



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT

**ON THE FINANCIAL STATEMENT AUDIT
OF THE LIBERIA REVENUE AUTHORITY
(LRA)**

**FOR THE FISCAL PERIOD ENDED JUNE
30, 2017.**



January 2021

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

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Republic of Liberia

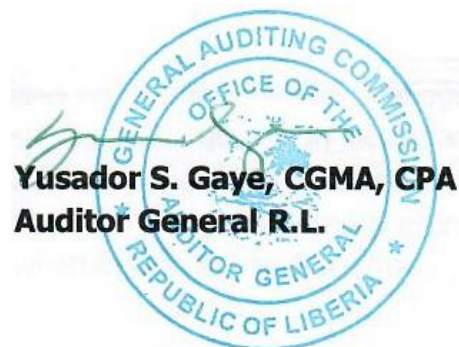


The Honorable Speaker of the House of Representatives, and the President Pro- Tempore of the House of Senate:

We have undertaken the audit of the Liberia Revenue Authority (LRA) financial statements for the financial year ended June 30, 2017. The audit was conducted under the Auditor General's statutory mandate, as provided for under section 2.1.3 of the GAC Act of 2014.

Findings conveyed in this report have been formally communicated to the Management of the Liberia Revenue Authority (LRA). Where responses have been provided by the Management on the audit findings, these have been evaluated and incorporated in this report.

Given the significance of the matters raised in this report, we urge the Hon. Speaker and the members of the House of Representatives and Hon. Pro-Tempore and members of the Liberian Senate to consider the implementation of the recommendations conveyed herein with urgency.



Monrovia, Liberia
January 2021



STATEMENT OF RESPONSIBILITIES

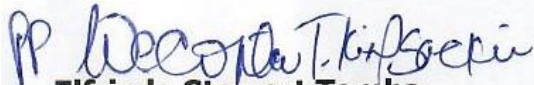
The Financial Statements as set out on pages 7 to 10 have been prepared in accordance with the provisions of the Public Financial Management Act of 2009 and in compliance with the Cash Basis International Public Sector Accounting Standards (Cash IPSAS), adopted by the Government of Liberia.

In accordance with the provisions of the Public Financial Management (PFM) Act of 2009, I am responsible for the control of and accounting for public funds received, held, and expended for and on behalf of the Liberia Revenue Authority (LRA).

Under the provisions of the same Act, I am required to prepare unaudited Final Account of the LRA to be submitted to the Minister of Finance and Development Planning, two months after the end of the financial year to which it relates. However, I have delegated the preparation of the unaudited Final Account to the Assistant Commissioner for Budget and Finance for my transmittal to the Minister, as provided in the attendant Regulations of the Public Financial Management Act of 2009. Accordingly, I am pleased to submit the required Annual Public Account of the LRA in compliance with the PFM Act and its attendant Regulations. I have provided, and will continue to provide, all the information and explanations as may be required in connection with the financial statements presented therein.

In preparing these Financial Statements, the most appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgment and estimates. To the best of my knowledge and belief, these Financial Statements agree with the books of accounts, which have been properly kept.

I accept responsibility for the integrity of these financial statements, the financial information they contain and their compliance with the provisions of the Public Financial Management (PFM) Act of 2009.


Elfrieda Stewart Tamba
Commissioner General
Liberia Revenue Authority (LRA)
January 15, 2021
Date



