

# **Management Letter**

**On the**

## **Audit of the Liberia Revenue Authority Restated Financial Statements**

For Fiscal Year Ended June 30, 2015



**Promoting Accountability of Public Resources**

**Yusador S. Gaye, CPA, CGMA**  
**Auditor General**

Monrovia, Liberia  
January, 2017



## **The Audit of the Liberia Revenue Authority Financial Statements for the fiscal Period 2014/2015 performed by the Auditor General**

Hon. Elfreda Stewart-Tamba  
Commissioner General  
Liberia Revenue Authority  
Monrovia, Liberia

January 23, 2016

Dear Hon. Tamba:

The Liberia Revenue Authority (LRA) financial statements are subject to audit by the Auditor-General in terms of Section 2.1.3 of the New GAC Act of 2014 as well as in accordance with the Public Financial Management Act and Regulations of 2009. The audit covered the fiscal year 2014/2015.

### **INTRODUCTION**

The audit of the LRA financial statements for the year ended June 30, 2015 was completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

### **SCOPE AND DETERMINATION OF RESPONSIBILITY**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements. An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statement presentation.

The audit will also include an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Accounting Officer. Our responsibility is to express our opinion on these financial statements.


#### **KEY MANAGEMENT PERSONNEL**

<b>No.</b>	<b>Name</b>	<b>Rank</b>	<b>Time Served</b>
1.	Hon. Elfreda Stewart-Tamba	Commissioner General/CEO	2014 to Present
2.	Hon. Oliver N. Rogers	Deputy Commissioner General for Administrative Affairs	2014 to Present
3.	Hon. Decontee King-Sackie	Deputy Commissioner General for Technical Affairs	2014 to Present
4.	Atty. Max Duncan I	Legal Counsel	2014 to Present
5.	Mr. Kofi Abedu Bentsi, Sr	Assistant Commissioner for Budget and Finance	2014 to Present
6.	Mr. James Kerkulah	Audit Focal Person	2014 to Present

#### **APPRECIATION**

We would like to express our appreciation for the courtesy and assistance rendered by the staff of the LRA during the audit.

Yours Faithfully,

  
Yusador S. Gaye, CPA, CGMA  
Auditor General, R.L.

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## ACRONYMS USED

Acronyms	Meaning
AFP	Auditor Focal Person
AG	Auditor General
AC	Assistant Commissioner
BFC	Budget & Finance Committee
BFD	Budget & Finance Division
CA	Chief Accountant
CBL	Central Bank of Liberia
CFE	Certified Fraud Examiner
CG	Commissioner General
CIA	Chief Internal Auditor
CGMA	Chartered Global Management Accountant
CPA	Certified Public Accountant
CV	Cash Voucher
CoBIT	Control Objective & Related Information Technology
COSO	Committee on Sponsoring Organizations of the Treadway Commission
DCGA	Deputy Commissioner General for Administrative Affairs
DCGTA	Deputy Commissioner General for Technical Affairs
GAC	General Auditing Commission
GL	General Ledger
GOL	Government of Liberia
GPA	General Payroll Account
HRMP	Human Resource Management Policy Manual
IAA	Internal Audit Agency
IAD	Internal Audit Department
ICB	International Competitive Bidding
IFMIS	Integrated Financial Management Information System
IT	Information Technology
IPSAS	International Public Sector Accounting Standards
LRA	Liberia Revenue Authority
MFDP	Ministry of Finance & Development Planning
NCB	National Competitive Bidding
PED	Professional Ethics Division
PFM	Public Finance Management
PO	Purchase Order
PPCA	Public Procurement & Concessions Act
PPCC	Public Procurement & Concessions Commission
RFQ	Request for Quotation
SL	Subsidiary Ledger
VC	Voucher Copy

## 1 DETAILED FINDINGS AND RECOMMENDATIONS

### 1.1 Financial Related Issues

#### 1.1.1 Classification of Transactions

##### Observation

- 1.1.1.1 Paragraph 1.3.0 of the IPSAS cash basis of accounting requires that the statement of cash receipts and payments present the following amounts for the reporting period: (a) Total cash receipts of the entity showing separately a sub classification of total cash receipts using a classification basis appropriate to the entity's operations; (b) Total cash payments of the entity showing separately a sub classification of total cash payments using a classification basis appropriate to the entity's operations; and (c) Beginning and closing cash balances of the entity.
- 1.1.1.2 During the audit, we observed in the General Ledger that transactions totaling **US\$359,020.67** paid for Withholding taxes, Allowances, and Basic Salary were *misclassified* under the '**other operating expenses**' instead of *the appropriate accounts*. **See table below for details.**

**Table#1: Account balances classified under the Other Operating Expense**

No.	Description	Amt. US\$
	Withholding Taxes	346,686.25
1.	Basic Salary	7,489.76
2.	Transportation Allowance	1,589.76
3.	Rental Allowance	2,149.90
4.	Staff Allowances	575.00
5.	Training Allowances	530.00
<b>Total</b>		<b>US\$359,020.67</b>

##### Risk

- 1.1.1.3 The Other Operating Expense account balance could be overstated and the balances for Withholding taxes, Allowances and Basic salary understated.
- 1.1.1.4 The misclassification of accounts in the General ledger may cast doubt on the accuracy of the financial statements.

##### Recommendation

- 1.1.1.5 The Assistant Commissioner for Budget and Finance should adjust the Other Operating

Expense Account to reflect the correct balances. The below adjusting entries are recommended:

**Table #2: Adjusting entries**

Date	ITEM x DESCRIPTION	DR	CR
17/10/16	Withholding Tax Expense	US\$346,686.25	
17/10/16	Salary Expense	7,489.76	
17/10/16	Transportation Expense	1,589.76	
17/10/16	Rental Expense	2,149.90	
17/10/16	Staff Allowance Expense	575.00	
17/10/16	Training Allowance Expense	530.00	
17/10/16	Other Operating Expense		359,020.67
<b>(Adjusting Entry to correct the overstatement of the Other Operating Expense Account)</b>			

### **Management's Response**

1.1.1.6 *The LRA has effected the recommended adjustments.*

### **Auditor General's Position**

1.1.1.7 We acknowledge Management's acceptance of our recommendation. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

