

29 June 2021

The General Manager
Guma Valley Water Company
12/14 Lamina Sankoh Street
Freetown

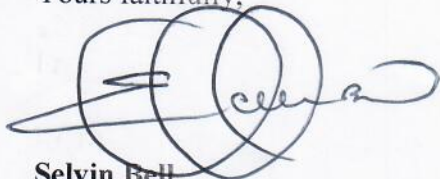
Dear Sir,

**SUBMISSION OF FINAL MANAGEMENT LETTER FOR THE YEAR ENDED 31ST
DECEMBER 2020 - FREETOWN WASH AND AQUATIC ENVIRONMENT
REVAMPING PROJECT**

We forward herewith three (3) bound copies and two (2) unbound copies of the Final Management Letter for the above mentioned period for your retention.

Thank you for your co-operation and that of your staff that culminated in the successful conclusion of the audit process.

Yours faithfully,



Selvin Bell
F/AUDITOR GENERAL



**Final
Management
Letter on the
Audit of the
Freetown
WASH Aquatic
Revamping
Project
(FWASHAERP)**

2020

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1. EXECUTIVE SUMMARY

The following is a summary of significant findings that arose during the audit exercise:

1.1 Ineligible Expenditures

A review of payment vouchers and relevant supporting documents submitted for audit revealed that an amount of **US\$36,548.40** was withdrawn in September, November and December, from the counterpart fund account and paid to top management officers of the Project as a Loan. There has been no repayment of the loan to the project counterpart fund account. It should be noted that the project fund is meant to be utilised on projects related activities and not otherwise. An amount withdrawn and given out to top project management team members could best be classified as an ineligible expenditure.

1.2 Follow up of prior year's recommendations

There was no follow-up on the prior year's audit recommendations, as this is a new project and the first audit exercise conducted.

1.3 Overall Conclusion

The overall controls in place at FWASHAERP are satisfactory. The project team needs to put in place measures that would comprehensively address compliance issues and instil integrity and accountability in the use of project resources. The Project management should continue to implement robust control procedures necessary for sound and prudent financial management. The rules and regulations in respect of them should also be adequately and appropriately followed. Additionally, measures should be taken to implement the recommendations in the audit queries as detailed in the body of the report. The above, if implemented, is expected to enhance an effective system of control and improve on the accountability and operational effectiveness of the FWASHAERP in the future.

2. INTRODUCTION

2.1 Background

The Freetown WASH & Aquatic Environment Revamping Project (FWASHAERP) covers the greater Freetown area, the capital city of Sierra Leone. The Project aims at contributing a 15% increase in access to safe water supply and a 7% increase in access to improved sanitation in Sierra Leone. The Project also includes measures to institutionalise the Integrated Urban Water Management (IUWM) approach and, in particular, provide for sustainable management of the Freetown peninsular watershed. The total project cost is estimated at UA135.12 million, including Fund's (AfDB) contribution of UA10.00 million. The Project will be implemented within sixty-six (66) months.

The Project will directly benefit an estimated 1,400,000 people (51% women), provided with access to safe water, including new access for 1,000,000 people and restoring a regular daily water service for 400,000 people. Environmental sanitation conditions will be improved, including improving the hygiene and sanitation habits of at least 200,000 people in the city's vulnerable communities. The Project will create over 2,700 jobs and restore the Freetown peninsular watershed, thereby reducing the impact of the extreme climate events to living conditions and enhancing resources sustainability of the Protected Forest Area - the *Western Area Peninsular* watershed. Overall, the water and sanitation services regulatory environment and improved delivery of the services will provide a firm foundation for long- term financial sustainability of Guma Valley Water Company and Freetown City Council.

The Project's overall objective is to improve the water supply and sanitation services while ensuring the sustainability of the vital aquatic ecosystem in the Western Area/Freetown.

The Specific objectives of the Project are:

- a. to rehabilitate and expand water treatment, transmission, storage and distribution systems.
- b. to improve solid and liquid waste collection, treatment and disposal services;
- c. to provide infrastructure and enhance capacity for the effective protection of the Western Area Protected Forest/Watershed; and
- d. to promote good sanitation, hygiene and child nutrition practices of the primary beneficiaries while facilitating their gainful participation in the improvement of FWASHAERP services.

