



**REPORTS OF THE PUBLIC ACCOUNTS  
COMMITTEE ON THE REPORTS OF THE  
AUDITOR GENERAL ON THE ACCOUNTS  
OF LOCAL COUNCILS FOR THE  
FINANCIAL YEAR 2013**

**SUBMITTED BY:**

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

**CHAIRMAN PUBLIC ACCOUNTS COMMITTEE**

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## **LIST OF ABBREVIATIONS**

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

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

## **1.0. BACKGROUND**

Mr. Speaker, Hon. Members, the Local Government Act (Assumption of Functions) Regulations of 2004 guides the process of devolution in the Local Councils. This Legislation (Local Government Act 2004) specifies 80 functions to be devolved from Central to Local Government, the devolving Central Ministry, Department or Agency, and indicate when and how the local councils should assume each function. About half of these functions were devolved within the timeframe set (2005-2008) in the Regulations.

Mr. Speaker, Hon. Members, the Public Accounts Committee of the Sierra Leone Parliament has the mandate to examine the annual accounts showing the appropriation of funds granted by the House to meet public expenditure together with reports and any special reports of the Auditor General. The Committee in exercising its mandate as vested by S.O.75 (6) and as provided in subsection (6) of Section 93 and 95 of the 1991 Constitution [Act No. 6 of 1991] summoned public officers to provide both oral and written evidences to the Committee which form the basis of the PAC Report.

Mr. Speaker, Hon. Members, the passage of the 2004 Local Government Act which brought about the creation of the 19 Local Councils and the subsequent holding of local government elections was the right step towards extending governance to the local level and ensuring that citizens participate and effect changes in their localities through participation in the decision making processes. This establishes Local Councils as the highest political authority in their respective jurisdictions. The Legislation sets out the political framework in detail in respect of the election and composition of the councils; the qualifications of Councillors; procedures for the election of Mayors (urban) and Chairpersons (rural); powers to make and execute by-laws; the roles and responsibilities of Ward Committees etc. The key outcomes were the decentralisation of key services (Health, Agriculture, Education etc) to Local Councils; the institutionalisation of transparency, accountability and citizen participation; and the monitoring of service delivery.

As this is the first stage in the redistribution of power and resources from Central Government to the 19 Local Councils, it is hoped that this will go a long way to address the rampant corruption and patronage that continues to flourish nationwide. If successfully carried out with the active involvement of

the general public, Sierra Leoneans could enjoy a remarkable level of involvement in Government processes, thus allowing them an opportunity to participate, scrutinize and effect meaningful changes in their various communities.

Mr. Speaker, Hon. Members, most importantly, there is widespread consensus that the quality of public service delivery at the local level is less than desirable or what was originally anticipated. In order to address the deficiencies in public service delivery at the local level, the Government has decided to strengthen central government monitoring programmes. Such oversight is often done through monitoring units such as the Ministry of Local Government, Ministry of Finance through Public Financial Management Reform Unit, Parliamentary Committees on Public Accounts, Finance, and Transparency and Accountability, Non-State Actors, Constitutional and Statutory Accountability Bodies, Local Accountability Committees and other forces of inquires (Anti-Corruption Commission and the Criminal Investigation Department). Equally Government driven performance monitoring initiatives are complemented by a wide range of initiatives by Civil Society Organizations (CSOs).

## **2.0. INTRODUCTION**

Mr. Speaker, Hon. Members, the Committee on Public Accounts has a statutory duty to examine all Reports of the Auditor-General that are laid in Parliament and present a report of their deliberations and recommendations to the House. In reviewing the audit Reports, the Committee considers the following:

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

The Auditor General upon a review of the accounts of all Local Councils compiles a Report. That report forms the basis of deliberation by the Public Accounts Committee. Upon the review of the Report of the Auditor General and after hearing of evidence from relevant officials, PAC compiles a report and presents it to Parliament clearly highlighting the actions to be taken on those who misappropriate public funds and resources.

This report is the outcome of public hearings conducted by the Committee with Vote Controllers and their Accounting Officers in all the regions. The report, originated from the Report of the Auditor General on Local Councils for the Financial Year 2013, and presents the Committee's observations and recommendations. In doing so, the Report focuses on quality service delivery, and proffers recommendations to improve local governance in Sierra Leone.

## **3.0. MANDATE OF THE COMMITTEE**

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

The Committee assesses and evaluates levels of compliance with the established laws of Sierra Leone, the performance, adherence and compliance to set performance standards and regulations governing public expenditure.

Mr. Speaker, Hon Members, the Committee's mandate is guided by the Local Government Act, The Financial Management Regulations, 2007, the Audit Service Act, 1998, the Government Budgeting and Accountability Act, 2005, the Public Procurement Act, 2004 and all other related legislation and regulations which impart on the public finance management and discipline.

#### **4.0. MEMBERSHIP**

Mr. Speaker, Hon. Members, the Committee comprises the following Hon. Members:

1. Hon. Chernor R.M. Bah- **Chairman**
2. Hon. Komba Eric Koedoyoma-**Deputy Chairman**
3. Hon. Sheriff B. Hassan
4. Hon. Alpha B. Lewally
5. Hon. Lahai Marrah
6. Hon. Alhassan Jero Kamara
7. Hon. Sulaiman Muluku Sisay
8. Hon. Dr. Foday I. Suma
9. Hon. Francis Amara Konuwa
10. Hon. Helen Kuyembah
11. Hon. P.C. Alhaji Bai Shebora Yek II

#### **5.0. STAFF**

Mr. Speaker, Hon. Members, the Committee was supported by a Secretariat comprising David Saffa, Augustine Sesay and Musa L.A. Fullah who provided the Committee with information on the necessary parliamentary practices and procedures, as well as the listing of the appropriate officials and experts required to attend the hearings.

#### **6.0. THE AUDITOR GENERAL'S OFFICE**

Mr. Speaker, Hon. Members, the PAC works in collaboration with ASSL, which provides the technical assistance that enables the PAC to provide effective oversight in relation to the manner in which public resources are utilized by MDAs.

Pursuant to Section 119 (1)-(7) of the Constitution of Sierra Leone 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 that are allocated to them.

## **7.0. METHODOLOGY**

Mr. Speaker, Hon Members, the Committee receives and examines the Auditor General's reports on Local Government, submitted under Section 119(4) of the Constitution as laid before Parliament. Technical officers from the Auditor General's Office and Ministry of Local Government assisted the Committee in handling this report.

In examining the accounts, the Committee interfaced with Accounting Officers of all the 19 local councils and their technical teams to respond to the queries raised in the audit reports and the recommendations of the Auditor General thereto.

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

## **8.0. APPRECIATION:**

Mr. Speaker, Hon Members, the Committee expresses appreciation to the Committee Members, the Parliamentary Service Staff and also staff of the Audit Service Sierra Leone who were at all times present during the meetings and assisted in interpreting and explaining the queries raised where necessary with verification of documents.

## **9.0. GENERAL OBSERVATIONS AND RECOMMENDATIONS**

Mr. Speaker, Hon. Members, a summary of the Committee's observations and recommendations on some of the salient and critical queries raised in the Report of the Auditor General on Local Councils 2013 are indicated below:

- The Committee noted however those among the accountability regulations, that are still not adhered to in most cases. Some Councils failed to respond to the queries raised by Audit which was in contravention of the financial management regulations of this country.

***The Committee strongly recommends that financial regulations should be strictly adhered to and that for any deviation the Accounting Officers be held personally liable by withholding their emoluments and allowances until they comply for so long they fail to reply (Section 65 of GBBA 2005 and Section 165(2) of FMR 2007).***

- Procurement procedures were not followed for a number of procurement activities undertaken by most local councils in respect of public works and goods which is in contravention of the Public Procurement Act 2004.

***The Committee recommends an improvement in records management of procurement documents and adherence to the Public Procurement Act of 2004.***

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

***The Committee, therefore, urges all Vote Controllers to clear all outstanding audit matters before their next appearance for public hearings.***

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

***The Committee recommends that in future the Accounting Officers should ensure that documents are made available for verification at the time of audit as required by law failure to do so would invoke stern disciplinary action taken against officers who breach the law.***

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

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

- a) All unaccounted procurement documents should be presented to Audit for verification;***
- b) Inventories of records should be designed and developed; and***
- c) Develop a registry staffed with well trained and experienced clerk for proper filing and safekeeping of documents.***

- Sitting allowances for Councillors were paid to some councillors who did not attend council sittings and valid excuses were not proffered for such actions.

***The Committee reiterates its recommendation in the previous report that subsequent payments of sitting allowances to councillors must not include absentees, otherwise an authorisation need to be sought from the Ministry of Local Government and Community Development. Failure to which such moneys should be immediately recovered or the officers responsible be surcharged for that amount. Also, minutes of councils meetings for every month should be forwarded to the audit office for inspection.***

- The Committee strongly condemned the manner in which Accounting Officers failed to deduct 5% withholding tax and pay over to NRA.

***The Committee strongly recommends that Finance Officers should ensure that 5% withholding tax is deducted from all payments above Le500, 000 made to suppliers and contractors and evidence of payments made to NRA should be provided to Auditors without further delay.***

- The Committee noted with concern that there was laxity in the Local Councils' maintenance of financial records. This is evidenced by failure to prepare Bank Reconciliation Statements for Councils' accounts and erroneous Cash Book records.

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

**GENERAL COMMENTS:**

- It was also noted that the Ministry of Local Government and the Local Government Commission and the Public Financial Management Unit in the Ministry of Finance have been conducting training activities for staff in all the 19 Local District Councils. These have had very little impact on the improvement of the staff output.
- Most Accounting Officers presented authentic NRA receipts to the effect of clearing withholding taxes and also claimed to have availed those evidences at the time of Audit. Some had made partial payments at the agreed sequence which was accepted by the Committee. Since these are deductions not meant for the District, the Committee insists that the monies should be remitted as soon as they are collected
- The frequent transfers of Council core staff which has almost crippled the smooth operations of the Councils.
- The Committee observed the Councils' inability to generate its own source revenue which has led to most of the Councils' failure in implementing developmental programs within their communities.
- It was noted that all the 19 Councils were not able to meet the targets set for the Performance Management Contract for the period under review.
- It was also observed that the Accounting software (PETRA) was posing serious threat to the smooth running of the Councils' financial transactions due to the frequent malfunctioning that resulted in the (inability of Councils staff to operate and manage) the software.

## **2.0. KAILAHUN DISTRICT COUNCIL -2013**

### **2.1. Audit Findings**

Ineffective IT control environment

The following were observed:

- (i) There were no systems or disaster recovery plans in place in the event of a breakdown of the (PETRA, REMOP) servers and software
- (ii) Routine maintenance of IT equipment and software upgrades were carried out by personnel based in Freetown without planned schedules.
- (iii) Computers owned and controlled by the council were not adequately secured as they were not marked with durable identification codes.
- (iv) An appropriate documented Information, Communication and Technology security policy for the control and management of IT was not available.
- (v) The council is not connected to the PETRA server, which led to delays in posting of transactions
- (vi) The REMOP software used for property taxes and business licences could not produce annual reports for audit purposes.

### **2.2. Official Response**

- (i) The finding in 5(i) is true except for REMOP which is in progress. Council is making all efforts to make sure they are addressed before the next auditing.*
- (ii) The findings in 5(ii) is true, the recruitment process for the said position was in progress at the time of audit. There is now an IT focal person in place which can be verified at the time of audit.*
- (iii) Plan schedule for routine maintenance is not the responsibility of the council. IPFMRU coordinates these activities.*
- (iv) All machines in question were just supplied prior to the time of audit. They have been marked with appropriate identification code.*
- (v) Findings in 5(v) is true, however measures to ensure that such is corrected has commenced.*

(vi) (vi) the findings in 5(vi) is correct however council is not in full control over the server for the Petra system.(vii) The REMOP software can generate annual report. Evidence of it is attached to the response.

### **2.3. Committee's Recommendation**

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

- (i) An appropriate IT policy is designed to address issues relating to system maintenance, safeguard of equipment and anti-virus updates;**
- (ii) An Information, Communication and Technology focal person be recruited to assist in routine maintenance;**
- (iii) A robust maintenance plan be developed and implemented for the regular maintenance of computers and other electronic devices.**

### **2.4. Audit Finding**

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

Monthly actual versus budget variance reports were not submitted to the Budget and Finance Committee.

### **2.5. Official Response**

- (i) This query is acceptable, but there is a great challenge between council and the chieftom administration over the collection of some revenues, like precepts from local tax, market dues and some other produce revenues.*
- (ii) Council is not aware of the existence of Diamond Dealers in the District and bill-boards that are erected in the district are owned by our development partners who are not looking for profit but to complement the effort of council*

### **2.6. Committee's Recommendation**

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

- (i) Monitoring of actual revenue and expenditure be done regularly to identify variances and aid decision making;**

- (ii) Preparation of realistic budgets that incorporate prevailing economic situation and financial parameters; and*
- (iii) A client cadastre/database for managing market tolls, diamond & bill board revenue, should be developed and also used for the annual budget.*

### **2.7. Audit Finding**

#### **Inadequate control of the reporting and presentation of financial information**

A comparison of closing balances as at 2012 and opening balances as at 2013 revealed overstatement of Le295,434,582 and understatement of Le254,205,138.

Cash book balances used in the reconciliation statements differs from cash book balances as per general ledger.

### **2.8. Official Response**

*(i) it is acceptable that there was an over statement and under statements in the opening balances and closing balances due to the mal-functioning of the PETRA system, however, these differences have been ratified.*

*ii) Management has closely monitored the performance of the PETRA system and such mishaps have been amended and ready for verification.*

*(iii) All vouchers relating to the said transactions were posted, but due to the mal-functioning some did not appear; however it has been amended and can be verified.*

### **2.9. Committee's Recommendation**

**The Committee recommends that:**

- (i) The Chief Administrator should ensure that corrections are done and a revised financial statement is submitted to the regional Audit Office for verification.***
- (ii) The Accountant should re-do all the reconciliations using the correct cash book balances.***

### **2.10. Audit Finding**

#### **Inadequate Control of the collection, recording and banking of revenue**

A review of the council controls of revenue identified the following issues:

- There were delays in the posting/recording of own source revenue;
- Own source revenue collected were not banked the day after collection or at the earliest opportunity;
- Reconciliation of own source revenue collected as per receipt books and bank pay-in slips/bank statements were not done; and
- The Auditors could not verify the amount collected for property tax because the officer could not produce report from the system.

### **2.11. Official Response**

*i) Considering the difficult terrain in Kailahun District Revenue collectors cannot easily take the revenue collected to the bank the day after.*

*ii) All reconciliation for the different accounts is done by the PETRA system and it is available for verification (iv) The report from the REMOP system is clear and easily accessible. Example of such reports is attached to the responds.*

### **2.12. Committee's Recommendation**

***The Committee recommends that the Chief Administrator should supervise and review the entire system to ensure the following:***

- (i) Revenue collected are recorded and banked immediately in accordance with the above regulation;***
- (ii) Reconciliation of daily revenue collected, recorded and banked is carried out regularly; and***
- (iii) Schedules to support figures on the financial statements are produce.***

### **2.13. Audit Finding**

#### **Procurement procedures not followed**

Goods and services totalling Le931,508,038 were procured without the mandatory 'Request for Quotations' from at least three bidders.