## **1.1.2 Consumption of Fixed Capital**

## **1.1.3 Use of Goods and Services**

### **Domestic Travel Daily Subsistence Allowance**

#### **Observation**

- 1.1.3.1 The Government of Liberia Travel Ordinance of 2013/2014 #11 states "that an incidental allowance of \$100 USD shall be paid to head of delegation for the first five (5) days and \$25 for each additional day, subject to the submission of receipts upon return from tour/travel".
- 1.1.3.2 Additionally, count 12 of Travel Ordinance states that: "upon completion of the travel, officials shall submit to the Ministry of Finance and Development planning, the travel settlement form per annexure II and valid receipts for expenditures of per diem received within 5 working days of their return".
- 1.1.3.3 During the audit, it was observed that Domestic Travel Incidental allowances totaling **US\$ 2,575.00** paid to four (4) Heads of Delegation that travelled locally in the counties were

not retired. **See table for details:**

**Table# 3: Unretired Domestic Allowances**

No.		PV #	CK #	#of days travelled	Destination	Amount US\$
1.	Rufus G. Mahn	00617	20075202	30	Bomi, Cape Mount, Nimba & Grand Gedeh	725.00
2.	Joseph Wilson	0010	20046871	6	Maryland	100.00
3.	Albert K. Peters	00603	20018092	8	Grand Gedeh	100.00
4.	William A. Travel	00477	20046937	25	Grand Bassa, Sinoe, Maryland, Grand Gedeh, Nimba, Bong & Cape Mount County	1,650.00
<b>Total</b>						<b>US\$2,575.00</b>

### **Risk**

- 1.1.3.4 Failure to retire money given for Incidental allowances may undermine public accountability and transparency obligations.

### **Recommendation**

- 1.1.3.5 The Assistant Commissioner for Budget and Finance should ensure that LRA staffs retire incidental allowances given them as required by the Government of Liberia Travel Ordinance #11.
- 1.1.3.6 In addition, staffs that travel should be requested to retire their respective trips and copies of the retirement document should be sent to the Office of the Auditor General 30 days after signing of this report. Failing, the staffs should not be given future travel advances until the full amount disbursed to each person is recovered as required by the above Travel Ordinance provision.

### **Management's Response**

- 1.1.3.7 *The incidental allowances for the above named employees of the LRA have been retired. The Auditors should perform subsequent events review to confirm settlement of these incidental allowances. The LRA took serious administrative action by submitting the names of employees who did not retire at June 30, 2016 to have the amounts deducted from their monthly salaries.*
- 1.1.3.8 *In addition, LRA is unlike other line ministries and agencies whose travels are processed and paid through the Ministry of Finance and Development Planning, so the submission of travel settlement forms is done with the Budget and Finance Office of the LRA instead of the Travel Section of the Ministry. These forms are available for your review.*



### Auditor General's Position

- 1.1.3.9 The assertions made by the LRA Management are not backed by any documentary evidence. Therefore, we maintain the recommendation.

### 1.1.4 Foreign Travel

#### Observation

- 1.1.4.1 The approved GOL Foreign Travel Ordinance of 2013/2014 Number 27 requires that "upon return from abroad, officials are required to submit to the Ministry of Finance and Development Planning a Foreign Travel Settlement Form as per Annexure II within 21 days from the date of return from tour or before date of next journey, whichever is earlier. In very exceptional cases where the second tour is performed immediately after return from the first tour, the second advance may be granted with the specific written approval of the Minister concerned, explaining the reasons thereof".
- 1.1.4.2 Furthermore, the Foreign Travel Ordinance Number 28 requires that "no future travel advances shall be paid to anyone who has failed to submit the prescribed Travel Disbursement Forms, for any previous journey within 21 days. The entire travel advance will be recovered from those who fail to submit the Travel Settlement Form on return from their visit abroad, and those who subsequently leave the service of Government, from any arrears due to them by the Government".
- 1.1.4.3 During the course of the audit, it was observed that foreign travel advances totaling **US\$67,085.76** paid to seventeen (17) LRA staff and officials for trips abroad were not retired. **See the table below for details.**

**Table #4: Unretired Foreign Travel Transactions**

No.	Date	Name of Personnel(s)	Voucher #	CK#	US\$ Amount
1	26-Nov-14	Darlington Y. Talery	PV 00132	00062161	4,570.00
2	9-Apr-15	Alfred Sellu	PV 00407	0024153	5,120.26
3	13-Apr-15	Jerry Diah	PV 00409	00241458	1,710.00
4	20-Apr-15	Wellington Jah	PV 00431	00241488	3,702.50
5	20-Apr-15	Saa Samoi	PV 00432	00241489	3958.7
6	22-Apr-15	Robert C. Tubman	PV 00438	00241500	2,487.50
7	7-May-15	Christopher S. Wallace	PV 00483	00241554	2,575.00
8	7-May-15	Titus Saar	PV 00482	00241553	2,862.00
9	15-May-15	Mrs. Decontee King Sackie	PV 00487	00241572	5,519.00
10	15-May-15	Wellington Jah	PV 00489	00241563	3,923.80

No.	Date	Name of Personnel(s)	Voucher #	CK#	US\$ Amount
11	19-May-15	Mr. Sumo Kalaplee	PV 00510	00241585	1,236.00
12	21-May-15	Mr. Robert C. Tubman	PV00515	00241599	915
13	26-May-15	Mr. Saa Samoi	PV 00522	00241605	9,575.00
14	5-Jun-15	Mr. William L. Buku	PV 00564	00241646	6,500.00
15	12-Jun-15	Decontee King Sackie	PV 00590	00178229	2,495.00
16	18-Jun-15	Darlington Y. Talery	PV 00604	00296057	1,486.00
17	26-Jun-15	Mr. Wellington Jah	PV 00620	00296095	8,450.00
<b>Total</b>					<b>67,085.76</b>

### **Risk**

- 1.1.4.4 The failure to retire trips in compliance with the Travel Ordinance may undermine public accountability and transparency obligations.

### **Recommendation**

- 1.1.4.5 The Assistant Commissioner for Budget and Finance should ensure that upon return from abroad, LRA staffs and officials should retire the trip by providing copies of tickets stubs, boarding passes, copies of Pass Ports and Airline tickets. Failing, the staffs and officials should not be given future travel advances for foreign trips until the full amount disbursed to each official is recovered as required by the Foreign Travel Ordinance Number 27.

### **Management's Response**

- 1.1.4.6 *The advanced foreign travel allowances for the above named persons of the LRA were retired as at June 30, 2016. In the case of the Board Chair, he was not informed to complete the settlement form. Management takes responsibility for this inadvertent oversight. The Auditors should perform subsequent events review to confirm retirement of these advances. The LRA took serious administrative action by submitting the names of employees who had not retired as at June 30, 2016 to have the amounts deducted from their monthly salaries.*
- 1.1.4.7 *In addition, the LRA is unlike other line ministries and agencies whose travels are processed and paid through the Ministry of Finance and Development Planning, so the submission of travel settlement forms is done with the Budget and Finance Office of the LRA instead of the Travel Section of the Ministry. Please see attached evidence for your review.*

### **Auditor General's Position**

- 1.1.4.8 There was no documentary evidence attached as asserted by the LRA Management. Moreover, Management claimed that the retirement was made in June 2016 which is about

a year from the date the travels were made. Retirement of travel expenses should be made immediately after a person returns from a trip. Therefore, we maintain our recommendation.

