

Audit Tears: Audit Uptake and Integrity in Sierra Leone - 2015-2020



Institute for Governance Reform-IGR

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Audit Tears¹:

Audit Uptake and Integrity in Sierra Leone - 2015-2020:

Summary Findings

1. In total, 2,655 audit recommendations were produced by the Audit Service Sierra Leone (ASSL) for all Ministries, Departments and Agencies (MDAs) and local councils for the six-year period covered – 2015-2020.
2. Only 38% of audit recommendations were implemented in the last six years.
3. Ministries of Transport and Aviation (60%); Foreign Affairs (46%); Public Works and Assets (45%); and Sports (45%) were the most compliant with audit recommendations.
4. Ministry of Basic and Secondary Education (MBSSE) was the least compliant for the six-year period with only 22% of its 60 recommendations implemented. No recommendation was implemented by the Ministry in 2017 contributing to a huge backlog of unimplemented recommendations. However, MBSSE made a remarkable turnaround in 2020, implementing 50% (2nd highest) of its recommendations for that year.
5. The five top local councils that were more compliant with audit recommendations are: Bonthe District Council; Kailahun District Council; Falaba District Council; Kono District Council; and Kenema District Council.

Way Forward

1. To improve public financial management (PFM) oversight, Government of Sierra Leone (GoSL) should consider institutionalising the tracking of audit compliance by developing a digital tracker for all MDAs to see in real time, the progress they are making to address their designated audit recommendations. Ministry of Finance (MoF) could consider expanding its Opendata.sl.gov.sl portal to include updates on audit compliance.
2. In addition to popularising audit reports, CSOs should consider providing in-depth analysis and shadow reporting which can take the form of expenditure tracking, fiduciary risk analysis of key sectors and service delivery tracking.
3. To increase audit uptake, we recommend a two-pronged approach: (a) incentivise champions of audit compliance to do more. Example, individuals in ministries such as Transport and Aviation should be recognised through a national awards programme for their consistent progress in audit compliance. And (b), take punitive action against public officials who fail to implement audit recommendations or submit supporting documents during audits, in a timely manner.
4. The ACC is doing a commendable job in recovering cash loss but more needs to be done to block the systemic leakages cited in annual audits that continue to provide a conducive environment for corruption to occur.
5. Political parties should take responsibility for ensuring that the councils they control are compliant with audit recommendations and minimise fiduciary risk.
6. Stakeholders should work towards settling the current audit dispute out of court, lower the rhetoric among the interested parties and promote genuine conversations on audit integrity and uptake of recommendations.

¹ The claims people make on the direction of the country's audit appear to be tearing Sierra Leone apart, with different people crying for different reasons.

Background and Context

Sierra Leone's Auditor General, Mrs. Lara Taylor-Pearce and her deputy, Mr. Tamba Momoh are facing a judicial tribunal set up by the government for alleged misconduct. The tribunal comes after months of strong exchanges between the MoF and the ASSL, culminating in the controversial suspension of the two officials. Government interlocutors say they have a gripe with the ASSL leadership for issues ranging from reporting backlog financial transactions under the previous administration, making a huge cash loss in the 2019 audit²; overly scrutinising expenses relating to the health of President Bio in the 2020 audit³; and other claims of alleged misconduct by the auditors. The internationally respected Auditor General has denied any wrongdoing, and argues that multi-year audit is a normal practice and that they have applied professional audit practices across all administrations for over a decade.

There is hardly a country in Africa today where an audit report generates fervour like Sierra Leone. At the time of their suspension, 58% of citizens surveyed in Freetown, Bo and Makeni disagreed with the government's decision,⁴ and viewed it as a threat to public financial oversight. There have been calls for their reinstatement⁵. Given the high public interest in the tribunal and the polarising conversations it has generated, Sierra Leone may risk turning an official audit into a partisan SLPP/APC (government/opposition) discussion and potentially ignore the damages being made to the treasury. On a positive note, the fervour around the audit reports shows the quality of democratic emergence and the growing demand for better practices around public financial management. This is not surprising. Sierra Leone's democratic credentials are on the rise. Of the 35 African countries studied by Afrobarometer in 2019, 65% (3rd highest) of Sierra Leoneans believe they live in a democracy and are satisfied with how democracy works⁶. The interest in the audit is thus a new dimension of extending democratic conversations into the economic governance domain.

