

Management Letter

On the Audit of the Financial Intelligence Unit of Liberia Financial Statements

For The Fiscal Period Ended June 30, 2017



Promoting Accountability of Public Resources

**Yusador S. Gaye, CPA, CGMA
Auditor General R.L.**

Monrovia, Liberia
March 2019

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Management Letter



Hon. Alex N. Cuffy
Director General
Financial Intelligence Unit of Liberia (FIU)
Congo Town, Back Road
Monrovia, Liberia

March 18, 2019

Dear Hon. Cuffy:

The Financial Statement of the Financial Intelligence Unit of Liberia (FIU) for the fiscal period ended June 30, 2015 are subject to audit by the Auditor General in terms of Section 2.1.3 of the New General auditing commission (GAC) Act of 2014.

Introduction

The audit of the FIU financial statements for the fiscal period ended 30 June 2017 was completed and 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). Those 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 financial statements.

And audit includes:

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

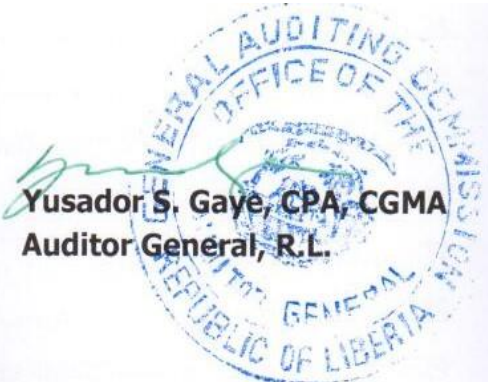
The audit also included an examination, on a test basis, of evidence support compliance in all material respect with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matter 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 and/ or weaknesses 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 FIU. Our responsibility is to express our opinion on these financial statements.

Appreciation

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Financial Intelligence Unit of Liberia. The audit findings which were identified during the course of the audit are included below.



Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.

The stamp is circular with the text "GENERAL AUDITING COMMISSION OFFICE OF THE REPUBLIC OF LIBERIA" around the perimeter and a central emblem.

ACRONYMS USED

Acronyms	Meaning
AG	Auditor General
COBIT	Control Objective & Related Information Technology
COSO	Committee on Sponsoring Organizations of the Tread way Commission
CPA	Certified Public Accountant
CGMA	Certified Global Management Accountant
CV	Cash Voucher
FAR	Fixed Asset Registry
GAC	General Auditing Commission
DG/CEO	Director General/ Chief Executive Officer
ADCA	Assistant Director for Corporate Affairs
FC	Financial Controller
LO	Logistics Officer
GL	General Ledger
GOL	Government of Liberia
IAU	Internal Audit Unit
ISSAI	International Standards of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
FIU	Financial Intelligence Unit of Liberia
PFM	Public Finance Management
PO	Purchase Order
PPCA	Public Procurement & Concession Act
PPCC	Public Procurement & Concessions Commission
VC	Voucher Copy
VFM	Value for Money

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 General Ledger

1.1.1.1 Regulation A.3 (1&2) of the PFM act states that" (1) Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor General, the Comptroller General , the relevant internal auditor or any officers authorized by them, by the Minister.

1.1.1.2 (2) A public officer who fails to keep or produce any records under this regulation is in a breach of financial discipline as defined in Regulation A.20.

1.1.1.3 Also Regulation I.2, PFM Act of 2009 States "Records classified as "accounts" include manual and electronic: (a) Accounting records in the form of books, ledgers, ledger sheets, ledger cards, or machine tabulations; and (b) source documents for the accounting records in the form of vouchers, schedules, returns, bank or any other statements".

1.1.1.4 During the Conduct of the Audit, we observed that there were no evidence that the FIU had a Ledger that provides detailed description of every general account and balances. Further, Auditors were unable to compare the total general ledger information to select items for further review.

Risk

1.1.1.5 The non-maintenance of the General Ledger, the source of the account balances used for the preparation of a Trial balance could lead to material misstatement of the amounts in the financial statements.

Recommendation

1.1.1.6 The Management should provide substantive justification as to why they failed to maintain book of accounts, as required under Regulation A.3 (1), PFM Regulations.

