

Auditor-General's Annual Report 2017

Graphic Representation and Summary



Illustrated by Ahmed Sahid Nasralla (De Monk)

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Acronyms

ASSL- Audit Service Sierra Leone

BSL- Bank of Sierra Leone

CRFA- Consolidated Revenue Fund
Account

MAFFS- Ministry of Agriculture
Forestry and Food Security

MDAs- Ministries Departments and
Agencies

MODEP- Ministry of Development and
Economic Planning

MOFED- Ministry of Finance and
Economic Development

NASSIT- National Social Security and
Insurance Trust

NRA- National Revenue Authority

PFM- Public Financial Management

PAC- Public Accounts Committee

PE- Public Enterprise

SDG- Sustainable Development Goals

SSL- Statistics Sierra Leone

Foreword

As the supreme audit institution of Sierra Leone, our constitutional mandate is to ensure that public funds are utilised lawfully and effectively towards service delivery.

Section 16(1) (d) of the Public Financial Management Act, 2016 states that the Auditor-General, in accordance with the 1991 Constitution of Sierra Leone and the Audit Service Act, 2014 may at any time review or examine any aspect of the operations of the entities referred to in paragraph (a) of the Public Financial Management Act, 2016.

We have a mandate not only to audit government institutions but also to report to the people of Sierra Leone about our audit findings. In addition to the financial and regularity audits we undertake, performance audit is one of the tools employed by the ASSL to measure the economy, efficiency and effectiveness with which state institutions expend public resources in the discharge of their various mandates.

The people of Sierra Leone are in dire need of social services which can be provided when there is transparency and accountability in the utilisation of public funds. The ASSL is one of the credible and independent institutions that have stood tall in providing such assurance to the citizenry in order to fight corruption which has served as the bane in the development agenda of the country.

It is against this background that we have been producing graphic representation and summaries of the Auditor-General's annual reports for the past three years, so that the public is able to read and fully understand the technical information articulated in the annual reports.

It is our right as citizens to know, in simple terms, how government operates including how it utilises public funds meant for the provision of basic but essential services. However, we have realised that because of the technical nature of the report, there is a need to do a summarised version of the Auditor-General's annual report with graphics that will ensure that more people are in the position to adequately understand the content of the report.

As with previous year's graphic representation and summaries of the Auditor-General's annual reports, this year's accurately communicates the key messages of the 2017 report with coloured graphics, cartoons and pictorial illustrations using minimal words.

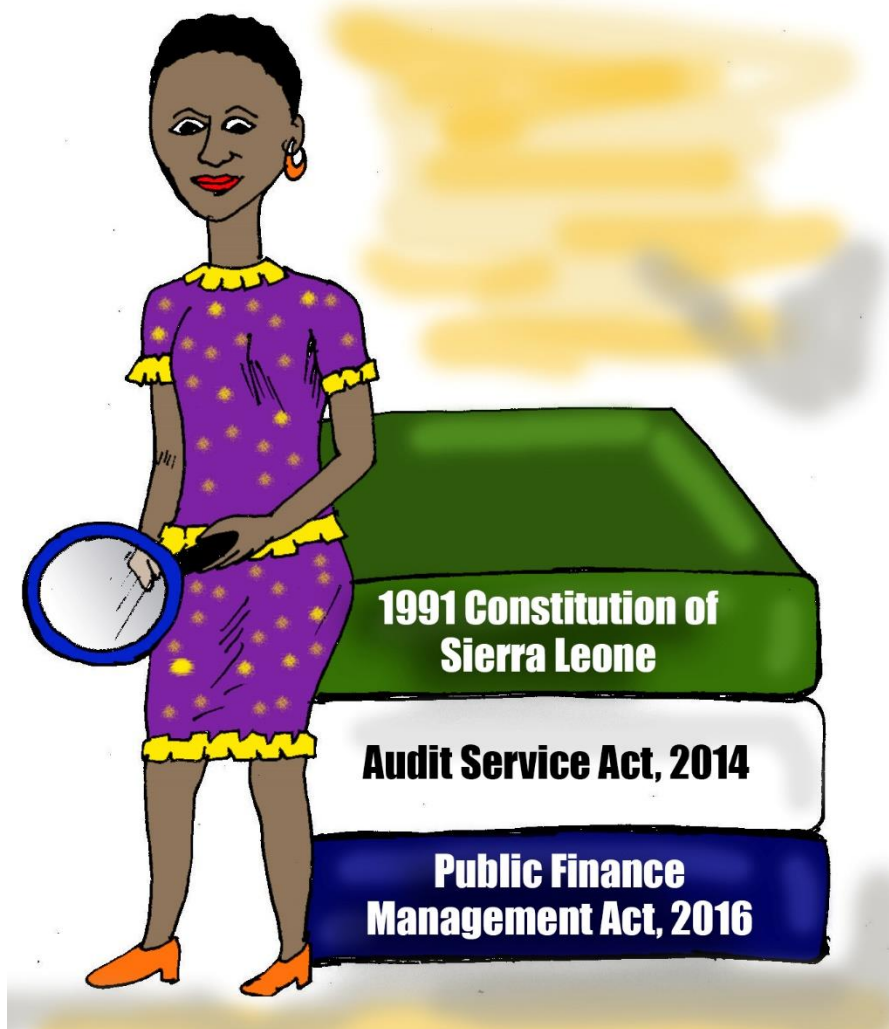
We hope that this graphic report done in a summarised version will help create the required synergy among all our stakeholders- both internal and external, towards the realisation of our mandate and corporate objectives.

My appreciation goes to the Report Writing Committee and the Graphic Design Team who devoted enormous time to put this document together.



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

MANDATES of the Auditor-General



Section 119 of the 1991 Constitution of Sierra Leone

The 1991 Constitution gives the Auditor-General the mandate to audit (check) how public monies are being utilised.