The Guma Valley Water Company (GVWC), a State-Owned Enterprise (SOE) established by the Guma Valley Water Company Act 2017, is the Project's Executing Agency. GVWC is executing the Freetown WASH and Aquatic Environment Revamping Project (FWASHAERP) in partnership with five relevant agencies by virtue of their statutory responsibilities.

The key Implementing Partner Agencies are:

- i. Freetown City Council (FCC), which holds the mandate for waste management, including land drainage in the city (Western Area Urban);
- ii. WARDC which holds the mandate for waste management, including land drainage in the Western Area Rural District;
- iii. National Water Resources Management Agency (NWRMA), which hold the mandate for water resources management;
- iv. National Protected Areas Authority (NPAA), which hold the mandate for gazetted protected areas; and
- v. Directorate of Gender, which holds the mandate for gender/child/social- welfare affairs.

1.1 Scope

The audit covered the financial statements of FWASHAERP for the period from 1st January to 31st December 2020.

1.2 Objectives

To give an opinion on the 2020 financial statements of FWASHAERP as to whether they are free from material misstatement and are fairly presented in accordance with International Financial Reporting Standards (IFRS), and to review and assess control systems in place and provide recommendations for improvement.

1.3 Audit Approach

This audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI). These standards require that we carry out a risk assessment to focus resources on the areas of most significant audit risk in the conduct of our work. During this engagement, we:

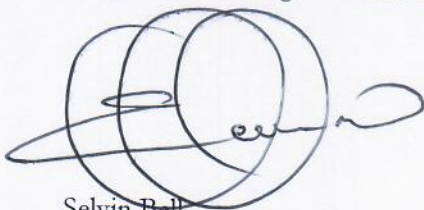
- held discussions with key members of FWASHAERP staff;
- reviewed key documents;
- tested vital controls; and
- Tested financial transactions on a sample basis.

Detailed audit findings are presented in the following sections of the report. These findings have been prioritised as high, medium or low according to the criteria set in the table below.

Risk Rating	Description
High	Matters which may pose a significant business or financial risk to the entity; and/or matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity.
Medium	Matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year; and/or matters that may escalate to high risk if not addressed promptly.
Low	Matters that are isolated, non-systemic or procedural in nature, and/or matters that reflect relatively minor administrative shortcomings and require action in order to improve the entity's overall control environment.

2.5 Appreciation

We want to take this opportunity to thank all staff of FWASHAERP for their assistance and cooperation during the audit assignment.



Selvin Bell
F/AUDITOR GENERAL

3. NON-COMPLIANCE WITH STATUTORY OBLIGATION

Ref.	Finding	Risks	Priority	Recommendations	Management's Response & Proposed Action
Pay as You Earn Not Deducted and Paid Over to National Revenue Authority					
3.1	<p>The following issues were noted:</p> <p>(i) The project management did not deduct and pay Income taxes (Pay-as-you-earn) from monthly allowances paid to Project Implementation Committee members (PIC), amounting to Le193,544,384 (US\$19,200) to the National Revenue Authority (NRA) for the period under review. The non-deduction of PAYE taxes was a contravention of Section 3 (1&2) of the Income Tax Act, 2000. Section 23 of the Income Tax Act of 2000 categorised compensation paid to project staff as employment income. However, a 5.5% withholding tax of Le35,483,137.57 (US\$3,519.80) was deducted on staff allowances for the period under review instead of the PAYE. A difference of Le158,061,247 (US\$15,681) was noted as tax due to NRA. See Appendix "A" for details.</p>	<p>(i) There is a risk of non-compliance with state laws and regulations for the implementation of the Project.</p> <p>(ii) Non-deduction of PAYE and payment of withholding tax might have resulted in a loss of Government funds.</p>	H	<p>(i) In consultation with the Financial Management Specialist, the Project Manager must ensure that going forward, income tax is deducted as stipulated in the Income Tax Act of 2000.</p> <p>(ii) The 5.5% withholding tax of Le35,483,137.57 (US\$3,519.80) is paid to the NRA and receipt in support of payment made submitted to the Audit Service within 15 days of receipt of this report.</p>	<p>(i) The Auditor's comment is noted. We have calculated the difference between the PAYE and WHT amounts already deducted and paid to National Revenue Authority (NRA). The necessary documents & receipts are available upon verification.</p> <p>(ii) Payment also made to NRA. The necessary documents are available for verification by Audit Service Sierra Leone.</p> <p>Responsible Officer:</p> <p>Implementation Date:</p> <p>Auditor's Comment: Payment voucher, bank transfer in support of payments made to the National Revenue Authority and receipts justifying payments made totalling</p>

