

# REPORT OF THE AUDITOR-GENERAL



## **On the Appointment of Board of Directors**

*For the Periods 2006 January -2010 September*

**John S. Morlu, II**  
*Auditor-General, R.L*

**20 April 2011**

## **TRANSMITTAL LETTER**

### **REPORT OF THE AUDITOR GENERAL ON THE APPOINTMENT OF BOARD OF DIRECTORS FOR THE PERIODS 2006 JANUARY TO 2010 SEPTEMBER**

1. I am pleased to submit the audit of the Appointment of Board of Directors in State-owned Enterprises, also known as Public Corporations. During the course of the audit of some public corporations, I noted that there were instances where members of the board could not present for audit appointment letters duly signed by the President. Therefore, I decided to conduct an industry-wide audit on Board Appointment.
2. The process began with written communication to the management of fifteen (15) public corporations, and the Minister of State for Presidential Affairs, Dr. Edward McClain, on 13 September 2010. In my communication, I requested the Legislative Acts or Articles of Incorporation to determine the substantive procedure of appointment and criteria to become a Board Member. I further requested appointment letters and curriculum vitae for each Board member for period 2006/2007 to 2009/2010
3. I did not receive responses from some public corporations. My review therefore covered appointments of Board Members to ten (10) Public Corporations during the period January 2006 to September 2010. I noted that some boards had a very large representation of Cabinet Ministers who represent the significant shareholder, which is the Government. This has the potential of compromising the independent decision making process of the board.
4. In addition, no list of responsibilities was provided to those who were serving on the various boards and there was also no provision for the boards to evaluate their performance. The consequence is that policy direction becomes a problem as members may not know their responsibilities. Further, when performance is not evaluated, it is difficult to know how well the board is performing and this makes it difficult for the appointing authority to make positive decisions on the affected public corporations.
5. The audit further revealed that there were weaknesses in the manner board of directors in the public corporation were appointed. In this regard, it was observed that the Law required the President to appoint board members on the boards of public corporation, but in certain cases, members were not appointed by the President. In some cases, there were no Curriculum Vitae for some members sitting on the various boards while in other cases, the number of members exceeded that provided for under the various Acts establishing the corporations.
6. Out of the seventy three (73) board members, thirty-seven (37) had letters of appointment while thirty-six (36) had no letters of appointment. From the thirty seven (37) letters of appointment, eight (8) letters of appointment for board members at the National Oil Company of Liberia were signed by **Minister Morris Saytumah**. Another letter in respect of one board

member sitting on the board of the Forestry Development Authority was signed by **Managing Director John T. Woods**. In both cases, there was no evidence that the President had delegated such authority.

7. In this regard, there are thirty two (32) board members sitting on the boards of public corporations without Presidential appointments but letters of appointment that were irregularly issued by Mr. Saytumah and Mr. Woods. There is therefore no legal basis for 32 Board members to sit on these public corporations and collect fees and other remuneration and benefits.
8. It was further noted that twelve (12) members sitting on the Boards of three public corporations were appointed based on statutory provisions under the Acts of the respective corporations. Out of the seventy three (73) board members, Curriculum Vitae for fifty nine (59) members were made available for audit verifications , while the CVs for fourteen (14) were not available for review. The Minister of State contended:

*"All of those serving on the Board of Directors were duly appointed by the president as was publicly announced through the Office of the Press Secretary to the President and subsequently carried by all media."*

9. I informed the Minister of State that public announcement by the Press Secretary to the President "subsequently carried by all media" is not an acceptable and legal means of appointing officials of Government. All appointments by the President must be legally supported with a valid letter of appointment duly signed by the President of Liberia. Minister McClain's assertion therefore cannot be sustained administratively or judicially when challenged on the merits. However, the Minister of State has indicated that he will ensure that there is corrective action.
10. Through the Draft Management Letter, I informed the Minister of State that the Liberia Broadcasting System (LBS) did not have a legal provision for Board of Directors. The Minister of State responded.

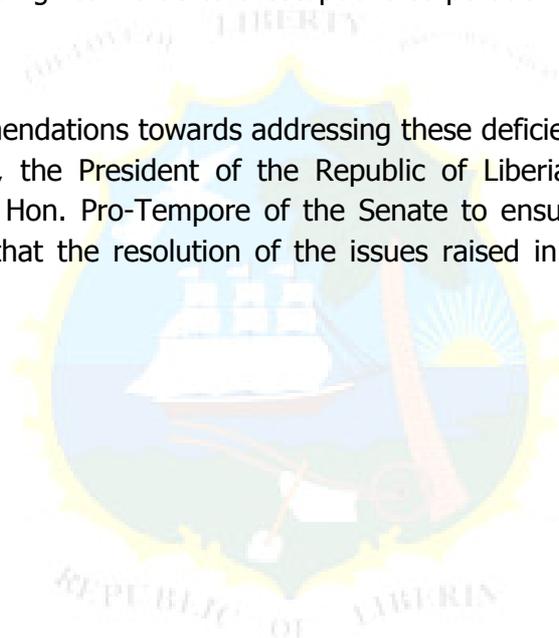
*"That there is no provision for a Board in the decree establishing LBS does not preclude the utility of one. In keeping with precedent, Her Excellency appointed the board. The recommendation is, however, noted and will be addressed."*

11. I further informed the Minister that a public corporation like LBS requires a Board of Directors for proper guidance and oversight. The Minister of State explanation cannot be sustained. The utility of an action is not material evidence that can cure a deficiency. Precedents that violate the laws of Liberia are also not sufficient appropriate justification to remedy the deficiency noted. By the Minister of State's contention, he is also indicating that just because past regimes undermined the laws of Liberia, it is also proper for the current administration to continue to undermine the laws of Liberia. This is an unacceptable justification.
12. In line with this practice, the Managing Directors of public corporations in Liberia serve as secretaries on their respective boards. Except for the Managing Director of the Forestry Development Authority who is listed in the Act as a member of the board, there is no evidence in the various acts reviewed to indicate that the Managing Directors are members of the boards and should receive Board remuneration or Board Fees for their services to the board. I have

endeavored to issue a separate report on board fees. As noted in my audits of public corporations, managing directors, cabinet ministers and government officials are also recipients of remuneration as board fees, a practice that violates Article 90 (b) of the Constitution of Liberia. As noted in the audit of LPRC, Managing Director Greaves received remuneration in the tune of US\$26,600.00 for 2006 & 2007 and also 250 gallons of gasoline monthly for serving on the Board of Directors of LPRC, a public corporation in which he also served as Managing Director. This remuneration however was not part of Mr. Greaves regular monthly compensation as Managing Director of LPRC, he also received 1,700 gallons of gasoline and fuel monthly in addition to his huge salary in the tune of US\$190,294.50 for nineteen (19) months that he allotted and paid himself.

13. Also it was noted that Cabinet Minister Jeremiah Sulunteh received US\$26,500.00 from the RIA and US\$12,500.00 from the LCAA as Board fees. It is instructive to note that these board members are not adding real value to these public corporations though they have been hugely rewarded.

