



## INITIAL RESPONSE TO 2020 AUDITOR GENERAL REPORT

The long-awaited Auditor General's report has finally been publicly released. The release has generated a hot debate. This document provides a brief snapshot assessment of the report. This report is damning to the government as it presents significant issues that affect different institutions, ranging from the Office of the President, Office of the Vice President, Ministries, Departments and Agencies as well as Local Councils.

We note that public sector auditing requires institutions to be **effective, efficient** and **economical** in the management of public funds in service delivery. These 3 E's are the guiding principles in audit processes and as such it involves substantial work along with methodical scrutiny and complex analysis.

The Auditor General's opinion on the 2020 audit report is **Qualified** which means an unsatisfactory fiscal management performance in 2020. The qualified opinion based on the report is the result of some supporting documents not submitted to confirm the eligibility of duty waivers granted to taxpayers; waivers granted to Non-Governmental Organisations (NGOs) that were not registered with the Ministry of Planning and Economic Development in contravention of the rules governing NGO operations; other relevant documents, such as invoices, reports, etc., that were not submitted to the auditors; and as such, the auditors cannot ascertain the accuracy and veracity of the revenue deposited and credited in the accounts along with a host of other reasons. Like past annual auditor general's reports there are a number of given reasons for these discrepancies. These accounting and reporting limitations remain a significant cause for concern - there is a need to strengthen all internal control systems of MDAs, Local Councils and Public Enterprises to ensure proper financial management practices.

For the years of 2016 - 2019 the Auditor General rendered an **unqualified** audit opinion meaning that there was sufficient evidence substantiated by supporting documents and better internal control systems. The opinion is based on a professional judgement after evaluating all evidence gathered during the audit of the GPFS, and indirectly, on the findings of the other audits undertaken throughout 2016 - 2019.

On the other hand, the 2020 report demonstrates a reduction in the volume of cash losses from 2019 to 2020. Estimated cash losses identified in the 2020 audit report amount to Le113.1 billion while in 2019 it reached Le177.5 billion that excluded a backlog audit of Le13.7 billion, which totalled Le191.3 billion. Therefore, the 2020 report highlights a significant reduction of losses in respect to the General-Purpose Financial Statements (GPFS), Public Enterprises (PEs), Ministries and Departments (MDs) and Local Councils (LCs). It must be noted that 2020 is the lowest cash losses recorded since 2018 to date.

The best performer in terms of cash loss reduction in 2020 was the Public Enterprises with 89.1 percent while the worst performer was the Local Councils, with 17.9 percent of cash losses from 2019 to 2020. Table I below highlights cash losses for 2016 - 2020. Despite the qualified opinion there was significant progress in the area of cash loss when compared to 2018 and 2019. However, this is nothing to celebrate as there is still a huge loss and this is not good for the country's development. Such losses could help in service delivery in the education and health sectors and so on.

We also observe that the main reasons for this huge cash loss is as a result of tax irregularities, non-submission of supporting documents to the auditors during the audit process and the blatant disregard for procurement processes. From Table I we also noticed that there was no presentation of cash loss for General Purpose Financial Statements, Local Councils and **Public Enterprises for the fiscal years of 2016 and 2017 by the Auditor General.**

Category	2016	2017	2018	2019	2020	Variance	Percentages (19/20)
<b>GPFS</b>				47,514,074,659.00	49,337,077,557.91	21,823,002,898.91	46
Local Councils			18,520,280,090	5,284,363,489.24	4,334,649,612.71	-949,713,876.53	-18
Public Enterprises			66,298,388,310	59,263,547,058.87	6,449,223,212.01	52,814,323,846.86	-89
MDAs	75,519,313,692.00	37,211,085,979.00	56,176,233,168	65,515,141,588.41	33,012,081,702.39	32,503,059,886.02	-50
Backlog Audit	160,965,000.00	10,003,311,475.00	16,840,208,258.00	13,779,437,110.23	-	-	-
<b>TOTAL</b>	75,680,278,692.00	47,214,397,454.00	157,835,109,826	191,356,563,905.75	113,133,032,085.02	78,223,531,820.73	-41

Also, compliance outcomes of Local Councils shows that all Councils are not meeting proper procurement procedures. There is inadequate proper financial management practiced. On another note, the district councils of Karene and Port Loko both received a qualified audit opinion while Koinadugu District Council was given an adverse audit opinion. These findings highlight a bad trend amongst Local Councils, which demonstrates significant underperformance. All Local Councils continue to underperform and should take audit recommendations seriously.

The standing issues that affect all sectors in this report are:

Illegal tax claims, outstanding tax liabilities resulting from non- or a partial payment, non-submission of supporting documents, cash irregularities, irregularities in contract management, no proper procurement procedure, payroll irregularities, unsupported payments, inventory irregularities, unretired imprest or funds allocated for specific purposes, lack of systems and procedures in our tertiary education system.

**We therefore recommend that** government takes a giant step to demonstrate its commitment to the fight against corruption, to draft a bill and pass a law that will hold public officials to be reprimanded and held accountable for failing to implement the auditor general's recommendations. Also, heads of all public institutions should be held responsible for the untimely submission of supporting documents during the auditing process.

Furthermore, Sierra Leone needs to create a practice of holding stringent quarterly internal audits for all MDAs, Local Councils, Public Enterprises and Commissions. This will help to enforce adherence to sound public financial management practices, hence a solution to the non-submission of supporting documents to external auditors upon request.

We are calling on Parliament and the ACC to view this particular report as the primary instrument to save this country from such high levels of corruption across the public sector. This is the right time to hold institutions and officials accountable as well as bring all culprits to book for the betterment of the country. No more business as usual in the management of state resources!

This short assessment notes that the level of compliance to past audit recommendations is very low and complying with 2020 audit recommendations should be a top priority for the GoSL if it seeks to change these negative findings and public perception for the benefit of Sierra Leone.

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