



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



On Applying Agreed-Upon Procedures to the LEITI Reporting Templates on the Assessments and Collections of Revenues by the LRA and Supervising Ministries & Agencies (M&As) for the Fiscal Year 2013/2014

June 2016

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Auditor General, R L

TRANSMITTAL LETTER



June 22, 2016

**Head of Secretariat – LEITI;
Commissioner General – LRA; Minister of Lands, Mines and Energy;
The Managing Director-SGS; the Executive Governor-CBL and
President, National Oil Company of Liberia**

We have undertaken the Agreed-Upon Procedures (AUP) of the assessments made on and collections obtained from concessionaires and other entities operating within the extractive industry of Liberia for the Fiscal Year July 1, 2013 to June 30, 2014. The enclosed report presents the outcomes of the AUP undertaken.

This report, besides being a requirement under the AG's statutory mandate as provided for under Part 2, Section 2.1.3 of the GAC Act of 2014, it is also a requirement under Section 8.4 of the LEITI Act.

The enclosed findings were submitted to the Head of the LEITI Secretariat, the Commissioner General of the Liberia Revenue Authority, Minister of Land, Mines & Energy; the Heads of the National Oil Company of Liberia and Societe Generale de Surveillance (SGS) for their attention and necessary action. Responses obtained from the LRA and M&As have been evaluated and incorporated in the Auditor General's Report on the LEITI for the Fiscal Year 2013/14.


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

Monrovia, June 2016

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ACRONYMNS USED

Acronyms Used	Meaning
AG	Auditor General
GAC	General Auditing Commission
GOL	Government of Liberia
LEITI	Liberia Extractive Industry Transparency Initiative
CPA	Certified Public Accountant
CGMA	Charter Global Management Accountant
LRA	Liberia Revenue Authority
CBL	Central Bank of Liberia
M&As	Ministries and Agencies
EPA	Environmental Protection Agency
FDA	Forestry Development Authority
LCAA	Liberia Civil Aviation Authority
LMA	Liberia Maritime Authority
MOA	Ministry of Agriculture
MLME	Ministry of Lands, Mines & Energy
NOCAL	National Oil Company of Liberia
NPA	National Port Authority
TAS	Tax Administration System
ITAS	Integrated Tax Administration System
MSG	Multi-Stakeholders Steering Group
NRTU	Natural Resources Tax Unit
TIN	Tax Identification Number
EITII	Extractive Industry Transparency Initiative International
PT	Payment Type
AUP	Agreed-Upon Procedures
SGS	Societe Generale de Surveillance

1 SCOPE

- 1.1 In accordance with Part 2, Section 2.1.3 of the GAC Act of 2014 and Section 8.4 of the Act creating the LEITI, we have performed the procedures enumerated below, which were agreed upon by the Secretariat of LEITI and the Office of the Auditor General of the Republic of Liberia, to attest to the accuracy of reported data in the LEITI's Reporting Templates on assessment and collection of revenues from concessionaires and private companies in the extractive industry in Liberia by the Department of Revenue, Ministry of Finance now Liberia Revenue Authority (LRA) and Ministries and Agencies (M&As) in compliance with applicable laws and regulations for the Fiscal Year ended 2013/2014.
- 1.2 The Management of LRA and M&As are responsible for the accounting records, accuracy and completeness of the reporting templates, and compliance with applicable laws. The Auditor General's responsibility is to report on any deviation(s) observed.
- 1.3 This Agreed-Upon Procedures Engagement was also conducted in line with the standards applicable to attestation engagements contained in the International Standard on Related Services (ISRS 4400 previously ISA 920). The sufficiency of these procedures is solely the responsibility of the parties specified in this report.
- 1.4 Accordingly, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.
- 1.5 The Independent Administrator in the inception report selected forty-two (42) companies for the 7th reconciliation. Five (5) are from the Oil Sector, sixteen (16) from the Mining Sector, eleven (11) from the Agriculture Sector and ten (10) from the Forestry Sector.

