



## Management Letter

### Financial Statements on the Audit of the Civil Service Agency (CSA)

*For the fiscal period ended June 30, 2017*



**Promoting Accountability of Public Resources**

**Yusador S. Gaye CPA, CMGA  
Acting Auditor General, R.L**

**Monrovia, Liberia  
June 2021**

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## Acronym & Meaning

	Meaning
CSA	Civil Service Agency
AG	Auditor General
MFPD	Ministry of Finance Planning and Development
GAC	General Auditing Commission
CBL	Central Bank of Liberia
FY	Fiscal Year
ASU	Accounting Service Unit
CGMA	Chartered Global Management Accountant
PFM Act	Public Financial Management Act of 2009
PFM Regulations	Public Financial Management Regulations of 2009
PPCC	Public Procurement & Concessions Commission
PPCA	Public Procurement & Concessions Act
SSC	Social Security Contributions
COBIT	Control Objectives for Information and Related Technology
COSO	Committee of Sponsoring Organization of the Treadway Commission
DG	Director General
CGMA	Chartered Global Management Accountant
CPA	Certified Public Accountant
GoL	Government of Liberia
HR	Human Resource
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
LRA	Liberia Revenue Authority
DDG/ADM	Deputy Director General Administration
DDG/HRM Policy	Deputy Director General Human Resource Management Policy
PAO	Principal Administrative Officer
DD/HR	Deputy Director for Human Resource
IAD	Internal Audit Department
LD	Liberian Dollars
USD	United States Dollars
IPSAS	International Public Sector Accounting Standard
IFMIS	Integrated Financial Management Information System
PYP	President Young Profession
GOL	Government of Liberia

June 21, 2021

Hon. James Thompson  
Director General  
Civil Service Agency  
Ministerial Complex, Congo Town

Dear Hon. Thompson:

The Financial Statements of the Civil Service Agency (CSA) are subject to audit by the Auditor General (AG) consistent with Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

## **INTRODUCTION**

The Audit of the Financial Statements of the CSA for the fiscal year July 1, 2016 to June 30, 2017 have been 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). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

An audit includes:

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

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

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters 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 CSA. Our responsibility is to express our opinion on the financial statements.

The audit findings which were identified during the course of the audit, are included below:

**KEY MANAGEMENT PERSONNEL**


<b>Name</b>	<b>Rank</b>	<b>Tenure</b>
Puchu Leona Barnard	Director General	2016-2017
Othello K. Weh	Deputy Director General/Administration	2016-2017
Wanneh Clarke Reeves	Deputy Director General/ Human Resource Management Policy	2016-2017
Alfred Drosaye	Principal Administrative Officer	2016-2017
George T. Wilson	Director/ General Administration	2016-2017
Kromasah K. Sherman	Comptroller	2016-2017
Reginald M. Wade Sr.	Deputy Director for Human Resource	2016-2017

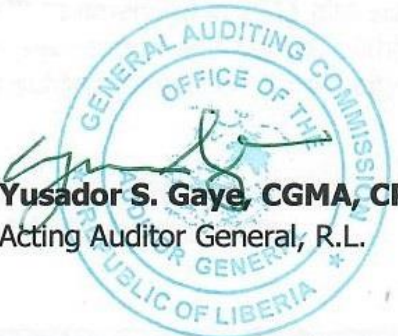
**APPRECIATION**

We would like to express our appreciation for the courtesy extended and assistance rendered by the Management and Staff of the CSA during the audit.

Thank you as we strive to promote accountability, transparency and good governance across the Government of Liberia

Sincerely,

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



## 1 DETAILED FINDINGS AND RECOMMENDATIONS

### 1.1 FINANCE SECTION

#### 1.1.1 Discrepancy between the MFDP Fiscal Outturn Report & CSA Financial Statements

##### Observation

1.1.1.1 Regulations C. 8 (2) of the PFM Act of 2009 stipulates that "A head of agency or spending unit shall have overall responsibility and accountability for the collection and receipt of all subsidies or the financial administration of the monies voted by Legislature for, or applied by statute to, the services under the control of his or her ministry or agency".

1.1.1.2 Furthermore, Regulations E.1 (a) and (c) of the PFM Act of 2009 state that:

"(a) total aggregate allotments for a particular appropriation line in a given fiscal year may not exceed the amount appropriated for that line in the annual appropriations act, amended from time to time through budgetary reallocations made pursuant to Section 25 of the Public Finance Management Act 2009 and Supplementary Appropriations Acts;

(c) Total payments for a detailed budget line in a given fiscal year may not exceed the allotments issued against that budget line".

During the audit, we observed a variance of US\$17,626,814.43 between the MFDP Fiscal Outturn Report and the CSA Financial Statements. **See table 1 for detail.**

**Table 1: Discrepancy between the MFDP Fiscal Outturn Report and CSA Financial Statements Report**

NO	DESCRIPTION	MFDP Fiscal Outturn Report (A)	FINANCIAL STATEMENTS PREPARED BY CSA (B)	VARIANCE: C=A-B
1	WAGES, SALARIES AND OTHER EMPLOYEE BENEFITS	22,451,000.00	5,674,242.00	16,776,758.00
2	GOODS & SERVICES	291,683.00	299,087.57	(7,404.57)
3	GRANTS(TRANSFER)	1,027,461.00	170,000.00	857,461.00
<b>TOTAL</b>		<b>23,770,144.00</b>	<b>6,143,329.57</b>	<b>17,626,814.43</b>

##### Risk

1.1.1.3 The accuracy of the financial statements cannot be assured.

### **Recommendation**

- 1.1.1.4 Management of the CSA should provide justification for the variance US\$17,626,814.43 noted between the MFDP Fiscal Outturn Report and the CSA Financial Statements.

### **Management's Response**

- 1.1.1.5 *The CSA financial Statements for the year 2016-17 reported at actual for compensation as US\$5,844,242 and not US\$5,674,242.*
- 1.1.1.6 *The difference between the MFDP Fiscal Outturn and that of the CSA Financial Statement figures is as a of the MFDP exclusive super users' right to initiate, process and make payments on the free balance system without the consent of the spending entity. In this case the CSA. Compensations and other Economic Classification related payments such as Special Allowances, Social Security Contributions, and Pension for General Civil Servants among other General Claims items amounting to 17, 634,219 was spent by MFDP with no notification to the Civil Service Agency.*
- 1.1.1.7 *The CSA could only account for payments initiated and processed through the MFDP to be paid on its behalf.*

### **Goods & Services**

- 1.1.1.8 *The difference in Goods & Services came about as the result of rollover funds from the previous Fiscal year 2015-16 balance in operational funds (US\$8,079.83) healed at the CSA's operational accounts seated at the Central Bank of Liberia. These funds are usually used to run the CSA operations between the time the preceding Fiscal year Draft National Budget is submitted to the National Legislature and the time it gets passed.*

### **Auditor General's Positon**

- 1.1.1.9 The GAC analysis of the MFDP Fiscal Outturn and CSA Financial Statements are confirmed as indicated in table 1 above as well as per evidence on our files. Going forward, the CSA Management should liaise with the MFDP to reconcile the unexplained variance of US\$17,626,814.43 (US\$23,770,144.00 – US\$6,143,329.57) between the Fiscal Outturn and the Financial Statements. In addition, the CSA Management should submit a copy of the reconciliation report to the Office of the Auditor General 30 days after the issuance of this report to the National Legislature.

## **1.1.2 Payment to staff on behalf of Third Party**

### **Observation**

- 1.1.2.1 Regulations 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."



1.1.2.2 During the audit, it was observed that Management of the CSA paid the total amount of L\$753,200.00 and US\$4,091.00 in the names of some staff instead of the vendors or service providers. **See Annexure-1 for details.**

**Risk**

1.1.2.3 Funds intended for the procurement of goods and services could be misappropriated when Payments are made in the names of Staff/third party.

**Recommendation**

1.1.2.4 The CSA Management should provide substantive justification for authorizing payments in the names of some staff rather than the vendors or service providers.

**Management's Response**

1.1.2.5 *Management acknowledges the findings of the GAC in relations to payments to staff on behalf of third party and going forward will institute measures in curtailing such practice and that all vendors and service providers will be paid directly though checks.*

1.1.2.6 *Meanwhile there were some payments being considered by the GAC as third party payments which CSA sees differently.*

1.1.2.7 *Management runs internal operational funds called petty cash. Such funds enable management to spend on low threshold transactions and at the end of the period reports and requests for replenishment. To get such funds at the Agency, management will issue checks in the names of some employees of the institution.*

1.1.2.8 *Please see below table of payments management considers not to be third party.*

Date	Description	Account Number	Bank	Trans-Ref	Amount US\$	Amount LRD
20-Sep-16	T. NICHOLAS CISCO	2.2063E+11	CBL	135	100	-
5-Jul-16	T,NICHOLAS,CO	1.2063E+11	CBL	340	-	14,940.00
19-Jul-16	T. N. CISCO	1.2063E+11	CBL	343	-	3,920.00
4-Aug-16	T,N,CISCO	1.2063E+11	CBL	453	-	15,600.00
17-Aug-16	T.N,CISCO	1.2063E+11	CBL	456	-	21,150.00
29-Aug-16	T.N.CISCO	1.2063E+11	CBL	4602	-	14,900.00
5-Sep-16	T,N,CISCO	1.2063E+11	CBL	469	-	15,200.00
28-Oct-16	J.Y.KAMARA	2.2063E+11	CBL	148	100	-
4-Aug-16	J. Y. KAMARA	1.2063E+11	CBL	452	-	19,245.00
14-Sep-16	J.Y.KAMARA	1.2063E+11	CBL	471	-	21,300.00
8-Aug-16	U. W. WILLIAMS	1.2063E+11	CBL	454	-	13,650.00