14. I have made recommendations towards addressing these deficiencies in this report. Therefore, I urge Her Excellency, the President of the Republic of Liberia, the Hon. Speaker, House of Representatives and Hon. Pro-Tempore of the Senate to ensure the implementation of these measures. I advise that the resolution of the issues raised in this report be considered as a matter of urgency.



  
**John S. Morlu, II.** 3:20PM  
**(Auditor-General, RL)**  
SSM II

## Table of Contents

<b>EXECUTIVE SUMMARY</b> .....	2
INTRODUCTION .....	2
SCOPE AND OBJECTIVE OF THE REVIEW.....	2
LIMITATION OF SCOPE .....	6
LIMITATION OF RESPONSIBILITY .....	6
<b>DETAILS OF FINDINGS AND RECOMMENDATIONS</b> .....	6
NON PROVISION OF INFORMATION FOR AUDIT REVIEW .....	7
IRREGULARITIES IN THE APPOINTMENT OF BOARD MEMBERS.....	8
<b>DETAIL REPORT ON BOARD APPOINTMENT</b> .....	11
LIBERIA BROADCASTING CORPORATION .....	11
APPOINTMENT OF PUBLIC OFFICIALS .....	12
NATIONAL PORT AUTHORITY .....	13
LIBERIA PETROLEUM REFINERY COMPANY (LPRC).....	15
FORESTRY DEVELOPMENT AUTHORITY (FDA) .....	16
LIBERIA WATER AND SEWER CORPORATION (LWSC).....	18
LIBERIA TELECOMMUNICATIONS CORPORATION (LTC).....	19
ROBERTS INTERNATIONAL AIRPORT (RIA).....	21
NATIONAL INSURANCE CORPORATION OF LIBERIA .....	21
LIBERIA RUBBER DEVELOPMENT AUTHORITY (LRDA) .....	22
NATIONAL OIL COMPANY OF LIBERIA (NOCAL) .....	23
GENERAL ISSUES.....	24
ACKNOWLEDGEMENT.....	25

## **EXECUTIVE SUMMARY**

### **Introduction**

1. In line with my mandate as provided for under Chapter 53 of the Executive Law of 1972, I conducted a review on the Appointment and Qualification of members of the Board of Directors of public corporations of the Republic of Liberia. The process began with NOCAL in 2010, July where I requested for documents from Board Members. Given my experience at NOCAL, wrote communication to the management of fifteen (15) public corporations, and the Minister of State for Presidential Affairs, Dr. Edward McClain, on 13 September 2010. In my communication, I requested the Legislative Acts or Articles of Incorporation to determine the substantive procedure of appointment and criteria to become a Board Member. I further requested appointment letters and curriculum vitae for each Board member for the period 2006/2007 to 2009/2010.

### **Scope and Objective of the review**

2. The purpose of the review was to establish the legitimacy of the appointment of Boards of Directors to public corporations and ascertain as to whether the membership requirements as spelled out in the Acts creating those corporations and best practices promulgated under the corporate governance requirements complied with in the appointment process. The review was also intended to verify as to whether the Board Members in the respective public corporations were duly appointed by the President of the Republic of Liberia and that such appointments were based on the qualifications of the Board of Directors.
3. I did not receive responses from some public corporations. My review therefore covered appointments of Board Members on ten (10) Public Corporations during the period January 2006 to September 2010. In undertaking the review, I reviewed the appointment letters of every board member appointed to sit on the Board of the stated Corporations during the period under review. In cases where the appointments were not made by the President as required by law, I reviewed the Curriculum Vitae of board members appointed to establish whether they were qualified to sit on such boards and inquired on the legitimacy of such appointments. In addition, I requested each public corporation under review to provide me with the Act under which it was established.

### **Summary of Significant Findings**

4. The review revealed the following significant issues:
  - **Liberia Broadcasting System (LBS):** I conducted a review of the Board of the LBS to establish the propriety of its appointment. The objective of the review was to ascertain as to whether the appointment of the LBS Board of Directors was done in line with the act creating the corporation and that the members were given appointment letters duly signed by the President.
  - Even though the Decree establishing the Liberia Broadcasting Corporation has no provision for a Board of Directors, the Corporation maintains a 10-member board

appointed by the President. Furthermore, the CVs of all the members on the board except one were made available for review.

- **National Port Authority (NPA):** I conducted a review on the Board of the NPA to establish the propriety of its appointment. The objective of the review was to ascertain as to whether the appointment of the NPA Board of Directors was done in line with the Act creating the Corporation and that the members were appointed with appointment letters duly signed by the President.
- The NPA Act provides for an 11-member board, yet the entity currently maintains a 15-member board. Eleven (11) of the members on the board had CVs; three had appointment letters signed by the President and three were members based on the Act of the corporation. There was no information on the appointment of the rest of the eight (8) members. In the response following the submission of the Draft Report, Dr. McClain asserted that the Act of the NPA was amended thus making provision for a 15-member board.
- **Liberia Petroleum Refining Company (LPRC):** I conducted a review of the Board of the LPRC to establish the propriety of its appointment. The objective of the review was to ascertain as to whether the appointment of the LPRC Board of Directors was done in line with the Articles of Incorporation creating the Corporation and that the members were appointed with appointment letters duly signed by the President.
- The LPRC maintains a 9-member board which is in line with its Articles of Incorporation. Two (2) of the nine members had both CVs and appointment letters signed by the President while only three (3) had CVs. The rest had neither CVs nor appointment letters. The basis of the appointment of the rest of the seven members to the board could not therefore be established since there were no letters of appointment.
- **Forestry Development Authority (FDA):** I conducted a review of the Board of the FDA to establish the propriety of its appointment. The objective of the review was to ascertain as to whether the appointment of the FDA Board of Directors was done in line with the act creating the corporation and that the members were appointed with appointment letters duly signed by the President.
- The FDA maintains a 9-member board which is provided for under the Act that created the entity. Eight (8) of the nine (9) members had CVs, five (5) were appointed based on the Act establishing the Corporation, one had neither CV nor letter of appointment and another had no letter of appointment. By number, the Board of the FDA is dominated by statutory appointees. Hence, there is a need for review of the Act creating the corporation for possible reduction in the number of statutory appointees. There are five (5) statutory Board members.

