



Ensuring Accountability of Public Resources

REPORT OF THE AUDITOR-GENERAL



Executive Summary

*On The
Liberia Telecommunications Authority
For The Financial Years 2009, 2010 And 2011*



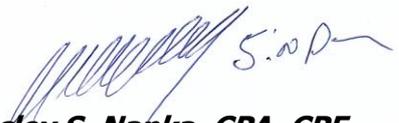
20 August 2013

TRANSMITTAL LETTER

**AUDITOR GENERAL'S REPORT ON THE LIBERIA TELECOMMUNICATIONS
AUTHORITY FOR THE FINANCIAL YEARS 2009, 2010 AND 2011.**

1. *I am pleased to issue this report, this being the second of Auditor General's report on the Liberia Telecommunications Authority. I have undertaken this audit of the LTA's accounts and related records for the financial years ending 31 December 2009, 2010 and 2011, under the Auditor General's statutory mandate, as provided for under the 1972 Executive Law of Chapter 53.3.*
2. *As indicated in the methodology segment of this report, all findings conveyed in the report have been formally communicated to the Management and Board of Commissioners of the LTA. Where responses were provided by the Management and Board of Commissioners on the findings, they have been evaluated and incorporated in this report.*
3. *A number of issues conveyed in this report would appear to affect the generality of public institutions in Liberia and therefore, it is suggested that the issues claim the attention of both the Legislature and Executive, to ensure their timely resolution. These issues are briefly stated below:*
 - *LTA Management's failed to operate with a budget for three months (January through March 2009) during the tenure of Mr. Albert Bropleh as Chairman of LTA. Expenditure incurred during this period amounted to US\$336,109.13. The LTA operated without an approved budget for a period of seven months (April through October 2009) during the tenures of Mr. Lamini A. Warity and Madam Agelique E. Weeks as Acting Chairman and Chairperson of the Board of Commissioners respectively. Expenditure incurred during the tenure of Mr. Warity without an approved budget amounted to US\$ 365,003.92 and the one incurred during the tenure of Madam Weeks without an approved budget amounted to \$475,949.54. The total financial impact of these omissions were US\$1,177,062.59. These omissions were violations of the Telecommunications Act of 2007.*
 - *The LTA disbursed an amount of US\$183,000.00 on per-diem for its officials on foreign travels which were not in accordance with GOL's Foreign Travel Ordinance. Based on the rate indicated in the travel ordinance on foreign travel, my calculation showed that an amount of US\$134,216.25 should have been the appropriate amount to be spent on per-diem for foreign travels for the audited period. The LTA incurred an excess expenditure of US\$48,783.75 on foreign travels without adhering to the prescribed rates set in the Foreign Travel Ordinance.*

- *Foreign travel incidental allowances amounting to US\$29,700 were incurred by some employees and officials of LTA without adhering to the procedures and guidelines as it relates to retirement of travel documents for incidental allowances paid for said travels. Payment vouchers for incidental allowances on Foreign Travel were not supported with the travel disbursement form and the retirement documentation.*
 - *There was no evidence that the LTA Management prepared financial statements on a monthly, quarterly and yearly basis. I requested financial statements from management of LTA on June 18, 2012, during the planning phase of the audit engagement for the period under audit. The LTA Management was not able to provide financial statements until May 27, 2013, after the audit report had been drafted. This omission denied me the basis of expressing an opinion on financial statements.*
 - *For the periods under audit, the Management of LTA did not adhere to the Public Procurement and Concessions Act for the procurement of some capital assets. Examination of document revealed that procurement of capital goods totaling US\$216,520.00 were not supported by relevant documentation.*
4. *Given the significance of these and other matters noted in this report, I urge Her Excellency, the President of the Republic of Liberia, the Hon. Speaker and members of House of Representatives and Hon. Pro-Tempore and members of the Liberian Senate to consider the implementation of the recommendations conveyed in this report with urgency.*



Winsley S. Nanka, CPA, CPE
Acting Auditor General

Her Excellency, the President of the Republic of Liberia
The Executive Mansion
Monrovia

The Honourable Speaker
The House of Representatives
Capitol Hill
Monrovia

The President Pro-Tempore of the Senate
The House of Senate
Capitol Hill
Monrovia

The Board and Management of the LTA
Bushrod Island
Monrovia

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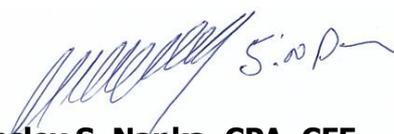
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ACRONYMS

