

## **Management Letter**

### **On the Financial Statement Audit of the Liberia Telecommunications Authority**

*For the fiscal period ended June 30, 2017*



**Promoting Accountability of Public Resources**

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

**Monrovia, Liberia**  
December 2020

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Hon. Edwina Crump Zackpah  
Acting Chairperson, Board of Commissioners  
Liberia Telecommunications Authority (LTA)  
Menetamba Road, Cooper's beach Community  
Paynesville, Liberia

December 31, 2020

Dear Hon. Zackpah

The Financial statements of the Liberia Telecommunication Authority (LTA) for the fiscal period ended June 30, 2017 are subject to audit by the Auditor-General (AG) consistent with the AG's mandate as provided for in section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Audit Engagement (Terms of Reference ToR)

### **Introduction**

The Audit of the Liberia Telecommunication Authority (LTA) Financial statements for the fiscal period ended June 30, 2016 has been completed and the purpose of this Management Letter/ Draft Report is to bring to your attention the finding that were revealed during the audit.

### **Audit Scope and Determination of Responsibility.**

The audit was conducted in accordance with International Standards of Supreme Audit Institution (ISSAIs) as promulgated by International Organization of Supreme Audit Institutions (INTOSAI) as well the audit engagement Terms of Reference (ToR). 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 financial statements.

An audit involves;

- Examination on a test basis of evidence supporting 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

An audit also includes an examination, on a test basis of evidence supporting in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matter,

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 matter and/or weaknesses that were not identified.

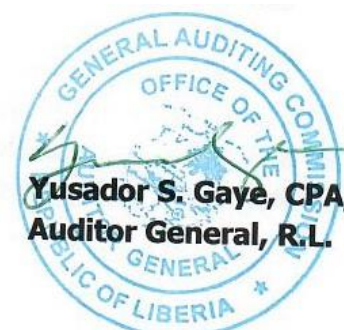
The Financial statements, maintenance of effective control measures and compliance with laws and regulation are the responsibility of the Management of the Liberia Telecommunication Authority. Our responsibility is to express an opinion on these financial statements.

**Key Management**

<b>Name</b>	<b>Rank</b>	<b>Tenure</b>
Angelique E. Weeks	Chairperson	2009- Present
Harry T. Yuan, Sr.	Commissioner	2011- Present
Henry W. Benson	Commissioner	2009- Present
Bayogar A. Mccrity	Commissioner	2014- Present
Maria Harrison	Commissioner	2014- Present
Augustus P. Randall	Comptroller	2009- Present
Brenda Brewer Moore	Human Resource Director	2010- Present
Prince Goah	Procurement and Logistics Director	2010- Present

**Appreciation**

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Liberia Telecommunication Authority (LTA) during the audit.



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

**Monrovia, Liberia**

December 2020

## 1 DETAILED FINDINGS AND RECOMMENDATIONS

### 1.1 Financial Issues

#### 1.1.1 Discrepancy between Financial Statements and General Ledger

##### Observations

1.1.1.1 Section 36(1) of the Public Financial Management (PFM) Act of 2009 states that "it is a general responsibility under this Act for all government officials handling public financial transactions to ensure that financial information is reported in a timely, comprehensive, and accurate manner, in the manner prescribed in this Act, under its regulations, and in instruction issued by the Minister".

1.1.1.2 During the audit, it was observed that opening balances on the financial statement did not agree with the general ledgers. **See Table 1 for detail.**

**Table 1: Discrepancy between Financial Statements and General Ledgers.**

Descriptions	Amount Per Financial Statement (US\$) A	Amount Per General Ledger (US\$) B	Difference (US\$) C = A - B
Beginning balance cash 2016/2017	579,432.42	422,040.24	157,392.18
7-010- Office space and Lease	156,000.00	271,763.35	-115,763.35

##### Risk

1.1.1.3 The accuracy of the financial statement could be in doubt.

##### Recommendation

1.1.1.4 Management should provide justification for the differences.

##### Management's Response

1.1.1.5 The beginning cash balance is inclusive of LTA's 39% share (US\$325,369.71) from UBA Transitory A/c #:2, outstanding salary advance balance brought forward and cash balance of UBA Transitory Account IGM as at June 30, 2017. However, we do acknowledge the inadvertent understatement of the Office Space/Lease amount in the financial and will affect the appropriate change accordingly. **Please see Matrix : 1 below:**

**Matrix 1: Discrepancy between Financial Statement & General Ledgers**

Description	Code	Amt. USD
CBL LRD B/F	100-3	166,284.16
Petty Cash LRD B/F	100-4	713.41
CBL USD B/F	1001	245,268.48
Ecobank USD B/F	1002	4,528.02
UBA USD B/F	1003	1,226.65
Petty Cash USD B/F	1004	487.44
IB USD B/F	1005	291.58
GT Bank USD B/F	1006	260.50

**Matrix 1: Discrepancy between Financial Statement & General Ledgers**

Description	Code	Amt. USD
Bank- Others USD B/F	1000	2,980.00
<b>Total</b>		<b>422,040.24</b>
LTA's Expected share from UBA Transitory A/c #2 B/F	11010	126,894.19
Outstanding Salary Advance	1450	29,899.98
UBA Transitory A/c IGM	11001	598.01
<b>Sub-Total</b>		<b>157,392.18</b>
<b>Total</b>		<b>\$ 579,432.42</b>

**Auditor General's Position**

1.1.1.6 We acknowledge management acceptance of our findings. However, the assertion by LTA Management did not state whether the issue has been resolved. Therefore, the impact of the uncorrected difference will be evaluated against the overall opinion of the audit.