Section 16 of the Public Financial Management (PFM) Act 2016

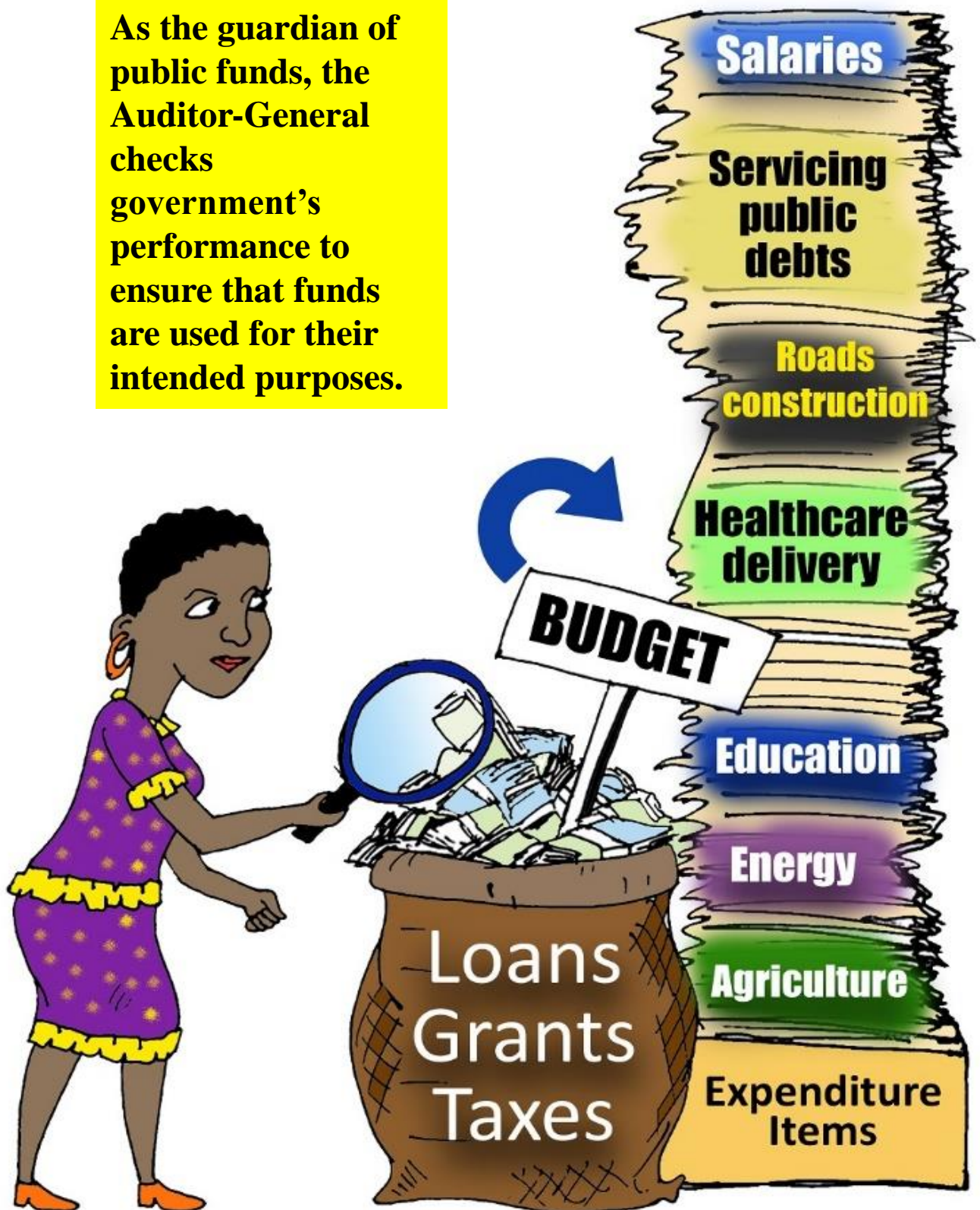
The Auditor-General shall audit the accounts and financial statements of the Consolidated Revenue Fund Account, Central Government, budgetary agencies, subvented agencies, local councils, social security funds and public enterprises.

Audit Service Act, 2014

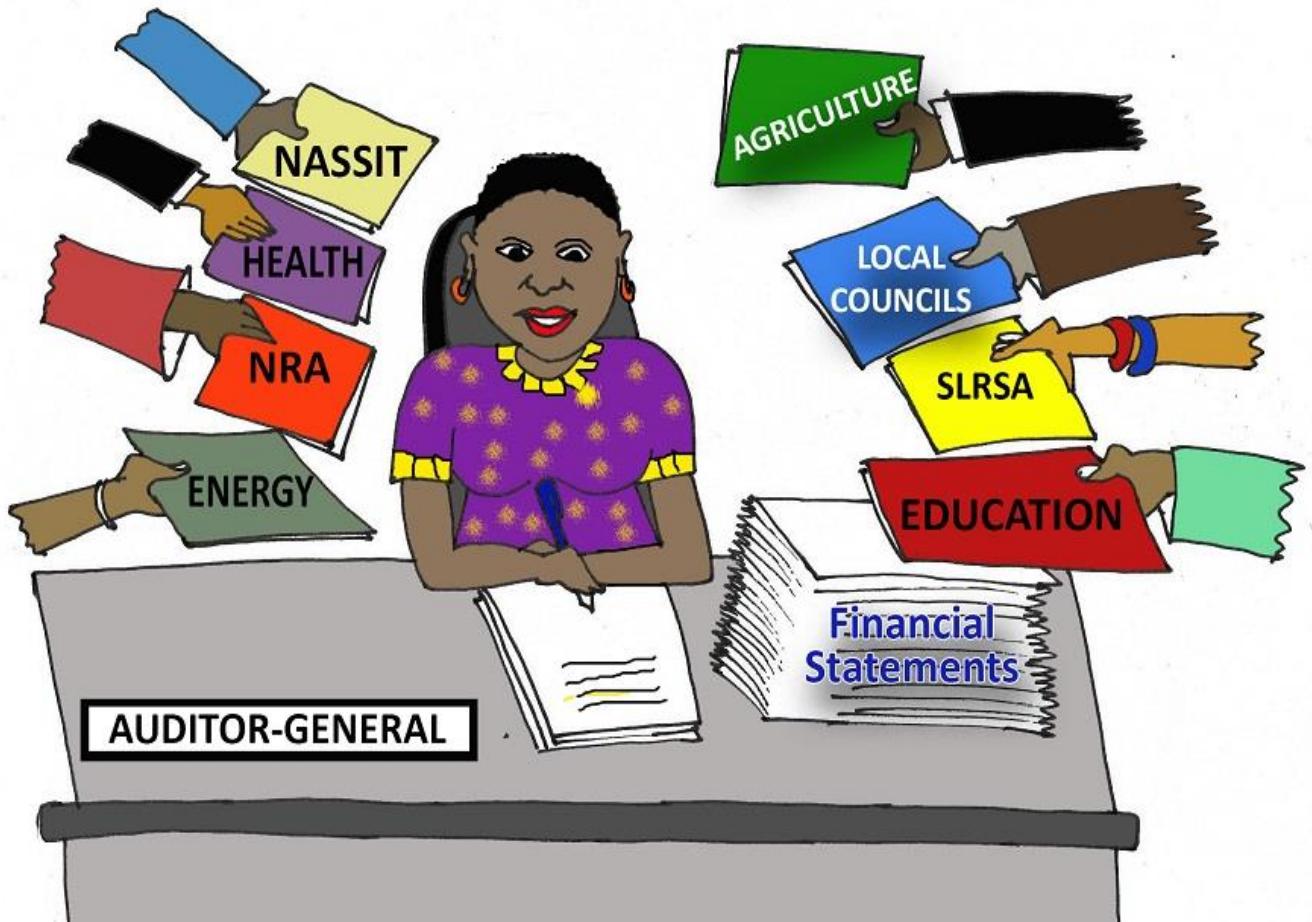
The Auditor-General shall access documents and records of public entities and has the power to call witnesses in instances of doubt in checking the books of all public institutions.

