Management Letter

On Financial Statement Audit of the Roberts International Airport (RIA)

For The Year Ended December 31, 2015

Promoting Accountability of Public Resources

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Auditor General, R.L.

Monrovia, Liberia
September, 2017
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Roberts International Airport (RIA)
For The Year Ended December 31, 2015

Acronyms Used

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>AG</td>
<td>Auditor General</td>
</tr>
<tr>
<td>CGMA</td>
<td>Chartered Global Management Accountant</td>
</tr>
<tr>
<td>COSO</td>
<td>Committee of Sponsoring Organization of the Treadway Commission</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>GAAP</td>
<td>General Accepted Accounting Principles</td>
</tr>
<tr>
<td>GAC</td>
<td>General Auditing Commission</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resource</td>
</tr>
<tr>
<td>IA</td>
<td>Internal Audit</td>
</tr>
<tr>
<td>IAU</td>
<td>Internal Audit Unit</td>
</tr>
<tr>
<td>ISSAI</td>
<td>International Standard of Supreme Audit Institutions</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>LAA</td>
<td>Liberia Airport Authority</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PPC</td>
<td>Public Procurement and Concessions</td>
</tr>
<tr>
<td>PPCA</td>
<td>Public Procurement and Concessions Act</td>
</tr>
<tr>
<td>PPCC</td>
<td>Public Procurement and Concessions Commission</td>
</tr>
<tr>
<td>RIA</td>
<td>Roberts International Airport</td>
</tr>
<tr>
<td>SOE</td>
<td>State-Owned Enterprise</td>
</tr>
<tr>
<td>SOM</td>
<td>Standard Operating Manual</td>
</tr>
</tbody>
</table>
The Audit of The Roberts International Airport Financial Statement for the period 1 January 2015 to 31 December 2015

Hon. Bako Freeman
Roberts International Airport (RIA)
Monrovia, Liberia

September 8, 2017

Dear Mr. Freeman:

Roberts International Airport (RIA) financial statements are subject to audit by the Auditor-General in term of section 2.1.3 of the New GAC Acts of 2014 as well as in accordance with the Public Financial management Acts and regulations of 2009. The audit covered the period 1 January 2015 to 31 December 2015.

INTRODUCTION
The audit of the Roberts International Airport (RIA) Financial Statements for the ended 1 January 2015 to 31 December 2015 was completed and the purpose of this letter is to bring to your attention the finding that were revealed during the audit.

SCOPE AND DETERMINATION OF RESPONSIBILITY
The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to obtain reasonable assurance that in material respects, fair presentation is achieve in the annual financial statements.

An audit includes:

- Examination on test basic of evidence supporting the amount and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the financial statement presentation.

The audit will also include an examination, on a test basic, of evidence supporting compliance in all material respects with the relevant laws and regulation which came to our attention and are applicable to financial matters.

The matters mentioned in this letter are therefore those that were identified through test considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.
Management Letter on Financial Statement Audit of the
Roberts International Airport (RIA)
For The Year Ended December 31, 2015

The financial statements, maintenance of effective control measure and compliance with law and regulation are the responsibility of the Accounting Officer. Our responsibility is to express our opinion on these financial statements.

APPRECIATION
We would like to express our appreciation for the courtesy and assistance rendered by the staff of the Roberts International Airport (RIA) during the audit.

Yours Faithfully,

Monrovia, Liberia
September, 2017
1 DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Provision for Doubtful Accounts

Observation
1.1.1.1 Section 6.15.4 of the RIA’s Standard Operation Manual (SOM) provides that receivable should be declared doubtful if the amount is not collected for at least 12 months from the date the transaction occurred.

1.1.1.2 During the conduct of the audit, it was observed that the RIA Management did not adhere to the above section of the SOM. Hence, the RIA Management has maintained account receivables as far back as 2008.

Risk
1.1.1.3 The account receivable balance could be overstated in the absence of the application of section 6.15.4 of the SOM.

Recommendation
1.1.1.4 The RIA Management should provide justification why they have not applied section 6.15.4 of the SOM.

Management Response
1.1.1.5 We acknowledge this finding and RIA Management will take the necessary steps to remedy the situation and make the necessary adjustments in accordance with Section 6.15.4 of the SOM.

