On Liberia Anti-Corruption Commission Financial Statements

For Fiscal Year Ended June 30, 2011

June 2015

Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>AG</td>
<td>Auditor General</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>CBL</td>
<td>Central Bank of Liberia</td>
</tr>
<tr>
<td>CFE</td>
<td>Certified Fraud Examiner</td>
</tr>
<tr>
<td>CGMA</td>
<td>Chartered Global Management Accountant</td>
</tr>
<tr>
<td>COBIT</td>
<td>Control Objective for Information Technology</td>
</tr>
<tr>
<td>COSO</td>
<td>Committee on Sponsoring Organizations of the Treadway Commission</td>
</tr>
<tr>
<td>DAG</td>
<td>Deputy Auditor General</td>
</tr>
<tr>
<td>GAC</td>
<td>General Auditing Commission</td>
</tr>
<tr>
<td>GoL</td>
<td>Government of Liberia</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>IFRS</td>
<td>International financial Reporting Standards</td>
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<tr>
<td>INTOSAI</td>
<td>International Organization of Supreme Audit Institutions</td>
</tr>
<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</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>LACC</td>
<td>Liberia Anti-Corruption Commission</td>
</tr>
<tr>
<td>MOJ</td>
<td>Ministry of Justice</td>
</tr>
<tr>
<td>NASSCORP</td>
<td>National Social Security and Welfare Corporation</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>PPCC</td>
<td>Public Procurement and Concessions Commission</td>
</tr>
<tr>
<td>RL</td>
<td>Republic of Liberia</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>LD</td>
<td>Liberian Dollars</td>
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</tbody>
</table>
Auditor General's Management Letter on Liberia Anti-Corruption Commission
Financial Statements for Fiscal Year Ended June 30, 2011

Table of Contents

1 DETAILLED REPORT ......................................................................................................................... 4

1.1 Introduction ................................................................................................................................. 4
1.2 Mandate of LACC ....................................................................................................................... 4
1.3 Key Personnel of LACC ............................................................................................................... 4
1.4 Audit Objectives ........................................................................................................................... 4
1.5 Audit Methodology ....................................................................................................................... 5
1.6 Limitation of Responsibility ........................................................................................................ 6

2 DETAILLED FINDINGS AND RECOMMENDATIONS................................................................. 7

2.1 Financial Related Issues ............................................................................................................. 7
  2.1.1 Accounting Policies and Explanatory Notes ........................................................................ 7
  2.1.2 Reallocation of Expenditure Items ....................................................................................... 8
  2.1.3 Expenditure ........................................................................................................................... 10

2.2 Control Related Issues ................................................................................................................ 12
  2.2.1 Disaster Recovery Plan ........................................................................................................ 12
  2.2.2 Risk Management Policy ...................................................................................................... 12
  2.2.3 Fixed Asset Register ............................................................................................................ 13
  2.2.4 Information Technology Policy ............................................................................................ 14
  2.2.5 Internal Audit Independence ............................................................................................... 15
  2.2.6 Documenting Information .................................................................................................... 15
Auditor General’s Management Letter on Liberia Anti-Corruption Commission
Financial Statements for Fiscal Year Ended June 30, 2011

The Audit of the Liberia Anti-Corruption Commission Financial Statements for the fiscal Period Jul 2010/ Jun 2011 performed by the Auditor General

Executive Chairperson
Liberia Anti-Corruption Commission
Monrovia, Liberia

20 June 2015

Dear Cllr. Verdier:

We have completed the audit of the Liberia Anti-Corruption Commission financial statements for the year ended 30 June 2011. The purpose of this letter is to bring to your attention the findings that were revealed during the audit.

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 all material respects, fair presentation is achieved in the annual financial statements. Our audit also took cognizance of the Auditor General’s mandate as provided for under Chapter 53.3 of the Executive Laws of 1972, the Public Procurement Concession Commission (PPCC) Acts of 2010, the Revenue Code of 2000, and the Public Financial Management (PFM) Act of 2009 and its regulations.

An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statements presentation.

Examination on a test basis of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters that were not identified.

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Management of the LACC. Our responsibility is to express our opinion on these financial statements.

The audit findings which were identified during the course of the audit are included below this
management letter.