ROLE of the Auditor-General

As the guardian of public funds, the Auditor-General checks government's performance to ensure that funds are used for their intended purposes.



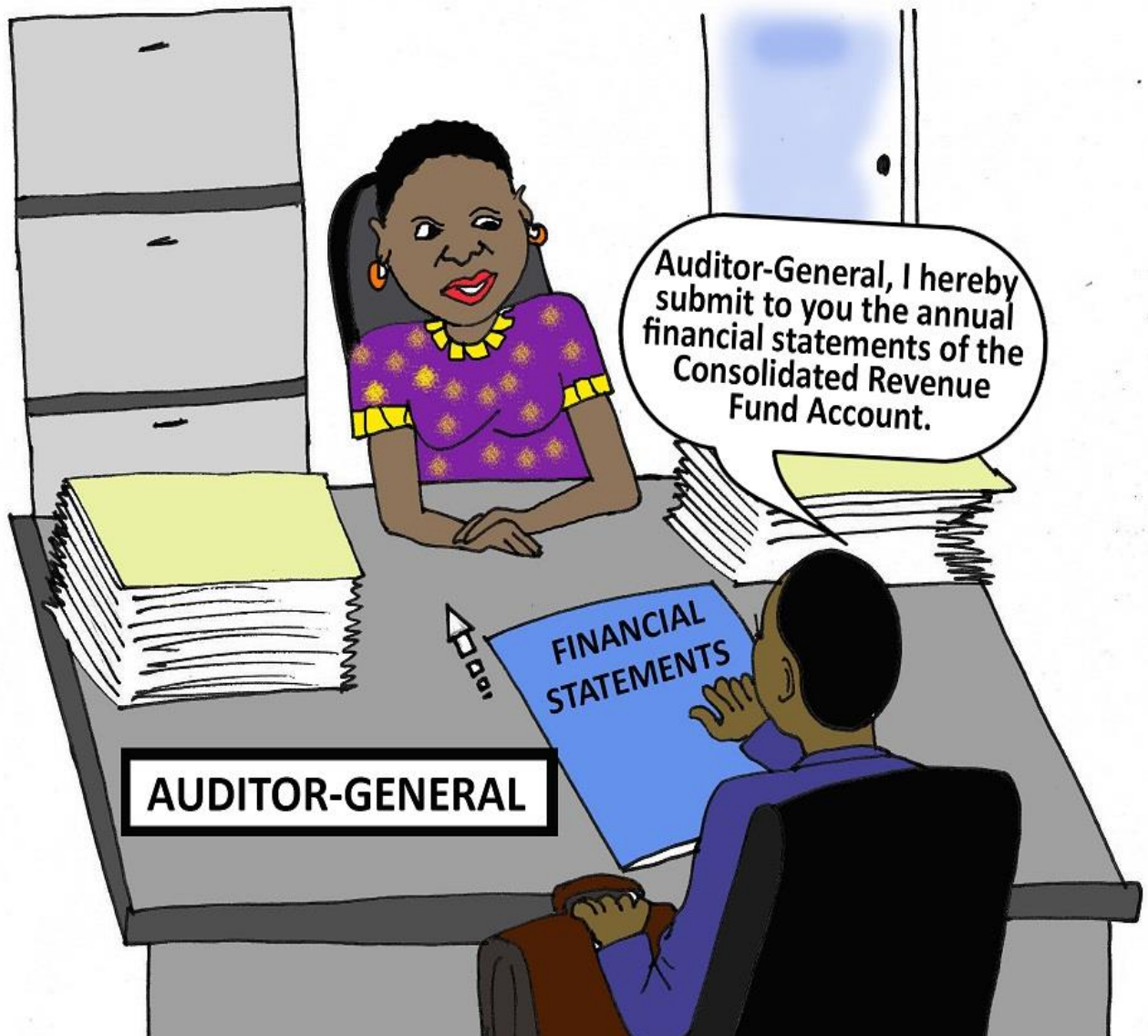
The Auditor-General and Entities of Government



Three months after the end of the financial year, MDAs should submit to the Auditor-General their annual financial statements.

(Section 86 of the PFM Act, 2016).

The Auditor-General and Accountant General



Not later than three months after the end of the financial year, the Accountant General shall draw up and sign the annual **financial statements** of the **Consolidated Revenue Fund Account**.

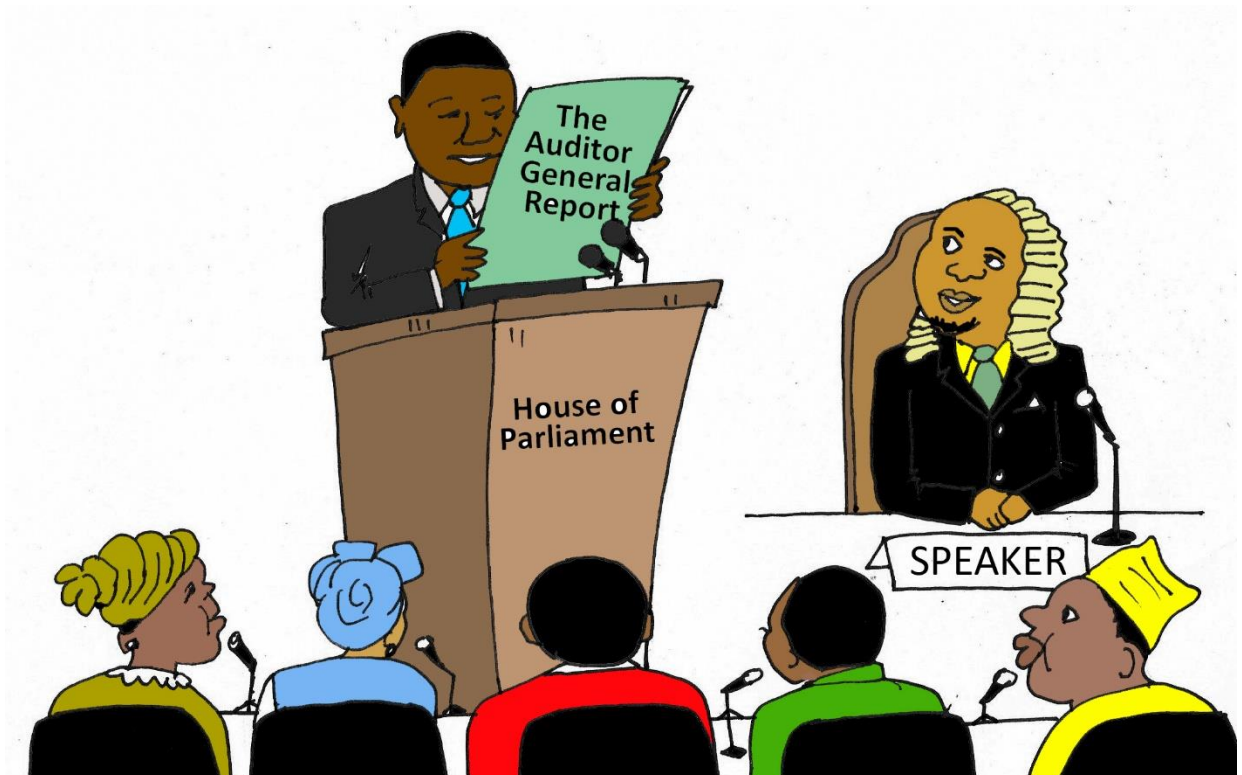
(Section 87 of the PFM Act, 2016).