Considering this growing public interest in the audit, IGR took a deep dive into ASSL's records from 2015 to 2020 to understand the progress made in the uptake of audit recommendations. This brief documents the level of effort by the ACC and oversight committees in the previous and current Parliament towards audit compliance. The main sources of information for this brief are the annual audit reports 2015 – 2020, annual budgets, official records and key informant interviews with staff of the ASSL, the ACC, Public Accounts Committee of Parliament and local CSOs. We compiled four categories of audit recommendations that informed this brief: financial accounting, procurement procedures, performance management and internal controls.

² Radio Democracy – Interview with Minister of Information Mohamed Rahman Swarray.

³ Africa Confidential: Bashing the Book-keeper - Vol 62 No1; 7th January 2022

⁴ SierraPoll 17th November 2021

⁵ Press releases: BAN - 9th March 2022; ICASL, November 2021; Women-led CSOs November 2021, March 7, 2021

⁶ Robert Mattes; Democracy in Africa, Demand, Supply and Dissatisfied Democrats; Afrobarometer Policy Paper No. 54, February 2019.

Definitions

Definitions of actions on audit recommendations

Fully implemented

Adequate measures have been put in place or corrective action taken by the respective MDA and local council that fully address the risk as recommended

Partly implemented

MDA and Local Councils' management are in the process of taking steps to put in place adequate measures to address recommendations.

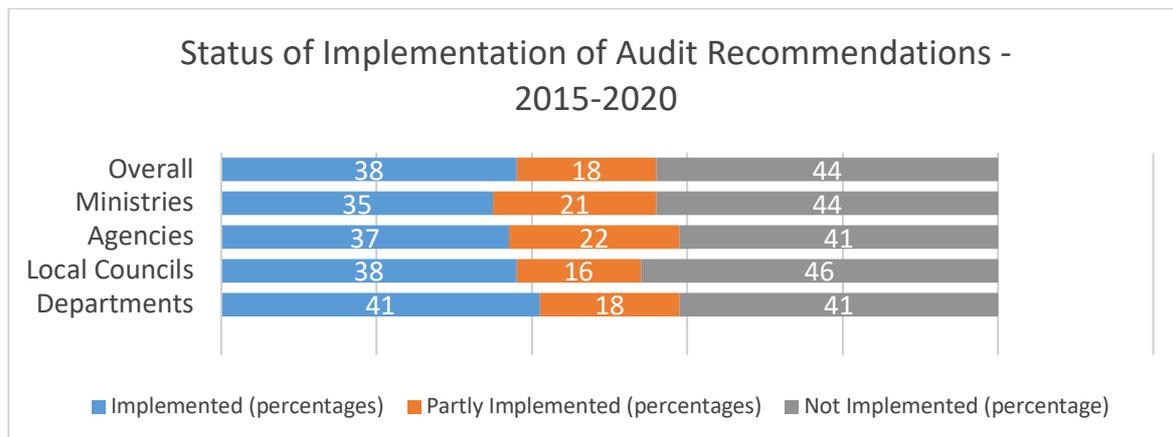
Not implemented

MDAs and Local Councils' management did not address the risks identified.

Overall Trends in Uptake of Audit Recommendations

The research shows that only 38% of audit recommendations were implemented in the six years under review. In total, 2,655 recommendations were produced by AASL for all MDAs and local councils for which Parliament approved Le23.84 trillion (approximately USD 2.4 Billion) for six years. Of the total 2,655 recommendations for all MDAs and local councils between 2015 and 2020, 38% were implemented, 18% were partly implemented, and 44% were not implemented. Government ministries (35%) and agencies (37%) receiving more resources have lower uptake of audit recommendations than local councils (38%) and departments (41%).