**Auditor General's Positon**

1.1.2.9 We acknowledge Management's acceptance of our finding. Going forward, the CSA Management should make payments for goods and services to the vendors/service



providers instead of employees of the CSA. We will make a follow up in subsequent audit. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

### 1.1.3 Discrepancy in Fund Transferred to President Young Profession (PYP)

#### Observation

1.1.3.1 Regulations 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."

1.1.3.2 During the conduct of the audit we observed a variance of US\$3,820.55 between the CSA Financial statements and the President Young Professional (PYP) income statement relating to the amount transferred from the CSA to the PYP for staff salary support. **See table 5 for details**

**Table 5: Discrepancy in Fund Transferred to President Young Profession (PYP)**

NO.	A. CSA REPORTED TRANSFERS TO PYP:US\$	B.PYP REPORTED TRANSFERS RECEIVED FROM CSA:US\$	C=A-B UNEXPLAINED VARIANCE-US\$
1	170,000.00	85,000.00	85,000.00
2	-	81,179.45	- 81,179.45
TOTAL	170,000.00	166,179.45	3,820.55

#### Risk

1.1.3.3 The accuracy of the financial statements cannot be assured.

#### Recommendation

1.1.3.4 Management of the CSA should provide justification for the variance noted between the CSA Financial Statements reported and the PYP Income Statement.

#### Management's Response

1.1.3.5 *The National Legislature approved an annual appropriation of US\$170,000.00 United States Dollar as a Grant to the President's Young Professional Program. There is no document in the possession of the CSA requesting additional support to this program resulting to an increase in appropriation. Least to say expenditure.*

1.1.3.6 *The CSA can only account for US\$170,000.00 as an annual grant to the PYP. A point worth*

*noting is that the PYP Program is a multi-donor funded project. GoL is only one of the financiers of this program. Unfortunately, the CSA does not account for other sources of funding for this program. The only fund we keep record of is the one GoL pays as grant to the program. If you requested their bank statements and observed excess of what GoL contributed, the best way to investigate the excess funding is to ask the program executives to disclose their full funding sources.*

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

1.1.3.7 The CSA Management did not address the issue raised. Our observation focuses on the difference between cash transfer by the CSA per the CSA financial statements and the amount received from the CSA per the PYP financial statements. We therefore maintain our finding. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

### 1.1.4 **Payment without Adequate Supporting Documents**

#### **Observation**

1.1.4.1 Regulation A (1-3) of the PFM Act of 2009 requires that a public officer is in breach of financial discipline if he or his act or omission goes contrary to instructions or directives contained in these Regulations or in accounting instructions or manual for which no variation is permitted except by an appropriate authority. (2) Any person required to perform any function or duty either under Public Finance Management Act 2009 or under these regulations that fails to perform that function or duty within the time required, is in breach of financial discipline under this regulation. (3) Disciplinary action for misconduct, omission or non- performance shall be taken against any officer contravening any instruction specified in sub regulation A.20 (1).

1.1.4.2 During the audit the Management of the CSA did not provide supporting documents for expenditures totaling US\$4,096,171.26. **See Table-7 below and Annexures- 2(1.1) to 2(25.1) for details.**

**Table 7: Payment without adequate supporting documents**

<b>Annexure-2</b>	<b>Description</b>	<b>Amount: US\$</b>	<b>Comment</b>
1.1	Performance Reward	77,572.76	Voucher without supporting documents
2.1	Handshake & Severance Benefit	451,876.05	Voucher without supporting documents
3.1	Retirement Benefit	500,558.66	Voucher without supporting documents
4.1	Stationery	7,801.18	Voucher without supporting documents
5.1	Fuel & Lubricants	25,756.87	Voucher without supporting documents
6.1	Cleaning Materials	4,491.32	Voucher without supporting documents
7.1	Water & Sewage	2,534.69	Voucher without supporting documents

Annexure-2	Description	Amount: US\$	Comment
8.1	Repair & Maintenance-Vehicle	7,463.00	Voucher without supporting documents
9.1	Consultancy	42,832.00	Voucher without supporting documents
10.1	Performance Reward	92,307.76	No Voucher and other supporting documents
11.1	Handshake Package	929,559.98	No Voucher and other supporting documents
12.1	Stipend	1,380,292.74	No Voucher and other supporting documents
13.1	General Allowance	12,357.04	No Voucher and other supporting documents
14.1	Retirement Benefit	204,715.37	No Voucher and other supporting documents
15.1	Former Elected Officials	81,500.00	No Voucher and other supporting documents
16.1	Fuel & Lubricants	51,744.44	No Voucher and other supporting documents
17.1	Unspecified Item: Goods and Services	12,499.98	No Voucher and other supporting documents
18.1	Water & Sewage	3,458.86	No Voucher and other supporting documents
19.1	Office Building Rent, & Lease	98,000.00	No Voucher and other supporting documents
20.1	Stationery	12,486.73	No Voucher and other supporting documents
21.1	Capacity Building	4,999.00	No Voucher and other supporting documents
22.1	OPERATION FUND	23,096.85	No Voucher and other supporting documents
23.1	Income Tax	541.98	No Voucher and other supporting documents
24.1	CELEBRATION, COMMEM. & STATE VISITATION	17,724.00	No Voucher and other supporting documents
25.1	Contributions	50,000.00	No Voucher and other supporting documents
	<b>Total</b>	<b>4,096,171.26</b>	

### Risk

- 1.1.4.3 The failure by Management to provide supporting documents undermines the legitimacy of the transactions.

### Recommendation

- 1.1.4.4 Management should provide substantive justification backed by material evidence to validate the transactions.

### Management's Response

- 1.1.4.5 *When request are made to the Ministry of Finance and Development Planning for payment of behalf of an entity, it is a requirement for such document to have attached all necessary documentations that matches the nature of such payment request. The MFDP will not make any payment on Behalf of an institution if such payment request does not meet the requisite requirement on documents.*

1.1.4.6 *Meanwhile management respects the findings of the GAC and is kindly asking her to provide the list of documents she saw as missing so that management will have those documents attached to future payment avoiding repeat of such finding in future audit.*

1.1.4.7 *Management also want to establish that vouchers that were not found somehow got missing in the process of the institution leaving her Carey Street office for a new office space at the Ministerial Complex.*

**Auditor General’s Positon**

1.1.4.8 Management’s assertion that MFDP will not make any payment on behalf of an institution if such payment request does not meet the requisite requirement on documents is not a justification for failing to maintain transactional documents at the CSA for audit and administrative purposes. The PFM Act of 2009 and its enabling regulations require that all expenditure incurred are adequately supported by invoice, delivery notes and traceable to an inventory system and other documents. We therefore maintain our finding, and that the CSA Management should account for the total of US\$4,096,171.26 which relates to the unsupported transactions. Management is also in breach of financial discipline in line with Regulation A. 20 of the PFM Act of 2009.

**1.1.5 Bank Reconciliation**

**Observation**

1.1.5.1 Regulations C.8 (4a) of the PFM Act of 2009 states that” The head of agency or spending unit shall manage and reconcile the bank accounts authorized for the agency. This is done to ensure accuracy and accountability for all cash and bank transactions. It is also intended to detect and remedy frauds and errors on the bank statements”.

1.1.5.2 It was observed during the audit, that the CSA Management did not prepare bank reconciliation statements for the Entity’s bank accounts for several months. **See table 8 for details.**

**Table-8: Bank Reconciliation Statements**

No.	Bank	Account Tittle	Account No.	Period for non-preparation of bank reconciliation statement
1	Eco Bank Liberia Limited	CSA Salary Account	10134726297801-LRD	July-June, 2016
2	Eco Bank Liberia Limited	CSA Salary Account	11134726297801-USD	July-June, 2016
3	Central Bank of Liberia	Operation	120630009100	September 2016 and June 2017

**Risk**

- 1.1.5.3 The failure to prepare bank reconciliation statements could result in errors and omissions not being identified on a timely basis.

**Recommendation**

- 1.1.5.4 The CSA Management should provide justification for not preparing the monthly bank reconciliation statement.

**Management's Response**

- 1.1.5.5 *We acknowledge that bank reconciliations for the Ecobank Salary Accounts were not done for the period under audit primarily because the account was strictly for processing employees' salary with no other operations. Going forward, the management will ensure that all accounts are periodically reconciled, even if there were no operations/actions taking place on those accounts.*

**Auditor General's Position**

- 1.1.5.6 We acknowledge Management's acceptance of our finding. Going forward, the CSA Management should carry out regular monthly bank reconciliation on its bank accounts. We will make a follow up in subsequent audit.

