



Management Letter

On the Financial Statement Audit of the Liberia Revenue Authority (LRA)

for Fiscal Year ended 30 June 2017



Promoting Accountability of Public Resources

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Auditor General, R. L.

Monrovia, Liberia
January 2021

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January 25, 2021

Hon. Thomas Doe Nah
Commissioner General
Liberia Revenue Authority (LRA)
NASSACORP Building
ELWA Junction, Paynesville
Republic of Liberia

Dear Hon. Nah:

RE: MANAGEMENT LETTER ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA REVENUE AUTHORITY (LRA) FOR THE FISCAL PERIOD ENDED JUNE 30, 2017.

The financial statements of Liberia Revenue Authority were subject to audit by the Auditor-General in terms of Section 2.1.3 of the General Auditing Commission Act of 2014.

INTRODUCTION

The audit of the Liberia Revenue Authority for the year ended 30 June 2017 was completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). 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 prepared by the LRA.

An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statement 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 such as the Public Finance Management (PFM) Act of 2009, the Public Procurement Concession (PPC) Act of 2010 and the Revenue Code of Liberia Act Of 2000 / Consolidated Tax Amendments Act of 2010.

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 LRA. The responsibility of the Office of the Auditor General is to express an opinion on these financial statements.

MANAGEMENT TEAM

The Management Team of the LRA for the period of the audit included the following individuals.

Name	Rank	Period
Elfreda S. Tamba	Commissioner General	2014-2018
Oliver N. Rogers	Deputy Commissioner General Administrative Affairs	2014-2018
Decontee King-Sackey	Deputy Commissioner General Technical Affairs	2014-present
Kofi Abedu-Bentsi, Sr	Assistant Commissioner for Budget and Finance	2014-2018
James Kerkulah	Assistant Commissioner for Internal Audit	2014-present

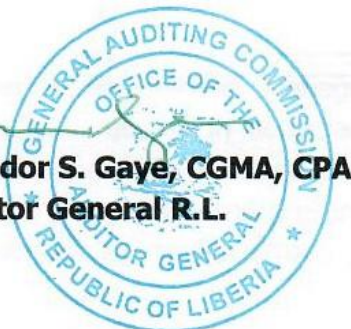

The audit findings which were identified during the course of the audit are included below.

MANAGEMENT'S RESPONSE

It would be appreciated if responses of the Management of LRA to these findings or observations could be submitted within ten (10) days after the date of this report for incorporation.

APPRECIATION

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



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

Monrovia, Liberia

January 2021

ACRONYMS USED

Acronym	Meaning
AC	Assistant Commissioner
AG	Auditor General
AC B&F	Assistant Commissioner for Budget & Finance
ACIA	Assistant Commissioner for Internal Audit
ACHR	Assistant Commissioner for Human Resources
CAG	Comptroller & Accountant General
CG	Commissioner General
CGMA	Certified Global Management Accountant
CPA	Certified Public Accountant
DCGAA	Deputy Commissioner General Administrative Affairs
DCGToA	Deputy Commissioner General Technical Affairs
FY	Fiscal Year
GAC	General Auditing Commission
GOL	Government of Liberia
HRMP	Human Resource Management Policy
IAD	Internal Audit Department
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LRA	Liberia Revenue Authority
MFDP	Ministry of Finance & Development Planning
NCB	National Competitive Bidding
PAC	Public Accounts Committee
PFM	Public Finance Management
PPCC	Public Procurement Concession Commission
PPCA	Public Procurement Concession Act
PV	Payment Voucher
PV #	Payment Voucher Number
RFQ	Request for Quotation
OAG	Office of the Audit General
SS	Single Source
SCRIP	Statement of Cash Receipts and Payments
SCP	Statement of Cash Position
B&F	Budget and Finance

1. DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Related Matters

1.1.1 Cash Position

Observation

1.1.1.1 Regulation E.15 of the Public Finance Management Regulation for the Public Finance Management (PFM) Act of 2009, states "A head of government agency shall not vary the normal course of payment to avoid casing an excess on any item of expenditure or to avoid lapse of funds after the 90-day grace period provided in Section 27 of the Public Finance Management Act of 2009 and in particular shall not:

(a) make payments in advance for goods or services to be delivered beyond 90 days in the subsequent financial year; and

(b) place funds on deposit, with a service provider or any other agency to avoid the consequences of lapse of funds beyond 90 days in the subsequent financial year".

1.1.1.2 During the conduct of the audit, it was observed that the LRA Management reported a negative closing cash balance of (US\$264,027) without evidence that the entity had an approved borrowing arrangement.