1.1.4.9 The period June 30, 2016 at which time Management said the foreign travel advances were retired was a year after the fiscal period (2014/2015) has ended.

1.1.4.10 Moreover, Management did not provide the evidence which is said to be attached as per the Management's response. Therefore, we maintain our recommendation.

### **1.1.5 APM Terminal Payments**

#### **Observation**

1.1.5.1 Paragraph 6.1.8 of the IPSAS cash basis of accounting as adopted by the Government of Liberia requires the entity to disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity, showing separately:

1 a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs; and

1b) total payments made by third parties which are not part of the economic entity to which the reporting entity belongs.

1.1.5.2 In addition, Paragraph 1(e) of IPSAS cash basis of accounting states that "the Ministry or Agency also benefits from goods and services purchased on its behalf as a result of cash payments made by third parties during the period by way of loans and contributions. The payments made by the third parties do not constitute cash receipts or payments by the Ministry or Agency but do benefit it. They are disclosed in the Payments by third parties column in the Statement of Cash Receipts and Payments and other financial statements".

1.1.5.3 During the audit, we noted that APM Terminal's payments on behalf of LRA in cash, goods and services totaled **US\$347,825.64** for the period under audit. However, of the total payments, we noted that management disclosed only the cash portion which is US\$56,853.00 thus leaving out the payments for goods and services totaling **US\$290,972.64**.

#### **Risk**

1.1.5.4 Users of the financial statements will not be able to make informed financial and economic

decisions if disclosure notes required to provide the necessary information are missing.

**Recommendation**

- 1.1.5.5 Management should ensure that third party payments in cash and for goods and services on behalf of the LRA are fully disclosed in the financial statements so as to provide users with the necessary information for decision making.

**Management's Response**

- 1.1.5.6 *Management did not respond to this observation*

**Auditor General's Position**

- 1.1.5.7 This audit finding has been addressed by the LRA Management through the submission of a Restated Financial Statements to the GAC.

**1.1.6 Project Financial Management Unit (PFMU) Payments**

**Observation**

- 1.1.6.1 Paragraph 6.1.8 of the IPSAS cash basis of accounting as adopted by the Government of Liberia requires the entity to disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity, showing separately:

1 a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs; and

1b) total payments made by third parties which are not part of the economic entity to which the reporting entity belongs.

- 1.1.6.2 During the period under audit, we noted that Management did not disclose on the face of the Statement of Cash Receipts and Payments of the financial statements, PFMU's payments for personnel remuneration, goods and services on behalf of LRA totaling **US\$2,462,914.84** as required by the above provision.

**Risk**

- 1.1.6.3 Users of the financial statements may not understand the full extent of external assistance received during the period under audit.

**Recommendation**

- 1.1.6.4 Management should re-state the financial statements so as to disclose the value of PFMU's

full payments on behalf of the LRA for the period under audit. This will help readers of the financial statements understand the full extent of external assistance received during the reporting period.

- 1.1.6.5 It would further enable Management to be in compliance with the requirements of Paragraph 6.1.8 of the IPSAS cash basis of accounting as was adopted in 2009 by the Government of Liberia.

#### **Management's Response**

- 1.1.6.6 *The LRA did not have documents and records of payments made by external parties during the time of the preparation of the financial statements. However, we have requested, received and disclosed all third party payments in the financial statements.*

#### **Auditor General's Position**

- 1.1.6.7 This audit finding has been addressed by the LRA Management through the submission of a Restated Financial Statements to the GAC.

### **1.1.7 Uncommitted Cash Balance**

#### **Observation**

- 1.1.7.1 Section 27 of the PFM Act of 2009 states that "all un-allotted appropriations and all uncommitted allotments will lapse at the end of the fiscal year. All balances of appropriations committed but not disbursed prior to the end of the fiscal year, shall be available for the settlement of those obligations within 90 days from the end of the preceding fiscal year. All such balances not disbursed after ninety (90) days following the end of the preceding fiscal year shall be moved to government Consolidated Account. The recording, accounting and reporting of such undisbursed balances shall be set out in accounting regulations to be issued under this Act and shall be consistent with the provisions of sections 33, 34 and 35 of this Act".

- 1.1.7.2 During the audit, we observed that Management did not redeposit into the GoL Consolidated Fund account the uncommitted cash balance totaling **US\$750,197.00**. See table below for detail:

**Table #5: Uncommitted Cash Balance redeposited.**

No.	Description	Amount US\$
1.	Total Receipts	14,263,355.00
2.	Total Expenditure	(8,717,169.00)
3.	Commitments	(4,795,989.00)
<b>4.</b>	<b>Uncommitted Balance as at 30 June, 2015</b>	<b>US\$750,197.00</b>

### **Risk**

- 1.1.7.3 Failure to re-deposit unobligated cash balance for re-appropriation could cast doubt on the regularity of the transactions and undermine public sector accountability.
- 1.1.7.4 In addition, the cash balance in the GoL Consolidated Fund Financial Statements for FY 2014/2015 could be understated when unspent cash balances in the accounts of Government's ministries and agencies are not included for consolidation at the end of the accounting period.

### **Recommendation**

- 1.1.7.5 Management should give substantive justification for not depositing into the Consolidated Fund the unexpended voted money totaling US\$750,197.00.
- 1.1.7.6 Going forward, at the end of each fiscal period, Management should ensure that all unobligated balances in the LRA's operation account are re-deposited into the GoL Consolidated account for reallocation by the Legislature in compliance with Section 27 of the PFM Act.

### **Management's Response**

- 1.1.7.7 *This amount represents projects, including Real Estate, generator and others undertaken by the LRA at the year of the fiscal year. As at June 30, 2015, 41.88% of the LRA's budget had not been executed. About 73% of the unspent amount was received in June of 2015, including the projects funds.*
- 1.1.7.8 *The LRA takes note of the provisions of the PFM in the Act and Regulations. The definition of commitment in Part B.26 of the PFM Regulations is very narrow, meaning only payments for which goods have been supplied or services and works have been completed. In the case of the LRA, we had entered into contracts with suppliers wherein we had fixed commitments to pay upon delivery of goods, the completion of service or works under the Real Estate projects. These items were part of the LRA's yearend report to the National Legislature and Ministry of Finance and Development Planning.*

### **Auditor General's Position**

- 1.1.7.9 For the period under audit, Management set aside on page 17 of the Restated Financial Statements the total amount of US\$4,795,989.00 for the settlement of its commitments for Real Estate Project, generators and other items. The US\$750,197.00 was uncommitted by the Management of the LRA. Therefore, we maintain our recommendation.