The Auditor-General and Parliament



The Auditor-General should, within 12 months of the end of the immediate preceding financial year, submit his/her annual report to Parliament.

(Section 95 of the PFM Act, 2016).

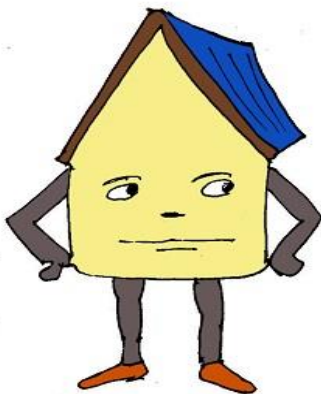


Audit of the Financial Statements of the Consolidated Revenue Fund Account (CRFA)

I rendered an unqualified audit opinion on the 2017 financial statements. The opinion is based on my professional judgement after evaluating the evidence gathered during the audit of the Consolidated Revenue Fund Account, and indirectly, on the findings of the many other audits undertaken throughout 2018 on transactions carried out in 2017.

One of the issues giving rise to the unqualified audit opinion on the 2017 Consolidated Revenue Fund Account is **Domestic Revenue**. The Government revenue in 2017 was **Le3.2 trillion**, increasing by **8%** over the amount of **Le2.96 trillion** collected in FY2016. This was made possible by improvement in control procedures.

Nonetheless, there is need for regular reconciliations to be performed among the National Revenue Authority (NRA), Accountant General's Department and other stakeholders like transit banks and the Bank of Sierra Leone.



NRA



**Accountant
General's
Office**

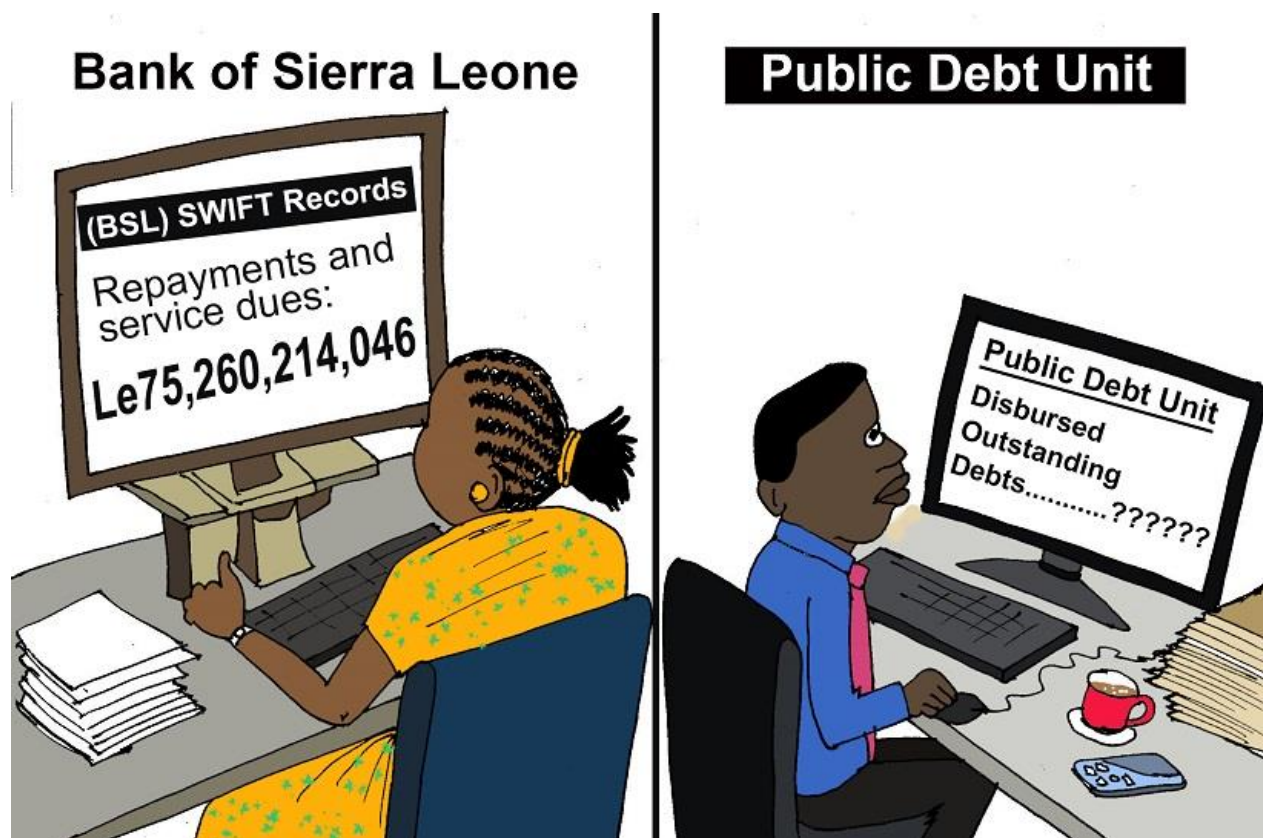


**Bank of Sierra
Leone/ Transit
Banks**

Source: Page vii of the Auditor-General's Report 2017

EMPHASIS OF MATTER

The Bank of Sierra Leone's (BSL) SWIFT payment records revealed repayments and service dues of **Le75,260,214,046** which could not be traced to the schedule of Disbursed Outstanding Debts (DODs) prepared by the Public Debt Unit.



Source: Page viii of the Auditor-General's Report 2017

OTHER MATTERS

Taxes amounting to **Le9.10 billion from top-up allowances** paid to employees and consultants were not deducted and paid to the relevant authority.

A re-performance of the calculations revealed that the sum of **Le1,086,913,317** was not deducted from the sales made by foreign **travel airlines** and paid through the NRA into the CRF. It was also evident from my audit that the NRA did not levy any penalty charge on the airlines in question.

Taxes due for collection from individuals, corporate bodies and other institutions by the Domestic Tax Department and Customs Division of the National Revenue Authority but which had remained uncollected stood at approximately **Le16 billion based on our samples tested**.

Government's contribution to defray the cost of funeral expenses without any regulation/policy amounted to **Le2.3 billion and US\$4,447**.