Figure 1. MDAs' and Local Councils' Compliance Rate



The reoccurring issues appearing in all recommendations in all the years are:

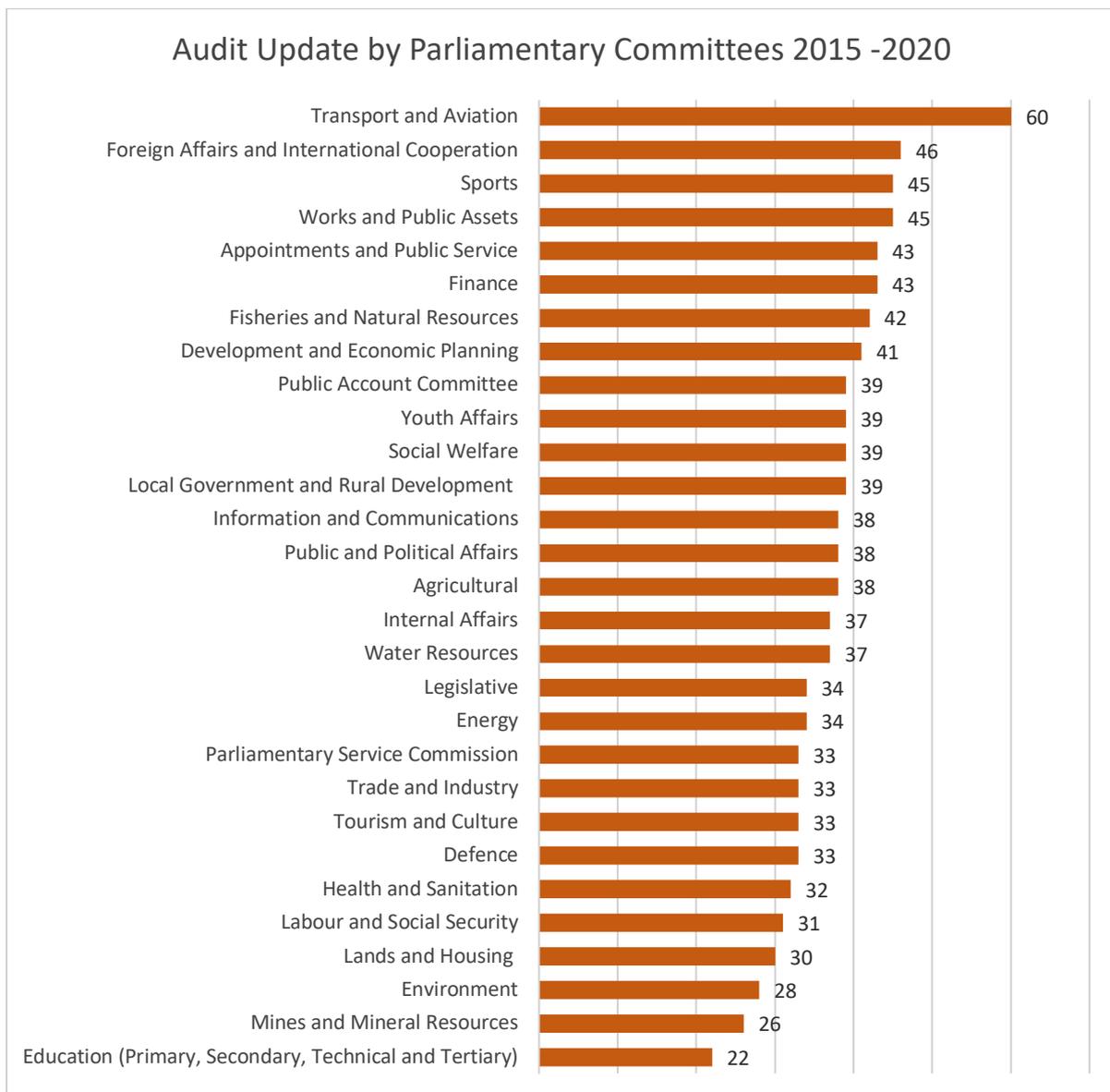
- Poor cash management and internal controls.
- Inappropriate public procurement practices and mismanagement.
- Poor administrative and financial recordkeeping.
- Poor management of assets.
- Poor oversight by Parliamentary oversight committees.