There were no minutes of Procurement Committee meetings and completion certificates for procurement undertaken amounting to Le851,020,700 for the year under review.

#### **2.14. Official Response**

- (i) The procurement documents were attached to the payment vouchers in the finance office but however the documents are now in the procurement file and ready for verification.*
- (ii) There was no Minutes to effect that required based on the threshold. And also for completion certificate is now available for inspection.*
- (iii) The reason being INCOD was far below the targeted threshold while Moamie Enterprise was within the required threshold and with a wealth of experience over the years.*

#### **2.15. Committee's Recommendation**

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

- (i) The procedure for the "Request for Quotations" must be in accordance with Section 45 of the Public Procurement Act 2004;***
- (ii) All minutes and completion certificates of procurements undertaken are submitted to the regional Audit Office for verification; and***
- (iii) The award of contracts should be done on a competitive and transparent basis.***

#### **2.16. Audit Finding**

##### **Inadequate control of the general processing of payment vouchers**

The relevant documentary evidence such as request, receipt/certification, training reports were not made available to justify the disbursement of funds amounting to Le262,496,000.

#### **2.17. Official Response**

*All the documents are available and they were even available at the time of Audit, and it is available for inspection.*

### **2.18. Committee's Recommendation**

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

- (i) The relevant evidence in respect of the above expenditures is forwarded to the regional Audit Office for verification within 30 days after the adoption of this report by Parliament or the amount of Le262, 496,000 must be refunded immediately.***
- (ii) All the relevant supporting documents like request, pet-forms and payment vouchers are prepared and submitted for audit verification.***

## **3.0. KONO DISTRICT COUNCIL-2013**

### **3.1. Audit Finding**

Ineffective IT control environment

The following were observed:

The server and the desktop computer hosting the PETRA accounting software were not in a secure location and exposed to dust;

There was neither continuity nor disaster recovery plans in place in the event of data loss during systems upgrades or system development;

Routine maintenance of IT equipment and software upgrades were carried out by personnel based in Freetown and there was no evidence of planned schedules; and

There was no evidence of appropriate documented Information, Communication and Technology security policy for the control and management of IT.

### **3.2. Official Response**

*The Committee was informed:*

- (i) That the council is still using the old building, but as soon as they transfer to the new building the computer using the PETRA will be hosted in a special room for proper security. The council has procured some curtains to cover the computers to protect them from dust.***

- (ii) Since the council is on the verge of transferring to the new building, the council is planning to form a disaster management committee to prevent data loss.
- (iii) That council has asked the Ministry of Finance to provide planned routine maintenance schedule for the council.
- (iv) That council had only one information technology personnel up until March 2013. Unfortunately, he left the Council unceremoniously. However, the council is in the process to replace him.
- (v) That the ICT Department of the Ministry of Finance is responsible for updating the system with Symantec end point protection.
- (vi) That the appropriate documented information communication and technology security policy for the control and management of IT will be put in place after the IT Specialist has been recruited.

### **3.3. Committee's Recommendation**

**The Committee recommends that the Chief Administrator ensures:**

- **An appropriate IT Policy is designed that will addresses issues relating to system maintenance, safeguard of equipment and anti-virus updates.**
- **An Information, Communication and Technology focal person is recruited that will assist in routine maintenance.**
- **Maintenance plan is developed and implemented for the regular maintenance of computers and other electronic devices.**

### **3.4. Audit Finding**

#### **Ineffective management of the council's budget and budgetary processes** **Findings**

Monthly actual versus budget variance reports were not submitted to the Budget and Finance Committee and no minute of meetings to show that it was operational was made available.

### **3.5. Official Response**

- (i) *There is now a vibrant and functioning Budget and Finance Committee that has been put in place which now meets regularly, where monthly budgets versus actual reports are submitted and discussed.*
- (ii) *The valuation department has developed a client cadastre/data base for property tax assessment which will give council a clear Indication of its revenue potential and thus facilitate credible council budget preparation. Also the council has received a low surface rent for 2013 as compared to the budgeted amount.*

### **3.6. Committee's Recommendation**

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

- ***The monthly actual versus budget variance reports are prepared by the finance officer and submitted to the Budget and Finance Committee for appropriate deliberation;***
- ***Monitoring of actual revenue and expenditure should be done regularly to identify variances and aid decision making;***
- ***Prepare realistic budgets that incorporate prevailing economic situation and financial parameters.***

### **3.7. Audit Finding**

#### **Ineffective Internal Controls**

There was no disaster recovery/business continuity plan in place. In addition, Committees formed by the council were ineffective as there were no minute of meetings to justify their contribution towards the development of the council.

### **3.8. Official Response**

- (i) *The Council is in the process of procuring notice boards for all wards so that the following will be displayed:*
  - (a) *Monthly statements of financial accounts,*
  - (b) *Annual income and expenditure statements,*
  - (c) *Inventories of assets of the local council,*

- (d) *Minutes of council meetings etc*
- (ii) *Also, the council has instructed the internal auditor to put in place a risk assessment of fraud and fraud related matters.*
- (iii) *The council is with the intention of putting a disaster recovery business plan in place as soon as Council transfers to the new building.*
- (iv) *During the audit process the minutes of the committee meetings were not available, because the records management officer who was in custody of those documents was not around. However they are now available for verification.*
- (v) *Over a month ago before the auditing there was problem with the PETRA financial software which made it impossible to print the financial statements and the asset register. Furthermore the monthly council minutes for that month was in the file but was not updated; that was why it was not printed and posted on the notice board. However it is now updated and has been posted on the notice board.*

### **3.9. Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures that:***

- An appropriate risk assessment process/ policy for the identification and management of fraud and fraud related matters is designed and effectively implemented;***
- A disaster recovery/business continuity plan be compiled and put in place by the council;***
- Committees formed for the development of the council meet regularly;***
- Information is published on the council's notice board in accordance with the above regulation.***

### **3.10. Audit Finding**

**Inadequate control of the reporting and presentation of financial information**

A comparison of own source revenue collected and recorded as per general ledger (PETRA) and the figures identified in the financial statements showed revenue streams overstated by Le30,747,695 and understated by Le13,620,720. In addition, total revenue and expenditure disclosed in the financial statements were overstated by Le1,744,195,148 and Le2,698,875,255 respectively. Furthermore, cash book balances used in the reconciliation statements differs from cash book balances in the general ledger.

### **3.11. Official Response**

- (i) Councils all over the country during the first half of the financial year were using deferred income in their financial reporting but by August of the same year councils on the advice of public Financial Management reform unit (PFMRU) adopted the international Public Sector Accounting Standards (IPSAS) reporting format.*
- (ii) The variance between the general ledger balance and the IPSAS financial statement has been adjusted to reflect the correct amount in the revised financial statement which is available for verification.*
- (iii) The over and understatement of the closing balances in the financial statement has been corrected to reflect the correct amount in the revised financial statement which is available for verification.*
- (iv) There was a problem with the PETRA accounting system to reconcile the cash book balance with the general ledger balances. However we now have recent PETRA accounting software that ensures that the amount in the cash book is reconciled with the general ledger balances.*
- (v) The bank balances in the reconciliation statements have been corrected to tie up with the bank statements.*

### **3.12. Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the finance officer investigates these discrepancies, adjust and submit revised financial statements to the regional Audit Office within thirty (30) days after the adoption of this report by Parliament. Also the***

**Accountant should re-do all the reconciliations using the correct cash book and bank balances.**

### **3.13. Audit Finding**

Inadequate control of the collection, recording and banking of revenue. Revenue officers failed to sign the Accountable Document Register as proof of receipt books being returned.

### **3.14. Official Response**

- (i) Since 2007 the council has not made any request for receipts books.*
- (ii) This is because after preparing the MTEF budgets Council has to take the coded budget to (PFMRU) for them to prepare our PETRA database budget which takes about a month. Thereby causing some delay. However Council has informed them about such abnormalities so that such delay will not reoccurred.*
- (iii) Since September 2013 the Council has ensured that no accounting officer handles money in the office. All revenue is paid directly into the revenue accounts and pay in slip submitted to the accounting officers for recording and filling.*
- (iv) Reconciliation of daily revenue collected, recorded and banked is carried out on a regular basis. Evidence available in the finance office for Verification.*
- (v) Revenue officers failed to sign the accountable document register because they failed to return the receipts books. However council has written them officially through the senior District Officer to ensure that those books are returned or accounted for.*
- (vi) The transaction was recorded but failed to appear in the revenue voucher listing of the Petra but was shown in the accounts details enquiry. Evidences are available in the finance office for Verification.*
- (vii) This is due to error made by the bank due to mis-posting in the wrong account. However we have asked them for reversal.*

(viii) *During the audit process the valuator in custody of the comprehensive client cadastre base was not in town and as such the files were not printed but the soft copy was available for verification.*

### **3.15. Committee's Recommendation**

***The Committee recommends that the Chief Administrator should properly supervise and review the system to ensure:***

- ***That the printing of receipt books is done through the Government Printer;***
- ***Revenue collected should be recorded and banked immediately in accordance with the above regulation***
- ***Reconciliation of daily revenue collected, recorded and banked is carried out on a regular basis;***
- ***The twenty-seven receipt books are returned and submitted to the Audit Office within thirty (30) days after the adoption of this report by Parliament. Failure to do so will be met with stiffer penalties.***
- ***A comprehensive clients' cadastre/database maintained for market tolls, diamond dealer license, billboards and telecommunication mast.***

### **3.16. Audit Finding**

Inadequate control of the general processing of payment vouchers – Le30,946,868.

The relevant documentary evidence such as request, receipt/certification were not made available to justify the disbursement of funds amounting to Le238,719,000. In addition, the amount of Le70, 743,868 was spent by the council without payment vouchers.

### **3.17. Official Response**

*(i) The Movement of documents from one office to the other caused most of the attached documents to the payments vouchers to be missing due to poor filing system by the finance clerks. However the missing documents in appendix 6a*

*have been retrieved and attached to the relevant PVS accordingly. Evidence is now available in the finance office for verification.*

*(ii) During the audit most of the payment vouchers were not detached from the voucher books. They have now been detached and have been attached to their relevant supporting documents. Evidence is now available in the finance department for verification.*

### **3.18. Committee's Recommendation**

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

- The relevant evidence in respect of the above expenditures is forwarded to the Audit Office within thirty (30) days after the adoption of this report by Parliament. Failure to do so will be met with serious consequences.***
- Pre-numbered payment vouchers be prepared for all expenses and must be supported by relevant documentations***

### **3.19. Audit Finding**

Procurement procedures not followed.

There were no evidence such as delivery notes to confirm that **Le73,918,966** of goods procured were taken into store.

### **3.20. Official Response**

*(i) Most of the procurements that are not in the budgets are donor projects that the council undertakes during the year which was not part of council budgets. However the next time the council will ensure that supplementary budget will be prepared for any procurement that is not part of the budget and approved by the council before any expenditure will be undertaken.*

*(ii) There were three requests for quotations but they were not attached to the payment vouchers because they are bulky, they were in the procurement office. However they have now been attached. Evidence is available in the procurement unit for verification.*

- (iii) *The movement of files from one point to the other causes the delivery notes to be mistakenly detached due to poor filing systems by the finance clerks. However they have now been attached to their relevant vouchers. Evidence available in the finance department for verification.*
- (iv) *The engineer's completion certificates were in the engineers office separately filed but we have now retrieved them. Evidence available in the finance department for verification.*

### **3.21. Committee's Recommendation**

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

- ***That Procurement for a total of Le236,638,000 should be included in the council's approved budget;***
- ***The procedure for the "Request for Quotations" must be in accordance with Section 45 of the Public Procurement Act, 2004;***
- ***Delivery notes for goods procured are forwarded to the Audit Office within thirty (30) days after the adoption of this report by Parliament.***
- ***Those final payments must be made only when a certificate of work completed is issued by the Engineer;***
- ***Certificates of work completed should be produced for verification.***

### **3.22. Audit Finding**

#### **Inadequate control of the distribution and usage of fuel**

There were no fuel usage reports, register and distribution list to justify the allocation of fuel amounting to Le64,500,000. There were also no records such as log book to show how the sum of Le50,600,000 was spent for servicing and repairs of motor vehicles, motor bikes and office equipment .

### **3.23. Official Response**

- (i) *The Council has asked the sector finance clerks of the devolved sector and the finance clerks of the council to prepare fuel distribution log books and reports to justify the amount of fuel used.*
- (ii) *The Council has asked the sector finance clerks of the devolved sector and the finance clerks of the council to prepare records, such as log books and reports to justify the amounts used for servicing and repair of equipments' and machinery.*

### **3.24. Committee's Recommendation**

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

- ***That Record for the fuel utilisation totalling of Le115, 100,000 should be forwarded to the regional Audit Office within thirty (30) days after the adoption of this report by Parliament.***
- ***Records of fuel and repairs are maintained according to the above regulation.***

### **3.25. Audit Finding**

#### **Ineffective Internal Audit Unit**

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

- The Council Audit Committee was not effective as one meeting was held in March, 2013;
- Executions of Internal Audit assignments though planned and documented revealed that the audit work was skewed towards the review of school fee subsidies and expenditure with no provision made for the review of the Council systems;
- Review of working paper files revealed no logical sequence between audit work executed and reports submitted to the Chief Administrator. Audit procedures and conclusion were not documented;

- Management response letter to justify management's commitment to act upon audit queries raised were not submitted for audit; and
- Internal audit reports were not submitted to the Internal Audit Committee and Minister for the period under review.

### **3.26. Official Response**

- (i) A new audit committee has been put in place and this committee has been charged with the responsibility of effecting the recommendations highlighted in the report*
- (ii) The director of Internal Audit is yet to design the charter or formal document stating the purpose, responsibilities and scope of the department. However, the Internal Auditor has undertaken to contact the director of Internal Audit about the matter. The Internal Audit Unit has noted the issues raised in recommendation (iii), (iv) (v) above and will put modalities in place to implement them.*

### **3.27. Committee's Recommendation**

***The Committee recommends that the Chief Administrator in collaboration with the management of the Council ensure the following:***

- ***That the Council's Audit Committee is made operational and responsible for approving, monitoring and implementing the audit work plan.***
- ***The head of the Internal Audit Department should ensure the following:***
  - a) Internal audit assignments are properly planned, documented and supported by sufficient and appropriate audit evidence;***
  - b) That working papers filed as Permanent and Current are maintained for all audit assignments conducted by the department;***
  - c) Council's systems and procedures are regularly reviewed and assessed. All the reports in respect of these (including audit;***

**recommendations) are presented to the council and minister in accordance with section 84 (3 & 4) of the Local Government Act, 2004.**

**3.28. Audit Finding**

Non-refund of unclaimed school fees subsidies into the Consolidated Revenue Fund. Unclaimed school fees subsidies totalling Le23,239,568 was not refunded into the consolidated Revenue Fund (CRF).