Source: Page viii & ix of the Auditor-General's Report 2017

The annual financial statements for 19 local councils were submitted for audit. We however noted that 14 (74%) of the councils submitted their financial statements after the legislative deadline of 31st March, and that there was massive transfer or absence of key council personnel during the entire audit process. This negatively affected the timeliness of the publication of the audited reports as the statutory reporting deadline date of 30th June was not met.

Significant matters identified in the audit examinations across local councils fall into the following categories:

- ☐ Material deviation from the legislative framework for the submission and audit of financial statements.
- ☐ Ineffective implementation of outstanding audit recommendations.
- ☐ Unsatisfactory budgetary performance.
- ☐ Ineffective human resource management.

In as much as the above issues are common across different councils, there were a few that performed better than most.

The following were issues identified across local councils:

Own-Source Revenue (Tax & Non-Tax Revenue)

The councils' budgetary performance in the mobilisation of own-source revenue in 2017 was poor as comparative analysis between the budgeted and actual own-source revenue generated showed that the actual revenue was less than the budgeted amounts by approximately 42% (Le16.7billion).

Source: Page x & 61 of the Auditor-General's Report 2017

The Local Government Act, 2004 (LGA 2004)

The sum of **Le1.5 billion** was paid as sitting fees and other allowances to councilors who were absent from meetings, and **Le588.3 million** was paid for which evidence of meetings were unavailable.



Withholding Taxes not Paid

As at the end of the 2017 financial year, unpaid withholding tax amounted to **Le173.9 million**.

Pay-As-You-Earn (PAYE) Tax not Paid

A review of the Freetown City Council's payroll revealed that PAYE deducted from staff salaries totaling **Le146,561,727** was not paid over to the NRA.

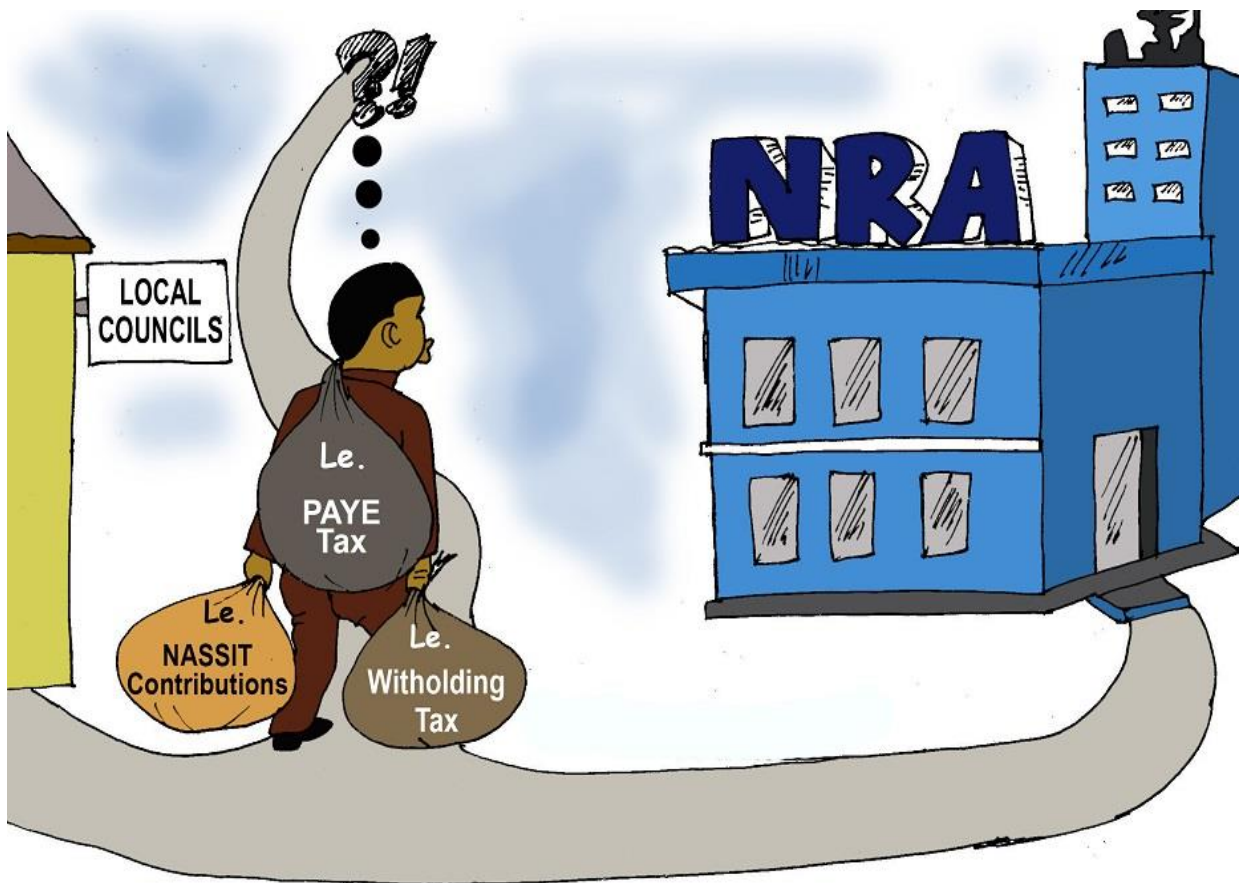
Source: Page 68 of the Auditor-General's Report 2017

NASSIT Contributions not Paid

NASSIT deductions of **Le428 million** from salaries of core staff were not paid over to NASSIT.

Disbursements/Payments Process

Based on samples of expenditure presented in the financial statements by the councils as tested, supporting documents for payments made by councils totaling **Le817 million** were not presented for audit inspection.



Source: Page 69 and 70 of the Auditor-General's Report 2017

Performance Audit

In this chapter, we present summaries of three performance audits we tabled in Parliament this year. These audits were:

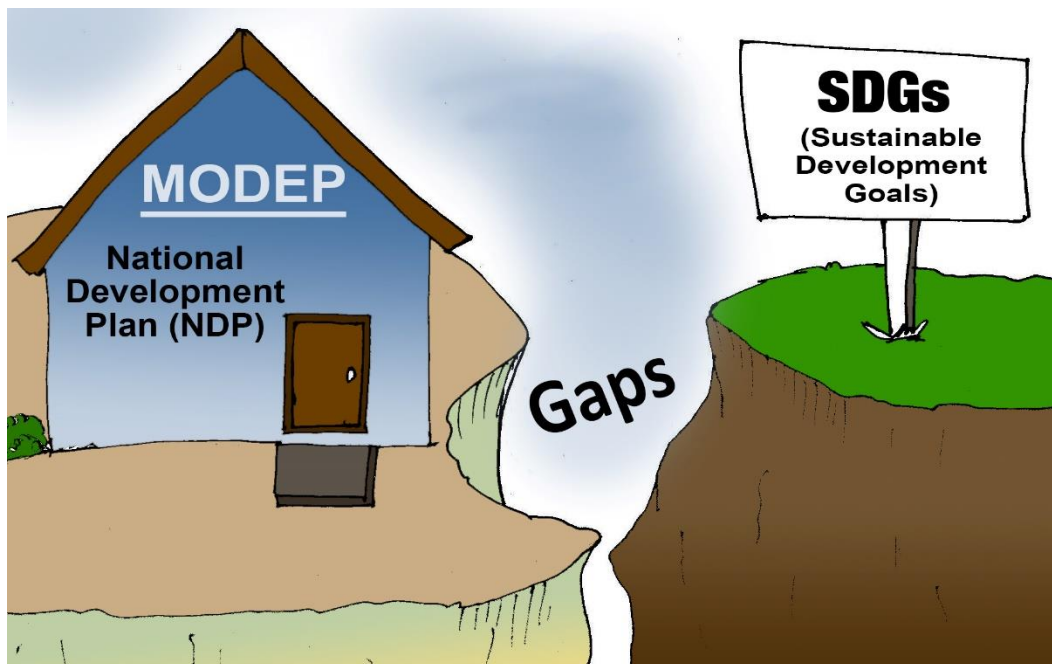
1. Management of healthcare wastes at regional referral hospitals by the Ministry of Health and Sanitation.
2. Management of fertiliser scheme by the Ministry of Agriculture, Forestry and Food Security.
3. Management of school facilities by the Ministry of Education, Science and Technology.

A report on the preparedness of Sierra Leone for the implementation of the Sustainable Development Goals (SDGs) was also approved by the Auditor-General for onward submission to Parliament.

Below are highlights of significant issues from the various performance audit reports:

Preparedness for the Implementation of the Sustainable Development Goals

The following were observed:



- ❑ The Department of Central Planning, Monitoring and Evaluation (CPME) that was at MOFED and currently at MODEP, had not integrated the SDGs into

Source: Page xi of the Auditor-General's Report 2017

its National Development Plan (NDP), which is the Agenda for Prosperity (2013 – 2018).

- ☐ Content analysis of the advanced draft report on adaptation of the goals in Sierra Leone indicates that the country has failed to identify and explain the gaps between the NDPs and the SDGs.
- ☐ The Sierra Leone advance adaptation report on the SDGs was silent on the resources and capacities needed for the implementation, monitoring and reporting of the 2030 Agenda.
- ☐ The thirteen sector papers have not been consolidated into the National SDGs Investment Plan (NaSIP) apparently due to unavailability of funds.
- ☐ There was no evidence of partnership opportunities created to invest in areas critical to sustainable development.
- ☐ Statistics Sierra Leone (SSL) did not have the capacity to measure the goals that were related to the environment.

(ii) Management of School Facilities by the Ministry of Education, Science and Technology



The following were observed:

- ☐ There was overcrowding in all 35 schools visited.
- ☐ Water, sanitation and hygiene facilities were poor in some schools and absent in others.

Source: Page xii of the Auditor-General's Report 2017

- ☐ Various schools visited did not have any science laboratory; some schools that had the facility were either in a dilapidated condition or defunct.
- ☐ Inadequate and inappropriate recreational facilities were observed in most of the schools visited, and the Ministry did not seem to have any plans in place for the maintenance of such facilities.

(iii) Management of healthcare wastes at regional referral hospitals by the Ministry of Health and Sanitation.

The following were observed:

Planning of Healthcare Waste Management Activities

- ☐ No specific plan for healthcare waste activities.
- ☐ Inefficient monitoring of waste management activities
- ☐ Environmental Impact Assessments license not obtained by the MoHS for the treatment and disposal of waste.

Compliance with Healthcare Waste Standards

- ☐ Inappropriate segregation and disposal of healthcare waste.
- ☐ Lack of trained and certified staff to operate modern waste equipment.
- ☐ Inadequate mechanisms to create public awareness on risks associated with healthcare waste.

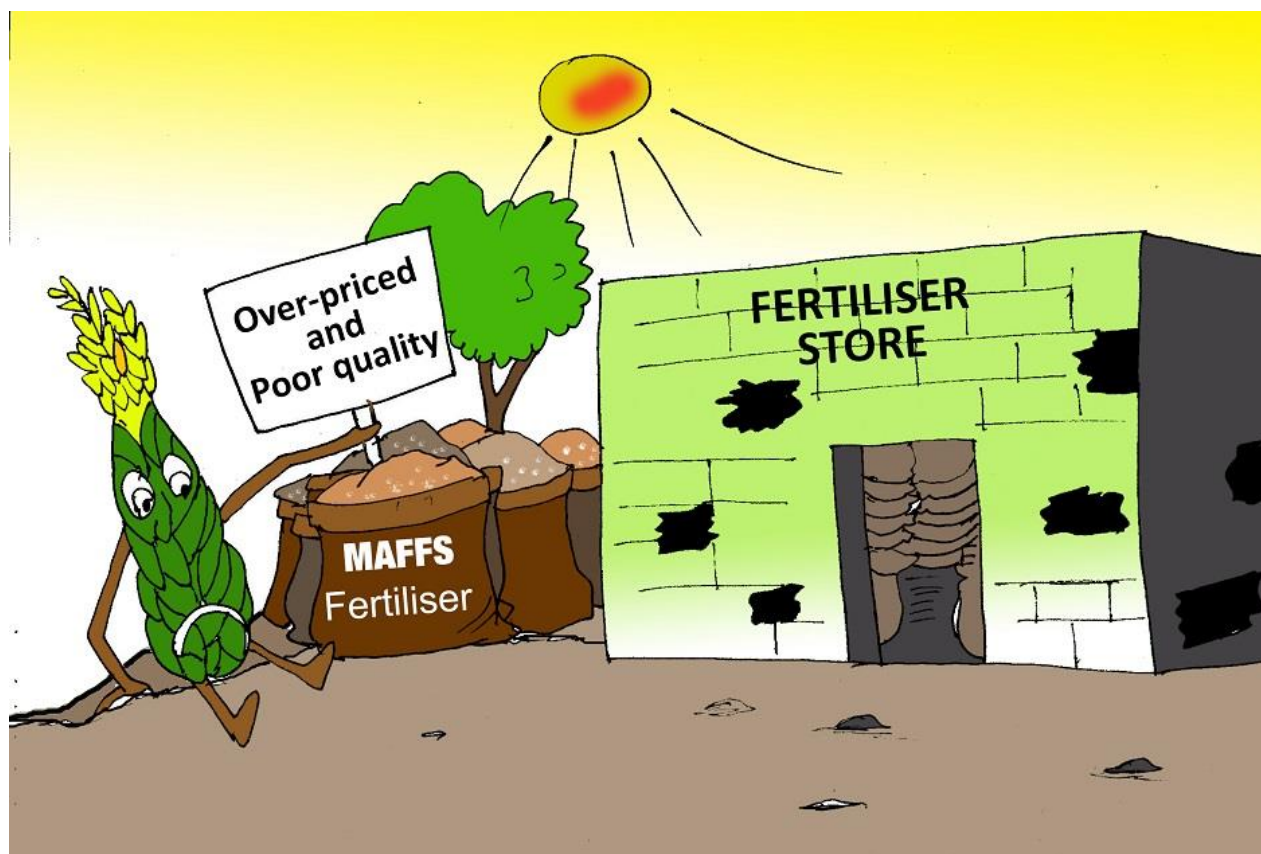


Source: Page xii of the Auditor-General's Report 2017

(iv) Management of Fertiliser Scheme by the Ministry of Agriculture, Forestry and Food Security