**1.1.6 Uncommitted Cash Balances**

**Observation**

- 1.1.6.1 Section 27 of the PFM Act of 2009 states that, "all un-allotted appropriations and all uncommitted allotments will lapse at the end of the fiscal year. All balances of appropriations committed but not disbursed prior to the end of the fiscal year, shall be available for the settlement of those obligations within 90 days from the end of the preceding fiscal year. All such balances not disbursed after ninety (90) days following the end of the preceding fiscal year shall be moved to government Consolidated Account. The recording, accounting and reporting of such undisbursed balances shall be set out in accounting regulations to be issued under this Act and shall be consistent with the provisions of sections 33, 34 and 35 of this Act".
- 1.1.6.2 During the audit, we observed that the CSA Management did not redeposit into the GoL Consolidated Fund account the uncommitted cash balances totaling US\$1,896.84 and L\$1,649,813.65. **See table-9 for details.**

**Table 9: Unremitted Balances**

<b>Bank</b>	<b>A. Account Tittle</b>	<b>B. Account No.</b>	<b>C. Amount L\$</b>	<b>D. Amount US\$</b>
CBL	Operation	220630009100	-	150.78
CBL	Operation	120630009100	1,517,171.64	-

Bank	A. Account Title	B. Account No.	C. Amount L\$	D. Amount US\$
ECO	Salary	11134726297801	-	1,746.06
ECO	Salary	10134726297801	132,642.01	-
		TOTAL	1,649,813.65	1,896.84

### **Risk**

1.1.6.3 Failure to re-deposit unobligated cash balance for re-appropriation could cast doubt on the regularity of the transactions and undermine public sector accountability.

1.1.6.4 In addition, the cash balances in the GoL Consolidated Fund Financial Statements for FY 2016/2017 could be understated.

### **Recommendation**

1.1.6.5 Management of the CSA should give substantive justification for not depositing into the Consolidated Fund the unexpended cash balances.

### **Management's Response**

1.1.6.6 *We acknowledge the unremitted balances of the Operations and Salary accounts at the end of the fiscal year. Understanding the cultural terrain of Liberia, you will bear testament that an institution which obeys this provision in our PFM Law will nearly collapse during the budget cross-examination period which lasts (in some years) up to five months! We however accept this short coming and call on integrity institutions such as yours to join us in advocating for a timely passage of our national budget. This will stimulate compliance in this regard. Howbeit, we will ensure the redeposit of all such funds at the end of the fiscal year for the operation account.*

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

1.1.6.7 We acknowledge Management's acceptance of our finding. Going forward the CSA Management should ensure that unobligated cash balances at the end of the fiscal period be transferred to the fiscal authorities at MFDP for re-appropriation. We will make a follow up in subsequent audit. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

### **1.1.7 Bank Transfers**

#### **Observation**

1.1.7.1 Regulations 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.”

- 1.1.7.2 During the audit, it was observed that the Management of CSA made several transfers from one account of the entity to another without adequate supporting documentation to support said transfers. **See table-10 for details.**



**Table-10: Unauthorized Bank Transfers**

No.	Date	Bank	Account Number	Check No.	Description	Amount US\$	Amount L\$
1	30-Aug-16	ECO	11134726297801		REF: 998KP33162430005 / FUNDS TRANSFER - A/C TO A/C ALLOW CIVIL SER AGEN JUL 2016	1,464.15	-
2	30 Sep 2016	ECO	11134726297801		REF: 998INTR162740165 / FUNDS TRANSFER - A/C TO A/C CSA-SEP 2016 SAL-0173144702890701-JOSEPH FLOMO	190.19	-
3	05-Jan-17	ECO	11134726297801		REF: 998INTR170050015 / FUNDS TRANSFER - A/C TO A/C CSA TRANS FUND TO MRS GBOR V JOHNS GTBANK	600.00	-
4	10-Apr-17	ECO	11134726297801		REF: 998WE05171000005 / FUNDS TRANSFER - A/C TO A/C BG DEBIT TO TO CIVIL SERVICE AGENCY ACCOUNT FOR STIPEND JAN TO MARCH 2017	4,365.15	-
5	24-Apr-17	ECO	11134726297801		REF: 998INTR171140066 / FUNDS TRANSFER - A/C TO A/C "REF : 998WE05171000003/ FUNDS TRANSFER - A/C TO A/C JOHN F JOSIAH STIPEND FOR JANUARY TO MARCH 2017"	873.03	-
6	26-Aug-16	ECO	10134726297801		REF: 001FTRQ162390001 / FUNDS TRANSFER - A/C TO A/C BG JUD STAFF SALARY FOR JUNE 2016	-	9,492.00
7	21-Sep-16	ECO	10134726297801		REF: 998JW02162650001 / FUNDS TRANSFER - A/C TO A/C BG DEBIT ACCOUNT STIPEND IFO MEMBER OF CIVIL SERVICE EXAMINING COMMITTEE COVERING JULY 2016 CSA	-	37,178.04
8	19-Jan-17	ECO	10134726297801		REF: 998INTR170190005 / FUNDS TRANSFER - A/C TO A/C FUNDS TRANSFER	-	15,000.00
9	07-Apr-17	ECO	10134726297801		REF: 998KO21170970004 / FUNDS TRANSFER - A/C TO A/C CSA PAYMENT TO STAFF FEB MAR 2017	-	97,441.29
					TOTAL	7,492.52	159,111.33



Ensuring Accountability of Public Resources

**Risk**

- 1.1.7.3 Transfers of public funds without adequate supporting documents could cast doubt on the regularity of the transfers.

**Recommendation**

- 1.1.7.4 The Management of CSA should provide supporting documents to validate the transfers.

**Management's Response**

- 1.1.7.5 *No Comment*

**Auditor General's Position**

- 1.1.7.6 In the absence of Management's comment to address the issue raised, we maintain our finding. The CSA Management is therefore in breach of financial discipline in line with Regulations A.3 (1) of the PFM Act of 2009.

1.1.8 **General Ledger**

**Observation**

- 1.1.8.1 Regulations 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 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".
- 1.1.8.2 It was observed during the conduct of the audit that the CSA Management did not provide a details ledger for the total expenditure of US\$6,143,329.57 as reported in the CSA Financial Statement for the period ended June 30, 2017.

**Risk**

- 1.1.8.3 The accuracy and completeness of the financial statements cannot be assured.

**Recommendation**

- 1.1.8.4 The CSA Management should provide justification for operating without the use of a detail general ledger.

**Management's Response**

- 1.1.8.5 *We acknowledge that we could not prove that there was a General Ledger for the period under audit regarding the recording of all financial transactions. This occurred as the results of the corruption and subsequent crashing of the computer assigned to our accountant's office. The ICT Unit has assured us about putting in corrective measures to avoid a repeat of this as well as a recovery plan.*

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

1.1.8.6 We acknowledge Management's acceptance of our finding. Going forward, the CSA Management should investigate the issue of corruption raised in the Management's comment and send copy of the result from said investigation to the Office of the Auditor General within sixty (60) days after the issuance of this report. We will make a follow up in subsequent audit. Management is therefore in breach of financial discipline in line with Regulations A.20 of the PFM Act of 2009.

### **1.1.9 Withholding taxes**

#### **Observation**

1.1.9.1 Section 806.e of the 2011 Amended Revenue Code of Liberia states that "A payer who makes a payment to a nonresident for Liberian-source services rendered is required to withhold tax at the rate of 15 percent of the amount of the payment if payment is of a sort that, if made to a resident, would be includible in gross income under Section 201, including Board fees, management fees, commissions, and the like)".

1.1.9.2 Furthermore, Section 905 (f) of the Revenue Code of Liberia Act of (2000) as amended in 2011 states that "if a payer makes a payment to a resident for services rendered, and the services are not the subject of a contract of employment, the payer is required to withhold tax at the rate of 10 percent of the amount of the payment".

1.1.9.3 During the audit, we noted that there was no evidence to indicate that Management deducted and remitted into the GoL Consolidated fund account through the Liberia Revenue Authority (LRA) the total amount of US\$3,664.70 withholding taxes from vendors and individuals that provided services to the CSA. **See Annexure 3 for details.**

#### **Risk**

1.1.9.4 The CSA Management failure to remit withholding taxes could deprive GoL of much needed revenue.

#### **Recommendation**

1.1.9.5 The CSA Management should provide substantive justification for failing to deduct from its vendors and service providers withholding taxes in the amount of US\$3,664.70.

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

1.1.9.6 *For the period under audit (2016/2017), the Agency did not do withholdings on internal payments. However, all vouchers emanating from CSA to MFDP were adequately processed in terms of deducting withholding taxes accordingly (1% for Petroleum Products; 2% and 4% respectively for Large, Medium and Small Tax categories of businesses).*

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

- 1.1.9.7 We acknowledge Management's acceptance of our finding. However, it is the responsibility of the CSA Management to withhold on internal payments and remit same to the LRA. The CSA Management is in violation of the Revenue Code of Liberia Act of (2000) as amended in 2011. Management should deposit into the GoL Consolidated Revenue account the withholding tax totaling US\$3,664.70. Copy of the revenue receipt should be provided to the Office of the Auditor General within 30 (thirty days) after the signing of the Audit Report.

## **1.2 Personnel Compensation**

### **1.2.1 Employees' Files**

#### **Observation**

- 1.2.1.1 Chapter 11, Section 51 (3) of the CSA Human Resources Policy Manual (Revised), Civil Service Agency of 2014 states that "The below listed documents make up the employee's personnel file and must remain in the file as part of the employee's records:

- Employment Letter
- Resume
- Credentials
- Personal Data
- Job Description
- Any and all subsequent letters of warning or commendation
- Annual appraisal forms and related evaluation forms".

- 1.2.1.2 Further, the Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control framework on control activities emphasizes that "Institutions deploy control activities through policies that established what is expected and procedures that put policies into action". Policy and Procedures are established and implemented to help ensure the risk responses are effectively carried out within an organization.