## 1.1.8 Authorized Petty Cash Balances

### Observation

- 1.1.8.1 Section B.34 of the PFM Regulation requires that: "the authorized cash balance for any office shall be determined according to: (a) the needs of public business; (b) the availability of banking facilities in relation to the working hours of the office; (c) the availability of safe accommodation and seniority of key-holders; and (d) the general security of the building in which the safe is located.
- 1.1.8.2 During the audit, we noted that Management has not established an authorized petty cash ceiling that should be held for a given time. In addition, we noted that the total amount of **US\$15,000.00** was paid on PV#00430 for the increment of Petty Cash from US\$3,500.00 to US\$15,000.00 threshold for the General Pool of the LRA.
- 1.1.8.3 We further observed that the disbursement of petty cash for US\$15,000.00 at once appears to be a large sum. Generally petty cash is made available for the payment of small expenses where it is not practical to make disbursement by check.

### Risk

- 1.1.8.4 Operating without an approved petty cash ceiling could lead to an arbitrary increase of the petty cash amount which could lead to the abuse of the fund.

### Recommendation

- 1.1.8.5 Management should establish an approved petty cash ceiling limit in line with Government's fiscal policies.

### Management's Response

- 1.1.8.6 *The voucher referenced by the Auditors (PV#00430) does not contain US\$15,000 as a single payment but an amount of US\$11,500 to increase operational fund from a ceiling of US\$3,500 to US\$15,000 in accordance with Part Q of the PFM Regulations. Part Q.1 of the PFM Regulations states that for the purposes of these regulations, an imprest is a sum of cash advanced to a public officer to effect payments which are inconvenient to make from Public Funds, using the normal payment procedures as laid down in these regulations. The LRA Petty Cash Policy provides that the petty cash ceiling will be established by Management in accordance with this provision and the needs of the entity. In addition, the LRA's petty cash practices are in accordance with applicable national and international standards.*

### **Auditor General's Position**

- 1.1.8.7 Part Q.2 of the PFM Regulations requires that (1) "a head of government agency shall submit a request to operate an imprest to the Comptroller-General together with the name position and rank of the imprest holder. (2) The Comptroller-General shall approve and assign an imprest accounts code and inform the head of government agency accordingly".
- 1.1.8.8 Management's reliance on Part Q.2 of the PFM Regulations is not a material justification for increasing the petty cash amount to a seemingly large sum in the absence of the Comptroller and Accountant General's formal approval for Management to operate an imprest account. Therefore, we maintain our recommendation.

### **1.1.9 NASSCORP Contribution**

#### **Observation**

- 1.1.9.1 Chapter 89.16 (a, and h) of the Decree establishing the National Social Security & Welfare Corporation (NASSCORP), require that except as otherwise provided, contributions and the method of payment shall be as follows:
- 1.1.9.2 The contribution payable under this Decree in respect of an employee shall comprise contribution payable by the employer (herein after referred to as the employer's contribution) and contribution payable by the employee (herein after referred to as employee's contribution and shall be paid to the Corporation; (h) The contributions payable in respect of each month shall ordinary fall due on the last day of the month and where an employee is employed for part of the month or is employed under two or more employers during the same month, the contributions shall fall due on such days as may be specified in the Regulations.
- 1.1.9.3 Also, Section 89.18 of the Decree establishing NASSCORP says that "where a principal employer defaults in paying any contribution prescribed by this Decree or subsequent regulations, a sum equal to four (4%) of the amount unpaid shall be added for each month or part of a month after the date on which payment was due, and any amount so added shall be recoverable as a debt owed by the employer to the Republic".
- 1.1.9.4 During the period under audit, we observed that Management did not remit to NASSCORP, the total amounts of **US\$171,223.21** and **L\$820,594.32** respectively which were deducted and withheld from employees.

#### **Risk**

- 1.1.9.5 Failure by Management to remit the Employees' contribution could attract high penalties for



non-remittance and employees and their families may not achieve benefits when the employees retire from service.

#### **Recommendation**

- 1.1.9.6 Management should ensure that the employees' contributions are timely remitted to give protection to employees and their families in case of retirement.

#### **Management's Response**

- 1.1.9.7 *The delay was due to the prolonged reconciliation between LRA and NASSCORP to ensure that all LRA staff had accounts and appropriate documentation before the funds were remitted. The funds were remitted shortly thereafter.*

#### **Auditor General's Position**

- 1.1.9.8 We acknowledge management's assertion. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

### **1.1.10 Overtime Authorization**

#### **Observation**

- 1.1.10.1 Section 7.7.2 of the LRA Human Resource management Policy (HRMP) requires that before overtime is undertaken, whether during weekdays, on weekends or holidays, by an eligible staff, the department head must approve. The section head or immediate supervisor shall complete the relevant section of the approved overtime form and submit first to the division head for authorization and then to the department head for approval except for auxiliary and some clerical staff as per the Authority's job grade. Where the department head approval is impracticable, the overtime will be done with the consent of the immediate supervisor and the division head prior to the department head approval. All efforts must be made by electronic means such as use of text, email or voice call to ensure that the department head consents to the overtime when absent. Authorization and approval for field officer(s) overtime shall be granted by the immediate supervisor with the consent of the department head.
- 1.1.10.2 The overtime request must specify the work to be done including the required estimated time where determinable. Overtime hours worked shall be properly recorded by the employee, verified by his or her immediate supervisor, and approved by the division and or department head as applicable.
- 1.1.10.3 During the period under audit, we observed that management paid the total of **US\$25,382.21** for overtime. However, from a sample of selected payroll transactions,

there was no evidence that sectional heads or immediate supervisors approved the overtime prior to the payments as required by Section 7.7.2 of the LRA HRMP.

**Risk**

- 1.1.10.4 The payment of overtime without the approval of line supervisors and departmental heads could lead to questionable transactions.

**Recommendation**

- 1.1.10.5 The Assistant Commissioner for Budget and Finance should ensure that the steps outlined in Section 7.7.2 of the LRA HRMP relating to the payment of overtime are complied with.

**Management's Response**

- 1.1.10.6 *The appropriate overtime forms were completed by responsible parties to ensure proper authorization, approval, documentation and accountability of overtime incurred. The Deputy Commissioner General for Administrative Affairs also approved the payrolls which contained the overtime payments to provide appropriate oversight of overtime. The Auditors should kindly talk with responsible individuals and also review attendance records to confirm incurrence of overtime.*

**Auditor General's Position**

- 1.1.10.7 The procedures to ensure regularity for the payment of overtime as per Section 7.7.2 of the LRA Human Resource Management Policy (HRMP) were not followed. Therefore, we maintain our recommendation.

