



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



**On the Compliance Audit of the Law
Reform Commission (LRC)**

For the Fiscal Year ended June 30, 2019

December 2022

**P. Garswa Jackson Sr. FCCA, CFIP, CFC
Auditor General, R. L.**

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ACRONYMS USED

| Acronym | Meaning |
|----------------|---|
| FCCA | Fellow Member of the Association of Chartered Certified Accountants |
| AG | Auditor General |
| Doc. | Document |
| GAC | General Auditing Commission |
| GoL | Government of Liberia |
| INTOSAI | International Organization of Supreme Audit Institutions |
| ISSAI | International Standards of Supreme Audit Institutions |
| LRC | Law Reform Commission |
| LBDI | Liberia Bank for Development and Investment |
| CBL | Central Bank of Liberia |
| L\$ | Liberian Dollar |
| NCB | National Competitive Bidding |
| RFQ | Request for Quotation |
| PFM | Public Finance Management |
| PPC Act | Public Procurement and Concessions Act |
| RFQ | Request for Quotation |
| TOR | Term of Reference |
| US\$ | United States Dollar |

Republic of Liberia



TRANSMITTAL LETTER

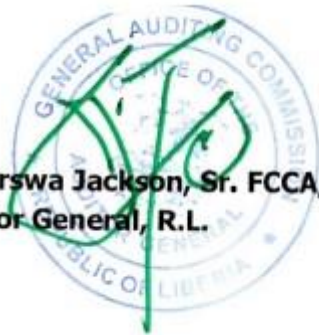
**THE HONORABLE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE
HONORABLE PRESIDENT PRO- TEMPORE OF THE HOUSE OF SENATE**

We have undertaken a compliance Audit of the Law Reform Commission (LRC) for the fiscal year July 1, 2018 to June 30, 2019. The audit was conducted in line with Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

Finding conveyed in this report were formally communicated to the authorities of the Law Reform Commission (LRC) for their responses. The reportable issues were submitted through a Management Letter. Where responses were provided, they were evaluated and were incorporated in this report.

Given the significance of the matters raised in this report, we urge the Honorable Speaker and Members of the House of Representatives and the Honorable Pro- Tempore and Members of the Liberia Senate to consider the implementation of the recommendations conveyed in this report with urgency.

**P. Garswa Jackson, Sr. FCCA, CFIP, CFC
Auditor General, R.L.**



Monrovia, Liberia

November 2023

May 29, 2024

Cllr. Boakai Kanneh

Chairperson

Law Reform Commission

Old CID Road

Mamba Point

Monrovia, Liberia

**COMPLIANCE AUDIT OF THE LAW REFORM COMMISSION (LRC) FOR THE FICAL YEAR
ENDED JUNE 30, 2019.**

Adverse Conclusion

The General Auditing Commission has concluded a compliance audit of the Law Reform Commission (LRC). The compliance audit has been conducted in compliance with relevant laws and regulations consistent with the Auditor General's mandate as provided for in Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as in accordance with all relevant laws.

Based on the audit work performed and because of the significance of the non-compliance matters noted in the Basis for Conclusion Paragraphs below, the subject matter is not in all material respect, in compliance with the PFM Act and Regulation, Revenue Code of Liberia Act of 2011, PPC Act and Regulation and other authoritative policies and procedures.

Basis for Adverse Conclusion

Management did not provide supporting documents (Receipts, invoices, delivery notes, tax clearance and business registration etc where applicable) for expenditure totaling US\$3,875.60 and L\$ 292,378.88.

A variance of US\$183,348.20 exists between the figure reported in the fiscal outturn for goods and services and figure reported in the expenditure listing for the period under audit.

A variance of US\$2,317.05 exists between the figure reported in the fiscal outturn and the figure reported in the expenditure listing for wages and salaries for the period under audit.

Management recorded several outstanding transactions amounting to L\$1,319,980 in the bank reconciliation statements without check numbers, date of issuance and source documents.

No functional procurement committee evidenced by the absence of meeting minutes and periodic reports. No evidence of annual procurement plan approved by PPCC.

No evidence of periodic (quarterly and annual) procurement activities report submitted to PPCC.

No evidence of application of the requisite methods (Request for three quotation for the expenditure of US\$3,153 and L\$453,155.20 where applicable.

Management withheld the total amount of L\$15,690.02 as taxes from vendors for the supply of Goods & Services without evidence of remittance to the LRA.

Several payments amounting to US\$3,153 and L\$453,155.20 were without valid business registration and tax clearance.

Management did not provide evidence of approved or signed financial statements for the fiscal period under audit

The following irregularities were associated with the Fixed Assets Management System:

- There was no evidence of a fixed assets management policy.
- The fixed assets register did not contain all the relevant columns.
- The fixed assets register was not regularly updated.
- There was no evidence of periodic physical verification of assets by Management
- There was no evidence of movement of assets form.
- There was no history of disposal of assets.
- Some of the Agency's fixed assets were not coded.

P. Garswa Jackson, Sr. FCCA, CFIP, CFC
Auditor General, R.L.

Monrovia, Liberia

November 2023

Background

The Compliance Audit of the Law Reform Commission (LRC) was commissioned under the Auditor General (AG) mandate as provided for under Section 2.1.3 of the GAC Act of 2014.