**3.29. Official Response**

*It has been council's usual practice to refund all unclaimed funds properly into the CRF. In the case of the school fees subsidy mentioned above, some schools had still not Opened Bank accounts by the time of the audit and thus these monies were still held into the fees subsidiary main account. However, some of these schools have now complied and have been paid accordingly.*

**3.30. Committee's Recommendation**

***The chief administrator should ensure that the unclaimed school fees subsidies of Le23,239,568 is paid back into the CRF within thirty (30) days after the adoption of this report by Parliament and evidence forwarded to the regional Audit office for verification. Failure to do so will be met with severe consequences.***

## **4.0. KOIDU NEW SEMBEHUN CITY COUNCIL-2013**

**4.1. Audit Finding**

Ineffective IT control environment. Computers owned and controlled by the council were not adequately secured as they were not marked with durable identification codes.

An appropriate documented Information, Communication and Technology security policy for the control and management of IT was not available.

#### **4.2. Official Response**

- (i) *Council has assigned an Information, Education and Communication Officer to be in charge of all the ICT Issues in council, to backup and archive all information both soft and hard copy.*
- (ii) *The Ministry of Finance ICT Department through Public Financial Management Reform Unit (PFMRU) usually does routine servicing and maintenance on council computers that are connected to the PETRA financial database.*

#### **4.3. Committee's Recommendation**

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

- ***That an appropriate IT policy is designed that addresses issues relating to system maintenance, safeguard of equipment and anti-virus updates;***
- ***An Information, Communication and Technology focal person is recruited that will assist in routine maintenance; and***
- ***A robust maintenance plan is developed and implemented for the regular maintenance of computers and other electronic devices.***

#### **4.4. Audit Finding**

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

The following were observed:

- i. The approved budget was not published on the council's notice board;
- ii. Monthly actual versus budget variance reports were not submitted to the budget and finance committee and no minute to show that the committee was operational for the period under review; and
- iii. Comprehensive clients' cadastre /database were not maintained for market tolls, diamond dealer license, billboards and telecommunication mast.

#### **4.5. Official Response**

- (i) Notice for the availability of council budget and development plan for the 2013 fiscal period is now available on the council notice board for public consumption.
- (ii) The approved monthly actual and variance budget report is generated by the PETRA system and now available for your inspection.
- (iii) The above decrease in revenue collection is due to the non-compliance of tax payer regarding payment direct to the bank instead to the office. As you aware council is using the property and License cadastre that limit council treasury staff to have contact with money in order to reduce the risk of fraud. But not withstanding that council has set up robust approach to sensitize tax payers to pay in the bank and make sure they pay promptly.
- (iv) Comprehensive clients' cadastre / database are maintained for market tolls, diamond dealer license, and telecommunication mast, except for billboards which are billed according to the area in square feet of the bill board. The bill board charges are available in the valuation office.

#### **4.6. Committee's Recommendation**

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

- **That the council budget and finance committee meets regularly and proceedings are documented;**
- **Monitoring of actual revenue and expenditure should be done regularly to identify variances and aid decision making; and**
- **Prepare realistic budgets that incorporate prevailing economic situation and financial parameters.**

#### **4.7. Audit Finding**

Inadequate control of collection, recording and banking of revenue. A review of the council controls of revenue identified the following issues:

- Own source revenue totalling Le57,722,645 collected but not banked;
- Own source revenue amount recorded in the general ledger was understated by a total amount of Le25,335,388;

- There is a difference of Le116,597,628 between revenue collected as per cashbook and receipt books;

#### **4.8. Official Response**

- (i) Council accountant has revised the closing balances in 2012 schedule to meet with the actual opening balance of 2013 that was highlighted by the audit and they are available for your inspection.
- (ii) The differences in the cash book balances and that of the bank reconciliation has now being restated for your attention.
- (iii) The amount highlighted above regarding amount not posted into the PETRA has being input in the system and is now available for your inspection.

#### **4.9. Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that corrections are done and a revised financial statement is submitted for verification. Also the Accountant should re-do all the reconciliations using the correct cash book balances.***

#### **4.10. Audit Finding**

Procurement procedures not followed. There were no minutes of procurement meetings to show the procurement committee held meetings to discuss procurement issues. Procurement documents such as bidding documents, bid security, evaluation reports and minutes of bid opening meetings for the contract of diet valued Le400,000,000 were not submitted for audit inspection.

#### **4.11. Official Response**

- (i) The above finding in Paragraph (i) and (ii) is in place as inherited council was in the practice of spending money at source. More information on the above practice is available for your inspection. I have instituted stringent internal control to ensure that money collected from source like market dues and other charges are bank intact.

*Notice and memos to stop the practice to spend money at source is available for your inspection.*

(ii)The underperformance of property tax by 80% revenue is due to the non-compliance of tax payer regarding payment direct to the bank instead to council treasury. As you are aware council is using the property and License cadastre that limit council treasury staff to have contact with money in order to reduce the risk of fraud. But notwithstanding that council has set up robust approach to sensitize tax payers to pay in the bank and make sure they pay promptly.

#### **4.12. Committee's Recommendation**

**The Committee recommends that the Chief Administrator should ensure proper supervision and review so that:**

- **Revenue collected is recorded and banked immediately in accordance with the above regulation**
- **Reconciliation of daily revenue collected, recorded and banked is carried out regularly; and**
- **Measures are enforced to ensure that the outstanding property taxes are collected.**

#### **4.13. Audit Finding**

Inadequate control of the general processing of payment vouchers. The relevant documentary evidence such as request, receipt/certification, training reports were not made available to justify the disbursement of funds amounting to Le126,273,436.

#### **4.14. Official Response**

- (i) Due to improper filing, some of these documents could not be submitted to the Auditors during the audit exercise .But they are now available for verification.
- (ii) According to the First Schedule of the Public Procurement Act 2004, the authority of the procurement committee to approve a contract largely depends upon the threshold of that contract. Meeting of the Procurement Committee is only needed to approve a Goods Contract, for example, when the contract amount is above sixty million Leones **(Le60,000,000.00)**. Also, the Committee

should only meet to approve a Works Contract when it is above one hundred million Leones (**Le100,000,000.00**). Any contract amount below the threshold s above could be approved by the Head of Entity or the Head of the Procurement Unit.

Therefore, there were no minutes of procurement Committee meeting for all the procurement activities in question, because they fell below the threshold for the approval by the Committee.

(iii) The procurement documents highlighted in 8 (i) have been found and are available for verification

#### **4.15. Committee's Recommendation**

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

- **The procedure for the “Request for Quotations” must be in accordance with Section 45 of the Public Procurement Act 2004;**
- **All relevant documents concerning the contract for diet are submitted to the Audit Office within thirty (30) days after the adoption of this report by Parliament.**

## **5.0. KENEMA DISTRICT COUNCIL- 2013**

### **5.1. Audit Finding**

#### **Ineffective IT Control Environment**

Regular anti-virus update was not carried out.

### **5.2. Official Response**

(i) The Council currently uses external backups, kept securely in a fireproof safe, to save very important data files on a regular basis and during system upgrades and development. As it is deemed to be insufficient by Audit, Council will ensure that such backups are deposited in a bank for safe keeping.

- (ii) *The recruitment process for the post of IT Officer is ongoing and the successful candidate will be in post by the next Audit.*
- (iii) *The ICT Directorate of MoFED have planed schedules in the routine maintenance of Council IT equipment. What is missing is the availability of copies of these documents to the Council. Management would ensure that these planned schedules are made available to council.*
- (iv) *The computers were originally labeled but with low quality ink materials. They have now been labeled with long-lasting ink materials.*
- (v) *Procurement of new anti-virus software to replace the expired one will be done to ensure computer safety and performance.*
- (vi) *A maintenance plan for hardware utilization, including laptops and desktop computers has now been drawn up and is available for verification*
- (vii) *The soon-to-be recruited ICT Officer should help design such a policy for implementation by management.*
- (viii) *This was an oversight by personnel of the ICT Directorate of MoFED. The issue will be brought to their attention for rectification during their next monitoring visit to council.*

### **5.3. Committee's Recommendation**

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

- An appropriate IT policy is designed that addresses issues relating to system maintenance, safeguard of equipment and anti-virus updates;***
- An Information, Communication and Technology focal person is recruited that will assist in routine maintenance;***
- User groups for the PETRA accounting software is updated to reflect the current personnel of the council; and***
- A robust maintenance plan is developed and implemented for the regular maintenance of computers and other electronic devices.***

### **5.4. Audit Finding**

**Ineffective Internal Controls**

A review of the council's internal control and operating systems revealed that there was no disaster recovery/business continuity plan in place.

### **5.6. Official Response**

- (i) *The monthly actual versus budget variance reports are provided to Devolved Functions Heads and other Program Managers at the moment as recommended by LGFD. However, management accepts the recommendation and would ensure submission of these reports to the B&F Committee.*
- (ii) *The cadastre system was under a consultancy for upgrade during the time of the audit and could not be accessed due to the absence of the consultant. The database is now available for inspection and verification.*
- (iii) *The decrease is mainly attributed to revenue streams from licenses in an amount of Le91, 896,000 for 2013 FY compared to Le146,879,250 for 2012 FY. However, significant progress was made in the collection of local tax and other non-tax revenue, registering Le24,276,000 and Le151,440,250 in FY 2013 respectively compared to Le0 and Le122, 007,000 in FY2012. Whilst similar levels of robustness will be applied in the collection of revenues for which the council showed improvement, special attention will be paid in the collection of licenses for the 2014 financial year so as to ensure a more than favorable comparable results.*

### **5.7. Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures the following:***

- ***The monthly actual versus budget variance reports are prepared by the finance officer and submitted to the Budget and Finance Committees for appropriate deliberation;***
- ***A client cadastre/database for managing market tolls, diamond & bill board revenue, should be developed and also used for the annual budget;***
- ***Monitoring of actual revenue and expenditure should be done regularly to identify variances and aid decision making; and***
- ***Prepare realistic budgets that incorporates prevailing economic situation and financial parameters***

### **5.8. Audit Finding**

#### **Inadequate control of the general processing of payment vouchers – Le. 116,342,500**

The relevant documentary evidence such as request, receipt/certification were not made available to justify the disbursement of funds amounting to Le83,275,000.

### **5.9. Official Response**

- (i) As no provision for a risk management officer is made in the human resource management guidelines of council, the internal audit function performs a measure of risk assessment functions in relation to ensuring that the internal control procedures of council are strictly adhered to in the day-to-day operations of council.*
- (ii) Management accepts the findings of the audit and would ensure that an effective disaster recovery/business plan is put in place.*
- (iii) Minutes of the Budget & Finance committee were submitted for inspection during the audit. However, management accepts the findings of the audit with respect to minutes of other committees. Going forward therefore, management would ensure that the various committees submit to administration copies of all minutes as and when they do meet.*
- (iv) Information of this nature is required to be posted for a minimum of 21 days according to the LGA2004. This was duly done for the period January-December 2013. The notice board register is available for verification. As the audit is conducted in April 2014, information on operations for 2013 may not be on the notice board during this period.*

### **5.10. Committee's Recommendation**

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

- An appropriate risk assessment process/ policy for the identification and management of fraud and fraud related matters is designed and effectively implemented;**
- A disaster recovery/business continuity plan be compiled and put in place by the council;**
- Committees formed for the development of the council meet regularly; and**
- Information is published on the council's notice board in accordance with the above regulation.**

### **5.11. Audit Finding**

#### **Sitting fees and other allowances paid to Councillors**

The following were observed:

There was no evidence in the form of guidelines issued by the MLGRD, to justify an amount of Le159,683,750 recognised in the financial statements as sitting fees;

The total sum of Le13,345,625 was paid to councillors as sitting fees and transport allowances even though they failed to attend council meetings; and The total sum of Le27,200,000 was paid to the health and ward committee as sitting fees. There were no minutes to justify that meetings were held.

### **5.12. Official Response**

- (i) The basis for the preparation of the financial statements is the cash book and therefore the general ledger which is consistent with the figures in the financial statements. However when revenue and expenses voucher lists are used, as the audit indicated, the differences highlighted would arise. This is due to reversals which are self – correcting in the cash book but not in the revenue and expenses voucher lists. This challenge in the PETRA Accounting system has been reported to the Administrators for rectification.*
- (ii) The same explanation as in 7.2 (i) above is provided for the difference highlighted.*

### **5.13. Committee's Recommendation**

***The Committee recommends that the Chief administrator should ensure that the finance officer investigates the discrepancies, update and submit revised financial statements to the Audit Office within thirty (30) days after the adoption of this report by Parliament.***

### **5.14. Audit Finding**

#### **Inadequate control of the management and security of furniture and equipment**

The auditors were unable to verify a Toyota Hilux vehicle under the control of the Ministry of Social Welfare, Gender and Children Affairs – Kenema.

### **5.15. Official Response**

- (i) The requisition letter to the Government Printer is available for inspection and verification.*
- (ii) The delays in posting/recording of own source revenue is due to the time it takes Process, vet, classify and code the various revenue streams before posting. However, management has noted the recommendation and would seek to simplify and fast-track the process to achieve increased efficiency.*
- (iii) This relates mainly to revenue collected by revenue collectors in the field. The revenue generated from the chiefdoms is recorded on the basis of the date recorded on the GR Books. Depending on the time the books are submitted to Accounts for reconciliation and recording, the period between collection and banking may not correlate as prescribed. However, management will put measures in place to ensure compliance.*
- (iv) Management has noted the findings and would seek to improve on the timeliness and frequency of such reconciliations.*
- (v) All receipt books returned are always sign against to show proof of their return. Why such signature is not available and barring a mistake then a particular book is still with the revenue collector. However, one case of omission to sign has been identified and the revenue collector has been informed and the register has now been accordingly signed.*
- (vi) The receipt books in question have been returned and now available for verification.*
- (vii) This difference do not relate to actual omission but system challenges which results in PETRA cash book not tying with the revenue voucher list. As stated earlier, this System challenges have been reported to the Administrators for correction.*
- (viii) This difference is as a result of an amount of Le8,500,000 which was double posted but self-corrected in the cash book and failed to do the same in the revenue voucher list as The database for these revenue streams is available but was not presented for audit because of access to the cadastre system since the system was under consultancy for upgrade, and who was not available at the time of the audit. The database is now available for inspection and verification.*
- (ix)** *The council filed a case at the Magistrate Court of contract avoidance by the Facility Manager in August 2013 and judgment on the matter is pending. The court papers on the case are available for inspection and verification.*

### **5.16. Committee's Recommendation**

***The Committee recommends that the Chief Administrator should properly supervise and review the entire system to ensure the following:***

- ***That the printing of receipt books are done through the Government Printing Department;***
- ***Revenue collected is recorded and banked immediately in accordance with the above regulation;***
- ***Reconciliation of daily revenue collected, recorded and banked is carried out on a regular basis;***
- ***The forty-six (46) receipt books are returned and submitted to the regional Audit Office within thirty (30) days after the adoption of this report by Parliament;***
- ***A comprehensive clients' cadastre/database be maintained for market tolls, diamond dealer license, billboards and telecommunication mast; and***
- ***Measures are enforced to ensure that the rent of Le60, 000,000 is collected and the debt disclosed in the council's financial statements.***

## **6.0. BONTHE DISTRICT COUNCIL-2013**

### **6.1. Audit Finding**

#### **Inaccurate recognition of 2012 balances in 2013**

It was observed that the closing balances in 2012 were incorrectly disclosed as comparative figures in the 2013 financial statements. This resulted in a net difference in grants from central government and external assistance of Le188.7million.

