



GOVERNMENT OF SIERRA LEONE (GOSL)

STANDARD OPERATING PROCEDURES (SOPS) FOR FOLLOW-UP ON AUDIT RECOMMENDATIONS

Audit Follow-up SOPs



JULY 20, 2022
MINISTRY OF FINANCE
George Street, Freetown

Table of Contents

Foreword	iii
List of Abbreviations and Acronyms	iv
A. Introduction	1
A.1. Background and Context	1
A.2. Objectives of the Audit Follow-up Standard Operating Procedures	2
A.3. Scope of Application.....	3
B. Governance and Accountability Arrangements for Audit Follow-up	4
B.1. Legal and Regulatory Framework for PFM.....	4
B.2. Policy Frameworks on Audit Follow-up	4
C. Implementation of Audit Recommendations	5
C.1. Categorization of Audit Observations and Recommendations.....	5
C.2. Audit Follow-up Tracking Sheet	6
D. Audit Resolution Mechanisms	13
D.1. Role of the Entity's Internal Audit in the Audit Follow-up process.....	13
a. Determining the adequacy of actions taken on audit recommendations –	13
b) Taking Additional Steps to Get Audit Recommendations Implemented –.....	13
c) Following up on audit issues for which the process owner is no longer in office.....	13
D.2. Role of Audit Committee in the Audit Follow-up process	14
D.3. GAC Role In Dealing With Disagreement in Recommendations Proffered.....	15
E. Co-ordination with Parliament (through PAC)	15
F. The Audit Follow-up Process	16
F.1. Audit Follow-up Approach	16
F.2. When to commence Audit follow-up process	16
F.3. Implementation(Action)/Commitment Plan	20
F.4. Categorisation of Implementation Timeframe.....	20
F.5. Execution	20
F.6. Communicate the results of the Audit Follow-up.....	20
F.7. GAC should ensure the implementation of unresolved issues	22
G. Repercussions of Non-implementation of Audit Recommendations	24
G.1. When should the closure of Audit Recommendations be established?.....	25
G.2. Digitalization of the Audit Follow-up Process	25
H. Investigation and Referral of cases to the Anti-Corruption Commission	26

H.1. The Anti-Corruption Commission (ACC).....	26
H.2. Co-ordination with the Anti-Corruption Commission.....	26
I. Procedures with respect to Court Cases.....	27
J. Allocation of Adequate Financial Resources for the Audit Follow-up Process and Assignment of Clear Responsibilities.....	27
Appendix 1 – Glossary of Terms.....	28
Appendix 2 – Legal and Regulatory Framework for PFM.....	28
Appendix 3 - Completing the Matrix for the Audit Follow-up.....	34
Appendix 4 - Key Stakeholders and Responsibilities for Implementation of Audit Recommendations -	35
Appendix 5 Table showing the number of Internal Audit recommendations assessed	36
Appendix 6 - Procedure and Schedule for disseminating the results of the External Audit Follow-up Aggregate Results.....	37

Figures

Figure 1 Audit Cycle.....	2
Figure 2 Flowchart of Completion of Audit to Preparation of Final Management Letter bby ASSL.....	18
Figure 3 Flowchart of Internal Audit Follow-up Process.....	22
Figure 4 Audit Follow-up Process - Monthly Activities	25

Tables

Table 1 – Important Audit Follow-up Records and Analysis	12
Table 2 Financial Corrective Actions, Liability and Offences under PFM Act 2016.....	32
Table 3 Offences and Penalties under Finance Act 2022	33
Table 4 Criteria for categorization of audit implementation	34

Audit Follow-up Templates

Audit Follow-up Template 1 – Audit Follow-up Tracking Sheet.....	7
Audit Follow-up Template 2 Audit Issues Resolution Status	8
Audit Follow-up Template 3 – Status of the Implementation of the Executive Commitment	9
Audit Follow-up Template 4 Audit Follow-up Outcomes – Amount Recovered.....	9
Audit Follow-up Template 5 Audit Follow-up Outcomes – Other benefits	10
Audit Follow-up Template 6 – Audit Recovery Ratios.....	10

Foreword

I am pleased to present these Standard Operating Procedures (SOPs) for use in the follow-up of the implementation of audit recommendations by any public sector entity, which have been issued by either the Auditor-General or Director-Internal Audit. It has been developed based on the current legal and regulatory frameworks, particularly the 1991 Constitution of Sierra Leone, Public Financial Management (PFM) Act and regulations, the Audit Services Act, Internal and external auditing standards, etc. that guide audits conducted by both Audit Service Sierra Leone (ASSL) and Internal Audit Functions across Government. The legal and regulatory frameworks also specify the roles and responsibilities of public sector personnel/entities in managing the implementation of audit recommendations.

To appreciate the effectiveness of these SOPs and the context within which they are applied, the coverage encompasses the legal, institutional and policy frameworks for audit reports being issued by either the Auditor-General or the Director-Internal Audit within a public sector entity and the responsibilities in implementing the audit recommendations therein. As the frameworks change so there is the need to update these SOPs as well.

These SOPs will be supplemental to any other financial instructions or SOPs issued by the Ministry of Finance (MoF). Should any other supplementary SOPs be in conflict with these, the provisions in these SOP shall prevail.

I would like to acknowledge the professionalism and commitment of my staff in developing these SOPs, especially the Internal Audit Directorate, not forgetting the cooperation and technical support accorded by the Acting Auditor-General and team. I also want to thank the World Bank, the UK Foreign, Commonwealth & Development Office (UK FCDO) and all other persons who provided technical support in the development process.

I hope these SOPs will prove useful to public sector entities and will go a long way in ensuring strong improvements in the implementation of audit recommendations.



Dennis K. Vandi

Minister of Finance

Dated: 20th July 2022

List of Abbreviations and Acronyms

ACC	Anti-Corruption Commission
AG	Auditor General
ASSL	Audit Service Sierra Leone
DIA	Director of Internal Audit
GAC	Government Audit Committee
GoSL	Government of Sierra Leone
GPGs	Good Practice Guides
HR	Human Resource
IA	Internal Audit
IAD	Internal Audit Department or Directorate
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MDA	Ministry, Department and Agency
MoF	Ministry of Finance
NGO	Non-Governmental Organization
PAC	Public Accounts Committee of Parliament
PFM	Public Financial Management
SAI	Supreme Audit Institution
SOE	State-Owned Enterprise
SOPs	Standard Operating Procedures
UK FCDO	United Kingdom Foreign, Commonwealth & Development Office
VC	Vote Controller

A. Introduction

A.1. Background and Context

1. Auditing is a cornerstone of good public-sector governance¹. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instil confidence among citizens and stakeholders. The public-sector auditor's role supports the governance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, investigations, and advisory services to fulfil each of these roles.

2. Auditing, both internal and external audit, plays a major role in stimulating improvements in Public Financial Management (PFM) and also in providing independent assurance to stakeholders on the stewardship of state institutions in the administration of various programs, activities, etc. Thus, it provides an unbiased and objective assessment of the use and management of public resources. Audit recommendations (described in audit reports and/or executive commitment emanating during the audit follow-up), if implemented, are expected to improve the PFM systems and ensure a robust accountability environment.

3. Despite significant PFM reforms over the years, accountability in Sierra Leone is hampered by the lack of timely implementation of audit recommendations. Successive audit reports have indicated that, as a country, more needs to be done to achieve the levels of good practice that will enhance fiscal discipline, strategic allocation of resources as well as efficient, economical and effective service delivery and accountability. For instance, less than one-fourth of the recommendations made by Audit Service Sierra Leone (ASSL) were fully implemented during 2018-2019. This may be primarily due to differences in understandings, priorities, and expectations of the many actors and entities involved in the process, with no one having clear leadership on accountability. The lack of clarity surrounding the role of audit committees, internal auditors, Auditor General (AG), and the ministries in the audit follow-up process undermines the effective implementation of audit recommendations.

4. While the PFM Act 2016 provides for a clear mandate and role of the Internal Audit in the follow-up process, it does not clearly define how Internal Audit and other stakeholders could work together to achieve the key goals of audit follow-up, that is, timely resolution of audit observations and agreement on the recommendations, implementation of the recommendations through an effective tracking system, and dissemination of the audit follow-up data including the sanctions imposed on defaulting stakeholders. Lags in audit follow-up have major consequences. Firstly, they leave internal control anomalies unattended; secondly, they dilute the importance of audit as a deterrence against future financial irregularities; and finally, they gradually lower audit quality by undermining the motivation of auditors and weakening the audit process (when auditors can reuse many of the pending audit issues for their current audit instead of digging deeper into new issues).

¹ https://na.theiia.org/standards-guidance/Public%20Documents/Public_Sector_Governance1_1_.pdf