**1.1.2 Bad Debts**

**Observations**

1.1.2.1 Regulations W.28 (2) of the PFM Act of 2009 states that "Application for write-off shall be accompanied by an investigation report indicating whether remedial accounting or other action is necessary".

1.1.2.2 During the audit, it was observed that the Management of LTA wrote-off two (2) existing telecommunication companies billed in the amount of US\$10,848,000.00 without evidence of investigative reports or meeting minutes of the Board of Commissioners. **See table 2 below for detail.**

**Table 2: Bad Debts**

Type	Date	Num	Name	Memo	Split	Amount US\$
General Journal	8/23/2016	07-2016-2	Orange Liberia (Cellcom)	Fines and Penalty waive for SIM Card/RUIM regulation violation by the LTA	7-020 · Bad Debt	1,611,200.00
General Journal	1/17/2017	BR-01/17-1	Lonestar Communications -GSM	To record fine write-off as approved by BOC on January 13, 2017	7-020 · Bad Debt	9,236,800.00
<b>Total</b>						<b>10,848,000.00</b>

### **Risk**

- 1.1.2.3 Failure to provide information on the debt write-off could lead to discretionary action and non-achievement for the value of money.

### **Recommendation**

- 1.1.2.4 Management should provide substantive justification for the write-off in the amount of US\$10,848,000.00

### **Management's Response**

- 1.1.2.5 *Disagreed. The instruction to write off the balances as stated in your observation is contained in a MOU approved by the Board of Commissioners. However, upon the intervention of the National Legislature, the balances were reinstated in the financials of the LTA and awaiting resolution.*

### **Auditor General's Position**

- 1.1.2.6 The LTA Management did not provide any documentation to show that the balances written off were reinstated in the LTA financials statements as claimed by the management. Therefore, we maintained our finding.

## **1.1.3 Un-reconciled Transfer**

### **Observations**

- 1.1.3.1 Regulations O.24 (1 & 2) of the PFM Act of 2009 states that "(1) A Head of Government Agency shall ensure that his accounts are properly maintained and are correct at all times. (2) A Head of Government Agency shall, in relation to sub-regulation (1) appoint an officer who shall examine and check daily, all entries in cash books and other books of account, the counterfoils or copies of receipts or original documents to verify the correctness of the transactions."
- 1.1.3.2 During the audit, it was observed that the LTA Management directed all of its revenues streams into the Transitory Account which was intended to hold fees generated from the international inbound calls. Due to the co-mingling of the revenues LTA could not reconcile an amount of US\$134,269.40 reported in the financial statements as un-reconciled transfer for the period under audit
- 1.1.3.3 The un-reconciled transfer amount could not be traced to the bank statements at the UBALL neither the general ledger provided from the quick book system.

### **Risks**

- 1.1.3.4 The accuracy of the financial statement could be in doubt.
- 1.1.3.5 It could deceive users of the LTA financial statements on the actual cash receipts for the year.

### Recommendation

- 1.1.3.6 Management should provide substantive justification for the un-reconciled figure in the amount of US\$134,269.40 reported in the Financial Statements that could not be traced to the bank statements at the UBALL and the general ledger.

### Management's Response

- 1.1.3.7 Given the challenge posed by the use of one Transitory Account to accommodate all revenues of the sector at the time, said unreconciled difference would exist when the revenue classification type is used as the basis to determine actual revenue generated. However, using the Cashbook of Transitory Account along with the Bank Statements, you would realize that said difference does not exist and LTA received its legitimate share of all revenues collected during the period under review, FY2016/2017. **See schedule below**

#### Revenue Distribution Schedule: Annual Report (July 1, 2016 through June 30, 2017)

		LTA	GOL	GVG/Connex
	Gross Amount	2017	2017	2017
All Regulatory Fees	5,224,003.69	2,125,162.62	3,098,841.06	
Regulatory Fee Arrears (CBL)	3,528,120.27	1,644,150.20	1,883,970.07	
Int'l Calls Termination Fee-UBA	5,538,968.25	1,125,691.07	1,375,844.65	3,057,432.54
Refund/Others	24,676.00	24,676.00		
Bank Charges	960.00			
<b>Total Gross Revenue</b>	<b>14,316,728.21</b>	<b>4,919,679.89</b>	<b>6,358,655.78</b>	<b>3,057,432.54</b>

### Auditor General's Position

- 1.1.3.8 The assertions by the LTA Management did not address the issue raised. Therefore, the LTA Management should do a complete reconciliation on the transitory account to ascertain the source of the unreconciled amount of US\$134,269.40.
- 1.1.3.9 Further, the LTA Management should ensure that a separate account is maintained for International Call Termination Fee

