



PUBLIC INFORMATION

CLARIFICATION ON THE INCLUSION OF BACKLOG AUDITS IN THE AUDITOR GENERAL'S ANNUAL REPORTS

Freetown, Sierra Leone–19th April, 2021 - The Audit Service Sierra Leone (ASSL) wishes to clarify the issue of backlog audits in the Auditor-General's Annual Reports.

Various misconceptions and misinformation have surrounded this issue in the recent past, chief among them are the following:

- The backlog audits form the basis of the audit opinion
- The audits are done on an adhoc basis
- Backlog audits were only introduced into the Auditor-General's Annual Report in 2020, and that was for the Auditor-General's 2019 Annual Report
- It is wrong to report on backlog audits as every audit must be limited to one financial year

We shall now offer clarifications on these issues.

The Auditor-General's Annual Report is divided into two sections - Sections A and B.

Section A covers the audit of the General-Purpose Financial Statements (GPFS), produced by the Accountant General to cover the financial transactions of the Government for the most recently concluded financial year ending 31st December. The GPFS is submitted to the Auditor-General for audit on or before 31st March, three months following the end of the financial period. The GPFS is audited and an opinion is provided solely for the year ended 31st December of the year reported on. It must be noted that the opinion on the GPFS relates solely to the financial year ended 31st December of the one-year period being audited. A Management Letter (ML) is also issued on the GPFS audit where issues of non-compliance with existing procedures, laws and regulations are reported.

Section B covers audits of Ministries, Department and Agencies (MDAs). Throughout the course of the year, a mix of financial and compliance audits are carried out for MDAs who produce and submit financial statements, and compliance audits are done for all other MDAs who do not produce financial

statements. For all such audits, MLs are produced. These MLs and that from the GPFS are reported in Section B.

Prior to these MLs being reported in the Auditor-General's annual reports, copies would have been sent to the MDAs after completion of the audit along with their audited financial statements where applicable.

Even though most MDAs have succeeded in having updated financial statements, that is, financial statements relating to the most recently completed financial year, there are still a few who have backlogs. Whenever these backlog financial statements are submitted, they have to be audited and the MLs can only be reported in the year in which the audit was completed. This is one of the reasons why backlog audits are reported in the Auditor-General's annual reports. The second reason is the fact that the ASSL does not have all the resources it requires to undertake 100% audits of MDAs. We therefore select MDAs for audit using a risk-based approach, taking into consideration factors such as mandatory audits, significance of budgetary allocation, government priorities, expected level of service delivery, public interest, amongst others.

Even though the ASSL has the mandate to outsource audits to external audit firms, they can only realistically do so for institutions subjected to payment of audit fees as stated in the PFM Act of 2016. Others like the ministries and local authorities do not pay audit fees and can therefore only be audited by the ASSL.

The audits are carried out using the International Standards of Supreme Audit Institutions (ISSAIs). The ASSL is reviewed regularly by a team of peers from other Supreme Audit Institutions (SAIs), and the African Organisation of Supreme Audit Institutions - English Speaking countries (AFROSAI-E) to ensure that it is complying with this requirement.

Generally, audit principles are the same; be it in the public or private sector. , the audit of public sectors however requires additional procedures which may not be found in private sector auditing. As a result, it behoves SAIs to be reviewed by experts in the field of public sector auditing, and this competence can only be sourced from other SAIs; thus the justification for peer review.

The ASSL has a Training Division which ensures that staff are regularly updated with changing trends in public sector auditing. In addition, there is a Quality Assurance Committee which reviews files of audits undertaken both by the ASSL auditors and outsourced firms.

The ISSAIs are clear on the issue of backlog audits which is not just limited to Sierra Leone but is the same in many jurisdictions. To mitigate the issue of backlog audits, the ASSL must be provided with adequate resources to carry out its work, and in addition, MDAs must adhere to the financial reporting deadline of 31st March, for the submission of their financial statements for the most recently concluded financial period.

The ASSL prioritises its limited resources to ensure that they achieve optimal work with the available resources. Thus for embassies, the audits are carried out once every two or three years. For entities assessed as low-risk and those receiving very little amounts in terms of budgetary allocation, the audits are also carried out once every two or three years.

The ASSL will continue to carry out its mandate of being the Guardian of Sierra Leone's Economic Security.

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Contact

Martin Sandy
Information, Education & Communications Officer
076-682-162