The following findings were reported:

- ☐ Neither a policy document on the management of the fertiliser scheme nor a redistribution schedule had been developed by the Ministry to guide the redistribution process of seed rice recovered from the fertiliser scheme.
- ☐ In spite of the fact that there was over pricing and delay in the purchase and delivery of fertiliser, the fertiliser supplied did not meet the required technical specifications. Also the Ministry did not show any evidence to claim payment for the damaged fertiliser from the suppliers.
- ☐ There were poor storage facilities.



Source: Page xiii of the Auditor-General's Report 2017

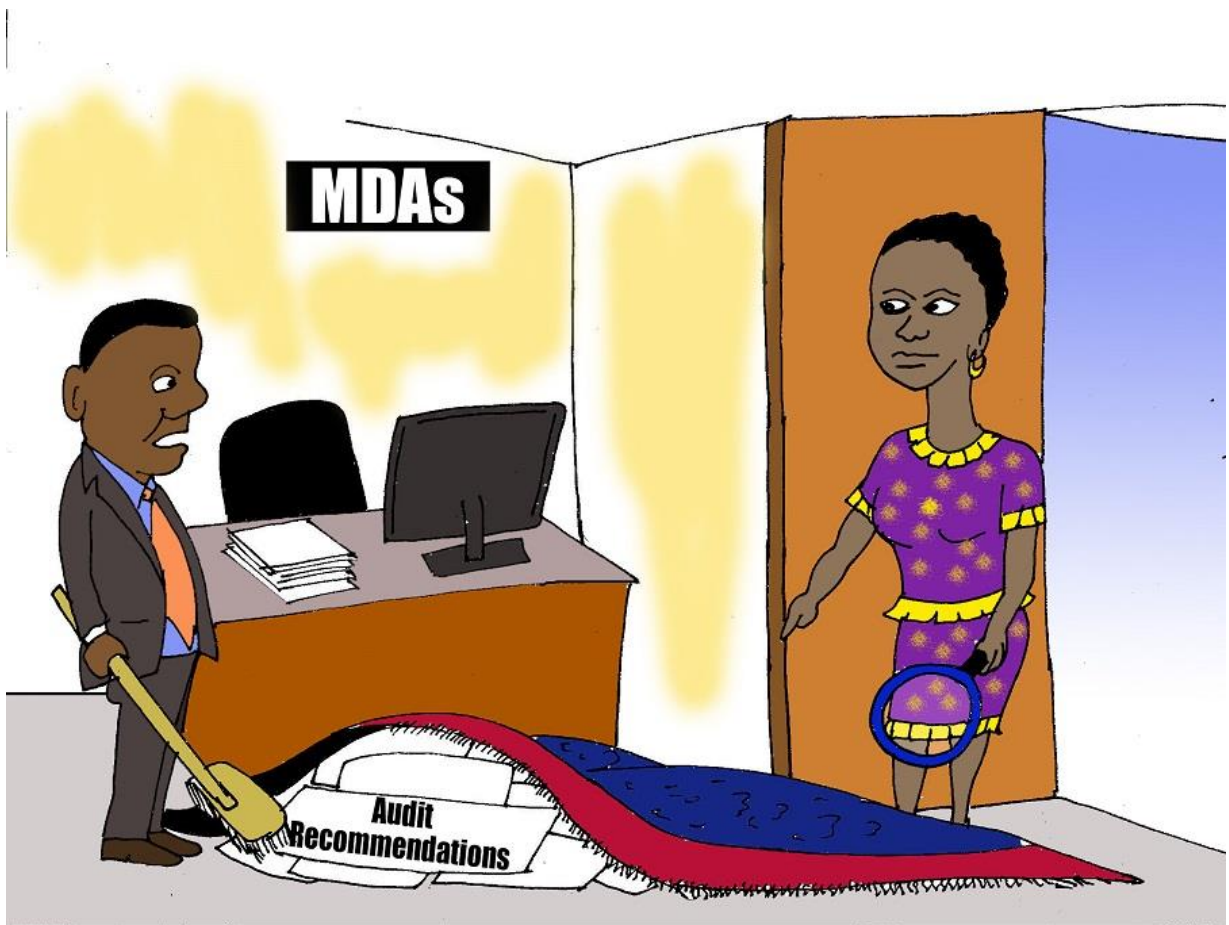
Follow-Up on Audit Recommendations

We reviewed **232 recommendations** derived from analyses of the 2016 audit recommendations for 13 audit entities.

The following is a breakdown of the status:

- ☐ 79 have been implemented
- ☐ 139 have not been implemented
- ☐ 14 remain in progress

The implementation rate of 34% is not encouraging. Overall, 4 of the 13 entities have an implementation rate of less than 25%.



Source: Page xiv of the Auditor-General's Report 2017

Ministries, Department and Agencies

We estimate that there have been losses in cash and stores of over **Le37 billion**. This is attributed to a number of reasons, some inter-related as in previous years. On a whole, the situation suggests that public financial management has to be improved in all MDAs as suggested in previous years.

For example:

- ❑ The perennial problem of payments without adequate supporting documents persists in almost all the MDAs, thus creating doubts in most of the transactions.
- ❑ There are instances where withholding taxes are not deducted from suppliers or contractors and paid to the NRA.
- ❑ Several significant lapses were observed in procurement procedures resulting in incomplete transactions, hence unsatisfactory service delivery.
- ❑ Fixed assets are not adequately recorded in applicable registers and other documents, making control weak and audit verification difficult.