The Law Reform Commission (LRC) is a non-ministerial Agency established to Receive, consider, review, or advance on its own initiative, proposals for the reform of the law that may be made or referred to it by the Senate, the House of Representatives, the Executive, the Judiciary or any bodies, organizations, institutions, or persons;

(b) Compile, research, and undertake the examination of particular branches of the law and the formulation of proposals for their reform;

(c) Prepare comprehensive programs for the consolidation of the law and undertake the drafting of bills pursuant to any proposed programs of reform, and to ensure consistency and eliminate contradictions, overlapping and fragmentations in and of the laws. in the development of the laws. and in the developmental process of the law:

(d) Draw the attention of and solicit comments from the Minister of Justice to any bill if. in the opinion of the Commission, such bill has or is likely to have adverse effect (s) on the country as a whole or on any community, municipality, or section of the country. or in the governance framework;

(e) Provide advice and information to Ministries, agencies and public authorities and corporations of the Government with regard to the reform or amendment of any branch of the law appropriate to the Ministries, agencies, authorities or corporations concerned, etc

Management Personnel

The Law Reform Commission (LRC) has the following personnel who handled the administrative and financial affairs of the institution for the period under audit.

Key Management Personnel of the LRC

| # | Name | Title / Position Held | Period |
|----|------------------------------|-----------------------|-----------------|
| 1. | Cllr. Boakai Kanneh | Chairman | 2016 to present |
| 2. | Cllr. Felecia V. Cooper | Vice Chairman | 2016 to present |
| 3. | Cllr. Ruth Jappah | Commissioner | 2016 to present |
| 4. | Hon. Ramses T. Kubuyah | Executive Director | 2016 to present |
| 5. | Atty. Zechariah J. Moiseemah | Comptroller | 2016 to present |

Audit Objectives

The objective of the compliance audit, according to the International Standards of Supreme Audit Institutions, ISSAI 4000, is to provide the intended user(s) with information on whether the audited public entities follow legislative decisions, laws, legislative acts, policies, established codes agree upon terms. The standard requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable or limited assurance about whether (a) Revenue Generating Areas (b) Expenditure for goods, services and (C) Internal Control Systems for the fiscal year ended June

30, 2021, are in all material respects, in compliance with the Revenue Code of Liberia Act of 2011, the Restated PFM Act of 2009, as Amended in 2019 and its Regulations, Public Procurement and Concession Act of 2005, as Amended and Restated 2010 and the LRC internal policies and procedures.

Subject Matter and Scope

Validation of the LRC Operations with special emphasis on: (a) Expenditure for goods, services and personnel compensation; and (b) Internal Control Systems (Governance and operational structures) of the entity for the fiscal year July 1, 2018 to June 30, 2019.

Audit Criteria

The audit criteria for the subject matter are the Revenue Code of Liberia Act of 2011, Public Financial Management Act of 2009 and its Regulation, the Restated PFM Act of 2009, as Amended in 2019, Public Procurement and Concession Act of 2005, as Amended and Restated 2010 and its Regulations and the LRC Policies and Act.

Audit Methodology

We performed our audit based on review of contract documents, specification, financial records and payment vouchers related to the period under audit, interview LRC staff as well as physical verification of the Entity Assets and personnel. The audit criteria were applied to each procurement sample selected.

The audit was conducted in accordance with ISSAI 4000 and INTOSAI's International Standards for Compliance Audit. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether LRC complied with laws and regulations.

Our audit also took cognizance of the requirements under the Auditor General's mandate as provided for under Section 2.1.3 of the GAC Act of 2014. Our audit approach included observation, inquiries, inspections, confirmation, and analytical procedures on areas we considered as high risk.

Limitation of Responsibility

The audit involves performing procedures to obtain audit evidence about the subject matters' compliance with applicable authorities identified as criteria. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of non-compliance material issues of the subject matter, whether due to fraud or error.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some non-compliance material issues may not be detected, even though the audit is properly planned and performed in accordance with the ISSAIs. In making our risk assessments, we considered internal control relevant to the subject matters, but not for the purpose of concluding on the effectiveness of the entity's internal control.

Monrovia, Liberia
November 2023


P. Garswa Jackson, Sr. FCCA, CFIP, CFC
Auditor General, R.L.

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Unapproved Financial Statements

Observation

- 1.1.1.1 Regulations C3 (7) of the Public Financial Management Act of 2009 states "A Line minister shall ensure the timely preparation of the periodic and annual financial statements and reports of the line ministry and agencies under him in accordance with these regulations and other enactments, and cause these statements and reports to be forwarded to the Minister, the Auditor General and the Comptroller General;"
- 1.1.1.2 According to IPSAS Cash basis 1.2.1 An entity should prepare and present general-purpose financial statements which include the following components:
- a) A statement of cash receipts and payment which:
- Recognizes all cash receipts, cash payments and cash balances controlled by the entity;
 - Separately identifies payments made by third parties on behalf of the entity in accordance with paragraph 1.4.0 of this Standard;
 - Accounting policies and explanatory notes; and (c) 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 5.2.0 of this Standard.
- 1.1.1.3 During the audit, we observed that Management did not provide evidence of approved or signed financial statements for the fiscal period under audit.

Risk

- 1.1.1.4 Management failure to provide evidence of approved financial statements as required by the PFM Regulations may impair the ownership and authenticity/ legitimacy of the financial statements.
- 1.1.1.5 The financial statements may not be adequately reviewed which may result in to misstatement.
- 1.1.1.6 The completeness and accuracy of the financial statements may not be assured in the absence of its approval.

Recommendation

- 1.1.1.7 Management should provide substantive justification for not providing evidence of approved or signed financial statements for the period under audit.