**APPRECIATION**

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Liberia Anti-Corruption Commission during the audit.

Yours faithfully,

Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.
1 DETAILED REPORT

1.1 Introduction
1.1.1 The audit of the Liberia Anti-Corruption Commission financial statements for the fiscal period 2010/2011 was commissioned by the Auditor-General on July 1, 2014, under her statutory mandate as provided for under Chapter 53.3 of the Executive Law of 1972. The audit covered the fiscal period July 1, 2010 to June 30, 2011 and the purpose of this Management Letter is to bring to your attention the findings revealed during the audit.

1.2 Mandate of LACC
1.2.1 The Liberia Anti-Corruption Commission was created by an Act of National Legislature, of the Republic of Liberia in 2008. The purpose is to implement appropriate measures and undertake programs geared toward investigating, prosecuting and preventing acts of corruptions, including educating the public about the ills of corruption and the benefits of its eradication.

1.3 Key Personnel of LACC
1.3.1 For the period under review, the key personnel of the LACC are indicated in the table below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Rank</th>
<th>Period of Service</th>
<th>Office Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cllr. Frances Johnson Allison</td>
<td>Chairperson</td>
<td>2010-2013</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Hon. Joseph k. Acqui</td>
<td>Vice Chair</td>
<td>2010-2013</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Cllr. M. Osman Kanneh</td>
<td>Commissioner/Education &amp; Prevention</td>
<td>2010-2013</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Hon. Sandra Howard-Kendor</td>
<td>Commissioner</td>
<td>2010-2013</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Cllr. J. Augustine Toe</td>
<td>Commissioner</td>
<td>2010-2013</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Mr. Daniel B. Tipayson</td>
<td>Executive Director</td>
<td>2010-Present</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Mr. James K. kingsley</td>
<td>Program/Administration</td>
<td>2010-Present</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Mr. Bernard Nagbe</td>
<td>Comptroller</td>
<td>2010-Present</td>
<td>Gurley Street, Monrovia</td>
</tr>
<tr>
<td>Dinnamea Gulley</td>
<td>Accountant</td>
<td>2010-Present</td>
<td>Gurley Street, Monrovia</td>
</tr>
</tbody>
</table>

1.4 Audit Objectives
1.4.1 The objectives of the audit are derived from the enabling enactment of the GAC as well as the LACC’s objectives as stipulated in the LACC’s vision and mission. GAC’s enabling enactment, Chapter 53, Executive Law of 1972, Section 53 (7), requires the AG to call the attention of the National Legislature to the following matters, if relevant to any audit undertaken:

- Any officer or employee who has willfully or negligently failed to collect or receive monies belonging to Government;

- Any public monies not duly accounted for and paid into an authorized depository;
• Any appropriation that was exceeded or applied to an account;

• Any deficiency or loss through fraud, default, or mistake of any person or group of person; and

• Inadequate or ineffective internal control of public monies and assets.

• PFM Regulations C.9. section 3 States that, ‘Delegation of authority to perform functions or duties under these regulations does not diminish the accountability of the Head of Government Agency or relieve him or her of responsibilities provided in these regulations’.

1.4.2 The main objective of the audit is to express an opinion on the LACC’s financial statements for the financial year 2010/11.

1.5 Audit Methodology
1.5.1 The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain reasonable assurance that the records on the financial statements of the LACC are free of material misstatements. In furtherance of this, we undertook audit procedures as would enable us to attain the above objectives.

1.5.2 Our audit also took cognizance of the requirements under the Auditor General’s Mandate as spelt out under Sections 53.3 of the Executive Law of 1972. Our audit approach included discussions with management, test checks on areas we considered as high risk.

1.5.3 While our audit is not directed to reporting the following, we will report these items if we become aware of them during the course of the audit:

• Non- effective performance of operations- relates to Management of the LACC’s responsibility to undertake activities in a non- effective and efficient manner.

• Instances of non-compliance with authorities- relates to Management of the LACC’s non-exercise of responsibility to use resources, and fulfill accountability requirements, in accordance with applicable agreements, laws and regulations governing the agency’s financial statements compilation.

• Waste – relates to Management of the LACC non-exercise of responsibility to obtain and apply resources in an economical manner, without any public money being wasted.