Auditor General’s Position
1.1.1.6 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

1.1.2 Fixed Assets

Observation
1.1.2.1 Accounting Standard Codification (ASC) 360, entitled “Property, Plant, and Equipment (PP&E)”, provides that depreciation expense calculation be done through a systematic and rational allocation of the cost of general PP&E, less its estimated salvage/residual value, over the estimated useful life of the general PP&E. It further states depreciation expense shall be accumulated in a contra asset account-accumulated depreciation. Amortization expense shall be accumulated in a contra asset account-accumulated amortization.”
During the conduct of the audit, we observed that the fixed asset register of the RIA was incomplete. For example, there was no evidence of the figures within the register reflecting a fair value as some of assets have been on their books of the RIA since the establishment of the RIA.

**Risk**

1.1.2.3 The accuracy of the fixed assets balance could be in doubt in the absence of a complete fixed asset register.

**Recommendation**

1.1.2.4 The RIA Management should update its fixed asset register to reflect the actual fixed asset portfolio of the entity.

**Management Response**

1.1.2.5 We acknowledge this recommendation. However, Management did hire the services of a Certified Public Accountant and Business Advisory consultant to conduct fixed assets verification, coding and reevaluation in 2015. The process has been completed and we should be making the necessary adjustments to our Fixed Assets Register.

**Auditor General’s Position**

1.1.2.6 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

1.1.3 **Retained Earnings**

**Observation**

1.1.4 **Retained Earnings**

1.1.4.1 FASB 130 requires that profits generated by a company that are not distributed to stockholders (shareholders) as dividends but are either reinvested in the business or kept as a reserve for specific objectives (such as to pay off a debt or purchase a capital asset).

1.1.4.2 In accounting, the retained earnings at the end of one accounting period is the opening retained earnings in the next period, to which is added the net income or net loss for that period and from which is deducted the bonus shares issued in the year and dividends paid in that period.

1.1.4.3 It was observed during the audit that RIA Management reported a closing retained earnings balance of US$10,738,028.00 which has been kept as a reserve but could not be traced to any accumulated activity of the entity.

1.1.4.4 Additionally, the retained earnings closing balance for financial year ended December 31, 2014 does not agreed with the opening balance for financial 2015.
Management Letter on Financial Statement Audit of the
Roberts International Airport (RIA)
For The Year Ended December 31, 2015

Risk

1.1.4.5 The accuracy of the financial statement would be in doubt if the retained earnings reported are not backed by any corresponding activity of the entity.

Recommendation

1.1.4.6 The Management of RIA should justify the corresponding activity of the amount reported as retained earnings in the balance sheet.

Management Response

1.1.4.7 We acknowledge this finding and recommendation. We will make the necessary adjustments to our books.

Auditor General’s Position

1.1.4.8 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

1.1.5 Aeronautical Revenue – Throughput Fees Revenue

Observation

1.1.5.1 Section 6.13.4 of the RIA’s Standard Operating Manual requires Flight Operations to record, summarize and prepare consumption report at the end of each month on mileage for each aircraft that was fueled at the airport, so as to reflect the true value of throughput fees collected during the fiscal period. Throughput fee was introduced in 2006 at a rate of 0.01 per gallon. The fee per gallon was increased from 0.01 cents to 0.03 cents per gallon in 2008.

1.1.5.2 During the conduct of the audit, we observed that the Management of RIA did not prepare consumption report of mileage for each aircraft that fuels at the airport. The calculation of throughput fee reported in the financial statement in the amount of US$ 295,966.00 was based on figures reported by TOTAL Liberia.

Risk

1.1.5.3 The accuracy of the throughput revenue could be in doubt in the absence of an official report from the flight operations of the RIA.

Recommendation

1.1.5.4 The Management of RIA should provide justification for not providing the monthly consumption report for the basis of calculating throughput revenue.

Management Response

1.1.5.5 GAC auditors were informed of the complexities in monitoring of jet fuel being supply to airlines at the airport to UNMIL’s operations which is largely military and are guarded by restrictions. We informed and provided copies of Delivery Notes well documented and signed as our basic for deriving our figures at the end of the month. Our figures are
derived from the delivery tanker to the receiving terminal at the airport. These delivery notes are available for the auditors’ perusal again.

Auditor General’s Position

1.1.5.6 Section 6.13.4 of the RIA’s Standard Operating Manual is very cleared on how to monitor and ensure that the throughput fees are accurately reported. Hence, we maintain our finding.

