



Promoting Accountability of Public Resources

## AUDITOR GENERAL'S REPORT



### On The Financial Audit of the National Investment Commission

For The Fiscal Period  
Beginning July 1, 2010 to  
June 30, 2013

September 2016

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

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**ACRONYMS USED**

<b>Acronym</b>	<b>Meaning</b>
AG	Auditor General
CBL	Central Bank of Liberia
CMC	Cash Management Committee
GAC	General Auditing Commissions
GL	General Ledger
GoL	Government of Liberia
IA	Internal Audit
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
LBDI	Liberia Bank for Development and Investment
MIP	Monrovia Industrial Park
NIC	National Investment Commission
PFM	Public Financial Management Regulations
PPC Act	Public Procurement and Concessions Act
PPCC	Public Procurement and Concessions Commission
PV	Payment Voucher
TB	Trial Balance
ToR	Term of Reference



## **AUDITOR GENERAL'S REPORT ON THE LIBERIA INVESTMENT COMMISSION FINANCIAL STATEMENTS FOR THE FISCAL PERIODS JULY 1, 2010 to JUNE 30, 2013**

We were engaged to audit the National Investment Commission Financial Statements which comprises the Statement of Receipts and Payments for the fiscal years ended June 30, 2010 to June 30, 2013, a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Public Financial Management Act and Regulations of 2009 and the International Public Sector Accounting Standards (IPSAS) cash basis as adopted by the Government of Liberia in 2009, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

The Management of the National Investment Commission did not provide evidence of payment vouchers to support expenditure amounting to US\$686,985.47 for fiscal year 2010/2011 and US\$719,796 for fiscal year 2011/2012 respectively. Additionally, the Management of NIC did not prepare financial statements that meet the requirements of IPSAS cash basis, the prescribed financial reporting framework established by the Government of Liberia in 2009, during fiscal years July 1, 2010 through June 30, 2013.

NIC maintained seven (7) bank accounts with three banking institutions. There was no evidence that the Finance Department conducted monthly bank reconciliation on the accounts. Additionally, variances were observed between the general ledger and the template provided by management. Due to the absence of bank reconciliation statements and the lack of documents for re-performance, we could not confirm the accuracies of the cash balances disclosed by management.

The Management of NIC did not have in place an overtime policy; as a result, management made payments amounting to US\$4,662.87 for overtime services rendered by "Management of NIC" and employees without evidence of work performed and how the overtime was calculated. Further, management made overtime payment of US\$5,187.00 to a vendor who was not an employee of the NIC for vehicle repair services.

Vouchers relating to foreign travels revealed during fiscal year 2012/2013 the purchase of air tickets without a minimum of three quotations; Non-retirement of foreign trips by the NIC Chairman and staff; No evidence of approval of trip made by the Executive Director; Incidental allowance payments not accounted for; and Absence of documentation such as boarding passes to validate the travel



**Auditor General's Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the fiscal years ended June 30, 2010 to June 30, 2013.

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

**Monrovia, Liberia**  
**September 2016**



## **Background of the NIC**

The National Investment Commission (NIC) was created by an act of the National Legislature on September 6, 1979 and amended on July 19, 2010. The Act empowers the NIC to among others, promote and develop Liberia's commercial interests by enabling an advantageous business environment, attracting and securing quality investors and businesses, retaining quality investors and business, increasing market access for Liberian goods and services, and providing effective business and investor that helps foreign and domestic investors to successfully do business in Liberia.

## **Audit Objectives, Scope and Methodology**

### **Audit Objectives**

The objectives of the audit were to Express an opinion on whether NIC's financial statements are fairly presented, in all material respects, in accordance with the IPSAS cash basis financial reporting framework; report on NIC's compliance with provisions of applicable laws and regulations and report any significant deviations in internal control that came to our attention as a result of the audit, as provided for under Section 53.7, Executive Law of 1972.

### **Audit Scope and Methodology**

The audit covered three financial years beginning July 1, 2010 to June 30, 2013. We adopted a risk-based approach in the audit of NIC. We reviewed NIC's legal, business and internal control system through which risks of material misstatements affecting the Commission's operations were assessed. Audit procedures considered necessary were thus pursued to address the risks identified in NIC's operations. The methods used included:

- Document review
- Interviews
- Compliance and substantive tests
- Substantive analytical reviews
- Inspection of records and documents
- Confirmation
- Recalculation

We also carried out reviews to ascertain the level of operation of the controls, procedures and policies. Where deviations were noted, their impact on the controls were assessed and factored into the related audit programs.

Substantive tests were performed on a sample basis to enable us ascertain the validity of assertions made in the financial statements, regarding revenue and expenditure items. These were carried out on the basis of risk analysis and involved the checking of individual transactions.

### **Limitation of Responsibility**

We reviewed the systems and management controls operated by the NIC only to the extent we considered necessary for the effective performance of this audit. Our audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.



## **Management Personnel**

The management personnel reflected in the below table handled the administrative and financial affairs of NIC for the periods under audit.