### 1.1.4 Revenue Distribution

#### Observations

- 1.1.4.1 Paragraph 1 (Mutual Understanding) Section (1) of the Addendum Memorandum of Understanding signed among the parties on January 23, 2016 states that "all revenues generated from regulatory fees charged on incoming international calls shall be deposited into an account named "MFDP/LTA and GVG Fees Transitory Account" (also referred to herein as "Transitory Account") and operated and managed according to Administrative Regulation No. PFMA-01/MOF/R/02/2010 of the Public Financial Management Act of 2009.
- 1.1.4.2 Furthermore, Paragraph 2 A (2 & 6) states that (2) "From the accounts deposited and credited to the Transitory Account described in paragraph 1 hereof, UBALL shall distribute the monthly aggregate receipts as follows:
- a) MFDP 27.45%
  - b) LTA 17.55%
  - c) GVG 55%



1.1.4.3 (6) "There shall be no change in the method of distribution from the Transitory Account except as agreed upon by the parties in writing and the necessary addendum made to MOU."

1.1.4.4 During the audit, a difference of US\$ 161,680.04 was observed between the total revenue of the International Inbound Calls Termination Fees per the financial statements and the amount that should have been received by LTA per the sharing agreement. **See table 3 for detail.**

**Table 3: Revenue Distribution**

Period	Total Revenue from Int'l Calls Termination Fee US\$ A	Less: Bank Charges US\$ B	Cash for Distribution US\$ C = A-B	Sharing Ratio D	Amount to be received per the MOU US\$ E = C X D	Amount Received per the Financial Statements US\$ F	Difference US\$ G = E - F
July 2015 - June 2016	5,981,909.69	960.00	5,980,949.69	17.55%	1,049,656.67	1,211,336.71	(161,680.04)

**Risk**

1.1.4.5 Failure to receive the actual amount of revenue is a violation of the MOU and could lead to understatements of revenue and non-achievement of entity's objectives.

**Recommendation**

1.1.4.6 Management should provide justification for the difference between the MOU and the financial statements.

**Management's Response**

1.1.4.7 Due to the co-mingling issue, the International Inbound Calls Termination Fee was overstated in the financial. However, the use of the UBA Transitory Account #: 2 would give the actual Termination Fee as **see in Matrix 2 below:**

**Matrix 1: Revenue Distribution**

		LTA	GOL	GVG/Connex
	Gross Amount	2017	2017	2017
Int'l Calls Termination Fee-UBA	5,539,928.25	1,125,691.07	1,375,844.65	3,057,432.54
<b>Total Revenue</b>	<b>5,539,928.25</b>	<b>1,125,691.07</b>	<b>1,375,844.65</b>	<b>3,057,432.54</b>

**Auditor General's Position**

1.1.4.8 We acknowledge management acceptance of our findings between the MOU and the financial statements. Further, the LTA Management should ensure that a separate account is maintained for International Call Termination Fee.

### **1.1.5 CBL Exchange Rate**

#### **Observation**

- 1.1.5.1 Regulations F.1(4) of the PFM Act of 2009 states "where the government debt is revalue in Liberian dollars, obligations denominated in foreign exchange other than the United States dollars shall be translated at the exchange rate of the Central Bank of Liberia as of the date of revaluation".
- 1.1.5.2 During the audit, we observed that the amount of L\$6,917,153.85 was deposited into the LTA LRD Operational Account domicile at the CBL as payment against invoices in United States Dollars by Lonestar GSM and Novafone Incorporated for fiscal year 2016/2017 with various exchange rates been used by the LTA Management.
- 1.1.5.3 We further observed from the Liberia Financial Statistical Report that the CBL daily exchange rate reported runs contrary to the exchange rate used by the LTA; thus resulting into an un-explained difference in the amount of US\$-3,825. **See table 4 for detail.**

**Table 4: Exchange Rate**

DATE	CHECK#	PAYEE	DESCRIPTION	AMOUNT (L\$) A	LTA Exchange Rate Used B	EQUIVALENT AMOUNT (US\$) C = A/B	CBL Exchange Rate D	EQUIVALENT AMOUNT (US\$) E = A/D	Difference (US\$) F= C - E
7/27/2016	0008157	Novafone Incorporated	Annual Spectrum/Regulatory fee payment of (L\$6,182,668.85) received in L\$ at the exchange rate o...	6,182,668.85	99.01	62,446.15	93.00	66,480.31	-4,034.16
01/25/2017	20172810	Lonestar Communications -GSM	Annual License/Spectrum Regulatory payment of L\$734,485.00@ the exchange rate of US\$1 to L\$101.50	734,485.00	101.01	7,271.40	104.00	7,062.36	209.04
<b>Total</b>				<b>6,917,153.85</b>		<b>69,717.55</b>		<b>73,542.67</b>	<b>-3,825.12</b>

## Risks

- 1.1.5.4 The accuracy and fairness of the financial statements cannot be assured.
- 1.1.5.5 The accuracy of the financial statement could be in doubt or undermine public sector accountability and transparency.

## Recommendation

- 1.1.5.6 LTA Management should provide justification for using an exchange rate which is different from the Central bank of Liberia published exchange rate for fiscal year 2016/2017.

