



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT

On the Compliance audit of the Financial Intelligence Unit (FIU)

For the Fiscal Year ended June 30, 2019

December 2022

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Auditor General, R. L.



Republic of Liberia



TRANSMITTAL LETTER

THE HONORABLE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE HONORABLE PRESIDENT PRO- TEMPORE OF THE LIBERIAN SENATE

We have undertaken a Compliance audit of the Financial Intelligence Unit (FIU) for the Period July 1, 2018 to June 30, 2019. The audit was conducted in line with Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

Findings conveyed in this report were formally communicated to the authorities of the (FIU) for their responses. The reportable issues were submitted through a Management Letter. Where responses were provided, they were evaluated and were incorporated in this report.

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

**P. Garswa Jackson FCCA, CFIP, CFC
Auditor General, R.L.**

Monrovia, Liberia
September 2023

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ACRONYMS

| Acronyms/Abbreviations/Symbol | Meaning |
|-------------------------------|--|
| FCCA | Fellow of Certified Chartered Accountant |
| AG | Auditor General |
| CBL | Central Bank of Liberia |
| CFC | Certified Financial Consultant |
| CFE | Certified Fraud Examiner |
| CFIP | Certified Forensic Investigative Professional |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| DG | Director General |
| DSA | Daily Sustenance Allowance |
| FIU | Financial Intelligence Unit of Liberia |
| GAC | General Auditing Commission |
| GL | General Ledger |
| GOL | Government of Liberia |
| GSA | General Services Agency |
| IFMIS | Integrated Financial Management Information System |
| IPSAS | International Public Sector Accounting Standards |
| ISSAIs | International Standards of Supreme Audit Institutions |
| INTOSAI | International Organization of Supreme Audit Institutions |
| L\$ | Liberian Dollar |
| LRA | Liberia Revenue Authority |
| LRD | Liberian Dollar |
| MFDP | Ministry of Finance and Development Planning |
| MOPT | Ministry of Post & Telecommunications |
| PFM Act | Public Finance Management Act |
| PPCC | Public Procurement and Concession Commission |
| RL | Republic of Liberia |
| SOP | Standard Operating Procedures |
| US\$ | United States Dollar |

Compliance Audit Report on the Financial Intelligence Unit (FIU) for the Fiscal Year July 1, 2018 to June 30, 2019.

Adverse Conclusion

The General Auditing Commission has concluded a compliance audit of the Financial Intelligence Unit (FIU). The compliance audit has been conducted in compliance with relevant laws and regulations consistent with the Auditor General's mandate as provided for in Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as in accordance with all relevant laws.

Based on the audit work performed and because of the significance of the non-compliance matters noted in the Basis for Conclusion paragraphs below, the subject matter is not in all material respect, in compliance with the PFM Act and Regulations, PPC Act and Regulations, Budget Laws, and other authoritative policies & procedures relevant during the period.

Basis for Adverse Conclusion

Management did not prepare and submit IPSAS Cash Basis Financial Statements as adopted by the Government of Liberia for the period under audit.

Management did not provide detailed ledgers for revenue and expenditure for the period under audit.

Management did not prepare bank reconciliation statements for its three (3) bank accounts for the period under audit.

Management did not withhold and remit withholding taxes for goods and services into GoL consolidated revenue account.

Management did not provide expenditure report for expenditure amounting to US\$557,044.00.

**P. Garswa Jackson FCCA, CFIP, CFC
Auditor General, R.L.**

Monrovia, Liberia

September 2023

Introduction

The Compliance Audit of the Financial Intelligence Unit (FIU) was commissioned consistent with the Auditor General's mandate as provided for in Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

Background

The Financial Intelligence Unit (FIU) was created by an Act of the Liberia National Legislature of 2012 and published in 2013. The Financial Intelligence Unit is an independent and autonomous entity established to serve as the central, national entity of Liberia responsible for receipt, analysis, and conduct preliminary investigations of suspicious transactions or activities reports, currency transactions or activities report, other information relevant to money laundering, associated predicate offenses, terrorist financing, financing proliferation of weapons of mass destruction and proceeds of crime and other transactions or activities reports determined by the FIU Act Chapter 67.2, section (1).