• Instances of abuse- relates to Management of the LACC non- exercise of responsibility to meet the expectations of the National Legislature
and the public as they relate to appropriate standards of behavior.

1.6 Limitation of Responsibility
1.6.1 We reviewed the systems and management controls operated by the LACC only to the extent we considered necessary for the effective performance of this audit. As a result, our audit may not have detected all weaknesses that existed or all improvements that could be made.
2 DETAILED FINDINGS AND RECOMMENDATIONS

2.1 Financial Related Issues

2.1.1 Accounting Policies and Explanatory Notes

Observation

2.1.1.1 According to paragraph 1.3.30 of the IPSAS Cash Basis of Accounting, the notes to the financial statements of an entity should: (a) Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events; and (b) Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity’s cash receipts, cash payments and cash balances.

2.1.1.2 In addition, the notes should be in the format as exhibited in appendix 1 illustration of the requirements of part 1 of the standard for a single government entity as adopted by GOL in 2009.

2.1.1.3 We observed that the Financial Statement presented by the Liberia Anti-Corruption Commission did not disclose the notes to the financial statements in the format exhibited in appendix 1, illustration of the requirements of the standard for a single government entity as adopted by the Government of Liberia in 2009. The notes did not contain specific accounting policies selected and applied for significant transactions and other events.

Risk

2.1.1.4 The failure of the Comptroller to properly disclose the notes could result to the financial statements not fairly presenting the events and transactions that occurred during the accounting period.

Recommendation

2.1.1.5 The LACC Financial Statements should be prepared in compliance with the requirements of the International Public Sector Accounting Standard (IPSAS) Cash Basis of Accounting as was adopted in 2009 by the Government of Liberia.

Management’s Response

2.1.1.6 Be informed that the format exhibited in appendix 1, after the adoption of IPSAS in 2009, were not included in the templates provided to the LACC by the Ministry of Finance. This was the information we shared with you verbally when your audit engagement manager approached us. Appendix 1, was recently introduced and provided to the LACC during the consummation of the 2013-2014 IPSAS report released to the Ministry of Finance and the GAC. This new format is also being released this current fiscal year and we are performing our duty as required by LAW. The records are there and you can confirm with the Ministry of Finance about
appendix 1, being available in 2010-2011 reporting period. We are enclosing copies of the 2013-2014 IPSAS report with the modified template, appendix 1, with all notes and disclosures. We hope that this clarifies your doubt about our ability to present the statements accurately as required by LAW.

**Auditor General’s Position**

2.1.1.7 The IPSAS Cash Basis of Accounting provides a structure for the presentation of accounting policies and notes to the financial statements. In the absence of notes to the financial statements, the financial statements are not in compliance with the standard. We therefore maintain our recommendation.

2.1.2 **Reallocation of Expenditure Items**

**General Expenses**

**Observation**

2.1.2.1 Regulation E.6 of the PFM Act of 2009 states that, ”(1) a head of government agency shall exercise budgetary control over the activities of the government agency in accordance with these regulations and the procedures for budgetary control shall be stated in Accounting Regulations supplemented by the accounting instructions for that government Agency”.

2.1.2.2 ” (2) Expenditure shall not be incurred, a commitment or a charge shall not be made against an appropriation except at the request of the appropriate head of a Ministry, a Government agency or a spending unit for which the appropriation was made or his/her authorized deputy”.

2.1.2.3 Contrary to the above, we noted during the audit instances of expenditure being reallocated from one budget code to another amounting US$5,138.82. See Annexure 1-4.

**Risk**

2.1.2.4 The expenditure incurred and reallocated in the above line items codes could lead to overstatement or understatement of the expenditure in the respective budget code to which it relates.

2.1.2.5 Effecting transactions without evidence of approval from the appropriate authority could result to misapplication of entrusted funds.

**Recommendation**

2.1.2.1 The Management of LACC should seek authority to transfer funds from one budget code with excess funds to another. This would ensure that expenditure is processed in the rightful code and prevent unauthorized reallocations.

2.1.2.2 The comptroller should effect reclassification as reflected in the table above to the
respective codes amounting to US$5,138.82.

