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EXAMPLE OF AN AUDIT REPORT

[The example from Sierra Leone, which refers to what took place before the Sierra Leone Road Authority was set up, is the most comprehensive example.]

1. ZAMBIA NATIONAL ROADS BOARD

[This audit report on the Receipts and payments Statement of the Fuel levy Fund was prepared by Deloitte Touche Tohmatsu International.]

REPORT OF THE AUDITORS

To The Board of the National Roads Board

We have audited the receipts and payments statement of the National Roads Board on pages 3 to 7.

RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND AUDITORS

The Management of the National Roads Board are responsible for the preparation of tile Receipts and Payments Statement. It is our responsibility to form an independent opinion, based on our audit, on that statement and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with approved Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosure in the Receipts and Payments Statement. It also includes an assessment of the significant estimates and judgments made by the Management in the preparation of the Receipts and Payments Statement and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

However the evidence available to us was limited because of the following:

- There were no procedures that we could adopt, without examining the records of the Provincial Road Engineers and the Councils, to verify that the amounts of K1,336,500,000 and K864,956,265 paid out to the recipients as disclosed in notes 6 and 7 were applied for the purpose of road maintenance. Our opinion is not qualified in this respect.

OPINION

In our opinion the Receipts and Payments Statement referred to above presents fairly, in all material respects, the National Roads Board fuel levy fund receipts and payments for the period 1 October 1994 to 30 September 1995, in conformity with the basis of accounting described in note 1.

Signed by one of the Partners

There follows in the report:

- (i) Receipts and Payments Statement; and
- (ii) Receipts and payments Statement of the Fuel Levy Fund.

REPORT OF THE INDEPENDENT AUDITORS ON COMPLIANCE

We have audited the receipts and payments statement of the National Roads Board fuel levy fund as of and for the period 1 October 1994 to 30 September 1995 and have issued our report thereon dated 7 May 1996.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special account statement is free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to the National Roads Board is the responsibility of the National Roads Board management. As part of obtaining reasonable assurance about whether the Receipts and Payments Statement is free of material misstatement, we performed tests of the National Roads Board's compliance with policy guidelines on road levy disbursements. However, our objective was not to provide an opinion on overall compliance with such provisions.

The result of our tests indicate that, with respect to the items tested, sums amounting to K5,201,017,202 paid to the Ministry of Works and Supply as disclosed in note 5 were applied for construction and rehabilitation of roads. The policy guidelines on road levy disbursements indicate that road levy funds should be used for road maintenance only and not for road rehabilitation or construction. In addition an amount of K82,510,000 as disclosed in note 8 was disbursed to the Ministry of Local Government and Housing and used for the purpose of purchasing tractors. The guidelines indicate that road levy disbursements shall not be used for procurement of capital items.

The above amounts may therefore not have been disbursed in accordance with the policy guidelines.

With respect to items not tested, nothing came to our attention that caused us to believe that the National Roads Board had not complied, in all material respects, with those provisions.

Signed by one of the Partners

2. SIERRA LEONE ROADS AUTHORITY

[This report on the Audit of the Road Fund and Road Fund Account was prepared by KPMG Peat Marwick.]

Audit of the Road Fund and Road Fund Account

We have pleasure in submitting the attached report on above audit.

This report is issued solely for the purpose for which it is intended and should not be quoted or referred to in whole or in part without our prior written consent.

We take this opportunity of thanking the management and staff for the cooperation received during the audit.

SIERRA LEONE ROADS AUTHORITY

INTRODUCTION

The Road Fund was established in September 1989 to finance road maintenance work nationwide. Funding was by levies charged on motor fuel oils and these were paid into an account at the Bank of Sierra Leone by the Comptroller of Customs. Payments were made at varying rates but were suspended in June 1991 due to a change of policy by the Government. Following the suspension, maintenance work by the Department was severely restricted until a subvention was received from the Government in June 1992 and some repair work was carried out.

With effect from 1 July 1992, the Sierra Leone Roads Authority Act, 1992 came into operation and payment of the road user levy to the Road Fund Account resumed at the rate of Le 100 per gallon of petrol and diesel.

In a letter from the Director General dated 20 January 1993, we were requested to carry out an audit of the Road Fund and Road Fund Account. We had earlier done an audit of the Road Fund from its inception to 31 December 1991.