Ref.	Finding	Risks	Priority	Recommendations	Management's Response & Proposed Action
	(ii) Receipts to justify that the 5.5% withholding tax of Le35,483,137.57 (US\$3,519.80) deducted was paid to the NRA was not submitted for audit review.				<p>Le193,544,384 (US\$19,200) and Le35,483,137.57 (US\$3,519.80) in support of PAYE and 5.5% withholding tax respectively were submitted and verified. Our recommendations were implemented. Therefore, the issue is resolved.</p>
Ineligible Expenditures					
3.2	<p>Payment vouchers and relevant supporting documents reviewed revealed that an amount of \$36,548.40 was withdrawn in September, November and December, from the counterpart fund account and paid to some of the Project officers as a Loan. There has been no repayment of the loan to the project counterpart fund account.</p> <p>The project fund is meant to be utilised on project-related activities and not otherwise. An amount withdrawn and paid to project team members could be classified as an ineligible expenditure. See Appendix "B" for details.</p>	<p>There is a risk that project funds may have been diverted for uses separate from the intended purpose, and it may not help in achieving the project goals.</p>	H	<p>The Project Manager should ensure the following:</p> <p>(i) The loan is recouped from staff and paid into the counterpart fund account. Deposit slips and bank statement in support of payment made are submitted to the Audit Service within 15 days of the receipt of this report.</p> <p>(ii) In future, funds must be utilised specifically for project activities.</p>	<p>The Auditors comment is well noted. The Project Management has put in place a mechanism in order to recoup the said loans awarded to these Technical Assistants. The necessary documents would be made available upon request.</p> <p>Responsible Officer:</p> <p>Implementation Date:</p> <p>Auditor's Comment:</p> <p>Evidence supporting that loans disbursed to Project Officers have been recouped were not submitted for verification. Our recommendation was</p>

Ref.	Finding	Risks	Priority	Recommendations	Management's Response & Proposed Action
Provision for September and October Salary					
33	<p>Reviewing the financial statements submitted for audit reveals that the Financial Management Technical Assistant recognises an amount totalling US\$74,600 as accrued consultancy fees for four of the Technical Assistants for September and October. However, according to their Employment contract, they were to commence work effective 30th October 2020. Therefore, the said period and the amount stated were not covered in any of their employment contracts.</p>	<p>Payment for consultancy fees outside the scope of the employment contract could be best classified as a breach of the employment contract and could lead to a loss of public funds</p>	H	<p>The Financial Management Specialist should reverse the amount accrued, adjust the accounting records, and revise financial statements submitted to the Audit Service within 15 days of receiving this report.</p>	<p>The Auditor's comment is noted. The necessary reversals have been done, and necessary changes effected on the financial statements. New Financial statements are available for verification.</p> <p>Responsible Officer:</p> <p>Implementation Date:</p> <p>Auditor's Comment:</p> <p>Approved journal in support of reversal of the provision of US\$74,600 was submitted and verified. In addition, a revised financial statement supporting the reversal was also submitted and verified. Therefore, the issue is resolved.</p>