**Management's First Response**

2.1.2.3 Please refer to the “Classification and Chart of Accounts” as published August 2010 by the Ministry of Finance and Development Planning. “221606: Other Office Materials and Consumables – This account shall be charged with cost of other office materials, consumables and related services purchased.

2.1.2.4 It is a generic account and not ideally specific as intimated by your query. It relates to services purchased and other office materials it did not exclude the items listed under annexure 3.

**Management's Second Response**

2.1.2.5 The GAC “ Overall Audit Strategy ” (AUDITING PLANNING MEMORANDUM) # 4 Planned Audit Approach IV. Materiality Amount:

<table>
<thead>
<tr>
<th></th>
<th>2010-2011</th>
<th>2011-2012</th>
<th>2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materiality</td>
<td>$13,391.00</td>
<td>$17,412.00</td>
<td>$20,197.00</td>
</tr>
</tbody>
</table>

2.1.2.6 The about materiality threshold should be basis and benchmark for the relevance to your query. With the above, your audit continues to cite transaction with in the normal petty cash range and even amounts even less than $500 for competitive quotes. Are we considering this materiality and the transaction relevance to the audit strategy?

2.1.2.7 Annexure 1, voucher # 451 $3,000, and voucher # 497 $ 500, we have removed them from Other Office Materials to Special Allowance. This adjustment has been completed.

2.1.2.8 For all other reallocation of Expenditure Items, we take note and will act accordingly.

**Auditor General’s Position**

2.1.2.9 The International Standards of Supreme Audit Institutions ISSAI 1320 requires an auditor to consider quantitative and qualitative materiality. It is recommended that qualitative materiality in the public sector gets an additional emphasis. The quantitative materiality is calculated at two levels, which are at overall and Performance materiality. At the end of the audit, the auditors will calculate the final materiality. Considering the above, our judgment regarding materiality was justified. We acknowledge your acceptance of our observation and we look forward to its implementation.
2.1.3 Expenditure

**Non Compliance with the PPCC Act**

**Observation**

2.1.3.1 According to Section 54.1 of the PPCC Act of 2010, the basic procedures for request for quotation are as follows:

- Quotations shall be requested for in writing from as many bidders as practicable, but from at least three (3) bidders.

- The request shall contain a clear statement of the requirements of the Procuring Entity as to quality, quantity, terms and time of delivery, as well as any other special requirements.

- Bidders shall be given adequate time to prepare and submit their quotations, but each bidder shall be permitted one quotation, which may not be altered or negotiated.

- A purchase order shall be placed with the bidder that provided the lowest-priced quotation meeting the delivery and other requirements of the Procuring Entity.

2.1.3.2 Contrary to Section 54.1 of the PPCC Act of 2010, we could not find evidence of three (3) quotations attached to a sample of eight (8) transactions processed by the LACC for Repairs & Maintenance-Civil, Repairs & Maintenance-Machinery, Equipment, Furniture, Stationery, and Transport Equipment amounting to $3,801.40. See annexure 5

**Risk**

2.1.3.3 The failure to follow the PPCC Act of 2010 could lead to questionable transactions.

**Recommendation**

2.1.3.4 Management should ensure that procurement processes are done in compliance with the requirements of the PPCC Act of 2010.

**Management’s Response**

**Repairs & Maintenance -Civil**

**Voucher Number 320:**

2.1.3.5 Voucher number 320 was a cash advance to MR. Dalmon A. Cooper. Regulation Q 1 of the PFM Regulation of 2010 define imprest as “ an imprest is a sum of cash advanced to a public officer to effect payments which are inconvenient to make from Public Funds, using the Normal payment procedures as laid down in these regulations,” additionally regulation Q.3(3) states that “ Special Imprests are issued
to the imprest holder for making a particular payment, or group of payments and the amount given must be fully retired by the date specified in the approval to operate the imprest”.

2.1.3.6 This was due to the fact that items that were being purchased were not normal goods that people could get from the formal sector that will require three quotations for compliance, such as Sand, Wawa and timber. For examples, the cash advance was fully retired by Mr. Cooper as require by the regulations.

Vouchers # 456 and 545
2.1.3.7 The vouchers mentioned above were all payment to Sethi brothers for purchases that were reviewed and confirmed by the internal auditor. See attached payment invoices.