**Table 1: Management Personnel**

<b>Name</b>	<b>Position</b>	<b>Period of Service</b>
O.Natty B. Davis	Chairman	2010- 2012
Ciata A.Bishop	Executive Director	2010- 2012
James Boker	Director of Finance and Administration (DFA)	2010- 2012
Grisper G. Garteh	Adm. Officer	2010- 2012
Grisper G. Garteh	Dir. Finance & Adm.	2013- Present
Therenna Reeves	Legal Counsel	2010- Present
Nathaniel Kohn	Former Comptroller	2010 – 2012
Quinton A. Tunis	Comptroller	2013 - Present
Sam Doe	Asst. Comptroller	2010 – Present
Alex D. Sowor	Internal Auditor	2010 – Present
Rene L.M. Mapleh	Former Human Resource Manager.	2010 – 2012
Pearletta W. Grimes	Human Resource Manager.	2013 – Present
Boimah Gibson	Procurement Mgr.	2010 – Present



## 1 DETAILED FINDINGS AND RECOMMENDATIONS

### 1.1 Financial Issues

#### 1.1.1 Expenditure without Book of Accounts and Records

##### Observation

1.1.1.1 In terms of the Public Financial Management Regulation (PFM 2010) A. 3, any public officer concerned with the conduct of financial matters of the government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and used of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the book of accounts and records of transaction for inspection when called upon to do so by the Auditor- General, the Controller General, the relevant internal auditor of any officers. A public officer who fails to keep or to produce any records under this regulation is in a breach of financial discipline as defined in Regulation A.20. The provision of books of account and transactions documents will clearly define roles and responsibilities.

1.1.1.2 It was observed during the conduct of the audit that there was no evidence of payment vouchers, general ledgers and financial statements to support expenditure amounting to **US\$1,395,449.00** for fiscal year 2010/2011 and **US\$1,515,841.00** for fiscal year 2011/2012 respectively.

##### Risk

1.1.1.3 Management's failure to provide the books and records denies assurance of a comprehensive and transparent financial reporting of the cash receipts and payments, and may undermine public sector accountability and transparency.

1.1.1.4 Management's failure to provide financial records to support the expenditure made during the fiscal years increases the risk of fraud, waste and abuse.

##### Recommendation

1.1.1.5 The Chairman, Executive Director and Comptroller of NIC should provide the payment vouchers, general ledgers and financial statements to support the **US\$US\$1,395,449.00** and **US\$US\$1,515,841** received from the GOL for operations.

1.1.1.6 Going forward, management should ensure that the entity's financial statements are prepared timely in accordance with IPSAS-cash basis.

##### Management's Response

1.1.1.7 *The GAC Audit Team, led by Mr. Spencer Augustine, was informed by NIC about the damage of significant portion of the expenditure/operation records for that period as a result of the mishap that occurred when authorities at the National Archives, while rehabilitating their office which NIC was located on 12<sup>th</sup> Street, removed the roof. Unfortunately, it rained heavily that night, flooding NIC offices and destroying some*



*records and office equipment. See photos of some damaged documents, records, etc. in Appendix 001. Mr. Spencer and his team informed NIC that since records for that period were not in tack, the period would be omitted in the audit. Few months to the conclusion of the audit, the Auditor General, Hon. Yusador Gaye, during a meeting with NIC team at the GAC office, advised that NIC presents whatever records available for the referenced period. Even though NIC complied by submitting the available payment vouchers and allotments for the referenced period(See Appendix 002), the GAC'S Management Letter/Draft Report made no reference to the submission and instead, declared the budget figures for that period unsupported.*

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

1.1.1.8 It is the responsibility of the NIC Management to preserve its assets and the records of the its transactions by either backing up data or storing pertinent transaction records off sit to mitigate the risk of loss. Also, the NIC Management exposed Government assets to risk by its failure to take steps that could have prevented damage to Government properties. The Management of NIC failed to secured Government properties and transaction records entrusted to it, therefore the management should be held accountable.

1.1.1.9 We reviewed the vouchers provided by Management which amounted to US\$708,463.53 for fiscal year 2010/2011 and US\$795,045.00 fiscal year 2011/2012 respectively, thereby leaving variances of US686,985.47 and US\$719,796.00 without supporting documentation. Therefore, the Management should be held accountable for the variances.

1.1.1.10 Also, there are glaring inconsistencies between the original financial statements presented by Management for the 2012/2013 fiscal year and the financial statements presented in response to the Management Letter/ Draft Report. For example, Total Receipts in the original financial statements amount to US\$1,204,032.16 and the Total Receipts in the financial statements presented in response to the Management Letter/Draft Report amount to US\$1,276,112.36, thereby bringing the integrity of the financial statements into question.

### **1.1.2 IPSAS Cash Basis Financial Reporting Framework**

1.1.2.1 IPSAS 1.3.4, states "An entity should prepare and present general purpose financial statements which include the following components:

- A statement of cash receipts and payments which: (i) Recognizes all cash receipts, cash payments and cash balances controlled by the entity; and (ii) Separately identifies payments made by third parties on behalf of the entity in accordance with paragraph 1.3.24 of this Standard;
- Accounting policies and explanatory notes; and
- When the entity makes publicly available it's approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments in accordance with paragraph 1.9.8".



1.1.2.2 It was observed during the audit that the Management of NIC did not prepare IPSAS cash basis financial statements from July 1, 2012 through June 30, 2013, the prescribed financial reporting framework established by the Government of Liberia in 2009.

**Risk**

1.1.2.3 Failure to prepare financial reports based on GoL's adopted financial reporting framework could undermine Government's effort to strengthen financial accountability and controls over public receipts and expenditure.

**Recommendation**

1.1.2.4 The Management should provide substantive justification for not preparing IPSAS cash basis financial statements as prescribed by the Government of Liberia.

1.1.2.5 Going forward, the Management should ensure full compliance with the IPSAS Cash Basis in the preparation of financial statements.