2 AGREED-UPON PROCEDURES RELATED TO THE LEITI REPORTING TEMPLATES SUBMITTED BY THE OFFICE OF THE AUDITOR GENERAL FOR THE FISCAL YEAR 2013/2014

- 2.1 The procedures that we performed and our findings are summarized as follows:
- 2.2 LEITI Reporting Templates were obtained from the LRA and M&As and inspected to verify that each template was filled in correctly.
- 2.3 Inspected reported payments by extractive companies to verify that the payments were made within the 2013/2014 Fiscal Year.
- 2.4 Checked to verify that all payments made directly to supervising ministries and agencies of the GOL other than LRA by extractive companies were made in accordance with the terms and conditions of the company contract with Government for the Fiscal Year 2013/2014.
- 2.5 Examined and compared reconciliation templates of extractive companies submitted by M&As with LRA to verify that payments and receipts reported by companies and agencies were properly reconciled.
- 2.6 Assessed payment procedures to determine the level of controls and risk management program maintained by each M&A over the process in order to determine the level of effectiveness and efficiency with which the process is implemented.
- 2.7 Performed follow-up procedures on the implementation of prior Agreed-upon Procedures recommendations by LRA and M&As to ascertain that issues raised have been fully addressed in their Corrective Action Plans (CAP) and proactive strategies have been put in place to prevent re-occurrence(s).
- 2.8 Verified that the amount reported on each template was recorded in the proper currency unit columns for both United States and Liberian Dollars.
- 2.9 Reconciled the list of extractive companies submitted by LEITI with the number of templates submitted by the LRA and M&As to verify that all extractive companies which met the qualification criteria for filing did so and was captured by both the LRA and M&As.
- 2.10 Identified the number of extractive companies for which templates were not filed by either the LRA or M&As for the attention of both LRA and M&As.
- 2.11 Verified that amounts reported by the LRA as receipts from extractive companies have been duly collected and deposited at the CBL.

- 2.12 Checked to verify whether the dollar amounts reported by LRA as collected funds represent the actual amount due the GOL as stipulated in each extractive company contract for the period under review as the GAC was not provided all the contract templates developed by the LEITI and LRA.

3 FINDINGS

3.1 From the execution of the above agreed-upon procedures, we present our findings:

3.1.1 General Controls and Procedures

3.1.1.1 The below listed control lapses were observed within the Liberia Revenue Authority (LRA) and Sector Ministries and Agencies (M&As):

- The MOF Revenue Department now LRA System (TAS/ITAS) report writer generated six - digit numbers initially, other than the seven - digit receipt numbers normally generated, thereby making the reconciliation process more challenging. Although LRA provided the seven-digit receipt numbers subsequently, the initial appearance of the six-digit number indicates that prior Agreed-upon Procedures recommendation relating to the configuration of the system was not implemented.

3.1.1.2 The LRA should address the above control issue to avoid the repetition of the control deficiency in future transactions in the reporting process.

3.1.1.3 The Natural Resources Tax Unit (NRTU) at LRA which has oversight responsibility over the revenue collection in the sector does not appear to reconcile its records with M&As.

3.1.1.4 For the fiscal year 2013/2014, LRA submitted templates for Mandra LTTC amounting to **US\$ 28,366.80**. LRA had to reissue the template after reconciling the information with data obtained from SGS. The reissued template indicated a revised revenue amount of **US\$1,124,122.49** as the information on the initial template was materially understated. This problem could have been prevented by conducting regular reconciliation.

3.1.1.5 NRTU should reconcile its records with M&As on a quarterly basis at minimum.

3.1.1.6 We also observed during the reconciliation process that SGS maintains payment records under the name of one company while per LRA records, payments are made in the name of another company. The payment information from SGS for EJ&J, Liberia Tree & Trading Company and Tarpeh Timber Company are captured in LRA records as Mandra Forestry, Mandra-LTTC and Magna Diversified respectively; although, the six companies are also registered entities per LRA records. The NRTU indicated that EJ&J is the concession holder while Mandra Forestry controls the administration of the concession.