- 1.1.1.8 Going forward, Management should ensure that the financial statements are appropriately approved in compliance with the PFM Act of 2009. Approved financial statements should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.1.9 *We accept your recommendation and will ensure that going forward, all financial statements are appropriately approved in compliance with the PFM Act of 2009.*

Auditor General's Position

- 1.1.1.10 We acknowledge Management's acceptance of our finding and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.
- 1.1.1.11 Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009 as amended and restated 2019.

1.1.2 Variance between Fiscal Outturn and General Ledger

Observation

- 1.1.2.1 Regulations A.3 (1) of the PFM Act of 2009 states "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 use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister."
- 1.1.2.2 Additionally, Section 1.3.27 of IPSAS Cash Basis of Accounting requires that "financial statements shall present information that is:
- a) Understandable;
 - b) Relevant to the decision-making and accountability needs of users;
 - c) A faithful representation of the cash receipts, cash payments and cash balances of the entity and the other information disclosed in the financial statement in that it is:
 - i. Complete;
 - ii. Neutral and
 - iii. Free from material error;"
- 1.1.2.3 During the audit, we observed a variance of US\$183,348.20 between the figure reported in the fiscal outturn for wages and salaries and figure reported in the general ledger for wages and salaries covering the period under audit. **See table one 1 below for details.**

Table 1: Variance between fiscal outturn and General Ledger

| DESCRIPTION | IFMIS(MFDP) (US\$) A | Ledger Balances (US\$) B | Variance C= (A-B) US\$ |
|--------------------|-------------------------|--------------------------------|------------------------------|
| Wages and Salaries | 710,597.63 | 527,249.43 | 183,348.20 |

Risk

1.1.2.4 The completeness and accuracy of expenditures may not be assured; therefore, the financial statements may be misstated.

1.1.2.5 Management may not account for all its transactions.

Recommendation

1.1.2.6 Management should adjust the financial statements by the variances observed between the fiscal outturn and the expenditure listing.

1.1.2.7 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Going forward, an Automated linkage should be created between the general ledger, the trial balance and the financial statements to facilitate completeness and accuracy of the financial statements.

1.1.2.8 Management should perform periodic(monthly) reconciliation between the fiscal outturn report and the general ledger. Differences identified should be investigated and adjusted (where applicable) in a timely manner.

Management's Response

1.1.2.9 *The difference in figures may partly be as a result of the treatment of withholding tax payments. Note that the general ledgers as submitted captures net salary payment to employees while the fiscal outturn produced by the Ministry of Finance considers gross payment. Management will however review the ledger and adjust the financial statement by any variance observed and attributable to Management's error.*

Auditor General's Position

1.1.2.10 Management's assertions did not adequately address the issue raised. Section 36(1) of the PFM Act of 2009 states that "It is a general responsibility under this Act for all government officials handling public financial transactions to ensure that financial information is reported in a timely, comprehensive, and accurate manner, in the manner prescribed in this Act, under its regulations, and in instructions issued by the Minister". Therefore, Management should have included all expenditures of the entity in its expenditure listing and subsequently the financial statements irrespective of the source of payments. Management should also ensure that personnel expenditures are recorded as gross values, inclusive of taxes and other statutory deductions. Nonadherence to these provisions, may lead to unfair presentation and understatement of expenditures.

1.1.2.11 Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendation during subsequent audit.

1.1.2.12 Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009 as amended and restated 2019.

1.1.3 Unsupported Transactions in Bank Reconciliation Statements

Observation

1.1.3.1 PFM Regulation Section R.6 states "Validity Period of Checks issued by the Republic of Liberia shall be valid for a period of six months from the date of issue. The Minister is authorized to have printed or stamped on government checks a legend stating that each cheque must be cashed within six months of the date of issue".

1.1.3.2 Moreover, Section R.7 states "Effecting Payment of Invalid Checks If a check becomes invalid by virtue of regulation R.6 above, payment of the check may nonetheless be affected, if within 18 months of the date of issue, the payee or holder in due course presents the check to the Minister. If satisfied that there is no doubtful question of law or fact concerning its payment, the Minister shall cancel and perforate it and issue a new check in lieu of thereof in the same amount in favour of the person presenting the check".

1.1.3.3 Additionally, Section II R3 (6) of the Public Finance Management Regulation of 2009 requires that the balance of every bank account as shown in a bank statement be reconciled with the corresponding cash book 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.

1.1.3.4 During the audit, we observed that Management recorded four (4) outstanding transactions amounting to L\$1,319,980 in the bank reconciliation statements without check numbers, date of issuance and source documents. **See table 2 below for details.**

Table 2: Unsupported Transactions in Bank Reconciliation Statements

| Payee | Detail | Amount |
|----------------|--|------------------|
| Aminata & Sons | Fuel and Lubricants for Commissioners, etc. for November and December 2016 | 445,480 |
| Aminata & Sons | Fuel and Lubricant for utility vehicles | 255,750 |
| Aminata & Sons | Fuel and Lubricant for generator | 162,750 |
| Divine Destiny | Maintenance of LRC's vehicle/purchase of tyres | 456,000 |
| Total | | 1,319,980 |

Risk

1.1.3.5 Transactions recorded as unrepresented checks on the face of the bank reconciliations without numbers and dates may impair the regularity and legitimacy of the transactions.

Recommendation

- 1.1.3.6 Management should facilitate adequate preparation of monthly bank reconciliation statements. The dates and check numbers for all outstanding transactions should be included on the face of the bank reconciliation statements.
- 1.1.3.7 Management should ensure overdue reconciling items (exceeding six (6) months) are duly adjusted/ written-off in the cashbook and on the face of the bank reconciliation statement.

