit to former Board Member

The Committee observed from the review of AG's Report that **Le40, 000,000** was paid as a retirement benefit package to a former member of the board. This was contrary to the conditions of services of the institution and the laws of Sierra Leone.

The GM stated that the amount that was paid to the former Board Chairman was not terminal benefit, but a gratis to take care of his health since he was hospitalised. He said Management thought they could help solve his health issue.

The Committee recommends that the practice of paying end-of-service [retirement benefit] to Board Members be stopped immediately and the above-mentioned amount be refunded without recourse to the CRF.

56.10. Non-Provision of approved journal relating to reversal

The Committee observed from the review of AG's Report that personnel costs totaling **Le365, 098,258** and **Le15, 127,125** were reversed during 2014 and 2015 respectively. The Report revealed that journal print-outs signed off by the staff passing the journals and the senior officer verifying were however not provided for audit inspection, thus making it difficult to trace the original reversed entries.

The GM stated that they encountered some difficulties with the Great Plains Accounting Software and a number of transactions relating to payroll were incorrectly posted. He disclosed that during their routine review of the accounts, the issue was noticed and the said transactions had been reversed using the 'Back out function' of the system. He said 'Back out' journals would be printed for audit inspection.

The Committee recommends that the head of finance provides the approved journals authorising the reversal of these expenses. Also, journal entries should be approved by relevant authorities before errors are corrected in the accounting system.

56.11. Procurement documents for tow trucks not submitted

The Committee observed from the review of AG's Report procurement documents such as bid documents, bid opening minutes, evaluation reports, notification of award and contract agreements relating to the procurement of five tow trucks were not made available for audit review. The Report stated that in the absence of these documents, it would be impossible to ascertain whether or not procurement procedures were followed.

The GM said that the documents such as bid documents, bid opening minutes, evaluation reports, notification of award and contract agreements relating to the procurement of two trucks were available for audit inspection.

The Committee encouraged the GM to submit the said documents, but counseled management to ensure that to work towards preventing such audit query.

56.12. Procurement documents for licence stickers and security seal not submitted

The Committee observed from the review of AG's Report that the Authority had an ongoing contract for the printing of licence stickers and security seal. The contract documents were however not submitted to the audit team for review and the auditors could not therefore ascertain the basis which payments of **Le196, 251** and **\$298,400** for 2014 and 2015 respectively were made.

The GM stated due to the sensitivity of the license stickers and security seal, those were securitised items and the Authority had continued to procure those items as they had been the suppliers of those items to the Authority since the inception of the Authority.

The Committee procurement documents for licence stickers and security seal are submitted for verification.

56.13. Procurement plan not updated

From the review of the AG's Report, the Committee observed that procurement activities worth **Le525,000,000** and **Le1,607,320,516** undertaken in 2014 and 2015 respectively, were neither captured on the procurement plan nor were procurement documents such as adverts, bid documents, evaluation reports, award letter and contract agreements submitted for review.

The GM said that the updated procurement plan for 2014 and 2015 and the relevant procurement documents had been put in place and were available for inspection.

The Committee recommends that the procurement officer provides explanation for the extra budgetary expenses that were incurred without Board's approval and ensure that the Board and Procurement Committee approvals are obtained and submitted as soon as possible.

56.14. Payments without supporting documents

The Committee observed from the review of AG's Report payments of **Le1, 867,195,895** and **Le1, 560,282,006** relating to 2014 and 2015 respectively were made without supporting documents such as payment vouchers, requisition, invoice, receipt, activity report, training report, contract agreement, beneficiary list, back-to-office reports.

The GM stated that documents and payment vouchers were available for audit inspection. He further revealed that the documents in question were misfiled and that was why they could not be traced by the auditors during the audit exercise. The Committee informed the GM that all transactions from inception to completion should be supported by payment vouchers and the relevant documentary evidence must be retained for reference purposes.

The Committee recommends that the Accountant provides all evidence in support of the expended amounts within 30 days of the adoption of this report Parliament otherwise; this matter be further investigated by the ACC.

56.15. Payments without adequate supporting documents

From the review of the AG's Report, the Committee observed that of **Le2, 284,013,701** and **Le1, 650,739,937** relating to 2014 and 2015 were without adequate supporting documents such as requisition, invoice, receipt, activity report, training report, contract agreement, beneficiary list, back-to-office report etc.

The GM explained that payments made within the period under review were supported with the adequate documentation such as invoices, receipts, activity report, training and back to office reports and these documents were in the office for inspection. He maintained that most of these documents especially the back-to-office reports and training reports were filed separately and not attached to the payment vouchers.

The Committee recommends that the all evidence in support of the expended amounts are submitted within 30 days of the adoption of this report by Parliament otherwise; this matter be further investigated by the ACC.