## Management's Response

- 1.1.5.7 *Liberia Financial Statistical Institution sets said basis of exchange rate to mitigate the risk of dispute among businesses and Revenue Collection Authority. Notwithstanding, flexibility demanded us to negotiate with Lonestar/Novafone-MTN for said premium on exchange in order to share any anticipated foreign exchange loss since majority of our expenditures was in United States Dollars.*

## Auditor General's Position

- 1.1.5.8 The assertion by the LTA Management does not address the issue raised. The CBL is the institution responsible to determine and publish exchange rates. Therefore, the LTA Management should apply the approved rate published by the CBL for the transactions.

## 1.1.6 Expenditure above budgetary lines

### Observations

- 1.1.6.1 PFM Regulation E.8 section 1 and 2(h) of the PFM Act of 2009 states that (1) "Where circumstances arise in which the operating requirements of a Government Agency make it necessary to rearrange the budget provision for sub-heads, items or sub-items or sub-sub-items within the ambit of a single head, savings under one Classification may be utilised to provide for extra expenditure under another without affecting the total funds to be disbursed from the head".
- 1.1.6.2 2(h) "Request for reallocations within an agency between programs may be approved up to a total for the year not exceeding ten (10) per cent of the original appropriation for the program from which the reallocation is to be made".
- 1.1.6.3 During the audit, it was observed that the LTA management expended the amount of US\$85,478.34 on several budgeted lines items as opposed to its US\$72,500 approved budget by the Ministry of Finance and Development for fiscal year 2016/2017; thus creating an unexplained difference of US\$12,978.34. **See table 5 for detail.**

**Table 5: Expenditure above budgetary lines.**

Fiscal Year	Code	Accounts Title	Financial Statements Amount US\$ A	Budgeted Amount US\$ B	Difference US\$ C = A - B
2016/2017	3-005	WATRA Activities	56,679.26	50,000.00	6,679.26
	9-003	Office Furniture and Fixture	28,799.08	22,500.00	6,299.08
<b>Total</b>			<b>85,478.34</b>	<b>72,500</b>	<b>12,978.34</b>

### Risk

1.1.6.4 Payments above budgetary limits may lead to misappropriation of public Resources.

### Recommendation

1.1.6.5 Management should provide the source of the extra cash of US\$12,978.34 which was spent over the approved budget for FY 2016/2017.

1.1.6.6 Going forward, the LTA Management must ensure that all expenditures are in the limits set by the budget and in according with the provision of the PFM Regulation above.

### Management's Response

1.1.6.7 *We spent actual US\$48,829.26 from the approved budget line item, 3-005 (WATRA Activities) and the difference of US\$7,850.00 spent was donation received from sponsors and directly deposited into LTA's CBL Operational Account for said International Event. However, the US\$6,299.34 was spent from the contingency budget line item (10-001, US\$92,331.00) due the constraints faced by the relocation of LTA's Head Office.*

### Auditor General's Position

1.1.6.8 We acknowledge management acceptance of our findings. However, the justifications given by the LTA Management did not address the issue raised. Therefore, the LTA Management should be held to account for making expenditure above the approved budget.

## 1.1.7 Payment without Supporting Documents

### Observation

1.1.7.1 Regulation A.3 of the PFM Acts of 2009 states 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. 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".

1.1.7.2 During the audit, there was no evidence of payment vouchers to support expenditure amounting to US\$54,257.00 for the procurement of fuel/gasoline. **See table 6 for details**

**Table 6: Payment without Supporting Documents**

Date	Check #	Payee	Narrative	Amount L\$ from CBL	Rate	Reporting Amount US\$
19-Dec-16	00001823	Aminata & Sons Gas Station	Payment covers settlement of LTA operation fuel/gasoline supplied for December, 2016	0.00	0.00	18,972.00
19-Apr-17	0000365	Aminata & Sons, Inc-2	Settlement of operational fuel supplied LTA for April, 2017	1,656,886.00	106	15,631.00
7-Jun-17	00000418	Aminata & Sons, Inc-2	Cost of operational fuel/gasoline supplied LTA for the month of June, 2017	2,202,820.32	112.08	19,654.00
<b>TOTAL</b>						<b>54,257.00</b>

### Risk

1.1.7.3 Failure to provide supporting documents for the expenditure could undermine the integrity of the financial statements.

### Recommendation

1.1.7.4 The LTA Management should provide the payment vouchers and supporting documents.

### Management's Response

1.1.7.5 *All payment vouchers were contained in box files submitted to GAC's Auditors. Nevertheless, for any reason (s) that these vouchers are unavailable due to the loss of few documents during our relocation from the Congo Town main Office, we would appreciate you confirm such purchases from the entity mentioned. The LTA wouldn't have utilized such benefits if the purchases weren't initiated during the period under review.*

### Auditor General's Position

1.1.7.6 The assertion by the LTA Management is not backed by any documentary evidence. Therefore, the LTA Management is in breach of Regulations A.20 of the PFM Regulations of 2009.