- **Liberia Water and Sewer Corporation (LWSC):** I conducted a review of the Board of the LWSC to establish the propriety of its appointment. The objective of the review was to ascertain as to whether the appointment of the LWSC Board of Directors was done in line with the act creating the Corporation and that the members were appointed with appointment letters duly signed by the President.
- The LWSC maintains a 9-member board in line with the Act which created the entity. Six of the board members had CVs. Three members were appointed based on the Act creating the Corporation, four had no appointment letters, while one had neither an appointment letter nor curriculum vitae.
- **Liberia Telecommunications Corporation (LTC):** I conducted a review on the Board of the LTC to establish the propriety of its appointment. The objective of the review was to ascertain as to whether the appointment of the LTC Board of Directors was done in line with the act creating the corporation and that the members were appointed with appointment letters duly signed by the President.
- The LTC maintains a 7-member board although the Act provides for a 9-member board. No letters of appointment were provided for six of the members on the board. Also, one of the six members did not avail his CV for review.
- **Roberts International Airport (RIA):** I conducted a review of the Board of the RIA to establish the propriety of its appointment. The objective of the review was to ascertain as to whether the appointment of the RIA Board of Directors was done in line with the act creating the corporation and that the members were appointed with appointment letters duly signed by the President.
- The Board of the RIA operates under the Act of the Liberia Airport Authority. In the past, RIA was not established under by an Act of the National Legislature. The entity is governed by a 6-member Board of Liberia Airport Authority. The CVs and letters of appointments of five of the six members on the board were provided for review.
- **National Insurance Corporation of Liberia (NICOL):** The PRC Decree No. 18 establishing the corporation provides for a 6-member board. No board has however been appointed to the corporation as of the time of the audit. It is a dormant corporation, with no plan in sight to resuscitate it.
- **Liberia Rubber Development Authority (LRDA):** The act establishing the LRDA provides for a 5-member board. No board has been appointed as of the date of the audit. It is also dormant and obtained autonomous status under the National Transitional Government of Liberia. It used to be a project to aid smallholder rubber farmers. There is also no plan in sight to resuscitate it. It was once called the Liberia Rubber Development Unit, catering for small-holder rubber farmers.

- **National Oil Company of Liberia (NOCAL):** I conducted a review of the Board of NOCAL to establish the propriety of its appointment. The objective of the review is to ascertain as to whether the appointment of the NOCAL Board of Directors was done in line with the act creating the corporation and that the members were appointed with appointment letters duly signed by the President.
  - NOCAL maintains a 7-member board. All of the CVs and letters of appointment of the members to the board were reviewed. However, these letters were not signed by the President; rather the Minister of State for Economic, Finance and Legal Affairs, Morris Saytumah signed. Mr. Saytumah indicated in his appointments of these board members that it was by directive of the President. However, there was no evidence that the President delegated such responsibility.
5. I noted that the President of LBDI serves on two boards (FDA & LWSC) while the Ministers of Finance, Commerce, Planning and Justice are also serving on more than one board. I also noted that Jeremiah Sulunteh as Minister of Transport, also served as Chairman of the Boards of the Robert International Airport and the Liberia Civil Aviation Authority. It was also noted that the President of the LBDI, Francis Dennis is also serving as a member of the Board of the Forestry Development Authority and the Liberia Water and Sewer Corporation. **See Table 1 below:**

**Table 1: Ministers serving on more than one Boards**

Name	FDA	LBS	LWSC	NPA
Minister of Finance	Member	Member	Member	Member
Minister of Commerce & Industry	Member	No	No	Member
Minister of Planning & Econ Affairs	Member	Member	Member	Member
Minister of Justice	No	Member	Member	No

**Ministry of State’s Response**

6. *We concur that some Boards have a large representation of Cabinet Members. These are statutory requirements which had to honor until the concerned Acts have been amended or repealed by the National Legislature.*

**Auditor General’s Position**

7. As indicated in other audits, statutory board members are also receiving board fees, stipends and other benefits, a violation of Article 90 (b) of the Constitution of Liberia. There is a need for the Executive to seek legislative amendment of these Acts to reduce the number of board members, especially statutory board members who have also significant responsibilities in their cabinet posts. As noted in the audit of RIA, Minister Jeremiah Sulunteh imposed fees called “Approach Fee” without the expressed knowledge of the Revenue Authority or the National Legislature. He was also involved with serving as a vendor to purchase a car from his wife in the tune of US\$13,000.00 from the coffers of the LCAA.

**Autonomous Agencies With Board of Directors**

8. There were autonomous commissions that also had Board of Directors. They included the following:

**Table 2: Autonomous Commission with Board**

NAME	Required Board Members as Per Act	Actual Board Members	Variance
LIGIS	21	13	8
Environment Protection Agency (EPA)	9	7	2

These autonomous commissions with Board of Directors were not reviewed. They will be separately audited along with autonomous agencies with Boards of Commissioners.

### **Limitation of Scope**

9. The scope of the review was limited by the inability of some of the Public Corporations to provide appointment letters and curriculum vitae of the board members as requested. In addition, although I requested the Minister of State for Presidential Affairs, Dr. Edwards B. McClain on 12 July 2010 to provide the required documents, this was not done until 23 September 2010. This limitation made it impossible for me to report on the propriety of the appointments of board members in the respective public corporations timely.
10. Additionally, I observed that the Ministry of State does not maintain copies of all board appointment letters and CVs within the Ministry, as the Minister of State, Dr. Edward B. McClain did not provide several copies of the Board appointment letters as per my communication of 12 July 2010 until 23 September 2010.

### **Limitation of Responsibility**

11. I reviewed the curriculum vitae and appointment letters of board members only to the extent I considered as per the information provided for the effective performance of this review. The appointing power of board members to Public Corporations lies with the President of the Republic of Liberia. It is also the responsibility of the managements of Public Corporations and the Ministry of State for Presidential Affairs to provide me with the appointment letters and curriculum vitae of the members of the various boards. My responsibility was to review, analyze and report on the information provided.
12. I have prepared this report solely for the National Legislature, the President and for purposes of the GAC. It is therefore a public document.

## **DETAILS OF FINDINGS AND RECOMMENDATIONS**

### **a) Appointment of Board Members in Public Corporations**

13. An effective Board of Directors is essential for good corporate governance. In this regard, the role of the Board is to provide entrepreneurial leadership of the corporation within the framework of prudent and effective controls which enable risk to be assessed and managed. Good corporate governance requires the board to meet regularly in order to discharge its oversight duties effectively, and that there should be a clear list of responsibilities so that the members know what they are supposed to do. In addition, there should be strong balance and independence within the board such that no individual or small group should dominate the board's decision-making process. Furthermore, the board should take a formal and rigorous

review of its own performance and that of its committees and individual directors on an annual basis.

14. However, contrary to the above, I observed that there were significant departure from best practice in the manner the board of directors in the public corporation in Liberia were appointed and operating. In particular, it was noted that some boards had a very large representation of Cabinet Ministers who represent the significant shareholder, which is the Government. This has the potential of compromising the independent decision-making process of the board.
15. In addition, no list of responsibilities was provided to those who were serving on the various boards and there was also no provision for the boards to evaluate their performance. The consequence is that policy direction becomes a problem as members may not know their responsibilities. Additionally, when performance is not evaluated, it is difficult to know how well the board is performing and this makes it difficult for the appointing authority to make positive decisions on the affected public corporations.
16. The audit further revealed that there were weaknesses in the manner boards of directors in the public corporation were appointed. In this regard, it was observed that the Law required the President to appoint board members on the boards of public corporations, but in certain cases, members were not appointed by the President. In some cases, there were no Curriculum Vitae for some members sitting on the various boards while in other cases, the number of members exceeded that provided for under the various Acts establishing the corporations. In particular, the following observations were made:

#### **Non Provision of Information for audit review**

17. Out of the total of fifteen (15) public corporations that I selected for review, five (5) did not provide information for audit review despite my letters dated 13 September 2010 addressed to the heads of the various Public Corporations. The public corporations for which information was not provided are:
  1. National Housing Authority (NHA)
  2. Liberia Electricity Corporation (LEC)
  3. Liberia Produce Marketing Corporation (LPMC)
  4. Liberia Libyan Holding (LLHC)
  5. National Transit Authority (NTA)
18. The failure by the management of the above corporations and Minister McClain to provide the required information made it impossible for me to verify how their respective boards were appointed and whether the members were qualified to sit on such boards.