Management's Response

- 1.1.3.8 *These are checks that were issued to vendors and were reported in the general cash ledger submitted to the audit team. However, because the checks remained outstanding for a long while, we subsequently reversed the transactions. Kindly see below details of each transaction.*

| No. | Payee | Details | Amount L\$ | Check # | Date of Issuance |
|------------|----------------|--|-------------------|----------------|-------------------------|
| 1 | Aminita & Sons | Fuel & Lubricants for Commissioners, et al. | 445,480.00 | 161566 | Dec. 9, 2016 |
| 2 | Aminita & Sons | fuel & Lubricants for utility vehicles | 255,750 | 161563 | Dec 9, 2016 |
| 3 | Aminita & Sons | fuel & Lubricant-Generator | 162,750 | 161560 | Dec. 9, 2016 |
| 4 | Devine Destiny | purchase of tires for the Commission's vehicle | 456,000.00 | 147428 | July 12, 2016 |

Auditor General's Position

- 1.1.3.9 Management's assertion that "Because the checks remain outstanding for a long time and were not cashed by the payees, we reversed the transactions subsequently" is not supported by documentary evidence. Also, the check numbers and the date of issuance of associated checks were not recorded on the face of the bank reconciliation statements as asserted in our findings. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.4 Unsupported Transactions

Observation

- 1.1.4.1 P.9 (2) of the PFM Regulations of 2009 states that "Payments except for statutory transfers and debt service shall be supported by invoices, bills and other documents in addition to the payment vouchers".
- 1.1.4.2 Additionally, section A.3. of the PFM Regulation states "(1) 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 use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for

inspection when called upon to do so by the Auditor General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister. (2) A public officer who fails to keep or produce any records under this regulation is in a breach of financial discipline as defined in Regulation A.20".

- 1.1.4.3 During the audit, we observed that Management made several payments amounting to L\$292,378.88 and US\$3,875.60 without evidence of supporting documents such as payment vouchers, invoices, business registrations, tax clearance and delivery notes to validate the transactions. **See table 3A and 3B below for details**

Table 3A: Unsupported Transactions

| Date | Check# | Payee | Amt/Bank Statement (L\$) |
|--------------|--------|-------------------------|--------------------------|
| Jul 4,2018 | 1744 | Hawa W. Monibah | 100,000.00 |
| Oct 30,2018 | 9131 | Hawa W. Monibah | 50,000.00 |
| Feb 27,2019 | 2080 | Hawa W. Monibah | 50,000.00 |
| Apr 11,2019 | 2172 | Boutros security servic | 92,378.88 |
| Total | | | 292,378.88 |

Table 3B: Unsupported Transactions

| Date | Ref# | Payee | Amt/Bank Statement (US\$) |
|--------------|------|------------------------|---------------------------|
| Jul 20,2018 | 2446 | Boutros security serv. | 720.00 |
| Jul 20,2018 | 2447 | Divine Destiny | 897.60 |
| Nov 19,2018 | 2628 | Libtelco | 1,600.00 |
| Jan 17,2019 | 2719 | Boutros security serv. | 288.00 |
| May 9,2019 | 2895 | Super petroleum | 370.00 |
| TOTAL | | | 3,875.60 |

Risk

- 1.1.4.4 In the absence of adequate supporting documents, the validity, occurrence and accuracy of payments may not be assured. This may lead to misappropriation of the entity's funds.
- 1.1.4.5 The absence of adequate supporting documents may lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.
- 1.1.4.6 Management may override the procurement processes by completing disbursement without utilizing the required procurement processes.

Recommendation

- 1.1.4.7 Management should provide the supporting documents for the transactions listed above to substantiate the legitimacy of the transactions.
- 1.1.4.8 Management should ensure that all transactions are supported by the requisite supporting documents consistent with the Public Financial Management Regulations. Evidence of

supporting documents should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.4.9 *The transactions listed in Tables 3A and 3B were all valid transactions with supporting documents. Kindly find attached supporting documents for the transactions listed in table 3A and 3B.*

Auditor General's Position

- 1.1.4.10 The documents subsequently submitted by Management after our audit execution did not reconcile with the transactions without supporting documents catalogued in our findings.
- 1.1.4.11 Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendation during subsequent audit.
- 1.1.4.12 Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009 as amended and restated 2019.

1.1.5 Irregularities Associated with Procurement Management

Observation

- 1.1.5.1 Section 30 (1 and 2) of the Public Procurement and Concessions Act of 2005 as amended and restated in 2010 states: "(1) Each Procurement Committee shall constitute a Bid Evaluation Panel with the required expertise as and when required to evaluate bids solicited by the Procuring Entity. (2) A Bid Evaluation Panel shall be responsible for the evaluation of bids in accordance with the predetermined and Published evaluation criteria as outlined to bidders in the bid documents in accordance with this Act and shall prepare and submit evaluation reports and recommendations for award for the consideration of the Procurement Committee or the Head of the Procuring Entity as provided in the Schedule".
- 1.1.5.2 Section 32 (1, 2 and 3) of the Public Procurement and Concessions Act of 2005 as amended and restated in 2010 states: (1) "In order to participate in procurement proceedings, a bidder must qualify by meeting the criteria set by the Procuring Entity, which will normally include evidence of: (a) Professional and technical qualifications; (b) Equipment availability, where applicable; (c) Past performance; (d) After-sales service, where applicable; (e) Spare parts availability; (f) Legal capacity; (g) Financial resources and condition; and (h) Verification by the internal revenue authority of payment of taxes and social security contributions when due. (2) The qualification criteria set forth in subsection (1) of this Section shall be applied by examining, through investigation and collaboration with other relevant agencies, to ascertain whether or not the bidder meets the minimum qualification criteria established for the bid and not by using a point system for comparing the relative level of qualifications of participating bidders. (3) The Procuring Entity shall be entitled to demand qualification documentation from potential bidders in formal prequalification proceedings, or as a required component of a bid submission".