Risk

1.1.1.3 The Management of LRA could be in violation of the Budget Law and the PFM Act for spending beyond its funding and it is likely the financial statements could be misstated.

Recommendation

1.1.1.4 The Management of LRA should provide explanation with supporting documentation for the negative cash position.

Management's Response

1.1.1.5 *LRA did not borrow any fund during the fiscal period being reviewed. The negative cash position was as a result of the accounting practice used at the time. Transactions were recorded in the cashbook even though actual cash were not paid and the transactions were not reversed at the end of the fiscal year. These transactions did not affect the bank balances as payments were never made. The practice has since been abandoned based on Internal Audit's advice.*

Auditor General's Position

1.1.1.6 The Management of LRA's practice of recording financial transactions is not in accordance with the IPSAS Cash Basis of Accounting as adopted by the Government of Liberia. Going forward, the Management of LRA should ensure that the recording of transactions is consistent with the IPSAS Cash basis of Accounting standard.

1.1.2 Travel Allowance

Observation

- 1.1.2.1 The Domestic Travel Ordinance of 2016 counts 10 and 11 require all amounts disbursed for domestic travel purpose to be retired within one week upon return from travel.
- 1.1.2.2 The Government of Liberia Revised Travel Ordinance of 2016 Count 4 states 'In each case, a request for foreign travel advance shall be prepared in the prescribed Travel Advance Form (Annexure 1). Additionally, a copy of the attached presidential approval or head of relevant institution and the letter of invitation clearly specifying travel dates shall be required'.
- 1.1.2.3 During the audit, it was observed that a total amount of L\$ 2,378,000.00 was paid to thirty-one employees as daily subsistence allowance for domestic travels and US\$10,146.00 disbursed to eleven staff of the LR but there was no evidence that these amounts were retired. See Annexure 1

Risk

- 1.1.2.4 The authenticity of the travel cannot be validated in the absence of a retirement.

Recommendation

- 1.1.2.5 The Management of LRA should ensure that all travel advances are retired.

Management's Response

- 1.1.2.6 *The LRA has a Protocol Unit that handles travels and retains related retirement documents. That is why the retirement documents are not attached to the payment vouchers. However, we have gathered significant number of the retirement documents and the process is ongoing.*

Auditor General's Position

- 1.1.2.7 We acknowledge LRA Management's acceptance of our finding and recommendation. We will follow up on the ongoing retirement process during our subsequent audit.

1.1.3 Exchange Difference

Observation

- 1.1.3.1 Cash Basis IPSAS as Adopted by the Government of Liberia, Section 14.1.7 states 'unrealized gains and losses arising from changes in foreign currency exchange rates are not cash receipts and payments. However, the effect of exchange rate changes on cash held in a foreign currency is reported in the statement of cash receipts and payments in order to reconcile cash at the beginning and the end of the period. This amount is presented separately from cash receipts and payments and includes the differences, if any, had those cash receipts payments and balances been reported at end-of-period exchange rates.

1.1.3.2 It was observed during the audit that the Exchange Gain or Loss amounting to \$107,174 was reported in the final trial balance with no ledger account to show how the amount was accumulated. The amount was neither disclosed nor reported separately consistent with the standard of IPSAS Cash Basis of Accounting adopted by the Government of Liberia.

Risk

1.1.3.3 The financial statements could be misstated in the absence of a ledger to support amounts in the financial statements.

Recommendation

1.1.3.4 The LRA should provide the ledger for the Exchange gain/ loss and also disclose the amount as required by the GoL IPSAS Cash Basis of Accounting.

Management's Response

1.1.3.5 *Noted, going forward, the exchange difference (loss/gain) will be stated on the face of the financial.*

Auditor General's Position

1.1.3.6 We acknowledge LRA Management's acceptance of our finding and recommendation.

1.2 Administrative Issues

1.2.1 Accounting System

Observation

1.2.1.1 It was observed the LRA uses Microsoft Excel application to record its accounting entries. The system has no detailed control arrangements for restricted access in the processing of financial transactions to ensure the integrity of the financial statements.

Risk

1.2.1.2 A manual accounting of recording transactions could expose the LRA's financial statements to the risk of material misstatements.

Recommendation

1.2.1.3 The Management of LRA should ensure the acquisition of accounting or financial reporting software to process its financial accounting transactions.