### **6.2. Official Response**

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

### **6.3. Committee's Recommendation**

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

- ***That reconciliations are done on a monthly basis, reviewed and initialed and corrected by a responsible officer and filed accordingly.***
- ***That the individual bank accounts of the Council are reconciled with Council's corresponding Cash Books and all discrepancies investigated, corrected in the books of accounts and filed accordingly;***
- ***That the evidence of reconciliations [including the discrepancies (if any) and the corrections made in the books of accounts] are made available to the regional Audit office for verification.***

### **6.4. Audit Finding**

#### **Monitoring and Evaluation Reports not submitted**

Progress reports issued by council's Monitoring and Evaluation Officer were not submitted for inspection to justify payments for selected contract of goods and works amounting to Le 294.7million.

### **6.5. Official Response**

***(i) It is true that International Public Sector Accounting Standard (IPSAS) requires disclosures of previous year's numerical information in the financial statement when it is relevant to an understanding of the current period's financial statement. However, management informed that the previous year's information in the 2011 financial statement do not match the requirements of the IPSAS and as such may not have been relevant to an understanding of the 2012 financial statement submitted to the Auditor General. In 2011 Council uses the Microsoft Excel Format in the preparation of monthly Financial Statement as compared to the Petra Accounting Software which was adopted in 2012. The Petra Accounting Package was more aligned to generate financial information required by IPSAS unlike the Microsoft Excel Format. This makes it difficult to compare financial information generated by the two tools (Microsoft Excel & Petra Accounting Package).***

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

- (a) *The sum of Le6,177,000.00 was credited in error by the Bank (Matru Community Bank) which was reversed. We noted that these amounts were computed as understated revenue amounts though it cannot be considered as revenue earned. Please refer to the Bank Reconciliation Statements.*
- (b) *An amount of Le3,000,000.00 was an amount deposited in error in to the Revenue Account instead of the HIV/AIDS Account. We noted that this amount was computed as understated revenue amount though it cannot be considered as revenue earned. Also refer to the Bank Reconciliation Statements.*
- (c) *The sum of Le56,700,000.00 was interbank transfers in respect of loan repayments by the Agriculture Sector which cannot be considered as actual revenue earned. Please refer to the Loans Register and requisitions for further clarification.*
- (d) *The sum of Le22,236,000.00 was not posted in Petra Financial Statements but recognised in the Bank Reconciliation Statement. Please refer to the Bank Reconciliation Statements for verification.*

**(iii)** *Management will like to draw your attention to the fact that over the course of the 2012 financial year, there were activities which may not have been provided in the approved original budget but were provided for in the supplementary estimates approved by Council. Such activities the payment of school fee subsidies, transfers of retentions for the Rural and Private Sector Development Project (RPSDP) and the Education for All, Fast Track Initiative (EFA/FTI) Project. The documentary evidences in the form of Payment Vouchers, Cash Books and Financial Statements were presented for audit. In addition the information provided in the Financial Statement generated from the Petra Accounting Package of which management has no control over it setup. However, these concerns will be communicated to the Public Financial Management Reform Unit (PFMRU) for their attention and action.*

#### **6.6. Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that Council complies with the requirements of Paragraph 60 of IPSAS 1. Also the differences identified must be investigated and action taken to correct the figures in the Financial Statements.***

#### **6.7. Audit Finding**

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

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le.81.9 million recognised in the financial statements as sitting fees paid to councillors, contrary to Section 30 (2) of the Local Government Act 2004.

### **6.8. Official Response**

*The payment of Councillors Sitting Fee and Travelling Allowances are provided for in the Local Government Act 2004. Council will like to reiterate that this concern has long been forwarded to the Ministry of Local Government and Rural Development regarding guidelines for the payment of sitting fees to Councillors. Council will like to bring to the attention of the Auditor General that it is not the mandate of Local Councils to formulate guidelines and policies as specified in the Local Government Act. It is the responsibility of the Ministry of Local Government to formulate guidelines for Local Councils operations. However, Management will make a follow-up on this with the ministry to ensure compliance.*

### **6.9. Committee's Recommendation**

***The Chief Administrator advised to seek clarification on this from MLGRD. In future, the Chief Administrator should ensure that Sitting Fees are only paid to Councillors when meetings are held and evidence to indicate that meetings are held should be retained for audit and reference purposes.***

### **6.10. Audit Finding**

#### **Weaknesses in Internal Controls**

A review of the operations of the Internal Audit (IA) Unit revealed that the unit was ineffective. Standard working paper files were not maintained and as such it was difficult for the audit team to ascertain the methodology used in arriving at certain conclusions in the audit report. There is no risk management process in place at the council to identify and respond to the risk. There was inadequate provision made for virus protection for desktops, and laptop computers, including the use of adequate antivirus software. In actual fact, most of the computers at the council were infested with viruses. There was substantial delay in the postings of transactions into the PETRA accounting package used by the council. Some transactions were posted into the PETRA some two months after the transactions date.

### **6.11. Official Response**

- (i) *Management will like to state that it is the responsibility of the Internal Audit Department of the Ministry of Finance and Economic Development to formulate Internal Audit policies and Charter to be implemented by the Local Councils. However we are pleased to inform you that the Internal Audit Department of the Ministry of Finance and Economic Development that provides technical support and training for Local Council Internal Auditor has been working on the Internal Auditor Charter which is nearly in completion. Once approved by the authorities concern, this Charter will now serve as a base to address the concerns raised in this audit. Meanwhile, the Internal Audit has relied on authority of the Local Government Act to carry out its functions.*
- (ii) *Similarly, the Audit Manual is also almost at completion stage. The Internal Auditor presently relies on such statutory instruments as the Local Government Act, the Procurement Act and Manual, the Budget and Accountability Act in the performance of his duties. Management will however communicate the concerns raised in this audit to the directorate of the Internal Audit Department in a bid to have them expedite the processes leading to the conclusion of formulating both the Internal Audit Charter and the manual.*

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

### **6.12. Committee's Recommendation**

***The Committee recommends that the Chief Administrator in collaboration with the Procurement Committee must ensure that the procedures in respect of the Request for Quotation methods are in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004. Also the Chief Administrator should forward explanations for not complying with the provisions of the Public Procurement Act of 2004.***

### **6.13. Audit Finding**

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

An updated fixed assets register to account for assets procured and donated was not made available for inspection.

#### **6.14. Official Response**

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

#### **6.15. Committee's Recommendation**

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

## **7.0. BONTHE MUNICIPAL COUNCIL-2013**

### **7.1. Audit Finding**

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

The presentation of financial information was inconsistent within various statements in the 2013 financial statements. The following was observed:

- A difference of Le. 83.9 million was identified between the total cash flow figure recorded in statement no. 2 and total payment figure recorded in Statement No.
- A difference of Le 303.4 million between cash and cash equivalent in statement No.1 and cash and bank balance in statement No.4.
- Supporting expenditure schedules exceeded the total expenditure disclosed in financial statements by Le 187.7 million.

- Adequate information in the form of comparative analysis was not provided in the form of notes to the information/ figures disclosed in the core financial statements.

### **7.2. Official Response**

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

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

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

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

### **7.3. Committee's Recommendation**

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

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

### **7.4. Audit Finding**

#### **Inadequate Collection and Monitoring of Own Source Revenue**

Seventeen budgeted and approved revenue streams included in the financial statements (StatementNo.6) were not collected and reported on by the council.

Even though own source revenue by the council increased by Le5.8million in 2013 compared to 2012, it was observed that in 2013 council was unable to collect budgeted and approved revenue which totaled Le274.1million.

### **7.5. Official Response**

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

### **7.6. Committee's Recommendation**

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

### **7.7. Audit Finding**

#### **Over/Understatement of revenue recognised in the Financial Statement**

A review of the bank statements and disclosures made in the financial statement revealed that total own source revenue generated by the council was overstated by Le10.9 million and total grant transferred to the council understated by Le126.3million in the financial statement.

### **7.8. Official Response**

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

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

### **7.9. Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures that controls over collection, recording and reporting of financial transactions are adequate and effective.***

### **7.10. Audit Finding**

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

There was no evidence in the form of request for quotations to justify the procurement of goods, works and services amounting to Le488.9 million were conducted in accordance with Section 45(1) and the First Schedule of the Public Procurement Act, 2004.

### **7.11. Official Response**

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

### **7.12. Committee's Recommendation**

***The Committee recommends that the Chief Administrator in collaboration with the Procurement Committee ensures that the procedures in respect of the Request for Quotation should be in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004. It is also recommended that the required number of RFQs in respect of the queried procurements is forwarded to the regional Audit office for verification.***

### **7.13. Audit Finding**

#### **Weaknesses in Internal Controls**

A review of the operations of the Internal Audit (IA) Unit revealed that the unit was ineffective. Standard working paper files were not maintained and as such it was difficult for the audit team to ascertain the methodology used in arriving at certain conclusions in the audit report. There is no risk management process in place at the council to identify and respond to the risk. There was inadequate provision made for virus protection for desktops, and laptop computers, including the use of adequate antivirus software. In actual fact, most of the computers at the council were infested with viruses.

### **7.14. Official Response**

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

### **7.15. Committee's Recommendation**

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

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

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

### **7.16. Audit Finding**

#### **Inadequate Budgetary Control Process**

A review of the budgets and budgetary control procedures revealed the following:

Evidence of regular reviews of the council's cash flow position was not submitted to the team for review. In fact the variance analysis report of actual own source revenue as against budget was not prepared, thus confirming that the council was not assessing cash flow difficulties.

Paragraph 67 (2) of the LGA 2004, requires that the budget should reflect the priorities and needs of the localities within the district. However, there was no evidence submitted to the audit team to justify that the various wards within the district were consulted in putting together the budget. In statement 7 of the FS, basic salaries were overspent by Le67.3 million. The council was unable to provide an explanation or supporting documentation to justify the excess expenditure.

### **7.17. Official Response**

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

*Each member of that committee was engaged in full political activities abandoning their responsibilities. However the budget process was properly controlled with the introduction of Petra Financials to Bontho Municipal Council. Please be aware of the fact that large percentage of the funds council is using to undertake its programs and projects are funds by central government which are supposed to be transferred to council on a quarterly basis with specific instructions on the use of such funds. These grants were not forthcoming during the period.*

*As in the case of 2012 the year under review, the council only received grants for first and second quarters and first quarter for the Decentralized Service Delivery Programs. These funds were all captured in the MTEF budget of the council.*

*The budgetary process was properly controlled involving members of the Local Government Finance Department, Resident Technical Facilitator, MDAs and council technical staff. The budget was table to the committee by the*

*Acting/Mayor after the budget speech was delivered by her and approved by the council.*

#### **7.18. Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures that:***

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

#### **7.19. Audit Finding**

**Performance management Contract document not made available for inspection.**

Performance management Contract which was signed between His Excellency the President and the council was not made available for inspection.

#### **7.20. Official Response**

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

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

#### **7.21. Committee's Recommendation**

***The Chief Administrator should ensure the following:***

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

## **8.0. MOYAMBA DISTRICT COUNCIL -2013**

### **8.1. Audit Finding**

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

The presentation of financial information was observed to be inconsistent in the various statements in the 2013 Financial Statements. The following were observed:

- Two separate figures in respect of own source revenue collected was stated in the chairman's statement (paragraph 2.1 -receipts). It was however noted that only one of the two amounts mentioned (Le.367million and Le.266 million) could be reconciled with the total own source revenue disclosed in statement No.1 (Le.266 million);
- Differences were observed between the total expenditure of the chairman's statements and statements No.2 for Health and Education for an amount of Le. 58million and Le. 74million respectively;
- Le.377million was identified as the differences between the total payments disclosed in statement No.1 and statement No. 2;
- Own source revenue was understated by Le.90.7 million in the financial statement.

### **8.2. Official Response**

- *The figure stated in the chairman's statement was observed as typographical error. The correct total own source revenue was the figure disclosed in statement No.1 of the financial statement*
- *The Chairman's statement only took into account expenditures undertaken before the 6th of December 2013, when the Moyamba District Council appeared before the Committee on Supply of Parliament for the approval of Moyamba District Council budget of 2014. Therefore expenditures after the above date were not captured in his statement. Hence, expenditures disclosed in statement No. 2 of 2013 financial statement for health and education are correct*
- *The differences in payment of Le. 377,079,515.00 as identified in total cash outflow in statement 2, and total payment in statement 1 was due to system generated errors. That is provisions were not made for, some expenditure items under the Classification of Functions of Government (COFOG). Hence, the total cash outflow in statement 1 is consistent with the total payments in the council's PETRA financials which is available for verification.*

- *The understatement of own source revenue by Le.90,733,973 was due to the fact that the said amount was directly transferred to council's development account instead of own source revenue account. This is evident in the council's development and administration bank statement.*

### **8.3. Committee's Recommendation**

***The Committee recommends that the Chief Administrator immediately effect the necessary adjustments to the financial statement that presents true and trustworthy financial information of the Council.***

### **8.4. Audit Finding**

#### **External Assistance Received**

External assistance from the European Union was not disclosed by the council on the face of the Statement of Cash Receipts and Payments for the period under review.

### **8.5. Official Response**

*The operations were not captured in the Petra accounting system and as such the activities carried out under the EU were not brought to account into the 2013 FS. However a separate FS and the relevant accounting records were prepared as required by the contract terms of the EU project and these documents are available for inspection.*

*In addition, as a way of addressing the concern of the Auditor General and in compliance with the requirement of the Financial Reporting Standards, the council has captured the EU project in the Petra accounting system for the 2014 financial statements*

### **8.6. Committee's Recommendation**

***The Committee recommends that the Chief Administrator immediately effect the necessary adjustments to the financial statement that presents true and trustworthy financial information of the Council.***

### **8.7. Audit Finding**

#### **Bank Account Balances not disclosed in the Financial Statement**

Seven (7) bank accounts balances, confirmed by a bank as being operated by the council were not disclosed in the financial statement. In addition, there was no indication from the council that these accounts have been closed.

### **8.8. Official Response**

*Five of the accounts referred to have been closed and it was an oversight not to have indicated this in the financial statements. The other two accounts: EU Foreign A/C and EU Leones A/C are separately operated and maintained under the EU project.*

### **8.9. Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensure that bank accounts maintained by the council are efficiently managed. Every bank account maintained by the council should be reconciled with the corresponding cash book balance at least once every month.***

### **8.10. Audit Finding**

#### **Inaccurate Recognition of 2012 balances in 2013**

The closing balances in 2012 were incorrectly disclosed as comparative figures in the 2013 financial statements. This resulted in net differences of Le. 3.374 billion, Le.187million and Le.557million respectively. The balances as at 31<sup>st</sup> December 2012, for nine (9) accounts maintained by the council were inaccurately recognised in the financial statements for 2013.

### **8.11. Official Response**

*The reason for this discrepancy was that these revenues were initially posted in the PETRA financial journal and therefore did not reflect in our financial report. Reversals have however been done to capture these revenues. The adjusted financial statement is available for verification.*

### **8.12. Committee's Recommendation**

***The Committee recommends that the Chief Administrator should correct closing balances in 2012 which were presented as comparative figures in the 2013 financial statement; otherwise, this will negatively affect the opinion on the 2013 financial statements.***

### **8.13. Audit Finding**

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

It was observed that withholding taxes which totalled Le.33.8 million were not deducted at source and paid to the National Revenue Authority.