3.1.1.7 The management of LRA should ensure that general taxes are paid in the name of the administrator and sector specific taxes are paid in the name of the concession holder.

3.1.1.8 The generation of data by the SIGTAS/TAS system at LRA is not consistent with the

records stored within the system because the Staff in NRTU uses the name of the companies to generate reports. The use of names to generate reports might not provide complete and accurate information. For example, some of the companies' names are spelt out in full, hyphenated, abbreviated or misspelled. The inconsistent input method might undermine management's completeness assertion regarding the extracted data.

3.1.1.9 The management of LRA should either create a code for every business entity or use the Taxpayer TIN to enter and extract data from the system.

3.1.1.10 It was also observed during the process of comparing the data that payments with receipts numbers 2013Rxx & 2014Rxx with the xx representing any two digits are not the regular seven (7) digits flag receipts being issued by LRA. These series of receipt numbers are not unique and thus make tracing them to the CBL GOL Revenue System impractical. Payments amounting to **US\$992,505.97** for 2013/2014 as shown in table 1 are in this category. **Refer to table 1 below** for sector amount and to **Appendix I for details.**

Table 1

Sector	Amount	Reference for Amount Per Company
Agricultural	329,375.99	Schedule 1
Forestry	166,430.27	Schedule 2
Mining	496,699..71	Schedule 3
Total	992,505.97	

3.1.1.11 CBL and LRA should provide evidence that the amounts stated above were deposited in GOL Consolidated Revenue Account.

Auditor General's Position

3.1.1.12 We submitted the Draft Agreed-Upon Procedures Report to the Managements of LEITI, LRA, MLME, SGS, CBL and NOCAL for their responses. UP to the time of this report, they have not responded. Therefore, we maintain our recommendations.

4 CONCLUSION

- 4.1 The agreed-upon procedures do not constitute an audit or a review of LRA and M&As accounting records and Financial Statements, the objectives of which is the expression of an opinion or limited assurance on the accounting records or their reports.
- 4.2 Also, we were not engaged to and did not conduct an examination or a review of LRA and M&As compliance with applicable laws and regulations, the objectives of which would be the expression of an opinion or limited assurance on compliance. Accordingly, we do not express such opinion or limited assurance.
- 4.3 Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.
- 4.4 In accordance with the mandate of the Auditor General as provided for in Part 2, Section 2.1.3 of the GAC Act of 2014, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that come to our attention during this agreed-upon procedures that warrant the attention of those charged with governance.
- 4.5 Accordingly, we wish to note herewith that the agreed-upon procedures disclosed the following matters that warrant the attention of the Head of LEITI Secretariat, LRA and M&As officials and the Public Accounts Committee (PAC) of the National Legislature:
- 4.6 The timely provision of information relative to the reconciliation process is a key problem facing the GAC in the conduct of its work.
- 4.7 The Managements of the LRA and M&As are requested to address this issues in keeping with all relevant laws and regulations such as the LEITI Act, PFM Act and Revenue Code to form the basis to validate the information provided on the LEITI reporting templates.


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

Monrovia, June 2016

APPENDIX ONE (1)

Supporting Schedules

Payments with Irregular Receipt Numbers Schedules 1-3

Schedule 1

Company Name	Amount
Firestone Liberia Inc	116,723.57
Golden Veroluem	132,092.17
Liberia Forest Product	1,869.01
LibInc Oil Palm	10,627.61
Salala Rubber Corporation	12,711.68
Sime Darby Plantation	55,351.95
Total	329,375.99

Schedule 2

Company Name	Amount
Akewa Group Of Companies	3,816.63
Atlantic Resources	93,270.10
Forest Venture	18,318.51
Magna Diversified	16,219.14
Mandra Forestry	34,805.89
Total	166,430.27

Schedule 3

Company Name	Amount
Arcelor Mittal	429,895.36
Bea Mountain Mining Corporation	58,594.55
BHP Billiton	758.62
Putu Iron Ore	7,451.18
Total	496,699.71