Management's Response

1.2.1.4 *Noted; however, there has been funding issue coupled with difficulty in getting an accounting package that produces reports in accordance with cash basis IPSAS cash. We tried using QuickBooks but there were problems with customizing it to the kind of reports required.*

Auditor General's Position

1.2.1.5 The LRA Management's assertion is not backed by any documentary evidence. Going forward, the LRA should endeavour to automate its accounting processes.

ANNEXURES

Annexure 1: Travel Advances not retired

Domestic Travel Advances not retired					
No.	Date	Name of Personnel(s)	Voucher #	CK#	Amount L\$
1	March 16,2017	Henry G Valhmu	306	10000976	203,000.00
2	March 16,2017	Felecia N. Wesseh	306	10000977	132,000.00
3	March 16,2017	Garfield A. Konneh	306	10000978	132,000.00
4	March 16,2017	Enoch W. Marbloe	306	10000979	132,000.00
5	March 16,2017	Albert K. Peters	306	10000980	203,000.00
6	March 16,2017	Kelvin A. Yarmah	306	10000981	132,000.00
7	March 16,2017	Sagie F. Kamara	306	10000982	132,000.00
8	March 16,2017	Abarahm B.Seh	306	10000983	132,000.00
9	January.30,2017	Hensely G. Lamie	237	10000814	17,000.00
10	January 30,2017	Alph A.S.Kenneth	237	10000815	12,000.00
11	January 30,2017	Diarus S.Kezelee	237	10000816	10,000.00
12	September 1,2016	Mohammed Billity	068	10000287	29,000.00
13	May 18,2017	Blama Kofa	439	10001252	90,000.00
14	May 18,2017	Sabwee Nabwe	439	10001253	60,000.00
15	May 18,2017	Emmanuel Kartoe	439	10001254	60,000.00
16	May 18,2017	Oparin G.Korvah	439	10001255	60,000.00
17	May 18,2017	Momo cole	439	10001256	50,000.00
18	October 31,2016	Albert K. Peters	158	10000585	180,000.00
19	October 31,2016	Josephus Ketter	158	10000586	120,000.00
20	October 31,2016	James M. Dolobai	158	10000587	120,000.00
22	November 7,2016	Ahmed I.B. Korvah	160	10000591	23,000.00
23	November 7,2016	Oparin G. Korvah	160	10000592	18,000.00
24	November 7,2016	Diarus S. Kezele	160	10000593	15,000.00
25	February 7,2017	Jonathan A Momo	260	10000858	84,000.00
26	February 7,2017	Samson M. Dee	260	10000859	40,000.00
27	February 7,2017	Thomas Jallah	256	10000844	54,000.00
28	February 7,2017	Joyce Bonner	256	10000845	36,000.00
29	February 7,2017	Wilba Giddings	256	10000846	36,000.00
30	February 7,2017	Partrick G. Larmin	256	10000847	36,000.00
31	February 7,2017	Jocye Freeman	256	10000848	30,000.00
TOTAL					2,378,000.00

Foreign Travel Advances not retired					
No.	Date	Name of Personnel(s)	Voucher #	CK#	US\$ Amount
1	24-April-17	Moses F. Luther	2016/2017 -450	90000961	280.00
2	24-April-17	Wilfred N.L. Paye	2016/2017 -450	90000962	280.00
3	24-April-17	Michael Simbeati	2016/2017 -450	90000963	280.00
4	24-April-17	Mohammed Alhaji Kamara	2016/2017 -450	90000964	280.00
5	24-April-17	Gift Asmah	2016/2017 - 450	90000965	280.00
6	25-April-17	Munda Bill Cuput	2016/2017- 460	90000975	280.00
7	25-April-17	Kelvin Baryoegar	2016/2017- 460	90000976	280.00
8	25-April-17	Harris Leo	2016/2017- 460	90000977	280.00
9	18-May-17	Wilson Dargbeh	2016/2017 -533	90001079	280.00
10	18-May-17	Minnie P. Kallon	2016/2017 -533	90001080	280.00
11	29-August -16	Sebastian Weah	2016/2017-035	90000105	1,388.00
12	29-August -16	Darlington Tarley	2016/2017-035	90000106	1,108.00
13	29-August -16	Lasana Kromah	2016/2017-035	90000105	1,108.00
14	29-August -16	Athelia Grasco Korvah	2016/2017-035	90000108	1,108.00
15	29-August -16	Eddie Howe	2016/2017-035	90000109	1,108.00
16	15-August-16	Nyane Wratto	2016/2017- 027	90000059	903.00
17	15-August -16	Samuel Weah	2016/2017- 027	90000060	623.00
TOTAL					10,146.00