Management's Response

Disagreed

1.1.1.7 *FIU have a general ledger system imbedded in the cash book of each bank account from where balances are extended into the trial balance and the trail balance and thence to the financial statements. See sample attached. These provide details for comparison and further review.*

Auditor General's Position

- 1.1.1.8 Management's assertion that the general ledger system is imbedded in the cash book of each bank account is not materially supported. Management did not attach any document as claimed in its response for the fiscal year 2016/2017. Management should maintain a general ledger which is a collection of entire group of account that measures in term of monetary unit of accounts by account type, with debit and credit in separate columns and a beginning balance and ending balances of each account. Moreover, all individual transactions should be listed by date and include category of accounts for receipts and payments as required by IPSAS cash basis of accounting.
- 1.1.1.9 Additionally, it is recommended that Management graduates from Excel as a ledger to an Electronic book keeping system that cannot easily manipulated. Therefore, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.2 Variance in Allotment per Financial Statement versus Allotment Received

Observation

- 1.1.2.1 Section 36 (1) of the PFM Act of 2009 states that "It is a general responsibility under this Act for all government officials handling public financial transactions to ensure that financial information is reported in a timely, comprehensive, accurate manner, in the manner prescribed in this Act, under its regulations, and in instructions issued by the Minister".
- 1.1.2.2 During the audit it was observed that the amounts reported by Management in its Financial Statements as actual allotments vary with allotments received as reported in the fiscal outturn reports. Below is the variance for the fiscal year ended 2016: **See Table #1 below:**

Fiscal Year	Actual Allotment received as per financial Statement	Actual Allotment /Fiscal Outturn reported as per GOL Budget	Variance
2016/2017	1,215,298.00	1,151,065.00	64,233.00

Risk

- 1.1.2.3 The accuracy and completeness of allotments received as contained in the Financial Statements cannot be ascertained.

Recommendation

- 1.1.2.4 The Management of FIU should provide explanation of the variance noted in the amount reported and amount shown in the fiscal Outturn Report of the National Budget. They should work closely with the MFDP to reconcile the variance noted.

Management's Response

Disagreed

- 1.1.2.5 US\$ 1,215,298 was not the actual allotment received for FY 2016/2017 but rather the approved budget. The Actual allotment received was for the FY 2016/2017 was US\$ 1,015,684.60 and an outturn of 1,151,065 with the variance of US\$ 135,380.40 not received in payment from the MFDP.

Auditor's General Position

- 1.1.2.6 The FIU Management's assertion that the US\$ 1,215,298 actual allotment received FY 2016/ 2017 is not an excuse for non- reconciliation. It is a general responsibility under the PFM Act for all government officials handling public financial transactions to ensure that financial information is reported in a timely, comprehensive, accurate manner. Therefore, the FIU Management is in breach of financial discipline in line Regulation A.20 of the PFM Act of 2009.

1.1.3 Payments to Third Party

Observation

- 1.1.3.1 Regulation B. 28 of the PFM Act of 2009 states that "A payment shall be made only to the person or persons named on the payment voucher or to their representatives duly and legally authorized in writing to receive the payment.
- 1.1.3.2 It was observed during the conduct of the audit that the FIU Management made multiple payments amounting to US\$23,700.00 (twenty three thousand seven hundred United States dollars) to several individuals and/or employees of the entity rather than the service providers. **See table #2 for details:**

Table 2

No	Date	Description	Third Party		Check No	Amount (US\$)
1.	12/2/16	Payment representing the Cost of Employee Christmas Donations	Oretha M. Sendolo		00000510	2,000.00
2.	5/12/17	Payment representing the cost of refilling office printer cartridge for the GIABA May 2017 Plenary	Theophilus Tay	Combert ICT Solution & Services	00000587	16,200
	8/17/17	Payment representing the cost of one FIU Staff training in software Development Course (US\$ 500 @ 125)	Alex W. Daniels	Software development Course Training	00000616	500.00
	8/17/17	Payment representing	Alex W.	Liberia	00000615	5,000.00

No	Date	Description	Third Party		Check No	Amount (US\$)
		the cost of four FIU staff training in the certified fraud examination (US\$ 5,000@125)	Daniels	chapter-ACFE		
	Total					23,700.00

Risk

- 1.1.3.3 Checks issued in the names of individuals and/or employees could be diverted to personal use thus leading to misappropriation of funds.

Recommendation

- 1.1.3.4 The FIU Management should provide substantive justification for authorizing payments in the names of individuals who did not directly provide goods and services.
- 1.1.3.5 Going forward, the FIU Management should refrain from making payments to individuals and/or employees who did not directly provide goods and services to the entity.

