



LARA TAYLOR-PEARCE

AUDITOR GENERAL OF THE
REPUBLIC OF SIERRA LEONE

ON TRANSPARENCY AND ACCOUNTABILITY
IN PUBLIC FINANCIAL MANAGEMENT



The *Conversations* series presents interviews with prominent policymakers, experts and practitioners with instructive knowledge of sub-Saharan Africa.

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Since her appointment in 2011 as Auditor General of the Republic of Sierra Leone, **Lara Taylor-Pearce** has put forward 953 recommendations for improving public financial management. Government action on recommended reforms has been partial and invariably slow, but the profile of the Audit Service Sierra Leone (ASSL) continues to grow. During the Ebola epidemic real-time audits of government funds allocated to combat the crisis, conducted between May 2014 and April 2015, drew widespread international attention. While striving to encourage greater transparency, efficiency and accountability in government, Taylor-Pearce is equally keen to raise public awareness of the critical importance of sound governance.

In this interview with **Jamie Hitchen**, policy researcher at Africa Research Institute, Taylor-Pearce reflects on the institutional development of the ASSL. Maintaining its independence is “a daily struggle”, but one she considers worth pursuing if it leads to closer scrutiny of the management of public funds in Sierra Leone.

INTRODUCTION: AUDITING AFRICA

By Jamie Hitchen

The voices of auditors general across Africa are increasingly being heard. In Kenya, an ongoing audit report is seeking to establish the exact whereabouts of KSh.215bn (US\$2.15bn) of the KSh280bn (US\$2.76bn) raised through a recent Eurobond issue. In Zimbabwe, auditors uncovered a US\$10m loan extended to the Ministry of ICT, Postal and Courier Services without Treasury approval.¹ In Ethiopia, the auditor general revealed that 6bn birr (US\$270m) had been misappropriated or left unaccounted for over a three-year period; and publicly named 37 public offices that had produced “unacceptable reports” and failed to act on previous audit recommendations.² In Rwanda, the 2014–15 audit report cited inappropriate financial reporting by public entities and financial statements that did not reflect their performance.³ In South Africa, Auditor General Kimi Makwetu criticised “soaring fruitless and wasteful expenditure among municipalities” in 2015.⁴

1 Exposing anomalies and discrepancies in the use of public funds can have consequences for the fiscal and operational independence of audit offices. In Tanzania, where the National Audit Office’s annual and special reports have revealed the loss of billions of shillings in central and local governments, as well as state-owned enterprises, the government proposed reducing the office’s budget by 50% in May 2016.⁵ Widespread public opposition eventually prompted a reversal of the decision, but the incident highlighted that audit offices often depend financially on the governments they are scrutinising.

Another limitation audit bodies throughout the continent share concerns follow-up of their findings and implementation of recommendations by the appropriate authorities, including parliamentary public accounts committees, anti-corruption commissions and the offices of attorneys general. In Sierra Leone, less than one-quarter of the audit office’s recommendations have been enacted in the past five years and no individual prosecutions for malfeasance have been brought. Kimi Makwetu has decried this situation in South Africa: “our system [is based on] recommendation, which relies on the next person to act. And if they do not wish to act it is effectively back to square one”.⁶

There are notable exceptions. In Tanzania, the Controller and Auditor General’s Report in 2012 prompted the president, Jakaya Kikwete to sack six cabinet ministers. The 2014 report on the so-called Tegeta escrow account



scandal was used by the parliamentary public accounts committee to build a case that saw the attorney general and several ministers lose their positions.⁷

Of course, in countries where corruption in government is endemic and systemic, the findings of audit offices can be used expediently – to get rid of political rivals or present the “right image” to donors. But there is reason for optimism, especially if citizens, in increasing numbers, mobilise as a result of being better informed – as is their right in constitutional democracies. Initiatives such as BudgIT⁸ in Nigeria have shown that there is a growing appetite for public scrutiny of state expenditure when the figures are communicated in a simplified and engaging way. If audit offices are able to “co-opt” or at least engage more closely with the public, while maintaining their autonomy and credibility, they are likely to have an even greater role in fostering transparent and accountable governance. That can only be a good thing and it is the clear objective of the Audit Service Sierra Leone.