A.2. Objectives of the Audit Follow-up Standard Operating Procedures

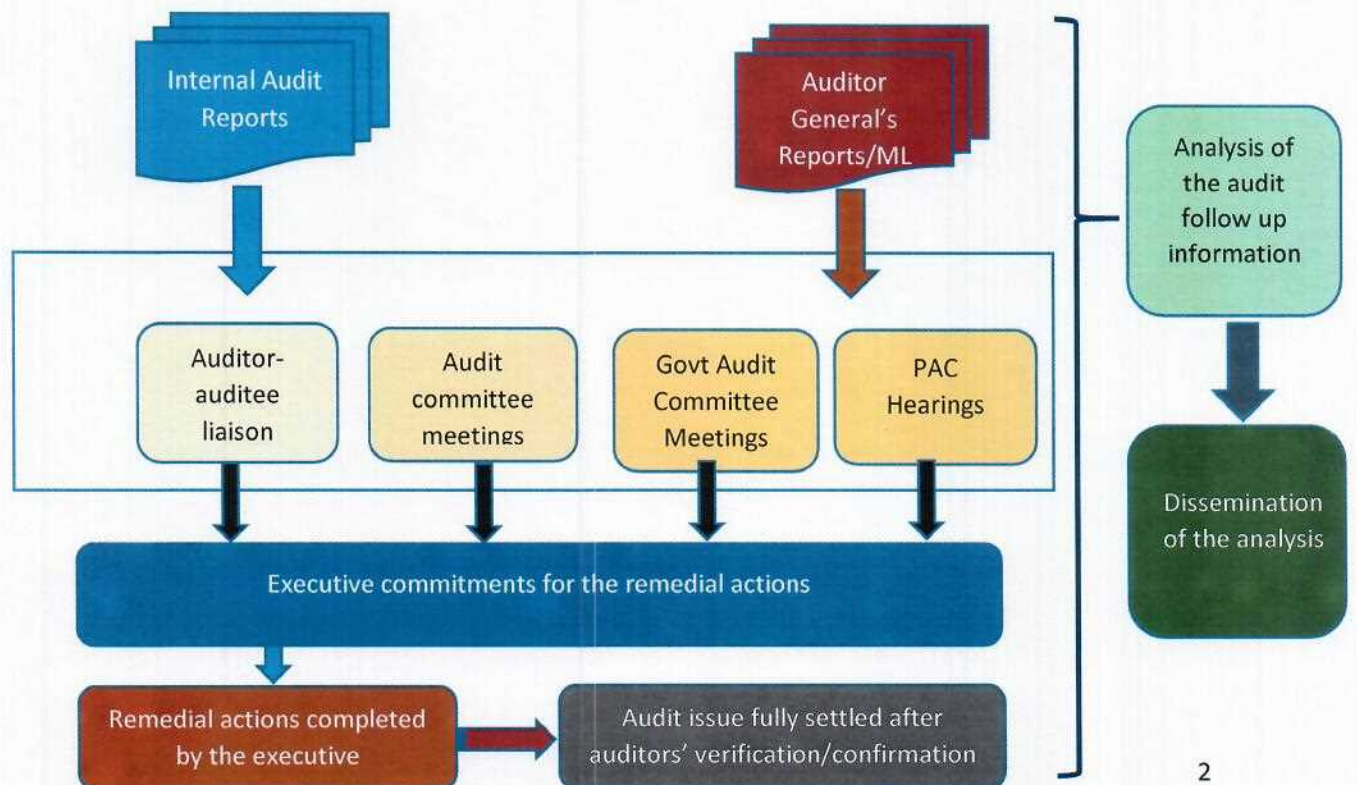
5. Audit follow-up is a process which verifies that corrective actions have been adequately agreed upon and accomplished as scheduled. It determines that the follow-up actions not only provide remedies for the respective audit issues but also serve effectively in preventing or minimizing future recurrence. There are three primary objectives for audit follow-up:

- Determine the status of audit issues and suggested recommendations to confirm executive commitment to implement recommendations already agreed upon during the audit process, or to come up with executive commitments to solve those issues through the audit follow-up mechanisms.
- Confirm the implementation of the executive commitments by verifying the remedial actions taken.
- Analyze and disseminate audit follow-up information to improve the overall governance and accountability environment.

6. These Audit Follow-up Standard Operating Procedures (SOPs) are to improve and clarify the audit follow-up processes to all relevant stakeholders, by detailing the follow-up procedures, responsibilities and actions of concerned parties – namely: the Auditor General (AG); Government Audit Committee (GAC); Audit Committees; Internal Auditors; Ministry of Finance (MoF); Public Accounts Committee (PAC); Anti-Corruption Commission (ACC); and the senior management of Ministries, Departments and Agencies (MDAs), and outline applicable sanctions for failure to comply. The SOPs augment the existing provisions of various PFM laws and regulations in force.

7. These SOPs bring procedural clarity on how (a) the internal and external audit issues and recommendations are implemented, (b) executive/auditees’ commitments to implement remedial actions are documented, (c) the actual implementation of those actions is tracked, and (d) the results of the follow-up process are disseminated broadly to stakeholders. The SOPs will also address the audit issues and recommendations emanating from PAC, predominantly based on the reports submitted by the Auditor General. The Figure below presents the Audit Follow-up Process.

Figure 1 Audit Cycle



8. The adoption of these SOPs will strengthen the audit follow-up process. These SOPs clarify the audit follow-up processes to all stakeholders – the AG, Audit Committees, Internal Auditors, MoF, PAC and the MDAs. The SOPs describe the required steps for the audit follow-up, from the submission of the final audit report, and then onward tracking of the eventual implementation of the remaining audit recommendations. The SOPs include a clear calendar of activities to be performed at each stage of the audit and accountability cycle. Upon adoption of these SOPs, the Government will also seek to legislate the key provisions and develop/adopt an IT (Information Technology) tool to facilitate digital tracking of the implementation of the internal audit and AG recommendations. This will enable cataloguing of the sanctions imposed in the absence of audit follow-up, and serve as a deterrent against future financial irregularities by changing executive behaviour. Effective audit follow-up also enhances auditors' motivation and their perceived independence and, therefore, contributes to improved quality of future audits. The results will be monitored through the improvement in the share of audit recommendations implemented.

A.3. Scope of Application

9. These Audit Follow-up SOPs, which have been approved by the Minister of Finance, cover all MDAs within the Central Government or the Government of Sierra Leone (GoSL) – See Appendix 1 Glossary of Terms. Local Governments (in the form of Local Councils) and State-Owned Enterprises (SOEs) are also mandated to follow these SOPs.

10. The audit follow-up process should cover audit findings and recommendations contained in both internal and external audit reports finalized and issued. It will also cover the published reports issued by PAC/parliament on the external audit finalized report. The audit follow-up process, therefore, takes into account, the audit process after the issuance of the final audit report, reports produced by both PAC and ACC on ASSL audit reports and so on. The reports of all of these institutions mentioned above are to be considered during the audit follow-up process to ensure comprehensiveness and create ownership of the process

11. In addition, since audit reports are sent to the Audit Committees in the various MDAs to follow up with management on the implementation of the audit recommendations contained therein, these audit committees are also key in the process. The Government Audit Committee (see Appendix 2 Legal and Regulatory Framework) in the Ministry of Finance will also play a vital role in this regard.

12. Effective date - The effective date for the application of these Audit Follow-up SOPs is the date of approval by the Minister of Finance.

13. **Compliance**

- a. Compliance with these Audit Follow-up SOPs is therefore mandatory for all MDAs, Local Councils and SOEs.
- b. Where the Vote Controllers of MDAs and the like consider that they are unable, for any reason, to comply with the policies and procedures defined in these SOPs, they should refer the matter in writing to the Financial Secretary in the Ministry of Finance, stating clearly the reason(s).
- c. Also, general queries and clarification matters regarding these SOPs should also be addressed to the Financial Secretary.
- d. In the event any policy or procedure in these SOPs conflicts with the requirements of other manuals or rules/regulations, the rules and regulations notified by GoSL will prevail.

B. Governance and Accountability Arrangements for Audit Follow-up

B.1. Legal and Regulatory Framework for PFM

14. The legal and regulatory framework for public financial management, which includes auditing and implementation of audit recommendations, are provided in the 1991 Constitution of Sierra Leone, the PFM Act 2016, PFM regulations 2018 and its attendant regulations, the Audit Service Act 2014 and other PFM-related legislation.

15. Further details including key provisions for PFM as well as Financial Corrective Actions, Liability and Offences are provided in Appendix 2 below. Audit Service Sierra Leone's mandate is covered by the national legal and regulatory framework, which includes the:

- a. 1991 Constitution of Sierra Leone; and
- b. Audit Service Act 2014.

16. In addition, the Public Procurement Act, 2004 consistent with the international best practices are also in place to guide the public procurement functions in the country.

B.2. Policy Frameworks on Audit Follow-up

17. **Audit Good Practice Guides (GPGs)** – The Government through MoF has issued several Good Practice Guides (GPGs) dealing with the audit of public sector entities, which are available on the MoF Website (mof.gov.sl). The Good Practice Guides include:

- a. Good Practice Guide - Audit Committee Handbook - April 2018;
- b. Good Practice Guide - 'On How to Get Actions on Audit Recommendations';
- c. Good Practice Guide - Fraud and the Government Internal Auditor - November 2018.

18. Other internal audit guidance materials in the issue include:

- a. An Audit Committee Handbook- guidance on applying recognized principles and practices on audit committee operations; and
- b. Audit Committee Self-Assessment tool.

19. The GPGs and the other guidance materials aim to improve audit function and assist Auditors in performing at their most efficient level, through the adoption of appropriate best practices. GPGs provide detailed guidance for conducting audit activities. They include detailed processes and procedures, such as tools and techniques, programs, and step-by-step approaches, as well as examples of deliverables.

See Appendix 6 for key stakeholders

C. Implementation of Audit Recommendations

C.1. Categorization of Audit Observations and Recommendations

20. Categorization of (a) audit observations/issues (b) audit recommendations/commitments are the most important building blocks for the audit follow-up process, data analysis, and dissemination.

21. Auditors are required to categorize their audit observations/issues, as defined in the following categories: Table 1

Audit Findings	Definition
a. Records not kept or produced/ Absence of Supporting Documentation	Failure to produce or maintain documentation for activities undertaken.
b. Inaccurate Financial Reporting	The accounting methods used are inaccurate or the double entry was not done correctly. Examples include: <ul style="list-style-type: none"> • Expenses <ul style="list-style-type: none"> ○ Overtime – Not recorded timely or used under the wrong account code • Revenue <ul style="list-style-type: none"> ○ Income – Recorded as an offset to an expense account rather than to an income account
c. Ineligible expenditures	Ineligible Expenditures are expenditures not in accordance with the MDA’s approved budget/ agreement or applicable laws and regulations governing the activities of that particular MDA. For example the procurement act, PFM acts other regulations etc.
d. Missing Cash or assets	This relates to the physical disappearance of cash or assets or a scenario wherein the cash or assets are unaccounted for. For example, cash withdrawn from a bank by an MDA cannot be traced for a specific output.
e. Procedural non-compliance	Failure to adhere to internal policies, Government Acts and regulations, etc.
f. Internal control weakness; and	Ensure Segregation of Duties or tasks and process flows have a check and balance. For example: <ul style="list-style-type: none"> ○ A person who is responsible for collecting payments should not be responsible for creating the deposit and reconciling to source documents.
g. Others	Any other categories not mentioned above.

22. Auditors are required also to sort their audit recommendations into the following categories. These categories are also used to classify Executive commitments for new actions during the audit follow-up process:

Table 2

Audit Recommendations/Executive Commitment	Definition
a) Production, improvement, and verification of records:	Make requested documents available for improvement or Verification.
b) Fine/penalty imposed on Government staff:	Money requested to pay as a punishment/ punishment imposed for breaking a law, rule, or contract
c) Recovery of funds/assets:	Required to return an asset or make a transfer of fund to a specific account as a refund or recovery.
d) Departmental/administrative enquiry or another HR action:	Requested Administrative action or advise
e) Post-facto sanctions against procedural lapses	Sanctions or punishment will be applied retroactively.
f) Improvement of internal controls:	For example; MDAs will be requested to segregate the role of collecting, depositing and reconciling cash
g) Improvement in disclosures and timeliness of financial reports:	Disclosure as per relevant status in a timely manner.
h) Referral to the Anti-Corruption Commission:	Issues with potentially criminal elements will be forwarded to ACC
i) Others	Any not mentioned above.