## 1.1.8 Discrepancy between payment voucher and general ledger

### Observations

1.1.8.1 Regulation A.3(1) of the PFM Act of 2009 states 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”.

- 1.1.8.2 During the audit, it was observed that the LTA Management made payment on voucher number 6557 for 6,495 gallons of fuel/gasoline which amounted to US\$18,900.45 could not agree with the amount of US\$2,910.00 reported on the general ledger for the month of July 2016; thus creating a difference of US\$15,990.45.

### **Risk**

- 1.1.8.3 The accuracy of the financial statement could be in doubt.

### **Recommendation**

- 1.1.8.4 The LTA Management should provide justification for the difference

### **Management’s Response**

- 1.1.8.5 *The difference was inadvertently posted/charged to other expenses:7-013-Employees benefit. However, the total payment is show in the LTA USD cashbook as payment to Aminata & Sons for said service.*

### **Auditor General’s Position**

- 1.1.8.6 We acknowledge management acceptance of our findings. The LTA Management should adjust the transaction to the ledger to ensure that the correct amount is posted. Going forward, the LTA should ensure that transactions posted to the ledger agree with its source document.

## **1.2 Internal Controls Related Issues**

### **1.2.1 Corporate Social Responsibility**

#### **Observations**

- 1.2.1.1 *Regulation A.3(1) of the PFM Act of 2009 states 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”.*
- 1.2.1.2 During the audit, it was observed that the management of LTA expended the amount of US\$171,037.09 without evidence of an approved policy to guide the corporate social responsibility activities of the LTA. **See annex 2 for detail**

### **Risk**

- 1.2.1.3 In the absence of an approved corporate social responsibility policy, the LTA Management could engage into discretionary corporate social responsibility activities.

### **Recommendation**

- 1.2.1.4 The Management of LTA should provide justification why it expended the amount US\$171,037.09 without approved corporate social responsibility policy.
- 1.2.1.5 The Management of LTA should formulate a corporate social responsibility policy to guide its activities.

### **Management Response: Agreed**

- 1.2.1.6 *Currently, the LTA has no written policy relative to its corporate social responsibility. However, corporate social responsibilities activities undertaken by the LTA are done to complement GOL's evolving strategic priorities. While there is no laid down policy, corporate social responsibility activities are approved by the Board of Commissioners of the LTA.*
- 1.2.1.7 *Relative to your recommendation, the LTA will adopt a written Policy and Procedures to govern and guide the execution of its corporate social responsibility programs.*

### **Auditor General's Position**

- 1.2.1.8 We acknowledge management acceptance of our findings. We will make a follow up on the implementation of management's assertion.

## **1.2.2 Audit Committee**

### **Observations**

- 1.2.2.1 K.10 of the PFM Regulations of 2009, "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".
- 1.2.2.2 During the audit, it was observed that the LTA Management did not established an Audit Committee

### **Risk**

- 1.2.2.3 The failure of LTA Management to establish and maintain an audit committee could lead to lack of oversight of the internal audit activities.



### **Recommendation**

- 1.2.2.4 The LTA 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 Response: Disagreed**

- 1.2.2.5 *The LTA's Management recognizes the importance of Audit Committee in any organization, where applicable. Management is aware that the Audit Committee assists the board fulfils its corporate governance responsibilities in relation to its financial reporting, internal control systems, risk management system, internal and external audit functions. However, the composition of Audit Committee normally includes Non-Executive Directors (NEDs) who are not involved in the daily operations of the organization. Such composition is difficult if not impossible to have in governmental organizations. One of the major reasons of not having effective audit committees in government institution is financial resource constraint. Moreover, the LTA's Board is a working one and is therefore also charge with handling issues that would otherwise require the presence of an effective audit committee as necessitated by best practices.*
- 1.2.2.6 *Despite this constraint, the LTA has a working bespoke audit committee. The Board of Commissioners considering the internal control, financial and risk environment of the LTA, are members of the audit committee. As a result, the Internal Audit Section reports to the Board of Commissioners functionally and to the Chairperson administratively. The workings of the bespoke audit committee are discussed inter alia during the regular and special meetings of the Board of Commissioners*

### **Auditor General's Position**

- 1.2.2.7 The assertions by the LTA Management are not backed by any provision of the PFM Act of 2009 and its Regulations. Therefore, we maintain our recommendation.

## **1.2.3 Internal Audit Independence**

### **Observations**

- 1.2.3.1 The International Standards for Professional Practice of Internal Auditing Paragraph 1100 states that "the internal audit activity maintained by agencies and ministries must be independent, and internal auditors must be objective in performing their work."
- 1.2.3.2 In addition, Paragraph 1130.A1, of the above Standards states that "Internal Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year".
- 1.2.3.3 During the audit, it was observed that the Internal Auditor of the LTA was engaged in pre-audit activities, i.e. review and clearance of payment vouchers and other financial transactions before payments are made to vendors and other beneficiaries.

### **Risks**

- 1.2.3.4 The conduct of pre-audit by the internal auditor could be viewed as self-review in the event where the Internal Auditor carries out his post audit responsibilities.
- 1.2.3.5 Additionally, pre-audit is time consuming and could prevent the internal auditor from executing his Annual Audit Plan.

### **Recommendation**

- 1.2.3.6 The internal auditor at the LTA should engage into audit activities that provide independent assurance that the operational risk management, governance and internal control processes are operating effectively.