ACRONYM	MEANING
AG's	Auditor General's
AOM	Audit Observation Memorandum
BOC	Board of Commissioners
CBL	Central Bank of Liberia
COSO	Committee of Sponsoring Organization
DVs	Disbursement Voucher
DML	Draft Management Letter
FAR	Fixed Assets Register
GAC	General Auditing Commission
GAAP	Generally Accepted Accounting Principles
GOL	Government of Liberia
IAD	Internal Audit Department
IAU	Internal Audit Unit
ICT	Information Communication Technology
IIA	Institute of Internal Auditors
IMC	Interim Management Committee
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISPPIA	International Standards for Professional Practice of Internal Auditing
ISSAI	International Standards of Supreme Audit Institutions
LTA	Liberia Telecommunications Authority
PFM	Public Finance Management
PPC	Public Procurement and Concessions
WATRA	West Africa Telecommunications Regulators Assembly

AUDITOR GENERAL'S REPORT ON THE LTA'S FINANCIAL TRANSACTIONS AND RELATED RECORDS OF ACCOUNTS FOR THE YEARS 2009, 2010 AND 2011

1. The Management of the Liberia Telecommunications Authority (LTA) failed to provide budget for the period of three months (January –March 2009) and an approved budget for seven months (April – October 2009). Expenditures for this period amounted to US\$1,177,062.59. Additionally, there was no evidence that the budgets for the financial years 2010 and 2011 were approved. These omissions constitute violation of the Telecommunication Act of 2007. The absence of budget for three months (January – March 2009) and approved budget for seven months (April – October 2009) denied a basis for evaluating the performance of the LTA Management for the period under review.
2. The LTA Management failed to prepare and submit financial statements and other financial records on a monthly, quarterly and yearly basis. The LTA's financial statements were requested on 18 June 2012, during the planning phase of the audit. The financial statements were submitted on 27 May 2013, after I have drafted the audit report. The LTA Management's failure to provide financial statements for its operations for the financial years 2009, 2010 and 2011 to be audited denied a basis for assurance on the financial statements. Unearned salaries of US\$2,201.84 were paid to three employees in 2009 before the commencement of their employment date. This undermined the Authority's payroll policy.
3. Excess payments of US\$48,783.75 were made to the entity's employees and officials who undertook foreign travels. Also, expenditure on foreign travels on incidental allowances amounting to US\$29,700 was made without adhering to the procedures and guidelines as it relates to retirement of travel documents and this would deplete the resources of the entity.
4. Because of the significance of the matters described above, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the available accounts and other related records of LTA for the three financial years ended December 31, 2009, 2010 and 2011.



**Winsley S. Nanka, CPA, CFE
Acting Auditor General**

August 2013

1.1.1 EXECUTIVE SUMMARY

1.1.2 Background

5. The audit of the LTA was commissioned on 15 June 2012 and covered three financial years, beginning January 1, 2009 through December 31, 2011. The audit was undertaken in accordance with the Auditor General's statutory mandate as provided for under Chapter 53.3 of the Executive law of 1972.
6. The LTA is a State Owned Entity established under the Telecommunications Act of 2007 with the mandate to mainly regulate and license all telecommunication businesses in the Republic of Liberia. The Telecommunication Act of 2007 provides for a five- member Board of Commissioners with the responsibility to oversee the operations of the LTA and exercise the relevant functions and powers, relative to its activities. The Commissioners are appointed by the President of the Republic of Liberia. The tenure of office for each of these Commissioners is four (4) years, and re-appointment of any of them can only be done by the President for a second term of four years.
7. The LTA audit objectives were to obtain assurance that all transactions were undertaken in accordance with United States Generally Accepted Accounting Principles (USGAAP) and financial management laws of Liberia, that there existed effective internal control over financial and other operations of the Authority, all assets of the LTA were properly recorded, safeguarded and utilized for the purposes intended, and system operated by the Management in the discharge of its statutory mandate would lead to the achievement of the entity's mandate.
8. In order to satisfy the above objectives, we conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). These standards require that we plan and perform the audit so as to obtain reasonable assurance as to whether the annual financial records are free of material misstatements. The audit thus involved reviews as would enable us to appropriately report on the attainment of the audit objectives. Additionally, the reviews comprised in the Auditor-General's reporting requirement, as spelt out under Section 53.7 of the Executive Law of 1972, were undertaken.
9. Findings on significant control weaknesses and other lapses noted were addressed to Management through Audit Observation Memorandums (AOMs). Where Responses were received on the AOMs, they were evaluated and incorporated in the Management Letter for LTA Management's attention.
10. The scope of the audit was limited by the LTA Management's failure to provide us relevant documentation for the purposes of the audit, thus denying assurance that there was due conduct of the transactions involved. Details of the documentation not provided are indicated in the detailed report segment.

11. We reviewed the systems and management controls operated by the LTA only to the extent we considered necessary for the effective performance of this audit. As a result, our review may not have detected all weaknesses that existed or all improvements that could have been made. The responsibility to put in place effective systems and controls for the prevention and detection of fraud, error, and non-compliance with applicable laws and regulations rests with the LTA Management and Board of Commissioners.