MANAGEMENT DISCUSSION AND ANALYSIS ON THE FINANCIAL STATEMENTS

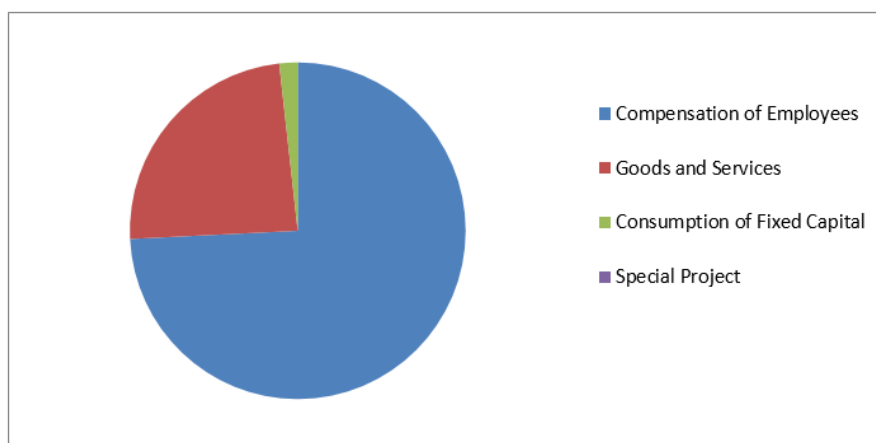
Introduction

This Report provides commentary and analysis of the cash receipts and payments (as well as financial performance) of the Liberia Revenue Authority (LRA) for the financial year ended 30th June 2017 and of its financial position as at that date.

The Liberia Revenue Authority (LRA) is a semi-autonomous Government agency established under an Act of the National Legislature in September 2013 to replace the Department of Revenue of the Ministry of Finance (including the Bureau of Internal Revenue and the Bureau of Customs and Excise) as defined in Chapter 21 of the Executive Law of 1972 for the purpose of assessing and collecting national revenues as specified in the Revenue Code of Liberia or related laws; administering, accounting, auditing and enforcing revenue collection laws and regulations; and educating taxpayers to facilitate tax and customs compliance.

The Approved Budget

In the 2016-2017 Fiscal Year, US\$ 19,926,007 was appropriated for the LRA. This amount constituted US\$18,747,242 original appropriation and additional budgetary support of USD 1,178,765 (*for Duty Refund Claims Audit- \$191,260, LRA Head Quarter Rental- \$666,666 and ICT Licenses/Oracle and battery bank \$320,839*)



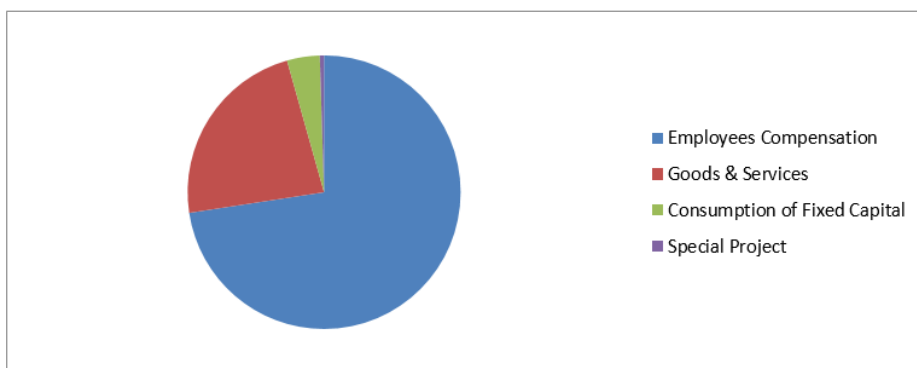
Financial Performance

For the reporting period, the LRA received the sum of US\$18,744,509 (US\$17,513,004 Authorized Allocation from the Ministry of Finance & Development Planning (MFDP) for FY 2016/17 and US\$1,045,000 against FY 2015/16 Budget allotted and disbursed to the LRA in early July 2016 to settle commitments of that previous Fiscal Year). Also during the year, the LRA received US\$24,900 from Insurance Company of Africa representing full and final settlement for one Nissan Hard Body Pickup loss in an accident in December 2015. External assistance came in the amounts of \$149,660 from OSIWA as project grant and \$11,945 Remittance from UNOPs representing Custom project closure balance. Third party payments were done by APM Terminal- \$195,000 (for a Pickup-\$56,000 & Revenue System Server-



US\$139,000) and BIVAC- \$292,995. These third-party payments are presented in the appropriate column on the face of the Statement of Receipts and Payments.