Low uptake (38%) of audit recommendations by MDAs and local councils severely undermines public financial management. The brief also notes that state institutions have been weak in enforcing compliance. Equally there has been no incentive or recognition of reformers who are compliant, and resistance to audits is at an all-time high.

Uptake of Audit Recommendations by Parliamentary Oversight Committees

The Public Accounts and Parliamentary Select Committees have the mandate to scrutinise MDAs' compliance with official audits. Over the years, there have been unhelpful tensions between the Audit Service and Parliament over the publication of reports. There have been leaks of audit findings on social media, ostensibly done by enthusiasts who may not have confidence in the legislature's ability to effectively use the audit to hold MDAs and vote controllers to account. Figure 2 below presents the progress Parliamentary Committees have made in enforcing audit recommendations. The best performing Parliamentary oversight committee with respect to audit compliance (60%) is the Transport and Aviation Oversight Committee. The Education Committee (22%), which expended the largest budget in the last six years; and the Mines and Minerals Committee (26%), a sector which had the potential to generate the biggest revenue, were the least compliant with auditors.

Figure 2. Up Take Audit Recommendations by Parliament (2015 – 2020)



Of special note is the performance of the MBSSE, the flagship of the current administration. MBSSE was the least compliant for the six-year period with only 22% of its 60 recommendations implemented. No recommendation was implemented by the Ministry in 2017, contributing to a huge backlog of unimplemented recommendations. However, the Ministry made a remarkable turnaround in 2020, implementing 50% (2nd highest) of its recommendations for that year (see Figure 3 and Figure 4 below).

Figure 3: Trends in Audit Uptake by the Ministry of Education.