- 1.2.1.3 During the audit of a sample of employee files, it was observed that the CSA Management did not maintain essential personnel records such as letter of application, employment letter, photograph of employee, job description, medical certificate, police clearance, background check etc. **See Annexure 4 for details.**

#### **Risk**

- 1.2.1.4 The absence of vital records on the personnel files could lead to ghost names being placed on the payroll.

#### **Recommendation**

- 1.2.1.5 The CSA Management should ensure that all employees' files are updated with essential

documents such as letter of employment, photograph of employees, academic credentials, in compliance with the applicable Civil Service Standing Order.

**Management’s Response**

1.2.1.6 *No Comment*

**Auditor General’s Positon**

1.2.1.7 In the absence of Management’s response to address the issue raised, we maintain our finding. Going forward, the CSA Management should update the employees’ files to include essential documents indicated in the observation.

**1.2.2 Attendance Log**

**Observation**

1.2.2.1 Chapter, Section 37 (1) of the CSA Human Resources Policy Manual (Revised), Civil Service Agency of 2014 states that “All employees are required to sign in daily upon arrival at work, in the Attendance Ledger, which will be used to calculate the monthly Attendance Record of each employee, and submitted to the Civil Service Agency as required and stipulated in Section 5.1.2 of the Standing Orders for the Civil Service. Also, Government working hours, as stipulated in the Standing Orders for the Civil Service, Section 5.1, are from 8:00 Am to 4:00 PM, Monday to Friday. All employees are expected to be at work during the 8-hour period with the exception of a total of 1 hour allowed for breaks and lunch to be taken by the employee as he chooses but with the approval of the unit supervisor. The employee must sign out in the ledger provided before leaving and sign in upon his or her return. However, no employee is allowed to take a break after 2:00 PM”.

1.2.2.2 During the period under audit, we observed that some staff did not report to work regularly and there was no evidence of action taken by Management of the CSA.

1.2.2.3 Also, some employees were excused from work without a follow-up letter granting the excuse and said personnel were processed on the payroll without reference to the signed daily attendance log. **See table-14 for details.**

**Table 14: Staff Attendance**

No	Name	Department	No. of Day Absent	Month	Year	Comment
1	Togbay Amelia	Finance and Administration	4	July	2016	Absent
2	Sheriff Sekou	Employment Services	5	July	2016	Absent
3	Vincent Ritta A.	Employment Services	Did not Sign	July	2016	Absent
4	Nyei Mohamed	Employment Services	13	July	2016	Absent
5	Kugmeh Nathan	Management Services	4	July	2016	Absent



*Management Letter*  
*On the Financial Statements of the Civil Service Agency (CSA)*  
*For the fiscal period ended June 30, 2017*

No	Name	Department	No. of Day Absent	Month	Year	Comment
	T.					
6	Nyei Mohamed	Employment Services	14	August	2016	Absent
7	Florkiah Doris M.	Pay, Benefit and Pension	6	August	2016	Absent
8	Vincent Ritta A.	Employment Services	Did not Sign	August	2016	Absent
9	Broderick Claudius	Career Management and Training	Did not Sign	August	2016	Absent
10	Mark Victoria	Employment Services	7	September	2016	Absent
11	Nyei Mohamed	Employment Services	9	September	2016	Absent
12	Yancy Eric	Finance and Administration	13	September	2016	Absent
13	Broderick Claudius	Career Management And Training	Did not Sign	September	2016	Absent
14	Togbay Amelia	Finance And Administration	8	October	2016	Absent
15	Nyei Mohamed	Employment Services	6	October	2016	Absent
16	Vincent Ritta A.	Employment Services	Did not Sign	October	2016	Absent
17	Broderick Claudius	Career Management And Training Directorate	Did not Sign	October	2016	Absent
18	Kugmeh Nathan T.	Management Services	4	December	2016	Absent
19	Konneh Morris	Office Of Deputy Director General Administration	4	December	2016	Absent
20	Cummings Florida B.	Office Of Director General	4	December	2016	Absent
21	Quoi Bertha	Office of Director General	4	December	2016	Absent
22	Kaipay Frances	Office of Deputy Director General HRM	Did not Sign	December	2016	Absent
23	Stanley Otis D.J.	Employment Services	4	December	2016	Absent
24	Weh Nicolas P.		4	December	2016	Absent
25	Kugmeh Nathan T.	Employment Services	8	December	2016	Absent
26	Nyuma Saa	Management Services	Did not Sign	December	2016	Absent
27	Konneh Morris S.	Office of Deputy Director General For ADM	4	January	2017	Absent
28	Kaipay Frances	Office of Deputy Director General HRM	Did not Sign	January	2017	Absent
29	Sneh Nora	HRMIS Directorate		January	2017	Excuse
30	Kaipay Frances	Office of Deputy Director General HRM	Did not Sign	February	2017	Absent
31	Johnson Rufus	Pay, Benefit and Pension		February	2017	Excuse
32	Darrylene Dixon	Pay, Benefit and Pension		February	2017	Excuse
33	Vincent Ritta A.	Employment Services	Did not Sign	February	2017	Absent

*Management Letter*  
*On the Financial Statements of the Civil Service Agency (CSA)*  
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No	Name	Department	No. of Day Absent	Month	Year	Comment
34	Shargebeh Jacobs N.	Employment Services		February	2017	Excuse
35	Broderick Claudius J.	Career Management and Training	Did not Sign	March	2017	Absent
36	Harris Emmanuel R.	Office of Deputy Director General HRM	Did not Sign	March	2017	Absent
37	Kwabo Rebecca	Management Services	4	March	2017	Absent
38	Mayson Christiana	HRMIS Directorate	4	March	2017	Absent
39	Harris Vannesa A.	Pay, Benefit and Pension	4	April	2017	Absent
40	Brown Sneh M.	Office of Director General	4	May	2017	Absent
41	Reeves Wanneh C.	Office of Deputy Director General HRM	Travel	May	2017	Absent
42	Kaipay Frances	Office of Deputy Director General HRM	6	May	2017	Absent
43	Harris Emmanuel R.	Office Of Deputy Director General HRM	Did not Sign	May	2017	Absent
44	Sherman Kormassah K	Finance And Administration	Travel	May	2017	Absent
45	Kpangbai Henry	Finance And Administration	Travel	May	2017	Excuse
46	The Aloysius	Finance And Administration	6	May	2017	Absent
47	Kollie Amelia V.C.	Pay, Benefit And Pension	Did not Sign	May	2017	Absent
48	Vincent Ritta A.	Pay, Benefit And Pension	Did not Sign	May	2017	Absent
49	Kamara Augustus	Pay, Benefit And Pension	Did not Sign	May	2017	Absent
50	Ahlayea Alexander D.	Pay, Benefit And Pension		May	2017	Excuse
51	Broderick Claudius J.	Career Management And Training	Did not Sign	May	2017	Absent
52	Kaipay Frances	Office Of Deputy Director General HRM	4	June	2017	Absent
53	Cumming Florida	Finance And Administration	4	June	2017	Absent
54	Togbay Amelia	Finance And Administration	4	June	2017	Absent
55	Kallon Roland	HRMIS Directorate	5	June	2017	Absent
56	Smith Darlington	Reform Directorate	5	June	2017	Absent
57	Browne Moses	Finance And Administration	5	June	2017	Absent
58	Konneh Morris S.	Office Of Deputy Director General	5	June	2017	Absent
59	Kpangbai Henry	Finance And		June	2017	Excuse

No	Name	Department	No. of Day Absent	Month	Year	Comment
		Administration				
60	Rebecca Kwabo	Management Services	Did not Sign	June	2017	Absent
61	Mayson Christiana	HRMIS Directorate		June	2017	Excuse
62	Broderick Claudius J.	Career Management And Training	Did not Sign	June	2017	Absent

### Risk

- 1.2.2.4 In the absence of reprimanded action not being taken by Management of the CSA against staff who did not report to work on a daily basis could lead to undeserving personnel being compensated.

### Recommendation

- 1.2.2.5 The Management of the CSA should provide substantive justification for not reprimanding those personnel that did not show up to work as indicated.

### Management's Response

- 1.2.2.6 *No Comment*

### Auditor General's Position

- 1.2.2.7 In the absence of Management's comment, we maintain our finding. Going forward, the CSA Management should designate an employee in the HR Unit to be responsible for the effective monitoring of the daily attendance log. Management should further investigate and take appropriate administrative action against staff that stay away from work without an approved written excuse.

## 1.2.3 CSA Payroll

### Observation

- 1.2.3.1 Regulations T.8 of the PFM Act of 2009 states that "Unless the effective date is otherwise specified under any other enactment, the effective date shall be in the case of
- a deceased public officer, the three months following the date of death;
  - convicted officers, the date of conviction;
  - leave without pay, the date approved for the leave;
  - officers absent without leave, the first day of such absence; or
  - resignation and retirement, the effective date for stoppage shall be the earlier of: date of absence; or date specified on a relevant document."
- 1.2.3.2 During our analysis of the CSA payroll, we observed that the name of a dismissed employee was maintained on the payroll for two months. We further observed that salary amounting to US960.00 was paid in the name of the terminated staff. **See table-15 for details:**



**Table 15: Dismissed Staff on the CSA Payroll**

No	Name	Department	Reason	MONTH PAID FOR-2016	Month Salary US\$	Amount: US\$
1	Mohammed U. Nyei	Employment Services Directorate	DISMISSED (Sept. 13, 2016)	Oct. & Nov	480.00	960.00

**Risk**

1.2.3.3 Maintaining the name of separated staff on the CSA’s payroll could lead to fraud, and the abuse of public resources.