#### **Risk**

19. There is a risk that board members in the above corporations could have been irregularly appointed.

### Recommendation

20. The above stated corporations that did not submit the required documents should be made to submit the documents for audit verification without further delay, failing the, Managing Directors and Minister McClain should be held accountable and sanctioned.
21. The President should take appropriate actions to ensure that all members of these Boards are duly appointed with CVs on file.

### Ministry of State's Response

22. *The five public corporations (NHA, LEC, LPMC, LHC, and NTA) which did not respond to the GAC request for information will be instructed by the president to comply immediately. We are working to provide all the missing documents. Some of our records are now only in electronic format as we lost documents due to fire damage at the Executive mansion in July 2006.*

### Auditor General's Position

23. The draft reported was submitted on 22 December 2010, Minister McClain provided a response on 8 January 2011. As of the time of writing this report in April 2011, the information had not been provided. I therefore maintain my recommendation, with an addition that the information should be made available within 30 days of receipt of this report.

### Irregularities in the appointment of board members

24. There were irregularities in the manner the board members were appointed in ten (10) corporations in that some members were sitting on the boards without either letters of appointment from the President, Curriculum Vitae or appointments were made without provisions in the establishing Act as shown in the preceding table:

**Table 3: Irregularities in the Appointment of Board Members**

No	Name of Corporation	No. of members per Board	No. with appointment letters	No. without appointment letters	No. with CVs	No. without CVs	Membership by statutes
1	LBS	10	9	1	9	1	None
2	NPA	15	3	8	11	4	4
3	LPRC	9	8	1	6	3	None
4	FDA	9	2	2	8	1	5
5	LWSC	9	1	5	6	3	3
6	LTC	7	1	6	6	1	None
7	RIA (LAA)	6	5	1	5	1	None
8	NICOL	None	None	None	None	none	None
9	LRDA	None	None	None	None	none	None
10	NOCAL	8	8	0	8	0	None
<b>TOTAL</b>		<b>73</b>	<b>37</b>	<b>24</b>	<b>59</b>	<b>14</b>	<b>12</b>

25. As can be noted from the table above, there was a total of seventy three (73) board members serving on the boards of eight (8) public corporations reviewed, while boards in two (2) corporations had not been reconstituted and constituted as of September 2010.

26. It was observed that:

- i) Out of the seventy-three (73) board members, thirty-seven (37) had letters of appointment while thirty (24) had no letters of appointment. From the thirty seven (37) letters of appointment, eight (8) letters of appointment for board members at the National Oil Company of Liberia were signed by **Minister Morris Saytumah**. Another letter in respect of one board member sitting on the board of the Forestry Development Authority was signed by **Managing Director John T. Woods**. In both cases, there was no evidence that the President had delegated such authority.
- ii) In this regard, there are thirty two (32) board members sitting on the boards of public corporations without Presidential appointments and letters of appointment that were irregularly issued by Mr. Saytumah and Mr. Woods. There is therefore no legal basis for 32 Board members to sit on these public corporations and collect fees and other remuneration and benefits.
- iii) It was further noted that twelve (12) members sitting on the Boards of three public corporations as shown in the table above were appointed based on statutory provisions under the Acts of the respective corporations.
- iv) Out of the seventy three (73) board members, Curriculum Vitae for fifty nine (59) members were made available for audit verifications , while the CVs for fourteen (14) were not available for review.

### **Risk**

27. Irregular appointments of board members to public corporation may lead to appointments of members not qualified to hold such positions and consequently such members may not be able to contribute to the governance of such corporations.
28. Board appointments could have been made without Presidential knowledge, thus undermining the legal basis for the decisions made by the Board of Directors.

### **Recommendation**

29. All boards where such irregularities exist should be dissolved and reconstituted based on merit and following laid down procedures.
30. Minister Morris Saytumah and Mr. John Woods should be legally sanctioned and made to restitute the full amount of fees and remuneration paid to the self-appointed Board members in violation of the laws creating these public corporations.
31. The Eight (8) Boards of Directors appointed by Minister Saytumah and the one Board member appointed by Mr. John Woods should be dismissed and should not be reappointed.

### **Ministry of State's Response**

32. Mr. John Woods did sign a letter to Mr. Francis A. Dennis; however, that letter was only forwarding communication from Hon. Morris Saytumah upon instruction from the President.

33. All of those serving on the Board of Directors were duly appointed by the president as was publicly announced through the Office of the Press Secretary to the President and subsequently carried by all media; every effort was made to ensure compliance with the Act establishing the Corporation, any exception such as that brought forward by your review is being revisited and will be corrected where necessary. Those who were appointed to the Boards met the necessary requirements to serve, since qualification goes beyond academic or strict professional criteria.

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

34. I was not provided any evidence that the President instructed Mr. Saytumah or Mr. Woods to appoint members of corporate boards. Minister McClain did not indicate whether such directive was verbal or in writing.

35. Furthermore, the appointments by Mr. Saytumah were not done on an official letterhead of the Ministry of State. It is also not normal practice for the President of Liberia to delegate appointment of public officials to the Minister of State for Economic, Finance and Legal Affairs. Minister McClain also failed to provide the delegation of authority given by the President to Minister Saytumah.

36. Minister McClain contended:

*"All of those serving on the Board of Directors were duly appointed by the president as was publicly announced through the Office of the Press Secretary to the President and subsequently carried by all media."*

37. Public announcement by the Press Secretary to the President that is "subsequently carried by all media" is not an acceptable and legal means of appointing officials of Government. All appointments by the President must be legally supported with a valid letter of appointment duly signed by the President of Liberia. Minister McClain contention therefore cannot be sustained administratively or judicially when challenged on the merits. I therefore maintain all my recommendations, with a noted appreciation that the Minister of State has indicated that he will ensure that there is corrective action.

## **Detail Report on Board Appointment**

### **Liberia Broadcasting System**

38. A detailed examination of records at the ten (10) corporations further revealed that the Liberia Broadcasting System (LBS) was established under Decree No. 20 of October 1980 of the People's Redemption Council of the Armed Forces of Liberia, which amended Chapter 87 of the Public Authorities Law which established the Liberian Broadcasting Corporation.
39. I noted however that the establishment of the Liberia Broadcasting Corporation had not been done through an Act of the Legislature and consequently, the board of directors was serving without any legal backing. Fees and other remuneration being paid to the members of the Board of Directors are irregular and cannot stand as charged against the Consolidated Account, as there was no legal basis to support the Presidential appointments.

### **Risk**

40. The decisions of the board have no legal basis as the board itself has not been appointed under any law. The decisions could be challenged by any aggrieved party.