1.1.6 National Open Competitive Bidding (NCB)-Goods/ Service

Observation

1.1.6.1 Section 48(1) of the PPC Act of 2005 amended and restated in 2010 states “ National Open Competitive Bidding (1) Except as provided in subsection (2) of this Section, in procurement proceedings in which the Procuring Entity decides that only domestic suppliers or contractors are likely to be interested in submitting bids, the Procuring Entity shall employ national open competitive bidding procedures for procurements in which the estimated contract price of the procurement does not exceed the ceiling Threshold applicable to national open competitive bidding”

1.1.6.2 During the conduct of the audit, it was observed that the Management of RIA expended the amounts of US$ 1,758,603 and US$ 769,070.00 for the procurement of goods and services without adherence to the PPC Act of 2005 as amended and restated in 2010. See table 1 and 2

Table 1. Goods

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel, gas and Lubricants</td>
<td>737,060.00</td>
</tr>
<tr>
<td>Tools and Expandable Supplies</td>
<td>56,893.00</td>
</tr>
<tr>
<td>Terminal Supplies</td>
<td>23,004.00</td>
</tr>
<tr>
<td>Business Class Supplies</td>
<td>29,821.00</td>
</tr>
<tr>
<td>Office stationery and Supplies</td>
<td>48,993.00</td>
</tr>
<tr>
<td>News Paper and Publication</td>
<td>22,539.00</td>
</tr>
<tr>
<td>Building and Installation</td>
<td>210,507.00</td>
</tr>
<tr>
<td>Equipment</td>
<td>460,146.00</td>
</tr>
<tr>
<td>R&amp;M Computer Equipment</td>
<td>21,285.00</td>
</tr>
<tr>
<td>Vehicles</td>
<td>148,355.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,758,603.00</strong></td>
</tr>
</tbody>
</table>
Table 2. Service

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Janitorial Supplies</td>
<td>22,122.00</td>
</tr>
<tr>
<td>Garbage Collection</td>
<td>65,200.00</td>
</tr>
<tr>
<td>Equipment Rental</td>
<td>117,795.00</td>
</tr>
<tr>
<td>Consulting Fees</td>
<td>63,474.00</td>
</tr>
<tr>
<td>Printing and binding</td>
<td>64,890.00</td>
</tr>
<tr>
<td>Board Fees</td>
<td>111,929.00</td>
</tr>
<tr>
<td>Vehicle Rental</td>
<td>22,246.00</td>
</tr>
<tr>
<td>Airport Insurance</td>
<td>153,440.00</td>
</tr>
<tr>
<td>Internet</td>
<td>26,079.00</td>
</tr>
<tr>
<td>Telephone and Fax</td>
<td>20,802.00</td>
</tr>
<tr>
<td>Commission</td>
<td>60,351.00</td>
</tr>
<tr>
<td>Road, Ramp and runway</td>
<td>31,742.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>760,070.00</strong></td>
</tr>
</tbody>
</table>

Risk

1.1.6.3 The failure of RIA Management to comply with the requirements of the PPC Act of 2005 as amended and restated in 2010 could result in the conduct of discretionary procurement activities which could undermine the achievement of value for money.

Recommendation

1.1.6.4 The Management of RIA should provide justification for not complying with the above requirements of the PPC Act of 2005 as amended and restated in 2010.

Management Response

1.1.6.5 The airport does not receive budgetary support for its operations; as a result most of the needed operational materials are procured on credits from vendors who may not want to do business with the entity for the second or third time due to the delay they may have experienced in receiving payments for goods or services. As a result of the aforementioned, we procure goods and services from different vendors. Additionally, the operational environment of the airport, which is emergency in nature, cannot permit us to go through the PPCC procedures before taking actions, otherwise there would be lost of lives and properties. The ones that were not emergency in nature we did go through the PPCA process and the documents are available for your perusal.

Auditor General’s Position

1.1.7 Management’s response does not address the issues raised in the observation. We were able to confirm the competitive procurement process for the procurement of fuel and lubricant amounting to US $ 737,060.00, therefore Management should be held accountable for the violation of the PPC Act of 2005 as amended and restated in 2010 for the procurement of goods and services amounting to US$ 1,021,543 and US$ 760,070.00 respectively. Section 56(2) of the PPC Act of 2005 as amended and restated
in 2010 provides the basis for the use of the emergency provision of the Act. Therefore, Management is breach of Section 48(1-5) of the PPC Act of 2005 amended and restated in 2010.