#### **8.14. Official Response**

*The amount had been paid and receipt is available for verification.*

#### **8.15. Committee's Recommendation**

***The Committee recommends that receipt of payment of the said amount has been submitted and the matter is considered closed***

#### **8.16. Audit Finding**

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

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le.151.2 million recognised in the financial statements as sitting fees paid to councillors, contrary to Section 30 (2) of the Local Government Act 2004.

#### **8.17. Official Response**

*This is an issue that has been discussed with the local government finance department and they have promised to provide guidelines for future payments.*

#### **8.18. Committee's Recommendation**

***The Committee recommends that the Chief Administrator liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to councillors.***

#### **8.19. Audit Finding**

##### **Weaknesses in Internal Controls**

The following were observed:

- A review of the operations of the Internal Audit (IA) Unit revealed that the council had been without an internal auditor since August 2013. Standard working paper files were not maintained and as such it was difficult for the audit team to ascertain the methodology used in arriving at certain conclusions in the audit report;
- There is no risk management process in place at the council to identify and respond to risks; and
- There was inadequate provision made for virus protection for desktop and laptop computers, including the use of adequate antivirus software. In actual fact most of the computers at the council were infested with viruses.

#### **8.20. Official Response**

*Your recommendations are noted and will be implemented accordingly*

## **8.21. Committee's Recommendation**

***The Committee recommends that:***

- (i) Standard working paper files should be maintained for all audit assignments carried out***
- (ii) Management should ensure that internal audit reports are responded to by the council***
- (iii) The Chief Administrator should institute a risk and performance management practice/process***
- (iv) With immediate effect, the Chief Administrator should ensure that adequate antivirus software is purchased so as to protect council's individual PCs and laptops from virus attack.***

## **9.0. BO DISTRICT COUNCIL- 2013**

### **9.1 Audit Finding**

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

The presentation of financial information was inconsistent within various statements in the 2013 financial statements. The following was observed:

- A difference of Le. 619million was identified between the net cash flow disclosed by the chief administrator (CA) as per his statement No.3 (Summary) and that disclosed in statement No.1;
- Le.5million was identified as the difference between the total payments disclosed in statement No.1 and statement No. 2;
- Differences between cash and cash equivalent in statement No.1 and cash and bank balance in statement No.4 totalled Le. 1.5billion;
- Property tax was understated by Le.19.8million while all other own source revenues were overstated by Le. 2.9million; and
- Administrative Grants, Road maintenance fund, and Decentralised Service Delivery Programme (DSDP) Primary Health Accounts were understated by Le.53million, Le.1.5million and Le.0.7million respectively while DSDP education account was overstated by Le. 0.7million.

### **9.2 Official Response**

*Management acknowledged the fact that the outstanding commitments in respect of works contracts of Le.163,544,766 and an investment of Le.466,447,200 in respect of a twenty bedroom guest house were not disclosed in the financial statements. The*

*necessary adjustments have been made in statements 14 and 19 of the financial statements for verification.*

### **9.3 Committee's Recommendation**

***The Committee recommends that the Chief Administrator immediately effect the necessary adjustments to the financial statement that present true and trustworthy financial information of the Council.***

### **9.4 Audit Finding**

#### **Disclosures not made in the Financial Statements**

The following were observed:

- Financial reporting under the cash basis of accounting requires that the council should disclose separately on the face of the statement of cash receipts and payments the total external assistance received in cash during the period. It was however noted that external assistance received from the EU was not disclosed by the council.
- Development projects, amounting to Le1.2billion were not disclosed in the financial statement as required by Statement 10.

### **9.5 Official Response**

*This observation stands to be quite correct. What management did not take cognisance of is incorporating the activities of EU into council's holistic report since EU has a special reporting format. This will however be noted for subsequent reports that will be submitted to your office.*

### **9.6 Committee's Recommendation**

***The chief administrator should ensure that the financial statements should be revised to reflect the non-disclosures. The revised financial statements should be forwarded to the regional Audit Office for verification within thirty (30) days after the adoption of this report by Parliament.***

### **9.7 Audit Finding**

#### **Bank Statements and Bank Reconciliation Statements**

Differences were observed between bank balances as per bank reconciliation statements and bank balances as per bank statement.

In addition, the following was also observed:

- Bank reconciliations statements were not submitted for two accounts;
- Bank statements were not submitted for four accounts; and

- Revenue cashbooks for the First International Bank (FIB) and Rokel Commercial Bank (RCB) Accounts were not submitted for inspection.

### **9.8 Official Response**

*Your observation is correct. Please note that these accounts under query are dormant accounts not operational for almost two years.*

*That notwithstanding, the statements and evidence of reconciliation to these accounts in question are attached for verification.*

### **9.9 Committee's Recommendation**

***The Committee recommends that reconciliations should be done on a monthly basis, reviewed endorsed and filed appropriately. All bank accounts of the council are reconciled with the council's corresponding cashbooks and all discrepancies investigated and corrected in the books of account and filed accordingly.***

### **9.10 Audit Finding**

#### **Inaccurate Recognition of 2012 balances in 2013**

It was observed that the closing balances in 2012 were incorrectly disclosed as comparative figures in the 2013 financial statements. This resulted to an understatement of total receipts and cash and cash equivalent of Le.1.2 billion and Le1.1 billion respectively and the total payments understated by Le.389 million.

### **9.11 Official Response**

*Management also took a close look at the observations which stand out clearly in the report. Management is however currently reviewing the financial statement so as to clear up these discrepancies.*

### **9.12 Committee's Recommendation**

***The Committee recommends that the correct closing balances in 2012 are presented as comparative figures in the 2013 financial statement; otherwise this will negatively impact the 2013 financial statement.***

### **9.13 Audit Finding**

#### **Payments for which Defect Liability Certificates were not submitted**

An examination of the payment vouchers submitted for audit revealed that retention fees totalling Le.19.7million were paid for which Defect Liability Certificates were not submitted to the audit team for review.

#### **9.14 Official Response**

*Management recognises the observation put forward as regards the non production of defect liability certificate for payment relating to retention fees and attributes this to an oversight. The engineer can now make available for your verification all the defect liability certificates.*

#### **9.15 Committee's Recommendation**

***The Committee recommends that the Council engineer submit the Defect Liability Certificates relating to the various contracts for which retention fees were paid within 30 days after the adoption of this report by Parliament.***

#### **9.16 Audit Finding**

##### **Request for Quotations procedures not followed**

There was no evidence in the form of request for quotations to justify that procurement of goods, works and services amounting to Le.193.7million were conducted in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.

#### **9.17 Official Response**

*Request for Question (RFQ) for almost all the transaction for the period under review were generated and maintained. Due to the volume of transactions operated by the council, it is highly likely that some of the procurement files were not highly fixed together and therefore might have fallen off their original PVs. All these documents are available for your verification.*

#### **9.18 Committee's Recommendation**

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

- The Request for Quotations in respect of the procurements of Le.193.7million should be forwarded to the Audit Office for verification within thirty (30) days after the adoption of this report by Parliament.***
- In future, quotations should be requested in writing from at least three bidders in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.***

### **9.19 Audit Finding**

#### **Verification of Procurement for Works**

Several anomalies were noted in the verification of contracts for works. The following was observed:

### **9.20 Official Response**

- *The rehabilitation and construction of CHC and four (4) incinerators was done to completion.*
- *The minor anomalies were communicated to the contractor. Even though they were not corrected at the time of audit, they have been completed.*
- *Your findings are noted and council is making frantic effort to correct the situation.*
- *For the rehabilitation of health centre at Jembeh, only 42% of the contract price has been paid to the contractor although he has done more than 50% of the job. Council still awaits transfer of funds from central government for continuity of job.*

### **9.21 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should forward to the regional Audit Office, an explanation on the anomalies highlighted within 30 days after the adoption of this report by Parliament. Failure to do so as stated above would cause serious consequences to be instituted against the CA.***

### **9.22 Audit Finding**

#### **Rehabilitation and Construction of CHC and Four (4) Incinerators: Le.82,063,175.00-DSDP Fund**

Full payments was made to the contractor as at 16<sup>th</sup> January 2013 but anomalies observed during a visitation to one of the beneficiary CHC, amounting to Le. 39,520,000.00, are highlighted below:

- A generator house, valued at Le.9,200,000.00 was not constructed;
- A 5kvA Robin Generator with its components valued at Le.5,000,000.00 was not supplied;
- The rehabilitation of a hand pump for Le.2,500,000,00 was not done;
- There was no value for money for an amount of Le.2,820,000.00 allegedly spent for the painting and changing of damage doors on the toilets;
- No construction work was done in Kpetewoma and Negbema even though an amount of Le.20,000,000 was spent for such exercise. The CHC in Kpetewoma was only painted.

### **9.23 Official Response**

- *The rehabilitation and construction of CHC and four (4) incinerators was done to completion.*
- *The minor anomalies were communicated to the contractor. Even though they were not corrected at the time of audit, they have been completed.*
- *Your findings are noted and council is making frantic effort to correct the situation.*
- *For the rehabilitation of health centre at Jembeh, only 42% of the contract price has been paid to the contractor although he has done more than 50% of the job. Council still awaits transfer of funds from central government for continuity of job.*

### **9.24 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should forward to the regional Audit Office, an explanation on the anomalies highlighted within 30 days after the adoption of this report by Parliament.***

### **9.25 Audit Finding**

#### **Rehabilitation of Two (2) Schools (Christian is the Answer Primary School, Kigbai-Kakua Chiefdom and BDEC Primary School, Sunga Tikonko-Chiefdom-GoSL Funds**

The above contract was awarded to Sanitta Venture Limited on 6<sup>th</sup> August 2013 for total price of Le. 147,500,000 (Le.66,500,000 for Christian is the Answer Primary School, Kigbai, and Le. 81,000,000 for BDEC Primary school, Sunga). Christian is the Answer Primary School, Kigbai was verified. We observed that the work done was not commensurate to the contract price. For instance, Le.1,320,000 was allocated for step construction which was not done, Le.2,000,000 was allocated for a single steel door and a steel window, Le.6,620,000 was allocated for wood work i.e. three wooden doors and ceiling. Verification of construction of similar size primary school at Maina, Baoma Chiefdom for a price of Le.50,000,000 was carried out. We observed that more standard work was carried out at Maina for Le.50,000,000 than work at Kigbai for Le.66, 500,000.

#### **i) Rehabilitation of Health Centre at Jembeh funded by GoSL/DSDP**

The above contract was awarded on 3<sup>rd</sup> December 2013 for a price of Le. 246,164,500. The contract was scheduled to be completed by March 2014. The following were observed:

- The contract was still ongoing even though the completion date has expired.
- There are physical defects on the rehabilitated walls.
- The contract was far from completion stage and the contractor has abandoned the work as there was no sign of work done for the past months.

### **9.26 Official Response**

- *The rehabilitation and construction of CHC and four (4) incinerators was done to completion.*
- *The minor anomalies were communicated to the contractor. Even though they were not corrected at the time of audit, they have been completed.*
- *Your findings are noted and council is making frantic effort to correct the situation.*
- *For the rehabilitation of health centre at Jembeh, only 42% of the contract price has been paid to the contractor although he has done more than 50% of the job. Council still awaits transfer of funds from central government for continuity of job.*

### **9.27 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should forward to the regional Audit Office, an explanation on the anomalies highlighted within 30 days after the adoption of this report by Parliament.***

### **9.28 Audit Finding**

#### **Guidelines not issued for sitting fees paid to Councillors**

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le.115.5million recognised in the financial statements as sitting fees paid to councillors, contrary to Section 30 (2) of the Local Government Act, 2004.

### **9.29 Official Response**

*We (management) observed the issue of guidelines for payment of councillor's sitting fees with serious concern as it keeps on emerging in every management letter issued by the Audit Service for the past years.*

*We equally want our auditors to show some restraints in the area of guidelines for councillor's sitting fees since this responsibility lies within the powers of MLGRD and MoFED. The CA within the time limit of this report has however*

*taken up the responsibility of liaising with the MLGRD for guidelines to be issued for payment of sitting fees to councillors*

### **9.30 Committee's Recommendation**

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

### **9.31 Audit Finding**

#### **Weaknesses in Internal Controls**

The following were observed:

- A review of the operations of the Internal Audit Unit revealed that it was ineffective as Standard working paper files were not maintained. Internal Audit reports submitted to council were not auctioned by the chief administrator. There was no risk management process in place at the council to identify and respond to the risk.
- There was no adequate provision made for anti-virus protection for desktops and laptops. In actual fact most of the computers at the council were infested with viruses.

### **9.32 Official Response**

*The anomalies in 9.1 of your findings are noted. Your recommendations to these findings are strongly adhered to. More than 50% of your recommendations are underway as can be evidenced in your verification exercise. (No more virus in the systems.)*

### **9.33 Committee's Recommendation**

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

- ***Standard working paper files should be maintained for all audit assignments carried out.***
- ***The Chief Administrator must always take action recommended in all internal audit reports***
- ***The Chief Administrator should institute a risk and performance management practice***
- ***Software is purchased so as to protect Council's individual PCs and laptops from virus attack.***

### **9.34 Audit Finding**

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

Three motor bikes: AEG 125 GY-2, AFY-593 and ACH 699 (125 GY) allocated to former councillors were not available for verification.

### **9.35 Official Response**

- *The issue of control over fixed assets not included in the fixed assets register as at the time of the audit for the period under review, had to do with properly labelled as at the time of the audit and management has now included them in the fixed asset register after proper coding.*
- *In essence the fixed assets register has now been properly updated and can be produced for your verification.*

### **9.36 Committee's Recommendation**

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

### **9.37 Audit Finding**

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

The terms and conditions of the Performance Management Contract that were agreed between His Excellency the President and the council were not fully met for the following projects:

- (i)** The council collected 42.3% of its targeted revenue which is indicated in the contract (Le. 380m out of Le. 659m).
- (ii)** There was no evidence that the valuation of properties within Bo District was completed and property tax collected for all properties valued within pilot Chiefdoms (Baoma, Kakua, Tikonko and Jaiama Bongor Chiefdoms).
- (iii)** The council was unable to award a total of 450 scholarships to JSS pupils across the district for 2012/2013 academic year.

- (iv) There was no evidence that 6 core staff (engineer, procurement officer, IEC officer, gender officer, environmental & social officer, and valuator) had the capacity to perform their duties effectively.
- (v) There was no evidence of sponsorship provided by council to 40 disabled women and girls for skills training in 4 chiefdoms (Selenga, Gbo, Valunia, & Niawa Lenga).