**Management's Response**

1.1.2.6 *The financial statement, as submitted to GAC, was prepared according to IPSAS Cash Basis as could be seen in Appendix 003 (Statement of cash receipt and payment earlier submitted to GAC Audit Team). IPSAS Cash Basis requires a financial statement to be prepared with details of receipts and payments controlled by the entity, receipts and payments controlled by other government entities and receipts and payments controlled by external parties.*

**Auditor General's Position**

1.1.2.7 The financial statements provided by the management of NIC during the course of the audit did not contain accounting policies and explanatory notes, and a comparison of budget vs actual (when an entity makes publicly its approved budget); two of the basic requirements of IPSAS cash basis. Therefore, we maintain our recommendation.

1.1.3 **Cash and Bank Balances**

**Observation**

1.1.3.1 Regulation R.3 (6), PFM Regulations, stipulates that the "balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof".

1.1.3.2 It was observed during the conduct of the audit that NIC maintained seven (7) bank accounts with three banking institutions. There was no evidence that the Finance Department conducted monthly bank reconciliation on the accounts. **See table 2 below:**



Table 2 = Cash Inflow					
Banks	Type of Acct.	Bank Acct. #	Bank Statements AMT US\$ (A)	NIC Records AMT US\$ (B)	Variance US\$ A-B
LBDI	Project Donor	001USD21223005202	500.00	500	-
LBDI	Project	01USD21223005201	276,000.00	274,585.00	1,415.00
Global Bank	Allowance USD	103010106331	214,135.22	214,135.22	-
Global Bank	Operation USD	103010103774	493,914.76	464,027.92	29,886.84
Global Bank	Salary LRD75 @ US\$1	103020102784	178,266.42	159,543.72	18,722.70
Global Bank	Operation LRD75@ US\$1	1030210101656	294,976.45	264,534.72	30,441.73
<b>Total</b>			<b>1,457,792.85</b>	<b>1,377,326.58</b>	<b>80,466.27</b>

1.1.3.3 Additionally, variances were observed between the general ledger and the template provided by management. **Refer appendix 1A and B for variances.**

#### **Risk**

1.1.3.4 Failure to prepare bank reconciliation could lead to untimely detection of errors, omissions or undetected loss and could result to the misstatement of the financial statements.

#### **Recommendation**

1.1.3.5 The Management should ensure that the Finance Department staff perform bank reconciliation on a monthly basis as required by the PFM regulations.

1.1.3.6 The Management should provide explanation with documentary evidence for the variances between the general ledger amounts and the amounts presented on the template.

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

1.1.3.7 *Following the just ended internal reform process intended to address institutional Challenges, a dedicated staff have been deployed in NIC Finance Department for bank reconciliation. Therefore, the NIC Finance Department is now performing bank reconciliation on a monthly basis. The variance in the general ledger amounts (Table 3, GAC Draft Report) and the amounts presented on the template resulted from wrongful posting. See Appendix 004 for proper classification.*

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

1.1.3.8 We knowledge Management's assertion that it is now performing regular bank reconciliations. We will follow-up on Management's assertion during subsequent audit.

1.1.3.9 Also, the statement by management that wrongful posting led to variances between the general ledger and template amounts is an indication that Management was not



reconciling accounts regularly. Management needs to reconcile the accounts to detect wrongful posting timely.

#### 1.1.4 Monrovia Industrial Park (MIP) Leases

##### Observation

1.1.4.1 Section B.8, PFM Regulations of 2009 states "(1) All public moneys collected and retained by a government agency, shall be paid in gross into the designated bank accounts (account established with the approval of the MoF) and no use shall be made by any public officer of monies collected in any manner between the time of its receipts and payment into the bank except as provided by an enactment. (2) A Government agency that has legislative approval to retain all or a portion of Internally Generated Funds collected, must first lodge the retained Internally Generated Funds in gross into the Government agency's operational bank account before using the Government agency's disbursement process to spend it. (3) A person who makes payment from monies collected in contravention of sub-regulations (1) and (2) is in breach of financial discipline as defined in regulation A20

1.1.4.2 It was observed during the conduct of the audit that beginning 2012, the Management of NIC requested lease holders to deposit lease payments totaling US\$129,550.00 directly to NIC MIP's account at the Liberia Bank for Development & Investment (LBDI). There was no evidence that NIC sought approval from the Minister of Finance to deposit lease payment in the account at LBDI.

1.1.4.3 During the 2012/2013 fiscal year, US\$38,300.00 of the US\$120,000 deposited was supported by deposit slips and receipts, leaving a difference of US\$82,250.00 not supported. **Details are reflected in table (3).**

<b>Table 3 = 2012/13 Lease Payments Made Without Receipts and Deposit Slips</b>						
<b>No.</b>	<b>Date of Agreement</b>	<b>Name of Lessee</b>	<b>Tenure/ Years</b>	<b>Annual Payment US\$</b>	<b>Payment Traced</b>	<b>Unsupporte d Balance US\$</b>
1	27-Oct-98	A- Z Corporation	20	2,750.00		2,750.00
2	8-Mar-04	Sinkor Trading Company	20	2,000.00		2,000.00
3	4-Apr-04	NIC GAS STATION	13	1,700.00		1,700.00
4	4-Apr-04	Mohammed Dukuly	12	1,000.00		1,000.00
5	4-Jun-04	Dukuly & sons	10	1,500.00		1,500.00
6	11-Jan-05	Pacific construction company	20	800.00		800.00
7	1-Jun-05	A- Z Corporation	20	1,500.00		1,500.00
8	1-Apr-11	National Air product Inc.	10	4,800.00	800.00	4,000.00
9	4-May-12	Tiba Group of Industries	20	50,000.00		50,000.00
10	6-Jan-13	I Will Praise my maker transport services	10	2,500.00	2,500.00	
11	7-Jan-13	NP Liberia LTD	10	10,000.00		10,000.00
12	16-Aug-04	Solid Blocks Builders	20	2,000.00		2,000.00
13	25-Jun-13	Bridgeway Corporation	30	15,000.00	15,000.00	
14	21-Jan-13	Garson Inc.	20	25,000.00	20,000.00	5,000.00
<b>Total</b>				<b>120,550.00</b>	<b>38,300.00</b>	<b>82,250.00</b>