Total expenditure amounted to US\$ 20,544,113, which is broken down by major expenditure categories as follow: Compensation of Employees - \$14,908,604; Use of Goods & Services - \$4,743,774, Consumption of Fixed Capital – \$ 788,514 and Special project- \$103,221. **Please see the pie chart below** for pictorial and percentage composition:



Conclusion

Liabilities stood at \$1,506,003 (LRA's Contributions to NASSCORP for FY 2014/15, FY 2015/16 and FY 2016/17 – US\$1,471,498; outstanding 10% payment on 1000 KVA Generator – US\$18,400.00; and Presumptive taxes withheld on payments from vendors for June 2017 – US\$16,105). Commitments also stood at US\$2,000,969 (representing commitments for Uniforms for LRA Staff and Real Estate Block Mapping Project from FY 2014/15 amounting to US\$291,000; commitments for GSM Audit & Real Estate Project amounting to US\$845,195 associated with FY 2015/16; and commitments for Goods and Services and Consumption of fixed capital relating to FY 2016/17 amounting to US\$864,774). Therefore, total unsettled obligations stood at US\$ 3,506,972.

Total cash balances as at June 30, 2017 were USD Bank balance US \$(263,602); Petty cash on hand of US\$9,401; and LRD Bank balance L\$(17,494,377.01) or USD (157,607) equivalent at the closing rate of L\$ 111 to US\$ 1. This translates to a total USD Cash Equivalent of US\$ (264,027). The total USD cash equivalent is broken up by sources as follow: FY 2014/15 – US\$581,698; FY 2015/16 – US\$454,088; FY 2016/17 – Negative cash balance of (US\$1,472,494); OSIWA LRA Project – US\$147,781 and other – US\$24,900.

The Financial Statements for the financial year ended 30th June 2017 should be read in conjunction with the underlying notes and supplementary disclosures for better understanding and interpretation.



January 25, 2021

Hon. Thomas Doe Nah
Commissioner General
Liberia Revenue Authority (LRA)
NASSCORP Building, ELWA Junction
Paynesville, Montserrado County

Dear Mr. Nah:

**AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA
REVENUE AUTHORITY (LRA) FOR THE FISCAL PERIOD ENDED JUNE 30, 2017.**

Adverse Opinion

We have audited the financial statements of the Liberia Revenue Authority (LRA), which comprise the statement of Cash Receipts and Payments for the period then ended, the Statement of Comparison Budget and Actual Amounts and a summary of significant accounting policies and other explanatory information.

In our opinion, because of the matters described in the Basis of Adverse Opinion Paragraph, the financial statements do not present fairly, in all material respects, the Statement of Cash Receipts and Payments, the Statement of Comparison of Budget and Actual Amounts and a summary of other accounting policies and explanatory notes for the period then ended in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting as adopted by the Government of Liberia.

Basis for Adverse Opinion

The LRA Management reported a negative closing cash position of US\$264,027 which is contrary to the IPSAS Cash Basis of Accounting as adopted by the Government of Liberia.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Liberia Revenue Authority (LRA) in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.




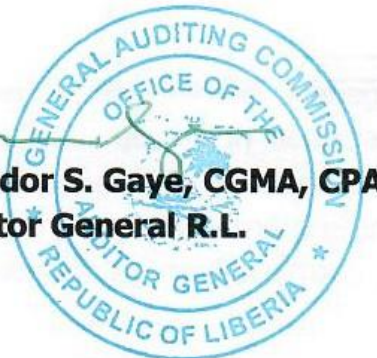
Auditor General's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.


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



Monrovia, Liberia

January 2021



STATEMENT OF CASH RECEIPTS AND PAYMENTS

Fund/Account Description	Notes Note	2016/2017		2015/2016	
		Controlled by Entity US\$	Controlled by External Party US\$	Controlled by Entity US\$	Controlled by External Party US\$
Receipts:					
Authorized Allocation /Appropriation	2	18,558,004		17,916,239	-
Other Receipts	3	24,900	487,995	56,029	325,220
Multilateral Grants	4	161,605		-	873,470
Total Receipts		<u>18,744,509</u>	<u>487,995</u>	<u>17,972,268</u>	<u>1,198,690</u>
Payments:					
Compensation	5	14,908,604	43,360	16,015,628	-
Goods and Services	6	4,743,774	28,568	4,437,407	967,560
Consumption of Fixed Capital	7	788,514	416,067	1,280,875	231,130
Other Payments	8				
Real Estate Block Mopping		103,221	-	219,796	-
Total Payments		<u>20,544,113</u>	<u>487,995</u>	<u>21,953,706</u>	<u>1,198,690</u>
Net Cash Flow–Increase / (Decrease)		(1,799,605)	-	(3,981,438)	-
Cash at the Beginning of Year		1,535,578	-	5,517,016	-
Cash at the End of Year	9	<u>(264,027)</u>	-	<u>1,535,578</u>	-

The Accounting Policies and Notes set out on pages 13 to 18 form an integral part of the financial statements.