SCOPE OF WORK

In our contract with the Sierra Leone Roads Authority, we agreed to carry out the following tests:

- i. verify all payments and expenditures made into the Road Fund for the period

- January 1 - June 30, 1992;
- ii. verify all payments made into the Road Fund Account by the Comptroller of Customs against credits recorded at the Bank of Sierra Leone;
 - iii. determine the magnitude of levy of road user charges paid by all the oil companies to the Comptroller of Customs;
 - iv. reconcile the monies paid into the Road Fund Account with records maintained by the Accounts Sections of the Department of Works and the Roads Authority;
 - v. vouch the expenses for the Road Fund Account with expenditures committed to:
 - a. the purchase or hire of vehicles and plants
 - b. the purchase of equipment and tools
 - c. the purchase of consumables such as fuel, oils and lubricants
 - d. the purchase of spare parts and tires
 - e. the purchase of office furniture and equipment, and
 - f. any other items that could be identified.
 - vi. inspect all vouchers and supporting documents in respect of all expenses incurred by the Department of Works and the Roads Authority and debited to the Road Fund;
 - vii. examine and comment on the procedure and award of tenders for goods and services;
 - viii. verify to the extent possible the main works undertaken on the roads that were repaired;
 - ix. inspect records and registers for vehicles, plants, machinery and spare parts purchased from the Road Fund Account including physical verifications and store records where possible.

We were unable to verify the receipts or expenditure made between 1 January and 2 March 1992 as the vote book and bank statements covering that period were not available.

We were also unable to verify eleven out of the twelve landrovers purchased from the Road Fund and we are informed that these were seized during the military takeover.

SIERRA LEONE ROADS AUTHORITY

FINDINGS AND RECOMMENDATION

INCOME

1. Findings

The road user charge is included in the pump price of fuel oils and accounted for by the oil marketing companies when sales are made to the public. These are paid over to the Comptroller of Customs together with customs duty payment for subsequent lodgment into the Road Fund Account.

We attempted to check on the completeness of income received from the Comptroller using two methods;

1. extracted quantities of fuel oils sold for the period from the Bills of Entry submitted by the oil marketing companies and computed the expected levies to be paid over to the Fund Account;
2. verified the quantities of fuel oils sold during the period by requesting the oil marketing companies to confirm directly to us, their sales for the period.

From the first test we observed an overpayment of Le 8.4m had been made to the Road Fund Account which may have arisen due to incorrect accounting by the Comptroller of Customs.

We have so far not received all the replies to the confirmations requested in our second test but from the responses received so far, it would appear that there is a shortfall of payment to the Fund Account of approximately Le 96.3m. This represents the difference between sales confirmed to us by the marketing companies and what had been accounted for on Bills of Entry submitted to the Comptroller of Customs.

Recommendation

This shortfall is considered to be substantial and there is therefore a need to determine the best method of ensuring that all payments to the Fund are made promptly rather than wait for an audit to determine the fact. As an interim measure, we recommend that copies of Bills of Entry should also be submitted to the Authority to serve as an independent check on completeness of income.

Circumstances giving rise to quantities confirmed by the oil companies being different from those recorded on the Bills of Entry should also be investigated with a view to determining the correct quantity of fuel sold during the period.

Management's comment

Management is very concerned about your findings as this is the major source of local income to the Authority.

In addition to your recommendations, management is considering alternative measures to ensure that in future total cash paid as road user levy are made available to the Authority.

Management is exploring the possibility of having the road levies paid directly to the account of the Authority by Oil Marketing Companies.

The circumstances giving rise to quantities confirmed by the oil companies being different from those recorded on the bills of entry are also being investigated and you will be informed of the results as soon as it becomes available.

2. Findings

Another source of income during the period July to December 1992 was the sale of contract documents to interested parties. These documents were sold for Le 50,000 per copy and the proceeds lodged at Barclays Bank of Sierra Leone Limited. We noted that twenty four copies of the documents were sold but only Le 1.1m was lodged with the Bank leaving a balance of Le 100,000.

Recommendation

We recommend that the difference noted above be investigated with a view to determining the reason for the short payment.