- 1.1.4.4 It was also observed that lease payment amounting to **US\$8,000.00** was made by a lessee without evidence of lease agreement to determine the lessee's annual obligation to NIC. **See Table 4 below for details**

<b>Table =4 Payments Without Lease Agreement</b>				
<b>Year</b>	<b>Name of Lessee</b>	<b>Receipt #</b>	<b>Deposit Slip#</b>	<b>Amount US\$</b>
April 8, 2013	Global Alliance Industry	1079	0952791	5,000.00
April 22, 2013	Global Alliance Industry	1079	1064348	3,000.00
<b>Total</b>				<b>8,000.00</b>

#### **Risk**

- 1.1.4.5 Depositing public funds in an account not designated by Government could lead to diversion of funds to personal use and the misstatement of Government revenue.

#### **Recommendation**

- 1.1.4.6 The Management should provide the deposit slips and receipts for the unsupported lease payments made in 2012/13.
- 1.1.4.7 The Management should provide the lease agreements for the payments reflected in table (5).
- 1.1.4.8 Going forward, the Management should ensure that all deposit slips and payment receipts are attached to the lease agreements issued and such records are regularly reconciled.

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

- 1.1.4.9 *Of late, some of our lessees are not inclined to making manual reporting of payment of their fees by presenting deposit slips to NIC. Instead, some lessees deposit the fees into NIC account in keeping with the lease agreements. Once the payment is reflected on the bank statement, NIC simply debits the lessee's account. See Appendix 005 of lease contracts and fees in keeping with Table 4 of GAC Management Letter/Draft Report. The lease agreement between NIC and Global Alliance Industry in regards to the queried payment (US \$ 8,000) is here with submitted in Appendix 006.*

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

- 1.1.4.10 We acknowledge the provision of the lease agreement. However, Management provided receipts for US\$ 50,000 paid by TIBA Group of Industries and US\$1,700 paid by Mohamed Dukuly, thereby leaving a balance of US\$73,850 without documentation.

#### **1.1.5 Overtime Payments**

##### **Observation**

- 1.1.5.1 PFM Regulations T1 (3a-c) states" that (3) Subject to any amendment to this sub-regulation by the Minister, overtime for public servants shall be computed based on the number of overtime hours worked and a 20 per cent ceiling on the basic salary. The



overtime hours and the daily rate shall be computed as follows:

- The number of overtime hours worked shall be calculated as 1.5 times the actual overtime hours worked on week days and two times the actual overtime hours worked on weekends and holidays;
- The hourly overtime rate shall be determined by dividing the daily rate by eight hours;
- The daily overtime rate shall be derived by dividing the basic monthly salary by 22 days.

1.1.5.2 It was observed during the conduct of the audit that the Management of NIC did not have in place an overtime policy; as a result, management made payments amounting to US\$4,662.87 for overtime services rendered by "Management of NIC" and employees without evidence of work performed and how the overtime was calculated.

1.1.5.3 It was further observed that management made overtime payment of US\$5,187.00 to a vendor (Houame Haba) who was not an employee of the NIC for vehicle repair services.

#### **Risk**

1.1.5.4 Making overtime payments without a policy or evidence of work performed could increase the risk of unbudgeted expenditure, waste and abuse.

#### **Recommendation**

1.1.5.5 The Management should provide evidence of the work performed and evidence of how the overtime was calculated.

1.1.5.6 The Management should provide substantive justification for making payment in overtime to a non-employee for repair of vehicle.

1.1.5.7 The Management should development an overtime policy to guide the payment of overtime to staff.

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

1.1.5.8 *As member of the Civil Service, NIC uses the Civil Service standing orders to determine overtime calculation. See sample template in Appendix 007. The payment of US \$ 5,187.00 made to Kouame Haba was wrongly posted. See NIC response under count 1.1.3.6*

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

1.1.5.9 The sample template provided by Management in response to the Management/Letter Draft Report supports an overtime payment of US\$358.50 thereby leaving a balance of US\$4,304.37 overtime payment without justification.

1.1.5.10 Management should reclassify the transaction relating to issue of wrong posting. Also,



Management should regularly reconcile the various accounts to avoid errors and omissions.

#### **1.1.6 Non Compliance with PPC Act and Travel Ordinance**

##### **Observation on Travel**

1.1.6.1 Section 54 (1& 2) of the Public Procurement and Concessions Act of 2005, and 2010 Restated states that "Quotations shall be requested for in writing from as many bidders as practicable, but from at least three (3) bidders. The request shall contain a clear statement of the requirements of the Procuring Entity as to quality, quantity, terms and time of delivery, as well as any other special requirements".

1.1.6.2 Furthermore, section 26 of the policy on per diem allowance for travel abroad of 2013 (Travel Ordinance) requires air tickets to be purchased at competitive rates by obtaining quotations from at least three different travel agents where applicable.