1.1.5.3 During the audit, we observed the following irregularities associated with the procurement system:

- There was no functional procurement committee evidenced by the absence of meeting minutes and periodic reports.
- There was no evidence of annual procurement plan approved by PPCC.
- There was no evidence of periodic (quarterly and annual) procurement activities report submitted to PPCC.
- No evidence of application of the requisite methods (Request for quotation, national competitive bidding, sole sourcing, restricted bidding, international competitive bidding, for the expenditure of US\$3,153.00 and L\$453,155.20 where applicable. **See table 4A and 4B below for details.**

Table 4A: Procurement without Three Quotation

| Date | Vendor | Description | Amt (L\$) |
|--------------|------------------------------|--|-------------------|
| Nov 23, 2018 | Devine Destine | Vehicle repaired & Maintenance. | 194,680.00 |
| Apr 22, 2019 | Devine Destine | Vehicle maint | 117,835.20 |
| Dec 18,2018 | De Lord Wish Tire Center Inc | Purchase of 2 tyres | 24,000.00 |
| Mar 14,2019 | Boutros Security service | Payment for security service for jan, 2019 | 116,640.00 |
| Total | | | 453,155.20 |

Table 4B: Procurement without Three Quotation

| Date | Vendor | Description | Amt (US\$) |
|---------------|-------------------------------|--|-----------------|
| Sept 11, 2018 | Boutros security serv. | 80% payment for security serv. For Jul-Sept 2018 | 1,728.00 |
| Apr 22, 2019 | Technotech Inc | Repair & maint-Gen | 925.00 |
| Oct 25, 2008 | Razzouk Brothers Trading Corp | Purchase of 1 air conditioner | 350.00 |
| Oct 11, 2018 | United Office Supplies | Purchase of laptop charger | 150 |
| Total | | | 3,153.00 |

Risk

- 1.1.5.4 In the absence of a functional procurement committee, the entity's procurement processes may be discretionary
- 1.1.5.5 The lack of an approved procurement plan may lead to discretionary expenditure, waste and undermine value for money.
- 1.1.5.6 In the absence of a quarterly procurement report, Management may be in noncompliance with the PPC Act of 2005 as amended and restated in 2010.
- 1.1.5.7 Management may not adequately account for its procurement activities and impair effective monitoring of its procurement activities by the PPCC.

- 1.1.5.8 The non-application of the requisite procurement method may undermine the achievement of value for money and facilitate fraudulent procurement activities.

Recommendation

- 1.1.5.9 Management should ensure that the requisite procurement methods are utilized for all procurement transactions to achieve value for money and ensure compliance to the PPC Act of 2005 as amended and restated in 2010.
- 1.1.5.10 Management should establish a functional procurement committee evidenced by the documentation of meeting minutes and periodic reports.
- 1.1.5.11 Management should facilitate the approval of annual procurement plan by PPCC. All unplanned procurement activities should be subsequently submitted to PPCC for approval before execution.
- 1.1.5.12 Management should facilitate the preparation and submission of quarterly and annual procurement activities reports to the PPCC as required by the PPC Act of 2005 as amended and restated in 2010.

Risk

- 1.1.5.13 In the absence of a functional procurement committee, the entity's procurement processes may be discretionary.
- 1.1.5.14 The lack of approved procurement plan may lead to discretionary expenditure, waste and impair value for money.
- 1.1.5.15 In the absence of a quarterly procurement report, Management may be in noncompliance with the PPC Act of 2005 as amended and restated in 2010.
- 1.1.5.16 Management may not adequately account for its procurement activities and impair effective monitoring of its procurement activities by the PPCC.
- 1.1.5.17 The non-application of the requisite procurement method may impair the achievement of value for money and facilitate fraudulent procurement activities.

Recommendation

- 1.1.5.18 Management should ensure that the requisite procurement methods are utilized for all procurement transactions to achieve value for money and ensure compliance with the PPC Act of 2005 as amended and restated in 2010.
- 1.1.5.19 Management should establish a functional procurement committee evidenced by the documentation of meeting minutes and periodic reports.

- 1.1.5.20 Management should facilitate the approval of annual procurement plan by the PPCC. All unplanned procurement activities should be subsequently submitted to PPCC for approval before execution.
- 1.1.5.21 Management should facilitate the preparation and submission of quarterly and annual procurement activities reports to the PPCC as required by the PPC Act of 2005 as amended and restated in 2010.