### **Recommendation**

41. The Liberia Broadcasting Corporation should be established under an Act of the Legislature that will provide a proper corporate governance structure for the corporation.
42. Fees and remuneration paid to Board members for the period under audit, January 2006 to September 2010 should be fully recovered from these board members and deposited into the Consolidated Account.
43. The current Board of Directors should be immediately dismissed until there is a Legislative enactment legalizing board appointment.

### **Ministry of State's Response**

44. *A public corporation like LBS requires a Board of Directors for proper guidance and oversight. That there is no provision for a Board in the decree establishing LBS does not preclude the utility of one. In keeping with precedent, Her Excellency appointed the board. The recommendation is, however, noted and will be addressed.*

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

45. The Minister of State explanation cannot be sustained. The utility of an action is not material evidence that can cure a deficiency. Precedents that violate the laws of Liberia are also not sufficient appropriate justification to remedy the deficiency noted. By the Minister of State contention, he is also indicating that just because past regimes undermined the laws of Liberia it is also proper for the current administration to continue to undermine the laws of Liberia. This is an unacceptable justification.

46. As detailed in the subsequent section, since the Board members are not appointed on the basis of law, they do not have defined terms of reference. It is not a good precedent for the members of the Board of Directors to receive remuneration without a defined terms of reference stipulated in the Act. It is waste of public resources as the Board performance cannot be measured. I therefore maintain all my recommendations.

### **Appointment of Public Officials**

47. Contrary to good corporate governance practices, membership to the Board of Directors of the Liberia Broadcasting System included three Cabinet Ministers. The Cabinet Ministers represent the significant shareholder, who is the Government. This therefore has the potential of undermining the independence of the board in the decision-making process.

48. In addition, there was no evidence that those members of the Board appointed had been availed with the board's Terms of Reference and had each signed service term agreements binding them to high level of performance for the entity. The ten members of the board had only been given letters of appointment without stating their roles and responsibilities (see table below):

**Table 4: Current Board of LBS**

No.	Name	Date of Appointment	Letter/appointment	Curriculum Vitae	Appointing Authority
1.	Alhaji G. V. Kromah-Chairman	3 June 2010	Yes	Yes	President Sirleaf
2.	Minister of Finance	3 June 2010	Yes	Yes	President Sirleaf
3.	Minister of Planning & Econ Affairs	3 June 2010	Yes	Yes	President Sirleaf
4.	Minister of Justice	3 June 2010	Yes	No	President Sirleaf
5.	Amb. Davis Daniels	3 June 2010	Yes	Yes	President Sirleaf
6.	Rev. A. Moses Rhoulac	3 June 2010	Yes	Yes	President Sirleaf
7.	Weade K. Wureh	3 June 2010	Yes	Yes	President Sirleaf
8.	Fannie Cole Weefur	3 June 2010	Yes	Yes	President Sirleaf
9.	Joe Mulbah	3 June 2010	Yes	Yes	President Sirleaf
10.	Director General	29 June 2010	Yes (as Director General of LBS)	Yes	President Sirleaf

### **Risk**

49. The large presence of Cabinet Ministers on the Board undermines its independence in decision-making and is not in line with good corporate governance practices.

50. In addition, the failure to provide the Board with terms of reference could make it difficult for the Board to adequately discharge its functions as it may not be sure of what is to be done. It could also make performance evaluation difficult.

### Recommendation

51. I recommend that the Board should be reconstituted so as to ensure its independence by having less representation from a group representing the significant shareholder. This should be done after Legislative enactment of an Act to create a provision for a Board of Directors.
52. The list of responsibilities or terms of reference should be included in the Act to ensure that the Board of Directors know and understand their responsibilities and to facilitate performance evaluation.

### Ministry of State's Response

53. I submitted a draft report to the Minister of State for a response. No response was provided by the Minister of State.

### National Port Authority

54. According to section 55 (2) of the National Port Authority Act, the board is supposed to consist of eleven (11) members and the board members are supposed to be appointed by the President.
55. It was observed however that contrary to the above provisions, the Board of NPA had fifteen **(15) members**, out of whom only three (3) were appointed by the President while four (4) who included three (3) Cabinet Ministers were appointed under statutory provisions of the NPA.
56. Eight (8) members had no letters of appointment and therefore their membership on the Board was questionable. The presence of three Cabinet Ministers on the Board appointed under statutory provisions and representing the significant shareholder (government) had the potential of undermining the independent decision-making process of the Board.
57. Furthermore, there was no evidence that four Board members had the relevant qualifications and experience as their CVs were not provided for audit verification. This made it impossible for me to determine whether they were qualified to sit on the Board of NPA (**See table below**).

**Table 5: Current Board of the NPA**

No.	Name	Date of Appointment	Letter/appointment	Curriculum Vitae	Appointing Authority
1.	Binyah C. Kesselly, II-Chairman	3 June 2010	Yes	Yes	President Sirleaf
2.	Morris M. Dukuly, Sr.	28 August 2007	Yes	Yes	President Sirleaf
3.	NPA Managing Director		Statutory	Yes	Statutory
4.	Minister of Planning & Econ Affairs		Statutory	Yes	Statutory
5.	Mary T. Broh		No	Yes	Unknown
6.	Grace Tee Kpaan		No	Yes	Unknown
7.	Maureen Shaw	28 August 2007	Yes	Yes	President Sirleaf

<b>No.</b>	<b>Name</b>	<b>Date of Appointment</b>	<b>Letter/appointment</b>	<b>Curriculum Vitae</b>	<b>Appointing Authority</b>
8.	Randolph J. Merab, Sr.		No	Yes	Unknown
9.	Faustina A. T. Merchant		No	Yes	Unknown
10.	James N. Davies		No	No	Unknown
11.	Minister of Finance		Statutory	Yes	Statutory
12.	Cllr. David B. Gibson, Jr.		No	No	Unknown
13.	Minister of Commerce & Industry		Statutory	Yes	Statutory
14.	President & MD, Firestone Plantation		No	No	Unknown
15.	Robert Neal		No	No	Unknown

58. Records examined further provided no evidence that the board members were provided with terms of reference or list of responsibilities.

59. Minister McClain asserted that the Act of the NPA was amended to make provision for a 15-member board. But he did not provide me with the amended Act for me to validate his assertion.

### **Risk**

60. The legitimacy of the board decisions may come under question if the board is not appropriately appointed.

61. The dominance of one group of members like statutory members may undermine the independent decision-making process of the Board.

62. The lack of terms of reference or a listing of responsibilities makes it difficult for the board to know and undertake their responsibilities efficiently and may lead to poor performance. It also could make it difficult for the Board to evaluate its performance.

63. Loss of financial resources through payments to additional board members not provided for by the Act.

64. Failure to provide curriculum vitae makes it impossible to verify whether the right people were appointed to the board and this could have an effect on the performance of the board.

### **Recommendation**

65. The Act should be amended to reduce the number of statutory members on the Board of Directors.

66. The Board of the NPA should be reconstituted so that the appointments are appropriately made by the President to give it legitimacy.