1.1.6.3 Additionally, Section 27 of the same Ordinance requires that "upon return from abroad, officials are required to submit to the Ministry of Finance, a Travel Disbursement form within one week 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 upon returned from the first, the second advance may be granted with the specific written approval of the Minister's concerned, explaining the reasons thereof."

1.1.6.4 It was observed during the conduct of the audit that vouchers relating to foreign travel revealed the following irregularities during fiscal year 2012/2013:

- Purchase of air tickets without a minimum of three quotations;
- Non-retirement of foreign trips by the NIC Chairman and staff;
- No evidence of approval of trip made by the Executive Director;
- Incidental allowance payments not accounted for; and
- Absence of documentation such as boarding passes to validate the travel.

##### **Risk**

1.1.6.5 Non-adherence to the Travel Ordinance and PPC Act could lead to irregular expenditure and over spending.

##### **Recommendation**

1.1.6.6 The Management should provide substantive justification for not adhering to PPC Act, Travel Ordinance and other regulations relating to travels.



### **Management's Response**

1.1.6.7 *Management did not respond to this observation.*

### **GAC's Position**

1.1.6.8 In the absence of Management's response, we maintain our recommendation.

### **1.1.7 Consultancy Contracts not in Compliance with PPC Act**

#### **Observation**

1.1.7.1 Section 68, subsections 1&2 of the PPC Act of 2005 and 2010 Restated requires procuring entities requesting for consultant's services to prepare a shortlist of generally three (3) to six (6) consulting firms. However, if the estimated price exceeds the threshold established by regulations, the procuring entity shall seek expressions of interest by publishing a notice, among others.

1.1.7.2 Additionally, Section 131 subsection (3) forbids officers or employees of the procuring entity from participating as bidders in the proceedings in which the entity is a participant.

1.1.7.3 Furthermore, Section 1021(b) and 1022 (10) of the Revenue Code of 2000 requires a ten percent service tax deductions on consultant services.

1.1.7.4 During the audit the following deviations were noted:

- Five (5) consultancy contracts amounting to US\$18,000.00 were awarded without evidence of any contractual agreement. There was no evidence that withholding tax amounting to US\$1,800.00 deducted from the above consultancy service fees were remitted to the Ministry of Finance Revenue Section (LRA)
- Nine (9) NIC employees received payments for consultancy fees amounting to US\$164,400 for one year while being within the employ of NIC. There was no evidence that service taxes amounting US\$16,440.00 were deducted and remitted.
- Additionally, there was no evidence in the form of flag receipts that service taxes of **US\$10,320.00** deducted from fifteen (15) consultants on contracts valued at **US\$103,200.00** were remitted to the Ministry of Finance (LRA).

#### **Risk**

1.1.7.5 The absence of authorized and signed consultancy contracts may lead to irregular payments or NIC's inability to monitor service standards and delivery.

1.1.7.6 Payment of fees for services to existing NIC employees may lead to conflict of interest and undermines accountability and transparency.

1.1.7.7 Non-remittance of taxes denies Government of the needed tax revenue.



### **Recommendation**

- 1.1.7.8 Management should provide the contracts for the five consultants and ensure that the associated service taxes deducted were remitted to GoL Revenue Account.
- 1.1.7.9 The Management should provide justification for failure to and remit the ten percent service tax from nine consultants.
- 1.1.7.10 Going forward, the Management should ensure that employees of NIC are not engaged in consultancy work with the NIC.

### **Management's Response**

- 1.1.7.11 *The service contracts for the five referenced consultants are herewith submitted in Appendix 0010 with aggregate monthly contracts valued at US\$ 14,000 and not US \$ 18,000 as indicated in the GAC Management Letter/Draft Report. All consultancy fees for regular consultants or employee consultants are paid by MOF net of taxes. Due to limited resources in the general allowance envelop, it was mutually agreed by the authorities of the MOF and NIC to transition the general allowances of the references NIC employees through PSIP (project fund) pending placement on the general allowance list through budgetary appropriation. Payment of consultancy fees from NIC's PSIP (project fund) by MOF was made net of taxes. See Appendix 0011 for NIC payroll and release from MOF showing net payments made to consultants.*

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

- 1.1.7.12 We acknowledge receipt of the five consultancies contracts. However, Management did not provide evidence of the payment of consultancies contract net of taxes.
- 1.1.7.13 A review of the document provided shows that NIC employees served as consultants while in the employ of NIC in violation of the PPC Act Therefore, Management should be held accountable for the violation of the PPC Act.

### **1.1.8 Third Party Payment made to NIC Employee**

#### **Observation**

- 1.1.8.1 PFM Act of 2009 section B.28 states that "A payment shall be made only to the person or persons named on the payment voucher or to their representatives duly and legally authorized in writing to receive the payment."
- 1.1.8.2 It was observed during the conduct of the audit of service contracts, an employee of NIC Prince N. Karpeh, received payments amounting to US\$4,580 on behalf of a consultant, Diasmer P. Bloe. There was no evidence of a written authorization from the consultant that payment should be made to Mr. Karpeh.

#### **Risk**

- 1.1.8.3 Payments of consultancy fees to employee without written authorization could lead to



collusion and fraud.

#### **Recommendation**

- 1.1.8.4 The Management should ensure that payments for service providers are not paid through employees in the absence of written authorization from the service provider or third party.