1.1.3 Summary of Significant Findings and Recommendations

1.1.4 Internal Control-Related Issues

1.1.5 Inadequate Internal Audit Operations at LTA

12. The internal audit function at the LTA was inadequate. It was being undertaken by one staff. This situation is contrary to the requirements of the Internal Control Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Additionally, contrary to the requirements of International Standards for Professional Practice of Internal Auditing (ISPPIA) 1000, the LTA Internal Audit operated without an approved internal audit charter. These deficiencies noted could impact the Authority's attainment of its objectives.

13. Also, several reports were completed and communicated to LTA Management by the Authority's Internal Audit, but management and other staff affected failed to provide responses to those observations. I recommended, among others, that the LTA Internal Audit be strengthened and a charter instituted for the Unit.

1.1.6 Absence of approved financial manual, Fixed Assets Register and approved policy regulating fixed assets

14. LTA did not maintain a Fixed Asset Register for the recording of its assets covering the period under audit. LTA Management neither instituted approved policies, rules and regulations relating to the usage, maintenance and disposal of its fixed assets. I also noted that many of the assets owned by the Authority were not identity- coded. This omission contravenes Regulation V.1(3), PFM Regulations, which requires the head of Government Agency to ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the assets assigned to the institution. Furthermore, LTA did not have an approved manual for accounting and financial related procedures.

15. Non-maintenance of the Register denies assurance that the Authority's assets were being safeguarded against theft and misuse. Absence of an accounting manual also denies assurance that uniform accounting procedures are followed. I therefore recommended, among others, that the LTA Management should, as a matter of urgency, institute the Register and ensure its continual update as well as institute and implement an Accounting Manual for the Authority in conformity with Regulations V.1(3) and C.9(2), PFM Regulations, and ensure its continual update.

1.1.7 Financial Issues

1.1.8 Over payment of per-diem to LTA's officials and employees, and non-retirement of foreign travels documents for incidental allowance

16. The LTA disbursed an amount of US\$183,000.00 on per-diem for its officials and employees on foreign travels which were not in accordance with GOL's Foreign Travel Ordinance. Based on the requirements of the Foreign Travel Ordinance. My computation indicated that instead, a total amount of US\$134,216.25 should have been spent. Thus, US\$48,783.75 was over-spent on per diem above the approved official amount. Additionally, expenditure on foreign travels incidental allowance amounting to US\$29,700 was made without adhering to the procedures and guidelines as it relates to retirement of travel documents for incidental allowances received for the travels.
17. The excess payment to the LTA's employees and officials for foreign travel per-diem as well as the expenditure incurred for incidental allowances without adhering to the travel retirement policy is clear violation of the GOL policy on foreign travels. LTA Board of Commissioners should provide justification for these omissions and account for the US\$48,783.75 over-spent on the officials and employees. The non-retirement of the expenditures amounting to US\$29,700 should also be accounted for.

1.1.9 Non - existence of budget to guide LTA's operations

18. The LTA Management operated without budget guidance for a period of three months (January through March) for the financial year 2009. Non-preparation of budget for the three months mentioned above constitutes violation of the Telecommunication Act of 2007.
19. Even though there was no budget for the period of three months, expenditures as per the Authority bank statement from the CBL, amounted to US\$336,109.13 were incurred from the Authority's account during the three months. It is a requirement of Section 9(5) of the Telecommunication Act of 2007, that the LTA Board of Commissioners should prepare annual budget for the entity's operations to be submitted to the President of the Republic of Liberia for approval for the Authority operations. Therefore, LTA Board of Commissioners should provide justification for its failure to prepare budget for its operations.

1.1.10 No approved budget

20. The budget submitted in response to the audit observation memorandum by the LTA Management covering seven months (April through October 2009) was neither signed by its Management nor approved by the President of the Republic of Liberia as required. Notwithstanding, expenditures amounting to US\$840,953.46 were spent from the Authority account within this period.
21. Additionally, there was no evidence that the budgets for the financial years 2010 and 2011 were approved by the President of the Republic of Liberia.
22. It is a requirement of Section 9(5) of the Telecommunication Act of 2007, that the LTA Board of Commissioners should prepare an annual budget for the entity's operations and be submitted to the President of the Republic of Liberia for approval. LTA's pursuit of operations without the guidance of an approved budget implies discretionary operations which may not yield optimum outcomes.