**Recommendation**

1.2.3.4 The CSA Management should provide justification for maintaining on the payroll the name of a dismissed staff.

**Management’s Response**

1.2.3.5 *No Comment*

**Auditor General’s Positon**

1.2.3.6 In the absence of Management’s comment, we maintain our finding. Going forward, the CSA Management should conduct an investigation to establish and take appropriate administrative action against the culprit (s) that defrauded the Government of Liberia with the amount of US960.00 paid in the name of the terminated staff. Copy of the investigated report should be provided to the Office of the Auditor General within 30 (thirty days) after the signing of the Audit Report.

1.2.4 **NASSCORP’S Contributions**

**Observation**

1.2.4.1 Section 89.18 of the Decree establishing NASSCORP states that “where a principal employer defaults in paying any contribution prescribed by this Decree or subsequent regulations, a sum equal to four (4%) of the amount unpaid shall be added for each month or part of a month after the date on which payment was due, and any amount so added shall be recoverable as a debt owed by the employer to the Republic”.

1.2.4.2 During the audit, the Management of the CSA did not provide evidence of payment of US\$81,272.76 as contributions to the NASSCORP Scheme. **See table-16 for details.**

**Table 16: NASSCORP’S Contributions**

MONTHLY SALARY	L \$	SOCIAL SECURITY TAX: 4% (L\$)	US\$	SOCIAL SECURITY TAX: 4% (US\$)
Jul-16	-	-	166,541.67	6,661.67

MONTHLY SALARY	L \$	SOCIAL SECURITY TAX: 4% (L\$)	US\$	SOCIAL SECURITY TAX: 4% (US\$)
Aug-16	-	-	167,265.00	6,690.60
Sep-16	-	-	166,824.00	6,672.96
Oct-16	-	-	167,475.00	6,699.00
Nov-16	-	-	170,888.36	6,835.53
Dec-16	-	-	169,975.00	6,799.00
Jan-17	-	-	169,975.00	6,799.00
Feb-17	-	-	169,812.50	6,792.50
Mar-17	-	-	167,437.50	6,697.50
Apr-17	-	-	171,725.00	6,869.00
May-17	-	-	172,450.00	6,898.00
Jun-17	-	-	171,450.00	6,858.00
TOTAL			2,031,819.03	81,272.76

**Risk**

1.2.4.3 Failure by Management to remit the Employee's contribution could attract high penalties for non-remittance and employees and their families may not achieve benefits when the employees retire from service.

**Recommendation**

1.2.4.4 The CSA Management should provide justification for not remitting Employees' contribution to NASSCORP.

1.2.4.5 In addition, the CSA Management should ensure that employees' contributions are timely remitted to give protection to employees and their families in case of retirement.

**Management's Response**

1.2.4.6 *No Comment*

**Auditor General's Position**

1.2.4.7 In the absence of Management's comment, we maintain our finding. Going forward, the



CSA Management should ensure that Social security contributions are remitted to NASSCURP so as to give protection to employees and their families in case of retirement or disability.

## 1.2.5 Policies and Procedures on Payment of Benefits

### Observation

1.2.5.1 The Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control framework on control activities emphasizes that "Institutions deploy control activities through policies that established what is expected and procedures that put policies into action". Policy and Procedures are established and implemented to help ensure the risk responses are effectively carried out within an organization.

1.2.5.2 During the audit, it was observed that the CSA Management did not develop various policies to guide its operations. For example, no approved policies on stipend, general allowance and fuel distribution, even though several payments were made for these activities. **See Annexure 5 for details.**

### Risk

1.2.5.3 The failure to develop policies to guide the activities of the CSA could lead to arbitrary decisions that could stop the CSA from achieving its objectives.

### Recommendation

1.2.5.4 The Management of CSA should ensure that policies are developed for the effective and efficient operations of the CSA.

### Management's Response

1.2.5.5 *No Comment*

### Auditor General's Position

1.2.5.6 In the absence of Management's comment, we maintain our finding. Going forward, the CSA Management should ensure that policies are developed.

## 1.2.6 Report on Procurement Processes

### Observation

1.2.6.1 Part IV of the Amended and Restated Public Procurement and Concessions Act of 2010, sets out the general provisions on procurement proceedings required to be followed by government ministries, agencies and public corporations. The proceedings include but are not limited to the following:

- Qualification of bidders - a bidder should qualify by meeting the criteria set by the procuring entity;
- Clarification and modification of bidding and prequalification documents;

- Requirements Applicable to Bid and Bidder Prequalification Documentation
- Description of goods, works, and services;
- Deadline for bids and other applications;
- Cancellation of proceedings for rejection of bids, etc.

1.2.6.2 In order to ensure the foregoing proceedings have been followed during the procurement course, a summary report should be prepared for each procurement proceeding.

1.2.6.3 During the conduct of the audit, we observed that there was no evidence that the CSA Management prepare and maintain a summary report of procurement proceedings undertaken by the Entity for the period under audit.

1.2.6.4 Further, there was no evidence of quarterly procurement report required by the PPC Act.

#### **Risk**

1.2.6.5 In the absence of reports, it would be difficult to measure Management's performance and assure that the required proceedings had taken place.

#### **Recommendation**

1.2.6.6 Going forward, with proper oversight of senior management, the Procurement should prepare the summary report of each procurement activity. In addition, the previous quarterly procurement reports, if they were prepared, should be made available.

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

1.2.6.7 *The GAC audit report is not clear on which contract package or procurement of goods, works or services that did not adhere to Part IV of the Amended and Restated Public Procurement and Concessions Act of 2010. However, going forward the CSA procurement unit will adhere to said provision of the PPC Act of 2010 for all procurement activities for the entity.*

1.2.6.8 *Going forward, the CSA procurement unit will ensure that a summary report will be prepared for each procurement proceedings that will be undertaken by the entity.*

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

1.2.6.9 We acknowledge CSA Management's acceptance of our finding . We will follow up in subsequent audit.

### **1.3 Fixed Assets Management**

#### **1.3.1 Fixed Assets Register**

#### **Observation**

1.3.1.1 Regulations V.4 (1-2) of the PFM Act of 2009 provides that Furniture, and equipment issued

for Government quarters or offices or vehicle and other fixed asset shall be brought on a master inventory of the Government Agency. 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.

1.3.1.2 In addition, Regulation V.1.2. (a) of the PFM Act of 2009 (Responsibility of Assets Management) states that "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: Preventive mechanisms are in place to eliminate theft, losses, wastage and misuse".

1.3.1.3 During the conduct of the audit, we noted that the CSA Management did not present Fixed Assets Register. A fixed asset register contains information such as cost of asset, purchase date and condition of the asset.

1.3.1.4 Also, during the physical verification exercise, some assorted furniture and equipment were not coded. **See Annexure 6 for details.**

#### **Risk**

1.3.1.5 In the absence of a fixed asset register, Management could find it difficult to put in place preventive mechanisms to prevent theft, losses, wastage and misuse.

1.3.1.6 Also, Management's failure for not coding some assorted furniture and equipment may be susceptible to exchange or theft.

#### **Recommendation**

1.3.1.7 The Asset Management Section should reassess all fixed assets under the control of the CSA and develop the Asset Register to include the cost, purchase date, location, assignee and condition.

1.3.1.8 The Management of CSA should ensure that all fixed assets are coded to show entity or government ownership of properties.

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

1.3.1.9 *CSA fixed asset management unit was created 2019 without existing available documents or reports to address asset concerns during the below mentioned years.*

1. 2015 ----- 2016 Asset Records N/A
2. 2016 ----- 2017 Asset Records N/A
3. 2017 ----- 2018 Asset Records N/A

1.3.1.10 *However, upon establishment of the asset unit in an effort to standardize the asset*

*management system , the unit was able to establish a custodial internal control of existing assets to mitigate the risk of unaccountability , misuse , and theft of assets by creating asset inventory log in 2020 which is currently available .*

*1.3.1.11 During the GAC 2020 audit, CSA fixed asset draft inventory log was in the process to be produced.*

*1.3.1.12 The draft is completed and approved by GSA, and the unit is currently working with GSA asset management team to ensure effective periodic tracking system , preventive mechanism , comprehensive asset registration log , asset distribution log , asset acquisition log capturing both cost of asset , purchase date and condition , physical verification , and coding of all assets categorically in line with GSA regulations and specifications .*

*1.3.1.13 Kindly find attached asset register for your perusal.*

#### **Auditor General's Positon**

1.3.1.14 We acknowledge CSA Management's acceptance of our finding. We will follow up in subsequent audit.

#### **1.3.2 Donated Assets**

##### **Observation**

1.3.2.1 Regulations G.3 (D) of the PFM Act of 2009 states that " Where loans, grants and donations are receivable in kind, the value of such donations shall be determined and included in the estimates and reflected as expenditure in the financial year".