**1.1.11 Fleet Assets**

**Observation**

- 1.1.11.1 Regulation V.1.2. (a) of the Public Financial Management Act of 2010 (Responsibility of Assets Management) states that "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: Preventive mechanisms are in place to eliminate theft, losses, wastage and misuse".
- 1.1.11.2 During the audit, we noted that eight of the vehicles listed on the LRA Fixed Assets Register were not available for physical verification. In addition, there was no document on the current locations of the vehicles referenced above.

**Table #6: The table below extracted from the Fixed Asset Register provides details of the mentioned vehicles:**

No.	Acquisition year	Acquisition type	Make	Model	Vehicle type	Color	Vin #	GSA Code	Location	Assignee
1.	2012	Fixed Asset	Nissan	Patrol	SUV	White	JNITCSY61205833	01-011	Not seen	J. C. Hayes
2.	2011	Fixed Asset	Yuan	Mini-bus	Mini-bus	maroon	LGKG42G9689A11906	01-83	Not seen	N/A
3.	2011	Fixed Asset	Renault	Darcia	Sedan	Blue	VFIKSRACODS41825352	01-99	Not seen	N/A
4.	2013	Fixed Asset	Nissan	Hardbody	Pickup	White	ADNCIUD222003636	N/A	Not seen	N/A
5.	2012	Fixed Asset	Nissan	Hardbody	Pickup	White	ADNCIUD2220029362	02-10	Not seen	N/A
6.	2012	Fixed Asset	Ford	Ecape	SUV	Blue	IFMCU9D74AKD23479	N/A	Not seen	N/A
7.	2011	Fixed Asset	Ford	Ranger	Pickup	White	NNCLYFE40H8W976259	02-57	Not seen	N/A
8.	2008	Fixed Asset	Nissan	Hardbody	Pickup	White	N/A	02-17	Not seen	Issac G. Flomo

1.1.11.3 Furthermore, there was no evidence to indicate that the LRA maintained the record of furniture (filling cabinets) turn over by the former Department of Revenue (DoR) Ministry of Finance.

### **Risk**

1.1.11.4 Fixed assets may be susceptible to loss, theft, or damage if information regarding the location, responsible party, and conditions are not known.

### **Recommendation**

1.1.11.5 The Asset Management Section should ensure that the vehicles mentioned above are located and availed for audit verification.

1.1.11.6 Management should put in place a fixed asset accounting system which addresses the acquisition, use, control, protection, maintenance, and disposal of fixed assets of the LRA.

### **Management's Response**

1.1.11.7 *The assets, entirely vehicles mentioned by the Auditors are those that were taken by the General Services Agency, except for one, the Nissan Patrol which was stolen and for which the records are available. We discussed these issues with the Auditors and we expect them*

to confirm with the GSA. The GSA is the chief Government custodian of fixed assets. These vehicles were sent for recoding from Ministry of Finance to the LRA but were never returned. We strongly advise that the Auditors confirm with the GSA. Please see letters to GSA.

### Auditor General's Position

- 1.1.11.8 The Management of the General Services Agency (GSA) has confirmed to the GAC that it is not aware of the four vehicles listed in the below table which the Management of the LRA claimed was among the vehicles that were taken away by the GSA. **See Exhibit for GSA Confirmation letter.**

No.	Acquisition year	Acquisition type	Make	Model	Vehicle type	Color	Vin #	GSA Code	Location	GSA Comment
1.	2011	Fixed Asset	Yuan	Mini-bus	Mini-bus	maroon	LGKG42G9689A11906	01-83	Not seen	Not Aware of
2.	2011	Fixed Asset	Renault	Darcia	Sedan	Blue	VFIKSRACODS41825352	01-99	Not seen	Not Aware of
3.	2012	Fixed Asset	Ford	Ecape	SUV	Blue	IFMCU9D74AKD23479	N/A	Not seen	Unknown
4.	2011	Fixed Asset	Ford	Ranger	Pickup	White	NNCLYFE40H8W976259	02-57	Not seen	In LRA Custody

- 1.1.11.9 Therefore the LRA Management should account for the four vehicles that could not be located.

### 1.1.12 Comparison of Budget and Actual Amounts

#### Observation

- 1.1.12.1 Paragraph 5.2.0 of the IPSAS-Cash Basis of Accounting states that "subject to the requirements of paragraph 5.3.0, an entity that makes publicly available its approved budget(s) shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the statement of cash receipts and payments currently presented in accordance with this Standard. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

12a) the original and final budget amounts;

1b) the actual amounts on a comparable basis; and (1c) by way of note disclosure,

an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes”.

- 1.1.12.2 During the audit, we observed that Explanatory Notes relating to the causes of significant variances between the budget and actual amounts (i.e. revenues and expenditures) as required by the IPSAS Cash Basis Accounting were not disclosed in the financial statements. We were unable to confirm or verify the reasonableness of the variances as a result of the omitted disclosures.

**Risk**

- 1.1.12.3 Failure to disclose reasons for significant variances within the financial statements could indicate the lack of proper budgetary control.

**Recommendation**

- 1.1.12.4 The Assistant Commissioner for budget and finance should ensure that notes to the financial statements include explanations for significant variances between the budget and actual amounts to assist users better understand the reason for material departures from the approved budget. Compliance with this requirement would ensure that Management is accountable for its performance, and is in compliance with the approved budget.

**Management’s Response**

- 1.1.12.5 *We agreed with the Auditors on the provision of IPSAS Cash Basis to include an explanation of material differences between budget and actual amounts in the financial statements. The variances represent under spending of the LRA’s budget due to the Ebola year, the uncertainty and late receipt of funds from MFDP. As at June 30, 2015, 41.88% of the LRA’s budget had not been executed. About 73% of the unspent amount was received in June of 2015. However, significant portion of the variances were expanded during the 90 day window which ended September 30, 2015 in accordance with law. Going forward, the LRA will include explanatory notes of material variances in its financial statements.*

**Auditor General’s Position**

- 1.1.12.6 We acknowledge Management’s acceptance of our recommendation. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

### 1.1.13 Structure of Notes to the Financial Statements

#### Observation

- 1.1.13.1 Paragraph 1.5.1 (b) of the IPSAS cash basis of accounting requires the notes to the financial statements of an entity to provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments and cash balances. Notes to the financial statements should be presented in a systematic manner.
- 1.1.13.2 During the audit, we observed that the LRA financial statements presented did not follow the requirements of the International Public Sector Accounting Standard under the cash basis of accounting for the disclosure of explanatory notes. There was no evidence that explanatory notes to the financial statements were prepared systematically in line with the requirements of IPSAS cash basis of accounting. **See table below**