1.1.11 Non-preparation and submission of Financial Statements

23. There was no evidence that the LTA management prepared financial statements on a monthly, quarterly and yearly basis. The financial statements were requested on 18 June 2012, during the planning phase of the audit engagement, the LTA Management was not able to provide the statements until 27 May 2013, after the audit report has been drafted. As of the date the statements were submitted, the Management Letter on the audit had been compiled and discussed with the LTA Board of Commissioners and the Auditor-General's Report had also been compiled.
24. The requirement to prepare quarterly and annual financial statements is conveyed under Section 36(1, 3), PFM Act, and I.11 of PFM Regulations, all of 2009. Failure to prepare the statements for submission to the Minister of Finance, Comptroller General and Auditor-General, constitutes a violation under Regulation I.15 (2), PFM Regulations, with specified consequences. The LTA Board of Commissioners should therefore ensure that financial statements are prepared and reported regularly as required by Section 36(1, 3), PFM Act, and Regulation I.11.

1.1.12 Bank reconciliation

25. The LTA Comptroller did not review and approve bank reconciliation statements prepared for the current account maintained at CBL covering periods September through December of 2009 and January through April of 2010. The LTA's Finance Section neither prepared nor undertook monthly bank reconciliation of the Authority's current accounts maintained at both Ecobank and United Bank for Africa (UBA) for the entire periods under audit. We also noted that the LTA's Operational Account at the Central Bank of Liberia (CBL) had outstanding checks with value, US\$2,232.50, outstanding for more than six (6) months.

26. Bank reconciliation is a financial control tool that ensures a check on and monitors on a regular basis, an entity's resources at a bank, thus providing assurance that only authorized transactions impact the entity's account. The failure to perform bank reconciliation on the Ecobank and UBA for the entire periods under audit denied assurance that the Authority's resources at the banks were not at risk.
27. The LTA Board of Commissioners and Head of Finance should provide justification for failing to review and undertake the reconciliation of bank accounts of the Authority maintained at Ecobank and UBA. LTA Board of Commissioners must ensure that the Finance Section compiles the outstanding bank reconciliation statements, review, approve and forward them for the Auditor-General's perusal.

1.1.13 Deviations noted with Payroll.

28. Three personnel names were included on the LTA's payroll during the financial year 2009, and awarded salaries prior to the commencement of their employment. These employees thus earned salaries prior to their employment taking effect. Unearned salaries paid to them amounted to US\$2,201.84. Paying personnel monthly salaries before the commencement of their employment date undermines the Authority's payroll policy and the Public Financial Management Regulations.
29. The LTA Board and Comptroller should account for the unearned salaries amounting to US\$2,201.84 paid to the three staff. The unearned salary should not stand as a charge to the Authority's account.

1.1.14 Non-adherence to the PPC Act

30. For the financial years 2010 and 2011 under audit, the Management of LTA did not adhere to the provisions of the PPC Act, 2005 in the procurement of some capital goods.
31. Contracts for capital goods worth US\$216,520.00 were not published in procurement bulletin; gazette and newspaper of wide national circulation, giving notice of each contract awarded, contrary to Section 37, PPC Act, 2005. The contracts awarded were not supported by appropriate documentation.
32. In addition to the procurement of capital goods, it was also noted that the LTA Management did not adhere to the provisions of Section 37 of the PPC Act, 2005 and the 2010 amended version in the procurement of contracts for services awarded to PRO-SIN Professional Services Inc, in the amount of US\$53,705.40, for the purpose of conducting a nationwide ICT Market Research Survey.
33. The above omissions denied assurance that there was efficient use of public funds in the procurements of contracts for capital goods worth US\$216,520.00 and the contracts for services awarded to PRO-SIN Professional Services Inc. The LTA Board of Commissioners should provide substantive justification for these omissions.

1.1.15 LTA outstanding receivables

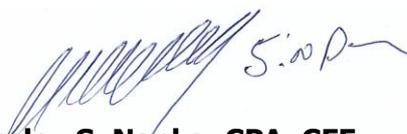
34. Five (5) telecommunications companies owed the LTA US\$930,529.78 for frequency usage or spectrum & regulatory fees which were outstanding after the end of the audit period as at December 31, 2011. Third-party confirmation conducted with four of the five LTA's debtors confirmed the debts owed.
35. Failure of the Authority's Finance Section to timely collect revenue has accounted for the build-up of the debts. The LTA Board of Commissioners must ensure that the Finance Section of the Authority pursues the debts for their collection and ensure that receivables of the Authority are timely collected.

1.1.16 Prior Years Audit Matters

36. Some recommendations conveyed in prior years audit report are yet to be implemented by the LTA Management. Details of these recommendations are provided in the detailed report segment

1.1.17 Statement of Accountability

37. Both financial and administrative activities undertaken by the Management of LTA during the period under audit were marked by financial irregularities and control weaknesses. The financial irregularities noted amounted to US\$1,259,980.68 and included, among others, irregularities involving payment made from LTA's Account without budget and approved budget. Other irregularities included overpayment of per-diem for foreign travels, failure to retire foreign travels documents for incidental allowance, staff awarded salary before the commencement of their employment date and outstanding checks for more than six months.



**Winsley S. Nanka, CPA, CFE
Acting Auditor General,**

August 2013