AUDITOR GENERAL'S MANAGEMENT LETTER

On Liberia Anti-Corruption Commission Financial Statements

For Fiscal Year Ended June 30, 2012

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>
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<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
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<tr>
<td>ISSAI</td>
<td>International Standard of Supreme Audit Institutions</td>
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<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>
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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 2012. The purpose of this letter is to bring to your attention the findings 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 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 management 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.

**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.I.
1 DETAILED REPORT

1.1 Introduction

1.1.1 The audit of the Liberia Anti-Corruption Commission financial statements for the fiscal period 2011/2012 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, 2013 to June 30, 2012. The audit was completed on March 25, 2015 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 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 1: Key Management Personnel 2010-2013

<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>Dinnamae 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;
Auditor General Management Letter on Liberia Anti-Corruption Commission
Financial Statements for Fiscal Year Ended June 30, 2012

- 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 2011/12.

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 Statements presented by the Liberia Anti-Corruption Commission did not disclose the notes to the financial statement 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 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 Bank Reconciliation

Observation

2.1.2.1 In terms of the Committee of Sponsoring Organization of the Treadway Commission (COSO) framework, there must be segregation of duties in the processing of transactions. This entails that transactions should not be commenced and completed by the same person to ensure segregation of duty. In addition, page 5 of the LACC financial handbook provides that there shall be a comptroller who prepares and control monthly financial reports including the program budget summary and the reconciliation statement. The chief accountant assists with the reconciliation of bank balances ensuring transactions are correctly processed to ensure segregation of duties. Furthermore, in order to ensure segregation of duty in the preparation of reconciliation statement, the preparer of the reconciliation statement must be clearly indicated on the reconciliation together with the supervisor before the executive director approves it.

2.1.2.2 Contrary to the above, we noted during the audit that the comptroller was preparing the reconciliations instead of the chief accountant. This indicated that the comptroller commenced the transactions and performs the reconciliations. The reconciliations would then be reviewed by Executive Director.

Risk

2.1.2.3 The absence of the segregation of duties in the preparation of the reconciliation statements could result in errors and omission not being identified on a timely basis.

Recommendation

2.1.2.4 The comptroller must comply with the provisions of the financial handbook of the LACC in the preparation of the reconciliation statements. This would ensure that the preparer is separate from the reviewer. The preparer and reviewer must be clearly indicated on the face of the reconciliation statements.

Management’s First Response

2.1.2.5 Everything we’ve done is consistent with the LACC Financial handbook. See Section 7.1.2 The Reconciliation Sheet (RS) "the Comptroller is responsible for producing the
reconciliation on a monthly basis as part of the month-end routines and filling it in a binder together with cash count and bank statement. The executive Director should control and sign the hard copy of the RS. Please see attached sample of the LACC reconciliation responding to your query and meeting directly what is in our Financial Handbook.

2.1.2.6 Management’s Second Response

We take due note of the Auditor General position on Bank Reconciliation. We are now including Prepared by and Reviewed by and Approved by on the Bank Reconciliation Sheet.

2.1.2.7 Auditor General’s Position

We acknowledge Management’s acceptance of our observation and we will make a follow-up during the next audit.

2.1.3 Honorarium

Observation

2.1.3.1 In terms of part E.6 of the PFM Act of 2009, an 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. Additionally, regulation E 8 (C) states no reallocation may be made from or into Personnel Expenditure from other major object of expenditure or between items within personnel expenditure without written approval of the Civil Service Agency.

2.1.3.2 According to the LACC financial handbook, the program code differentiates cost between programs and budget code defines activity for which was incurred. Transactions should be processed under the budget code to which it relates. This would ensure effective expenditure control.

2.1.3.3 We noted during the audit instances of expenditure reallocated in the General Allowance code amounting to US$ 56,404.40.

Risk

2.1.3.4 The expenditure incurred reallocated to the General allowance code could lead to overstatement or understatement of the expenditure in the respective budget code to which they relate.