Auditor General’s Position
2.1.3.8 The advance on voucher #320 was made for the purpose of acquiring Repairs and Maintenance materials and not for the purpose of replenishing an imprest account. Management should have obtained three (3) quotations as require by the PPCC Act of 2005. In addition, management assertion that Repairs and Maintenance materials payments made on vouchers #545 and 456 to Sethi brothers were reviewed and confirmed by the internal auditor does not prevent them from following the requirements of the PPCC Act of 2010. Therefore, we maintain our recommendations. See Appendix 2

Stationery
Management’s Response
2.1.3.9 No comment was received on voucher # 50.

Transportation Equipment
Management’s Response
2.1.3.10 As part of the requirement of the PPCC, the LACC published an invitation to bid in the New Democrat on the 28, 29 and 30 of October 2010 and even on its official website. The Bid evaluation committee met and reported on November 25, 2010. The Internal Auditor reviewed and certified said transaction on December 24, 2010. The vehicle purchased after the exercise (Renault Duster) is currently being use by the program manager for administration. See attached copies of the new Democrat Newspaper, Bid evaluation report and the Internal Auditor Certification on the face of the Voucher.

Auditor General’s Position
2.1.3.11 The bids submitted by the two (2) companies as stated in the procurement committee bid evaluation report were not attached to the documents on voucher #258. We could not evaluate whether the companies met the criteria in the invitation
2.2 Control Related Issues

2.2.1 Disaster Recovery Plan

Observation
2.2.1.1 The Committee of Sponsoring Organization of the Treadway Commission (COSO) provides that, management of an entity should develop a disaster recovery plan that would describe how the entity is to deal with potential disasters. A disaster recovery plan comprises of the precautions taken so that the effects of a disaster will be minimized and the organization will be able to either maintain or quickly resume mission-critical functions. The disaster recovery plan must be approved by an appropriate authority.

2.2.1.2 Contrary to the above, we could not find evidence that the management of LACC had developed a disaster recovery plan for the period under review. We could not therefore ascertain the bases on which management of LACC can minimized the effect of downtime and data loss.

Risk
2.2.1.3 The absence of a disaster recovery plan could lead to the Management of LACC not being able to restore lost data or files in the event of a disaster.

Recommendation
2.2.1.4 The management of LACC should develop a disaster recovery plan.

Management Response
2.2.1.5 Noted

Auditor General’s Position
2.2.1.6 We acknowledge your acceptance of our observation and we look forward to its implementation.

2.2.2 Risk Management Policy

Observation
2.2.2.1 The Committee of Supporting Organization of the Treadway Commission (COSO) provides that, management of an entity should develop a risk management policy that would identify and analyze relevant risk to the achievement of the LACC’s objectives and determining the appropriate response. Government entities have to manage the risks that are likely to have an impact on service delivery and the achievement of desired outcomes. The risk management policy is also linked to the financial resources budget. The risk management policy must be approved by an appropriate authority.
2.2.2.2 Contrary to the above, we could not find evidence that the management of LACC had developed a risk management policy for the period under review. We could not therefore ascertain the bases on which management of LACC was identifying and analyzing risk in the achievement of its objectives or goals.

**Risk**

2.2.2.3 The absence of a Risk Management policy could lead to management not being informed about areas of risk where actions need to be taken and their relative priority.

**Recommendation**

2.2.2.4 Management of LACC should develop a risk management policy.

**Management Response**

2.2.2.5 Noted

**Auditor General’s Position**

2.2.2.6 We acknowledge your acceptance of our observation and we look forward to its implementation.

2.2.3 **Fixed Asset Register**

**Observation**

2.2.3.1 According to Part V.1 of the Public Financial Management Act of 2009, the procurement, custody, disposal and management of asset shall be governed by the General Services Agency Act, 1966. Subject to this sub regulation, the Head of a Government Agency shall be responsible for sub regulation as seen below.

2.2.3.2 The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that:

- Preventive mechanisms are in place to eliminate theft, losses, wastage and misuse; and

- Inventory levels are at an optimum and economical level.

- The Head of Government Agency must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the assets assigned to the institution.