Management's Response

- 1.1.5.22 *As policy of the Commission, all procurement processes and guidelines as enshrined in the PPCC Act are followed in the procurement of goods and services. During the process, the audit team requested and we submitted evidence of adherence to procurement process by submission of various documents such as list of procurement committee members, minutes of meetings, approved procurement plan. To say that there was no such evidence during the audit is inaccurate. We are therefore resubmitting these documents for your review.*
- 1.1.5.23 *On the issue of procurement made without following requisite methods, we have consistently ensured as a Commission that all procurements follow requisite methods. We had contracts with some of the vendors listed in the table, such as Divine Destiny Inc., Super Petroleum, etc and did not need three quotations for each purchase made. Kindly see attached supporting documents for transactions listed in Table 4A and 4B.*
- 1.1.5.24 *Management however acknowledges your recommendation and will work to improve its procurement system.*

Auditor General's Position

- 1.1.5.25 We acknowledge Management's subsequent submission of some supporting documents after our audit execution. However, we observed the following discrepancies associated with the documents subsequently submitted:
- Management did not submit procurement committee meeting minutes which indicate that the committee was not active during the period under audit.
 - Management submitted no evidence of periodic procurement activities reports.
- 1.1.5.26 Management provided no evidence of application of the requisite methods (Request for quotation).
- 1.1.5.27 Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendation during subsequent audit.
- 1.1.5.28 Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009 as amended and restated 2019.

1.1.6 Non-remittance of Vendor's withholding Taxes

Observation

- 1.1.6.1 Section 905 (J) of the Revenue Code of Liberia (2000) as amended in 2011 stipulates that "within 10 days after the last day of the month, payer described in (a) is required to remit to the tax authorities the total amount required to be withheld during the month. A person who has a withholding obligation under this section and fails to withheld is subject to section 52 penalty for late payment and failure to pay".
- 1.1.6.2 During the audit, we observed that Management withheld the total amount of L\$15,690.02 as withholding taxes from vendors for the supply of Goods & Services without evidence of remittance to the Liberia Revenue Authority (LRA). **Table 5 below for details.**

Table 5: Non- Remittance of Goods & Services Tax

| Expenditure Item | Amount (L\$) A | Percentage 2% B | Tax Amount (L\$) C=(B*C) |
|--------------------------------|-------------------|--------------------|--------------------------------|
| Repair & Maintenance Vehicle | 336,515.20 | 0.02 | 6,730.30 |
| Internet, Fax & Postage | 56,000.00 | 0.02 | 1,120.00 |
| Repair & Maintenance Generator | - | 0.02 | - |
| Fuel & Lubricant | 161,000.00 | 0.04 | 6,440.00 |
| Repair & Maintenance Equipment | - | 0.02 | - |
| Utilities exp | 69,986.16 | 0.02 | 1,399.72 |
| Total | | | 15,690.02 |

Risk

- 1.1.6.3 Failure to remit taxes withheld, may deny GOL of much needed tax revenue. Management may be in noncompliance with Section 905 (J.) of the Revenue Code of Liberia Act of 2000, which may result in to penalties for late payment and failure to pay.
- 1.1.6.4 Non-remittance of withholding taxes may lead to overstatement of the cash book and subsequently the financial statements.

Recommendation

- 1.1.6.5 Management should provide substantive justification for not remitting withholding taxes withheld for the period under review.
- 1.1.6.6 Management should facilitate full remittance of withholding taxes to the LRA in keeping with Section 905 (J.) of the Revenue Code of Liberia Act of 2000 as amended in 2011. Evidence of withholding taxes remitted should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.6.7 *As a policy of the Commission, Management ensured that all vendors have valid business documents such as tax Clarence and business registration before making any purchase from them. Payment made to vendor were without taxes being withheld.*

1.1.6.8 Management however accept your recommendation and will ensure that taxes will be withheld and forwarded to LRA going forward.

Auditor General's Position

1.1.6.9 We acknowledge Management's acceptance of our finding and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.7 No evidence of Business Registration & Tax Clearances.

Observation

1.1.7.1 Section 62 paragraph (2) The PPCC Act Amended and Restated 2010 states; that "bids which are not complete, not signed, not accompanied by a bid security in the prescribed form, if one is required, or not accompanied by essential supporting documents such as business registration certificates, business licenses and tax receipts, or are substantially non-responsive to the technical specifications or contract conditions or other critical requirements in the bidding documents, shall be rejected and excluded from further evaluation and comparison.

1.1.7.2 Part U.9. (4) of the Public Financial Management (PFM) Regulation of 2010 states that "A Government Agency shall procure government inventories from persons whose business is registered by the Registrar General's Office and any Government Agency that requires an exemption for any specific case shall apply to the head of government agency with the necessary justification."

1.1.7.3 Additionally, Part V Section 62 (2) of the Public Procurement and Concession (PPC) Act of 2005 amended and restated in 2010 states that Bids which are not complete, not signed, Not accompanied by a bid security in the prescribed form, if one is required, or not accompanied by essential supporting documents such as business registration certificates, business licenses and tax receipts, or are substantially non-responsive to the technical specifications or contract conditions or other critical requirements in the bidding documents, shall be rejected and excluded from further evaluation and comparison

1.1.7.4 During the audit, we observed that Management authorized several payments amounting to **L\$453,155.20** and **US\$3,153.00** without valid business registration and tax clearance certificates. **See table 6A and 6B below for details**

Table 6A: No tax clearance and business registration

| Date | Vendor | Description | Amt (L\$) |
|--------------|------------------------------|--|-------------------|
| Nov 23, 2018 | Devine Destine | Vehicle repaired & Maintenance. | 194,680.00 |
| Apr 22, 2019 | Devine Destine | Vehicle maint | 117,835.20 |
| Dec 18,2018 | De Lord Wish Tire Center Inc | Purchase of 2 tyres | 24,000.00 |
| Mar 14,2019 | Boutros Security service | Payment for security service for jan, 2019 | 116,640.00 |
| Total | | | 453,155.20 |