Management's Response

Disagreed

- 1.1.3.6 *Management wishes to point out the following as per Table 2:*
- 1) *Check #00000587 captured as USD 16,200 is rather LRD 16,200 representing cost of refilling printer cartridge. See attached documents.*
 - 2) *Check # 00000615 and 00000616 for LRD 625,000 and LRD 66.250 were withdrawn from our Liberian dollars account and converted to USD 5,000 and USD 500 respectively, and subsequently deposited in our US Dollars account and transferred/ paid for training programs. See attached documents.*

Auditor General's Position

- 1.1.3.7 We reviewed documents submitted by Management and have adjusted the amount of US\$23,700.00 by check #0000587 representing L\$ 16,200 to US\$7,500.00; however, we maintain our recommendation with respect to US\$7,500 third party payments. Further, Management should be held accountable and is in breach of financial discipline per Regulation A. 20 of the PFM Act of 2009.

1.1.4 Petty Cash

Observation

- 1.1.4.1 Regulation B.33 (4) of the PFM Act of 2009 states that "the maximum amount that may be held as petty cash in any one calendar month is the equivalent of United States Dollars Two Hundred".

1.1.4.2 It was noted during the conduct of the audit that the FIU Management did not have a policy on petty cash and therefore, were subjected to the GOL's Petty Cash Threshold as established by the amended and restated PFM Act.

1.1.4.3 Further, we observed that multiple petty cash replenishment requests exceeded the required threshold of US\$200.00 monthly and management failed to provide the petty cash replenishment report with the supporting transactions details. **Refer to table #3 for details:**

No.	Date	Payee	Description	Check #	Account #	FIU Amount A US\$	GOL approve Amount B US\$	Variance (A-B) US\$
1.	7/22/16	Oretha M. Sendolo	Payment for the replenishment of Petty Cash	00000177	00100115 01008108	677.7	200	477.7
2.	1/31/17	Oretha M. Sendolo	Payment for the replenishment of Pettycash	00000533	00100115 01008108	934.69	200	734.69
2.	2/6/17	Oretha M. Sendolo	Payment for the replenishment of Petty Cash	00000541	00100115 01008108	846.94	200	646.94
3.	4/4/17	Oretha M. Sendolo	Payment for the replenishment of Petty Cash	00000564	00100115 01008108	1,293.3	200	1,093.3
4.	5/11/17	Oretha M. Sendolo	Payment for the replenishment of Petty Cash	00000586	00100115 01008108	396.15	200	196.15
6	8/3/17	Oretha M. Sendolo	Cost of Petty Cash Replenishment	00000606	00100115 01008108	900.03	200	700.03
Total						5,048.81	1,200.00	3,848.81

Risk

1.1.4.4 Failure to comply with the petty cash regulation/policy could lead to abuse of public resources.

- 1.1.4.5 Exceeding the petty cash threshold established by the PFM Regulation could lead to the misappropriation of the funds/ waste and abuse.

Recommendation

- 1.1.4.6 The FIU Management should provide substantive justification for exceeding the petty cash threshold established by the PFM Regulation.
- 1.1.4.7 Going forward, the FIU Management should ensure that the provisions of the PFM Act and its regulation are adhered to unconditionally.

Management's Response

Disagreed

- 1.1.4.8 *Management adopted and Interim Petty Policy which set the petty cash ceiling at US\$1,000 while it's Financial Manual was being developed. Please see copy attached. Please see copy attached.*

Auditor's General Position

- 1.1.4.9 Management's assertion is not materially supported. Regulation B33 (2) of the PFM Act of 2009 requires that "*Names and titles of designated officers and amounts to be held in cash at specific periods and designated posts shall be communicated to and have the prior written approval of the Comptroller-General" wherein an entity intends to exceeds the petty cash ceiling of US\$200.00*".
- 1.1.4.10 Further, the general purpose of Petty cash is a small amount of discretionary funds in the form of cash used for expenditures where it is not sensible to make any disbursement by check, because of the inconvenience and costs of writing, signing, and then cashing the check. The amount of petty should be backed by a policy and justification and should be replenished at certain and the applicable expenses debited. Therefore, we maintain our recommendation. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.5 Inadequate Supporting Documentation

Observation

- 1.1.5.1 Regulation A.3.(1)(2) of the PFM Act state that " any public officer concerned with conduct of financial matters of the government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books or accounts and proper records of all transaction and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by the Minister". (2) A public officer who fails to keep or produce any records under this regulation is in a breach of financial discipline as defined in Regulation A.20".