The Board of Directors of FIU shall formulate and ensure the implementation of policies necessary for the achievement of the objective of anti-money laundering and terrorist financing laws, and oversee the implementation anti money laundering and financing of terrorism policies in Liberia. The Board shall be the governing body of FIU. The Board, shall, in its actions, support the overall purpose of and functions of FIU as outlined in Sections 67.3 and 67.4 of the chapter. The Board shall be appointed by the President and shall comprise representatives of:

Central Bank of Liberia as the Chairperson;
the Ministry of Finance;
the National Security Agency;
the Ministry of Justice;
the Director of FIU;
the Liberian Anti-Corruption Commission;
the Ministry of Foreign Affairs and
civil societies.

The GOL took over the FIU and has been providing budgetary supports to the entity.

The overall objectives of the institution include:

1. receive and analyze intelligence and other public and non-public information in order to disseminate useful information to law enforcement and other competent authorities involved in investigating, prosecuting, detection and preventing of money laundering and terrorist financing.
2. suspicious transaction or cash transaction reports pursuant to AML/CFT reporting obligations from reporting entities. Government Ministries, Government Agencies, quasi- Government Agencies or institutions, or state-owned entities as required by law.
3. public and non-public information provided to the FIU or obtained by the FIU related to money laundering or the predicate offenses, proceeds of crime or related activities.

Management Personnel

The following key personnel managed the affairs of the Financial Intelligence Unit (FIU) for the period under audit.

Key Management Personnel of the FIU

| # | Name | Title / Position Held | Period |
|----|-------------------------|---|----------------|
| 1. | Mr. Edwin W. Harris | Executive Director/CEO | 2020 – Present |
| 2. | Mr. Emmanuel T. Gee | Director of Finance and | 2020– present |
| 3. | Mr. Bobby Q. Harris | Manager of Domestic and International corporation | Present |
| 4. | Mr. Isaac C. David | Compliance Manager | 2020 - Present |
| 5. | Mr. Ebenezer V. Johnson | Procurement and Logistics Officer | Present |

Subject Matter

A Compliance audit on the validation of the FIU Operations with special emphasis on: a) Subsidies/grants from GoL and income from donors; (b) Expenditure for goods, services and personnel compensation; (c) Internal Control Systems (Governance and operational structures) of the entity for the fiscal period July 1, 2017 to June 30, 2028.

Audit Scope

The scope of the audit covered the period July 1, 2017 to June 30, 2018.

Audit Objectives

The objectives of the audit:

- To provide intended user (s) with information on whether the audited public entity follow legislative decisions, laws, legislative acts, policy, established codes and agreed -upon terms.
- Gather sufficient appropriate audit evidence whether FIU Operations with special emphasis on: (a) Subsidies/grants from GoL and income from donors; (b) Expenditure for goods, services and personnel compensation; (c) Internal Control Systems (Governance and operational structures) of the entity are in compliance, in all material respect with relevant laws, regulations and policies; and
- To report in terms of the GAC reporting requirements as spelt out in part four (4) of the GAC Act of 2014, the findings and conclusions to the National Legislature.

Audit Criteria

Regulation A.20 of the PFM Act of 2009.

Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.

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

Civil Service Standing Order chapter 1. Section 2.5

Chapter 8, Section 1, reports 8.1.1 of the Civil Servants Standing Order of 2021

Section 66.10 of the Civil Service Agency Act of 1973

Regulation A.15(1) of the PFM Act of 2009

The COSO framework
Regulation J3 of the PFM Act of 2009
Regulation K.10 of the PFM Act of 2009
Section 30 (1 and 2) of the Public Procurement and Concessions Act of 2005 as amended and restated in 2010
APO01.01.8 of COBIT 5
APO02.05 COBIT 5
Dss04.02 of COBIT 5

Audit Methodology

We performed our audit based on review of contract documents, specification, financial records and payment vouchers related to the period under audit, interviewing FIU staff as well as physical verification of Projects, Assets and personnel. The audit criteria were applied to each procurement sample selected. We have documented the findings and given to Management for comments.

The audit was conducted in accordance with ISSAI 4000 and INTOSAI's International Standards for Compliance Audit. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether FIU complied with laws and regulations. Our audit also took cognizance of the requirements under the Auditor General's mandate as provided for under Section 2.1.3 of the GAC Act of 2014. Our audit approach included observation, inquiries, inspections, confirmation, and analytical procedures on areas we considered as high risk.