**Table #7: Notes to the financial statement prepares by LRA/ what the IPASAS Provide**

Notes to the financial statement prepared by LRA	As Provided for by IPASAS (See Appendix 2 (1-10))
1.Reporting Entity	1.General Information
2.Accounting policies	2.Cash
3.Receipt	3.Borrowings
4.Compensation of Employees	4.Other Receipts
5.Use of Goods and Services	5.Other Payments/ Expenditure
6.Consumption of Fixed capital	6.Undrawn borrowing facilities other than undrawn external assistance
7.Cash	7.Significant controlled entities
8. Liabilities	8.Authorization date
9.Commitments	9.Original and final approved budget and comparison of actual and budget amount
10.Cash and Cash Equivalents	10.External assistance
11.Changers in Net Equity/ Assets	
12.Public Sector Investment Plan(PSIP)	

#### Risk

- 1.1.13.3 Failure by the Assistant Commissioner for Budget and Finance to comply with paragraph 1.5.1 (b) of the International Public Sector Accounting Standard Cash basis may lead to inconsistency in the LRA financial statements.

#### Recommendation

- 1.1.13.4 To be in compliance with IPSAS Paragraph 1.5.1 (b), Management should present the notes in the financial statements as indicated above.

### **Management's Response**

- 1.1.13.5 *We acknowledged the Auditors' observation regarding the structure of the notes to the financial statements. However, the current structure used by the LRA was provided by the Ministry of Finance and Development Planning for reporting purposes in accordance with Parts A4 and C3 (8) of the PFM Regulations. Part A4 of the PFM Regulations states that the Comptroller General, under supervision of the Minister shall issue a treasury and accounting instructions in line with the IPSAS and in consultation with the Auditor General which shall provide the basis, policies, classification systems, chart of accounts and the reporting format to be used in accounting for all public funds. In addition, Part C3 (8) of the same Regulations states that ministers of line ministries are responsible for maintaining accounts and records of agencies in a manner and format prescribed by the Minister.*
- 1.1.13.6 *Any required change should be communicated with the Comptroller and Accountant General Office. Our technicians discussed this with the Auditors. We suggest that GAC shares its recommended template with the MFDP so that this issue can be resolved. The standard calls for GAC to provide advice.*

### **Auditor General's Position**

- 1.1.13.7 Management did not provide any documentary evidence that the current reporting template was provided by the MFDP. Management should have restructured the disclosure notes and have same included in the restated financial statements. Therefore, we maintain our recommendation.

## **1.2 Administrative Related Issues**

### **1.2.1 Operational Policies**

#### **Observation**

- 1.2.1.1 Section 10.1 of the LRA Act of September 19, 2013 states that: "the Board shall be responsible to provide general governance and strategic direction for the management and organization of the authority, planning and reporting, financial management and administrative policies, and expenditures so that the authority's objectives can be achieved".
- 1.2.1.2 Section 10.2a-d of the LRA Act of September 19, 2013 also requires the Board to examine and approve the authority's strategic plans and assess performance of the authority in accordance with its agreed action plan budget and performance contracts, approve the financial management and administrative policies of the Authority, such as procurement, real property and security subject to relevant laws and any other related policies."

- 1.2.1.3 During the audit, we noted that the LRA Board of Directors has not approved major operational policy documents such as Code of Ethics and Professional Standards, Procurement Guidelines, Standard Operating Procedures (SOP), Real Property Department SOP, Disciplinary Guide, Training Framework, Employee Reward And Recognition Program policy, Natural Resources Technical Unit SOP, Repair and Maintenance Civil work SOP, Petty cash policy etc.), thus making management to be working with the draft documents.

#### **Risk**

- 1.2.1.4 Working with unapproved policy documents could become difficult to enforce when said document is challenged before management and in the court of law.

#### **Recommendation**

- 1.2.1.5 The Board of Directors should ensure that all policy documents are approved so as to avoid future legal challenge.

#### **Management's Response**

- 1.2.1.6 *The Board approves policies and not standard operating procedures in accordance with Section 10 (2) of the LRA Act. The SOPs named are not subject to Board approval. The Board provided inputs and approval for those policy documents submitted. The Code of Conduct which forms part of the HR Manual was approved at the very first Board meeting. The LRA uses the PPCC Law that has clear guidelines on public procurement. Section 29 of the LRA Act states that the LRA is subject to the PPC Act. The Disciplinary Guide has already been approved by the Board even though not during the audit period, including the petty cash policy in the Budget and Finance Manual have been approved by the Board.*

#### **Auditor General's position**

- 1.2.1.7 The assertion made by the LRA Management did not address the issue raised by the GAC. Therefore we maintain our recommendation.

### **1.2.2 Manual Accounting System**

#### **Observation**

- 1.2.2.1 DS11.1 of the CoBit 4.1, requires that all data expected for processing be received and processed completely, accurately and in a timely manner, and that outputs should be delivered in accordance with business requirements.
- 1.2.2.2 During the period under audit we noted that the Budget and Finance Section used Manual Accounting System to record accounting transactions for a expenditure of **US\$8,717,169.00**.



- 1.2.2.3 In addition, we observed that when mistakes are made or changes or corrections are needed, often a manual accounting transaction must be completely redone rather than just updated.

**Risk**

- 1.2.2.4 A manual accounting system could be time consuming and costly to produce report. It could further lead to inconsistency in data entry, creates room for errors, and the miss-copying of information.

**Recommendation**

- 1.2.2.5 Management should use accounting software so as to be able to produce timely and accurate financial reports. In addition, the use of accounting software will increase efficiency in operations and reduce the costs associated with manual accounting system.

**Management's Response**

- 1.2.2.6 *The LRA has not automated its accounting system due to funding challenges. LRA has had serious challenges to meet its modernization investments requirements due to lack of appropriate funding. In the first year of operations, the LRA was denied the funding for the software. We normally have to keep begging all during the fiscal year for funding even when revenue is performing. This has made planning and implementation difficult.*
- 1.2.2.7 *We agree that the manual system is prone to errors and having an automated system will greatly improve the financial reporting system of the LRA. We are currently installing enterprise QuickBooks software as an interim solution with the hope of obtaining the required funding to acquire the appropriate software. The LRA is not using the IFMIS due to its limitation. IFMIS is only limited to budget appropriation and allotment processing. IFMIS does not keep records of assets, inventory and payables as we would want to manage and account for these items.*

**Auditor General's position**

- 1.2.2.8 We acknowledge Management's acceptance of our recommendation. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

1.2.2.9 **Fixed Assets Register**

**Observation**

- 1.2.2.10 Regulation V.1.2. of the Public Financial Management Act of 2010 (Responsibility of Assets Management) states that "The Head of Government Agency must take full responsibility of

assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: Preventive mechanisms are in place to eliminate theft, losses, wastage and misuse”.