C.2. Audit Follow-up Tracking Sheet

23. An audit follow-up tracking sheet is the main tool that will keep a record of audit follow-up of each audit issue and its resolution. The sheet will be updated with each audit follow-up event with respect to each issue and will be used to draw all important information on the audit follow-up process and outcomes. The template for the audit follow-up tracking sheet is provided on the next page and followed by other important templates/reports and records to be kept. These are as follows:

- a) Audit Follow-up Template 1 – Audit Follow-up Tracking Sheet
- b) Audit Follow-up Template 2 – Audit Issues Resolution Status
- c) Audit Follow-up Template 3 – Status of the Implementation of the Executive Commitment
- d) Audit Follow-up Template 4 – Audit Follow-up Outcomes – Amount Recovered
- e) Audit Follow-up Template 5 – Audit Follow-up Outcomes – Other benefits
- f) Audit Follow-up Template 6 – Audit Recovery Ratios

24. The audit follow-up tracking sheet can be used in MS Word or MS Excel in its current form or automated in the form of a commonly accessed database that all stakeholders (MDAs, auditors, AG, audit committees, and PAC) can use to capture their audit follow-up event.

Audit Follow-up Tracking Sheet

Audit Follow-up Template 1 – Audit Follow-up Tracking Sheet

NAME OF MDA : (eg. MINISTRY OF EDUCATION - JANUARY 2020 TO DECEMBER 20--)												
Sr. No	Audit issue				Executive Commitment Established				Remedial Action Taken			
	(a) Audit Report Reference	(b) Audit issue category*	(c) Title/short description of audit issue	(d) Amount (if applicable)	(e) Executive commitment of remedial actions	(f) Commitment Classification/Recommendation **	(g) Established through ***	(h) Amount (if applicable)	(i) Responsible Officer	(j) Remedial Action Implemented (Comm/date)	(k) Remedial Action Verified/confirmed (Comm/date)	(l) Amount materialized (if applicable)
1	AG Rep#17 FY2020 Dated --- Issue #	Ineligible expenditures	Salary budget for vacancies used to buy vehicles	900,000	1.1 Ex-post sanction will be provided	Post-facto sanctions against procedural lapses or misappropriation	Audit committee meeting (dated ---)	900,000	DG Education	Letter #... Dated --- By Director....	Diary # ---- Dated ---- By Senior Auditor-	900,000
2.					1.2 IT System will be improved to disable such budget reappropriate without the filing of adequate approvals	Improvement of internal controls	Audit committee meeting (dated ----)	N/A	Director Budget, ---	Letter #... Dated --- By Director....	Diary # ---- Dated ---- By Senior Auditor...	N/A
3.												

* (a)Records not kept or produced/ Absence of Supporting Documentation (b) Inaccurate Financial Reporting (c) Ineligible expenditures (d) Missing Cash or assets (e) Procedural non-compliance (f) Internal control weakness; and (g) Others.

** (a) Production, improvement, and verification of records, (b) Fine/penalty imposed on Government staff, (c) Recovery of funds/assets from contractors/consultants, (e) Departmental/administrative enquiry or another HR action, (f) Post-facto sanctions against procedural lapses, (g) Improvement of internal controls, (h) Improvement in disclosures and timeliness of financial reports, (i) Referral to the Anti-Corruption Commission, (j) Others.

*** (a) Auditor-auditee liaison, (b) Audit committee meeting, (c) PAC hearing

Audit Issues Resolution Status

Audit Follow-up Template 2 Audit Issues Resolution Status

	MDA – Ministry of Education - Audit Issues resolved				Government-wide – Audit Issues resolved			
	Audit Issues		Resolution		Audit Issues		Resolution	
	Number	Amount (if applicable)	Number partially resolved	% of total	Number	Amount (if applicable)	Number partially resolved	% of total
a) Records not kept or produced/ Absence of Supporting Documentation								
b) Inaccurate Financial Reporting								
c) Ineligible expenditures								
d) Missing Cash or assets								
e) Procedural non-compliance								
f) Internal control weakness; and								
g) Others								

Standard Operating Procedures (SOPs) for Follow-up on Audit Recommendations

Audit Follow-up - Status of the implementation of the Executive Commitment

Audit Follow-up Template 3 – Status of the Implementation of the Executive Commitment

	MDA – Ministry of Education - Audit Issues resolved				Implementation			
	Remedial Actions							
	Number	Amount (if applicable)	Amount (if Applicable)	Number Not Implemented	Amount (if applicable)	Number Partially implemented	Amount (if applicable)	Number Fully implemented
a) Production, improvement, and verification of records								
Fine/penalty imposed on Government staff								
b) Recovery of funds/assets								
c) Recovery of funds/assets from Government staff								
d) Departmental/administrative enquiry or another HR action								
e) Post-facto sanctions against procedural lapses or misappropriation								
f) Improvement of internal controls								
g) Improvement in disclosures and timeliness of financial reports								
h) Referral to the Anti-Corruption Commission								
i) Others								
Aggregates								

Government of Sierra Leone – Audit Follow-up Outcomes – Amounts Recovered

Audit Follow-up Template 4 Audit Follow-up Outcomes – Amount Recovered

Standard Operating Procedures (SOPS) for Follow-up on Audit Recommendations

Amount recovered	Amount recovered in FY 2020	Amount recovered in FY 2019
Fine/penalty imposed on Government staff and contractors/consultants		
Recovery of funds/assets from contractors/consultants		
Recovery of funds/assets from Government staff		
Total		

Government of Sierra Leone – Audit Follow-up Outcomes – Other benefits

Audit Follow-up Template 5 Audit Follow-up Outcomes – Other benefits

Benefits	FY 2022	FY 2021
Number of departmental/administrative enquiries or another HR actions taken as a result of the audit		
Number of internal controls improvement made		
Number of improvements in disclosures and timeliness of financial reports		
Number of cases referred to the Anti-Corruption Commission		
Number of court cases filed or defended in connection to the audit issues		

Government of Sierra Leone – Audit Recovery Ratios

Audit Follow-up Template 6 – Audit Recovery Ratios

Standard Operating Procedures (SOPS) for Follow-up on Audit Recommendations

	FY 2022	FY 2021
Amount of recovery committed by the executive as a ratio of the amount of recovery suggested by the auditors		
Actual amount recovered as a percentage of the total amount suggested by the auditors		
Actual amount recovered as a percentage of total executive commitment		

Important audit follow-up records and analysis:

Table 1 – Important Audit Follow-up Records and Analysis

Records and Analyses to be kept	Responsible /Institution	Individual
Register of Audit Reports	MDAs, Internal Audit & ASSL	
Register of Audit Committee Meetings and Minutes	Internal Auditors	
Register of PAC Hearings and PAC Reports	PAC and ASSL	
Register of Audit Follow-up for respective Audit Reports	Internal Audit	
Summary of Audit Issues by category, by amount, by the formation	Internal Audit, ASSL	
Comparison of Audit Reports by category, by an amount between fiscal years	Internal Audit, ASSL, AG	
Summary of Audit Recommendations/Committed Action, by category, by the level of implementation, by amount, by the formation	Internal audit	
Analysis – the percentage of audit observations upheld, modified, and withdrawn	Internal Audit, ASSL	
Analysis – the percentage of audit recommendations agreed as actions committed by the Executive	Internal Audit, ASSL	
Analysis – the percentage of recommendations fully implemented, partially implemented, and not implemented	Internal Audit, ASSL	
Analysis – deployment of audit resolution mechanisms – comparison	Internal Audit, ASSL	
Aggregates – Recovery from staff, Recovery from contractors, Fines/penalties received, number of HR actions, enquiries, internal control improvements, etc.	MOF, HRMO, ACC and PAC	

D. Audit Resolution Mechanisms

D.1. Role of the Entity's Internal Audit in the Audit Follow-up process

25. The internal audit (IA) function within a public sector entity should have a system that provides the structure and discipline needed to ensure aggressive and continuous follow-up processes until all audit recommendations have been resolved and successfully implemented.

26. The internal audit function should assess whether the entity also has a system that adequately meets the basic responsibilities for resolving and implementing audit recommendations.

a. Determining the adequacy of actions taken on audit recommendations –

Here, the Follow-up Team needs to assess whether the actions agreed on were actually taken and whether the actions taken have yielded the intended results. This would require the internal auditor to verify, every statement by the auditee to ascertain that actions taken by management have corrected the problems to which the audit recommendation was directed. For more significant audit recommendations, implementation actions should be tested. For key or critical audit recommendations that have not been implemented within a reasonable time, another audit or strategy such as a follow-on audit could be planned and implemented to maximize the likelihood of achieving intended results.

b) Taking Additional Steps to Get Audit Recommendations Implemented –

When status monitoring identifies dormant audit recommendations due to management resistance/ objections or implementation difficulties, the audit follow-up team should, first of all, determine why actions have not been taken. The next move is to develop with management, agreeable alternatives that will meet the objectives to which the recommendation was directed. Alternatively, it may become apparent that the environment has changed such that the problem no longer exists or the recommendation is no longer relevant or feasible.

c) Following up on audit issues for which the process owner is no longer in office

The process owner charged with the responsibility of a particular function/process in a particular accounting period may not be in the office at the time of the audit follow-up due to the following reasons:

- I. He/she may have been transferred from that function or office to some other function or office in the public sector, where he/she is still actively working
- II. The Department/ Agency may have been closed and nobody else is performing any duties relating to that Department/Agency
- III. A change of government or administration may have warranted the dissolution of the Agency/Department in question
- IV. The person charged with the responsibilities of performing duties relating to that process/ department is dead/retired/resigned or even terminated.