Limitation of Responsibility

The audit involves performing procedures to obtain audit evidence about the subject matter's compliance with applicable authorities identified as criteria. The procedures selected depended on the auditor's professional judgment, including the assessment of the risks of material non-compliance of the subject matter, whether due to fraud or error.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material non-compliance may not be detected, even though the audit is properly planned and performed in accordance with the ISSAIs. In making our risk assessments, we considered internal control relevant to the subject matters, but not for the purpose of concluding on the effectiveness of the entity's internal control.

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Non-Preparation and Submission of Financial Statements

Observation

1.1.1.1 Part 1.3.4 of the International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting (November 2017) states: "An entity shall prepare and present financial statements which include the following components:

- (a) Statement of cash receipts and payments which recognizes all cash receipts, cash payments and cash balances controlled by the entity
- (b) Accounting policies and explanatory notes; and
- (c) When the entity makes publicly available it's approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget and actual column in the statement of cash receipt and payments in accordance with paragraph 1.7.8 of this Standard"

1.1.1.2 During the audit we observed no evidence that Management prepared and submitted IPSAS cash basis financial statements as adopted by the Government of Liberia for the period under audit.

Risk

1.1.1.3 Failure of Management to prepare and present approved financial statements may deny stakeholders information relevant for decision making.

1.1.1.4 Management may not fully account for activities of the entity.

Recommendation

1.1.1.5 The Management should prepare and present Financial Statements in line with the GoL reported Framework.

1.1.1.6 Going forward, Management should ensure that approved Financial Statements are presented to the Offices of the Auditor General and Comptroller & Accountant General two months after the end of the fiscal period in line with the PFM Act.

1.1.1.7 All Financial Statements prepared and approved for the period should be adequately documented and filed to facilitate future review.

1.1.1.8 Management should procure and operationalize a functional accounting software to record all financial transactions of the entity.

1.1.1.9 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Going forward, an automated linkage should be created between the general ledger, trial balance and the financial statements to facilitate completeness and accuracy of the financial statements.

Management's Response

1.1.1.10 See attached the consolidated annual financial statements for the period ended June 30, 2021 marked **exhibit 1: A, B, C, D**

Auditor General's Position

1.1.1.11 We acknowledge Management's assertion and the subsequent submission of the financial statements after the audit execution. However, the financial statements presented were consolidated for the four fiscal periods non-compliant to the IPSAS Cash Basis of Accounting and the PFM Act. The financial statements presented should therefore be disaggregated and prepared on an annual basis.

1.1.1.12 Therefore, we maintain our findings and recommendations. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.2 No Evidence of Quarterly Budget Performance Reports

Observation

1.1.2.1 Regulation A.1 of the PFM Act of 2009 states, "the public shall be provided with full access to all appropriate information concerning the financial affairs of the government. This will include, but not limited to, information about the development of annual and supplementary budget estimates, the quarterly fiscal outturn reports issued by the Ministry, the monthly revenue and quarterly budget performance reports of ministries and agencies state owned enterprises their annual accounts and reports and the Government's annual audited accounts."

1.1.2.2 During the conduct of the audit, it was observed that Management operated without evidence of quarterly and annual budget performance reports.

1.1.2.3 Also, Management did not provide expenditure report for expenditure amounting to US\$557,044.00. **See table #1 below for details**

Table #1: Quarterly Budget Performance Reports

| No | Description | Budget Actual | Outturn |
|----|---------------------------|----------------|----------------|
| 1. | Compensation of Employees | 402,852 | 409,913 |
| 2. | Use of Goods and Services | 174,192 | 137,661 |
| | Total | 577,044 | 547,574 |

Risk

- 1.1.2.4 In the absence of quarterly and annual budget performance report, revenue and expenditure may not be reliably measured. This may lead to under receipt of budgeted revenue and / or over expenditure.
- 1.1.2.5 Management may not fully account for activities of the entity.