- 1.2.2.11 During the conduct of the audit, we noted that the Fixed Assets Registers presented for audit purpose did not include the following for fixed assets under the control of the Authority: cost of asset, purchase date and condition of the asset.

#### **Risk**

- 1.2.2.12 In the absence of vital information like asset cost, condition, and other vital details Management could find it difficult to put in place preventive mechanisms to prevent theft, losses, wastage and misuse.

#### **Recommendation**

- 1.2.2.13 The Facility Manager should reassess all fixed assets under the control of the LRA and update the Asset Register to include the cost, purchase date, location, assignee and condition. This would enable Management to keep track of details of each fixed asset, ensuring control and preventing misappropriation of assets. This would help Management keep records on the correct value of assets, and performs computation of depreciation for tax and insurance purposes where applicable.

#### **Management's Response**

- 1.2.2.14 *We note the Auditors observations. Assets inherited from the Ministry of Finance did not have documents and records. The only assets we have on our listing with complete information are those procured by the LRA and those donated by UNDP, IPFMRP and other partners. With respect to the Auditors recommendation to reassess the value and condition of the assets, the LRA will obtain costing for this exercise. We have coded all assets within the LRA headquarters. At the same time, the register is being updated to include outstations.*

#### **Auditor General's position**

- 1.2.2.15 We acknowledged Management's acceptance of our recommendation. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

### **1.2.3 Budget Committee**

#### **Observation**

- 1.2.3.1 PFM Regulation D.16.1 states that: "Every head of government agency shall establish a

Budget Committee which shall be responsible for budget formulation, implementation, monitoring and evaluation made up of (a) The head of government agency, who shall be the chairperson; and (b) Heads of budget management centers or cost centers)".

- 1.2.3.2 During the audit, we observed that the LRA Management did not establish a budget committee for the period under audit as required by the above PFM Regulation.

**Risk**

- 1.2.3.3 The absence of a budget committee may lead to delay in the Authority's budget formulation, implementation, and monitoring.

**Recommendation**

- 1.2.3.4 Management should establish a Budget Committee to be responsible for budget formulation, implementation and the monitoring of the organization's activities. This would enable management to be in compliance with Section D.16.1 (a and b), of the PFM Regulation.

**Management's Response**

- 1.2.3.5 *The LRA currently has a Budget and Finance Committee. However, the Auditors did not consider the fact that the LRA Board did not meet more than six months after its appointment due to the Ebola crisis and delay in its confirmation. The Board non-statutory members' confirmation came subsequent to the LRA's budget preparation and approval. Since the establishment of the Committee, it has reviewed the expenditure forecast and Accounting Manual before approval by the Board.*

**Auditor General's position**

- 1.2.3.6 Management has not provided any evidence as to when the Budget Committee was organized as well as the composition of the committee. Therefore, management should be held accountable for breach of financial discipline in line with regulation A.20 of the PFM Act of 2009.

**1.2.4 Repair and Maintenance Civil Work**

**Observation**

- 1.2.4.1 Section V(i) of the Job Profile for the Logistics Management Section (LMS) requires maintaining appropriate service and repair records of buildings, grounds and facility-related property of the Authority.
- 1.2.4.2 During the audit, we observed that management carried out several maintenance and repair works, but we found no evidence to indicate that the Logistics Management Section

maintained records for repairs and maintenance work done on properties owned or leased by the Authority.

**Risk**

- 1.2.4.3 In the absence of service and repair records, it could be difficult to determine the facilities and locations of Civil Works carried out.

**Recommendation**

- 1.2.4.4 The Head for the Logistics Management Section should maintain records for repair and maintenance of civil work done on all property of the Authority. The records should show the nature of work done for each property, the location and the amounts spent.

**Management's Response**

- 1.2.4.5 *We note the Auditors' observation. All supporting documents and records for civil works completed are maintained in Budget and Finance. The Facility Management now has documents and records of all civil works and renovations completed on its business offices. The Facility Management also maintains schedules of all works completed. In addition, the Head of Facility Management prepares job completion certificates confirming that works have been completed before payments are made to contractors.*

**Auditor General's position**

- 1.2.4.6 We acknowledge Management's acceptance of our recommendation. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

**1.3 Internal Control-Related Issues**

**1.3.1 Audit Committee**

**Observation**

- 1.3.1.1 PFM Act of 2009 section k.10 states that a head of government agency or government organization shall in consultation with the internal audit governance board establish and maintain an audit committee for the government agency or organization for which he/she is responsible.
- 1.3.1.2 In addition, PFM Act of 2009, K.11(1),(a) states that the Audit Committee of Government Agencies or Organizations shall review internal controls, including the scope of internal audit, internal audit Plans, internal audit findings, and recommend to the head of government agency the appropriate action to be taken.

- 1.3.1.3 During the period under audit, there was no evidence to indicate that Management established functioning audit Committee.

**Risk**

- 1.3.1.4 Failure by Management to establish functioning Audit Committee may prevent Management from taking timely corrective action on deficiencies identified in internal controls.

**Recommendations**

- 1.3.1.5 Management should establish a functioning Audit Committee as part of the Governance structures. This will enable Management evaluate and ensure that internal controls are operating effectively and at all times.

**Management's Response**

- 1.3.1.6 *The LRA currently has an Audit and Risk Management Committee, including a charter. However, in year 1 due to the Ebola and the late confirmation of the non-statutory members of the Board, independent oversight of the internal audit function was provided by the IAA.*

**Auditor General's position**

- 1.3.1.7 Management has not provided any evidence as to when the Risk Management Committee was organized as well as the composition of its membership. Therefore, Management should be held accountable for breach of financial discipline in line with Regulation A.20 Of of the PFM Act of 2009.

**1.3.2 Strategic and Operational Plan**

**Observation**

- 1.3.2.1 The Committee on Sponsoring Organizations of the Treadway Commission's (COSO) integrated framework for internal control is an effective internal control system which consists of five elements including, the control environment, risk assessment, information and communication, control activities and monitoring.
- 1.3.2.2 The goal of COSO is to develop guidance for establishing and maintaining effective internal control in the public and private sectors. Government management is therefore an important addressee of the guidelines. Government management can use these guidelines as a basis for the implementation and execution of internal control in its organizations.
- 1.3.2.3 During the audit, we found no evidence of an approved strategic and operational plan for the Liberia Revenue Authority.

**Risk**

- 1.3.2.4 Failure to operate with approved strategic and operational plans may lead to the Management misdirecting efforts and resources.