Table 6B: No tax clearance and business registration

| Date | Vendor | Description | Amt (US\$) |
|---------------|-------------------------------|--|-----------------|
| Sept 11, 2018 | Boutros security serv. | 80% payment for security serv. For Jul-Sept 2018 | 1,728.00 |
| Apr 22, 2019 | Technotech Inc | Repair & maint-Gen | 925.00 |
| Oct 25, 2008 | Razzouk Brothers Trading Corp | Purchase of 1 air conditioner | 350.00 |
| Oct 11, 2018 | United Office Supplies | Purchase of laptop charger | 150 |
| Total | | | 3,153.00 |

Risks

- 1.1.7.5 Management's failure to obtain valid business registrations and tax receipts from vendors may deny Government of the needed tax revenue.

Recommendation

- 1.1.7.6 Management should ensure that for all transactions involving procurement of goods and services, valid business registration and tax clearance certificates are obtained as required by Part U.9. (4) of the Public Financial Management (PFM) Regulation of 2010 and Part V Section 62 (2) of the Public Procurement and Concession (PPC) Act of 2005 as amended and restated in 2010.
- 1.1.7.7 Evidence of valid business registration and tax clearance certificates should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.7.8 *The Commission maintains a separate vendor file where business registration and tax Clearance certificates of vendor are maintained and updated regularly. We ensure that all vendors from whom purchases are made have valid documents. Kindly see attached valid business registration and tax Clearance certificates for the payments listed in table 6A and 6B.*

Auditor General's Position

- 1.1.7.9 We acknowledge Management's subsequent submission of some supporting documents after our audit execution and have adjusted transactions without valid tax clearance and business registrations as follow:

Table 6C: No tax clearance and business registration

| Date | Vendor | Description | Amt (L\$) |
|--------------|------------------------------|---------------------------------|-------------------|
| Nov 23, 2018 | Devine Destine | Vehicle repaired & Maintenance. | 194,680.00 |
| Apr 22, 2019 | Devine Destine | Vehicle maint | 117,835.20 |
| Dec 18, 2018 | De Lord Wish Tire Center Inc | Purchase of 2 tyres | 24,000.00 |
| Total | | | 336,515.20 |

Table 6D: No tax clearance and business registration

| Date | Vendor | Description | Amt (US\$) |
|---------------|-------------------------------|--|-------------------|
| Sept 11, 2018 | Boutros security serv. | 80% payment for security serv. For Jul-Sept 2018 | 1,728.00 |
| Apr 22, 2019 | Technotech Inc | Repair & maint-Gen | 925.00 |
| Oct 25, 2008 | Razzouk Brothers Trading Corp | Purchase of 1 air conditioner | 350.00 |
| Total | | | 3,003.00 |

1.1.7.10 However, Management subsequent submission of documents after our audit execution does not guarantee Management effective control of expenditure liquidation and document management. Going forward, Management should ensure that documents requested for audit purposes are submitted in a timely manner.

1.2 Administrative Issues

1.2.1 Irregularities Associated with Fixed Asset Management

Observation

1.2.1.1 Regulations V.4 (2) of the PFM Act of 2009 and revised in 2019 states that, "The master inventory shall record under each category of item:

- the date and other details of the voucher or other document on which the items were received or issued;
- their serial numbers where appropriate; and
- their distribution to individual locations and the total quantity held."

1.2.1.2 During the conduct of the audit, it was observed that the following irregularities were associated with the Fixed Assets Management System:

- There was no evidence of a fixed assets management policy.
- The fixed assets register did not contain all the relevant columns.
- The fixed assets register was not regularly updated.
- There was no evidence of periodic physical verification of assets by Management
- There was no evidence of movement of assets form.
- There was no history of disposal of assets.
- Some fixed Assets of the entity were not coded.

Risk

1.2.1.3 Fixed Assets Register may be misstated (Over/understated).

1.2.1.4 Assets may be damaged or impaired but their values are still on the books.

1.2.1.5 Fixed assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.

- 1.2.1.6 The lack of asset movement log may make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.
- 1.2.1.7 Failure to properly account for fixed assets may lead to theft and misapplication of equipment/materials. This may result in the non-achievement of the entity's objectives.
- 1.2.1.8 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

Recommendation

- 1.2.1.9 Management should develop, approve and operationalize a fixed assets policy to regulate the management of fixed assets of the entity.
- 1.2.1.10 Management should ensure that the fixed assets register is updated to reflect the following; description, source of purchase, date of purchase, class, code, assignee, location, condition, original cost, depreciation expense, accumulated depreciation and net book value of the asset.
- 1.2.1.11 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of physical verification should be adequately documented and filed to facilitate future review.
- 1.2.1.12 The Fixed Assets Register should be updated periodically to reflect all the Commission's assets.
- 1.2.1.13 Fixed assets within a particular vicinity should be clearly displayed as required by the PFM Act.
- 1.2.1.14 A Movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in location of asset.
- 1.2.1.15 Management should initiate/enforce a systematic fixed assets coding system to ensure all fixed assets are uniquely identified. This control will facilitate the efficient and effective periodic fixed asset verification exercises. Discrepancies in coding identified during verification should be updated in a timely manner.