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

- 1.1.8.5 *MS. Diasma Bloh, the referenced consultant, traveled out of the country just at the time payment of her consultancy fee (US\$4,580) fell due. She requested authorities of NIC to remit the amount to her, and that was done through an employee, Prince Karpeh. See copy of email from Ms. Bloh to Chairmen Natty B. Davis in Appendix 0012.*

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

- 1.1.8.6 The evidence provided by management does not address the issue raised. The email was written to Chairman Davies and not to Prince Karpeh. Additionally, the email was not a communication authorizing NIC to make payment to Mr. Prince Karpeh or Chairman Davies on behalf of the beneficiary. Therefore, we maintain our recommendation. **See Exhibit 1**

#### **1.1.9 Procurement of Fuel**

##### **Observation**

- 1.1.9.1 The PPC Act of 2005 and 2010 Restated Section 32 (1) states that "in order to participate in procurement proceedings, a bidder must qualify by meeting the criteria set by the Procuring Entity, which will normally include among others evidence of (a) Professional and technical qualifications; and (c) Past performance".

- 1.1.9.2 It was observed during the conduct of the audit that the NIC Management did not follow the PPC process in the procurement of fuel amounting to US\$68,454.93 for the period 2012/2013. Payments were made to vendors who were not registered dealers of fuel. There was no evidence that Crosswords, Bashir Business Center and Cactus Motor were engaged in the supplied of fuel as registered dealers.

##### **Risk**

- 1.1.9.3 Making purchases to vendors that are not in the line of service could lead to conflict of interest and deny the achievement of value for money.

##### **Recommendation**

- 1.1.9.4 The Management should ensure straight adherence to the PPC Act in the procurement of goods and services.
- 1.1.9.5 The Management should provide substantive justification for purchasing fuel from businesses that are not engaged in the sale of fuel.



### **Management's Response**

- 1.1.9.6 *Payment made to the referenced vendors (Cross Words, Bashir Business Center and Cactus Motor) were for stationery, building materials and vehicle repairs respectively and not for fuel. See NIC response under count 1.1.3.6 above relative to wrongful posting.*

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

- 1.1.9.7 Management should reclassify the transactions in the appropriate ledger accounts to avoid errors and omissions.

## **1.2 Internal Control Issues**

### **1.2.1 Strategic and Operational Plans**

#### **Observation**

- 1.2.1.1 In terms of Committee of Sponsoring Organization (COSO) framework, Government entities or organizations should develop strategic or operational plans in order to ensure that their operations are ethical, orderly, economical, efficient and effective. A strategic plan is a document that outlines an entity's objectives in the long term and operational plan is a document that outlines an entity's objectives in the short term. The document establishes the basis for allocating resources for the achievement of organizational objectives.

- 1.2.1.2 It was observed during the conduct of the audit that there was no evidence the NIC Management developed Strategic and Operational Plans. Management could not explain an objective basis on which resources were allocated for the achievement of the organization's objectives.

- 1.2.1.3 Additionally, there was no evidence that NIC had an approved organizational structure and an approved staff Terms of Reference (ToR).

#### **Risk**

- 1.2.1.4 The failure to produce strategic and operational plans could lead to NIC misdirecting its resources and not prioritizing resources to areas that may best achieve the entity's objectives.

- 1.2.1.5 The failure to operate with an approved organizational structure and staff Terms of Reference to establish a clear line of authority and responsibility could lead to NIC not being able to assign accountability for the actions of staff and determine optimum staff level.

#### **Recommendation**

- 1.2.1.6 The Chairman and Executive Director of the NIC should ensure the preparation of a strategic and operational plan for the NIC.



1.2.1.7 The Chairman and Executive Director should ensure the preparation of an approved organizational structure and staff Terms of Reference.

**Management's Response**

1.2.1.8 *During the audited period, NIC had no organizational structure. This prompted the just ended internal reform process which led to the Development of new organization structure, terms of reference for all Positions, personnel manual, financial manual, audit charter, Operational plan, ECT.*

**Auditor General's Position**

1.2.1.9 We knowledge Management's assertion that it has developed new organizational structure, etc. We will follow-up on Management's assertion during subsequent audit.

1.2.2 **Disaster Recovery Plan**

**Observation**

1.2.2.1 According to COSO Internal Control Framework on Control Environment, the Management of an entity should develop a documented Disaster Recovery Plan to provide procedures to be followed in the event of a disaster. The plan would mitigate the loss of transaction data and information. The purpose of the plan is to minimize the effects of service interruption of the operations by:

- Specifying procedures to be followed in the event of a disaster or specific situation, especially measures to be put in place to minimize the effects of disasters;
- Assigning responsibilities to various staff members involved in the implementation of the plan;
- Specifying procedures for the restoration of normal service following a disaster.

1.2.2.2 It was observed during the conduct of the audit that there was no evidence the NIC Management had put in place a disaster recovery plan to help recover transaction data and information to ensure business continuity.

**Risk**

1.2.2.3 The failure to establish a disaster recovery plan may result in the complete loss of transaction data and information in the aftermath of disaster.

**Recommendation**

1.2.2.4 Management should establish a disaster recovery plan as part of its risk management strategy. This would mitigate the risk of loss of transaction data and information in the event of a mishap.



### **Management's Response**

1.2.2.5 *Management did not respond to this observation.*

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

1.2.2.6 In the absence of a response, we maintain our recommendation.

## **1.2.3 Risk Assessment Process**

### **Observation**

1.2.3.1 Paragraph 17 of the Internal Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) states "In most cases, the board or heads of public entity is ultimately responsible for determining whether management has implemented effective internal control including monitoring. The organization makes this assessment by (a) Understanding the risks the organization faces and (b) Gaining an understanding of how senior management manages or mitigates those risks that are meaningful to the organizations' objectives". Obtaining this understanding includes determining how management supports its beliefs about the effectiveness of the internal control system in those important areas".