1.1.8 **Consultancy Services- Withholding Taxes**

**Withholding Taxes**

1.1.8.1 Section 905 of the Revenue Code of Liberia Act of 2000 amended and restated in 2009 entitled withholding of Tax on Payments to Residents states that “(a) Payments. A person listed in this subsection who makes a payment of the kind specified in this section is required to withhold tax at the rate specified in this section. The payor is treated as a withholding agent for all purposes of this Code. This subsection applies to the following types of persons:

1. A resident legal or natural person;

2. non-resident with a branch in Liberia or doing business in Liberia;

3. A government agency; or

4. Unless expressly exempted by international agreement or treaty, a nongovernmental organization operating in Liberia or a diplomatic mission to Liberia.

5. Payments for Services Rendered.

6. If a payor makes a payment to a resident for services rendered, and the services are not the subject of a contract of employment, the payor is required to withhold tax at the rate of 10 percent of the amount of the payment.”

1.1.8.2 During the conduct of the audit, it was observed that the Management of RIA expended the amount of US$ 41,411.50 for consultancy services without evidence of withholding and subsequently paying taxes to the Government of Liberia. See table 3

**Table 3**

<table>
<thead>
<tr>
<th>Payee</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>FBSJ</td>
<td>23,275.00</td>
</tr>
<tr>
<td>Vision Liberia Construction &amp; engineering Co.</td>
<td>16,074.00</td>
</tr>
<tr>
<td>Planet Management</td>
<td>2,062.50</td>
</tr>
<tr>
<td>Total</td>
<td>41,411.50</td>
</tr>
</tbody>
</table>

**Risk**

1.1.8.3 Failure to deduct and subsequently remit taxes could deprive the Government of Liberia of much needed resources.
**Recommendation**

1.1.8.4 The Management of RIA should provide justification for not withholding and subsequently remitting the require amount of taxes to the Government of Liberia.

**Management Response**

1.1.8.5 *We take note and will take the necessary actions in future transactions.*

**Auditor General’s Position**

1.1.8.6 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

1.1.9 **Expenditure above Budget**

1.1.9.1 Section 303 of the Act to Establish the Liberia Airport Authority states “The Liberia Airport Authority shall have financial management autonomy befitting independent administrative authority, as far as its budget is concerned”. Section 304 of the Act to Establish the Liberia Airport Authority also states “The Liberia Airport Authority shall prepare annual estimates of activities at least four months in advance in relation to the fiscal year and annual estimate of activities shall be approved by the Board of Director.”

1.1.9.2 During the conduct of the audit, it was observed that the RIA Management expended US$ 540,203.00 above budgetary allotment without evidence of the Board approval. See table 4

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>A</td>
<td>B</td>
<td>C=A-B</td>
</tr>
<tr>
<td>Casual Labor</td>
<td>99,000</td>
<td>240,836</td>
<td>(141,836)</td>
</tr>
<tr>
<td>Severance Pay</td>
<td>66,000</td>
<td>76,911</td>
<td>(10,911)</td>
</tr>
<tr>
<td>Death benefit</td>
<td>7,200</td>
<td>16,421</td>
<td>(9,221)</td>
</tr>
<tr>
<td>Employees Welfare</td>
<td>95,172</td>
<td>100,852</td>
<td>(5,680)</td>
</tr>
<tr>
<td>Security Operation/Services</td>
<td>10,800</td>
<td>56,330</td>
<td>(45,530)</td>
</tr>
<tr>
<td>Decorations/Beautification</td>
<td>8,400</td>
<td>16,200</td>
<td>(7,800)</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>48,000</td>
<td>117,795</td>
<td>(69,795)</td>
</tr>
<tr>
<td>Fumigation</td>
<td>9,600</td>
<td>12,686</td>
<td>(3,086)</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>54,000</td>
<td>63,474</td>
<td>(9,474)</td>
</tr>
<tr>
<td>Legal fees</td>
<td>27,000</td>
<td>38,966</td>
<td>(11,966)</td>
</tr>
<tr>
<td>Membership &amp; Subscription</td>
<td>10,800</td>
<td>19,701</td>
<td>(8,901)</td>
</tr>
<tr>
<td>Office stationery and supplies</td>
<td>41,460</td>
<td>48,993</td>
<td>(7,533)</td>
</tr>
<tr>
<td>Printing and binding</td>
<td>24,120</td>
<td>64,890</td>
<td>(40,770)</td>
</tr>
<tr>
<td>Entertainment</td>
<td>12,300</td>
<td>25,777</td>
<td>(13,477)</td>
</tr>
<tr>
<td>Foreign travel</td>
<td>40,800</td>
<td>126,181</td>
<td>(85,381)</td>
</tr>
<tr>
<td>Public relations</td>
<td>12,000</td>
<td>16,689</td>
<td>(4,689)</td>
</tr>
<tr>
<td>Buildings &amp; Installations</td>
<td>183,600</td>
<td>210,507</td>
<td>(26,907)</td>
</tr>
<tr>
<td>Equipment</td>
<td>422,900</td>
<td>460,146</td>
<td>(37,246)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>(540,203)</strong></td>
</tr>
</tbody>
</table>