1.3.2.2 Furthermore, Regulations 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."

1.3.2.3 During the period under audit, we observed that the Management of the CSA did not provide the cost of assets, purchase date and location of assets donated to the CSA by the DFID-UK and USAID. **See Annexure-7 for details.**

1.3.2.4 Furthermore, it was observed during our field inspection, that the CSA Management did not make available for audit verification, fixed assets valued the total of US\$62,000.00 that were donated by Partners to the CSA through the Public Sector Modernization Project (PSMP). **See table 17 for details:**

**Table-17: Unaccounted Donated Assets**

<b>NO</b>	<b>Description</b>	<b>Quantity</b>	<b>No. Of Items Identified by the GAC Auditors</b>	<b>Outstanding Items</b>	<b>Cost: US\$</b>
1	Filing Cabinet Fire Proof *	8	-	8	11,400.00
2	Excutive Chair High Necked *	10	-	10	2,250.00
3	Conference Tables	10	-	10	1,100.00
4	Dell Desk Top Computer & Accessories *	27	-	27	28,350.00
5	Dell Laptop Computer & Accessories	18	-	18	18,900.00
	<b>Total</b>	<b>73</b>	<b>-</b>	<b>73</b>	<b>62,000.00</b>

**Risk**

- 1.3.2.5 In the absence of vital information like asset cost, condition, and other details, Management could find it difficult to put in place preventive mechanisms to prevent theft, losses, wastage and misuse.
- 1.3.2.6 Assets donated and not accounted for could result to theft, losses, wastage and misuse as well as donor's fatigue.

**Recommendation**

- 1.3.2.7 Management should provide material justification for failing to provide the cost, purchase date, location, assignee and condition of assets donated to the CSA.
- 1.3.2.8 Also, Management of the CSA should make available the donated assets for verification.

**Management's Response**

- 1.3.2.9 *No Comment*

**Auditor General's Position**

- 1.3.2.10 In the absence of Management's comment, we maintain our finding. Going forward, the CSA Management should ensure that the Entity's fixed assets are fully accounted for including assets donated by partners.

**1.3.3 Asset Movement Log**

**Observation**

- 1.3.3.1 Regulation V.1 (3) of the PFM Act of 2009, states that the head of Government Agency must ensure that processes (whether manual or electronic and procedures are in place for the effective, efficient, economic and transparent use of the assets of the institution.
- 1.3.3.2 During the period under audit, we observed that CSA Management has not put in place

asset movement log to keep track of assets assigned or transferred in the offices at the CSA.

**Risk**

- 1.3.3.3 The lack of asset movement log could make it difficult to keep track of assigned or transferred assets, which could lead to misuse, loss or theft of assets without being noticed.

**Recommendation**

- 1.3.3.4 The CSA Management should ensure that the Asset Management Section prepares and properly manage fixed asset movement log to safeguard CSA's assets.

**Management's Response**

- 1.3.3.5 *No Comment*

**Auditor General's Position**

- 1.3.3.6 In the absence of Management's comment, we maintain our finding. Going forward the CSA Management should put in place a fixed asset accounting system which addresses the acquisition, use, control, protection, maintenance, and disposal of fixed assets.

1.3.4 **Unassigned Assets**

**Observation**

- 1.3.4.1 Regulation V.1 (3) of the PFM Act of 2009, states that the head of Government Agency must ensure that processes (whether manual or electronic and procedures are in place for the effective, efficient, economic and transparent use of the assets of the institution.

- 1.3.4.2 In addition, Regulation V.1.2. (a) of the PFM Act of 2009 (Responsibility of Assets Management) states that "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: Preventive mechanisms are in place to eliminate theft, losses, wastage and misuse".

- 1.3.4.3 During the audit, it was observed that the Management of the CSA kept several assets such as desk, cabinets, and other furniture in the storeroom for a longer period without assigning the assets. **See EXHIBIT 1a to EXHIBIT 1C for Details:**

**Risk**

- 1.3.4.4 Assets kept for prolonged period without utilization could lead to the assets being obsolete and deny the achievement of value for money.

**Recommendation**

- 1.3.4.5 *Management of the CSA should provide substantive justification for the action expatriated above.*



### **Management's Response**

1.3.4.6 *No Comment*

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

1.3.4.7 In the absence of Management's comment, we maintain our finding. Going forward, the CSA Management should ensure that the assets are assigned to staff and offices for use.

### **1.3.5 Store Room Management**

#### **Observation**

1.3.5.1 Regulation U.7 (2) of the PFM Act of 2009 requires that notwithstanding sub-regulation (1), a head of Government Agency is responsible for the general management of government Inventories held within the Government Agency and for the due performance of the duties of subordinate staff in relation to the government Inventories. Public Sector Accounting Standards as adopted by the Government of Liberia.

1.3.5.2 It was observed during the audit, the Management of the CSA did not institute relevant controls over movement of supplies in and out of the storeroom.

#### **Risk**

1.3.5.3 The lack of controls over movement of supplies in and out of the storeroom could result to theft and mismanagement of the Entity's assets.

#### **Recommendation**

1.3.5.4 The Management of CSA should provide substantive justification for not instituting relevant controls over movement of supplies in and out of the storeroom.

### **Management's Response**

1.3.5.5 *No Comment*

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

1.3.5.6 In the absence of Management's comment, we maintain our finding. Going forward, the CSA Management should establish relevant controls over movement of supplies in and out of the storeroom.

### **1.3.6 Records Room**

#### **Observation**

1.3.6.1 Regulation V.1 (3) of the PFM Act of 2009, states that the head of Government Agency must ensure that processes (whether manual or electronic and procedures are in place for the effective, efficient, economic and transparent use of the assets of the institution.

1.3.6.2 In addition, Regulation V.1.2. (a) of the PFM Act of 2009 (Responsibility of Assets

Management) states that "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: Preventive mechanisms are in place to eliminate theft, losses, wastage and misuse".

- 1.3.6.3 During the audit, it was noted that several Government of Liberia records held at the CSA's Record Room were not properly placed in cup boards, cabinets and on shelves. We further observed that several documents were scattered on the Recordroom floor. **See EXHIBIT 2A to EXHIBIT 2D for details:**

**Risk**

- 1.3.6.4 The failure to properly secure records could result to the Government of Liberia losing important documents.

**Recommendation**

- 1.3.6.5 Management of the CSA should provide substantive justification for not keeping the Government of Liberia records properly.

**Management's Response**

- 1.3.6.6 *No Comment*

**Auditor General's Position**

- 1.3.6.7 In the absence of Management's comment, we maintain our finding. Going forward, the CSA management should ensure that documents are properly placed in cup boards, cabinets and on shelves for proper preservation.

**Fuel Consumption Log (Generator)**

- 1.3.6.8 Regulations 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."
- 1.3.6.9 During the audit, it was noted that the Management of the CSA presented a fuel consumption log but they did not properly document the requisite information on the log for the Fiscal Year 2016-2017. For instance, the total run hours, serial meter read, operator and remarks. Therefore, we could not authenticate the actual fuel consumed for the period under audit.

**Risk**

- 1.3.6.10 In the absence to record the adequate information on the fuel consumption log, the actual quantity consumed cannot be assured.
- 1.3.6.11 Failure to maintain proper records on fuel consumption could lead to misapplication, abuse or theft.

**Recommendation**

- 1.3.6.12 The CSA Management should ensure adequate supervision and proper preparation of fuel consumption log to reflect the actual quantity of fuel received and consumed daily per hours.

**Management's Response**

- 1.3.6.13 *No Comment*

**Auditor General's Position**

- 1.3.6.14 In the absence of Management's comment, we maintain our finding. Going forward the CSA Management should update the fuel log to contain information such as total run hours for machines and vehicles, reading of serial meter, operator and remarks for the proper accounting of the entity fuel and lubricants.

**1.4 Information Communication Technology**

**1.4.1 No Evidence of ICT Policy**

**Observation**

- 1.4.1.1 Regulations A.14 of the PFM Act of 2009 states that "all Public Sector computerized electronic records and systems shall be consistent with an approved integrated financial management automated system consistent with the (IT) Security Policy issued by the Management. The IT Security Policy defines that each user of a computerized accounting, records, inventories, assets, human resource management, payroll or any similar system must be given a user identification number (User ID) and a password or personal identification number (PIN) by the system administrator."
- 1.4.1.2 During the conduct of the audit, we observed that the ICT Unit could not provide an approved written policy that guides their operations.

**Risk**

- 1.4.1.3 The failure to develop an ICT policy could lead to Management not providing a framework to identify and rate risks associated with the CSA ICT objectives.

**Recommendation**

- 1.4.1.4 Management should develop ICT policy so as to identify and manage risks that would impact negatively on the CSA's ability to achieve its ICT objectives.

**Management's Response**

- 1.4.1.5 *We acknowledge that there has been no ICT Policy for the period under audit. However, Management is currently working on an ICT Policy for the Agency.*

**Auditor General's Position**

- 1.4.1.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

**1.4.2 Absence of Software and Anti-Virus for ICT Equipment**

**Observation**

- 1.4.2.1 Regulation A.14 of the PFM Act of 2009 states that "all Public Sector computerized electronic records and systems shall be consistent with an approved integrated financial management automated system consistent with the (IT) Security Policy issued by the Management. The IT Security Policy defines that each user of a computerized accounting, records, inventories, assets, human resource management, payroll or any similar system must be given a user identification number (User ID) and a password or personal identification number (PIN) by the system administrator."
- 1.4.2.2 During the audit, we observed that the IT Unit of the CSA did not maintain software package and antivirus for ICT equipment.

**Risk**

- 1.4.2.3 The absence of software and antivirus for computers could lead to loss of information, damaged to drivers and sometimes abrupt interruption of work.

**Recommendation**

- 1.4.2.4 The Management of CSA should ensure that licensed software and antivirus are procured and installed on all computers.