2.2.3.3 Contrary to the above, we could not find evidence that the Management of LACC had established a fixed asset register for the period under review. We could not therefore determine the bases on which Management of LACC kept track of valuable assets.
**Risk**

2.2.3.4 In the absence of a fixed asset register, the quantity of assets and its locations cannot be ascertained.

**Recommendation**

2.2.3.5 The Management of LACC should establish and maintain a fixed asset register as per the PFM Act of 2010.

**Management Response**

2.2.3.6 See attached.

**Auditor General’s Position**

2.2.3.7 We did not see evidence of a fixed asset register. Therefore, we maintain our recommendation.

**2.2.4 Information Technology Policy**

**Observation**

2.2.4.1 The Control Objective Information Technology (COBIT) Section 4.1 DS 4.2 provides that, management of an entity should develop an Information Technology (IT) policy that would create the environment in which application systems and controls operate. An IT control environment would ensure the LACC wide security program planning and management, access controls, controls on the development, maintenance and change of the application software, system software controls, segregation of duties, and service continuity. The Information Technology policy must be approved by an appropriate authority.

2.2.4.2 Contrary to the above, we could not find evidence that the Management of LACC had developed an information technology (IT) policy for the period under review. We could not therefore determine the bases on which the Management of LACC carried out their operations in processing, maintaining, and reporting essential information.

**Risk**

2.2.4.3 The failure by the LACC Management to develop an Information Technology Policy could expose its IT facility and operations to misuse and abuse.

**Recommendation**

2.2.4.4 Management of LACC should develop an Information Technology policy that would enable management carry out its function within the environment in which application systems and controls operate.

**Management Response**

2.2.4.5 The commission takes note and is already in the process of developing one.
Auditor General’s Position
2.2.4.6 We acknowledge your acceptance of our observation and we look forward to its implementation.

2.2.5 Internal Audit Independence

Observation
Paragraph 1100 of Institute of Internal Audit (IIA) Guidelines provides that, the internal audit activity must be independent, and internal auditors must be objective in performing their work.

2.2.5.1 We noted that the internal auditor was certifying vouchers before they are processed for payments contrary to the above requirements.

Risk
2.2.5.2 The review of payment vouchers by the Internal Auditor before payments are processed may impair the independence of the Internal Auditor when he/she performs assurance responsibilities.

Recommendation
2.2.5.3 Management should establish a Management Internal Control (MIC) that would review vouchers for compliance issues before they are processed for payment. Management Internal Control is independent of the internal audit and is responsible to ensure that all policies and procedures are complied with before financial transactions are processed. This would ensure that management obtains greater assurance that payments and other activities are in line with internal controls and regulations. In addition, the above would enhance the Internal Auditor’s independence and objectivity in performing his/her assurance engagements.

Management Response
2.2.5.4 He was charged with the responsibility of reviewing the performance of LACC programs implementation, accounting and management reports and compliance with policies and procedures. The Internal Auditor initially reported to the LACC Vice Chairperson and has always been independent in all his undertakings.

Auditor General’s Position
2.2.5.5 Our observation is related to the involvement of the internal auditor in certifying vouchers before payment is made and having responsibility for providing assurance services for the activity. This did not relate to the internal auditor reporting relationship. We therefore maintain our recommendation.

2.2.6 Documenting Information

Observation
2.2.6.1 According to paragraph 2330 of the International Standards for the Professional
Practice of Internal Auditing, internal auditors must document relevant information to support the conclusions and engagement results.

2.2.6.2 In addition paragraph 2330.A2, the chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2.2.6.3 Contrary to the above, we could not find evidence of audit working papers to support conclusions from internal audit reports covering July 1 - August 31, 2010 and November 1 - November 30, 2010 dated March 4, 2010, December 1, 2010 - February 28, 2011 dated May 12, 2011, May - June 2011 dated September 20, 2011.

**Risk**

2.2.6.4 The failure to prepare audit working papers could lead to the internal audit not being able to support the conclusions thereof with evidence.

**Recommendation**

2.2.6.5 Management should develop retention requirements for engagement records and maintain audit working papers to support conclusions. This will ensure that management provides evidence for any conclusions in the internal auditor's reports.