67. The Board is provided with the listing of responsibilities or terms of reference and that the board should annually evaluate its performance in line with corporate governance practices.
68. The strength of the NPA's Board of Directors should be reduced to the number provided for under the Act of the Corporation.
69. Fees and other remuneration (compensation) paid to the members of the Board of Directors who do not have valid appointment letters should be fully recovered from them, as there was no legal basis for the payments.

### **Ministry of State's Response**

70. *The 1972 "Act to Amend Certain Sections of the Act Creating the National Port Authority authorizes 15 members of the Board of Directors. I am attaching a copy of the Act.*

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

71. I received the amended Act. But it is instructive to note that the presentation of the act in no way cure the material deficiencies.

### **Liberia Petroleum Refinery Company (LPRC)**

72. LPRC was not created by an Act of Legislation. Instead it was incorporated. The LPRC's Articles of Incorporation calls for a nine (9) members. LPRC being a 100 percent shareholding of Government, the Board members are supposed to be appointed by the President.
73. However that after the issuance of the Draft Report to the Ministry of State in which I commented on the non-availability of the appointment letters of seven (7) of the members serving on the LPRC's board, the Minister of State, Dr. Edward McClain provided the appointment letters of the rest of the members on the board except the appointment letter of the Managing Director. There was however no additional CV provided for review. (See table below):

**Table 6: Current Board of the LPRC**

No	Name	Date of Appointment	Letter/appointment	Curriculum Vitae	Appointing Authority
1.	Wilson Tarpeh-Chairman	22 March 2010	Yes	Yes	President Sirleaf
2.	LPRC Managing Director		No	Yes	President Sirleaf
3.	Henrique F. Tokpa	23 February 2009	Yes	Yes	President Sirleaf
4.	Mr. Samuel P. Jackson	23 February 2009	Yes	Yes	President Sirleaf
5.	M. Theo Williams, I (ESQ)	23 February 2009	Yes	Yes	President Sirleaf
6.	Ms. Ophelia Johnson	23 February 2009	Yes	No	President Sirleaf
7.	Mr. William Smith	23 February 2009	Yes	Yes	President Sirleaf
8.	Cllr. David A. B. Jallah	23 February 2009	Yes	No	President Sirleaf
9.	Ms. Nowai Golorwulu Gbilila	23 February 2009	Yes	No	President Sirleaf

74. Records examined further provided no evidence that the board members were provided with terms of reference or list of responsibilities as required by good corporate governance practices. Some Board members also did not have CVs that were presented for audit, thus denying assurance that they meet the minimal qualification requirement to sit on the Board of Directors.

### **Risks**

75. The lack of terms of reference or a listing of responsibilities makes it difficult for the board to know and undertake their responsibilities efficiently and could lead to poor performance. It could also make it difficult for the Board to evaluate its performance as required by good corporate governance practices.

76. Failure to provide curriculum vitae makes it impossible to verify whether the right people were appointed to the board and this could have an effect on the performance of the board.

### **Recommendation**

77. The Board is provided with the listing of responsibilities or terms of reference and that the board should annually evaluate its performance in line with corporate governance practices. As noted in LPRC, a member of the Board, Cllr. David A.B. Jallah was paid for rendering legal services to the LPRC. This constituted material conflict of interest prohibited under Article 90 (a) of the Constitution of Liberia.

78. The Minister of State should ensure there is a CV and appointment on file for each Board member.

### **Ministry of State's Response**

79. *I have attached a copy of Mr. Theo Williams' appointment letter to the Board of Directors of LPRC.*

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

80. On account of the audit, Minister McClean submitted the appointment letter of Theo William signed by the President. The Minister failed to submit the C.V and other supporting documents along with the attached letters. My examination was also endeavor to ascertain the qualification of members of the Board of Public Corporations. But my audit was scope limited because the Board Members of LPRC and other Board members failed to provide their credentials.

### **Forestry Development Authority (FDA)**

81. The FDA is a public corporation. Its board members are therefore supposed to be appointed by the President.

82. It was noted however that contrary to the provisions of the Law that requires the President to appoint board members on the boards of public corporations, all the board members on the board of the FDA were not appointed by the President.

83. One board member did not provide his Curriculum Vitae for audit verification making it impossible for me to determine whether he was appropriately qualified to sit on the board of FDA.

84. It was further observed that out of the total of nine (9) board members, five (5) were Cabinet Ministers. The appointment of a large number of Cabinet Ministers on the Board, who all represented the Government as a significant shareholder, undermined the independent decision making process of the board (See table below):

**Table 7: Current Board of FDA**

No	Name	Date of Appointment	Letter/appoint ment	Curriculum Vitae	Appointing Authority
1.	Minister of Agriculture- Chairman	Statutory	Statutory	Yes	Statutory
2.	Minister of Finance	Statutory	Statutory	Yes	Statutory
3.	Minister of Commerce & Industry	Statutory	Statutory	Yes	Statutory
4.	Minister of Internal Affairs	Statutory	Statutory	Yes	Statutory
5.	Minister of Planning & Econ Affairs	Statutory	Statutory	Yes	Statutory
6.	LBDI President	Unknown	No	Yes	Unknown
7.	Roland Woheel	5 March 2009	Yes	Yes	John T. Woods
8.	Bismarck Kuyon	Unknown	No	No	Unknown
9.	FDA Managing Director	23 February 2010	Yes	Yes	Unknown

85. Records examined further provided no evidence that the board members were provided with terms of reference or list of responsibilities as required by corporate governance practices. Furthermore, two board members were duly appointed by the President. One of the Board members did not have a CV on file. I was not provided evidence of the appointing authority.

### **Risk**

86. The legitimacy of the board decisions can come under question if the board is not appropriately appointed.

87. The dominance of one group of members like Cabinet Ministers could undermine the independent decision making of the board.

88. The lack of terms of reference or a listing of responsibilities makes it difficult for the board to know and undertake their responsibilities efficiently and may lead to poor performance. It also makes it difficult for the board to evaluate its performance as required by corporate governance practices.

89. Failure to provide Curriculum Vitae makes it impossible to verify whether the right people were appointed to the board and this has an effect on the performance of the board.

### **Recommendation**

90. The Act should be amended to reduce the number of statutory members of the Board of Directors.
91. The Board of the FDA should be reconstituted so that the appointments are appropriately made by the President to give it legitimacy.
92. The Board should be provided with the listing of responsibilities or terms of reference and that the board should annually evaluate its performance in line with good corporate governance practices.
93. Fees and other remuneration (compensation) paid to the members of the Board of Directors, who do not have valid appointment letters, should be fully recovered from them, as there was no legal basis for the payments.

### **Liberia Water and Sewer Corporation (LWSC)**

94. The LWSC was established under an Act of the National Legislature approved on 30 January 1973 adding Chapter 88 to the Public Authority Law of Liberia. According to the provisions of the Act, the Chairman to the Liberia Water and Sewer Corporation's Board should be the Chairman of the Public Utilities Authority. According to the Act, the LWSC is supposed to have nine (9) board members and all members on the board are supposed to be appointed by the President.
95. It was noted however that contrary to the Provisions of the Act, the Board Chairman was not the Chairman of the Public Utilities. Of nine (9) board members, five (5) did not have valid appointment letters from the President.
96. Three (3) board members did not provide their curriculum vitae for audit verification making it impossible for me to determine whether they were appropriately qualified to sit on the board of LWSC.
97. It was further observed that out of the total of nine (9) board members, three (3) were Cabinet Ministers. The appointment of a large number of Cabinet Ministers on the Board, who all represented the Government as the significant shareholder, undermined independent decision-making process of the Board (See table below).