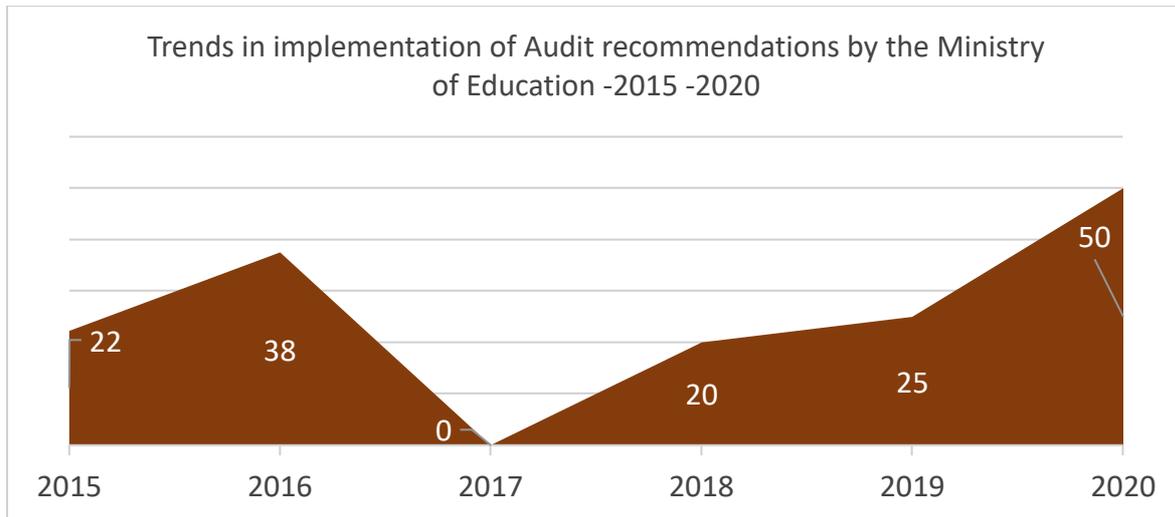
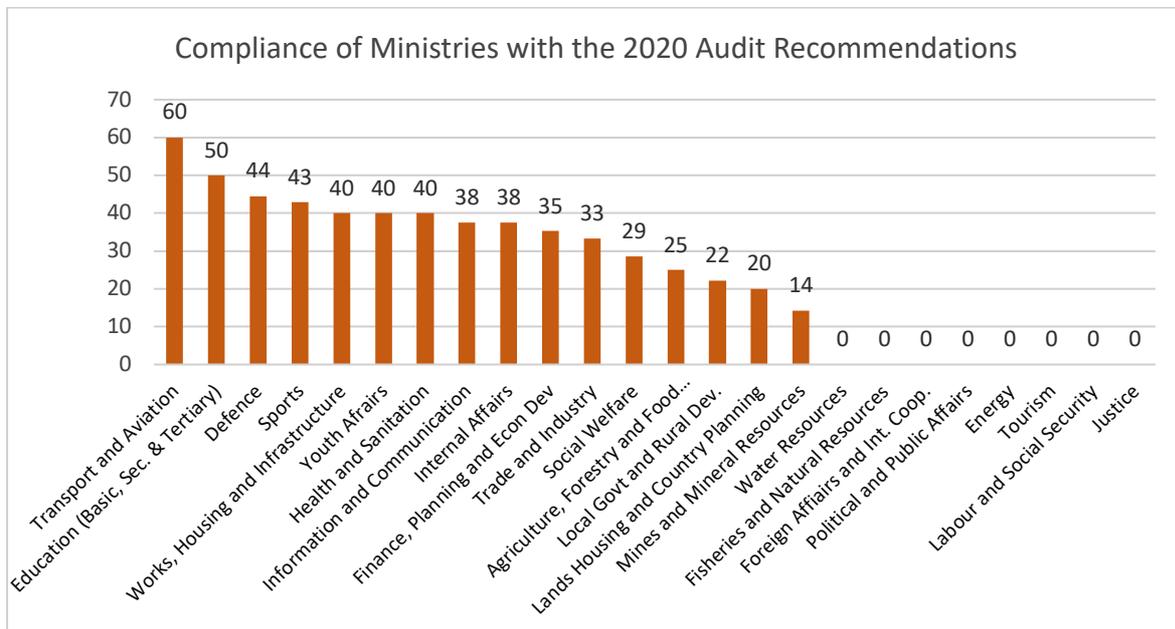