1.1.5.2 During the conduct of the audit, it was observed that the FIU Management expended the amount of L\$ 3,213,691.67 & US\$25,005.00 for various goods and services without adequate supporting documentation. **Ref: Annexure 1 Table # 1**

Risk

1.1.5.3 The authenticity of the transactions could be in doubt in the absence of adequate supporting documentation.

Recommendation

1.1.5.4 The FIU Management should provide the documentation for the transactions.

Management's Response

Partially Agreed

1.1.5.5 *Management acknowledges the audit finding. Management however notes that the absence of supporting documents such as business registration, tax clearance, no three quotations, etc is due generally to the difficulties and lateness associated with receiving funds from MFDP, the urgency of executing transactions having received the funds very late from MFDP; as well as, the difficulties of doing business with some small Liberian businesses.*

Auditor General's Position

1.1.5.6 Management's assertion that "the absence of supporting documents such as business registration, tax clearance, no three quotations, etc is due generally to the difficulties and lateness associated with receiving funds from MFDP, the urgency of executing transactions having received the funds very late from MFDP; as well as, the difficulties of doing business with some small Liberian businesses" is not material justification for transactions without supporting documentation.

1.1.5.7 Further, Management should plan to avoid urgency and ensure compliance with Regulations P.9 of the PFM Act which states that, "Payment except for statutory transfers and debt services shall be supported by invoices, bills and other documents in addition to the payment vouchers." Therefore, Management should account for the transactions without supporting documentation. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.6 Database and Profile of Suppliers, Consultants and Contractors

Observation

1.1.6.1 Section 29 (5 j to K) of the PPC Act of 2005 as amended and restated in 2010 requires the procurement unit to maintain a database of all supplies, contractors and consultants as well as the maintenance of a profile of the past performance of suppliers, contractors and consultants with respect to their performance of contracts awarded under the PPC Act.

1.1.6.2 During the Review of the audit, there was no evidence that a database on suppliers, consultants as well as the maintenance of a profile of the past performance of suppliers,

contractors and consultants were done by the Management of FIU as stipulated in section 27(a), (b),(c),(d),(e) of the PPC Act of 2005 as amended and restated in 2010.

Risk

1.1.6.3 In the absence of a complete database for suppliers, contractors and consultants as well as profiles for past performance could lead to awarding contract to non- performing supplier, contractor or consultant thus undermining the achievement of value for money which is the major objective of public procurement.

Recommendation

1.1.6.4 The Management of the Financial Intelligence Unit ensures that the Procurement Unit maintains a complete database for all its suppliers, contractors and consultants. The Management should also ensure that profiles of past performance of suppliers, contractors and consultants are maintained to assist management in its future procurement decision.

Management’s Response

1.1.6.5 *Management did not respond to this observation.*

Auditor General’s Position

1.1.6.6 In the absence of Management’s respond, we maintain our recommendation. Further, Management is in breach of Sections 27 and 29 of the PPC Act of 2005 as amended and restated in 2010.

1.1.7 Facilitation fees

Observation

1.1.7.1 Section 3.5.6 of the Financial Intelligence Unit manual states that” Facilitation fees are payment for research and other cost incur by FIU staff for preparing the training course. The amount paid shall be determined by and at the discretion of the DG/CEO, but not exceeding US\$ 500.00per training or set of training.

1.1.7.2 It was observed during the conduct of the audit that the FIU Management made payment for facilitation fee to the Director General ,employees and internal facilitators amounting to L\$ 186,000.00 and US\$ 1,730.00 which exceeded the amount specified in the Financial Manual. **See table # 4 below:**

Payment for Facilitations

Date	Payee	Description	Amount US\$	Check #	Account #	Amount L\$
09/14/17	Stanley S. Ford	Payment representing the cost of Facilitation fees		00000643	0010011501008108	74,400.00



Date	Payee	Description	Amount US\$	Check #	Account #	Amount L\$
		for the training of Stakeholder institution Training				
09/14/17	Alex N. Cuffy	Payment representing the cost of facilitation fees for the training of stakeholder institution.		00000641	0010011501008108	111,600.00
4/27/17	Alex Daniels	Payment representing the cost of Capacity Buliding Training of media Institutions on the AML/CPT Regine of Liberia	1,730.00	00000546	0010011502021605	
Total			1,730.00			186,000.00

Risk

- 1.1.7.3 The lack of implementation of policies and procedures may lead to discretionary decisions and abuse of public funds.