**Table 8: Current Board of LWSC**

No.	Name	Date of Appointment	Letter/appointment	Curriculum Vitae	Appointing Authority
1.	Musa Bility-Chairman	Unknown	No	Yes	Unknown
2.	Minister of Finance	Statutory	Statutory	Yes	Statutory
3.	Minister of Justice	Statutory	Statutory	No	Statutory
4.	Minister of Planning & Econ Affairs	Statutory	Statutory	No	Statutory
5.	LBDI President	Unknown	No	Yes	Unknown
6.	Loris M. Shannon	Unknown	No	Yes	Unknown
7.	Mr. James L. Thompson, II	Unknown	No	Yes	Unknown
8.	Mr. Philip Parker	Unknown	No	No	Unknown
9.	LWSC Managing Director	Unknown	Yes	Yes	Unknown

### **Risk**

98. The legitimacy of the board decisions become questionable if the board is not appropriately appointed.
99. The dominance of one group of members like Cabinet Ministers undermines independent decision-making process of the Board.
100. Failure to provide curriculum vitae makes it impossible to verify whether the right people were appointed to the board and this has an effect on the performance of the board.

### **Recommendation**

101. The Act should be amended to reduce the number of statutory members on the Board of Directors.
102. The board of the LWSC should be reconstituted so that the appointments are appropriately made by the President to give it legitimacy.
103. The board is provided with the listing of responsibilities or terms of reference and that the board should annually evaluate its performance in line with corporate governance practices.
104. Fees and other remuneration (compensation) paid to the members of the Board of Directors who does not have appointment letters should be fully recovered from them, as there was no legal basis for the payments.

### **Liberia Telecommunications Corporation (LTC)**

105. The Act establishing the Liberia Telecommunication Authority (LTA) was passed into law by the National Legislature and approved on 22 February 1973, adding Chapter 86 to the Public Authorities Law.
106. According to the Act creating the corporation, the LTC is supposed to have nine (9) members on the board. However, up to the date of this report, there were seven (7) board members.

107. The LTC being a public corporation, all of its board members are supposed to be appointed by the President. It was noted however that contrary to the requirement mentioned, only one board member was appointed by the President while appointing authority for the remaining six (6) members was unknown.

108. The one board member did not provide his Curriculum Vitae for audit verification making it impossible for me to determine whether he was appropriately qualified to sit on the board of LTC (See table below).

**Table 9: Current Board of LTC**

No.	Name	Date of Appointment	Letter/appointment	Curriculum Vitae	Appointing Authority
1.	Cllr. Musa Dean-Chairman	Unknown	No	Yes	Unknown
2.	Mr. Harwene Tyee	Unknown	No	No	Unknown
3.	Mr. Floyd Thomas	Unknown	No	Yes	Unknown
4.	Ms. Ciatta Victor	28 August 2010	Yes	Yes	President Sirleaf
5.	Mr. James Cooper	Unknown	No	Yes	Unknown
6.	Mr. Jemina Caulcrick	Unknown	No	Yes	Unknown
7.	LTC (LIBTELCO) Managing Director	Unknown	No	Yes	Unknown

109. It was further observed that the board had not been provided with the listing of responsibilities or terms of reference as required by corporate governance practices. This makes it difficult for the board to perform its responsibilities effectively and efficiently as they may not know their responsibilities.

### Risks

110. The legitimacy of the board decisions can come under question if the board is not appropriately appointed.

111. Failure to provide curriculum vitae makes it impossible to verify whether the right people were appointed to the board and this has an effect on the performance of the board.

### Recommendation

112. The board of the LTC should be reconstituted so that the appointments are appropriately made by the President to give it legitimacy.

113. The board is provided with the listing of responsibilities or terms of reference and that the board should annually evaluate its performance in line with corporate governance practices.

114. Fees and other remuneration (compensation) paid to the members of the Board of Directors who do not have appointment letters should be fully recovered from them, as there was no legal basis for the payments.

### **Roberts International Airport (RIA)**

115. According to As noted, the RIA was not operating under an act passed by the Legislature. However, the National Legislature passed an Act creating the Liberia Airport Authority, which comprise of a seven (7) member board. It is instructive to note that up to the date of this report, only six (6) board members had been appointed to the Board, five (5) of whom had letters of appointment by the President while one (1) was not appointed by the President and the criteria of appointment is unknown. The same board member did not also provide his Curriculum Vitae for audit verification making it impossible for me to determine whether he was qualified to sit on the board of RIA (See table below).

**Table 10 : Board Members of the LAA**

<b>No</b>	<b>Name</b>	<b>Date of Appointment</b>	<b>Letter/appoin tment</b>	<b>Curriculu m Vitae</b>	<b>Appointing Authority</b>
1.	Fatu Gittens-White-Chairman	3 Sept. 2009	Yes	Yes	President Sirleaf
2.	Amy Clarke	3 Sept. 2009	Yes	Yes	President Sirleaf
3.	Mr. William Dennis	3 Sept. 2009	Yes	Yes	President Sirleaf
4.	Edward Mulbah	Unknown	No	No	Unknown
5.	Moses K. Weefur	3 Sept. 2009	Yes	Yes	President Sirleaf
6.	William Witherspoon	3 Sept. 2009	Yes	Yes	President Sirleaf

116. It was further observed that the board had not been provided with the listing of responsibilities or terms of reference as required by corporate governance practices. This makes it difficult for the board to perform its responsibilities effectively and efficiently as they may not know their responsibilities.

### **Risks**

117. Failure to provide Curriculum Vitae makes it impossible to verify whether the right person was appointed to the board and this has an effect on the performance of the board.

### **Recommendation**

118. The rest of the board members are appointed to bring the board to full strength and the appointment of the board member without Presidential appointment be reviewed.

119. The board is provided with the listing of responsibilities or terms of reference and that the board should annually evaluate its performance in line with corporate governance practices.

120. Fees and other remuneration (compensation) paid to the member of the Board of Directors who does not have appointment letters should be fully recovered from him, as there was no legal basis for the payments.

### **National Insurance Corporation of Liberia**

121. The National Insurance Corporation of Liberia (NICOL) came into existence by Decree No. 18 of the People's Redemption Council of the Arm Forces of Liberia on 11 February 1984.

122. The primary function of the corporation is to provide insurance coverage for Government of Liberia, public corporations and any other business in which the GOL is a 50% more shareholder.
123. All Laws establishing public corporations should be ratified by the National Legislature. It is in the Act that the corporate governance structure of the corporation is spelled out. It was however observed that the decree that established the National Insurance Corporation of Liberia was not later referred to the Legislature for ratification. In this regard, the corporation was operating without a board of directors since the decree did not provide for administrative structure in the form of a Board of Directors.