4. DISBURSEMENT

Ref	Findings	Risk	Priority	Recommendation	Management's Response & Proposed Action
Non-Payment of Withholding Taxes to National Revenue Authority					
4.1	<p>Section 130(1) of the Income Tax Act 2000 states, "Any tax that has been withheld or should have been withheld by a withholding agent shall be paid by such agent to the Commissioner within fifteen days of the end of the month in which it was or should have been withheld".</p> <p>Contrary to the above, an amount totalling Le17,332,661 withheld as 5.5% WHT by the project team was not paid to the NRA. See Appendix C for details.</p>	<p>The Commission did not comply with the above mentioned statutory provision.</p> <p>Non-deduction and payment of withholding taxes might have resulted in a loss of Government funds.</p>	H	<p>The Project Manager, in consultation with the Financial Management Specialist, should ensure the following:</p> <p>(i) The 5.5% withholding tax of Le17,332,661 is paid to the NRA and receipt in support of payment made submitted to the Audit Service within 15 days of receipt of this report</p> <p>(ii) In future, the project management team must ensure it adheres to section 130(1) of the Income Tax Act 2000.</p>	<p>(i) The Auditor's comment is noted. The necessary payment regarding the withholding taxes amounting to Le 17,332,661.00 has been paid to the National Revenue Authority. The receipt and other necessary documents are available for verification.</p> <p>(ii) The Auditor's comment has been noted. The project management team in future will comply with the Income Tax Act of 2000.</p> <p>Responsible Officer:</p> <p>Implementation Date:</p>



Ref	Findings	Risk	Priority	Recommendation	Management's Response & Proposed Action
					<p>Auditor's Comment:</p> <p>Payment voucher, bank transfer in support of payments made to the National Revenue Authority and receipts justifying payments made totalling Le17,332,661 5.5% withholding tax were submitted and verified. Our recommendations were implemented. Therefore, the issue is resolved.</p>

5. FINANCIAL STATEMENT

Ref	Findings	Risk	Priority	Recommendation	Management's Response & Proposed Action
Financial Statements preparation and presentation					
4.1	<p>The following were observed:</p> <p>(i) There were no notes in the financial statements submitted for audit. Notes not available makes it difficult to determine the following:</p> <ul style="list-style-type: none"> • The basis upon which it was prepared • The functional and presentational currency of the Project <p>(ii) Rates at which assets capitalised are to be depreciated were missing in the Financial Statements submitted though the Financial Management Specialist informed us that the financial statement was prepared on an accrual basis.</p> <p>(iii) We were not provided with a policy for managing non-current assets, which restricts us from determining the threshold for the capitalisation of assets acquired.</p>	<p>Making informed decisions on the Project's financials can prove challenging.</p>	H	<p>The Project Manager through the Financial Management Specialist should submit a revised financial statement with appropriate notes and the policy for the management of non-current assets to the Audit Service within 15 days upon the receipt of this report; failure will result in a qualified opinion expressed on the financial statements.</p>	<p>The Auditor's comment is noted. The necessary revised financial statements with appropriate notes to the accounts have been done and are now available for verification.</p> <p>Responsible Officer:</p> <p>Implementation Date:</p> <p>Auditor's Comment:</p> <p>A revised financial statement with notes to the accounts supporting issues noted in points (i) to (iii) was submitted verified. Therefore, the issue is resolved.</p>

6. APPENDICES
Appendix A
Non-Compliance With Statutory Obligations

No.	Names	Designations	Number of Months	Total Amounts (Le)	Pay As You Earn – PAYE (Le)	Withholding Tax Deducted (Le)	Tax Payable (Le)	Tax Payable USD
PROJECT IMPLEMENTATION COMMITTEE PERSONNEL								
1	Maada S. Kpenge	Managing Director	7	76,562,654	22,968,796	4,210,946	18,757,850	1,861
2	Yvonee Aki-Sawyerr	Mayor FCC	6	65,553,645	19,666,094	3,605,450	16,060,644	1,593
3	Francis Lahai	DMD/PC	7	153,125,307	45,937,592	8,421,892	37,515,700	3,722
4	Raymond Awoonor Williams	Director of Water and Tech Services	2	10,568,649	3,170,595	581,276	2,589,319	257
5	Ansu B. Turay	Conservation Specialist	4	21,137,297	6,341,189	1,162,551	5,178,638	514
6	Alhaji Sesay	Development Engineer	4	21,137,297	6,341,189	1,162,551	5,178,638	514
7	Abdul Karim Marrah	Director of Planning	7	36,750,074	11,025,022	2,021,254	9,003,768	893
8	Modupe Williams	Mayor's Delivery team Lead	7	36,750,074	11,025,022	2,021,254	9,003,768	893
9	Tiideni Hawa Jabbi	Director of Water Planning, Research and Operations	7	36,750,074	11,025,022	2,021,254	9,003,768	893
10	Ishamail Bundu	Project & Dev. Engineer	7	42,875,086	12,862,526	2,358,130	10,504,396	1,042
11	Ahmed C. Turay	Fin. Accountant	7	42,875,086	12,862,526	2,358,130	10,504,396	1,042
12	Derrick Coker	Assistant Accountant/Clerk	7	36,750,074	11,025,022	2,021,254	9,003,768	893
13	Christian Sankoh	Procurement Officer	7	42,875,086	12,862,526	2,358,130	10,504,396	1,042
14	Ing Ibrahim Bah	The Planning Research and Development Manager	7	21,437,543	6,431,263	1,179,065	5,252,198	521
Total				645,147,946	193,544,384	35,483,137	158,061,247	15,681