Recommendation

- 1.1.2.6 Management should ensure timely preparation of quarterly and annual budget performance reports in line with the PFM Act of 2009.
- 1.1.2.7 Quarterly and annual budget performance reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.2.8 *See attached the quarterly financial statements, which include the quarterly budget performance reports for the period ended June 30, 2021 marked as **exhibits 2: A, B, C, D***

Auditor General's Position

- 1.1.2.9 As indicated in the prior Auditor General's response, Management submitted a consolidated financial statement for the four fiscal periods non-compliant to the IPSAS Cash Basis of Accounting and the PFM Act. The financial statements and the budget performance reports are two separate statutory reports. The budget performance report details a comparative analysis between budgeted and actual revenue and expenditure per class of transactions prepared on a quarterly basis. The submission of consolidated financial statements is not a substitute for quarterly budget performance reports.
- 1.1.2.10 Therefore, we maintain our findings and recommendations. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.3 No Supporting Detailed General Ledgers

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 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".
- 1.1.3.2 During the conduct of the audit, Management did not provide detailed ledgers for revenue and expenditure for the period under audit.

Risk

- 1.1.3.3 The completeness and accuracy of revenue and expenditure may not be assured; therefore, the financial statements may be misstated.
- 1.1.3.4 Management may not fully account for activities of the entity.

Recommendation

- 1.1.3.5 Management should ensure that detailed general ledgers are prepared to support figures mentioned in the expenditure report. Periodic reconciliation should be performed between the general ledger and the financial statements. Differences identified should be investigated and adjusted (where applicable) in a timely manner.
- 1.1.3.6 Management should procure and operationalize a functional accounting software to record all financial transactions of the entity.
- 1.1.3.7 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Going forward, an automated linkage should be created between the general ledger, trial balance and the financial statements to facilitate completeness and accuracy of the financial statements.

Management's Response

- 1.1.3.8 *We are resubmitting our ledgers for your review. Please see attached ledgers marked **exhibit 3**.*
- 1.1.3.9 *Management has taken note on the issue of the Accounting Software and will act accordingly*

Auditor General's Position

- 1.1.3.10 The documents presented in Exhibit 3 represented cashbooks, bank statements and unapproved bank reconciliation statements but not detailed set of general ledgers for revenue and expenditure per class of transactions. The cashbook showcases inflow and outflow of cash transactions of the entity but does not comprehensively detailed the corresponding class of revenue or expenditure which parallels cash inflow and outflow.
- 1.1.3.11 Therefore, we maintain our findings and recommendations. Further, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.4 Non-Preparation of Bank Reconciliation

Observation

- 1.1.4.1 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".

- 1.1.4.2 During the audit, we observed that Management did not prepare bank reconciliation statements for its three (3) bank accounts for the period under audit. **See table 1 for details:**

Table 1 Bank Accounts Details

| # | Name | Currency | A/C Number |
|---|--------|----------|--------------------|
| 1 | CBL | USD | 150 – 202 - 1605 |
| 2 | CBL | LRD | 150 – 100 – 8108 |
| 3 | GTBank | USD | 20111 – 459 – 5210 |

Risk

- 1.1.4.3 Failure to prepare bank reconciliation statements may lead to untimely detection of errors or omissions and fraud. Management may not be able to fully account for its cash receipts.

Recommendation

- 1.1.4.4 Management should ensure that monthly bank reconciliation reports are prepared for each operational and designated account established by the entity.
- 1.1.4.5 Monthly bank reconciliation statements should be prepared and approved by staff with the relevant qualification, experience and seniority.
- 1.1.4.6 Monthly bank reconciliation report should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.4.7 *See attached monthly bank reconciliations from July 2017-June 30, 2021, signed and approved by relevant staff and seniority marked exhibit 4.*

Auditor General's Position

- 1.1.4.8 We have reviewed the documents subsequently submitted by Management after our audit execution and observed the following discrepancies:
- The date of approval of the bank reconciliation statements were not documented
 - No evidence of signing of the bank reconciliation statements by the preparer and reviewer.
- 1.1.4.9 Also, Management provision of documents after our review does not guarantee Management effective control of documents.
- 1.1.4.10 Going forward, Management should ensure that requested documents for audit purposes are presented in a timely manner.
- 1.1.4.11 Therefore, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.1.5 Withholding and Remittance of Goods/Services Tax

Observation

- 1.1.5.1 Section 905 (J) and (M) of the Revenue Code of Liberia Act of 2000 states: (j) "within 10 days after the last day of the month, payer described in (a) is required to remit to the tax authorities the total amount required to be withheld during the month", and (m) stipulates "a person who has a withholding obligation under this section and fails to withhold and remit the amount of tax required to be withheld is subject to Section 52 penalty for late payment and failure to pay".
- 1.1.5.2 During the audit we observed no evidence of goods & services tax (GST) being withheld and remitted into GoL Revenue Account for the purchase of goods and services.