56.16. Unexplained credit balances on the expenses schedule

A review of the expenditure schedules for 2014 and 2015 showed that there were credit balances among the list of transactions for which no explanation was given

The GM stated that some transactions were incorrectly posted, but later reversed. He said those reversals represented the credit entries in the schedules. He however disclosed that preventive and detective controls would be implemented to prevent the occurrence of such errors in future.

The Committee recommends that the head of finance should provide the relevant supporting documents within 30 days of the adoption of this report by Parliament.

56.17. Loans and Advances

The Committee observed from the review of AG's Report that loans were given to staff, but the deductions/repayments were made on an adhoc basis without specifying the repayment amounts, duration and start date of repayment. The Report further revealed that payment vouchers and supporting documents relating to loans and advances which amounted to **Le43mln** and **Le70mln** for 2014 and 2015 respectively were not submitted for audit inspection and a loan of **Le55mln** was given to a staff in 2015 without the approval of the Board as stipulated in the terms and conditions of the Authority. The Committee observed that the relevant supporting documents were submitted for inspection.

Thus, the Committee recommends the following:

- **new loans and advances should not be given to the personnel in question until all outstanding advances are cleared;**
- **loans and advances agreement should be signed by employees at the time of receipt of the advance; and**
- **the time limit for repayment when subsequent loans are given to a staff after completing the previous loans should be included in the agreement.**

57. ELECTRICITY DISTRIBUTION AND SUPPLY AUTHORITY - 2015

57.1. Dissemination and flow of audit information

The Committee observed from the review of the AG's Report that there were considerable delays in the flow of information from the Authority, mostly as a result of the existing procedures and lack of adequate preparation for external audit in respect of the provision of schedules and supporting documents for audit purpose. The Report disclosed that those problems significantly affected their deliverable and reporting timelines as previously agreed with the management.

In his response, the Director General [DG] said that EDSA was going through staff shortage at the time of audit due to the unbundling of the former NPA into EGTC/EDSA, and persistent challenges in prioritising the multitude of tasks requiring attention in the Finance Department. He however promised to ensure adequate preparation in future years.

The Committee recommends that management puts robust measures in place in preparation for future audit. The Committee further exhorted management to always handle audit queries with seriousness.

57.2. Lack of board minutes for review and attendance at board meetings

The Committee observed from the review of the AG's Report that in January and September 2015, the General Board and Emergency Board minutes were not provided for audit review, although for the same months sitting allowances, drinks and refreshments were provided to members of the Board. The auditors requested Board minutes for the year 2016, but those were also not provided on the basis that they were not yet signed. As part of good corporate governance and the requirements of the Electricity Act 2011, the board of directors should meet at least once every month. Decisions arrived at during the board meeting should be documented and filed for future reference.

The DG stated that Board meetings were held every month during 2015 in compliance with the provisions of the National Electricity Act of 2011 and a register was had been maintained to record attendance and the receipt of sitting fees. The Committee reminded the DG that sitting allowances should only be paid to members of the Board upon attending such meetings and as such management should introduce an attendance record where members should be signing.

The Committee recommends that Board minutes should always be prepared, signed, secured, and the signed copies are made available upon request during the audit exercise.

57.3. Approval of Budget by the Board

Review of Board's minutes for 2015 noted that the budget for 2016 was not available for Board's approval. The Report revealed that the auditors did not see any approval of the 2015 budget, although a soft copy of the budget was provided to them.

The DG stated that the 2015 Budget was reviewed by the Finance and Audit Committee of the Board and submitted to the Board for approval. He maintained that the Board approved the Budget, but it appeared as if it was not documented by the Corporate Secretary. He said Management would ensure that future Board minutes record the approval of annual budgets and other important decisions taken by the Board.

The Committee recommends that management develops realistic budgets, taking into consideration all important factors. Again, budgets prepared by the management should be reviewed and approved by the Board as the top most level of the Authority.

57.4. Internal audit functions

The Committee observed from the review of the AG's Report that the 2015 internal audit plan was not adequately followed, as planned and was also not presented for Board review and approval. Issues brought to management by the internal auditors were not directly followed-up and documented by the Internal Audit Unit. Management also did not act on the internal audit issues raised.

In his response, the DG stated that EDSA Internal Audit Department usually report directly to EDSA's Finance and Audit Committee on all audit matters and the internal auditor's findings are normally discussed with the Director General. The Chairman of

the Finance and Audit Committee “**presents these audit reports to the Board for discussion. EDSA Internal Audit work plan for 2015 was presented to F&A Committee and was also approved by the Committee, although there was no written approval but it was documented in the Committee meeting minutes.**”

The Committee recommends that the audit plan is reviewed and approved by EDSA’s Board of Directors before implementation and the internal auditors should follow the approved audit plan during the financial year.