October 2016

AN INDEPENDENT AUDITOR

2

● *Are the reports and recommendations of the Audit Service Sierra Leone (ASSL) heeded by the government and acted upon in the way you would like? Do you have adequate resources for your work?*

● ASSL is mandated to report findings to the nation’s Parliament, as is the case for many other supreme audit institutions around the world. It is up to parliamentarians to scrutinise the report and ask the auditees to address the concerns raised. Section 119 (5) of the 1991 Constitution clearly states that Parliament “shall debate the report of the Auditor General and appoint where necessary in the public interest a committee to deal with any matters arising therefrom”.

The statistics are clear. Between 2010 and 2014, this office put forward 953 recommendations, of which 231 were implemented, 75 are in progress and 647 were not implemented. The level of action we would expect to have been taken has fallen short. For the whole public financial management system to be more effective, and for the people of Sierra Leone to benefit in full from funds generated by the government or received from international partners, it is important that audit recommendations are acted upon better.

A good number of the 953 recommendations aim to address systemic issues. For example, fixed asset registers not being completed, late issuance of payments and bank reconciliation statements not signed by the appropriate authority. These are issues for which there are quick and easy solutions, but we are not seeing these solutions implemented.

As an office we have moved a long way since 2007, the year I joined as deputy auditor general. Then we had just three qualified accountants. We now have 24 and a good number of them have received advanced training, funded by the audit office. We have benefitted from consistent, albeit slow, financial support from the government that has only begun to wane in the last year or two.

**“OVERALL IN SIERRA LEONE I THINK THE
GOVERNMENT VIEWS US AS A NECESSARY EVIL”**

Staff members are employed by an independent Audit Service Board and are not part of the civil service. Since 2007 they have been paid on a par with private sector auditors. In Africa auditing can be a risky business because the work often exposes what people want to hide. Public sector auditors need to be well remunerated.

Sierra Leone is one of the few countries in Africa that has enshrined administrative independence for its audit office into law. The 2014 Audit Services Act (see endnotes) was a positive development for our institutional freedom. It is important for audit offices to establish and retain fiscal independence. Doing our job and maintaining our independence is a daily struggle.

Tensions exist between supreme audit institutions and governments across the world. Governments are mandated to pay the salaries of audit staff but are often criticised by report findings. Overall in Sierra Leone I think the government views us as a necessary evil. Yes, we shine a light onto things that they would rather keep hidden; but we also lend credence to the accountability framework in the public financial management system, ensuring their actions are given greater national and international credibility.



ON PUBLIC FINANCIAL MANAGEMENT

● *The ASSL website states that “through independent professional standards-driven audits we establish to a level of audit assurance that public moneys are used by the government in the manner intended by parliament”. What would be your overall assessment of the government’s use of funds in terms of value for money and accounting for expenditure? What improvements in public financial management have you seen since your appointment as Auditor General in 2011?*

● There have been improvements, for example, in the auditing performance of all 19 local councils. In 2013, 44.4% were audited as unqualified or satisfactory. That number has risen to 72.2%. An unqualified opinion is an independent auditor’s judgement that a company’s financial records and statements are fairly and appropriately presented. However, there are still lots of areas where change is needed.

Take procurement as an example, because that is where the money is and that is where unethical activities tend to occur. The rules set out in the Public Procurement Act of 2004 are still frequently flouted. When you have very senior government officials getting involved in the issuance of contracts, and then not questioning the delivery and quality of those goods, there is a problem in the system – a problem that fails to adhere to value for money principles.

4

“CASH MANAGEMENT POSES A SERIOUS PROBLEM IN SIERRA LEONE, BOTH IN THE IMMEDIATE AND LONG TERM”

Every year we audit ministries of “high importance” – broadly based on the funding they receive – alongside other specially selected MDAs (ministries, departments and agencies). Since 2011, a lot of money has gone into departments without the outputs you might expect. With its level of funding, the Ministry for Agriculture, Forestry and Food Security should have been able to achieve the food security level targeted by the government, but we are far from that. The Ministry of Education has invested heavily in improving attendance at school, but there is more to education than volume. Quality is equally, if not more, important. The Ministry of Health and Sanitation has failed to roll out the Free Healthcare Initiative as it intended. The outbreak of Ebola showed up the health sector as a shameful panoply of dysfunction.

Lots of procurement has to be done in the health sector for medicines and equipment, but we still have problems ensuring that what is obtained is delivered on time and meets basic quality standards. In 2014, payment was made to a contractor to supply ambulances during the Ebola crisis. I have seen no evidence of that contract being fulfilled in its entirety. Even when goods are supplied on time, in full, and to an acceptable standard, issues remain. Budget padding – inflating the price of goods to four or five times their normal value – is costing the government a lot of money. We have identified the revenue generation side of the budget as another area of concern.