1.2.3.2 It was observed during the conduct of the audit that there was no evidence NIC had put in place a risk assessment process for identifying, analyzing and evaluating organizational risks. Also, there was no evidence that the Organization has a risk management policy to mitigate internal and external risks that could severally impact the achievement of the institution's objectives.

### **Risk**

1.2.3.3 The absence of a risk assessment process could lead to NIC Management not being aware of potential risks that exist within its business operations.

### **Recommendation**

1.2.3.4 The NIC Board should ensure that Management performs periodic risk assessment and establish a risk management policy to enable management to identify risks and design appropriate responses to risks that could negatively impact its ability to deliver quality service and achieve its goals and objectives.

### **Management's response**

1.2.3.5 *Management did not respond to this observation.*

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

1.2.3.6 In the absence of a response we maintain our recommendation.



## **1.2.4 Evaluation of Internal Audit**

### **Internal Audit Unit**

#### **Observation**

- 1.2.4.1 Regulation J.3 (1-2), of the Public Financial Management (PFM) Regulations, requires each government agency or organization to establish an Internal Audit Unit to constitute a part of the institution.
- 1.2.4.2 Internal audit should be vested with the responsibility to assess and review the internal control system, quality control procedures and risk management procedures in an organization. It should help the institution to identify and evaluate significant exposure to risk and improve the risk management and control systems.
- 1.2.4.3 The assessment of NIC Internal Audit Department revealed the following:
- There was no evidence that the IA is sufficiently independent. The IA reports to the head of entity and not an audit committee, and its functions are not entirely separated from the entity.
  - There was no evidence that IA has an approved Audit Charter which granted unrestricted access to documents, files and personnel.
  - There was no evidence of written TORs for staff in IA
  - There was no evidence of an approved annual audit plans for the periods under audit.
  - There was no evidence that IA submitted progress reports on a regular basis to the head of the institution, to show progress against plans

#### **Risk**

- 1.2.4.4 Failure to strengthen the institution's internal audit function could limit the scope of the unit's activities; increase the risk of management interference in the work of internal audit, thereby compromising the reliability and integrity of financial and operational information.

#### **Recommendation**

- 1.2.4.5 The Management of NIC should ensure the operational independence of the Internal Audit Department by requesting the Internal Audit Agency to provide oversight, including managerial, administrative, and supervisory expertise.
- 1.2.4.6 The Management should ensure the establishment of an audit committee, an approved Audit Charter, code of ethics and ToRs.



**Management's response**

1.2.4.7 *Management did not respond to this observation.*

**Auditor General's Position**

1.2.4.8 In the absence of a response we maintain our recommendation.



## **2 ACKNOWLEDGEMENT**

- 2.1 We acknowledge the cooperation and assistance provided to the GAC Audit team by the Management and staff of the National Investment Commission during the course of the audit. The efforts and commitment of the GAC staff in conducting the audit are also gratefully acknowledged.

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

**Monrovia, Liberia**  
**September 2016**



## APPENDIX 1A

General Ledger vs NIC Template	Re-performant	NIC	
Descriptions	Financial Statement US\$ (A)	Template AMT US\$ (B)	Variance US\$ A-B
131201 · Grants Foreign Govs (Capital)	33,400.00	33,400.00	-
132101 · Grants - Intl Orgs (Current)	18,000.00)	18,000.00	-
1331021 · Allotment Recd MOF USD (Curr)	950,839.98	950,839.98	-
1331022 · Allotment Recd MOF LRD (Curr)	439,032.59	439,032.59	-
133105 · Tfrs Recd Othr Gov Units (Curr)	120,505.20	47,650.00	72,855.20
<b>Total Receipts</b>	<b>1,561,777.77</b>	<b>1,488,922.57</b>	<b>72,855.20</b>
210000 · Compensation of Employees	-		
211101 · Basic Salaries – Civil Service	340,180.28	340,180.28	-
211110 · General Allowance	317,494.47	312,307.47	5,187.00
211116 · Special Allowance	146,151.90	146,151.90	-
211124 · Transportation Reimb Allowance	8,178.40	8,465.32	(286.92)
211126 · Professionals	30,013.69	30,013.69	-
211129 · Overtime	3,809.97	3,809.97	-
212102 · Pension General Civil Service	486.92	486.92	-
213101 · Medical Expenses - To Employees	584.59	584.59	-
213103 · Severance Pay & Reltd Costs	62,227.00	62,227.00	-
<b>Sub-Total Compensation of Employees</b>	<b>909,127.22</b>	<b>904,227.14</b>	<b>4,900.08</b>
221101 · For Travel Means of Travel	43,252.42	43,252.42	-
221102 · For Travel Daily Subsist Allow	54,061.90	51,336.90	<b>2,725.00</b>
221103 · For Travel Incidental Allow	2,750.00	2,450.00	<b>300.00</b>
221104 · Dom Travel Means of Travel	918.62	918.62	-
221105 · Dom Travel Daily Subsist Allow	7,744.58	7,744.58	-
221106 · Dom Travel Incidental Allow	100.00	100.00	-
221202 · Water and Sewage	1,823.00	1,823.00	-
221203 · Tele, Internet, Post, Courier	37,987.76	35,657.76	<b>2,330.00</b>
221204 · Refuse Collection	673.45	673.45	-
221302 · Res Prop Rental & Lease	2,400.00	2,400.00	-