12 Promoting Accountability of Public Resources
Risk
1.1.9.3 Spending above budgetary amount without Board’s approval could lead to discretionary expenditure and misapplication of RIA’s resources.

Recommendation
1.1.9.4 The Management of RIA should provide justification for spending above budget without approval by the Board.

Management Response
1.1.9.5 The RIA operates on an emergency level 24/7 and considered as its prime objective safety first safety last. Our operations at the RIA are not stagnant but rather evolving on a daily and monthly basic. RIA does not receive GOL budgetary allotment thus generates and expend funds generated from its operations. We are constringe on a daily basic if not monthly basic to make adjustments to our expenditure lines when an emergency immediately arises and we need to take action for the safety of our incoming flights. The issue of over spending of the budget is unavoidable and these information or transactions are made available to the board doing its sitting meetings. Whenever we receive a new airline that was not budgeted for during the budget period, adjustments are made to our expenditure lines in tense of additional staff, training, casual workers, equipment, security, supplies etc. RIA will always experience over spending of budget until the revenue can match the operations of the airport.

Auditor General’s Position
1.1.9.6 Management’s response does not address the issues raised in the observation. The budget is a law and must be adhered to at all time, if budget line items were underestimated during financial year, the Board of Directors should approve additions to the approved budget line items to enhance operations at the RIA.

1.1.10 Unbudgeted Expenditure

Observation
1.1.10.1 Section 303 of the Act to Establish the Liberia Airport Authority states “The Liberia Airport Authority shall have financial management autonomy befitting independent administrative authority, as far as its budget is concerned”. Section 304 of the Act to Establish the Liberia Airport Authority also states “The Liberia Airport Authority shall prepare annual estimates of activities at least four months in advance in relation to the fiscal year and annual estimate of activities shall be approved by the Board of Director.”

1.1.10.2 During the conduct of the audit, it was observed that the RIA Management expended the total amount of US $ 244,477.31 which was not budgeted for. Additionally, there was no approval by the Board for said expenditure. See table 5
Table 5

<table>
<thead>
<tr>
<th>No.</th>
<th>EXPENSE</th>
<th>Amount USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Housing Allowance</td>
<td>36,800.00</td>
</tr>
<tr>
<td>2</td>
<td>Relocation</td>
<td>2,400.00</td>
</tr>
<tr>
<td>3</td>
<td>Power Supplies – Firestone</td>
<td>–</td>
</tr>
<tr>
<td>4</td>
<td>Landscaping</td>
<td>36,111.20</td>
</tr>
<tr>
<td>5</td>
<td>Board Gratuity</td>
<td>9,580.00</td>
</tr>
<tr>
<td>6</td>
<td>Interest Expense</td>
<td>54,965.09</td>
</tr>
<tr>
<td>7</td>
<td>Real Estate Taxes</td>
<td>11,735.54</td>
</tr>
<tr>
<td>8</td>
<td>Damages &amp; claims</td>
<td>17,280.00</td>
</tr>
<tr>
<td>9</td>
<td>Computer Software</td>
<td>4,755.00</td>
</tr>
<tr>
<td>10</td>
<td>Commission</td>
<td>60,350.55</td>
</tr>
<tr>
<td>11</td>
<td>Airport Road</td>
<td>4,390.00</td>
</tr>
<tr>
<td>12</td>
<td>Household furniture and fixtures</td>
<td>6,109.93</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>244,477.31</td>
</tr>
</tbody>
</table>

**Risk**

1.1.10.3 Expending outside budget without the Board’s approval could lead to discretionary expenditure and misapplication of the RIA’s resources.