Leakages of various types are substantial enough to cause serious difficulties in the management of the day-to-day running of government affairs. The country is cash-strapped – ministries and departments are not able to access the money they need to function effectively. This year the ASSL has received just two-thirds of our half yearly allocation so far. This is all because of cash flow shortages in the system. Cash management poses a serious problem in Sierra Leone, both in the immediate and long term.

ON COMPLIANCE

5

 *What are the consequences of ignoring the rules and regulations set out in the law? Are government ministries supportive of your work? To what extent is a lack of capacity at ministry and local government levels an impediment to proper audit practices in Sierra Leone?*

 Insufficient pressure is put on auditees to respond to the recommendations of reports. If there were greater consequences for ignoring these, perhaps attitudes would change. One solution would be to not release financial allocations to ministries until they enacted at least some of the recommendations from the ASSL audit. Ministries need to be incentivised to do the right thing if compliance is to become the norm.

If you ask someone in the Ministry of Finance and Economic Development, for example, about the functions and role of the audit office you will be given the answer that you want to hear – the nice answer, that they are working closely with the ASSL and supporting our work. They do support us in allowing our auditors to carry out reviews, but when it comes to action on recommendations little changes.



Perhaps ministries do not understand the importance of audits and financial processes. We are not investigating them to cause problems but to ensure that funds for the development of Sierra Leone are being spent judiciously. As it is, ignoring our recommendations is causing widespread problems in the broader public financial management system.

When it comes to capacity, lots of training of audit staff within MDAs has been done. They should be aware of the basic things they are supposed – and not supposed – to do. The laws are also there to guide them. The need for adherence to the law is not something that you need to go to a special school to learn. Nonetheless, it will not happen until there are consequences for flouting the rules, both for individuals and ministries. Until we get to that point, commitment to proper audit practices will continue to be a personal choice.

It is true that because of the work of the audit office in shining a light and exposing malpractice people are becoming more careful. It is also true that there is a limit to what adherence to “due process” can prevent when it comes to the misuse of funds. If malpractice is done totally off the books and we cannot see it, then we cannot talk about it. Rumour and speculation cannot be allowed to impinge on the auditing process. One way of addressing this problem would be to carry out a forensic audit, but we do not yet have the requisite skills or capacity.

6

**“THEY DO SUPPORT US IN ALLOWING OUR AUDITORS TO CARRY OUT REVIEWS,
BUT WHEN IT COMES TO ACTION ON RECOMMENDATIONS LITTLE CHANGES”**

When our annual report for 2015 is presented to Parliament in December 2016 many of the same problems identified in my first report will still be highlighted: internal controls, cash management and procurement procedures continue to be areas of concern. Many know that if they get caught it is unlikely they will face significant consequences.

I look forward to a scenario when, after Parliament has finished with our annual report, efforts are made to prosecute based on malpractice highlighted by our findings. In five years my office has never received a communication from the attorney general’s office about action being taken against public officials because of what we have uncovered. Nor have I been given any formal indication that our efforts have formed the basis for successful prosecutions by the Anti-Corruption Commission (see endnotes). We have actively sought to engage both with our work, as they are the ones mandated to investigate those who have transgressed. The will to act has to come primarily from these institutions.

ON THE RESPONSE TO EBOLA

● *The real-time Ebola audit conducted by the ASSL has been praised for highlighting concerns about how government funds were spent. You found that 30% of the funds allocated to dealing with the crisis were either not spent or not issued in accordance with the law. What did you learn from this audit? Has the government acted on its findings?*

“ The major lesson, in hindsight, is that we should have gone in earlier. It was a difficult decision to know whether we should go in, because of the nature of the crisis. What were people going to think if auditors came in and started asking questions rather than helping? People were dying. But when we started learning that concerns were being raised about the effectiveness of the response, we decided to act.

In simple terms, a real-time audit involves monitoring expenditure and financial processes as and when the activities are taking place. It not only saves the government a lot of money but can quickly stop malpractice before it spirals out of control. We took examples from other countries, in particular China, where auditors conducted a real-time audit during flooding, and sought to learn and adapt these experiences to Sierra Leone. We were fortunate that our government was supportive of this innovative approach.