### **9.38 Official Response**

- *The terms and conditions of the Performance Management Contract that were agreed between the President and the council were indeed just partially met.*
- *Notwithstanding the constraints, your recommendation is highly taken into consideration*
- *Council is presently working hard to see a reverse in this subsequent year. (2014)*

### **9.39 Committee's Recommendation**

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

- ***That plans are put in place to expedite the agreement in respect of the projects in the contract document; and***
- ***That government provides appropriately planned funding to the council to ensure that terms and conditions stated in the Performance Contract are adhered to by the council.***

### **9.40 Audit Finding**

#### **Project terms not fully met.**

On 5<sup>th</sup> May 2012, the Bo District Council (BDC) entered into a contract agreement with the European Union (EU) for the provision of a sustainable health service delivery in Bo District for a contracted sum of 388,923.60 Euro. The EU was expected to contribute 90% (350,031.24 euro) and the BDC & District Health Management Team (DHMT) the remaining 10% (38,892.36 euro) respectively.

The following was observed:

- There was no evidence that the 10% contribution (38,892.36 Euro) was paid by BDC into the project's account
- There was no evidence that the DHMT was actively involved in the implementation of the project.

#### **9.41 Official Response**

- Council did not pay its contributions to the project account.
- Certain project in the project documents were directly funded from the council's Revenue & Admin Accounts. Evidence of this is available for verification.
- Note: that council was unable to provide all the 10% as required.
- There are series of evidence to show that the DHMT was involved in the implementation of the project.

#### **9.42 Committee's Recommendation**

***The Committee recommends that the Chief Administrator and the Project Coordinator should ensure that the 10% (38,892.36 euro) contribution from the project partners is immediately paid into the project account and payment details forwarded to the regional Audit office for verification within 30 days after the adoption of this report by Parliament.***

#### **9.43 Audit Finding**

##### **Verification of Expenditures**

The relevant documentary evidence was not made available to justify expenses amounting to Le. 204.5million.

#### **9.44 Official Response**

*The relevant documents to justify expenses which amounted to Le 204.5 million are available awaiting verification.*

#### **9.45 Committee's Recommendation**

***The Committee recommends that the Chief Administrator and project coordinator should forward the documentary evidence in support of the expended amount of Le.204.5million within thirty (30) days after the adoption of this report by Parliament. In future, all transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.***

#### **9.46 Audit Finding**

##### **Verification of Procurements**

- i. A review of the payment process and verification of selected project sites and goods supplied were carried out by the Audit Team. The following was observed:

- ii. There were irregularities in the payment process to most of the named Suppliers/Contractors. Instead payments were made cash and not into the account of the named suppliers/contractors. This added up to an amount of Euro 84,848.50 and Le 5, 400,000.00 respectively.
- iii. On the procurement of one unpacked Vehicle Truck, information gathered on the Business Document (Business Registration Certificate, NASSIT Clearance) etc, revealed that this was a new business with no prior knowledge in the procurement of vehicles. There was no Bill of Laden to verify the origin of the vehicle as specified in the contract documents (The Vehicle was supposed to be manufactured in the UK or Holland).
- iv. It was also observed, from verification exercises carried out by the Audit Team, that several construction/rehabilitation exercises alleged to have been carried out from the Project Fund were either not properly done or not done at all.

#### **9.47 Official Response**

- i. *At the bidding process, the successful bidder for this procurement was the only qualified.*
- ii. *There was bill of laden*
- iii. *All projects as outlined were undertaken. Measures to rectify minor errors in the project were underway at the time of audit. These have been corrected and can be verified at any time.*

#### **9.48 Committee's Recommendation**

***The Committee recommends that the Chief Administrator and project coordinator should ensure that the 10% (38,892.36 euro) contribution from the project partners is immediately paid into the project account and payment details forwarded to the Audit office for verification within 30 days after the adoption of this report by Parliament.***

## **10.0 BO CITY COUNCIL -2013**

### **10.1 Audit Finding**

**Over/ understatement of Revenue in the Financial Statement**

A review of bank statements and disclosures made in the financial statement revealed that tax revenue was understated by Le.48.3 million and non-tax revenue overstated by Le.67.3 million in the financial statement.

### **10.2 Official Response**

*The control of the Petra financial package is a challenge to council. The in-putting of budget into the PETRA is managed by the Public Financial Management Reform Unit (PFMRU). There is a link between statement one (1) which captures all expenditure and statement seven (7) two (2) and eight (8) which deals with functional classification for expenditure items in the budget. That is the reason for the difference for total expenditure in statement one and expenditure in statement two (2). The anomaly in Petra financial package can only be handled by the Public Financial Management Reform Unit (PFMRU) to correct the difference as we have no mandate or the technical know how to do the required linkage. The difference between cash and cash equivalent in statement two(2) and statement four(4), is also due to posting the wrong cash and bank opening balances for 2013 when IPSAS statement one(1) was linked to PETRA, and thereby overstating the revenue total due to duplication of revenue postings. The anomaly has been corrected and required adjustment made in the revised financial statement available for verification.*

### **10.3 Committee's Recommendation**

***The Committee recommends that the Chief Administrator with immediately effect make necessary correction to the financial statement to present true and trustworthy financial information of the Council.***

### **10.4 Audit Finding**

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

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le.55.2 million recognised in the financial statements as sitting fees paid to councillors, contrary to Section 30 (2) of the Local Government Act 2004.

### **10.5 Official Response**

*Council has written several letters to the Ministry of Local Government for payment of medical and rent allowances to councillors from own source revenue to facilitate revenue mobilisation and commitment in fulfilment of Section (30) (2)*

of the Local Government Act 2004. A reminder letter has been forwarded again to the permanent secretary. See attached letters written to the ministry.

#### **10.6 Committee's Recommendation**

***The Committee recommends that the Chief Administrator liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to councillors.***

#### **10.7 Audit Finding**

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

During the year to 31<sup>st</sup> December 2013, the sum of Le.8.02 million was paid as sitting fees and other allowances to councillors who were absent from the council meeting.

#### **10.8 Official Response**

*I agreed with the auditor that the councillors were absent for council meeting but had official invitation letters for different capacity building workshop and meetings called by government. The total amount of Le 8.02 million was paid to those councillors who had official invitation letter to represent Bo City Council in either workshops or meetings. These letters are available for verification.*

#### **10.9 Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures the following:***

- (i) Sitting fees and allowances are only paid to Councillors for Council meetings which they actually attend.***
- (ii) The sum of Le.8.02 million is immediately recovered from the Councillors involved and paid back into the Consolidated Fund.***

#### **10.10 Audit Finding**

##### **PETRA Accounting Software Package not adequately utilised**

A review of the PETRA accounting package used by the council revealed some transactions recorded in the expense & revenue voucher listings that had already being processed for the period under review, were still pending/awaiting approval in the system.

### **10.11 Official Response**

*Council agreed that some transactions are pending for approval in the system. The reason for this is that some of those transactions were erroneously posted twice, and approving them would lead to overstating revenue or expenditure totals in the financial statement. These transactions would have been deleted from the system if the approving officer had the authority to do so. Letters have been written to the PFMRU for correction of the error.*

### **10.12 Committee's Recommendation**

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

- ***That all the authorised users of the PETRA should be able to access the system and perform their respective responsibilities as and when transactions take place;***
- ***All transactions awaiting approval in the PETRA system should be approved and the necessary adjustments made in the financial statements.***

### **10.12 Audit Finding**

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

The set targets of the Performance Management Contract that were agreed on between His Excellency the President and the council were not fully met for some of the specific deliverables at the end of 2013. Typical among them were:  
Performance Tracking:

- The amount of own-source revenue generated by the council was less than the contract amount as indicated in the performance contract by 11.6% (Le.1.15 billion out of Le.1.30 billion)
- One of two revenue areas was identified by the council (Loading and Offloading in the city)
- A total of 30 out of a targeted 170 teachers of primary and junior secondary school were trained in the teaching of core subjects in schools.

Project Tracking:

- i. The fencing of solid waste site
- ii. The construction of site office, waste sorting table and base for weight equipment
- iii. The rehabilitation of regional library
- iv. The construction of one PHU at Torpoi Town

v. The procurement of one waste management truck

**10.13 Official Response**

*Council agreed with the auditor that performance management contract was not met 100%. Most of the activities not completed in 2013 were however rolled over to 2014 to ensure service delivery. Strategies have been put in place to hit revenue target in 2014. But it is important to note that council bagged two awards-silver award and best chief administrator.*

**10.14 Committee's Recommendation**

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

**10.15 Audit Finding**

**Outstanding Issues in Previous Audit**

Guidelines were not issued for sitting fees paid to councillors.

**10.16 Official Response**

*Council has written several letters to the Ministry of Local Government for payment of medical and rent allowances to councillors from own source revenue to facilitate revenue mobilisation and commitment in fulfillment of Section (30) (2) of the Local Government Act 2004. A reminder letter has been forwarded again to the permanent secretary. See attachment for letters written to the ministry.*

**10.17 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should continue to liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to councillors.***

## **11.0 PUJEHUN DISTRICT COUNCIL-2013**

**11.1 Audit Finding**

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

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

### **11.2 Official Response**

- (i) *Management also vividly took a look at the Financial Statements in relation to the observations made as regards the Financial Statements in terms of comparative analysis and also wish to quote what Audit Service considers as an exception; “ Paragraph 60 of **IPSAS** requires that unless an International Public Sector Accounting Standard permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements, except in respect of financial statements for the reporting period to which this standard is first applied”. Management therefore wants to draw the attention of Audit Service to the fact that **IPSAS** was only introduced to the Pujehun District Council during the period under review. In addition to the above, during FY 2013, the Financial Statements that were presented to Audit Service were not done through the PETRA Accounting package which should have made it easier for comparative information. However, management has noted this with great concern and hopes to apply this requirement to subsequent Financial Statements that will be presented to Audit Service.*
- (ii) *Management also critically examined these observations with concern as regards MTEF budget estimates and that of budget figures disclosed in the Financial Statements which Audit Service identified. However, management wants to make it clear to Audit Service that information detailed in the budget are inputted into PETRA by PFMRU which council has no control over. In some instances expenditures may occur which might need adjustments in the budget and this may be supplementary to the original budget. In the event aggregation of these expenditures not taken into account during the preparation of the financial Statements due to oversight. Management however would share this concern with PFMRU for a way forward.*

### **11.3 Committee’s Recommendation**

**The Committee recommends the following that:**

- **The Chief Administrator should ensure that the Council complies with the requirements of Paragraph 60 of IPSAS 1.**

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

#### **11.4 Audit Finding**

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

#### **11.5 Official Response**

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

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

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

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

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

*Unpresented Cheques:*

<b><u>CHQ NO</u></b>	<b><u>AMOUNT</u></b>
----------------------	----------------------

(a) 1538460	293,880.00
(b) 1538462	293,700.00
(c) 1538464	270,960.00
(d) 1538466	401,475.00

**(11) EDUCATION ACCOUNT.**

*Unpresented Cheque:*

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

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

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

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

**11.6 The Committee's Recommendation**

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

**11.7 Audit Finding**

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

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

### **11.8 Official Response**

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

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

### **11.9 The Committee's Recommendation**

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

### **11.10 Audit Finding**

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

### **11.11 Official Response**

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

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

### **11.12 The Committee's Recommendation**

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

#### **11.13 Audit Finding**

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

#### **11.14 Official Response**

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

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

#### **11.15 The Committee's Recommendation**

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

#### **11.16 Audit Finding**

The operations of the Internal Audit Unit were not effective.

#### **11.17 Official Response**

*Management agrees with the observations put forward by Audit Service as regards the non-availability of an Audit Charter. We want our auditors to*

*understand that no Audit Charter has yet been developed for Local Councils. We however promise to contact the appropriate authorities (Internal Audit Unit) of the Ministry of Finance and Economic Development to develop a comprehensive Audit Charter for our Internal Audit Unit.*

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

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

### **11.18 The Committee's Recommendation**

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

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

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

### **11.19 Audit Finding**

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

### **11.20 Official Response**

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

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

*With the help of one of our development partners-Welt Hunger Hilfe, a **Property Cadastre** (Rate Data Base) has been developed for five (5) major towns within*

*the District as a pilot phase. A similar exercise has also been undertaken by the Marine Resources Staff in the District which has ensured the registration of all boats/canoes in the District.*

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

### **11.21 The Committee's Recommendation**

**The Committee recommends that:**

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

### **11.22 Official Response**

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

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

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

### **11.23 The Committee's Recommendation**

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

### **11.24 Official Response**

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

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

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

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

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

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

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

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

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

### **11.25 The Committee's Recommendation**

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

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

## **12.0 KOINADUGU DISTRICT COUNCIL-2013**

### **12.1 Audit Finding**

#### **PETRA Accounting Software Package not adequately utilised**

A review of the PETRA accounting package used by the council revealed the following:

- A number of authorized users such as the Chairman, Chief Administrator and Internal Auditor, who were supposed to review transactions and records in the PETRA, did not access the system during the financial year under review;
- Payments totalling Le.1,493,867,508 which had already being made for goods, works and services, were still pending/awaiting approval in the system;
- There were significant delays in the posting of transactions into the system. For example revenue generated in May 2013 and expenditure incurred in April 2013 were posted into the system in October, 2013;
- An alarming number of transactions were reversed after they were entered into the system; and
- There were inconsistencies in the classification of transactions between the PETRA accounting system and the financial statements. For instance, the sub-head business licenses in the PETRA were recognised as domestic taxes on goods and services in the financial statements.

## **12.2 Official Response**

- *Management is in agreement with the audit finding that from the start of the year the PETRA accounting software was not utilized. Transactions were not inputted into the system and all the authorized users did not make use of the system. This was because the server that was located in the office of the Finance Officer was not accessible by other users except when it was switched on. It was rather unfortunate that the Finance Officer was absent for a long period of time due to ill health and the accountant deliberately failed to utilise the system.*
- *These payments were indeed posted into the PETRA accounting system but as mentioned earlier; due to some technical and budget issues these payments could not be approved and thus could not be recognized in the financial statements. However, management has had series of consultations with PFMRU and LGFD and these issues have been resolved. Presently, management is working on the approval of the said payments so that they could be recognized in the revised financial statements.*
- *It is no news that since the commencement of 2013, the PETRA accounting system was not being utilised for the daily processing of transactions. This significantly affected the operations of the council. We started inputting transactions when we assumed office in August 2013.*
- *The frequent reversal of transactions was as a result of postings not done on a daily basis. However, management has put mechanism in place to ensure that the posting of transactions is accurate.*
- *The financial statements are derived from the PETRA accounting system reporting tool, IPSAS. Management is of the opinion that because the financial statements are presented in accordance with IPSAS, they cannot be consistent with the classifications in the PETRA since the financial statements from the PETRA are not presented in accordance with IPSAS.*

## **12.3 Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures the following:***

- *That all the authorised users of the PETRA should be able to access the system and perform their respective responsibilities as and when transactions take place;*
- *All the payments awaiting approval in the PETRA system should be approved and the necessary adjustments made in the financial statements.*
- *Extreme care should be taken in the posting of information into the system to avoid frequent reversal of transactions;*
- *The financial statements, PETRA accounting information and source documents should be immediately reconciled and all miss-classifications and discrepancies investigated, corrected in the books of accounts and filed accordingly;*
- *The Finance Officer should closely supervise the clerks to ensure that the source documents are classified in accordance with the records in the PETRA system and other books of account.*

#### **12.4 Audit Finding**

##### **Request for Quotations procedures not followed**

There was no evidence in the form of Request for Quotations to justify that procurement of goods, works and services amounting to Le.594,192,513 were conducted in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.