27. When any or a combination of the above reasons occur, the follow-up must be prudent enough to consider the following options in finding ways of probing further into the issues. He may consider asking for:

- a. Handing over notes of the predecessor to the incumbent. Before any public officer assumes office in a new establishment/environment, he/she must ensure that the outgoing officer prepares comprehensive handing over notes detailing:
 - i. His job description in that office
 - ii. His work plan/ schedule for the last three years in that office
 - iii. Copies of reports/ files developed during his/her tenure in office

- iv. Reports/ any deliverables or evidence showing completed assignments
 - v. List of outstanding jobs that are yet to be completed and the status of implementation of those jobs/ assignments
 - vi. List of assets being put under his/her care and their respective conditions at the time of leaving office,
 - vii. Financial agreements entered into and the status of those agreements etc.
- b. Status report/ taking over notes by the incoming officer (in cases where the predecessor is either dead or abandoned the office and for which there is no assistant to provide any information on the functions of the deceased or absconded officer). Such status reports must be duly signed and approved by the appropriate senior executive of the MDA in question.
28. In the absence of the two scenarios above, the follow-up audit staff might consider bringing the issue to the notice of the Audit Committee and the Director of Internal Audit for consideration.

D.2. Role of Audit Committee in the Audit Follow-up process

29. Authority

- Direct Communication with the Minister of Finance and/or asking for input from the head of the unit
 - Access the documents or employee information, fund, assets, and resource of the Ministry of Finance related to the performance of its duties through coordination with the Director of Internal Audit.
- a. An effective system for implementing audit recommendations is supported by an audit committee that monitors management's implementation of audit recommendations, prioritizing recommendations that are overdue or that pose significant risk or exposure to the department. A distinguishing feature of an audit committee within an entity's governance framework is its potential for objectivity, as audit committees do not undertake management responsibilities.
- b. The entity's Audit Committee should meet regularly (on a quarterly basis) and should actively monitor the implementation of significant audit recommendations, being reflected in its minutes of meetings. The head of the entity's internal audit function is to act as secretary for the Audit Committee.
- c. The audit committee should define in its charter the scope of its relationship with the internal auditors and should work to enhance its oversight ability — subsequently strengthening the internal audit activity.
- d. The Audit Committee should be provided with more detailed information on the audit recommendations that have been classified as 'significant', allowing members to focus on the implementation progress of the audit recommendations that are intended to address significant risks and exposure to the entity.
- e. The Audit Committee could request the attendance of representatives from responsible Divisions to explain any difficulties in the implementation of audit recommendations.

- f. The audit committees can escalate unresolved issues to the Government Audit Committee (GAC).
- g. The entity's audit committee should prepare an annual statement showing the status of implementation of recommendations made in all audit reports, including internal and external audit reports (PFM Regulations 2018(152-4b)).

D.3. GAC Role In Dealing With Disagreement in Recommendations Proffered

30. The Government Audit Committee (GAC) is the perfect organ for dealing with disagreements where the MDA in discharging its obligations is not in agreement with the recommendation of the IA or ASSL. The GAC is composed of independent and experienced individuals who are neither politicians nor public servants. Generally, the principle should be that if both parties have the same information, they should be able to come to a similar conclusion after discussion. Therefore, GAC might compel the MDA to provide all the evidence relating to their basis for disagreement for review. GAC together with the MDA and ASSL/IA will agree on a new recommendation(s) if what was suggested by the Auditor was not appropriate after reviewing the MDA submitted evidence.

E. Co-ordination with Parliament (through PAC)

31. Co-ordination with Parliament is usually through PAC, and involves the following:
- a. The Auditor-General has the mandate to submit his annual reports to Parliament. Therefore, ASSL should adequately inform Parliament before laying the annual report in Parliament. When the PAC receives the Auditor General's annual report, a meeting should be arranged with the ASSL for them to fully explain the content of the report.
 - b. The PAC also designs a timetable for the summoning of auditees and deliberation of the audit issues. This will be formally communicated to the ASSL. PAC will inform ASSL in writing regarding the dates and times particular public sector entities will be summoned for questioning on their outstanding issues in the Auditor General's report.
 - c. ASSL could write PAC through the Chairman of PAC to engage them for a pre-hearing meeting to provide a clear understanding of the audit findings and the recommendations thereof.
 - d. Before the commencement of PAC hearings, ASSL should prepare briefs of the issues in the audit report and clearly explain them to the committee members. In addition, ASSL should advise PAC on the type of questions that could be asked, especially on issues of material irregularities.
 - e. ASSL staff should be present at PAC hearings on audit matters to provide technical support to PAC.
 - f. After the completion of the hearing process on the Auditor General's report, PAC provides a report on all their findings and recommendations, and this should be made available to ASSL and Internal Audit for the commencement of the follow-up process.
 - g. PAC or Parliament also publish its conclusion on the Auditor General's report on its website so that it can be easily accessed by other oversight bodies and interested stakeholders.

- h. It should be noted that in a particular period upon which the PAC fails to produce a report, VCs must submit evidence to the follow-up team for verification when asked even if the issue is claimed to be resolved at parliament.

F. The Audit Follow-up Process

F.1. Audit Follow-up Approach

32. Each fiscal year, Auditors schedule a follow-up for recommendations that have been proffered based on the implementation deadline. Auditor will:
 1. Notify the MDAs regarding which prior audits will be the focus of the follow-up and the approximate timing of the follow-up activities.
 2. As follow-up activities progress, each department head is notified as relevant to the recommendations and plans of action. Along with notification the auditor usually requests information such as:
 - a. A written update on the status of implementation of the recommendation.
 - b. Documentation that validates the recommendation was implemented.
33. The internal audit activity's charter should define the responsibility for follow-up. The DIA determines the nature, timing, and extent of follow-up, considering the following factors:
 - Significance of the reported observation or recommendation.
 - Degree of effort and cost needed to correct the reported condition.
 - The impact that may result should be the corrective action.
 - The complexity of the corrective action.
 - The time period involved.
34. The follow-up approach adopted is that conducted by the internal auditor. The audit follow-up process should be carried out by scheduling a follow-up exercise after allowing sufficient time for corrections. This provides the strongest evidence of whether or not all corrective actions have been implemented correctly. The level of reliance on various types of tests should be determined during the follow-up planning as well as a process for formal or informal reporting.
35. The process owners should focus on implementing the audit recommendations as agreed in the implementation plan. The Internal Audit Department in the Ministry of Finance is also required, as per PFM Regulation 2018, section 151(5), to conduct annual follow-up reviews on the annual report of the auditor general and report to the Financial Secretary.

F.2. When to commence Audit follow-up process

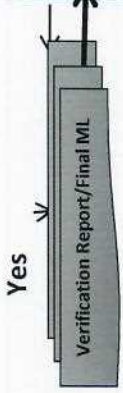
36. The audit follow-up for a particular fiscal year begins with the issuance of the Final Internal Audit Report until all recommendations have been implemented. Internal audits should be carried out regularly and Reports submitted on a quarterly basis to the audit committee, with a copy sent to the Internal Audit Directorate in the Ministry of Finance.
37. Based on Section 119 (4) of the 1991 Constitution of Sierra Leone, the auditor general is required to submit an annual report to Parliament within twelve (12) months of the end of the preceding financial year. Such report is usually submitted and laid in Parliament in December of the following year to which it relates, and thereafter published on the ASSL website.

38. For external audit, the implementation process should start as soon as the AuditorGeneral issues the Final Management Letter to the Entity, which may be well before the annual report of the Auditor-General is laid in Parliament and made public. See the flowchart below of the ASSL Auditing process.

Figure 2 Flowchart of Completion of Audit to Preparation of Final Management Letter by ASSL

STEP	AUDIT CLIENT	AUDIT SERVICE S/LEONE	INTERNAL AUDIT	DETAILED NARRATIVE
1				1. At the completion of any audit exercise, ASSL prepares draft audit findings and calls Mgmt of the audited client to an exit meeting.
2	Discuss Audit Findings with Client	Audit findings		2. Both parties discuss the audit findings and where necessary, the audit client can provide additional information or evidence to clear the audit findings with the acceptance of the ASSL Auditors
3	Mgmt Accepts audit queries?	Yes		3. Audit queries and observations that are contested by management, but for which ASSL views the claims and supporting evidences as inadequate and insufficient, are kept in view but still included in the report pending Parliament resolution at Public Accounts Committee's hearing.
4	Disputed Aud rec	Draft ML		4. After discussing the audit queries and observations, ASSL auditors will prepare a draft Management Letter and forwarded it to management of the audit client and <u>give 15 days for management to reply with supporting vouchers, statements, documents and explanations as ASSL may think necessary.</u>
5	Draft ML 1			5. Copies of the draft management letter are extended to the Director of Internal Audit and the Financial Secretary, Ministry of Finance.
6	Mgmt responds and takes action on the audit queries	Mgmt Response	Draft ML 2 IA Monitors mgmt. responses	6. Within the course of the 15 days, the resident Internal Audit staff of the audited client, in collaboration with the Audit Committee, will effectively monitor management's actions on the queries and audit observations to ensure that management responses are adequate and that the evidences provided are appropriate and sufficient to clear the issues raised in the draft report.
7	Mgmt Response	Mgmt Responses	Response Adequate? (No)	7. Management will document its responses, notes its objections to the audit queries or observations, where necessary, and forward back to ASSL for verification
			18	8. ASSL Auditors will conduct a verification of the responses and evidences provided to confirm that the responses adequately address the audit issues. If the responses are not adequate to satisfy the auditors, the issues are either considered as

Standard Operating Procedures (SOPS) for Follow-up on Audit Recommendations

8		<p>Yes</p> 	<p>unresolved. Those that address the queries are considered as resolved.</p> <p>9. ASSL will prepare a verification report and ask the client management to sign. The agreed upon issues in the verification report will then form part of the Final management Letter and forwarded to the client, with copies extended to the Financial Secretary and the Director of Internal Audit</p>
---	--	--	---

F.3. Implementation(Action)/Commitment Plan

39. To derive the intended benefits, audit recommendations should be implemented in a timely and effective manner. Senior management should, in consultation with the entity's internal auditor and audit committee, develop implementation (action) plans that set clear responsibilities and timeframes for addressing the required action. Implementation plans should be developed separately for both internal and external audits, within 14 working days of the audit report being issued. The follow-up report should review periodically both External and Internal audit recommendations (PFM act 2016, 75(d, e) and update the status regularly.
40. The internal audit function should guide the process to identify the implementation milestones that should be completed within a definitive time frame, (consistent with the provisions of the PFM Act 2016), by which the audit recommendation should be fully implemented.