Management's comment

The sale of contract documents referred to in your findings was carried out on behalf of the Authority by Sheladia Associates Inc. in association with Edward Davies & Associates. The sales of all contract documents were properly accounted for. The statement of reconciliation in respect of the entire sales will be forwarded to you later.

3. Findings

Section 25 of the Sierra Leone Roads Authority Act stipulates that apart from the road user charge on fuel, vehicle licensing and registration fees should also be paid into the Road Fund Account. There is no evidence that this provision of the Act was complied with.

Recommendation

We recommend that steps be taken to ensure that all monies which are by law supposed to be paid into the Fund Account are so paid. The modalities may have to be worked out with the licensing authorities.

Management's comment

Management agrees with the pertinent points raised by you in your findings relating to this and measures are now being implemented in line with your recommendation.

EXPENDITURE

1. Findings

We are of the view that procurements were not made at the best possible prices. We observed that although the purchasing contracts had not been finalised, items bought from the suppliers who had been identified by the Central Tenders Board were at higher prices than the amounts quoted on their tender documents. For example, ABR Trading Stores were offering cement at Le 3,200 per bag but this was bought from them at Le 3,800 per bag. Also, batteries were purchased from Auto Care at Le 90,000 instead of Le 65,000 which they had tendered.

Recommendation

We recommend that in future offer terms be scrutinized more carefully to ensure that payments for procurements are made at competitive prices which had been quoted.

Management's comment

Your recommendation relating thereto has been noted and will be duly implemented.

2. Findings

We observed that repairs and maintenance costs on the Authority's vehicles are very high. In the six months ended 31 December 1992, a total of Le 38m was spent on these expenses.

Recommendation

We recommend that a vehicle record card be maintained for each vehicle which would record the details of expenses incurred on it. This would facilitate monitoring repairs costs and where it is observed that the expenses on a particular vehicle are unduly high, a decision could be taken as to whether it would be more cost effective to dispose of it.

Management's comment

Management is of the view that the repairs and maintenance costs totaling Le 38 million was comparatively not very high. Considering the inflationary tendencies of the economy during this period, the number of vehicles the Authority had, and the nature and type of work done, it would be stated that it was only out of strict monitoring and control measures

that such a level was maintained. Vehicle record cards are now being maintained for each vehicle and details required will be incorporated.

3. Findings

We note that in some instances, reimbursements to imprests are given as lump sums rather than the specific amount required to replenish the imprest.

Recommendation

We advise that such a system could lead to abuse and reimbursements of imprests should only be given on the basis of details of expenses incurred which must be supported by the relevant bills or receipts.

Management's comment

Your recommendation relating thereto has been noted and duly implemented.

GENERAL

1. Findings

We note that a net amount of Le 36.45m outstanding since February 1991 is still due from Premier Suppliers. This was in respect of advance payment for 5 Leyland tippers.

Recommendation

We advise that efforts should be intensified to recover this money and where this proves difficult, legal action should be considered.

Management's comment

This has been under investigation by various commissions of inquiry set up by the NPRC Government, the results of which have not yet been published. You will be informed of the outcome.

2. Findings

At the end of December 1991, there was a balance of Le 429,438 in the Road Fund with the Bank of Sierra Leone. We have not been able to ascertain to what purpose this money has been put as we could trace neither the relevant vote book nor the bank statements. This has been included in the cash balance at the end of the period pending clarification.

Also, the bank statements from 1st January to 2nd March 1992 of the Road Fund Account could not be traced and we therefore have no details of any receipts and expenditure during that period.

Recommendation

We recommend that the above documents be located and presented to us to enable us to complete our test on them.

Management's comment

The documents requested in respect of this will be forwarded to you in due course.

In addition to the above report, the following tables were attached to the Audit Report:

- (i) the Income & Expenditure Account
for 6-months period ending 30th June 1992 and
16-months ending 31st December 1991
- (ii) Statement of Affairs
for periods ending 30th June 1992 and 31st December 1991
- (iii) Statement of Receipts & Payments
for 6-months period ending 30th June 1992 and
16-months ending 31st December 1991
- (iv) Analysis of Account Balances
- (v) Income & Expenditure Account
for 6-months ended 31st December 1992
- (vi) Statement of Affairs
as at 31st December 1992
- (vii) Statement of Receipts & Payments
for 6-months ended 31st December 1992
- (viii) Analysis of Accounts