**Recommendation**

1.1.10.4 The Management of RIA should provide justification for conducting unbudgeted expenditure without the Board’s approval.

**Management Response**

1.1.10.5 When we prepare budget, it is tailored on the income expected for that period based on the number of flights calling at the airport. Because there is no extra funding coming in to support the budget we take into consideration urgently need items, holding all other things constant. Looking at the age of the infrastructures at the airport, the operational needs of the airport (such as repair and maintenance, cost of labor, fuel, and other materials) jump unexpectedly. For example, equipment that had worked for the past two to three months without experience any breakdown may breakdown in the middle of the budget year without any notice or portion of the runway may collapse without warning. When these things happen there is no time to do financial analysis before correcting them because corrective actions must be taken within the minutes in which they happen. Some of these things happen when air plans are about to land or pick up. The airport operation is always an emergency; the aforementioned actions were necessary to save lives and properties. Furthermore, the expenditures mentioned in the audit report were
incurred during the emergency period when several issues pertaining to the revitalization of the airport were involved.

Auditor General’s Position
1.1.10.6 Management’s response does not address the substantive issues raised in the observation. The budget is a law and must be adhered to at all time, if budget line items were included in the approved budget the Board of Directors should approve additions to the approved budget line items to enhance operations at the RIA.

1.1.11 Internal Audit Charter
1.1.11.1 Section 1010 of the INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING states "The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the internal audit charter. The chief audit executive should discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the board."

1.1.11.2 Section 1100 of the INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING also states “The internal audit activity must be independent, and internal auditors must be objective in performing their work. Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board.”

1.1.11.3 During the conduct of the audit, there was no evidence of an internal audit charter approved by the Board of Director to ensure the independence of the internal auditor at the RIA.

Risk
1.1.11.4 In the absence of an approved internal audit charter, the independence and objectivity of the department could be impaired.

Recommendation
1.1.11.5 The Board of Directors should ensure that the internal audit charter be approved to ensure that internal auditors perform that duties void of influence.

Management Response
1.1.11.6 We acknowledge these findings and recommendations.
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**Auditor General’s Position**

1.1.11.7 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

**1.1.12 The Absence of an Audit Committee**

**Observation**

1.1.12.1 Section K.10 of the Public Finance Regulations for PFM Act of 2009 states “Establishment of Audit Committee A Head of government agency or government organization shall in consultation with the Internal Audit Governance Board establish and maintain an audit committee for the government agency or organization for which he/she is responsible.”

1.1.12.2 During the conduct of the audit, it was observed that there was no audit committee on the board to regulate the internal audit department.

**Risk**

1.1.12.3 The absence of Audit Committee on the Board of Directors could undermine internal audit functions.

**Recommendation**

1.1.12.4 The Board of Directors of the Roberts International Airport should establish an Audit Committee for proper oversight as required by Regulations K.10 - K. 13, of the Public Finance Regulations for PFM Act of 2009.

**Management Response**

1.1.12.5 We acknowledge these findings and recommendations.

**Auditor General’s Position**

1.1.12.6 We acknowledge Management’s acceptance of our finding. However, Management is in breach of regulation A-20 in line with the PFM Act of 2009.

**1.1.13 The Absence of an Approved Organization Chart**

1.1.13.1 Commission on Sponsoring Organization (COSO) of the Treadway Commission Framework also requires board’s oversight responsibilities include providing advice and direction to management, constructively challenging management, approving policies and transactions, and monitoring management’s activities. Consequently, the board of directors is an important element of internal control. The board and senior management establish the tone for the organization concerning the importance of internal control and the expected standards of conduct across the entity

1.1.13.2 During the conduct of the audit, it was observed that the organization chart currently being used by the Management of RIA had not being approved by the Board of Director.
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Risk
1.1.13.3 The absence of an approved organizational chart could lead to confusion into the
dispensation of duties, authority and responsibilities at the expense of the entity.

Recommendation
1.1.13.4 The Board of Directors should review, standardize and approve the organizational chart
of the RIA to define responsibilities and authority in the entity

Management Response
1.1.13.5 We acknowledge these findings and recommendations.

Auditor General’s Position
1.1.13.6 We acknowledge Management’s acceptance of our finding. We will make follow up on
the implementation of the finding.