Recommendation

2.1.3.5 The comptroller should seek authority to transfer funds from one budget code with excess funds to another with a shortfall before incurring expenditure. This would ensure that expenditure is charged to the rightful code and prevent misclassifications.
2.1.3.6 The comptroller should do a reclassification of US$ 56,404.40 to the General allowance code See Annexure 1.

Management’s Response
2.1.3.7 Each transaction process considers four (4) different layers of approval, which does not include the comptroller. Please take another glimpse of the LACC payment voucher. (A sample voucher is enclosed with our response). You will see that our voucher system provides that a payment voucher is utilized to record each transaction. The accountant prepares this payment voucher and it is certified by the comptroller for onward approval at the first level by the Program Manager for Administration and moves upwards to the second level by the Executive Director. The third layer of approval is the category B signature on checks and the fourth layer of approval is the category A signature on checks and that is the LACC Executive Chairperson. There is a clear and distinct layer of segregation of responsibility. Again, please see sample of the LACC payment voucher that is recorded as official transaction. We hope you are now inclined to the segregation of duties and the authority governing all LACC financial transactions.

Auditor General’s Position
2.1.3.8 We have reviewed Section 13.1 of the LACC Act of 2008 and have therefore modified our recommendation as it relates the seeking of CSA authority. However Part B E (2) and (3) of the PFM Act of 2009 requires Government entities to seek approval to reallocate from budgeted code to another from the Deputy Minister of Budget of appropriations to promote efficiency in government, to support changes in program enacted by the National Legislature to take effect during the year, and to provide resources he deems necessary for an agency to render essential basic services. As such, the LACC in compliance with the PFM Act of 2009 must comply with this provision. We therefore maintain our recommendation.

2.1.4 Professional Fees

Observation
2.1.4.1 According to the LACC financial handbook, the program code differentiates cost between programs and budget code defines activity for which was incurred. Transactions should be processed under the budget code to which it relates. This would ensure effective expenditure control.

2.1.4.2 We noted during the audit instances of expenditure misclassification in the Professional Fees code amounting to US$ 10,534.97. See Annexure 2

Risk
2.1.4.1 The expenditure incurred reallocated to the Professional Fees code could lead to overstatement or understatement of the expenditure in the respective budget code to which they relate.
Recommendation

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

2.1.4.3 The comptroller should effect a reclassification of US$10,534.97 to the Professional Fees code See Annexure 2.

Management’s Response

2.1.4.4 2.1.4.1 The LACC has in Section 13.1 of its Act of 2008, Financial Autonomy and Operational Independence. We do not operate under the Civil Service and need no approval from the Civil Service Agency to implement our fiscal year budget. Please see attached the LACC Act of 2008 section 13.1.

Auditor General’s position

2.1.4.5 We have reviewed Section 13.1 of the LACC Act of 2008 and have therefore modified our recommendation as it relates to the seeking of CSA’s authority. However, Regulation E.8 (2) and (3) of the PFM Act of 2009 require Government entities to seek approval to reallocate from budgeted code to another from the Deputy Minister for Budget. The Deputy Minister for Budget may delegate the power to authorize reallocations to head of government agency, stating clearly the terms and extent of such delegation. Therefore, we maintain our recommendation.

2.1.5 Reallocation of Expenditure Items

General Expenses

Observation

2.1.5.1 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”.

2.1.5.2 ” (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”.

2.1.5.3 Contrary to the above, we noted during the audit instances of expenditure being reallocated from one budget code to another amounting to US$16,182.84. See Annexure 3-6
Risk

2.1.5.4 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.

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

Recommendation

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

2.1.5.7 The comptroller should do a reclassification as reflected in the table to the respective codes amounting to US$16,182.84.