2.2.6.6 Management should develop working papers to support the conclusions from the internal audit reports.

**Management Response**

2.2.6.7 Noted

**Auditor General’s Position**

2.2.6.8 We acknowledge your acceptance of our observation and we look forward to its implementation.
Appendix 1

GOVERNMENT ENTITY AB
Notes to the Financial Statements

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with Cash Basis IPSAS “Financial Reporting under the Cash Basis of Accounting.” The accounting policies have been applied consistently throughout the period.

Reporting entity

The financial statements are for a public sector entity (Government Entity AB). The financial statements encompass the reporting entity as specified in the relevant legislation (Public Finance Act 20XX). This comprises Government Entity AB and its controlled entities. Government Entity AB is controlled by the national government of Country A. Government Entity AB’s principal activity is to provide [identify type of] services to constituents. The Entity controls its own bank account. Appropriations and other cash receipts are deposited into its bank accounts.

Payments by other government entities

The Entity benefits from payments made by its controlling entity (Government A) and other government entities on its behalf.

Payments by external third parties

The Entity also benefits from payments made by external third parties (entities external to the economic entity) for goods and services. These payments do not constitute cash receipts or payments of the Entity, but do benefit the Entity. They are disclosed in the Payments by external third parties column in the Statement of Cash Receipts and Payments and in other financial statements.

Reporting currency

The reporting currency is (currency of Country A).

2. Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents comprise balances with banks and investments in short-term money market instruments. Amounts appropriated to the Entity are deposited in the Entity’s bank account and are controlled by the entity. All borrowings are undertaken by a central finance entity. Receipts from exchange transactions are deposited in trading fund accounts controlled by the Entity. They are transferred to consolidated revenue at year end.
FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING
1529 CASH BASIS APPENDIX 1B

Cash included in the statement of cash receipts and payments comprise the following amounts:
(in thousands of currency units) 200X  200X-1
Cash on hand and balance with banks X X
Short-term investments X X

3. Transfers
Amounts are transferred to eligible recipients in accordance with operating mandate and authority
of the entity.

4. Significant Controlled Entities

<table>
<thead>
<tr>
<th>Entity</th>
<th>Jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity A</td>
<td>X</td>
</tr>
<tr>
<td>Entity B</td>
<td>X</td>
</tr>
</tbody>
</table>

5. Authorization Date
The financial statements were authorized for issue on XX Month 200X+1 by Mr YY, Minister of XXXXX for Entity AB.

Note: Plus any additional notes that would make the financial statements more understandable to
the users.
# Schedule of Expenditure Reallocations

## Annexure 1

<table>
<thead>
<tr>
<th>Proper Account Code Per Chat of Account</th>
<th>Account Code Misclassified To:</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment for water &amp; sewage charges Voucher # 9</td>
<td>Other Office Materials &amp; Consumables</td>
<td>220.94</td>
</tr>
<tr>
<td>Paid for police investigation (Special Operation) Voucher # 151</td>
<td>Other Office Materials &amp; Consumables</td>
<td>10.00</td>
</tr>
<tr>
<td>Payment for Special Operation Service voucher # 179</td>
<td>Other Office Materials &amp; Consumables</td>
<td>20.00</td>
</tr>
<tr>
<td>Paid for police investigation (Special Operation) Voucher # 237</td>
<td>Other Office Materials &amp; Consumables</td>
<td>200.00</td>
</tr>
<tr>
<td>Payment for Income Tax (General Allowance) Voucher # 305</td>
<td>Other Office Materials &amp; Consumables</td>
<td>40.44</td>
</tr>
<tr>
<td>Payment for Security Services (Dec. 2010) Voucher # 250</td>
<td>Other Office Materials &amp; Consumables</td>
<td>333.33</td>
</tr>
<tr>
<td>Incapacity Death Benefits voucher # 471</td>
<td>Other Office Materials &amp; Consumables</td>
<td>65.00</td>
</tr>
<tr>
<td>Special allowance-Sal. Advance Voucher #451</td>
<td>Other Office Materials &amp; Consumables</td>
<td>3,000.00</td>
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<tr>
<td>Special allowance-Sal. Advance Voucher #497</td>
<td>Other Office Materials &amp; Consumables</td>
<td>500.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,488.77</strong></td>
<td><strong>4,488.77</strong></td>
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## Annexure 2