1.2 Information Technology Issues

1.2.1 Lack of offsite back-up
1.2.1.1 According CobiT 4.1 paragraph DS4.9, Offsite Backup Storage Store offsite all critical
backup media, documentation and other IT resources necessary for IT recovery and
business continuity plans. Determine the content of backup storage in collaboration
between business process owners and IT personnel. Management of the offsite storage
facility should respond to the data classification policy and the enterprise’s media storage
practices. IT management should ensure that offsite arrangements are periodically
assessed, at least annually, for content, environmental protection and security. Ensure
compatibility of hardware and software to restore archived data, and periodically test
and refresh archived data.

1.2.1.2 During the conduct of the audit, we observed that the RIA Management did not establish
an offsite back-up facility for data maintenance at the Robert International Airport.

Risk
1.2.1.3 Failure to establish an offsite back-up facility, would lead to loss of service to users, loss
of credibility, incomplete and inaccurate records in the event of disaster,

Recommendation
1.2.1.4 We recommend that management obtain an offsite back-up facility to safeguard
business from future disaster.

Management Response
1.2.1.5 We acknowledge these findings and recommendations.
Auditor General’s Position

1.2.1.6 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

1.2.2 Security Management

Observation

1.2.2.1 According to DS5 of COBIT framework, Management should ensure systems security that satisfies the business requirements for IT by maintaining the integrity of information and processing infrastructure and minimizing the impact of security vulnerabilities and incidents.

1.2.2.2 Additionally section DS5.2 of the COBIT framework also requires that IT Security Plan takes into consideration the overall risk and compliance requirements of IT infrastructure and the security culture.

1.2.2.3 During the conduct of the audit, there was no evidence of an approved patch management policy or procedure that will maintain the integrity of information and will considered the overall risk of the IT infrastructure.

Risk

1.2.2.4 In the absence of an approved patch management policy or procedure users of the system could carry out undefined processes or procedures that may not be in the interest of the institution.

Recommendation

1.2.2.5 The Board of Director should approve patch management policy and Management should communicate to stakeholder and users for proper implementation.

Management Response

1.2.2.6 We acknowledge these findings and recommendations.

Auditor General’s Position

1.2.2.7 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

1.2.3 IT Steering Committee

Observation

1.2.3.1 The COBIT framework PO4.3 states that management should establish an IT steering committee (or equivalent) composed of executive, business and IT management to determine prioritization of IT-enabled investment programmes in line with the enterprise’s business strategy and priorities, track status of projects and resolve resource conflict and monitor service levels and service improvements.
1.2.3.2 During the conduct of the audit, there was no evidence of an established IT steering committee to oversee the linking of IT investment with their business strategies, to prioritize, follow up on projects, monitoring service levels and service improvements.

**Risk**

1.2.3.3 In the absence of an IT steering committee management may not be able to prioritize, track status of projects and resolve conflict to monitor service level improvement.

**Recommendation**

1.2.3.4 Management should establish IT steering committee to link their investment programs to their business strategies and priorities. The IT steering committee should put in place a mechanism to track status of IT projects and resolve resource conflict and also monitor the improvement of services.

**Management Response**

1.2.3.5 *We acknowledge these findings and recommendations.*

**Auditor General’s Position**

1.2.3.6 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.

**1.2.4 Environmental Control**

**Observation**

1.2.4.1 Section DS5 of COBIT framework 4.1 states the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents.

1.2.4.2 Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

1.2.4.3 Additionally section DS12.5 of COBIT framework 4.1 requires that physical facilities be managed including power and communications equipment, in line with laws and regulations, technical and business requirements, vendor specifications, and health and safety guidelines.

1.2.4.4 During the conduct of the audit, we saw no evidence of an approved policy for monitoring the physical facilities in term of locking the server room and regulating the movement of people.
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Risk
1.2.4.5 Failure to develop said policy could put both equipment and personnel at risk. Additionally, failure to have a log and tag made lead to unauthorized access to the IT environment that could cause lost or damage to IT equipment and data.

Recommendation
1.2.4.6 Management should develop policy for the installation or maintenance of precautionary measures to protect its IT infrastructures.
1.2.4.7 Management should also develop a log and tag for all visitors, to keep track of movement within the IT environment, and prevent unauthorized access.

Management Response
1.2.4.8 We acknowledge these findings and recommendations.

Auditor General’s Position
1.2.4.9 We acknowledge Management’s acceptance of our finding. We will make follow up on the implementation of the finding.