F.4. Categorisation of Implementation Timeframe

The MDA resident Internal Auditor obtains a copy of the ASSL final report and liaises with the Audit Committee, the MoF Follow-up Team and the management of the Audit Client to review and discuss it. Based on the implementation plan and the nature of the audit recommendations, the implementation timeframe can be categorized into **short-term, medium-term and long-term**. A follow-up matrix should be prepared with respective timelines and Departments/ individuals responsible for taking action on those audit recommendations.

F.5. Execution

41. At this stage, the Internal Auditor evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported audit observations and findings, and recommendations, including those made by external auditors and others. This is evidence-based as the Internal auditors should ascertain whether actions taken on observations and recommendations remedy the underlying conditions. Follow-up activities should be appropriately documented.
42. This process also includes determining whether senior management and/or the board have assumed the risk of not taking corrective action on reported audit findings and observations.

F.6. Communicate the results of the Audit Follow-up

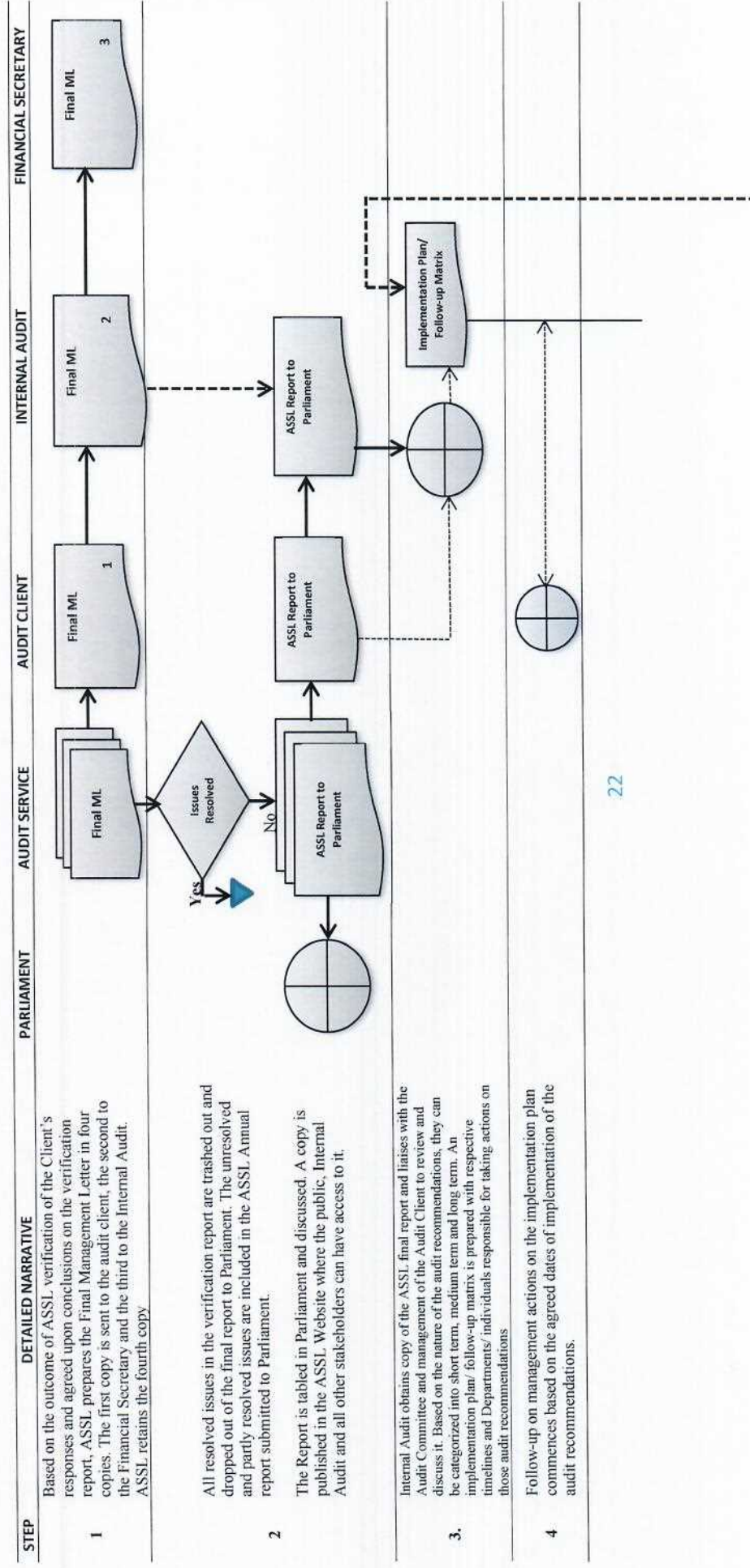
43. For an effective audit follow-up process, the internal audit function in public sector entities should communicate to the Audit Committee the results of their follow-up engagement together with meaningful analysis and charts that will enhance the overall usefulness and clarity of the report (see Appendix 7 & 8).
44. The PFM regulations 2018 (151-4) require Internal Audit Activity to follow up with the auditee within the quarter in which the audit was finalized and formally report all resolved and unresolved issues in a follow-up report to the entity's Audit Committee and copy to the Director of Internal Audit in the Ministry of Finance.
45. The follow-up report should provide a comparison of estimated (as spelt out in the audit implementation plan) and actual implementation times of audit recommendations being implemented. It should also include the audit findings and recommendations; management comments/responses; responsible officer; and finally, the internal audit follow-up comments.

46. Annual Audit Follow-Up Report for Sierra Leone will be compiled by the Director of Internal Audit with respect to a particular fiscal-year by the end of the subsequent fiscal-year and published on the MoF's website.
47. Seminars and broad-based discussion forums will be organized after the publication of the Annual Audit Follow-up Report to invite suggestions to further strengthen financial transparency and accountability in the country by the parliamentarians, executives, civil society, think tanks etc.

F.7. GAC should ensure the implementation of unresolved issues

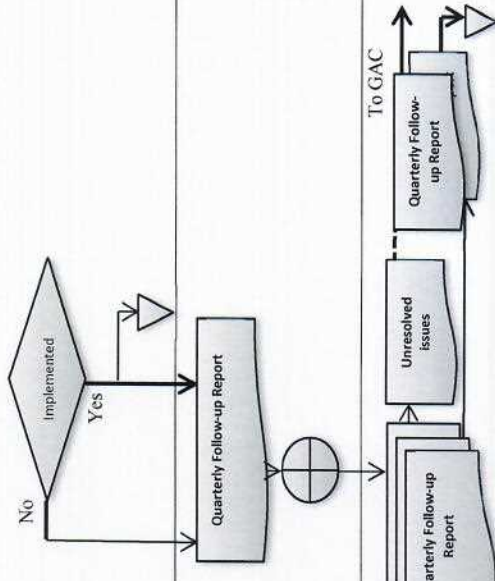
- 48. Regulation 152 (6) of the PFM Regulations of 2018 states that *“There shall be established in the ministry, a committee to be known as the Government Audit Committee which shall report to the Minister”*.
- 49. This Committee should ensure MDAs implement unresolved audit issues and follow up on the audit recommendations of the Auditor General, Internal Audit Function and PAC that are still outstanding. On annual basis, GAC should present a report to the Minister of Finance showing the status of all outstanding audit issues that have gone through Parliament, etc.
- 50. The processes described in paragraphs D1 to D8 could be summarized in the flowchart below:

Figure 3 Flowchart of Internal Audit Follow-up Process



Standard Operating Procedures (SOPS) for Follow-up on Audit Recommendations

5 On quarterly bases, Internal Audit assesses management implementation status of the audit recommendations. The recommendations for which management has provided adequate and sufficient information are considered as fully implemented (*Based on ASSL review and approval*). Those that are not implemented due to inadequate and insufficient information continue to be considered as either partly implemented or not implemented.



6 The Internal Audit Assessment of management implementation status is included in a quarterly follow-up report that is prepared and tabled at an Audit Committee meeting. The Audit Committee reviews the quarterly follow-up report and asks process owners to give further clarifications why the remaining issues were not implemented. The AC then approves the Internal Audit assessment.

7. Copies of the approved Internal Audit quarterly follow-up reports are forwarded to the Audit client, the Financial Secretary, the Audit Committee and the GAC. All partly and unresolved issues are noted on the Quarterly report and the follow up cycle re-starts and continues again from **Step 3** above until all the recommendations are fully implemented

G. Repercussions of Non-implementation of Audit Recommendations

51. To improve on the low rate of implementation of both internal and external audit recommendations in the public sector over the years, the Government has instituted the following penalties and sanctions regarding same:

- a. Withholding of remuneration, fees and allowances of vote controllers and other responsible persons - Based on amendments to Sections 13 and 75 of the PFM Act 2016 introduced by the Finance Act of 2022, the Minister of Finance now has the power to withhold the remuneration, fees and allowances of vote controllers and other responsible people, where they fail to implement or respond to the internal and external audit recommendations within thirty working days from the effective date of the publication or issuance of the report, or where they fail to grant internal auditors unrestricted access to all its records, physical properties and to carry out audit assignments, or where they fail to respond to an audit query or observation from the Audit.

MDAs should note that the Finance Act makes it compulsory to implement within 30 days or explain. If it is impossible to implement within 30 days, MDAs should respond in writing, addressed to the GAC/Minister as to why it is practically impossible to implement within the timeframe and this should be supported by an action plan signed and agreed with the auditor.

- b. Performance contracts for Ministers and Vote Controllers - Also, the Government of Sierra Leone, through the offices of the Chief Minister and the Secretary to the Cabinet Secretariat (as Head of the Civil Service), has instituted as a measure, a policy in which the implementation of audit recommendations is embedded in the performance contracts of vote controllers in public sector entities. This means that Ministers (Heads of Budgetary Agencies) and Vote Controllers who failed to implement both internal and external audit recommendations would have the assessments of their performances negatively affected and will also be liable to other sanctions and penalties as stated above. In particular:
 - (i) Performance contracts are developed annually. During this process, Ministers and Vote Controllers will set performance targets (which should include implementation of audit recommendations) to be agreed upon with the relevant performance monitoring body.
 - (ii) Ministers (Heads of Budgetary Agencies) and Vote controllers should periodically update and report on the performance. Special performance monitoring teams will in relation to audit recommendations work with the MoF Internal Audit Directorate to track the progress on performance contracts and report for appropriate action
 - (iii) Vote controllers who do not pass in their performance contract will be liable to punitive measures as outlined in either the Civil Service Code or their terms of employment. These may include any of the following: fines; promotions withheld in some cases pending recovery or pending administrative enquiry; and any other suitable penalties.
 - (iv) Ministers (Heads of Budgetary Agencies) who do not pass their performance contract will also be subjected to some form of punitive measures
 - (v) The formation of an audit committee and its operational effectiveness to be included in the performance contract of vote controllers. The operational effectiveness of audit committees is measured by the number of meetings held and the number of recommendations followed up and implemented by management.