Appendix B
Loan to Project Technical Assistant

Date	Chg No.	Account	Bank Acct	Supplier	Description	Amount
18-Sep-20	3708522	FWASH-SLCB	GOSL Counterpart	Kingston Mame	Payment iro Financial Assistance to Project T/A	49,466,250
18-Sep-20	3708529	FWASH-SLCB	GOSL_Counterpart	Miranda Davies	Payment iro Financial Assistance to Project T/A	19,786,500
18-Sep-20	3708525	FWASH-SLCB	GOSL_Counterpart	Jacob Tumbulto	Payment iro Financial Assistance to Project T/A	19,786,500
18-Sep-20	3708526	FWASH-SLCB	GOSL_Counterpart	Cephas Oguah	Payment iro Financial Assistance to Project T/A	19,786,500
03-Nov-20	3708562	FWASH-SLCB	GOSL_Counterpart	Kingston Mame	Loan Assistance to T/A	30,038,280
03-Nov-20	3708564	FWASH-SLCB	GOSL_Counterpart	Jacob Tumbulto	Loan Assistance to T/A	30,038,280
03-Nov-20	3708565	FWASH-SLCB	GOSL_Counterpart	Cephas Oguah	Loan Assistance to T/A	30,038,280
03-Nov-20	3708566	FWASH-SLCB	GOSL_Counterpart	Miranda Davies	Loan Assistance to T/A	30,038,280
12/16/2020	37808595	FWASH-SLCB	GOSL_Counterpart	Jacob Tumbulto	Loan Assistance to T/A - Jacob	30,295,470
12/16/2020	37808596	FWASH-SLCB	GOSL_Counterpart	Cephas Oguah	Loan Assistance to T/A	30,295,470
12/16/2020	37808597	FWASH-SLCB	GOSL_Counterpart	Miranda Davies	Loan Assistance to T/A	30,295,470
12/16/2020	37808598	FWASH-SLCB	GOSL_Counterpart	Kingston Mame	Loan Assistance to T/A	45,443,205
12/16/2020	37808598	FWASH-SLCB	GOSL_Counterpart	Kingston Mame	Loan Assistance to T/A	5,049,245
TOTAL						370,357,730