General Ledger vs NIC Template	Re-performant	NIC	
Descriptions	Financial Statement US\$ (A)	Template AMT US\$ (B)	Variance US\$ A-B
221303 · Off Bldgs Rental & Lease	3,468.00	3,468.00	-
221400 · Fuel and Lubricants	-	-	-
221401 · Fuel and Lubs – Vehicles	98,428.53	86,062.73	<b>12,365.80</b>
221402 · Fuel and Lubs – Generators	47,133.75	39,806.55	<b>7,327.20</b>
221501 · R & M – Civil	14,273.72	13,699.72	<b>574.00</b>
221502 · R & M – Vehicles	22,774.11	15,939.11	<b>6,835.00</b>
221503 · R & M – Generators	8,991.18	8,076.16	<b>915.02</b>
221504 · R & M - Mach, Equip & Furn	2,580.82	2,580.82	-
221505 · R & M - ICT Equipment	110.00	110.00	-
221601 · Cleaning Materials and Services	450.00	450.00	-
221602 · Stationery	22,939.20	20,867.20	<b>2,072.00</b>
221603 · Print, Bind and Pub Services	38,778.98	38,308.98	<b>470.00</b>
221604 · Newspapers, Books & Periodicals	2,680.51	2,907.63	<b>(227.12)</b>
221605 · Comp Supplies & ICT Services	675.00	675.00	-
221606 · Other Off Mats & Consumables	135.00	135.00	-
221607 · Employee ID Cards	140.00	140.00	-
221701 · Consultancy Services	160,855.00	157,355.00	<b>3,500.00</b>
221702 · Expert/Specialist services	3,000.00	-	<b>3,000.00</b>
221903 · Staff Training – Local	140.00	140.00	-
222103 · Food and Catering Services	16,846.53	16,848.46	<b>(1.93)</b>
222105 · Entertain Represent & Gifts	9,034.24	4,074.24	<b>4,960.00</b>
222108 · Advertising & Public Relations	1,361.37	1,361.37	-
222109 · Operational Expenses	9,055.54	4,315.54	<b>4,740.00</b>
222110 · Subscriptions	1,040.00	1,040.00	-
222113 · Guard and Security Services	2,075.00	-	<b>2,075.00</b>
222116 · Bk Chgs & other Bk Reltd Costs	4,437.87	4,911.87	<b>(474.00)</b>
223101 · Personnel Insurance	925.20	925.20	-
232101 · Non-Residential Buildings	1,026.00	-	<b>1,026.00</b>
232201 · Transport Equipment	38,249.93	38,249.93	-
232211 · Machinery and other Equipment	5,780.00	2,495.00	<b>3,285.00</b>
232221 · Furniture and Fixtures	9,987.68	2,165.48	<b>7,822.20</b>
232301 · ICT Infra, Hdw, Netwks & Facs	51,307.47	42,347.47	<b>8,960.00</b>
232401 · Other Fixed Assets (AC, etc.)	561.50	561.50	-
<b>Subtotal Goods and Services</b>	<b>105,886.58</b>	<b>85,819.38</b>	<b>20,067.20</b>
263102 · Tfr to other Agencies	100,000.00	100,000.00	-



<b>General Ledger vs NIC Template</b>	<b>Re-performant</b>	<b>NIC</b>	
<b>Descriptions</b>	<b>Financial Statement US\$ (A)</b>	<b>Template AMT US\$ (B)</b>	<b>Variance US\$ A-B</b>
(Curr)			
282101 · Donations	68.21	68.21	-
<b>Transfers</b>	<b>725,135.49</b>	<b>670,623.52</b>	<b>54,511.97</b>
<b>Total Expenditure</b>	<b>1,740,149.29</b>	<b>1,660,670.04</b>	<b>79,479.25</b>



## Appendix 1B

			Ending Bank Balances				
Banks	Acct. Type	Bank Acct. #	GL Balance US\$ A	Bank Bal.US\$ B	Un-reconciled Variance A-B	NIC Template Cash on Hand US\$.	Un-reconciled Variance B/w GL cash & Template US\$
LBDI	M.I.P.	001USD21223005203	(3,186.94)	68,163.75	64,976.81		
LBDI	Project Donor	001USD21223005202	(1,460.00)	1,203.50	(256.50)		
LBDI	Project	01USD21223005201	NA	7,452.78	7,452.78		
<b>Sub-total</b>				<b>78,820.03</b>			
Global Bank	Allowance USD	103010106331	328.30	10,086.30	9,758.00		
Global Bank	Operation USD	103010103774	(4,172.35)	10,058.28	5,885.93		
<b>Sub-total</b>				<b>20,144.58</b>			
Global Bank	Salary LRD	103020102784	(505.71)	152,360.58	151,854.87		
Global Bank	Operation LRD	1030210101656	(168,924.54)	3,175.07	165,749.47		
Cash on Hand			1,322.80			(2,147.26)	(824.46)
<b>Sub-total</b>			<b>(176,598.44)</b>	<b>155,535.65</b>			



## **EXHIBIT**

TO: Mins Davis <mins.davis@pnc.com>  
Cc: Quinn Tunis <qatunis@pnc.com>  
Subject: Banking Information

## Exhibit 1



Hello Mins Davis.

Please see below for my banking information regarding payment for retainer work.

Kind regards,  
Diasmer

### Bank details

Bank name: PNC Bank

Account name: Diasmer P. Bloe

Account No: 1132938142

Routing No: 043000096

SWIFT Code: PNCCUS33

Address: 249 Fifth Avenue, One PNC Plaza, Pittsburgh, PA 15 222 USA

is.com:2096/cpsess1407689854/3rdparty/roundcube/?\_task=mail&\_actio... 2/6/2013