Recommendation

- 1.1.7.4 The FIU Management should provide material justification for failing to implement policies and procedures to guide the payment of facilitation fees.

Management's Response

Disagreed

- 1.1.7.5 *The payment related to different sets of training, but was combined and paid at one time see documents attached.*

Auditor General's Position

- 1.1.7.6 The assertion made my management is not materially justified. The FIU policy violates, Chapter 11, Article 90 of the 1986 Constitution of Liberia stipulates that:
- a) No person holding public office shall demand and receive any other perquisites, emoluments or benefits, directly or indirectly, on account of any duty required by Government".
- 1.1.7.7 Training staffs of stakeholder institutions by FIU staffs is part of the job requirements of FIU and as such facilitation fees should not be paid to FIU staffs. Therefore, the payments to staffs of the FIU for services they are employed to perform should not serve as a charge

to the FIU account. The payments should be refunded to FIU account and evidence of the payment should be submitted to the office of the Auditor General 30 days after the issuance of this report to the National Legislature.

1.1.8 Fixed Assets Register

Observation

- 1.1.8.1 Regulation V.4 (1-5) of the PFM Act of 2009 state that (1) Furniture, and equipment issued for Government quarters or offices or vehicle and other fixed assets shall be brought on a master inventory of the Government Agency.
- 1.1.8.2 (2) The master inventory shall record under each category of item: (a) the date and other details of the voucher or other document on which the items were received or issued; (b) their serial numbers where appropriate; and (c) their distribution to individual locations and the total quantity held.
- 1.1.8.3 (3) In respect of each individual location, there shall be made two copies of the inventory showing all items held at the location; one copy of the inventory shall be kept with the master inventory and the other copy at the location.
- 1.1.8.4 (4) The dates and other details of all receipts and issue of items to or from the location shall be recorded on both copies of the inventory as they occur.
- 1.1.8.5 (5) The initial entries and all other entries made later on both copies of the inventory shall be validated by the signature of the officer having the use of the items, or where there is more than one officer, the most senior of them”.
- 1.1.8.6 During the conduct of the audit, it was observed that the fixed Assets Registry (FAR) did not include Vehicle, desk, laptops, chairs, cabinets and etc, serial number if applicable, location, assignee, cost and code.
- 1.1.8.7 We also observe during the physical verification exercise, that all of the assets in use were not recorded on the FAR while other fixed assets on the FAR were actually not operational.

Ref: Annexure 2 Table # 2

Table #5 Vehicle not recorded on the FAR

No:	Description	Plate #	Comment
1	Renault Koloos	GSA-FIU 2-5 (3640)	In use
2.	Renault Duster	GSA- FIU-02-4 (3639)	In use
3.	Toyota Highlander	GSA- FIU 02-3 (3638)	Faulty
4.	Ford Explorer	(3636)GSA-FIU-02-1	With GSA
5.	Ford Escape	(3637)GSA-FIU-02-2	With GSA

Risk

- 1.1.8.8 In the absence of the FAR, the completeness of the register cannot be relied upon and fixed asset could be diverted to personal use.

Recommendation

- 1.1.8.9 The FIU Management should provide justification for not maintaining a proper FAR. The absence of a fixed assets register with relevant details such as original cost and acquisition date, accumulated depreciation and netbook value affects management ability to properly value fixed assets on the financial statements and impedes the tracking of acquisition and disposition.
- 1.1.8.10 The Management of FIU should ensure that the appropriate authority within prepares a fixed asset register that is in line with best practice.

Management's Response

- 1.1.8.11 *Management acknowledges the audit findings and notes however that the Fixed Assets Register has been updated to reflect all fixed assets in operation.*

Auditor General's Position

- 1.1.8.12 We acknowledge Management's acceptance of our recommendation. However, management provided no evidence that the fixed assets has been updated. Therefore, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.9 Non-Maintenance of Vehicle Log

Observation

- 1.1.9.1 Regulation U.10 of the PFM Act of 2009 states that (1) A head of Government Agency is accountable for the government inventories from the time of acquisition or assignment from the General Services Agency to the time they are of no further use or value to government. (2) Accountability is discharged when government inventories have been (a) consumed in the course of public business and records are available to show that the government inventories have been consumed; (b) worn out in the normal course of public business and deletion from the accounts has been approved by the General Services Agency and they have been disposed of in accordance with Sections 123 and 124 of the of the Public Procurement and Concessions Commission Act 2005;
- 1.1.9.2 Also Regulation U.6 states that each Government Agency shall maintain adequate records of inventories assigned to it
- 1.1.9.3 However, during the conduct of the audit, the FIU did not maintain a vehicle log in order to record fuel consumption, and the authorization of vehicle movement.