Figure 4: Compliance of Ministries with the 2020 Audit Recommendations

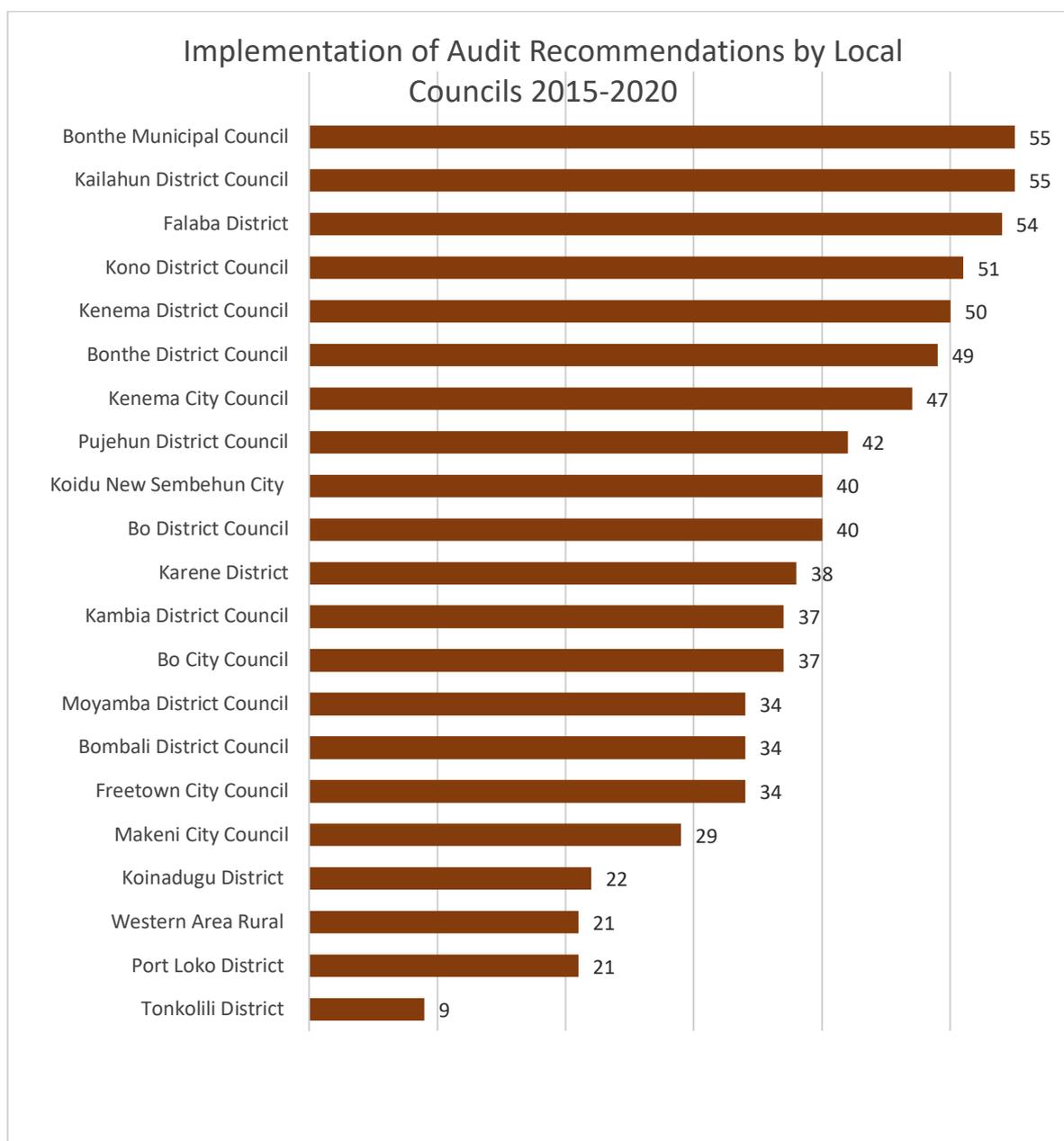


To date, the ACC said that it has identified 1,200 issues they are following in the 2020 audit. Even though the ACC is doing a commendable job in recovering cash loss uncovered in audit reports, in addition to their prosecutorial actions, the Commission should prioritise actions that promote reforms to block the systemic leakages cited in annual audits, without fear or favour.

Uptake of Audit Recommendations by Local Councils

Average compliance of local councils is 38%. Except for one of Sierra Leone’s two new districts, Falaba District Council, which was only audited for the first time in 2019, all top ten councils that were most compliant in the last six years are councils in the Southern and Eastern regions. This level of compliance, which is only moderately satisfactory, could well be consistent with a widely held view that political actors are more compliant when not assured of protection from patrons in the central government⁷. Thus, a big opportunity for increasing audit integrity is being lost as a result of political parties’ disinterest in holding the local councils that they control accountable for their financial management.

Figure 5: Uptake of Audit Recommendations by Local Councils



⁷ Decentralisation in Sierra Leone: Impact, Constraints and Prospects – Fanthorpe, Lavalı and Sesay (2011)

Protecting Audit Integrity and Uptake: Looking Beyond Lara and the SLPP

At 38% rate of implementation of audit recommendations, there is every need for local and international stakeholders to be concerned about the absence of conversations on audit uptake and fiduciary risk in public institutions. This brief intends to draw the attention of stakeholders to the need to look beyond Mrs. Lara Taylor-Pearce and the SLPP government and to seek common ground for increasing audit compliance. One step to achieve this is for stakeholders to work towards settling the audit dispute out of court, lower the rhetoric among the parties and promote conversations on audit integrity and uptake of audit recommendations.