#### **12.5 Official Response**

*Management notes this query and all the necessary documents relating to it are now available for your verification*

#### **12.6 Committee's Recommendation**

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

***That request for Quotations in respect of the queried procurements should be forwarded to the Audit Office for verification within thirty (30) days after the adoption of this report by Parliament.***

**All quotations should be requested in writing from at least three bidders in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.**

### **12.7 Audit Finding**

#### **Expenses not supported by the relevant documentary evidence**

Relevant documentary evidence was not made available to justify expenses recognised in the financial statements of Le.504,198,416.

### **12.8 Official Response**

*We note your query relating to expenses not supported by relevant documentary evidence and inform you that the necessary actions have been taken to address the issue. The relevant supporting documents have been put together and are now ready for verification.*

### **12.9 Committee's Recommendation**

**The Committee recommends that the Chief Administrator should within thirty (30) days after the adoption of this report by Parliament forward all the documentary evidence in support of the expended amount of Le.504,198,416 to the regional Audit Office for verification.**

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

### **12.10 Audit Finding**

#### **Own-source revenue not banked**

A comparison of the receipt books used in the collection of revenue and the amount of revenue deposited as per the bank statements revealed a difference of Le.78,534,683. The documentary evidence in support of the utilization of such difference was not made available for inspection.

### **12.11 Official Response**

*On assuming office on the 18<sup>th</sup> August 2013, this anomaly among others was noted in the report of the Internal Auditor and was communicated to the administration. This has been pending as the accountant who was in position at the time was nowhere to be found. However, management has put in place robust measures to ensure that this ugly occurrence is addressed entirely.*

### **12.12 Committee's Recommendation**

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

- ***That the utilization of the Le.78,534,683 should be further justified to the Committee; otherwise the full amount should be refunded and evidence of refund made available for verification.***
- ***The financial statements should be adjusted to take into consideration the amount of own-source revenue understated after the money has been recovered or the justification of its utilization made.***

### **12.13 Audit Finding**

#### **Bank balances not confirmed**

Account balances recognised in the financial statements in the sum of Le.1,033,955,689 at 31<sup>st</sup> December, 2013, could not be verified as accurate and complete as bank confirmations in respect of those accounts were not received.

### **12.14 Official Response**

*Indeed bank confirmations were sent to the Kabala Community Bank and Sierra Leone Commercial Bank. The Sierra Leone Commercial Bank is yet to respond as it has been the case since we moved our accounts. However, management has written a letter reminding them of the above subject and we are hoping they respond soonest.*

### **12.15 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should remind the banks in which accounts were held to confirm directly to the Audit Office, the balances held in those accounts as at 31<sup>st</sup> December, 2013. Also, it is important that these confirmations reach the regional Audit Office before this report is presented to Parliament.***

### **12.16 Audit Finding**

#### **Bank Reconciliations not done**

Bank reconciliation is a fundamental financial control procedure that helps to identify discrepancies between the balances recorded in the cash book and

those entered in the records held by the bank. However, we observed that bank reconciliations were not carried out for all the accounts held by the council for the period under review.

### **12.17 Official Response**

*Management is aware that reconciliations were not done. This was as a result of our inability to approve all transactions inputted in the PETRA accounting system. Therefore, the cashbook was incomplete. However, all the budget issues have been cleared and reconciliations done and are available for verification.*

### **12.18 Committee's Recommendation**

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

- ***That the individual bank accounts of the council should be reconciled with their corresponding cash books and all discrepancies investigated, corrected in the books of accounts and filed accordingly;***
- ***The evidence of reconciliations (including the discrepancies, if any, and the corrections made in the books of accounts) should be made available to the regional Audit Office for verification; and***
- ***Also, reconciliations should be done on a monthly basis and these should be reviewed by a responsible officer and filed accordingly.***

### **12.19 Audit Finding**

**Project activities in the Performance Management Contract not undertaken**

The Procurement and installation of a solar panel that were supposed to be completed by 31<sup>st</sup> December, 2013 were not undertaken.

### **12.20 Official Response**

*In as much as management is aware of these issues, some of them were not within our control. For e.g. funds for the construction of two markets in Bafodia are yet to be remitted to the council by the Rural and Private Sector. The process for the procurement and installation of a solar panel has started and work will commence very soon.*

### **12.21 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that plans are put in place to expedite the project activities according to the contract documents.***

## **13.0 KAMBIA DISTRICT COUNCIL-2013**

### **13.1 Audit Finding**

#### **Disclosures not made in the Financial Statements**

There were no notes to support the core and additional financial statements.

### **13.2 Official Response**

- *The **Le 583,758,000** was not necessarily related to commitments in respect of works but were variances in the budget for structures, road maintenance and equipment for the financial year 2013. However, disclosures in respect of works have been fully made in the revised financial statements.*
- *The **Le.608,072,832** was actual payment made in respect of buildings and structures, and equipment during 2013 but has been disclosed in the revised financial statements.*
- *The guest house was constructed in 2012 but it is yet to be leased to allow any disclosure in respect of revenue collection.*
- *The delay in respect of the construction of a water system at Mambolo was not necessarily the fault of the contractor. This can be attributed to the delay in the payment made for the measured works. However, the Kambia District Council and the Ministry of Water Resources are trying to put modalities in place to address the delay in the release of funds. This will speed up the completion of the job.*

### **13.3 Committee's Recommendation**

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

- ***The financial statements should be revised to reflect the disclosures in respect of all outstanding commitments, fixed assets purchased during the financial year under review, investments made, and possible refunds in respect of breaches of contracts; and***
- ***The revised financial statements including the notes to the account should reach the regional Audit Office for verification within thirty (30) days after the adoption of this report by Parliament.***

#### **13.4 Audit Finding**

##### **Request for Quotations procedures not followed**

There was no evidence in the form of Request for Quotations to justify that procurement of goods, works and services amounting to Le.261,529,500, were conducted in accordance with section 45 (1) and the first schedule of the Public Procurement Act, 2004.

#### **13.5 Official Response**

*The Request for Quotations (RFQs) in respect of the **Le.261,529,500** were available. However, multiple copies were put in one file and that prevented the auditors from identifying them at the time of the audit. They are now separated and ready for verification.*

#### **13.6 Committee's Recommendation**

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

- ***The Request for Quotations in respect of the procurements of Le.261,529,500 should be forwarded to the Audit Office for verification within thirty (30) days after the adoption of this letter by Parliament.***
- ***In future, quotations should be requested in writing from at least three bidders in accordance with section 45 (1) and the first schedule of the Public Procurement Act, 2004.***

#### **13.7 Audit Finding**

##### **Sitting fees paid to absentee councillors**

The sum of Le.5,901,875 was paid to some councillors as sitting fees and transport allowances for various months without any evidence to indicate that they attended council meetings for the stated months.

### **13.8 Official Response**

*A policy has not yet been made by the Ministry of Local Government and Rural Development on absentee councillors which has made it difficult for us to act on your recommendation. In this vein, the Chairman has been duly informed and promised to address the unnecessary absention of councillors.*

### **13.9 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the amount involved is immediately recovered and paid back into the Consolidated Fund and evidence of payment made available to the regional Audit Office within thirty (30) days after the adoption of this report by Parliament. Also, the Chief Administrator should ensure that the payment of sitting fees is made only to councillors attending council meetings.***

### **13.10 Audit Finding**

#### **Expenses not supported by the relevant documentary evidence**

Relevant documentary evidence was not made available to justify expenses amounting to Le 385,914,135.

### **13.11 Official Response**

*Supporting documents in respect of expenses amounting to **Le.385,914,135** were with the devolved sectors during the audit period. These have been retrieved and are now available for verification.*

### **13.12 Committee's Recommendation**

***The Chief Administrator should within thirty (30) days after the adoption of this report by Parliament forward the documentary evidence in support of the expended amount of Le 385, 914, 135 to the Audit Office for verification; otherwise, the whole amount should be refunded.***

***In future, all transactions from inception to completion should be supported by the relevant documentary evidence that must be retained for audit and reference purposes.***

### **13.13 Audit Finding**

Withholding Taxes not deducted and paid to the National Revenue Authority. It was observed that withholding taxes amounting to Le.18,246,974 were not deducted at source from the payment for goods, works and services and paid to the National Revenue Authority.

### **13.14 Official Response**

*Withholding taxes were deducted. However, they were not promptly paid to the NRA due to the ill responses that we used to encounter with the NRA officials.*

### **13.15 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the queried amount of Le.18,246,974 is paid to the NRA within thirty (30) days of the receipt of this letter and evidence of payment forwarded to the Audit Office for verification.***

***In future, the Chief Administrator should ensure that the regulation of deducting withholding taxes from the payments for goods, works and services and the payment of such taxes to the NRA is strictly adhered to.***

### **13.16 Audit Finding**

#### **Receipt Books not made available for inspection**

A total of fifty seven (57) receipt books which were supplied by the Government printers to the council for revenue collection, were not made available for audit inspection.

### **13.17 Official Response**

*The receipts were distributed district wide but efforts have been made to retrieve thirty (30) out of fifty-seven (57) books. However, one was found to be a fuel chit. The administration is making frantic effort to retrieve all of them.*

### **13.18 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the fifty-seven (57) receipt books are made available for verification within thirty (30) days of the receipt of this report; otherwise section 18 of the Audit Service Act, 1998 may be invoked.***

***In future, all the revenue receipt books supplied by the Government printers should be made available for audit inspection.***

### **13.19 Audit Finding**

Bank Reconciliations not adequately carried out. The following were observed:

- Unpresented cheques for the Education Sector in May 2013 of Le9,547,540, were not reflected in the Bank Reconciliation Statement for May, 2013;

- Unpresented Cheques for the Primary Health Care in February 2013 of Le2,750,000, were not reflected in the Bank Reconciliation Statement for February, 2013;
- Unpresented Cheques for the Agriculture Sector in March 2013 of Le10,690,000, were not reflected in the Bank Reconciliation Statement for March, 2013;
- Unpresented Cheques of Le85,750,000, in January 2013, which were cashed over the counter in February 2013 for the Primary Health Care Sector, were reflected in the Bank Reconciliation Statement for February, 2013; and
- Bank Reconciliations were not carried out for the Administrative Account for the financial year under review.

### **13.20 Official Response**

*The reconciliations have been redone to correct all the issues relating to unpresented cheques.*

### **13.21 Committee's Recommendation**

***The Chief Administrator should ensure the following:***

- ***Bank Reconciliations should be redone by the Finance Officer for the Education, Primary Health Care and Agriculture Sectors, and all unpresented cheques should be reflected in the months in which they were not presented;***
- ***The Administrative bank account of the Council should be reconciled with its corresponding Cash Book and all discrepancies investigated, corrected in the books of accounts and filed accordingly;***
- ***The evidence of reconciliations, including the discrepancies and the corrections made in the books of accounts, should be made available to the Audit Office for verification within thirty (30) days after the adoption of this report by Parliament; and***

***In future, reconciliations should be done on a monthly basis and these should be reviewed and initialed by a responsible officer and filed accordingly.***

## **14.0 PORT LOKO DISTRICT COUNCIL-2013**

### **14.1 Audit Finding**

PETRA Accounting Package not adequately utilised. A review of the PETRA accounting package used by the council revealed the following:

- A number of authorized users such as the Chairman, Chief Administrator and Internal Auditor, who were supposed to approve and review the records in the PETRA, did not access the system during the financial year under review;
- There were significant delays in the posting of transactions into the system. For example revenue generated in February 2013 was posted in April 2013 and expenditure incurred in January 2013 was posted in May 2013;
- A number of transactions were reversed after they were entered into the system; and
- There were inconsistencies in the classification of transactions between the PETRA accounting system and the financial statements. For instance, the sub-head business licenses in the PETRA was recognised as domestic taxes on goods and services in the financial statements.

### **14.2 Official Response**

- *The reason why other authorised users were not able to access the system for the period under review was due to frequent breakdown of the system and the delay on the part of Public Financial Management Reform Unit (PFMRU) technicians to rectify the fault in time.*
- *The reason stated above was also responsible for the delay in the posting of transactions. Normally when there is a breakdown with the PETRA system, it takes over a month for the technicians to respond to our call and amend the fault; and this cuts across all other councils.*
- *Due to the delay in posting of transactions which emanates from frequent breakdowns in the system, transactions may be entered in a period to which they do not belong. When this happens, it affects the reconciliation for that period; so except the transactions are reversed from the affected period and posted into their correct period before reconciliations can be done.*

- *The inconsistencies were as a result of the grouping of revenue streams by the system. This is automatically done by the system itself due to the way it has been programmed.*

### **14.3 Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures the following:***

- ***All the authorised users of the PETRA should be able to access the system and perform their respective responsibilities as and when transactions take place;***
- ***Extreme care should be taken in the posting of information into the system to avoid the frequent reversal of transactions.***
- ***The financial statements, PETRA accounting information and Source documents should be immediately reconciled and all misclassifications and discrepancies investigated, corrected in the books of accounts and filed accordingly; and***
- ***In future, the Finance Officer should closely supervise the clerks to ensure that the source documents are consistently classified with the records in the PETRA system and other books of account.***

### **14.4 Audit Finding**

Sitting fees paid to absentee councillors. A total sum of Le.37,933,125 was paid to some Councillors as Sitting fees and transport allowances without any evidence to indicate that the said Councillors attended Council meetings.

### **14.5 Official Response**

*This area still remains a challenge for all councils across the country and not only Port Loko District Council. When councillors are absent with excuses, we still pay their sitting allowances because they do engage in other businesses of council for which allowances are not given to them. For example, most of the councillors are either chairpersons or members of various committees set up by council. They are not paid sitting and transport allowances for attending committee meetings which are held monthly or sometimes when there is an urgent issue to be addressed.*

#### **14.6 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the amount involved is immediately recovered and paid back into the Consolidated Revenue Fund and evidence of payment made available to the Audit Office within thirty (30) days after the adoption of this report by Parliament.***

***In future, the Chief Administrator should ensure that the payment of sitting fees is made only to Councillors attending Council meetings.***

#### **14.7 Audit Finding**

##### **Set targets of the Performance Management Contract projects not fully met**

The set targets of the project activities in the Performance Management Contract that was agreed between His Excellency the President and the Council were not fully met as follows:

- The Council was supposed to increase its overall revenue generation by 17% in 2013 to Le400,000,000. However, we noted that this obligation was not achieved as the revenue generated was far less than the Government's target by Le75,280,400 (i.e. less than the Government's target of Le400,000,000 by 18.8%).
- The following projects which were supposed to be completed in December 2013 were still ongoing during the audit exercise:
  - ✓ Construction of a bridge at Robunth, Masimera Chiefdom;
  - ✓ Construction of a mini stadium in Port Loko Town;
  - ✓ Reconstruction of the District Education Office, Port Loko Town, Maforki Chiefdom; and
  - ✓ Construction of the Ministry of Social Welfare, Gender and Children's Affairs Office, Port Loko.
- The following projects which were supposed to be completed in December 2013 were never started:
  - ✓ Rehabilitation of 'Movement of Faith Primary School, Robanka, TMS Chiefdom; and

- ✓ Construction of a Youth Training Centre at Makorlor, Koya Chiefdom, Port Loko District.