Risk

- 1.1.9.4 Without such controls over the movement and fuelling of the vehicles, said vehicles could be used for personal benefit at the expense of the FIU.

Recommendation

- 1.1.9.5 Management instituted vehicles Log for all vehicles owned by the FIU, including vehicles held by every senior Staff of the entity.

Management's Response

- 1.1.9.6 *Management did not respond to this observation.*

Auditor General's Position

- 1.1.9.7 In the absence of Management's respond, we maintain our recommendation. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.10 Storeroom Records

Observation

- 1.1.10.1 Regulation A.3 (1) of the PFM Act of 2009 requires that any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor- General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister.

- 1.1.10.2 It was observed during the audit, that there was no evidence that Management maintained records on supplies received in its store room before subsequently being distributed.

Risk

- 1.1.10.3 In the absence of basic store records, it would be challenging to track receipts and consumption of supplies.

Recommendation

- 1.1.10.4 The FIU Management should institute a proper system to account for its supplies.

Management's Response

- 1.1.10.5 *Management did not respond to this observation.*

Auditor General's Position

- 1.1.10.6 In the absence of Management's respond, we maintain our recommendation. Further, Management is in breach of financial discipline in line with Regulation A.20 of PFM Act of 2009.

1.1.11 Internal Audit Unit

Observation

- 1.1.11.1 Regulation J.3 (1-2), of the (PFM) Act of 2009 states that 1) There shall be established in each government agency or government organization an internal audit unit which shall constitute a part of that institution. (2) The Internal Audit unit shall be headed by a Director. (3) The Internal Audit Governance Board shall in consultation with the Civil Service Agency appoint for each internal audit unit a Director and other personnel required to ensure an effective and efficient internal auditing of the institution concerned. (4) Requires each government agency or organization to establish an Internal Audit Unit to constitute a part of the institution.
- 1.1.11.2 As per modern practice, internal audit should be vested with the responsibility to assess and review the internal control system, quality control procedures and risk management procedures in an organization. It should help the institution to identify and evaluate significant exposure to risk and improve the risk management and control systems.
- 1.1.11.3 Our assessment of FIU Internal Audit revealed that the entity has not established an internal audit department/unit.

Risk

- 1.1.11.4 In the absence of an effective Internal Audit function, Management, and those charged with governance may not be adequately informed on the weaknesses of the internal control system; and promptly recommend improvement to mitigate said weaknesses.

Recommendation

- 1.1.11.5 The Board and the FIU management should ensure the establishment of a functional Internal Audit Unit (IAU) in compliance with the PFM Regulations.

Management's Response

- 1.1.11.6 *Management did not respond to this observation.*

Auditor General's Position

- 1.1.11.7 In the absence of Management's respond, we maintain our recommendation. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.12 Audit Committee

Observation

- 1.1.12.1 Regulation K.10 of the PFM Act of 2009 States that the 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. The purpose of the audit committee is to review internal

controls, including the scope of internal audit, internal audit plans, internal audit findings, and recommend to the head of government agency the appropriate action to be taken. The audit committee is responsible for resolution of any disagreements between Management, Internal Auditors and the Auditor General regarding internal controls and financial reporting.

1.1.12.2 During the audit, it was observed that the FIU Management did not establish an Audit Committee.

Risk

1.1.12.3 The failure of FIU Management to establish and maintain an audit committee could lead to lack of oversight of the internal audit activities.

Recommendation

1.1.12.4 The FIU Management should establish an audit committee as require by the PFM Act in order to provide the required oversight on internal and external audit activities

Management's Response

1.1.12.5 *Management did not respond to this observation.*

Auditor General's Position

1.1.12.6 In the absence of Management's respond, we maintain our recommendation. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009

1.1.13 Internal Control Related Issues

1.1.14 Risk Assessment

Observation

1.1.14.1 The Internal Control Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), requires organization specified objective with sufficient clarity to enable the identification and assessment of risk relating to objectives. Risk Assessment involves the identification; analysis and evaluation of risks by management which enables management to cost effectively manage and mitigate risks or threats to the achievement of the entity's goals and objectives. The above should be supported by a risk Management Policy.