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Actual Amount	Final Budget US\$	Original Budget US\$	Variance (Final Budget /Actual Amounts US\$	Percentage Variance %
Receipts:					
Appropriations	18,558,004	19,926,007	18,747,242	(1,368,003)	-7%
Other Receipts	24,900	-	-	24,900	
Grants	161,605	-	-	161,605	
Total Receipts	<u>18,744,509</u>	<u>19,926,007</u>	<u>18,747,242</u>	<u>1,181,498</u>	-6%
Payments:					
Compensations of Employees	14,908,604	14,888,338	14,790,838	(20,266)	0%
Goods and Services Consumption of Fixed Capital	4,743,774	4,282,554	3,604,011	(461,220)	-11%
Special Project	788,514	755,115	352,393	(33,399)	-4%
	103,221	-	-	(103,221)	
Total Payments	<u>20,544,114</u>	<u>19,926,007</u>	<u>18,747,242</u>	<u>(1,100,821)</u>	-3%
NET CASHFLOW	<u>(1,799,605)</u>	<u>-</u>	<u>-</u>	<u>(1,799,605)</u>	



STATEMENT OF CASH POSITION

Cash/Bank Account Details	Curren cy Held		As at 30		Change in Cash Balances
	In	Notes	June 2017 US \$	As at 30 June 2016 US \$	
Bank Accounts:					
Ecobank	USD	9	(263,602)	601,144	(864,746)
Ecobank	LRD	9	(157,607)	919,434	(1,077,041)
Project (OSIWA@LBDI)	USD	9	147,781	-	147,781
Total held in Bank Accounts:			<u>(273,428)</u>	<u>1,520,578</u>	<u>(1,794,006)</u>
Petty Cash Account:					
Petty Cash on Hand	USD	9	9,401	15,000	(5,599)
Petty Cash on Hand	LRD	9	-	-	-
Total Petty Cash			<u>9,401</u>	<u>15,000</u>	<u>(5,599)</u>
Total Cash and Bank Balances			<u>(264,027)</u>	<u>1,535,578</u>	<u>(1,799,605)</u>

The Accounting Policies and Notes set out on pages 13 to 18 form an integral part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

These are the specific principles, bases, conventions, rules and practices adopted by the Government of the Republic of Liberia in preparing and presenting the financial statements. The principal accounting policies adopted in the preparation of the financial statements therein are set out below.

Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Public Financial Management Act, 2009 and comply with the Cash Basis International Public Sector Accounting Standard (Cash Basis IPSAS): Financial Reporting under the Cash Basis of Accounting. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The accounting policies adopted have been consistently used throughout.

Reporting Entity

The Liberia Revenue Authority (LRA) is a semi-autonomous agency of government established by an Act of Legislature in September 2013 and became effective July 1, 2014.

The primary objective of the LRA is to administer and enforce the Revenue Code of Liberia for the purpose of assessing, collecting, auditing and accounting for all national revenues and to facilitate legitimate international trade and customs. Achieving the LRA objective requires significant engagement, interaction and follow-ups with taxpayers, revenue generating ministries and agencies, and other key stakeholders.

Payments by Other Government Entities

Reporting Currency and Translation of Foreign Currencies

a. Functional and Reporting Currency

The functional currencies are the Liberian Dollar and the United States Dollar and the United States Dollar is the reporting currency. Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates.

b. Translation of Transactions in Foreign Currency

Foreign currency transactions and transactions in Liberian Dollar are translated, as they occur, into United States Dollar using the exchange rates circulated by the Ministry of Finance and Development Planning at which funds were received for each month. Closing monetary balances are translated into the reporting currency using the closing rates.