Risk

- 1.1.5.3 Failure to withhold and remit GST may deny GoL of the much-needed tax revenue.
- 1.1.5.4 Management may be noncompliant with Section (905) J. of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay. **Please see Section 52 of the Revenue Code of Liberia as referenced above.**
- 1.1.5.5 Non-remittance of withholding taxes may lead to an overstatement of the cash book and subsequently the financial statements.

Recommendation

- 1.1.5.6 Management should provide substantive justification for not withholding and remitting GST.
- 1.1.5.7 Going forward, Management should withhold GST on all goods and services procured and facilitate full remittance of GST to the general revenue account in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.

Management's Response

- 1.1.5.8 *Major payments were made directly by the Ministry of Finance and Development Planning. These expenses include office building rental and staff salaries which are all paid net of tax except for petty cash.*

Auditor General's Position

- 1.1.5.9 Management's assertion is not supported by documentary evidence and does not adequately address the issues raised. Goods and services taxes (GST) are not paid on staff salaries and are due on all remittances for goods and services.
- 1.1.5.10 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.6 Irregularities Associated with Fixed Asset Management

Observation

- 1.1.6.1 Regulations V.4 (2) of the PFM Act of 2009 and revised in 2019 states that, "The master inventory shall record under each category of item:
- the date and other details of the voucher or other document on which the items were received or issued;
 - their serial numbers where appropriate; and
 - their distribution to individual locations and the total quantity held."
- 1.1.6.2 During the conduct of the audit, it was observed that the following irregularities were associated with the Fixed Assets Management System:
- There was no evidence of a fixed assets management policy.
 - There was no evidence of fixed assets register.
 - There was no evidence of periodic physical verification of assets by Management
 - There was no evidence of movement of assets form.
 - There was no history of disposal of assets.
 - Fixed assets of the entity were not coded.
 - Fixed assets within a given vicinity were not displayed as required by the PFM Act

Risk

- 1.1.6.3 Fixed Assets may be misstated (Over/understated).
- 1.1.6.4 Assets may be damaged or impaired but their values are still on the books.
- 1.1.6.5 Fixed assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.
- 1.1.6.6 The lack of asset movement log could make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.
- 1.1.6.7 Failure to properly account for fixed assets may lead to theft and misapplication of equipment/materials. This may result in the non-achievement of the entity's objectives.
- 1.1.6.8 Fixed Assets not coded may be susceptible to theft or diverted to personal use.
- 1.1.6.9 Also, fixed assets may be exchanged or subjected to theft when not coded.

Recommendation

- 1.1.6.10 Management should develop, approve and operationalize a fixed asset management policy to regulate fixed assets activities of the entity.
- 1.1.6.11 Management should set assets value to be recorded, developed and maintained.

- 1.1.6.12 Management should develop and operationalize a fixed asset register cataloging all assets of the entity. The fixed assets register should be developed to reflect the following; description, source of purchase, date of purchase, class, code, assignee, location, condition, original cost, depreciation expense, accumulated depreciation and net book value of the asset.
- 1.1.6.13 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of physical verification should be adequately documented and filed to facilitate future review.
- 1.1.6.14 The Fixed Assets Register should be updated periodically to reflect all entity's assets.
- 1.1.6.15 Fixed assets within a particular vicinity should be clearly displayed as required by the PFM Act.
- 1.1.6.16 A movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in location of asset.

Management's Response

- 1.1.6.17 *See sections 5.1-5.8 of the financial manual concerning policy on fixed assets management marked **exhibit 6**.*
- 1.1.6.18 *We are also resubmitting the fixed asset registry for the period June 30, 2021 marked **exhibit 7***

Auditor General's Position

- 1.1.6.19 We acknowledge Management assertion and the subsequent submission of a Fixed Asset Policy and Register after the audit execution. However, we observed the following discrepancies associated with the policy and register submitted:
- The policy presented did not contain information on movement of assets
 - The fixed assets register did not contain the following information: date of purchase of assets, cost of assets, depreciation expense, accumulated depreciation and net book value.
 - Fixed assets were not uniquely coded and the codes of some assets were not included in the fixed assets register.
- 1.1.6.20 Also, Management provision of documents after our review does not guarantee Management effective control of documents.
- 1.1.6.21 Going forward, Management should ensure that requested documents for audit purposes are presented in a timely manner.
- 1.1.6.22 Therefore, Management is in breach of financial discipline in line with Regulation A.20 of the PFM Act of 2009.