G.1. When should the closure of Audit Recommendations be established?

- 52. The audit follow-up team should sufficiently review supporting documents provided by management to ensure that they are accurate, relevant, and adequate. If the supporting documents provided are accurate, relevant, and adequate, the audit recommendations should be considered fully implemented, they should be considered closed.
- 53. On the other hand, Internal audit follow-up commences immediately while the external audit comes in later. The Internal Audit Follow-Up report might leave management believing that the recommendations have been resolved, while ASSL may conclude otherwise. On that note, the ASSL conclusion on their audit recommendations supersedes the Internal Auditors' as they are also deemed to be more independent compared to the Internal auditors.
- 54. In instances, where the recommendation/ audit findings are no longer economical or have become redundant, then the burden of proof is on the MDA.

55. Chart 1. The chart below shows how the audit follow-up mechanisms are applied throughout this period of approximately 19 months, with some mechanisms being deployed overlappingly.

Figure 4 Audit Follow-up Process - Monthly Activities

AUDIT FOLLOW-UP PROCESS - MONTHLY ACTIVITIES														
No.	Task/Activity	Responsible Official/Body	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Submission of Internal Audit Quarterly Reports	Internal Auditor	■			■			■			■		
2	Review of AG's Audit Report and Development of Audit Implementation Plan	MDA Senior Management	■	■										
3	Development of Database for Audit Recommendations	Audit Follow-up Team	■	■	■	■	■	■	■	■	■	■	■	■
4	Implementation of Audit Recommendations	Process Owners	■	■	■	■	■	■	■	■	■	■	■	■
5	Preparation of Follow-up Action Plan	Audit Follow-up Team	■	■	■	■	■	■	■	■	■	■	■	■
6	Follow-up Audit and Reports	Audit Follow-up Team		■			■			■			■	
7	Audit Committee Meetings and Submission of Reports	Audit Committee		■			■			■			■	
8	Submission of AG's Audit Report to Parliament - for the previous fiscal year	Auditor General												■

G.2. Digitalization of the Audit Follow-up Process

56. The aim of the Government is to digitalize the audit follow-up process to enhance its effectiveness. The main drivers for digitalization are:

- The need for continuous reporting on audit follow-up;
- The need for insight on the implementation of audit recommendations; and
- To establish data trends to aid decision-making.

57. The database of outstanding audit recommendations will be developed from finalized audit reports and audit implementation plans. It will then be inputted into a digitalized database.

58. The outstanding issues in the database will be continuously followed up by the audit follow-up team with all supporting documents uploaded into the database for review. The ASSL Audit follow-up status will also be uploaded to the database by the Internal Audit, especially for statuses that do conflict with the Internal Audit on the ASSL audit reports.

59. Upon revision taking into consideration by ASSL, the statistics of audit recommendations will be updated and will be displayed on the system's dashboard.

H. Investigation and Referral of cases to the Anti-Corruption Commission

H.1. The Anti-Corruption Commission (ACC)

60. For the 'Fight against Corruption', the Government in 2000 established the Anti-Corruption Commission under the Anti-Corruption Act 2000 for the prevention, investigation, prosecution and punishment of corruption and corrupt practices. The Anti-Corruption Act 2008 was repealed that passed in 2000, but powers are now being given to the ACC to arrest without warrant; search and seize any document, material or other things found; and prosecute in court, any person suspected of corrupt practices. Furthermore, the Act calls for public officers to declare their income, assets and liabilities every two years.

61. The ACC leads the crusade against corruption in Sierra Leone through a three-pronged approach – prevention, education and prosecution of corrupt practices, as well as for the provision of timely and reliable information to the public on anti-corruption measures. The ACC is empowered within the Anti-Corruption Act 2008 (Section 7(2) (h)) 'to issue instructions to public bodies of changes in practices or procedures which are necessary to reduce or eliminate the occurrence of corrupt practices' and for the public body concerned (under Section 8 of the Anti-Corruption Act 2008) to effect the necessary changes in practices and procedures within three months of receipt of the instructions from the Commission.

H.2. Co-ordination with the Anti-Corruption Commission

62. The ACC should establish a Memorandum of Understanding (MoU) with the ASSL and IAD to share information and knowledge on the different strategies used in fighting corruption. Where the ACC wants to follow up on audit issues and recommendations that they suspect to have an element of corruption, they should contact ASSL/IAD in writing prior to the follow-up exercise to seek further clarifications on the audit findings and recommendations, where necessary. During their follow-up exercise, ACC should corroborate/collaborate with ASSL/IAD in instances the auditee claims the issues have been resolved with ASSL/IAD.

63. After deliberations of the issues in the Auditor General's annual report by the PAC, the suspected issues of Government losses/material financial irregularities should be forwarded to the ACC for further investigations, after which, the ACC should determine whether the evidence is sufficient for the prosecution to commence. In an instance where the ACC thinks it is in the public's interest to commence investigation before the completion of the PAC's deliberations, this should be agreed upon with the PAC on the way forward.

64. During ACC's investigation, the ASSL should be encouraged to provide technical support on the audit issues being investigated. ACC should seek clarifications and discuss the issues with the ASSL before concluding their investigations. In addition, the final report of the ACC should be made available to ASSL/IAD to help facilitate an effective follow-up mechanism.

65. ACC should share their conclusion with ASSL/IAD before finalizing and publishing their conclusions/reports on the follow-up audit recommendations. This is to reach an understanding with ASSL/IAD. ACC should share the final report with ASSL, IAD and other relevant stakeholders.

I. Procedures with respect to Court Cases

66. The Auditor General, as required by Section 119 (2) of the Constitution of Sierra Leone (Act No. 6 of 1991) shall audit the public accounts of Sierra Leone and all public offices, including the Courts, the accounts of the central and local government administrations, of the Universities and public institutions of like nature, any statutory corporation, company or other body or organisation established by an Act of Parliament or statutory instrument or otherwise set up partly or wholly out of Public Funds.

67. Following the conclusion of the Auditor General's audit and the production of a report, the Auditor General will submit the Report to Parliament and shall in that Report draw attention to any irregularities in the accounts audited and to any other matter which in the Auditor General's opinion ought to be brought to the notice of Parliament, pursuant to Section 119 (4) of the Constitution. The Public Accounts Committee of Parliament will debate the Report of the Auditor-General and deal with any matters arising as a result pursuant to Section 119 (5) of the Constitution.

68. Following the submission of the Auditor General's Report to Parliament and the debate of the Report by Parliament, there may be a need for further action arising from the Report's findings and recommendations. These further actions may include:

- i. The utilisation of the provisions of Part IX - LIABILITY AND OFFENCES contained in Sections 120 to 122 of the Public Financial Management Act 2016 to ensure the restitution of public money and pursuit of criminal charges as may be necessary;
- ii. Referral of cases bordering on corruption to the Anti-Corruption Commission for investigation and prosecution as may be necessary; and
- iii. Referral of cases, which border on criminal offences, to the Attorney General for his referral to the Director of Public Prosecution/Sierra Leone Police for investigation, charging and prosecution in the courts of law.

J. Allocation of Adequate Financial Resources for the Audit Follow-up Process and Assignment of Clear Responsibilities

69. Vote Controllers are to ensure their respective audit follow-up team is well resourced by creating :

- A budget line for audits follow-up or maintained centrally with the Internal Directorate in the Ministry of Finance.
- Ensure mobility and other logistics to enable effective follow-up review.

70. In addition, the Ministry of Finance through its Internal Audit Department will facilitate capacity-building programmes for internal auditors assigned to MDAs and engaged in the audit follow-up process.

71. The MDA Audit Committees should also be strengthened in terms of financial support and capacity building to ensure their effectiveness in meeting regularly and providing timely reports thereon. There is also a need to determine the reasonable costs of AC function for the annual budget cycle and where this fits into the annual budget process.

Appendix 1 – Glossary of Terms

Term	Definition
Central Government or GoSL	As defined in Section 1 (Interpretation) of the PFM Act 2016, and would include budgetary and subvented agencies defined therein
Digitalization	Process of converting information from a physical format into a digital one to enable automation, increase data quality, and collect and structure data so as to apply advanced technology, such as better and smarter software
Management Letter	Letter prepared and issued by an auditor, which communicates deficiencies and weakness and discusses findings, impacts and recommendations for improvements in internal control, that were identified during an audit
Public Sector Entities	Includes Ministries, Departments and Agencies of Central Government, Social Security Fund, Local Councils and Public Enterprises
Standard Operating Procedures (SOPs)	A set of written instructions that describes the step-by-step process that must be taken to properly perform a routine activity

Appendix 2 – Legal and Regulatory Framework for PFM

The legal and regulatory framework for Public Financial Management are presented below.

- a) **The 1991 Constitution** – This is the principal law in Sierra Leone that deals with the management of public finance, as stipulated under Part VI- Finance (Sections 110-119). It however provides for the establishment of the office of the AuditorGeneral and its functions (Section 119).
- b) **The Public Financial Management (PFM) Act of 2016** - Corollary to the 1991 Constitution is the **PFM Act, 2016** that makes detailed provisions for the prudent, efficient, effective and transparent management and use of public financial resources. It contains robust rules on planning and budgeting; budget execution and expenditure control; audit and inspection (internal and external); reporting and accountability; and oversight arrangements - intended to promote and improve budget credibility; fiscal discipline; strategic allocation of resources and efficient services delivery. The PFM Act 2016 in Part II (Sections 3 – 19) identifies key fiduciary roles and responsibilities at all stages of the budget process.
- c) **PFM Regulations 2018** - The PFM Act 2016 is supported by its attendant PFM Regulations 2018. Part XIII (Sections 143-152) of the PFM Regulations 2018 deals with the internal audit function and the setting up of Audit Committees (individually for public sector entities and generally for Government).
- d) **Audit Service Act 2014** – An Audit Service Act, 2014 was enacted to make provision for the continuance in the existence of the Audit Service Sierra Leone (ASSL) as an autonomous body with authority to ensure greater accountability in the receipt, disbursement and control of public funds, to promote greater efficiency and effectiveness in the use of public funds and to

provide for other related matters. This Act replaced the Audit Service Act, 1998, which originally established the Audit Service. ASSL is the country's Supreme Audit Institution (SAI), which is headed by the Auditor-General.