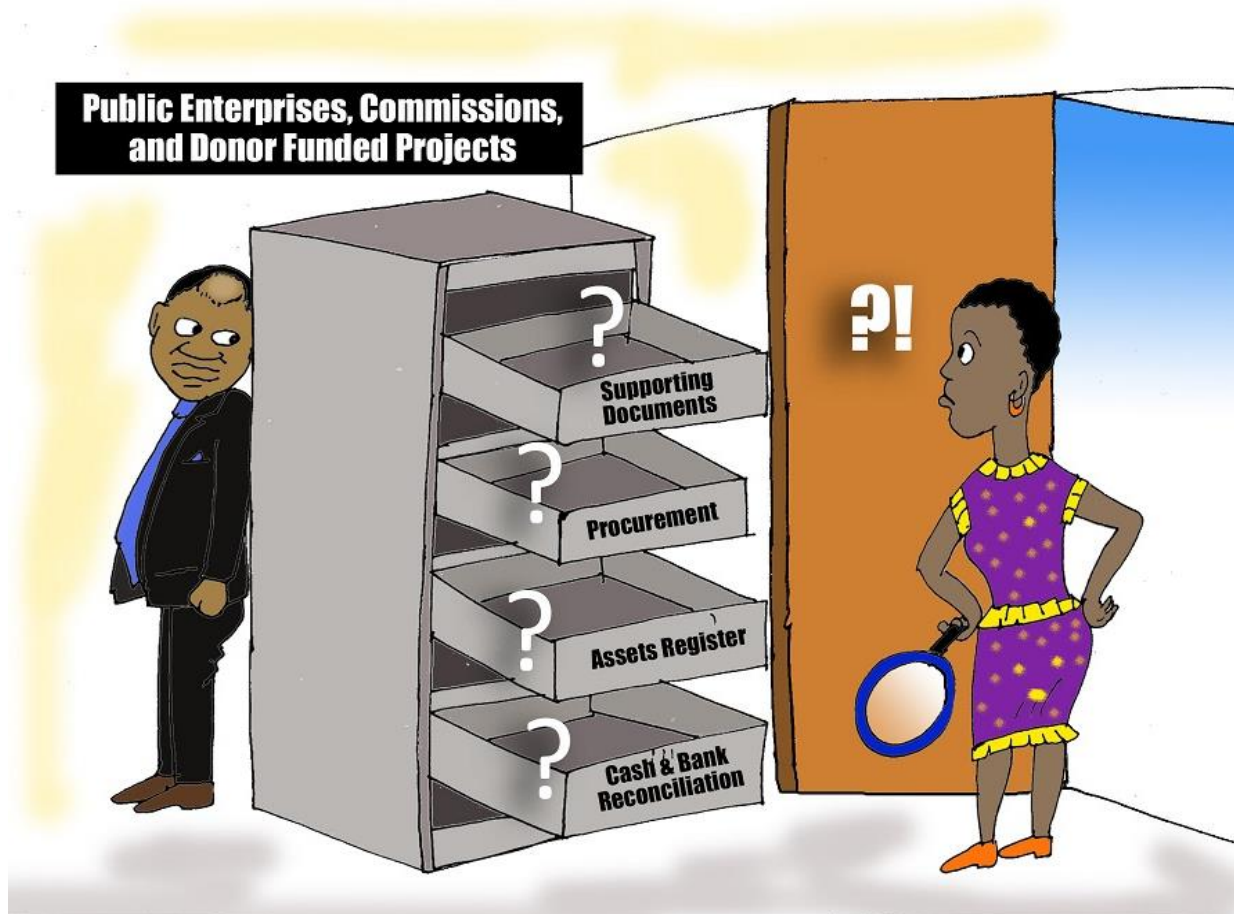
Source: Page xiv of the Auditor-General's Report 2017

Public Enterprises, Commissions, and Donor Funded Projects

A number of public enterprises missed their statutory deadline for preparation, publication and submission of annual financial statements. Twelve public enterprises have not produced their annual financial statements for 2017. Some are more than a year behind schedule.

The issues below are observed to be cross-cutting in most public enterprises and commissions. The significant matters identified in the audit examination fall into the following areas:

- ☐ Lack of supporting documentation for transactions.
- ☐ Poor management of procurement transactions.
- ☐ Mismanagement of assets due to the non-use of the assets register.
- ☐ No evidence that staff performance appraisals were completed.
- ☐ Cash and bank reconciliation ignored.



Source: Page xv of the Auditor-General's Report 2017

Significant loss of cash in MDAs and PEs

Payments without supporting documents		Fuel utilised and not accounted for		Taxes not paid to NRA		Revenue Not accounted For	
MDA/PE	Amount (Le)	MDA/PE	Amount (Le)	MDA/PE	Amount (Le)	MDA/PE	Amount (Le)
Primary Health Care, Bombali - 2017	95,767,000	Ministry of Education, Science and Technology, Bombali District-2016	27,750,000	Ministry of Finance and Economic Development-2017	7,100,000	Government Hospital, Makeni- 2017	160,038,000
District Medical Health Team, Pujehun- 2017	3,536,222,297 & 1,406,003,007	Ministry of Education, Science and Technology, Kono - 2015-2016	43,443,500	Provincial Secretary's Office, Northern Region -2016	7,270,000	Government Hospital Pujehun- 2017	13,514,000
Ministry of Fisheries and Marine Resources -2017	188,197,500	Government Hospital Pujehun- 2017	59,700,000	SIERRATEL 2015- 2016	151,580,530	Government Hospital Port Loko - 2015-2016	209,132,800&51,951,138
Rokel Commercial Bank- 2016	11,200,000	Government Hospital Port Loko - 2015-2016	69,590,000	Njala University- Njala Campus -2013-2015	721,569,968	District Health Management Team, Bo -2017	214,861,253
Sierra Leone Road Transport Corporation - 2011 - 2013	1,339,007,863	District Medical Health Team, Pujehun- 2017	60,036,500			Sierra Leone Correctional Services, HQ- 2017	23,400,000
Njala University-College Secretariat- 2013-2015	9,823,619,727	Ministry of Agriculture, Forestry and Food Security- 2017	85,106,750				
Njala University- Bo Campus -2013-2015	153,656,600	Ministry of Social Welfare, Bombali- 2015-2016	9,472,500				
Njala University-Njala Campus- 2013-2015	61,383,215	Provincial Secretary's Office, Northern Region - 2016	481,921,540				
		Sierra Leone Correctional Services, North - 2016	39,375,000				

Source: Page 347 - 350 of the Auditor-General's Report 2017

AUDIT SERVICE SIERRA LEONE

Guardian of Sierra Leone's Economic Security

Mission Statement:

To be a role model by proactively ensuring value for money for public funds through a highly competent satisfied workforce of integrity.



Headquarter

2nd Floor, Lotto Building

Tower Hill, Freetown

Contact +23276682162

Email: info@auditservice.gov.sl

Western Area Office

9th Floor, Youyi Building

Freetown

Contact: +23276682162

Email: info@auditservice.gov.sl

Southern Region Office

Stock Road

Bo

Contact: +23276691011

Email: sinneh.kargbo@auditservice.gov.sl

Northern Region Office

St Lawrence Building

Azolini Highway, Makeni

Contact: +23278629154

Email: juldeh.barrie@auditservice.gov.sl

Eastern Region office

72 Hanga Road

Kenema

Contact: +23278210275

Email: alie.badrokargbo@auditservice.gov.sl