“THE ISSUES RAISED BY THE TWO EBOLA AUDITS HIGHLIGHT THE SAME PROBLEMS RAISED IN OUR ANNUAL REPORT ”

I am not saying that our approach completely stopped malpractice, but it certainly sent a message. At the very least it slowed down misappropriation of funds, particularly after the first audit report was published in February 2015. Individual staff became more cautious about putting their signature to documents that they knew the ASSL auditors would scrutinise. The second part of the audit, published in February 2016, recognised the improvements in financial management of the Ebola response. It also drew attention to the lack of punitive action against the malpractice raised by the first report.

As an auditor I cannot dictate to Parliament what they should do with the report and how they should act on the findings. Nor is it the role of the auditor general to prescribe punishment. What I can say is that the issues raised by the two Ebola audits highlight the same problems raised in our

annual report and as a Sierra Leonean I think it should have been dealt with better. For serious breaches of financial management procedure I would support forcing the individuals responsible to pay back the money. It would send a strong message. But currently this does not happen. People continue to get away with transgressions.

ON MONITORING AID AND INVESTMENT

● *Is international donor funding in health, education and infrastructure and large-scale investment projects sufficiently open to scrutiny from the ASSL? Why is this important?*

6 During the Ebola outbreak none of the funds that came in, apart from those that went directly to the government, were subject to the scrutiny of the audit office. This is despite us writing letters to donors asking to see how the money was being spent.

I understand that the money coming in was not Sierra Leonean taxpayers' money, but these were funds being spent to support and help the people of this country. The ASSL has the constitutional mandate to report to the Parliament of Sierra Leone (see endnotes), which in turn is directly accountable to the citizens of this country. When international partners claim they have helped improve the country in key sectors like health and education we would like to be able to verify and validate those claims. This could be done if auditing of these funds was standard practice.

“WHEN INTERNATIONAL PARTNERS CLAIM THEY HAVE HELPED IMPROVE THE COUNTRY IN KEY SECTORS LIKE HEALTH AND EDUCATION WE WOULD LIKE TO BE ABLE TO VERIFY AND VALIDATE THOSE CLAIMS”

Institutionally we have come a long way, so a lack of capacity is not an issue. At the very least international actors could give us copies of their audits to put in our own reports. But this does not always happen and some of the agreements the government enters into with external agencies lack transparency.

More broadly, we do audit World Bank-funded projects and conduct quality assurance on audits done for African Development Bank-funded projects. The ASSL does audit funds from the UK's Department for International

Development given as direct budget support to the government through our regular audits of MDAs.

“THE QUALITY OF OUR REPORTS AND OUR CREDIBILITY IS EVERYTHING”

We would like to engage in monitoring some of the infrastructure projects being undertaken in Sierra Leone; and also to carry out IT and extractive industry audits. A special investigations team would enable us to explore new areas without distracting us from the work we are doing now. We cannot do everything, however, and it would be difficult, for example, to obtain the contracts and documentation necessary to carry out an audit of Chinese infrastructure projects. We are not shying away from that challenge or any other, but it is important that we do not overstretch ourselves. The quality of our reports and our credibility is everything. I believe in focusing on what is achievable and doing it right, only then can you expand and grow.

ON TRANSPARENCY AND PUBLIC ENGAGEMENT

9

● *How does the work of the ASSL contribute to improving the awareness of citizens about government initiatives and projects that aim to deliver basic public services for citizens of Sierra Leone? What else could be done to improve engagement with the wider population?*

“ Before becoming Auditor General I met people that did not even know the office existed, when in fact it has been around in various guises since 1962. In 2010 our annual report became a public document but it was not until 2012 that it became public knowledge. It was in that year, shortly after I took office, that we started making a concerted effort to raise levels of citizen awareness about its contents. It is important Sierra Leoneans are better informed about what is really happening with government finances.

Take the South African municipal elections in August 2016 as an example. I watched a political rally the weekend before the vote where people were using the findings of the auditor general’s report to hold the municipal authority to account, asking questions about its misuse of funds. This would not have happened if the reports were not publicly available. It is a great example of how the work of audit offices can push for change even when governments



are reluctant to do so. If we can engage Sierra Leoneans sufficiently, they will be the ones to pressure the government into reform.

In 2015, 4% of the ASSL budget, which is a little over US\$1m, was set aside for civic engagement. Staff, accompanied by the principal auditor of the Parliamentary Public Accounts Committee (see endnotes), embarked on a nationwide sensitisation and awareness-raising programme. The aim was twofold: to explain the operations of the audit office and to share the contents of the most recent reports. We had meetings with key stakeholders in all 14 districts of the country. There were interactive radio debates in English and vernacular languages, and schools were visited to educate the next generation. In total, over 50 public gatherings were held.