- e) **Mandate of the Auditor General** - The 1991 Constitution of Sierra Leone (Section 119 (1)) provides for the establishment of an Auditor-General for Sierra Leone who is to audit and report on the public accounts of Sierra Leone and all public offices. These include the Courts, the accounts of the central and local government administrations, of the Universities and public institutions of like nature, any statutory corporation, company or other body or organisation established by an Act of Parliament or statutory instrument or otherwise set up partly or wholly out of Public Funds.
- f) **Rights and Authority of the Auditor General**
- (i) For the purpose of auditing and reporting on the public accounts, the AuditorGeneral should have access to all books, records, returns and other documents relating or relevant to those accounts.
- (ii) The authority to disallow any item of expenditure accounted for in the Consolidated Fund deemed contrary to law as well as to surcharge persons the amount of all illegal payments and the amount of any loss or deficiency of public money is being given to the Auditor General by the PFM Act 2016 (Section 94).
- g) **Report of the Auditor-General**
- (i) Under Section 119 (4) of the 1991 Constitution of Sierra Leone, the AuditorGeneral is required to submit an annual report to Parliament within twelve (12) months of the end of the preceding financial year. The annual report of the AuditorGeneral is to draw attention to any irregularities (usually supported by audit recommendations) in the accounts audited and to any other matter which in his opinion ought to be brought to the notice of Parliament - this is reinforced by Section 95 of the PFM Act 2016.
- (ii) Section 95 (3) of the PFM Act 2016 requires the Auditor-General to call attention in his annual report to every case in which he has observed that –
- any officer or employee has wilfully or negligently omitted to collect or receive any public money;
 - any public moneys were not duly accounted for and paid to the credit of the Consolidated Fund or other public funds;
 - any appropriation of public money was exceeded or was applied to a purpose or in a manner not authorized by law;
 - an expenditure made from public money was not so authorized or was not properly vouched or certified; or
 - there has been a loss or deficiency of public money through the fraud, default or mistake of any person.
- (iii) Section 95 (2) of the PFM Act 2016 requires the Auditor-General to publish his annual report in the Gazette and the website of the Auditor-General after its submission to Parliament – usually this is done by end of December of the following year with online publication in the ASSL website.

h) **Parliamentary Review**

- (i) Under Section 119 (5) of the 1991 Constitution, Parliament is to debate the annual report of the Auditor-General and appoint where necessary in the public interest a committee to deal with any matters arising therefrom. On that basis, PAC of Parliament is established. This is supported by Section 95 (4) of the PFM Act 2016 which requires Parliament to consider the report of the Auditor-General and either refer it to the Public Accounts Committee or any other committee in the public interest, to deal with any matters arising therefrom and such committee to review the Auditor-General's report and publish its own report.
- (ii) The Public Accounts Committee (PAC) of Parliament was established under Section 70(4b) of the Standing Orders of Parliament to:
"examine the annual accounts showing the appropriation of the sums granted by the House to meet public expenditure together with the reports and special reports of the Auditor-General thereon".
- (iii) According to Section 95 (5) of the PFM Act 2016, the Public Accounts Committee of Parliament may in reviewing the Auditor-General's report put questions to the vote controller of any entity subject to the audit of the Auditor-General or his appointed auditor in accordance with the Standing Orders of Parliament.

i) **Internal Audit Function**

- (i) The internal audit function is recognised a tool used by management to ensure a public sector entity achieves its objectives and complies with laws and regulations in force. It is a method of control that functions by examining and evaluating the adequacy and effectiveness of other controls throughout the organization.
- (ii) The internal audit function within Government is recognized legally through the PFM Act 2016 (Sections 10 and 75) and the PFM Regulations 2018 (Regulations 143-152).
- (iii) Section 75 (1) of the PFM Act specifies that the Director of the Internal Audit Department in the Ministry of Finance 'may require the vote controller of a budgetary agency, sub-vented agency, other entity in the central government, local council, social security fund, or public enterprise to establish or maintain an internal audit department, division, or unit in the budgetary agency or entity'.
- (iv) Section 75 (2) of the PFM Act 2016 states the responsibilities of the Internal Audit function, which amongst others include following:
 - Make periodic reports on audit completed (Sec 75(2) (c).
 - Review the implementation of the Auditor-General's or other external auditor's recommendations (Sec 75(2) (d).
 - Continuously review the effectiveness and efficiency of internal control systems and procedures of the agency or entity (75(2) g).
- (v) Under Section 75(2d) of PFM Act 2016, the MoF Internal Audit Directorate has the statutory authority to review the implementation of the recommendations of the Auditor General and those of other auditors.
- (vi) Under the PFM Regulations 2018 (Regulation 151 (5)), the MoF Internal Audit Directorate is required to conduct annual follow up reviews on the annual report of the Auditor-General and report to the Financial Secretary.
- (vii) Similarly, Regulation 151 (4) of PFM Regulations 2018 requires

“An internal audit department, division or unit of a budgetary agency, sub-vented agency, other government entity, local council, social security fund, or public enterprise shall follow up with the auditee, within the quarter in which the audit was finalized, any unresolved issues and to formally report in a follow up report to the Director of the Internal Audit Department in the Ministry and the Audit Committee”

- (viii) Regardless of the above PFM Regulations, it is important to note that Regulation 151(3) of the PFM Regulations 2018 clearly indicates that:
- “The Vote Controller of a budgetary agency, sub-vented agency, and other entity in the central government, local council, social security fund, or public enterprise has the ultimate responsibility to implement audit recommendations”.* It is implied from this Regulation that the implementation of audit recommendations is NOT the responsibility of the Internal Auditor, but rather he can facilitate and follow-up on the process and report to the relevant authorities as required by law.
- j) **MDA’s Audit Committee** — Section 76 of the PFM Act 2016 provides for the establishment of an Audit Committee within a public sector entity that reports to the Minister as Head of the Budgetary Agency [PFM Act Section 76 and PFM Regulation 152].
- (i) The MDA’s Audit Committee shall carry out functions as prescribed in PFM Regulation 152(4), which include:
- To advice on the adequacy of management response to issues identified by Internal Audit, Auditor General and Public Accounts Committee’s (PAC’s) findings and recommendations.
 - Prepare an annual statement showing the status of implementation of recommendations made in all audit reports, including internal and external audit reports.
 - Review the activities, resources and structure of internal audit – ensure no unjustified restrictions or limitations placed on internal auditors.
 - Consider the strategic processes within the MDA for risk, control and governance.
 - Review anti-fraud policies, whistle-blowing arrangements and arrangements for special investigations
- (ii) Membership and Organization of the Audit Committee - The Audit Committee shall comprise between 3-5 members appointed by the Minister as Head of the Budgetary Agency [PFM Regulation 152(2)]. The membership of the MDA Audit Committee shall comprise:
- At least one representative of the Ministry not below the rank of Deputy Secretary;
 - At least one external member with extensive knowledge of financial management as Chair; and
 - At least one external member with extensive knowledge of accounting, auditing or administration issues.
- (iii) MDA’s Internal Audit Division should serve as the Secretariat for the Audit Committee, which shall meet four (4) times per year on a quarterly basis, or more frequently as circumstances require.
- k) **Government Audit Committee (GAC)** - Established in the Ministry of Finance based on PFM Regulation 152(6), with responsibilities specified in Section 2.3 (9) of this manual. It should be comprised of not more than 5(five) independent members who are neither politicians nor civil servants. They should be appointed by the Minister of Finance and also report to the Minister of Finance (PFM Regulation 2018, Regulation 152:6-7). The GAC is charged with the following responsibilities in relation to Follow-up and as per the PFM Regulations 2018:

- i. Section 152 (9) (a): ensure the implementation of the recommendations that could not be handled by audit committees at budgetary or sub-vented agency level;
- ii. Section 152 (9): (b): follow up on the Auditor General’s and Public Accounts Committee’s recommendations as well as internal audit recommendations that are still outstanding after review by the audit committees in the various budgetary or sub-vented agencies;
- iii. Section 152 (9) (c): follow up on outstanding issues resulting from reviews done by audit committees on all audit reports and financial matters raised in the internal audit reports in the various budgetary or sub-vented agencies.

l) **Financial Corrective Actions, Liability and Offences** - The PFM Act 2016 specifies consequences of non-compliance with the PFM Act 2016, including the imposition of financial corrective actions, restitution of public money and offences and penalties, as shown in the following Table:

Table 2 Financial Corrective Actions, Liability and Offences under PFM Act 2016

Non-compliance	Financial corrective actions
If a budgetary agency, its vote controller, other officer or employee fails to comply with any provision of the PFM Act, regulations, instructions or directives of the Minister or Accountant-General; fails to implement an action plan; made or is likely to make an expenditure significantly in excess of the available provisions; fails to submit or submits with significantly delay its budget proposal, financial statements or other required information. (Section 120 PFM Act 2016)	Minister of Finance may: <ul style="list-style-type: none"> - Lay before Parliament and publish in the Ministry’s website the occurrence and action taken by the Minister; - Require submission of action plan to resolve underlying problems and pre-approval for execution of such items of expenditure as specified by the Minister; - Suspend execution by the budgetary agency of the provisions and the power of its head to reallocate a provision; - Require the head of the budgetary agency to dispose any financial or other asset under the responsibility of the budgetary agency.
Liability	Action
Person who receives public money and does not pay it over, does not account for it or does not apply it to the right purpose. (Section 121 PFM Act 2016)	AccountantGeneral may cause a written notice to be served on such person or his representative requiring him to pay over; account for or apply such monies and transmit evidence to the Accountant-General; If fails: AccountantGeneral causes an account between the person and the State and charges interests. Takes legal action to recover public money.
Offences (Section 122 PFM Act)	Penalty
Vote controller of BA (wilfully or gross negligence) does not perform his functions under Section 13 (1) of PFM Act 2016	Commits an offence and shall be liable on summary conviction to a fine not exceeding an amount equal to two times annual remuneration of the person
Any person (wilfully or gross negligence) causes the vote controller of an entity to fail to discharge his responsibilities under Section 15	

Non-compliance	Financial corrective actions
Any person who fails to produce or submit required information; causes (wilfully or gross negligence) an illegal payment or loss or deficiency of public money; resists or obstructs any person acting in the discharge of responsibilities	