#### **14.8 Official Response**

*Revenue generation is still a challenge in the Port Loko district because people are reluctant to pay. But we are going to continue the sensitisation of our people for them to see the need of paying their taxes and dues. The projects were not completed within the set date because of the delay in the transfer of funds from the central Government.*

#### **14.9 Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures the following:***

- ***The monitoring and supervision of the revenue collection should be enhanced so that the expectations of the Government of Sierra Leone are met.***
- ***Plans should be put in place to expedite the project activities according to the contract document.***

## **15.0 TONKOLILI DISTRICT COUNCIL-2013**

#### **15.1 Audit Finding**

**Electronic vouchers and receipts in PETRA not compatible with physical vouchers and receipts**

The electronic identification numbers generated by the PETRA accounting system for expenses vouchers and receipts were not the same with those on the physical expenditure vouchers and receipt books.

#### **15.2 Official Response**

*The electronic voucher number is generated by PETRA and is always written on the face of the payment voucher.*

#### **15.3 Committee's Recommendation**

***The Chief Administrator should ensure that the electronic identification numbers generated by the PETRA accounting system for expense vouchers and receipts are recorded on the face of the physical expenditure vouchers and receipts.***

#### **15.4 Audit Finding**

##### **Request for Quotations procedures not followed**

There was no evidence in the form of Request for Quotations to justify that procurement of goods, works and services amounting to Le.569,462,036 were conducted in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.

#### **15.5 Official Response**

*The request for quotations (RFQs) in respect of Le.569,462,036 were available. However, multiple RFQs were put in one file and that prevented the Auditors from identifying them at the time of the audit but they are now separated and ready for verification.*

#### **15.6 Committee's Recommendation**

***The Chief Administrator should ensure the following:***

- ***There must be proof of Request for Quotations for the procurement of goods, works, and services for the sum of Le.569,462,036. These evidence should be forwarded to the Audit Office for verification within thirty (30) days after the adoption of the of this report by Parliament.***
- ***In future, quotations should be requested in writing from at least three bidders in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.***

#### **15.7 Audit Finding**

##### **Expenses not Supported by the Relevant Documentary Evidence**

Relevant documentary evidence were not made available to justify expenses amounting to Le.637,079,910.

#### **15.8 Official Response**

*Supporting documents in respect of Le.637,076,910 were with the devolved sectors during the audit exercise. These have been retrieved and are now available for verification.*

#### **15.9 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should forward the documentary evidence in support of the expended amount of Le.637,079,910 to the Audit Office for verification within***

***thirty (30) days after the adoption of this report by Parliament; otherwise, the whole amount should be refunded.***

***In future, all transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.***

#### **15.10 Audit Finding**

##### **Completion dates of certain project activities in the Performance Management Contract not met**

The following project activities which were supposed to be completed by 31<sup>st</sup> December, 2013 were still on-going during the audit exercise:

- Construction of a Youth Skills Training Centre in Magburaka Town, Tonkolili District; and
- Rehabilitation of a Water System in Magburaka Town, Tonkolili District.

#### **15.11 Official Response**

*These projects will be completed soon as modalities have been put in place by both the funding agencies and the Tonkolili District Council.*

#### **15.12 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that plans are put in place to expedite the project activities according to the contract document. And record any amendment if necessary***

## **16.0 BOMBALI DISTRICT COUNCIL 2013**

#### **16.1 Audit Finding**

##### **Expenses not supported by the relevant documentary evidence**

Relevant documentary evidence was not made available to justify expenses amounting to Le186, 750,000.

#### **16.2 Official Response**

*The relevant supporting documents have been traced and photocopied for verification purpose. However; Management will in future ensure that all necessary documents are made available to the Auditors to enhance the smooth auditing process.*

### **16.3 Committee's Recommendation**

- ***The Committee recommends that the Chief Administrator should forward the documentary evidence in support of the expended amount of Le.186, 750,000 to the Audit Office for verification within thirty (30) days after the adoption of this report by Parliament; otherwise, the whole amount should be refunded.***

***In future, all transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.***

### **16.4 Audit Finding**

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

Withholding taxes amounting to Le.61,316,090 were not deducted at source from the payment for goods, works and services and paid to the National Revenue Authority.

### **16.5 Official Response**

*The difference not paid to the National Revenue Authority as discovered by the auditors was Le.8,547,283. This was in respect of retention fees paid to contractors and payments made to council staff.*

*However management will ensure in the future, that taxes are deducted from rent allowances and paid to the National Revenue Authority.*

### **16.6 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the queried amount of Le.61,316,090 is recovered and paid to the National Revenue Authority within thirty (30) days after the adoption of this report by Parliament and evidence of payment forwarded to the Audit Office for verification.***

- ***In future, the Chief Administrator should ensure that the regulation of deducting withholding taxes from the payments for goods, works and services and the payment of such taxes to the National Revenue Authority is strictly adhered to.***

### **16.7 Audit Finding**

#### **Sitting fees paid to Absentee Councillors**

The sum of Le.8,750,000 was paid to some councillors as Sitting fees and transport allowances for various months without any evidence to indicate that they attended council meetings for the stated months.

### **16.8 Official Response**

*It is true that few councillors were absent from council meetings and allowances for the months of June, July, August, September and October 2013, were paid without excuse from the Chairman. The affected councillors have been informed to make the necessary arrangement for a refund of the sitting fees and transport allowances that they received without excuses.*

*However, the other councillors were given excuses to attend urgent council functions at the time of those monthly meetings. Letters of excuses are attached for verification.*

*Management will ensure that the recommendations of the Auditors are strictly adhered to.*

### **16.9 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the amount involved is immediately recovered and paid back into the Consolidated Revenue Fund and evidence of payment made available to the Audit Office within thirty (30) days after the adoption of this report by Parliament.***

***In future, the Chief Administrator should ensure that the payment of sitting fees is made only to councillors attending council meetings.***

### **16.10 Audit Finding**

#### **PETRA Accounting Software Package not adequately utilized**

A review of the PETRA Accounting Software Package used by the Council revealed the following:

- A number of authorized users such as the Chairman, Chief Administrator and Internal Auditor, who were supposed to approve and review the records in the PETRA, did not access the system during the financial year under review; and

- There were significant delays in the posting of transactions into the system. For example revenue generated in February 2013 was posted in April 2013 and expenditure incurred in January 2013 was posted in May 2013.

### **16.11 Official Response**

*It is true that PETRA Accounting Package was not adequately utilized by some key members of council. This has been a problem since the introduction of the PETRA system. However, the system was installed in both the Chief Administrator and Internal Auditor's offices at the end of the financial year. The office of the Chairman was not done because the component in his office was faulty.*

*Management will contact the technician from the Ministry of Finance and Economic Development to do the necessary maintenance and installation of the accounting package in the office of the Chairman.*

*The delay in the posting of transactions was due to the fact that the data base was sent to the service provider to rectify. This took time and led to the reported delays.*

### **16.12 Committee's Recommendation**

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

- ***All the authorised users of the PETRA should be able to access the system and perform their respective responsibilities; and***
- ***Transactions should be entered into the system as and when they occur.***

### **16.13 Audit Finding**

**Project activities in the Performance Management Contract not undertaken**

The following project activities were either not undertaken or not completed within the timeframe:

- Development of a robust integrated monitoring and evaluation system;
- Expansion of the own-source revenue base;
- Monitoring of Agricultural Business Centers;

- Construction of a Paramedical School;
- Construction of Youth Training Centers in Kamakawie and Gbendembu;
- Construction of a Veterinary Clinic;
- Rehabilitation of thirty (30) existing hand dug water wells;
- Rehabilitation of one (1) gravity water supply system; and
- Procurement of assorted garbage collection and disposal tools for distribution in all thirteen (13) chiefdoms of the district.

#### **16.14 Official Response**

*Management would like to inform you that about 80% of the activities were undertaken of which we were assessed and position in the last result declared by His Excellency the President.*

*The reason why projects were not completed was because funds in respect of the final payment for the Decentralized Service Delivery Project (DSDP) and the Reproductive Child Health Project (RCHP) were not transferred to the council. It is in that regards, that the council had outstanding commitments in statement 19 of the financial statements. However a copy of the Performance Tracking Table and pictures of projects undertaken by the council are attached for your verification.*

#### **16.15 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that plans are put in place to expedite the project activities according to the contract document.***

## **17.0 MAKENI CITY COUNCIL-2013**

### **17.1 Audit Finding**

**PETRA Accounting Package not adequately utilised.**

A review of the PETRA Accounting Package used by the council revealed the following:

- A number of authorized users such as the Mayor, Chief Administrator and Internal Auditor, who were supposed to approve and review the records in the PETRA, did not access the system during the financial year under review;
- There were significant delays in the posting of transactions into the system. For example revenue generated in January 2013 was posted in August 2013 and expenditure incurred in February 2013 was posted in October 2013;
- An alarming number of transactions were reversed after they were entered into the system; and
- Transactions in respect of revenue and expenditure with amounts totalling Le.75,546,279 and Le.40,531,500 respectively, were still awaiting approval in the system.

### **17.2 Official Response**

*The findings with regards to the inadequacy of the PETRA accounting package were correct. This was as a result of a breakdown of the server which was the connecting device to all other users. The council has made relentless effort to ensure that the server is in a workable state and for now the server is working; although we still have some problems with the computers which the **ICT** department at the Ministry of Finance and Economic Development is working on.*

*The delay in the posting of transactions was because we were only using a standalone laptop computer and for which only one user was able to use the system at a time.*

*The reasons for the alarming number of transactions that were reversed and the revenue and expenditure transactions that were not approved in the system are as follows:*

**System Error:** *there were times when we tried to approve transactions, the system could not approve them; instead the system showed what was known as unhandled exception and at the same time it was not able to generate any **ID**. It was even impossible for us to retrieve data from the system.*

**Human Error:** *there were times also when the Accountant who was responsible for inputting data into the system made some mistakes by double posting into the system and given that we don't have access to delete transactions in the system that was why you saw that some transactions were still pending.*

*The recommendation with regards to the approval of pending transactions in the system has now been implemented. See revenue and expenditure voucher listing for ease of reference.*

*In future, the council will adhere to all the audit recommendations.*

### **17.3 Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures the following:***

- ***That all authorised users of the PETRA should be able to access the system and perform their respective responsibilities as and when transactions take place;***
- ***Extreme care should be taken in the posting of information into the system to avoid frequent reversal of transactions;***
- ***All the transactions awaiting approval in the PETRA system should be approved and necessary adjustments made in the financial statements.***

***In future, approved transactions should be posted into the system as and when they take place.***

### **17.4 Audit Finding**

**Electronic expenditure vouchers and receipts in PETRA not compatible with physical vouchers and receipts**

The electronic identification numbers generated by the PETRA accounting system for expenditure vouchers and receipts were not the same with those on the physical expenditure vouchers and receipt numbers in the files.

### **17.5 Official Response**

*The recommendation is noted and will be taken into consideration.*

### **Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the electronic identification numbers generated by the PETRA accounting system for expenditure vouchers and receipts are recorded on the face of the physical expenditure vouchers and receipts.***

### **17.6 Audit Finding**

#### **Procurement procedures not followed**

The following were observed:

- Goods, works and services amounting to Le.744,446,513 were procured without 'Request for Quotations' (RFQs) from at least three bidders, contrary to Section 45 (1) and the First Schedule of the Public Procurement Act, 2004;
- Services in respect of the maintenance of vehicles were procured on the 26<sup>th</sup> of February 2013, for the sum of Le.80,500,000 without the use of the National Competitive Bidding (NCB) method, contrary to the First Schedule of the Public Procurement Act, 2004; and
- Works contract in respect of the construction of a multi-story building was undertaken at a cost of Le1,900,000,000, without the use of the International Competitive Bidding (ICB) method, contrary to the First Schedule of the Public Procurement Act, 2004.

### **17.7 Official Response**

*Goods, works and services amounting to Le.698,672,100 were procured and Request for Quotations (R.F.Qs) methods were strictly followed. The documents are available for audit verification. However, we will like to bring to your attention that there are certain activities that were not procurement related. These activities amounted to Le.45,774,413.*

*The reason for the deviation in the procurement of the queried services was as a result of the fact that all the vehicles in the Makeni Government Hospital were grounded including the ambulance and the vehicle that were available for emergency cases in the entire Bombali District. Looking at the seriousness of the issue, the procurement committee gave an approval for the use of Request for Quotations rather than the National Competitive Bidding that was to be used based on the threshold.*

*A waiver was given to the council by the National Public Procurement Authority (NPPA) for the use of National Competitive Bidding instead of International competitive Bidding and all the other documents relating to the construction of the multi-story building are available for audit verification.*

### **17.8 Committee's Recommendation**

***The Committee recommends that the Chief Administrator ensures the following:***

- ***That the RFQs, NCB and ICB documents should be forwarded to the Audit Office within thirty (30) days after the adoption of this report by Parliament; and***
- ***In future, the Procurement Officer should undertake procurement activities in accordance with the Public Procurement Act and Regulations of 2004 and 2006, respectively.***

### **17.9 Audit Finding**

#### **Sitting fees paid to absentee councillors**

The sum of Le.3,601,570 was paid to councillors as sitting fees and transport allowances without any evidence to indicate that the said councillors attended council meetings.

### **17.10 Official Response**

*The above recommendation is in place but however the administration will be grateful if the Ministry of Local Government and Rural Development can issue guidelines as to the payment of transport and sitting fees to councillors.*

### **17.11 Committee's Recommendation**

***The Committee recommends that the Chief Administrator should ensure that the amount involved is immediately recovered and paid back into the Consolidated Revenue Fund (CRF) and evidence of payment made available to the Audit Office within thirty (30) days after the adoption of this report.***

***In future, the Chief Administrator should ensure that the payment of sitting fees is made only to councillors attending council meetings.***

### **17.12 Audit Finding**

Allowances paid to Ward Committee members without evidence of meetings held

The sum of Le.3,367,920 was paid as allowances to Ward Committee members for the first and second quarters of 2013, without any evidence in the form of

attendance register and minutes to justify that meetings were held for the stated period.

**17.13 Official Response**

*The payment of Ward Development Committee allowance is contingent upon the submission of minutes; therefore all payments are supported by minutes.*

**17.14 Committee's Recommendation**

***The Chief Administrator should ensure that the amount involved is immediately recovered and paid back into the Consolidated Revenue Fund and evidence of payment made available to the Audit Office within thirty (30) days after the adoption of this report by Parliament.***

***In future, the Chief Administrator should ensure that allowances are only paid to Ward Committee members when meetings are held and the evidence to indicate that meetings are held should be retained for audit and reference purposes.***

**CONCLUSION**

The Committee noted that a number of queries have been made by Auditors over the years. Also that, although local councils have employed competent and qualified staff especially in areas such as Finance, Internal Audit and Procurement, it became clear that observations and issues raised during oversight activities of the PAC still continue to be highlighted. The Committee was of the view that mechanisms must be put in place to enforce that the recommendations of PAC are taken care of and that penalties be put in place for Councils that could deter the re-occurrence of the same issues.

These observations and recommendations, if taken into account and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management and better service delivery in local councils.

Mr. Speaker, Hon. Members, therefore move that this August House adopt the report and the recommendations contained therein.