Management’s First Responses

Telecommunication, Internet & Postage

2.1.5.8 This voucher was approved prior to the entry to the Ledger. See attached sample voucher.

Fuel & Lubricant - Vehicles

2.1.5.9 Fuel and Lubricants at the LACC is a benefit to staff and not liquidated with vehicle log and consumption mileage on respective vehicles. Therefore, the budget lines General Allowance is considered employees benefit and provides for benefits and once approved by the respective lines of approval has no breach with regulations neither has the LACC comptroller had no such powers. Please see attached, “sample of the LACC payment voucher and returned checks for the layers of approval.”

Fuel & Lubricant-Generator

2.1.5.10 We are providing a sample of the LACC payment voucher and returned check for your perusal to authenticate the approval of the Head of Institution/Agency on the approval of said transactions. We hope this satisfy your inquest. The LACC Comptroller does not approve financial transactions. Please re-evaluate our payment voucher. See attached our sample voucher.

Stationary

2.1.5.11 As indicated each payment voucher has provision for different levels of approval and the Comptroller does not approve LACC transaction. There are different layers and the Executive Chairperson serves as the Head of the Institution and provides the final and highest approval within the different layers of approval.
Management’s Second Response

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

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

2.1.5.13 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?

Auditor General’s Position

2.1.5.14 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.

2.1.6 Expenditure

Non Compliance to the PPCC Act

Observation

2.1.6.1 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.
2.1.6.2 Contrary to Sections 54 of the PPCC Act of 2010, we could not find evidence from two (2) transactions valued at $475.00 processed by the LACC for Stationery. See Annexure 2.

**Risk**

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

**Recommendation**

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

**Management’s First Response**

2.1.6.5 *No comment received on the above transactions.*

**Management’s Second Response**

2.1.6.6 *For items like Stationery, it is meager in the context of LACC procurement and for the vouchers mentioned; one is $ 275.00 and $200.00, that's for two separate transactions. Individually, these are far beneath your materiality threshold. Notwithstanding, we acquire paper and ink at a very low scale at $ 200.00 range has less relevance for competitive quotes since the value for money is easily traceable. We see no violation with the PPCC regulations. Please go further and cite the specifics of said violations.*

**Auditor General’s position**

2.1.6.7 We therefore in line with the PPCC Act of 2010 maintain our recommendation.

2.2 **Control Related Issues**

2.2.1 **Operational Plan**

**Observation**

2.2.1.1 The Committee of Sponsoring Organization of the Treadway Commission (COSO) provides that, management of an entity should develop an Operational Plan that would ensure that their operations are ethical, orderly economical, efficient and effective. The operational plan is a short term annual plan that indicates the anticipated outputs in the reporting period and is also linked to the financial resources budget. The operational 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 an operational plan for the period under review to guide its operations.

**Risk**

2.2.1.3 The absence of an operational plan could lead to the misapplication of resources.
Recommendation
2.2.1.4 The Management of LACC should develop an operational plan that would ensure that their operations are ethical, orderly, economical, efficient and effective.

Management Response
2.2.1.5 The LACC consistent with practice had its three-year strategic plan. Activities implemented during the period under audit were laid in the plan and cost allocation made appropriately. Although, funding for the implementation of the plan was not forthcoming we implemented those within means and availability of resources. We are enclosing the LACC strategic plan for the period under audit.

Auditor General’s Position
2.2.1.6 We did not see evidence of a strategic plan attached as alluded to in the above response. We therefore maintain our recommendation.

2.2.2 Disaster Recovery Plan

Observation
2.2.2.1 The Committee of Supporting 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.

2.2.2.2 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
2.2.2.3 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
2.2.2.4 The Management of LACC should develop a disaster recovery plan.

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 Risk Management Policy

Observation
2.2.3.1 The Committee of Sponsoring 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.

2.2.3.2 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
2.2.3.3 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
2.2.3.4 Management of LACC should develop a risk management policy.

Management Response
2.2.3.5 We have already developed a risk management policy.