- m) **Finance Act 2022** - The Finance Act 2022 (Sections 22 and 23) introduced sanctions for failure to respond to or implement audit recommendations. This will serve as a moral deterrent for on vote controllers or any responsible persons who fail to respond to or implement audit recommendations, and it is expected to strengthen the rate of implementation of audit recommendations. These are presented below as follows:

Table 3 Offences and Penalties under Finance Act 2022

Offence	Penalty
Vote controller or other responsible person of budgetary agency fails to implement or respond to the internal and external audit recommendations within thirty working days from the effective date of the publication or issuance of the report (Section 23 of Finance Act 2022, amending Section 13 of the PFM Act 2016 by insertion of a new sub-section (6))	His/her remuneration, fees and allowances shall be withheld subject to the authorization of the minister until the vote controller, or other responsible person, implements the internal and external audit recommendations
Vote controller or other responsible person of a budgetary agency fails to grant internal auditors unrestricted access to all its records, physical properties and to carry out audit assignments (Section 26 of Finance Act 2022, amending Section 75 of the PFM Act 2016 by insertion of a new sub-section (5))	The remuneration, fees and allowances of the vote controller or other responsible person shall be withheld subject to the authorization of the minister until the vote controller or other responsible person complies with the request of the Internal Audit personnel.
A person fails to respond to a query or observation from the Internal Audit (Section 26 of Finance Act 2022, amending Section 75 of the PFM Act 2016 by insertion of a new sub-section (6))	His/her remuneration, fees and allowances shall be withheld subject to the authorization of the Director of Internal Audit until the officer responds to the Internal Audit's query or observation

Appendix 3 - Completing the Matrix for the Audit Follow-up

The audit follow-up team should:

- Indicate the name of the audit report and date issued (and audit reference number if used). Also, indicate scope (year of audit).
- Summarize or provide full narrative of the audit finding
- Summarize or provide full narrative of the audit recommendation with unique reference number
- For audit follow-up on external audit recommendations:
 - Indicate initial management comments, which may either have addressed the recommendation in part or full.
 - State the External Audit Follow-up comments based on Management’s initial response.
- Indicate the nature of the audit recommendations such that recommendations that could be implemented in the short run are inscribed with the letter (S), those that could be implemented in the medium term are described with the letter (M) and those that require longer time to implement are described with the letter (L).
- Shows risk rating and / or priority of the audit recommendation (e.g. high, medium low)
- Indicate the responsible programme or business unit and/or identify the person primarily responsible for implementation
- State the original target implementation date agreed with management
- Indicates current status of recommendations after follow-up review by Internal Audit (e.g. Fully Implemented, Partly Implemented or Not Implemented)

Categorization of Implementation - The criteria used to categorize the implementation statuses as Fully Implemented, Partly Implemented and Not Implemented are described in the Table below:

Table 4 Criteria for categorization of audit implementation

Category	Explanation
Fully implementation	The action taken met the intent of the recommendation, and sufficient evidence was provided to demonstrate action taken.
Partly implementation	This category encompasses three considerations: <ul style="list-style-type: none"> • Action taken was less extensive than recommended by the Internal Audit Unit. The actions taken by management either fell short of the intent of the recommendation, or only addressed some of the identified risks. • The entity may have established a process or procedure to address an issue, however, the specific action noted in the recommendation was not complete at the time of the assessment. • The entity may have commenced action to address a recommendation but subsequent policy changes may influence how it might be implemented
Not implementation	This category encompasses two considerations: <ul style="list-style-type: none"> • There is no supporting evidence that action has been undertaken. • The action taken does not address the recommendation.

Appendix 4 - Key Stakeholders and Responsibilities for Implementation of Audit Recommendations -

Head of the Budgetary Agency or Public Sector Entity – the Head (usually the Minister) is responsible amongst others under Section 11 of the PFM Act 2016 for allocation and management of resources; oversees, instructs and directs the vote controller; controls entities under his responsibility. The 'Head of the Budgetary Agency' (Section 11 of PFM Act 2016, with amendments in Sections 22 and 23 of Finance Act 2022) is ultimately responsible for the entity's internal control system. He or she has the responsibility to provide leadership and direction, and assign responsibility for the establishment, maintenance, and compliance with the internal control system.

Vote Controller or Permanent Secretary - Responsible under Sections 12 and 13 of the PFM Act 2016 (with amendments in Sections 22 and 23 of Finance Act 2022) for prudent, effective, efficient and transparent use of the resources of any public-sector entity under his/her control as well as safeguarding and managing of the entity's assets and money. Specifically, the Vote Controller is responsible, among others, for the implementation of recommendations of internal and external auditors - Section 13(2) (m) of the PFM Act 2016 and Regulation 151(3) of the PFM Regulations 2018.

Senior management – Responsible for the following:

- a) Senior management has a critical responsibility to accept audit recommendations and ensure that process owners implement same.
- b) Senior management should have a close collaboration with auditors to seek acceptance of the audit recommendations, thereby increasing the support basis. They must ensure that they fully understand issues raised by auditors and that the recommendations are timely, implementable and address the root cause(s) of the problems identified.
- c) They should engage with the audit follow up team and ensure that they fully understand the expectations of the auditors and encourage process owners to do same.
- d) Senior management should closely monitor the implementation plan developed after every completed audit engagement and follow up to ensure that the audit recommendations proffered are implemented.
- e) These implementation plans, which also feed into the follow up action plan developed by the audit follow up team will enhance the follow up process. The implementation plan for each completed audit should specify the measures to implement the recommendations, including deadlines.
- f) Senior management should check the appropriateness of the implementation plan. In the absence of an implementation plan, set clear and realistic deadlines for the implementation of the audit recommendations, if possible in agreement with the auditee.
- g) Senior management should ensure that all supporting documents relating to issues identified in the follow up audit are provided to the auditor.
- h) Senior management should maintain a follow-up audit file within their respective entities.

Process Owners - Responsible for the implementation of audit recommendations and for ensuring established processes and procedures are operating according to design. Upon the completion of an audit, process owners should:

- a) Work with auditors to develop an implementation plan, to close the audit findings and implement the recommendations. The implementation plan should clearly categorise the audit recommendation and must show the implementation time frame.

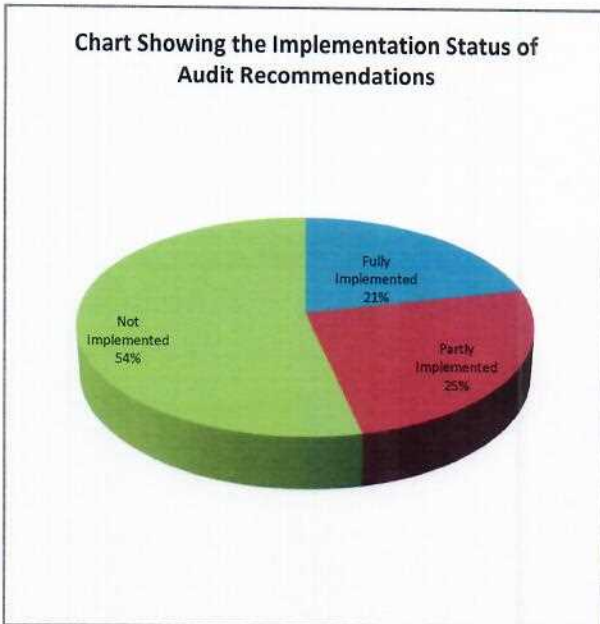
- b) Continuously monitor audit recommendations to ensure that they are implemented according to the agreed timelines and that the relevant supporting documentations are available. Supporting documents must be adequate and sufficient, and should be kept in a special follow up file.
- c) Co-operate with audit follow up team and provide the relevant supporting documents to facilitate completion of the audit follow up report.

Appendix 5 Table showing the number of Internal Audit recommendations assessed

1. MINISTRY OF XXXXXXXXX						
STATUS OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS FOR THE PERIOD JANUARY TO OCTOBER 2021						
No. of Planned Audits	No. of Audits Completed	Details of Audited Areas	Total No. of Recommendations	Fully Implemented	Partly Implemented	Not Implemented
10	6	Repairs and Maintenance 3rd & 4th Qtr 2021	2	2	0	0
		Audit of Asset Management	8	3	2	3
		Stores 3rd & 4th Qtr 2021	1	0	1	0
		Imprest and other charges 2021	5	1	2	2
		Procurement Audit for Qtr 1 to 3, 2021	7	0	2	5
		Fuel Audit for the period January to September 2021	5	0	0	5
		TOTAL	28	6	7	15
	60	PERCENTAGE	100	21%	25%	54%

Total No. of Recommendations	Fully Implemented	Partly Implemented	Not Implemented
28	6	7	15
100	21%	25%	54%

The example, the summary in Table shows:



- a. The total number of planned audits in the year – (10)
- b. The number of audits completed during the period under review – (6)
- c. The names of audit activities undertaken with their respective coverage periods (scope)
- d. The total number of recommendations proffered in each of the audit exercises
- e. The number of recommendations assessed to have been fully implemented by management actions
- f. The number of recommendations partly implemented

- g. The number of recommendations not implemented, and
- h. The information on the status of implementation is interpreted into the Pie Chart

Appendix 6 - Procedure and Schedule for disseminating the results of the External Audit Follow-up Aggregate Results

The process for external audit is similar to that of the Internal Audit. The only difference is that the aggregation is done according to the number of MDAs audited instead of the number of thrust areas audited. Below is a sample tabular summary of the number of recommendations assessed in each of the six MDAs audited by ASSL for the Year 2021. The results of the follow-up assessment can be represented by charts of graphs as shown below:

Table 5 showing the number of External Audit recommendations assessed

NAME OF MDA	Total No. of Recommendations	Implemented	Partly Implemented	Not Implemented
Ministry of Health and Sanitation - 2019 to 2020	20	12	8	0
Ministry of Finance 2020	8	3	2	3
Ministry of Internal Affairs - 2020	1	0	1	0
Ministry of XYZ	5	1	2	2
Ministry of ABC	7	0	2	5
Ministry of Agriculture	5	0	0	5
TOTAL	46	16	15	15
PERCENTAGE	100	35%	33%	33%

Standard Operating Procedures (SOPS) for Follow-up on Audit Recommendations

Total No. of Recommendations	Fully Implemented	Partly Implemented	Not Implemented
46	16	15	15
100	35%	33%	33%

Chart Showing the Implementation Status of Audit Recommendations