**Management's Response**

- 1.4.2.5 *We acknowledge that there has been no Anti-Virus installed on ICT Equipment (Computers) at the agency for the protection of management ICT Equipment. However, Management is working out plan to have an Anti-Virus for the Agency.*

**Auditor General's Position**

- 1.4.2.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

### 1.4.3 Inadequate Records on Inventory of ICT Equipment

#### Observation

- 1.4.3.1 Regulations U.9 (3) of the PFM Act of 2009 states that "A head of Government Agency shall be accountable for the proper care custody and use of Government Inventories from the time of acquisition or assignment from the GSA until they have been used or otherwise disposed of in accordance with these regulations."
- 1.4.3.2 During the audit, we observed that the IT Section did not maintain an accurate list of individuals to whom ICT equipment such as laptops, desktops, projector, etc. are assigned.
- 1.4.3.3 Furthermore, we noted that the CSA ICT Section did not maintain Register of ICT equipment under the control of the CSA to include, costs, purchase date and condition of the equipment and other vital details.

#### Risk

- 1.4.3.4 In the absence of vital information like asset cost, condition, and other vital details Management could find it difficult to put in place preventive mechanisms to prevent theft, losses, wastage and misuse.

#### Recommendation

- 1.4.3.5 Manager should reassess all ICT equipment under the control of the CSA and update the Asset Register to include the cost, purchase date, location, assignee and condition. This would enable Management to keep track of details of each ICT asset, ensuring control and preventing misappropriation of assets. This would further help Management keep records on the correct value of assets, and performs computation of depreciation for tax and insurance purposes where applicable.

#### Management's Resposns

- 1.4.3.6 *The IT Unit during the audit review period was never involved into activities leading to the purchase or distribution of CSA IT equipment at the time. The Unit was rather only notified to setup or install software on that equipment when the need aroused. As of October 2020, the Unit has instituted control and designated an ICT Asset Focused Person to spearhead all ICT Asset related activities.*

#### Auditor General's Position

- 1.4.3.7 The justification provided by the CSA Management is inadequate and does not address the issue raised. Going forward, the ICT Unit should ensure that a listing/register of all ICT equipment is developed by the CSA and updated regularly to include the following; product authentication, functionality, licenses key, serial number, location, assignee and condition.

#### 1.4.4 **Disaster Recovery Plan**

##### **Observation**

1.4.4.1 According to the COSO frame work on Control Environment, management of an entity should develop a documented Disaster Recovery Plan that would provide procedures to be followed in the event of a mishap or disaster. In addition, this would enable the entity to prevent assets and information loss.

1.4.4.2 During the audit, it was observed that the CSA Management operated without disaster recovery plan.

##### **Risk**

1.4.4.3 The lack of disaster recovery plan could result to management not having clearly defined disaster management procedures to recover assets and information in the event of a disaster.

##### **Recommendation**

1.4.4.4 The Management of CSA should develop a disaster recovery plan to ensure that assets and information are recorded in the event of a disaster.

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

1.4.4.5 *The IT Unit is drafting a disaster recovery plan.*

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

1.4.4.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

#### 1.4.5 **IT Steering Committee**

##### **Observation**

1.4.5.1 PO4.3 of COBIT 4.1 states that "management should establish an 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 levels and service improvements

1.4.5.2 During the audit, it was observed that the Management of the CSA did not establish an IT steering committee, which should encompass representation of all departments to address issues related to IT projects, and resolve conflicts for better improvement.

**Risk**

- 1.4.5.3 CSA's management failure to establish an IT steering Committee could result in the overall IT objectives will not being achieved.

**Recommendation**

- 1.4.5.4 The CSA Management should establish an IT steering committee that will enable the institution to achieve their IT objectives.

**Management's Response**

- 1.4.5.5 *The IT UNIT will draw a roadmap that lead to establishment of an IT steering committee of the CSA.*

**Auditor General's Position**

- 1.4.5.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

1.4.6 **Offsite back-up**

**Observation**

- 1.4.6.1 In accordance with CoBiT 4.1 paragraph DS 4.9, Offsite Backup Storage Store offsite all critical backup media, documentation and other IT resources necessary for IT recovery and business continuity plans Management should determine the content of backup storage in collaboration with business process owners and IT personnel. Management of the offsite storage facility should respond to the data classification policy and the enterprise's media storage practices. IT Management should ensure that offsite arrangements are periodically assessed, at least annually, for content, environmental protection and security. Ensure compatibility of hardware and software to restore archived data, and periodically test and refresh archived data.

- 1.4.6.2 Our review of the system and other related documentation revealed that there was no evidence provided that CSA's Management had established an offsite back-up facility to restore data and maintain hardware and software.

**Risk**

- 1.4.6.3 The impact of not having an offsite back-up facility, would lead to loss of service to users, credibility, incomplete and inaccurate records in the event of disaster.

**Recommendation**

- 1.4.6.4 The Management of CSA should be made to obtain an offsite back-up facility to safeguard business from future disaster.

**Management's Response**

- 1.4.6.5 *The IT Unit will work with Sr. Management to ensure an offsite back-up facility obtained.*

**Auditor General's Position**

1.4.6.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

**1.4.7 IT's Security Policy**

**Observation**

1.4.7.1 According to DS5 of CoBit 4.1: The need to maintain the integrity of information and protect IT assets requires a security management process, This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

1.4.7.2 During the conduct of the audit, it was observed that there was no evidence of an approved IT security policy to maintain the integrity of information and identified security weaknesses. In addition, our review revealed that CSA's employees are not password protected in using the internet; they have access to the internet by means of the server password. This means that the employees have an open-source access to the internet.

**Risk**

1.4.7.3 The absence of an approved IT security policy, increases the risk of inappropriate working practices being adopted and loss of integrity.

**Recommendation**

1.4.7.4 Management should develop an approved and appropriate IT security policy to control and safeguard the physical hardware, data processes, documentation and personnel.

1.4.7.5 Additionally, access right should be given to staff based on their role and responsibilities in the system and a domain controller system that contains a group of computer that can be accessed and administrated with a common set of rules.

**Management's Response**

1.4.7.6 *An IT Security Policy has been drafted awaiting Management approval.*

**Auditor General's Position**

1.4.7.7 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.



#### 1.4.8 Environmental Control

##### Observation

- 1.4.8.1 DS 12.4 of CoBit 4.1, Protection against Environmental Factors Design and implement measures for protection against environmental factors. Install specialized equipment and devices to monitor and control the environment.
- 1.4.8.2 During the conduct of the audit, we noted that the IT department of CSA has six staff, the staffers and server are situated in a room with no space to adequately conduct IT work, documents and other repaired and non-repaired IT equipment are also stored within the same place.

##### Risk

- 1.4.8.3 Failure to separate staff workstation from warehouse and server room in the event of disaster could lead to the destruction of personnel and equipment.

##### Recommendation

- 1.4.8.4 The Management of the CSA should separate staff workstation from warehouse and server room.

##### Management's Response

- 1.4.8.5 *A request has been made to Sr. Management in relation to separating staff workstation from warehouse and having a server room. The IT Unit will continue to engage management in this regard.*

##### Auditor General's Position

- 1.4.8.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

#### 1.5 Governance Issues

##### 1.5.1 Declaration of Assets and Performance Bonds

##### Observation

- 1.5.1.1 Section 10.1 of the National Code of Conduct of Liberia states that "Every Public Official and Employee of Government involved in making decisions affecting contracting, tendering or procurement, and issuance of licenses of various types shall sign performance or financial bonds and shall in addition declare his or her income, assets and liabilities prior to taking office and thereafter:
- at the end of every three years;
  - on promotion or progression from one level to another;
  - upon transfer to another public office; and
  - upon retirement or resignation".

1.5.1.2 During audit, it was observed that CSA Management did not provide documented evidence that the Entity's appointed officials and Directors signed performance or financial bonds and additionally declared their assets. See table-18 for details.

**Table 18: Declaration of Assets and Performance Bonds**

No	Name	Position & Department	Declaration of Assets and Performance Bonds
1	Puchu Leona Barnard	Director General	Outstanding
2	Othello K. Weh	Deputy Director General/ADM.	Outstanding
3	Wanneh Clarke Reeves	Deputy Director General/HRM Policy	Outstanding
4	Shadi A. Abdu-Baki	Director, HRMIS Directorate	Outstanding
5	Claudius J. Broderick	Director, Career Mgt. & Training Directorate	Outstanding
6	Retta Vincent	Director, Employment services	Outstanding
7	Patience Coleman	Director, Civil Service Reforms	Outstanding
8	Mahdea George Belleka	Director, Pay, Benefits & Pensions	Outstanding
9	George T. Wilson	Director, General Administration and Finance	Outstanding
10	George B. Wah	Director, Policy, Research, Planning M & E	Outstanding
11	Dorothy M. Kiepeeh	Director, Management Services Directorate	Outstanding
12	Kromasah K. Sherman	Comptroller	Outstanding

**Risk**

1.5.1.3 In the absence of Declaration of Assets and Performance Bonds, the operations and activities of the CSA could result to corruption, illicit enrichment and conflicts of interests.

**Recommendation**

1.5.1.4 The Management of CSA should provide justification for not signing performance or financial bonds and additionally the declaring of their assets.