### **Management Response: Disagreed.**

- 1.2.3.7 *The processing of transactions within the LTA originates with the user department sending a request for the purchase of goods or services to the offices of the Director of Administration. The Director of Administration working along with the Procurement and Logistics Section conducts the necessary procurement proceedings that lead to purchase of the requested goods or services. The action of the offices of the Director of Administration and Procurement and Logistics Section is then reviewed and received "Objection" or "No Objection" from the Internal Audit Section. If the action of Internal Audit is "No Objection", the Purchase Order or Payment Request is forwarded to the Finance Section for further payment proceedings. If it is rejected, it is send back to the offices of Director of Administration and procurement Section.*
- 1.2.3.8 *After the relevant Payment Voucher and Check are prepared, they are forwarded to the Internal Audit Section for Pre-audit. The Pre-audit process is where the Payment Voucher and Check are reviewed by Internal Audit to ensure that reasonable assurance exits that the necessary authorization and control procedures have been followed and the amount on the Payment Voucher and Check agrees with the related Payment Request and Invoice. To provide such assurance, Internal Audit re-computes and agrees the figures on the Payment Voucher, Check, Payment Request and Invoice. This is intended to detect and prevent any potential financial and regulatory anomalies at the initial stage of transactions.*
- 1.2.3.9 *To further strengthen the control environment, the Internal Audit Section later conducts Post-audit at which time the emphasis is on control weakness and how it can be improved to prevent future breach of any controls. Therefore, review and initialling of Payment Voucher by Internal Audit which is independent of the preparation of the payment voucher and supporting documents does not impair the independence of Internal Audit but help strengthen the integrity of the transaction cycle by providing an independent assessment or appraisal.*
- 1.2.3.10 *However, in addition to providing pre-audit activities, the Internal Audit section will conduct audits of various activities of the LTA as per the Internal Audit Plan for fiscal year 2020/2021.*

### **Auditor General's Position**

1.2.3.11 The assertions by the LTA Management do not address the issue raised. Therefore, we maintain our recommendation.

## **1.3 IT Related Issues**

### **1.3.1 IT Strategic Plan**

#### **Observation**

1.3.1.1 COBIT 4.1 PO 1.4 provides that a strategic plan should be created in cooperation with relevant stakeholders. It should define how IT goals will contribute to the enterprise's strategic objectives and related costs and risks. It should include how IT will support IT-enabled investments programs, IT services and IT assets. IT should define how the objectives will be met the measurements to be used and the procedures to obtain formal sign-off from the stakeholders.

1.3.1.2 The IT strategic plan should cover investment/operational budget, funding sources, sourcing strategy, acquisition strategy, and legal and regulatory requirements. The strategic plan should be sufficiently detailed to allow for the definition of tactical IT plan.

1.3.1.3 During the audit, we requested LTA to provide the IT Strategic Plan of the entity for review. We observed that the entity does not have an IT Strategic plan. This plan is important in providing the overall IT direction of the entity and how IT can be aligned with the business plan.

#### **Risk**

1.3.1.4 The non-establishment of an IT strategic plan could result in IT goals not contributing to the department's strategic objectives and related costs and risks.

#### **Recommendation**

1.3.1.5 We recommend that LTA management come up with an IT Strategic Plan that will involve all user departments and be subsequently approved by senior management.

#### **Management's Response**

1.3.1.6 *There is an existing LTA ICT Strategic Plan of 2012-2016 that has just been exhausted and a new plan is about to be drafted for approval. The new plan will cover the period from 2017 to 2019 to include the procurement and installations of LAN/WLAN resources, Internet, Telephony network, new Systems equipment, power backup, hosting of external entities equipment and services, etc.*

#### **Auditor General's Position**

1.3.1.7 We acknowledge management's acceptance of our finding. We will make a follow up on the implementation of management's assertion.

### 1.3.2 IT Strategy Committee and IT Steering Committee

#### Observation

- 1.3.2.1 COBIT 4.1 PO 4.2 requires entities to establish an IT strategy committee at the board level. This committee should ensure that IT governance, as part of enterprise governance, is adequately addressed; advised on strategic direction, and review major investment on behalf of the full board.
- 1.3.2.2 COBIT 4.1 PO 4.3 requires the establishment of IT steering committee (or equivalent) composed of executive, business and IT management to:
- Determine prioritization of IT enabled investment programs in line with the enterprise's business strategy and priorities.
  - Track status of projects and resolve resource conflict.
  - Monitor service level and service improvement.
- 1.3.2.3 During the conduct of the audit, it was observed that LTA does not have an IT Strategy Committee and an IT Steering Committee in place to handle the governance of IT at the entity. The above committees are important in the management of IT resources.

#### Risk

- 1.3.2.4 The non-establishment of an IT strategic committee at the board level could result in IT governance, as part of the enterprise governance and organizational governance may not be adequately managed and adhere to.

#### Recommendation

- 1.3.2.5 We recommend that LTA establishes an IT Strategy Committee and an IT Steering Committee to ensure the proper governance of IT resources.