57.5. Finance staff capacity and competence

According to the AG’s Report, staff personnel files in the Finance Department and personal interview revealed that staff had not got the requisite qualification, experience and trainings for positions held. The Report disclosed that there were lots of certificate and diploma holders [not related to the field of accounting] in the department and as such, they were unable to effectively explain even work performed by them.

The DG explained that Management Contractors, who had recently joined EDSA as part of the World Bank ESURP Project, would be carrying out a full staff appraisal as part of their contractual terms. He concluded that they recruited a new financial controller, who would be instrumental in introducing the necessary controls and disciplines to the Finance Department.

The Committee recommends that competent staff are hired for roles relating to finance and accounting.

57.6. Internal Audit staff competence

The Committee noted from the review of the AG’s Report that the staff in the Internal Audit Department were not qualified and external auditors could not rely on their work. Interviews revealed that none was a qualified Accountant or a member of any professional body. As a result, there were inadequate internal controls in the entity’s operation over sensitive areas such as bank reconciliation, inventory, fixed asset, filing, expenses, etc.

The DG stated that Management Contractors would carry out an all-encompassing staff appraisal as part of their contractual terms, and the auditor’s comments had already been made known to them. He however stated that staff in that Department were technically competent and qualified to carry out the audit work. The Committee noted complete absence of internal control in that Department.

The Committee therefore recommends that management should employ professional and competent staff in the Internal Audit Department.

57.7. Inventory Management

The Committee observed from the review of the AG’s Report that there was no inventory listing or year-end valuation report. The Report revealed that the auditors were limited to the value of the year-end inventory obtained during the time of our audit. It was also noticed that the storekeeper was not qualified and trained.

In his response, the DG mentioned that in 2015 and 2016, the Authority was affected with an inferno, which destroyed a large part of their records. He however stated that a stock take exercise had been carried out which would provide the required listing of the available stock. He disclosed that a disaster recovery site had been set up by the Authority in order to have a fall back when such disaster occurred in future.

The Committee recommends that routine stock take is carried out with appropriate valuation report for proper inventory records.

57.8. Managements review of transactions posting in the system

The Committee observed from the review of the AG's Report that most transactions posted on the Great Plains Accounting Software System was performed by the junior accountants who were not properly supervised by head of management account or finance. This resulted in numerous errors which lead to the management raising manual corrective journal vouchers to the value of Le178.7billion to correct errors in the ledger. The Report maintained that a posting error to the tune of **Le535, 653,000** was observed. The system however did not capture the error, or was not posted on the system, in respect of US Diversify Waste Power.

The DG mentioned that due to ill health, the previous Financial Controller was not able to put in the required controls and carry out the necessary supervisory functions throughout the greater part of 2015. The Internal Audit Department played an important role in verifying expenditure before payment, but was not involved in checking the postings. He disclosed that new controls and accounting procedures had already been put in place to record the 2016 transactions.

The Committee recommends that the function of posting entries into the system should be carried out by appropriate personnel and Accounting System should be completely overhauled.

57.9. Wrong classification and accounting of Investment account worth 4 billion Leones

The Committee observed from the review of the AG's Report that the Authority had an account known as New Service Connection Account which was set up for the purchase of prepaid meters. Customers in need of prepaid meters were required to deposit **Le705, 000**. The account accumulated **Le4bln** which was later converted by the management with approval of the Board into Investment Account. However, this investment account was wrongly accounted for as part of prepaid meters and general equipment.

The DG said that the amount in question was wrongly posted into the Prepaid Meters Account and the error had been corrected by transferring same into the Investment Account. He added that the financial statements now reflected the true position.

The Committee exhorted management to ensure that all investment made by the Authority are properly accounted for in the Authority's books of accounts, so as to avert misstatements in the financial statements.

57.10. Repairs and Maintenance – Buildings [Profit and loss expenses]

The Committee observed from the review of the AG's Report that materials purchased for **Le376, 618,722** in respect of repairs to the NPA building were not acknowledged with a delivery note upon delivery.

The DG explained that the Authority received goods through its storekeepers and all goods received were recorded internally in our Goods Received Note Ledger. He disclosed that those were witnessed by the internal auditor and the requesting department.

The Committee recommends that materials/stocks purchased are recognised as goods received with delivery note.

57.11. Control discrepancies on Local Travelling expense

The Committee observed from the review of the AG's Report that supporting documents were not provided for the transactions relating to local travel expenses worth **Le80, 393,580**.

The DG revealed that the documents were filed based on bank transactions, which made it difficult for the auditors to trace their selected samples during the audit exercise. He however disclosed that the documents had been filed by account code and were available for vouching/verification.