1.1.14.2 Operational risks arise in the normal course of operations, while fraud risks arise from intentional misdeeds committed to gain personal benefit. The responsibility for identifying risks and developing plans to manage risks belongs to the entity's management.

1.1.14.3 Our assessment of FIU risk assessment process revealed that the entity does not have a risk assessment process in place for identifying, analyzing and evaluating organizational risks.

Risk

1.1.14.4 The lack of the risk assessment process could prevent management from identifying, assessed changed that could significantly impact the system of internal controls and appropriate steps will not be taken to improve operational efficiency.

Recommendation

1.1.14.5 The Board should ensure that FIU management establish a risk management policy and perform periodic risk assessment to enable the entity identify risks and design appropriate responses to address those risks.

Management's Response

1.1.14.6 *Management did not respond to this observation.*

Auditor General's Position

1.1.14.7 In the absence of Management's respond, we maintain our recommendation.

1.1.15 Monitoring

Observation

1.1.15.1 An internal control system must be under continuing supervision by management to determine that it is functioning as prescribed and modified, as appropriate, for changes in conditions. Monitoring internal controls ensures controls are operating as intended and that they are modified appropriately for changes in condition. This is accomplished through on-going monitoring activities, separate evaluations or a combination of both, in order to ensure that internal control continues to be applied at all levels and across the entity, and that internal control achieves the desired results.

1.1.15.2 During the audit there was no evidence that FIU had established procedures to monitor the operating effectiveness of internal controls on a regular basis. Additionally, we observed that the Bank Reconciliation was signed and approved by the DG/CEO. Moreover, some requests were not signed by the FC and the DG.

Risk

1.1.15.3 Failure to effectively evaluate the internal control system could impede management's ability to identify deficiencies within its operations, thereby affecting the reliability of financial and non-financial information.

Recommendation

1.1.15.4 The Board should ensure that management establishes an Internal Audit function to assist in the monitoring of the organization's internal control system. The Board must also ensure that management establishes procedures to monitor the effectiveness of the internal control on a regular basis. Internal control deficiencies detected through these monitoring activities should be reported and corrective actions should be taken to ensure continuous improvement of the system.

Management's Response

1.1.15.5 *Management did not respond to this observation.*

Auditor General's Position

1.1.15.6 In the absence of Management's respond, we maintain our recommendation.

ANNEXTURE

Annexure 1 Table #1 Inadequate Supporting Documentation

Date	Voucher #	Description	Amount		Paye	Account code	Comment
7/22/16	PV#:00376	Payment representing the cost of outstanding Stationery and arrears form FY-2013/14	98,230		Lion Stationery	221602	No Business Registration Tax Tax Clearance
7/22/16	PV# 00375	Payment representing the cost of Fuel & Lube (vehicle & General)		2,000.00	Total Liberia	221401	No Tax Clearance, No Business Registration .
7/22/16	PV#:00378	Payment representing the cost of Operational Scratch Card	182,400.00		Dynamic Marketing INC	221203	No tax clearance no Business Registration and no Request for payment.
8/26/16	PV#:003	Payment representing the cost of Operational Scratch Cards for the month of July, 2016	190,000.00		Dynamic Marketing Inc	221203	No request for Payment
8/26/16	PV#004	Payment representing the cost of Operational fuel & Lube for the month of July, 2016	103,880.00	3,010.00	Total Liberia Inc	221401	Tax clearance Expire.
9/18/17	PV#: 080	Payment representing the cost of subscription of KYC		1,500	Financial Intelligence Unit	221203	No Receipt Attached
10/12/16	PV#:016	Payment		1,060.00	LIBTELCO	221203	No Request