<table>
<thead>
<tr>
<th>Proper Account Code Per Chat of Account</th>
<th>Account Code Misclassified To:</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid as Cash Advance for Special Operations Voucher # 99</td>
<td>Stationery</td>
<td>10.00</td>
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<tr>
<td>Other Office Materials &amp; Consumables Voucher # 102</td>
<td>Stationery</td>
<td>25.00</td>
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<tr>
<td>Paid as Cash Advance for Special Operations voucher # 103</td>
<td>Stationery</td>
<td>5.00</td>
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<tr>
<td>Other Office Materials &amp; Consumables voucher #104</td>
<td>Stationery</td>
<td>30.00</td>
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<tr>
<td>Other Office Materials &amp; Consumables voucher #109</td>
<td>Stationery</td>
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<tr>
<td>Other Office Materials &amp; Consumables voucher #112</td>
<td>Stationery</td>
<td>100.00</td>
</tr>
<tr>
<td>Payment for Printing Binding &amp; publications voucher #139</td>
<td>Stationery</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>252.00</strong></td>
<td><strong>252.00</strong></td>
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Annexure 3

<table>
<thead>
<tr>
<th>Proper Account Code Per Chat of Account</th>
<th>Account Code Misclassified To:</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity voucher # 173</td>
<td>Water &amp; Sewage</td>
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Annexure 4

<table>
<thead>
<tr>
<th>Proper Account Code Per Chat of Account</th>
<th>Account Code Misclassified To:</th>
<th>Amount US$</th>
</tr>
</thead>
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<tr>
<td>Repairs and Maintenance-Vehicle Voucher #160</td>
<td>Repair &amp; Maintenance (Machinery, Equipment &amp; Furniture)</td>
<td>43.00</td>
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<tr>
<td>Repairs and Maintenance-Vehicle Voucher # 335</td>
<td>Repair &amp; Maintenance (Machinery, Equipment &amp; Furniture)</td>
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<tr>
<td>Repairs and Maintenance-Vehicle Voucher # 390</td>
<td>Repair &amp; Maintenance (Machinery, Equipment &amp; Furniture)</td>
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</tr>
<tr>
<td>Printing and Publication Voucher # 569</td>
<td>Repair &amp; Maintenance (Machinery, Equipment &amp; Furniture)</td>
<td>15.00</td>
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</table>

110.00 110.00

Annexure 5

<table>
<thead>
<tr>
<th>Date</th>
<th>Comments and Voucher Numbers</th>
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</thead>
<tbody>
<tr>
<td>Repairs &amp; Maintenance- Civil</td>
<td>No three quotations attached to the documents on voucher # 320 amounting to US$ 1340.70.</td>
</tr>
<tr>
<td>1. 18-Feb-2011</td>
<td>No three quotations attached to the documents on voucher # 545 amounting to US$ 185.50.</td>
</tr>
<tr>
<td>2. 30-Jun-2011</td>
<td>No three quotations attached to the documents on voucher # 456 amounting to US$ 522.00.</td>
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</table>

Repairs & Maintenance-Machinery, Equipment & Furniture

<table>
<thead>
<tr>
<th>Date</th>
<th>Comments and Voucher Numbers</th>
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<tbody>
<tr>
<td>4. 20-Dec-2010</td>
<td>No three quotations attached to the documents on voucher # 214 amounting to US$ 153.20.</td>
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<tr>
<td>5. 01-Nov-2010</td>
<td>No three quotations attached to the documents on voucher # 142 amounting to US$ 450.00.</td>
</tr>
<tr>
<td>6. 06-Jan-2011</td>
<td>No three quotations attached to the documents on voucher # 255 amounting to US$ 110.00.</td>
</tr>
<tr>
<td>7. 04-May-2011</td>
<td>No three quotations attached to the documents on voucher # 455 amounting to US$ 925.00.</td>
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</tbody>
</table>

Stationery

<table>
<thead>
<tr>
<th>Date</th>
<th>Comments and Voucher Numbers</th>
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<tbody>
<tr>
<td>8. 16-Sept-2010</td>
<td>No three quotations attached to the documents on voucher # 50 amounting to US$ 115.00.</td>
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