The Committee recommends that a well monitored system should be instituted to ensure that all local travelling expenses are approved by management, and all supporting documents that confirm the expenses should be thoroughly verified by the Internal Audit.

57.12. Lack of managements review on foreign travelling expense

The Committee noted from the review of the AG's Report that most of the payment vouchers for foreign travelling expenses were not signed as being reviewed and authorised. The Report revealed that transaction with PV no. 972 in respect of per diem of **Le33, 063,000** for staff official trip to Abidjan was not signed as being authorised or reviewed. The Committee further observed that account balance to the tune of **\$8,389** for a transaction with PV no. 00365 in respect of per diem for Board Chairman and seven others for a trip to Accra to attend workshops was altered with a pen to **\$8,535**. No explanation was provided for the alteration and no supporting documents were provided for these payments.

The DG stated that there were some lapses in some of their control procedures during 2015 due to the absence of the Financial Controller through ill health for considerable length of time. He maintained that the mis-postings the auditors referred to had been rectified and control measures had been strengthened during 2016 and a new Financial Controller had been recruited.

The Committee exhorted management to design and implement controls in respect of all payments and investigate all the double postings and fictitious payments into this account and take appropriate actions.

58.13. Discrepancies and lack of supporting documents on staff training and education expense account

From the review of the AG's Report, the Committee observed that for December, 2015 transactions were posted more than once for expenses relating to capacity building. The six transactions were in duplicates of **Le 94,385,700, Le 69,721,645** and **Le32, 102,400**. According to the AG's Report, the auditors requested the source documents for the transactions, but were not provided.

Asked to explain what went wrong, the DG disclosed that it was as a result of system error. He however stated that the service providers had rectified the problem and the necessary actions had been taken to avoid such errors in future.

The Committee reminded management to design and implement robust control measures in respect of future payments to mitigate any irregularity.

57.14. Completeness, Existence and Accuracy of Trade Account Receivables

The Committee observed from the review of the AG's Report that the auditors were unable to carry out appropriate audit procedure to ascertain completeness, existence and accuracy of trade receivables as at 31st December, 2015, amounting to **Le52,318,619,784** due to lack of adequate information from management.

The DG explained that several write-offs had been done over the previous years in T-NPA books of those receivables by external auditors. He disclosed that verification exercise would be done to assess the existence of the debts and subsequently they would be transferred to prepaid metering system, wherein all outstanding receivables are expected to be received by the Authority.

The Committee implored management to ensure that detailed accounting information is always available for the use of both external and internal parties.

58. CONCLUSION

Mr Speaker, Honourable Members, this Report is a manifestation of the fact that the Multi-Donor Group could be interested in supporting the working of Parliament. Indeed, all those who supported the 2016 budget would want to be assured that taxpayers' moneys are properly accounted for.

The activities of the PAC have steadily progressed throughout the past years to its current state, where it is possible to speak of the revival of public interest in issues of corruption, misappropriation of public resources and abuse of office. Through naming and shaming irresponsible public officials, recovery of significant quantum of public resources wrongly appropriated, has been achieved and recommendations leading to withholding of salaries and allowances of offenders have vastly contributed to improvements in public accountability.

Due to the determination of the 'New Direction' Administration and the astute leadership of the PAC, it is deemed appropriate to state here that the Committee's activities have taken a different approach to signal the following:

- the restoration of public confidence in Audit Service Sierra Leone as an institution that is capable of dealing with the excesses of the Executive to the extent that whistle-blowers are turning over to PAC instead of the Executive;
- the exposure that corruption is not limited to political officeholders; but inclusive of many categories of public servants and service providers who appeared before the Committee. This indicates the pervasive nature of corruption;
- the focus on transactions in this report does not preclude other law enforcement agencies from investigating some major institutions which form the content of this Report; and
- that system failure rather than poor supervision by political authorities appears to be the cause of poor accountability in the public sector.

For the Local Councils, the Committee noted that the number of audit queries have dwindled as compared to the 2015 AG's Report on Local Councils. 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 of resources and yield better service delivery in Local Government Councils in our beloved country, Sierra Leone. However, PAC must be adequately supported to take up these challenges with a specific budget line. The budget must be adequate to enable the Committee hire the services of experts as and when required to support effective deliberations on the Auditor General's Reports.

Mr Speaker, Honourable Members, based on the gravity of audit queries against the Ministry of Defense and the Ministry of Agriculture, the Committee wasted no time but to refer these two ministries to the ACC for further investigation. The Committee therefore implores the ACC to exercise urgency and probe into this issue within the shortest possible time and submit a report to the Committee for final decision.

Mr Speaker, Honourable Members, the Report reflects the unanimous view of the Committee. I therefore move that the recommendations contained herein be adopted by the House.