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Date	Voucher #	Description	Amount		Paye	Account code	Comment
		representing the cost of Internet subscription for the month of august & september 2016					
10/12/16	PV#:011	Payment representing the cost of fuel & Lube for the month of august & sept 2016	528,000		Total Liberia	221401	No business Registration No Tax clearance No Contract
10/12/16	PV#:017	Payment representing the cost of fuel & lube for the month of Augus & Sept 2016		3,520.00	Total Liberia Inc	221401s	No business Registration No Tax clearance No Request no Contract
12/15/16	PV#:026	Payment representing the cost of Fuel & Lube for the Month of Nov& Dec 2016s	126,776.00		Total Liberia Inc	221401	No Tax clearance No Business Registration , request not signed.
12/15/16	PV#:029	Payment representing the cost of Fuel & Lube for the monthes Nov& Dec 2016		8,681.00	Total Liberia Inc	221401	No Tax clearance and No contract
3/28/17	PV#:037	Payment representing the cost of fuel & Lub for office Vehicles &		4,400	Total Liberia Inc	221401	No Business Registration No Tax clearance

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Date	Voucher #	Description	Amount		Paye	Account code	Comment
		Generator for the month of february 2017					
4/20/17	PV#:054	Payment representing the cost of printing of invitation for the up coming 17th ministerial committee meeting & the 27th GIABA Technical commission Plenary meeting	38,500.00		Mends Johnson	221603	No Receipt
4/21/17	PV#: 056	Payment represnting the cost of repair 7 maintenance of 13 office air condition	27,500		Daniel M.C. Patmore	221501	No Receipt
4/25/17	PV#:059	Payment representing the cost of repair of office electrical infrasture of FIU facialities	14,300.00		Fredrick Mator	221501	No Receipt
5/11/17	PV#:068	Payment represnting the cost of final coat of fuel for the GAIBA may 2017 fuel	387,105.67		Petro Trade Liberia	2221401	No Business registration no tax Clearence
6/16/17	PV#:071	Payment representing		834.00	Moerrn Image	221606	No there qotations,

Date	Voucher #	Description	Amount		Paye	Account code	Comment
		the cost of Complete Hand Sanitizer dispenser Stand (batteries & refill) for the GIABA May 2017 Plenary & Ministerial Meeting			consultancy		no business Registration and no tax clearance.
8/17/17	PV#:086	Payment representing the cost of fuour FIU Staff Training in the DFE Examination	625,000		Ales W. Daniels	221909	No receipt
9/28/17	PV#113	Payment representing the final payment for the ctering service for the trainig of staff of stakeholders institution at the CBL	892,000		Lutus Bar and Restaruant	221606	No Business Registration and Tax Clearance
Total			3,213,691.7	25,005.00			

Annexure 2 Table # 2 Assets not recorded on the FAR

Office Assets is Assigned	Description	Condition
Finance Officer	Executive Chair(1),one safe, one icebox, one desktop, one visitor chair, one wooden chair, one old safe, one shredder, one desk and one cabinet.	Good
Administrative Assistant	One executive chair, one executive desk and one small desk.	Good
Corporate Affair	One printer, two visitors chairs, one big and one small.	Good

Annexure 2 Table # 2 Assets not recorded on the FAR

Office Assets is Assigned	Description	Condition
Compliance Office	One HP desktop, two executive chairs, one aftron conditioner, two desk and one visitor chair	Good
Executive Assistant	Two cabinets, one big desk, one small desk, one executive chair and one wooden chair.	Good
Research Analyst	One desk, one visitor chair, one executive chair and one cabinet	Good
Conference Room	One big desk, five executive chairs and one router	Good
Director General	Four wooden chairs, one executive desk, one HP laptop, one color printer and one small desk	Good
IT Officer	One land phone, one backup, one desk, one chair and one small dell laptop	Good
IT Analyst	One land phone, four land phones (under repair), one switch, two router, one aftron air conditioner, one executive chair and one desk	Good
Procurement Office	One shredder, one desk, one executive chair, two visitor chairs, one cabinet and one land phone	Good
Maintenance Office	One fan(not in used), one desk, two chairs, one cabinet, three chairs and one land phone	Fan, not in used, the rest are good.
Hallway	50 white plastic chairs	Good
Compliance Officer	One desk, one land phone and one executive chair	Good
Deputy Director	One dell laptop, one executive chair, two wooden chairs, one land phone, two desk, one new and one old	Good
Analysis Officer	One cabinet, one executive chair, one visitor chair, one land phone and one desk	Good
Intelligence Analysis	Four desks, three big and one small, three executive chairs, one shredder, one UPS(APC), one big photocopier double (Canon)	Good
Receptionist	One cabinet, one desk, one executive chair, three visitors(iron) and one land phone	Good
Generator Room	Generac(gasoline)	Damage

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