Management's Response

- 1.2.1.16 *The Commission does not have a separate elaborate fixed asset management policy, but instead follows the national policy developed by the General Services Agency (GSA). To ensure that assets are managed adequately, the Commission has a section in its Financial Manual dealing exclusively with fixed assets which was submitted to the audit team. We are again resubmitting the Financial Manual. Page 9 section 3.1.5 of the manual contains the fixed asset policy.*

1.2.1.17 The template for the fixed asset registry as submitted was developed and given to the Commission by GSA, the government agency responsible for assets management. Additionally, the team has not pointed to a specific column that is absent from the registry. We will appreciate the specific column missing so as to enable us discuss it with GSA and have it included in subsequent registry.

1.2.1.18 Management ensured that all assets purchased during a particular fiscal year are captured and recorded in the fixed assets registry annually. The fixed assets registry for the period under audit was submitted to the audit team.

1.2.1.19 In general, the assets of the commission are well maintained. Coding of these assets are done by the GSA. GSA has its own time frame for coding of assets which management does not control. We however ensure that any assets assigned to a staff or an office is recorded and included in the asset registry.

Auditor General's Position

1.2.1.20 We acknowledge Management's subsequent submission of the Financial and Internal Control Manual and Processes after our audit execution. However, the policy should be updated to include controls and activities over timing and procedures associated with updating the fixed assets register, display of assets and associated log, and disposal of assets.

1.2.1.21 Management did not provide evidence of the fixed assets register as asserted in Management response. All other discrepancies catalogued in our findings were not addressed by Management. Therefore, we maintain our recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.2 No Internal Audit Unit

Observation

1.2.2.1 Regulation J3 of the PFM Act of 2003 requires that the Internal audit units shall carry out internal audit of its institution and shall submit reports on the internal audit it carries out in accordance with section 38 (3) and (4) of the Public Finance Management Act 2009.

1.2.2.2 During the audit, we observed no evidence that Management established and operated with an Internal Audit Unit.

Risk

1.2.2.3 The absence of an Internal Audit Unit may deny assurance that risks are appropriately identified and mitigated.

1.2.2.4 Risks, systems, controls and compliance activities may not be independently monitored, evaluated and managed thereby impairing the achievement of the Entity's objectives.

Recommendation

- 1.2.2.5 Management should establish a functional Internal Audit Unit to provide independent assurance on the effectiveness of the entity's risk management, governance and internal control processes.
- 1.2.2.6 Alternatively, Management should contact the Internal Audit Agency to manage its internal audit function.
- 1.2.2.7 Management should ensure that the Internal Audit Unit is made fully functional evidenced by the conduct of audits and issuance of reports. Periodic Internal Audit Reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.2.8 *Section 2.2 (a) of the Internal Audit Agency (IAA) act of 2013 states the following: "the mandate of the IAA shall be the following: a. Establish and direct the internal audit functions within all branches of Government including the Executive, Legislative and Judiciary, and all public sector entities such as, public corporations, autonomous agencies, autonomous commissions, Government ministries and the Central Bank of Liberia."*
- 1.2.2.9 *From this provision of the IAA act, it is our understanding that the IAA has the responsibility to establish Internal Audit Unit in all Government Institutions. Periodically, IAA carries out assessment of the Commission. However, they have not submitted a report of their findings that would be submitted to the audit team. During the audit, we received a letter from IAA that they were about to conduct assessment of our internal audit functionalities. However, they never came for such assessment. Kindly see attached copy of the letter from IAA. We will however appreciate were the Internal Audit Agency to send a staff to be stationed at the LRC.*

Auditor General's Position

- 1.2.2.10 We acknowledge Management's assertion. However, Management should liaise with the relevant authority to expedite the assignment of internal auditors from the Internal Audit Agency to the Commission.

1.2.3 Lack of Policies and Procedures

Observation

- 1.2.3.1 Regulation A.15(1) of the PFM Act of 2009 as restated in 2019 states: "The head of government agency must exercise all reasonable care to prevent and detect unauthorized, irregular, fruitless and wasteful expenditure, and must for this purpose implement clearly defined business processes, identify risk associated with these processes and institute effective internal control to mitigate these risks".
- 1.2.3.2 The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal control framework on control activities states: "Institutions deploy control activities through policies that establish what is expected and procedures that put policies

into action". Policies and procedures are established and implemented to help ensure that risk responses are effectively carried out within an entity.

1.2.3.3 During the audit, we observed that Management did not develop various policies to guide its operations. There was no evidence of approved policy for the following:

- Financial and Administrative Manual
- Strategic and Operational Plans
- Human Resource Policy Manual
- Fixed Asset Management Policy
- ICT Security Policy

Risk

1.2.3.4 Failure to develop policies and procedures to guide the activities of the entity may lead to arbitrary decisions that may be non-compliant to applicable laws and regulations and may impair the achievement of the entity's objectives.

Recommendation

1.2.3.5 Management should develop, approve and operationalize policies and procedures for the various functions identified above, for the effective and efficient operations of the entity.

1.2.3.6 Evidence of approved policies and procedures should be adequately documented and filed to facilitate future review.

Management's Response

1.2.3.7 *The commission has a well-developed Financial and Administrative Manual, a Human resource manual and strategic plan. Kindly see attached supporting documents.*

Auditor General's Position

1.2.3.8 Management's assertions were not supported by documentary evidence. However, we maintain that Management should develop, approve and operationalize policies and procedures for the various functions identified above, for the effective and efficient operations of the entity.

1.2.3.9 Management should also ensure that Evidence of approved policies and procedures are adequately documented and filed to facilitate future review.

1.2.3.10 Therefore, we maintain our findings and recommendations.