**Management's Response**

1.5.1.5 *The Management of the CSA take note of the observation on Asset Declaration and Performance Bonds. However, kindly reference 2017 Asset Declaration Report-Liberia, Liberia Anti-Corruption Commission for more clarity of political appointees, Directors and other senior staffs who declared their assets. Meanwhile, the CSA Management shall ensure and communicate the positions to all staffs covered by this policy, and require all to place a copy of their asset declaration form and clearance in their respective files.*

**Auditor General's Position**

1.5.1.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

### 1.5.2 **Approved Training Plan**

1.5.2.1 Chapter 8, Section 44(3 ii & iii) of the CSA Human Resources Policy Manual (Revised), Civil Service Agency of 2014 requires that each agency should develop a biennial training plan to include: a training needs assessment; an action plan showing goals; objectives, and methods by which the plan can be achieved; and funding needed to implement the plan. Agencies should send copy of their training plan to LIPA to be used for the sharing of training information and resources.

1.5.2.2 During the period under audit, we observed that the CSA Management did not develop an approved training plan to guide the training activities of the CSA for FY 2016/2017.

#### **Risk**

1.5.2.3 In the absence of an approved training plan, the operations and activities of the CSA could not be actualized due to the lack of capacity building and may lead to Management not timely meeting its objectives.

#### **Recommendation**

1.5.2.4 The CSA Management should ensure that periodic training plan is developed, approved and implemented so as to help management meets timely the objectives of the CSA.

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

1.5.2.5 *The training plan is incorporated in the Performance Management System (PMS) planning, mid-year review and annual appraisal documents. Every time the PMS is completed, the training plan for each staff is also completed.*

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

1.5.2.6 The justification provided by the CSA Management is not supported by documentary evidence. Therefore, we maintain our finding.

### 1.5.3 **Strategic and Operation Plan**

#### **Observation**

1.5.3.1 Regulation D.19 (1)(b) of the PFM Act of 2009 entitled 'Expenditure Estimates' states that a head of a government entity shall "prepare a strategic plan which shall include a definition of the Government agency's mission, goals, objectives, outputs and activities;

1.5.3.2 Further, Regulation D.22 entitled 'Budget Hearing' further states that: (1) "On receipt of estimates from ministries and agencies, the Minister shall cause to be conducted budget hearings to review strategic plans and estimates of the government agencies concerned in order to ensure that these plans and estimates are in accordance with the Government's macro-economic policy and fiscal framework. (2) Where necessary, the Minister may require a government ministry or agency to make adjustments to its strategic plans and

estimates in order to fulfil the requirements of the Government's macro-economic policy and fiscal framework."

- 1.5.3.3 During the audit of the CSA, we found that the CSA did not have approved strategic and operational plan for the period under audit.

**Risk**

- 1.5.3.4 The CSA may not have a strategic direction in the absence of an approved strategic plan.
- 1.5.3.5 The needed activities to undertake annually to meet strategic goals may not be achieved if they are not defined and documented in an approved annual operational plan.
- 1.5.3.6 Budgeting for annual operations may not adequately capture what the institution needs to move in the right direction.

**Recommendation**

- 1.5.3.7 The CSA Management should consider developing and approved a long-term strategic plan to steer the operation of the entity in a strategic direction.
- 1.5.3.8 The CSA should annually prepare an approved operational plan that will define activities to meet the strategic goals and serve as a basis for budgeting.

**Management's Response**

- 1.5.3.9 *We acknowledge that the Agency Strategic plan which was developed in 2015 expired in 2018. The new one has been drafted and it's currently being validated by senior management.*

**Auditor General's Position**

- 1.5.3.10 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

1.5.4 **Approved Accounting Manual**

**Observation**

- 1.5.4.1 Regulations A.5 of the PFM Act of 2009 states that, "A head of Government agency shall with the approval of the Minister issue an accounting manual to suit the operation and regulate the financial matters of Government agency."
- 1.5.4.2 We observed during the audit, that the CSA has no approved accounting manual to provide guidance in the accounting and budgeting procedures of the CSA.

**Risk**

- 1.5.4.3 The lack of approve accounting manual could lead to the finance section staff preparing financial records without guidance.

**Recommendation**

- 1.5.4.4 The CSA Management should ensure that the draft accounting manual is approved and fully implemented.

**Management's Response**

- 1.5.4.5 *The Agency has an accounting Manual was developed in partnership with USAID-GEM and operationalized since 2016; copies were presented to the Auditors but they argued that because it is not signed it is not official. However, management is considering your recommendation to have it signed.*

**Auditor General's Position**

- 1.5.4.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

1.5.5 **Audit Committee**

**Observation**

- 1.5.5.1 Regulation K.10 of the PFM Act of 2009 requires that a 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.
- 1.5.5.2 In addition, Regulations K.11(1), of PFM Act 2009 states that "the Audit Committee of Government Agencies or Organizations shall 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".
- 1.5.5.3 During the period under audit, there was no evidence to indicate that Management established a functioning Audit Committee.

**Risk**

- 1.5.5.4 The failure by Management to establish a functioning Audit Committee may prevent Management from taking timely corrective action on deficiencies identified by the Internal Audit Unit.

**Recommendation**

- 1.5.5.5 Management should establish a functioning Audit Committee as part of the Governance structures. This will enable Management to evaluate and ensure that internal controls are operating effectively.

### **Management's Response**

- 1.5.5.6 *The Management of the CSA takes note of the observation and shall engage the Internal Audit Governance Board for the establishment of the Audit Committee going forward.*

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

- 1.5.5.7 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.

### **1.5.6 Internal Audit**

#### **Observation**

- 1.5.6.1 Paragraph 1100 of the International Standards for the Professional Practice of Internal Auditing States that, "the internal audit activity maintained by ministries and agencies must be independent, and internal auditors must be objective in performing their work."

- 1.5.6.2 In addition to Paragraph 1130.A1 of the above Standard, 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.

- 1.5.6.3 During the audit, we observed that Internal Auditors were involved in pre-audit (clearing vouchers before they are processed for payment).

#### **Risk**

- 1.5.6.4 Pre-audits are time consuming and burdensome to implement. Additionally, the internal audit unit could appear to be self-reviewing its own work in the event of a post audit by the unit.

#### **Recommendation**

- 1.5.6.5 The CSA Management should ensure that the Internal Audit Unit engages into an independent, objective assurance and consulting activity designed to add value and improve the CSA's operations.

- 1.5.6.6 Further, the CSA Management should establish a compliance office, responsible for internal controls and to review all transactions before final approval is done.

### **Management's Response**

- 1.5.6.7 *CSA take note especially for the period under review. There is currently an Internal Audit unit at the CSA.*

- 1.5.6.8 *Attribute Standard 1112 (Chief Audit Executive Roles Beyond Internal Auditing) states: "Where the chief audit executive has or is expected to have roles and/or responsibilities*

*that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity”.*

- 1.5.6.9 *Implementation Standard 1130.A3 states that: "The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assessing resources to the engagement”.*
- 1.5.6.10 *The 2013 IAA Act also requires that the IAA shall advise and/or provide assurance that financial and operational activity of Government are in compliance with laws, policies, plans, standards and procedures that are applicable.*
- 1.5.6.11 *Moreover, the International Professional Practice Framework (IPPF)'s interpretation of Standard 2110 states: "The role of, and advice given by, the internal audit activity depend on the maturity of the governance system.*
- 1.5.6.12 *In a LESS MATURE SYSTEM, the internal audit activity emphasizes compliance with policies, procedures, laws, etc. It also addresses the basic risks to the organization.*
- 1.5.6.13 *In a MORE MATURE governance system, the internal audit activity's emphasis is on optimizing structure and practices”.*
- 1.5.6.14 *The pre-audit activity being carried out by Internal Audit is due to the less maturity of the control environment and is more of a consulting services being provided. This scope is contained in the internal audit charter of the Civil Service Agency which defines the internal audit activity purpose, authority and responsibility at the agency.*
- 1.5.6.15 *The Standards permit internal audit activity to assist management in a less mature environment, but must put in place safeguards in order to avoid impairment of independence and objectivity. Thus, as a safeguard, the Internal Audit Agency annually rotates internal auditors, especially the heads of units (chief audit executive), every fiscal year so as to assure that the internal auditors do not review their own work from previous assignment.*

#### **Auditor General’s Position**

- 1.5.6.16 We acknowledge Management’s acceptance of our finding. We will follow up in subsequent audit.

#### **1.5.7 Risk Management Policy**

##### **Observation**

- 1.5.7.1 In terms of the COSO Frame work the Management of an organization should develop a

documented Risk Management Policy. This policy forms part of an organization's internal control and governance arrangements. The policy will further explain the organization's underlying approach to risk management. It gives key aspects of the risk management process, and identifies the main reporting procedures. This policy also defines roles and responsibilities of various levels of management.

- 1.5.7.2 During the audit, it was observed that the Management of CSA did not develop a Policy on Risk Management.

**Risk**

- 1.5.7.3 The failure to develop a documented Risk Management Policy could lead to management's inability to clearly conduct risk assessment and respond to risk that may impact on the achievement of institution's objectives.

**Recommendation**

- 1.5.7.4 The Management of the CSA should develop a Risk Management Policy.

**Management's Response**

- 1.5.7.5 *CSA take note of the observation and shall ensure that the Risk Management Policy is developed.*

**Auditor General's Position**

- 1.5.7.6 We acknowledge Management's acceptance of our finding. We will follow up in subsequent audit.



## **2 ACKNOWLEDGEMENT**

- 2.1 We acknowledge the cooperation and assistance provided to the GAC Audit Team by the Management and staff of the Civil Service Agency during the audit. The efforts and commitment of the GAC staff in conducting this audit are also gratefully acknowledged.