### **Risk**

124. Improper management of the corporation due to lack of the Board of Directors as management decisions are made discretionally.
125. Poor performance by management as they are not accountable to an oversight body.

### **Recommendation**

#### **The Executive should legislative action for the passage into an act creating NICOL.**

In the meantime, the management of NICOL should be made accountable to the Minister under which the corporation falls until the Act is passed and the board appointed.

#### **Liberia Rubber Development Authority (LRDA)**

126. The Liberia Rubber Development Authority (LRDA) was established as a corporate body of the Government of Liberia pursuant to the Public Authority Law of Liberia. The corporation was formerly known as the Liberia Rubber Development Unit (LRDU) established in 1978 as a technical arm under the Ministry of Agriculture. The law establishing the LRDA was passed by the National Transitional Legislative Assembly (NTLA), approved on 26 August 2004 and published on 2 December 2004.
127. According to the Act, the corporation is supposed to have five (5) board members appointed by the President. It was observed however that up to the date of this report, the corporation had no board of directors.

### **Risk**

128. Improper management of the corporation due to lack of the Board of Directors as management decisions are made discretionally.
129. Poor performance by management as they are not accountable to an oversight body.

### **Recommendation**

130. The members of the Board of Directors are appointed. In the meantime, management of LRDA should be made accountable to the Minister under which the corporation falls until the board members are appointed.

### National Oil Company of Liberia (NOCAL)

131. The National Oil Company of Liberia (NOCAL) was created pursuant to the amendment of the Executive Law of 1972 to provide for the establishment of the entity. The Act was approved on 6 April 2000 and published on 20 April 2000.
132. The National Oil Company of Liberia was established for the purpose of holding all of the right, title and interest of the Republic of Liberia in the deposits and reserves of liquid and gaseous hydrocarbons within the territorial limits of the Republic of Liberia, whether potential, proven or actual with the aim of facilitating the development of the oil and gas industry.
133. As per the Act, the company is to maintain a board membership of not less than three (3) persons and not more than seven (7) persons. According to the Law, the board members are supposed to be appointed by the President.
134. Contrary to the provision of the law, the board members were appointed by the Minister of State for Economic, Finance and Legal Affairs and there was no evidence that the President had delegated such powers to the Minister. It is proven in the audit of NOCAL that the Board and the CEO of NOCAL were engaged in outright inducement of the Legislature and conflict of interest, as a board member who recommended against hiring of an in-house lawyer, was hired to provide retained legal services for NOCAL.

**Table 11 Current Board of NOCAL**

No.	Name	Date of Appointment	Letter/appointment	Curriculum Vitae	Appointing Authority
1.	Clemenceau Urey-Chairman	2 March 2006	Yes	Yes	President Sirleaf
2.	Clemenceau Urey-Chairman	23 March 2006	Yes	Yes	Morris G. Saytumah
3.	Evelyn Kandakai	23 March 2006	Yes	Yes	Morris G. Saytumah
4.	Antoinette Sayeh	23 March 2006	Yes	Yes	Morris G. Saytumah
5.	Benedict Cooper	23 March 2006	Yes	Yes	Morris G. Saytumah
6.	Bill Dunbar	23 March 2006	Yes	Yes	Morris G. Saytumah
7.	Peter Bonner Jallah	23 March 2006	Yes	Yes	Morris G. Saytumah
8.	Eugene Shannon	23 March 2006	Yes	Yes	Morris G. Saytumah

### Risk

135. The legitimacy of the board decisions may come under question if the board is not appointed by the President.

### **Recommendation**

136. The Board of the LTC should be reconstituted so that the appointments are appropriately made by the President to give it legitimacy
137. Fees and other remuneration (compensation) paid to the member of the Board of Directors who does not have appointment letters should be fully recovered from him, as there is no legal basis for the payments.

### **Appointment of Managing Directors as Secretary on Boards of Public Corporations**

138. It is the corporate responsibility of Managing Directors serving on Public Corporations to be amenable to the boards of those corporations. In line with this practice, the Managing Directors of public corporations in Liberia serve as secretaries on their respective boards. However, in practice managing Directors that serve as secretary to the board also sit on the boards of public corporations as members. Except for the Managing Director of the Forestry Development Authority who is listed in the Act as a member of the board, there is no evidence in the various acts reviewed to indicate that Managing Directors are members of the Board and should receive Board remuneration or Board Fees for their services to the board.

139. During my audits of the following public corporations, I observed payment of Board fees to Managing Directors of the following Public Corporations:

- Liberia Petroleum Refining Company (LPRC)
- National Social Security and Welfare Corporation (NASSCORP)
- National Port Authority (NPA)
- Liberia Water & Sewer Corporation (LWSC)
- Liberia Electricity Corporation
- National Oil Company of Liberia
- Roberts International Airport (RIA)

### **Risk**

140. The inclusion of Managing Directors as members of governing boards of public corporations and the payment of remuneration to them has no legal basis as they are not members of the board and so the payments could be disallowed.

### **Recommendation**

141. Payment of Board fees to Managing Directors serving as secretaries to Corporate Boards should be immediately discontinued and remuneration previously paid to Managing Directors should be recovered from the Managing Directors and deposited to the accounts of the various corporations, as it is violation of Article 90 (b) of the Constitution of Liberia.

### **General Issues**

142. Even though there may be no legal limitation on how many boards an individual serves on or the maintenance of one minister on several boards may be necessitated by the requirements of the Act creating the entity on which boards they serve, it is reasonably prudent that no

individual should serve on more than one board. This, in my view will direct the focus of the board members and eliminate conflicting meeting schedules. As noted in my audit, Jeremiah Sulunteh was a member of the board of Roberts International Airport and at the same time he was a member of the Liberia Civil Aviation Authority.

143. I observed that the Boards of Directors to public corporations are dominated by political appointees thereby negating decision-making based on business consideration. Further, I noted that the appointment letters and CVs are not filed with the public corporations whose boards the appointees serve.

### **Recommendation**

144. The President's office should maintain a file on each person appointed to public corporation board. The file should contain the appointment letters, resumes, copies of academic credential. A similar file should be maintained within the office of the Managing Director and Personnel Section at each public corporation, as such documents are historical and could be used as source of reference.

145. The appointment of board members in the public corporation should be done, as provided for in the respective Acts establishing such corporations.

146. In order to ensure accountability and high levels of performance in the public corporations, corporate governance principles must be embraced by all public corporations. In this regard, no person or group should be seen to be dominant on any particular board and each board should evaluate its performance and that of its committees on an annual basis.

147. The payments to the board members should be linked to their performance, requiring a performance contract for each board member.

### **Ministry of State's Response**

148. *"We concur on recommendations regarding the need for an annual performance review and will include this on the Cabinet agenda to discuss the best means of achieving this."*

### **Acknowledgement**

149. I appreciate the Ministry of State and the Management of Public Corporations who have provided information for the success of this exercise. I also want to thank the GAC that assisted me in conducting this audit.

  
**John S. Morlu, II.** 3:20PM  
**(Auditor-General, RL)**  
SSM II

**April 2011**