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

2.2.4 Fixed Asset Register

Observation
2.2.4.1 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.

2.2.4.2 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.

2.2.4.3 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
2.2.4.4 The absence of a fixed asset register regular assets count could lead to management losing sight of valuable assets which may result in lack of physical asset accountability.

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

Management Response
2.2.4.6 We take note and have complied with the developed of a Fixed Asset Register. Currently, we have a fixed asset register and an Asset Management officer.

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

2.2.5 Information Technology Policy

Observation
2.2.5.1 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.

2.2.5.2 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
2.2.5.3 The failure by the LACC Management to develop an Information Technology Policy could expose its IT facility and operations to misuse and abuse.

Recommendation
2.2.5.4 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
2.2.5.5 The commission takes note and is already in the process of developing one.

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

2.2.6 Internal Audit Independence

Observation
2.2.6.1 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.

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

Risk
2.2.6.3 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
2.2.6.4 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
2.2.6.5 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**

2.2.6.6 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.

**2.2.7 Documenting Information**

**Observation**

2.2.7.1 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.

2.2.7.2 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.

2.2.7.3 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**

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

**Recommendation**

2.2.7.5 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.

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

**Management Response**

2.2.7.7 *Noted*

**Auditor General’s Position**

2.2.7.8 We acknowledge your acceptance of our observation and we look forward to its implementation.
3 APPENDIX

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
PUBLIC SECTOR
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.
### 4 ANNEXURES

#### Schedule of Expenditure Reallocations

**Annexure 1:**

<table>
<thead>
<tr>
<th>Proper Account Code Per Chat of Account</th>
<th>Account Code reallocated to:</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel &amp; Lubricant- Vehicle Voucher # 054</td>
<td>General Allowance</td>
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<tr>
<td>Fuel &amp; Lubricant- Vehicle Voucher # 115</td>
<td>General Allowance</td>
<td>1,166.50</td>
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<tr>
<td>Fuel &amp; Lubricant- Vehicle Voucher # 115</td>
<td>General Allowance</td>
<td>3,117.50</td>
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<td>Special Allowance Voucher # 174</td>
<td>General Allowance</td>
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<tr>
<td>ICT Infrastructure, Network &amp; Hardware Voucher # 242</td>
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<tr>
<td>Entertainment, Representation &amp; Gift Voucher # 236</td>
<td>General Allowance</td>
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<td>Furniture &amp; Fixture Voucher # 661</td>
<td>General Allowance</td>
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<td>Furniture &amp; Fixture Voucher # 662</td>
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<tr>
<td>Telecommunication, Internet &amp; Postage Voucher # 706</td>
<td>General Allowance</td>
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<tr>
<td><strong>Total</strong></td>
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**Annexure 2:**

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<tbody>
<tr>
<td>Fuel &amp; Lubricant-Vehicle Voucher # 404</td>
<td>Professional Fees</td>
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<tr>
<td>Furniture &amp; Fixture Voucher # 184</td>
<td>Professional Fees</td>
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<tr>
<td>Furniture &amp; Fixture Voucher #</td>
<td>Professional Fees</td>
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<td>Professional Fees</td>
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<tr>
<td><strong>Total</strong></td>
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**Annexure 3:**

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|                               |                               | 450.00 |

**Annexure 4:**

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<td>General Allowance Voucher # 343</td>
<td>Fuel &amp; Lubricant-Vehicle</td>
<td>3,600.00</td>
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</table>
### Auditor General Management Letter on Liberia Anti-Corruption Commission

#### Financial Statements for Fiscal Year Ended June 30, 2012

#### Annexure 5:

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<thead>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>12,564.84</strong></td>
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#### Annexure 6:

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<td><strong>Total</strong></td>
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#### Annexure 7: Stationery

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<td>1.</td>
<td>20-Feb-2012</td>
<td>No three quotations attached to the documents on voucher #483 amounting to US$275.00.</td>
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<td>2.</td>
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