#### Management's Response

- 1.3.2.6 *The LTA does not have any committee set up to date and No Network to secure its data. Documents for strategy and steering committees will be ready by August 15, 2021.*

#### Auditor General's Position

- 1.3.2.7 We acknowledge management's acceptance of our finding. We will make a follow up on the implementation of management's assertion.

### 1.3.3 Lack of Anti-virus

#### Observations

- 1.3.3.1 DS5.9 of Cobit 4.1 requires institutions to put preventive, detective and corrective measures in place (especially up-to-date security patches and virus control) across the organization to protect information systems and technology from malware (e.g., viruses, worms, spyware, spam).

1.3.3.2 During our review of the IT environment at LTA, we observed that the entity does not have anti-virus installed on computers being used by employees to carry out their tasks. Most importantly, the entity uses QuickBooks software to input financial transactions and that data is used to prepare the financial statements, but the computer on which the QuickBooks software is installed does not have antivirus.

**Risk**

1.3.3.3 IT services could be interrupted, data corruption could occur which could lead to financial statements being misstated.

**Recommendation**

1.3.3.4 The management of LTA should obtain an enterprise anti-virus and ensure regular updates.

**Management's Response**

1.3.3.5 *The LTA does not have any Virus protection in place protecting its data.' Network virus protection is expected by October15, 2021.*

**Auditor General's Position**

1.3.3.6 We acknowledge management's acceptance of our finding. We will make a follow up on the implementation of management's assertion.

**1.3.4 No Segregation of Duty**

**Observations**

1.3.4.1 PO4.11 of Cobit 4.1 requires institutions to implement a division of roles and responsibilities that reduces the possibility for a single individual to compromise a critical process. Make sure that personnel are performing only authorized duties relevant to their respective jobs and positions.

1.3.4.2 When examining the financial software being used by LTA, we observed the QuickBooks software is not used to process transactions but rather to input manually processed transactions in the system. It was also observed that there is no segregation of duty; all users have the same rights on the system.

**Risk**

1.3.4.3 If adequate segregation of duty is not adhered to could lead to changes being made to data which could lead to misstatement in the financial statements.

**Recommendation**

1.3.4.4 The LTA management should procure an Enterprise Resource Planning System which will have adequate segregation of duty.

**Management's Response: Agreed.**

1.3.4.5 *The LTA will procure an Enterprise Resource Planning System that will be suitable to its accounting and related internal controls needs.*

### **Auditor General's Position**

1.3.4.6 We acknowledge management's acceptance of our finding. We will make a follow up on the implementation of management's assertion.

### **1.3.5 LTA QuickBooks System**

#### **Observations**

1.3.5.1 Cobit A12.3 states that application control and auditability implement business controls, where appropriate, into automated application controls such that processing is accurate, complete, timely, authorized and auditable

1.3.5.2 During the audit, it was observed that the QuickBooks system used by the LTA is the premier edition which is very limited for the accounting operations of LTA. It has no proper segregation of duties; user access rights are very broad, meaning anyone can do anything without restrictions within a category.

1.3.5.3 Additionally, the entire QuickBooks system was wrongly configured so it still does not have the capability of producing accurate accrual financial statements (ex. Billing items were mapped to the wrong revenue accounts).

#### **Risks**

1.3.5.4 Using the limited edition for an accounting operation could manipulate the entire QuickBooks system in producing inaccurate financial data.

1.3.5.5 Additionally, without access right it could lead to an unauthorized individual entering to the system.

#### **Recommendations**

1.3.5.6 The Management of LTA should hire a knowledgeable expert as consultant to revamp the QuickBooks system and to train staff to use the system appropriately.

1.3.5.7 Also, the Management of LTA should use the enterprise edition instead of the premier edition.

#### **Management's Response**

1.3.5.8 *Regarding the hiring of an expert, the LTA disagreed. The LTA has professionals with the relevant knowledge in QuickBooks to serve its accounting needs. Relative to the use of an enterprise edition as opposed to premium one, the LTA agreed.*

#### **Auditor General's Position**

1.3.5.9 We acknowledge management's acceptance of our finding. We will make a follow up on the implementation of management's assertion.