The year-end (30th June 2016) exchange rate for the Liberian Dollar was L\$ 94 to US \$ 1.



2. Authorized Allocations Received

Description	FY 16/17 US\$	FY 15/16 US\$
For Current year	17,513,004	17,516,239
For Prior Year	1,045,000	-
Performance Bonus	-	400,000
Total	<u>18,558,004</u>	<u>17,916,239</u>

3. Other Receipts

Description	FY 16/17 US\$	FY 15/16 US\$
Insurance Company of Africa	24,900	56,029
Total	<u>24,900</u>	<u>56,029</u>

4. External Assistance

Description	FY 16/17 US\$	FY 15/16 US\$
OSIWA	149,660	
UNOPS	11,945	
Total	<u>161,605</u>	-

5. Compensation of Employees

Description	FY 16/17 US\$	FY 15/16 US\$
Basic Salary-Civil Service	12,987,315	14,123,220
General Allowance	258,222	204,609
Honorarium	-	-
Professional Services	1,218,466	1,303,479
Overtime	32,541	3,177
Residential Rental Allowance	(2,800)	31,500
NASSCORP-Employer's Contribution	-	-
LRA Provident Fund	398,267	349,643
Incapacity, Death Benefits & Funeral Expenses	16,593	-
Total	<u>14,908,604</u>	<u>16,015,628</u>



6. Goods and Services

Description	FY 16/17 US\$	FY 15/16 US\$
Travel (Domestic & Foreign)	548,390	397,768
Utilities	524,708	416,380
Rental & Lease	807,375	746,704
Repair & Maintenance	461,281	344,394
Operational Expenses	2,402,020	2,533,161
Total	4,743,774	4,437,407

7. Consumption of Fixed Capital

Description	FY 16/17 US\$	FY 15/16 US\$
Transport Equipment	951	736,653
Machinery & Other Equipment	123,515	305,522
Furniture & Fixture	69,104	114,486
ICT Infrastructure	428,696	114,986
Other Fixed Assets	166,248	9,228
Total	788,514	1,280,875

8. Special Project

Description	FY 16/17 US\$	FY 15/16 US\$
Real Estate Block Mapping Project	103,221	219,797
Total	103,221	219,797

9. Cash Balance at the End of the Fiscal Year

Description	FY 16/17 US\$	FY 15/16 US\$
Ecobank-USD	(263,602)	601,144
Ecobank-LRD	(157,607)	919,434
Project (OSIWA@LBDI)	147,781	-
Petty Cash Balance	9,401	15,000
Total	(264,027)	1,535,578



10. Summary of Receipts and Payments

Description	FY 16/17 US\$	Percentage %
Total Receipts	18,744,509	100%
Total Payments	20,544,113	110%
Net Cash Flow	<u>(1,799,605)</u>	<u>-10%</u>

11. Liabilities

Descriptions	FY 16/17 US\$	FY 15/16 US\$
Provident Fund (Employer's)	-	26,422
Provident Fund (Employees')	-	26,422
NASSCORP (Employer's)	1,471,498	592,088
NASSCORP (Employees')	-	95,718
1000 KVA Generator	18,400	-
Income Tax Payable on Employees' Salary	-	-
Income Tax Payable on Contractors' Salary	-	-
Income Tax Payable on Education Allowance	-	-
Income Tax Payable on Professional Serv.-10%	-	-
Withholding Taxes Payable-4%	16,105	-
Withholding Taxes Payable-2%	-	-
Withholding Taxes Payable on Petroleum-1%	-	-
Total	<u>1,506,003</u>	<u>740,650</u>

12. Payments by Third Parties

Description	FY 16/17 US\$	FY 15/16 US\$
BIVAC	292,995	232,764
APM Terminals	195,000	92,456
IPFMRP	-	873,470
Total	<u>487,995</u>	<u>1,198,690</u>



APPENDIX

1. Outstanding Commitments as at June 30, 2017

	US\$
Goods and Services	878,047
Capital Expenditure	26,727
Project	1,096,194
Total	<u>2,000,969</u>