**“IT IS IMPORTANT SIERRA LEONEANS ARE BETTER INFORMED ABOUT
WHAT IS REALLY HAPPENING WITH GOVERNMENT FINANCES”**

Engaging with civil society and journalists when a new report is issued is also important. By convening day-long information sessions we can better position them to inform the wider population of our key findings. But further improvements are needed. The voluminous nature of our annual report does not make it widely accessible. We are in the process of developing an approach to present key findings in a more digestible and visually engaging way. The first report to benefit from accompanying infographics will be the 2014 annual report which was tabled in 2015.

Efforts to improve our own transparency at the ASSL have led to more questions being asked of government as to why certain expenditure is poorly accounted for and why promised projects are not being delivered. Our financial statement for 2015 was externally audited and published on our website. We also have to set a good example and reflect on what we can do better.

ENDNOTES

The **Audit Service Sierra Leone** is the Supreme Audit Institution of Sierra Leone. Section 119 of the 1991 Constitution of Sierra Leone provides for the establishment of the office and the functions of the auditor general. It is mandated to oversee 39 ministries, departments and agencies (MDAs), 19 local councils, 149 chiefdoms, 64 statutory bodies and donor-funded projects.

Between May and October 2014 the Government of Sierra Leone spent more than 84bn Leones (US\$19m) tackling the Ebola epidemic. The **first Ebola audit** report, published on 13 February 2015, examined the expenditure. It found that 30% of the money was disbursed without proper supporting documentation. A **second Ebola audit report** followed a year later. It recognised that improvements had been made, but articulated continuing concerns about the management of fixed assets and closed procurement processes. It also expressed disquiet about the lack of action relevant institutions had taken to address the issues raised in the first report, and to recover money that had been spent without due process.

The **Audit Service Act 2014** provides for the continuance of 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. It replaced the Audit Service Act 1998, which was implemented in 2004.

The **Parliament of Sierra Leone** comprises 124 members, of whom 112 are directly elected from across Sierra Leone's 14 districts. Only two political parties are represented: 70 MPs are from the ruling All People's Congress (APC) and 42 from the opposition Sierra Leone People's Party (SLPP). The remaining representatives are paramount chiefs from the 12 provincial districts. The legislative power of Sierra Leone is vested in Parliament.

The **Public Accounts Committee (PAC)** is a committee of Parliament. Its 11 members, all MPs, are appointed in proportion to the number of MPs in each political party elected to Parliament. The current chairman of the PAC is Hon. Chernor R.M. Bah of the APC. The PAC is responsible for reviewing the financial statements of government MDAs, and examining the management of public money.

The **Sierra Leone Anti-Corruption Commission (ACC)** was established by the Anti-Corruption Act of 2000. That Act was repealed and replaced eight years later when the Anti-Corruption Act 2008 was passed into law by Parliament. The 2008 legislation gave the ACC powers to prosecute for the first time. Its current head, Commissioner Ady Macauley, was appointed to the role in March 2016, replacing Joseph Kamara.

NOTES

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³ Rwirahira. R, "AG report: Parliament toughens on parastatals", *New Times Rwanda*, 16 May 2016

⁴ Magubane. K, "Auditor-general looks for way to strengthen powers", *Business Day Live*, 11 July 2016

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⁶ Magubane. K, "Auditor-general looks for way to strengthen powers", *Business Day Live*, 11 July 2016

⁷ Mtulya. A, "Concern as CAG office budget slashed by half", *The Citizen*, 31 May 2016

⁸ BudgIT uses an array of approaches to simplify the budget and matters of public spending for citizens, with the primary aim of raising standards of transparency and accountability in government



Lara Taylor-Pearce

Auditor General of the Republic of Sierra Leone

Lara Taylor-Pearce is Auditor General of the Republic of Sierra Leone.

Taylor-Pearce was educated at Fourah Bay College, University of Sierra Leone. She began her career at KPMG in 1991. After nine years in the private sector she joined Sierra Leone's accountant general's department as a technical assistant.

Following a decade in public service she was appointed Auditor General in 2011, having served as deputy since 2007.

Taylor-Pearce is chair of the African Region of Supreme Auditing Institutions in English Speaking Africa (AFROSAI-E), the first woman and first West African to hold that position. In 2015, she received the Sierra Leone Anti-Corruption Commission's National Integrity Award.

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