### Annexures

No	Date	Check #	Payee	Purpose	Amount US\$
1	09/30/2016	00000171	Kids Educational Engagement Project-1	Payment covers LTA contribution toward Kids Education Engagement Project	600.00
2	12/01/2016	00000183	Nay -Younger Wulakelen Scho. Foundation	Payment represents LTA's contribution toward Rep. Edward W. Karfiah education program	10,000.00
3	12/01/2016	00000184	T-Five Academy	Payment represents LTA's contribution toward Rep. Thomas P. Fallah education program	20,000.00
4	12/02/2016	00000189	Nyonlee Cores Fundation	Payment cover LTA contribution toward Rep. Nyonblee Kangar Lawrence' foundation	1,000.00
5	12/02/2016	00000187	Jackson F. Doe Memorial Reg. Refer. Hosp.	Payment covers LTA contribution for repair of Hospital Mammogram Machine	1,000.00
6	12/02/2016	00000186	Ministry of Health & Social Welfare-2	Payment covers LTA contribution for the celebration of World Sight & Whilte Cane Safety Day	500.00
7	12/02/2016	00000188	Alpha Phi Alpha Freatenity, Inc-1	Payment covers LTA contribution for the institution 6th Annual Black & Gold Scholarship Ball	757.50
8	02/10/2017	00000303	Nyonlee Cores Foundation	Payment cover LTA contribution toward Rep. Nyonblee Kangar Lawrence' foundation	980.39
9	02/10/2017	DPS-0328668		Reversal of entry to record voided check #00000189	-1,000.00
10	03/09/2017	00000320	Sarah Cooper-1	LTA's contribution toward late employee (Joseph Cooper) funeral expenses	1,500.00
11	03/01/2017	00000315	Brenda Moore1	Cost to facilitate LTA's participation for the upcoming Int'l Women's Day Celebration	863.57
12	05/18/2017	00000398	William V. S. Tubman University-2	LTA Contribution to the W.V. S. Tubman University	10,000.00
13	05/18/2017	00000400	Liberia Medical Students Association	LTA's Contribution to the Liberia Medical Students Association	5,000.00
14	05/19/2017	00000402	University of Liberia-1	LTA contribution toward University of Liberia programs	10,000.00
15	06/12/2017	00000427	Checago Bright Foundation-1	LTA's contribution for tickets to the 4th Annual Fund-Raising Gala of the CB Foundation @ 112.57...	698.08
16	06/09/2017	00000426	Yellequelleh Multipurpose Coop. Soc. Ltd2	LTA's contribution to Institution's developmental initiative @ US\$1:L\$112.48	10,000.00
17	06/09/2017	00000425	Nay -Younger Wulakelen Scho.	LTA's contribution to Institution's developmental initiative @	10,000.00

*Management Letter on the Financial Statement Audit  
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No	Date	Check #	Payee	Purpose	Amount US\$
			Foundation	US\$1:L\$112.48	
18	06/09/2017	00000424	Wroto Town Children Association-2	LTA's contribution toward Association's School construction project for less fortunate children	30,000.00
19	06/12/2017	00000428	Liberia Information Technology Students-2	LTA's contribution toward the Institution's project to acquire an office space	496.10
20	09/13/2016	0014	Brenda Moore1	Cost of one piece of wreath for Mr. Dennis Wotoe's Funeral	50.00
21	10/19/2016	0065	Beatrice Kollie Martol	Purchase of one wreath for Chairperson's mother funeral	50.00
22	03/14/2017	0142	Beatrice Kollie-1	Purchase of one wreath for the funeral of Joseph Cooper	41.45
23	07/08/2016	00001564	Nay-Younger Wulakelen School Fund	Payment covers LTA's financial contribution to Younger Wulakelen scholarships program	10,000.00
24	07/08/2016	00001563	Loitoi Foundation Inc	Payment covers LTA's financial contribution to Loitoi Foundation Inc scholarships program	10,000.00
25	07/08/2016	00001566	Yellequelleh Multipurpose Coop. Soc. Ltd	Payment covers LTA's financial contribution to Yellequelleh Multipurpose Cooperative Society agr...	10,000.00
26	07/08/2016	00001567	TAS Group of Companies, Inc.	Payment covers LTA's financial contribution to TAS Group of Companies, Inc's programs	7,000.00
27	07/08/2016	00001565	CEEIT Technologies	Payment covers LTA's financial contribution to CEEIT Technologies Educational programs	13,000.00
28	09/07/2016	00001654	Helena Wotoe	Payment covers LTA's goodwill to its deceased employee's family	2,000.00
29	10/05/2016	00001720	D. Temynors Yeasuen, Jr.	Vacation stipend for the period September 1-30, 2016	200.00
30	10/05/2016	00001717	Benedict B. Troh	Vacation stipend for the period September 1-30, 2016	200.00
31	10/05/2016	00001716	Moses T. Sonyah, Jr.	Vacation stipend for the period September 1-30, 2016	200.00
32	10/05/2016	00001718	Henry Wesley	Vacation stipend for the period September 1-30, 2016	200.00
33	10/05/2016	00001715	Perauthumnjoy Nagbe	Vacation stipend for the period September 1-30, 2016	200.00
34	10/05/2016	00001710	Henry Dickson	Vacation stipend for the period September 1-30, 2016	200.00
35	10/05/2016	00001709	Ramelia Gray	Vacation stipend for the period September 1-30, 2016	200.00
36	10/05/2016	00001711	Faith Mathies	Vacation stipend for the period September 1-30, 2016	200.00
37	10/05/2016	00001713	Edwina Wisseh	Vacation stipend for the period September 1-30, 2016	200.00
38	10/18/2016	00001755	Benetta C. Andrews	LTA contribution toward late Cllr. Andrews funeral	3,500.00



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<b>No</b>	<b>Date</b>	<b>Check #</b>	<b>Payee</b>	<b>Purpose</b>	<b>Amount US\$</b>
39	10/05/2016	00001712	Theophilus A. Harmon	Payment covers one month stipend for the period September 1-30, 2016	200.00
40	06/08/2017	00002028	Barclayville Development Association	LTA's contribution toward the Association's Distrivt Town Hall Project	1,000.00
<b>Total</b>					<b>171,037.09</b>