We make this proposal bearing in mind that the interests in the Auditor General's tribunal by many groups is largely about political point-scoring and less about promoting audit integrity to benefit the Sierra Leone economy. However, there are some who believe that the ongoing tribunal will ultimately improve audit integrity. This position was reflected in the opening admonition by the presiding judge Retired Justice Nyawo Maturi-Jones that the tribunal was solely about "protecting the office of the Auditor General"⁸. Conversely, given the mistrust and suspicion the trial is generating and the perception by some groups that it is already a bad precedence to suspend an Auditor General a few weeks before publishing her audit report, this trial might not necessarily make the ASSL effective⁹.

Linked to the concerns above, Sierra Leone's formal courts have not been very effective at providing trusted solutions during tough times. From the court decision on the sacking of Vice President Sam Sumana in 2015, to the overturning of 10 seats that were won by the APC in 2018, throughout history, Sierra Leone's formal justice system has often produced judgements that fail to establish common ground solutions. It will therefore be difficult see how the outcome of this tribunal will make the audit service effective.

The need for seeking common ground is crucial. One moment that Sierra Leone came close to securing common ground to get stakeholders to discuss challenges around the audit, was when five CSO leaders (CARL, BAN, 50/50, CGG and IGR) were advised by the IMF Country Office to facilitate a round table between the ASSL leadership and the MoF to discuss the issues facing both sides and agree on ways of working together to improve audit integrity. Unfortunately, the CSOs involved failed to agree on the points to publish in their report. Soon after, the positions of ASSL and MoF became more entrenched, culminating in the controversy around the 2020 annual audit. With this experience, and as we approach the 2023 elections, it is imperative that CSOs and development partners play a neutral facilitating role in building bridges of accommodation as the state of play becomes more fractious. A "State of CSO Report" developed and launched by a CSO without any input and validation by almost all major CSO leaders in the country is not helping to build cooperation among governance actors and rather, is only dividing local civil society.

⁸ A-Z Newspaper 21st March, 2022

⁹ Press Release: Ban Calls on President Bio to Reinststate the Auditor General; 9th March 2022

Moral guarantors including the international community should consider convening interest groups to seek common ground around audit integrity. Sierra Leone should not repeat the same mistakes the government, CSOs and development partners made in failing to find common ground solution to the population census. Stakeholders failed to bring interests groups together to agree on the way forward on improving statistical integrity of Sierra Leone. In the absence of strong facilitators committed to promoting common ground solutions, even the moderates within political parties will be side-lined leaving little or no room for discussions on how to make institutions effective and inclusive. This, unfortunately, will consign decision making on issues affecting everyone in the hands of a few extremists on all sides.

Recommendations

1. To improve PFM oversight government, CSOs and partners should work towards institutionalising the tracking of audit compliance by developing a digital tracker for all MDAs to see in real time the progress they are making to address audit recommendations.
2. Government's audit should consider conducting quarterly stringent internal audits for all MDAs and local councils to help enforce adherence to sound public financial management practices and minimise defaults.
3. To increase uptake of audit recommendations, GoSL should consider incentivising civil servants and politicians that are champions of audit compliance. Individuals in ministries such as Transport and Aviation should be recognised through a national awards programme, for consistent progress in audit compliance. GoSL should also consider punitive action against public officials who fail to implement audit recommendations and submit supporting in a timely manner documents during audits.
4. We note that the ACC is doing a commendable job in recovering cash loss but more needs to be done to block the systemic leakages cited in annual audits that continue to provide a conducive environment for corruption to occur.
5. CSOs should consider expanding involvement in audit issues beyond popularising audit reports to include public expenditure tracking, and fiduciary risk analysis of key sectors and service delivery tracking.
6. Stakeholders should work towards settling the audit dispute out of court, lower the rhetoric among the parties and promote genuine conversations on audit integrity and uptake of audit recommendations.

IGR's ECONOMIC ENGAGEMENT/ADVOCACY PILLAR

[Advocacy for Rebuilding the Sierra Leonean Economy and Enhancing Productivity for Sustainable Economic Growth and Development]

***For enquiries, please contact:
Mohamed Ibrahim Justice Ganawah
Senior Economist - IGR
(+232) 76956774***