Appendix C
Non-Payment of Withholding Taxes to National Revenue Authority

Date	Ch No	Bank Acct	Supplier	Description	Gross Amount	5.5% WHT
28-Aug-20	3708500	GOSL_Co unterpart	Musa Mansaray	Materials to repair 7th floor iro of Project technical Assistant Office	605,000	33,275
28-Aug-20	3708501	GOSL_Co unterpart	A A Enterprise	6 1/2 Yard Carpet for Project Technical assistant Offices	4,335,500	238,453
28-Aug-20	3708502	GOSL_Co unterpart	AllAC Ltd	Materials for Partitioning of Project Fin/ Proc Technical Assistant	18,400,000	1,012,000
28-Aug-20	3708503	GOSL_Co unterpart	KYZ Builders	Materials For rehabilitation of Project Technical assistant Office	14,521,000	798,655
28-Aug-20	3708504	GOSL_Co unterpart	Kings Electrical & Electronics	1200 BTU Air Conditioner with Small & Large Refrigerator	9,200,000	506,000
28-Aug-20	3708505	GOSL_Co unterpart	Musa Mansaray	Materials for Project Technical office	3,796,000	208,780
01-Sep-20	3708507	GOSL_Co unterpart	AllAC Ltd	Additional Materials for partitioning of Project Fin/ Proc Technical Assistant	9,142,500	502,838
03-Sep-20	3708509	GOSL_Co unterpart	KYZ Builders	payment for 3 Door locks for Project T/A Office	1,350,000	74,250
9/7/2020	37085010	GOSL_Co unterpart	Musa Mansaray	Plumbing Materials to repair 5th & 7th Floor toilet	1,350,000	74,250
9/9/2020	37085011	GOSL_Co unterpart	A.A ENT	4 SET Windo Bild for T/s's office	7,150,000	393.250
9/15/2020	Letter	GOSL_Co unterpart	Abu Zainab Ent	Supply of 7 Sets executive Table & chairs for Technical assistant	66,500,000	3,657,500
9/16/2020	3708519	GOSL_Co unterpart	Malky Jay	Lunch for the Inaugural meeting for the Aquatic Project	1,116,000	61,380
17-Sep-20	3708520	GOSL_Co unterpart	Mamba Point	Payment for Accommodation for l m c Review meeting	20,000,000	1,100,000
27-Oct-20	3708556	GOSL_Co unterpart	MIHA Ent	Supply of 1 HP laser Jet Pro MFP M77 Printer	8,500,000	467,500
16-Nov-20	3708573	GOSL_Co unterpart	Baseman Enterprises	Payment for office Stationary	2,107,000	115,885
16-Nov-20	3708572	GOSL_Co unterpart	Baseman Enterprises	Office Still Filling Cabinet	6,000,000	330,000
17-Nov-20	3708569	GOSL_Co unterpart	ferreh Ent	Provision /Tea items for Project office	4,644,000	255,420
27-Nov-20	3708578	GOSL_Co unterpart	Vitec Ent	Safety Gears for Project Staff	6,280,000	345,400
25-Nov-20	3708529	GOSL_Co unterpart	Baseman Enterprises	2Set Toner for DMD'S Office	4,800,000	264,000
09-Nov-20	3708570	GOSL_Co unterpart	ferreh Ent	Tea Items for Project Office	1,848,000	101,640
03-Dec-20	Letter	GOSL_Co unterpart	vista bank	Project Staff allowance for April-Oct 2020	21,137,297	1,162,551
09-Dec-20	3708567	GOSL_Co unterpart	MIHA Ent	Printer for Project Officer	8,500,000	467,500
27-Nov-20	3708582	GOSL_Co unterpart	Baseman Enterprises	2 Toner caterage for Project office	4,800,000	264,000

30-Nov-20	3708583	GOSL_Co unterpart	Ndoma Ent	Food for Project Meetings	2,360,000	129,800
12/10/2020	3708591	GOSL_Co unterpart	Albert Johnson	Partition of Office Space for project interns	30,990,000	1,704,450
12/18/2020	3803203	GOSL_Co unterpart	Baseman Enterprises	5 Box A4 paper for Project Office	1,000,000	55,000
12/24/2020	3803220	GOSL_Co unterpart	KYZY Builders	Materials for V-notch Fabrication	1,600,000	88,000
12/18/2020	3803206	GOSL_Co unterpart	KYZY Builders	Materials to construct V- Notch facilities	18,630,000	1,024,650
12/23/2020	3803211	GOSL_Co unterpart	Enic Computer	2 Pcs Sony / HP Laptop computer for project	30,000,000	1,650,000
12/24/2020	3803213	GOSL_Co unterpart	Ndoma Ent	Various Lunch for project Meetings	1,565,000	86,075
12/24/2020	3803214	GOSL_Co unterpart	Baseman Enterprises	2set Laser Cartridge for project office	2,000,000	110,000
12/24/2020	3803215	GOSL_Co unterpart	Ferreh Ent	Water dispenser for project office	912,000	50,160
TOTAL					315,139,297	17,332,661