**Recommendation**

- 1.3.2.5 The Managements of LRA should develop strategic and operational plans. The above will enable management to properly allocate resources and set priorities for the achievement of objectives.

**Management's Response**

- 1.3.2.6 *We had a mid-year business plan due to the Ebola crisis. The LRA currently has a five year corporate strategic plan approved by its Board. We also have an annual business plan approved by the Board for each operating unit. LRA first year of operation was marked by the EBOLA crisis. This caused many delays.*

**Auditor General's position**

- 1.3.2.7 We acknowledge Management's acceptance of our recommendation. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

**1.3.3 IT Control Environment**

**Observation**

- 1.3.3.1 According to the requirements of COBIT PO1, management should develop an IT strategic plan which is required to manage and direct all IT resources in line with the business strategy and priorities. The strategic plan improves key stakeholders' understanding of IT opportunities and limitations, assesses current performance, identifies capacity and human resource requirements, and clarifies the level of investment required. The business strategy and priorities are to be reflected in portfolios and executed by the IT tactical plan(s), which specifies concise objectives, action plans and tasks that are understood and accepted by both business and IT.
- 1.3.3.2 During the audit, we found no evidence that the Management of the Liberia Revenue Authority had developed:
- An IT Strategic Plan for use to manage and direct all IT resources in line with the business strategy and priorities;
  - IT security policy that defined roles and responsibilities and an IT Steering Committee to oversee the strategic orientation and vision to provide guidance

toward fulfillment of the organizational objectives.

**Risk**

- 1.3.3.3 The non-development of an effective IT Strategic Plan and IT security policy could result in IT goals not contributing to department's strategy objectives and related costs and risks.

**Recommendation**

- 1.3.3.4 Management should develop an effective an IT Strategic Plan as well as an IT security policy that would facilitate the efficient acquisition and use of IT resources. This would enable the LRA to facilitate the efficient acquisition and use of IT resources.
- 1.3.3.5 The IT Strategic Plan and IT security policy will enable key stakeholders understand all IT opportunities and limitations so as to assess current performance, identifies capacity and human resource requirements, and clarifies the level of investment required.

**Management's Response**

- 1.3.3.6 *The LRA has an IT strategic plan and IT security policy currently under review and consideration. As we said, the process of developing, reviewing, customizing and approving policies and procedures takes time and could not have been automatic when the LRA began its operations in July 2014.*

**Auditor General's position**

- 1.3.3.7 We acknowledge Management's acceptance of our recommendation. However, we will make a follow up on the implementation of the recommendation in subsequent audit of the LRA financial statements.

**1.3.4 IT Steering Committee**

**Observation**

- 1.3.4.1 According to COBIT 5 framework on IT Governance, IT organizations or organizations with IT infrastructure should have IT Steering Committees with a formal charter designating the participation of each member on the committee granting responsibility and authority in a concept similar to that of an audit charter.
- 1.3.4.2 The Information Technology Steering Committee could connects end-users and Information System Department. It is the main communication channel allowing end-users and Information System Department to exchange information relative to users' needs, priorities, and satisfaction levels.

- 1.3.4.3 During the Audit, we found no evidence that the Liberia Revenue Authority had an IT steering committee and therefore the functions as expected of such committee were not being performed.

**Risk**

- 1.3.4.4 Lack of IT Steering Committee could result in users not being connected to IT decisions making of the entity and this may lead to lack of IT awareness.

- 1.3.4.5 There may also be lack of business continuity process and that if users are not aware of IT functions, the entity may not achieve its objectives.

**Recommendation**

- 1.3.4.6 The Management of the Liberia Revenue Authority should ensure that an IT Steering Committee is set up so as to provide direction for aligning IT functions with current business objectives.

- 1.3.4.7 The Steering Committee, when established, should connect end-users and senior management and oversee the strategic orientation and vision for IT at the LRA.

**Management's Response**

- 1.3.4.8 *We note the Auditors' observation. Although COBIT is a good IT practice, it is not a required standard in Liberia. LRA will study this standard and make the necessary decision. The LRA currently has an IT project management steering committee. We may expand the function of this committee to begin possible application of the COBIT standard.*

**Auditor General's position**

- 1.3.4.9 COBIT is the required framework for IT professionals adopted by Information Systems Audit and Controls Association (ISACA) for the management and governance of IT systems. Liberia has affiliation with ISACA through the Ghana Chapter. Therefore, Liberia is required to follow the COBIT standards.

- 1.3.4.10 We will follow up on Management's assertion that it currently has an IT project management steering committee subsequent audit.



**EXHIBIT**



Office of the Director General

# REPUBLIC OF LIBERIA GENERAL SERVICES AGENCY

United Nations Drive - Old USTC Compound - 1000 Monrovia, 10 Liberia  
P. O. Box 9027



REF: MTB-DG-585-2016-GSA

January 3, 2017,

Hon. Winsley S. Nanka, CPA, CFE  
Deputy Auditor General/Audit  
General Auditing Commission (GAC)  
Monrovia, Liberia

Dear Hon. Nanka:

I present my compliments and acknowledge receipt of your communication dated December 15, 2016, requesting the GSA to give detailed report on Eight (8) vehicles received by the GSA for the Liberia Revenue Authority (LRA).

Please see below detailed report on said vehicles requested.

## Information on the Liberia Revenue Authority vehicles:

No	Make	Model	Type	Color	Vin #:	MOF Code	GSA Code	Assigned	Remark
1	Nissan	Patrol	Suv	White	JNITCSY61205833	01-011			No such VIN #
2	Nissan	Hard body	Pickup	White	ADNCJUD22Z0032626	N/A	04-1	GSA	DISPOSED OF
3	Nissan	Hard body	Pickup	White	ADNCJUD22Z0036036	02-17	02-6	GSA	DISPOSED OF
4	Nissan	Hard body	Pickup	White	ADNCJUD22Z003636	N/A	02-7	MOS	MOS
5	Ford	Escape	SUV	Blue	1FMCU9D74AKD23479	01-72	N/A		UNKNOWN
6	Ford	Ranger	Pickup	White	MNCLYFE40H8W976259	02-57	N/A	Buchanan Port	IN LRA CUSTODY
7	Yuan	Mini - bus	Mini-bus	Maroon	LGKG42G9689A11906	01-83	N/A	N/A	NOT AWARE OF
8	Renault	Darcia	Sedan	Blue	VFIKSRACODS41	01-99	N/A	N/A	NOT AWARE OF



Thanks for your understanding and usual cooperation.

Kind regards,

A handwritten signature in blue ink, appearing to read "Mary Broh", with a stylized flourish at the end.

Mary T. Broh  
**DIRECTOR GENERAL**