1.2 Internal Control Issues (Governance and Operational Structures) of FIU

1.2.1 Store Room Management

Observation

- 1.2.1.1 Regulation A.3 (1) of the PFM Act of 2009 as restated in 2019 states: "any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister".
- 1.2.1.2 During the audit, we observed the following irregularities associated with the storeroom management system at the entity:
- There was no evidence of inventory and supplies receipt and distribution log maintained by the store officer to track the movement of inventory and supplies at the entity.
 - There was no evidence of regular or surprise stock count by an independent senior officer during the period for the purpose of check and balances.
 - There was no secure storeroom for custody of assets procured.

Risk

- 1.2.1.3 Inventories may be misappropriated leading to decline in operational activities.
- 1.2.1.4 Failure to effectively maintain documentations for inventory receipt, storage, and distribution may lead to unauthorized and misappropriation of inventory.

Recommendation

- 1.2.1.5 Management should initiate at least an excel based inventory management system to facilitate and ensure accurate records of inventories such as; purchases, distribution, current stock balance, reordering level, stock-out level etc.
- 1.2.1.6 Management should perform periodic physical verification of inventory and review of systems and records. Appropriate adjustments should be made where applicable.
- 1.2.1.7 All inventory records including records of stock takes, should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.1.8 *Management has taken note and will act accordingly*

Auditor General's Position

1.2.1.9 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.2 Inadequate Personnel Records

Observation

1.2.2.1 According to the Civil Service Standing Order chapter 1. Section 2.5, states that "Personnel records on all Classified Civil Servants throughout their careers are maintained by the Division of Personnel records and Research. It is also responsible for ensuring that information about an individual, including, for example, the position he occupies and the salary he draws, is transmitted efficiently among all the agencies concerned. These would normally be the originating ministry, the Ministry of Finance (which pays salaries), the Bureau of the Budget (which approves salaries) and the CSA itself.

1.2.2.2 The form used for recording all this information is the Personnel Action Notice (or PAN) form). There are two types of PAN forms; one for the Clerical Staff and the other for Non-Clerical Staff. Non-clerical Staff include professional, administrative and general category staff. Other documents handled by the Division are Employment Record Forms, Duty Statements, and letters of appointment, dismissal, or resignation. This Division will also conduct research to improve the service. "

1.2.2.3 During the conduct of the audit, it was observed that Management did not maintain personnel/employment files for four (4) employees for the fiscal period 2018/2019. **See table 2 for details**

Table 2 Employees without Employment file

| # | Name | Position | Comment/Findings |
|---|-------------------|-------------------------------|------------------------------|
| 1 | Tenneh Sonnie | Executive Assistant | No Personnel/Employment file |
| 2 | Alexander Daniels | P/LO | No Personnel/Employment file |
| 3 | Cyrenius Abdullah | Analyst officer/Legal Officer | No Personnel/Employment file |
| 4 | Anthony T. Blaye | Intelligent Analyst | No Personnel/Employment file |

Risk

1.2.2.4 Management may make payments to illegitimate individuals who may not be in the employ of the entity.

1.2.2.5 Management may recruit staffs that do not meet the required qualification and experience to contribute to the overall objectives of the entity.

1.2.2.6 The failure to maintain essential personnel records may lead to Management's inability to manage or regulate the activities of its personnel effectively.

Recommendation

- 1.2.2.7 Management should maintain comprehensive personnel files for all its employees to include: date of employment, job titles/ position, sex, date of birth, identification numbers, assigned departments/ sections, curriculum vitae, evidence of qualification, employment letter, Personnel Action Notice (PAN), basic salaries, police clearance, medical certificates, etc. as required by the CSA Standing Order.
- 1.2.2.8 Management should conduct periodic reviews of personnel files. Gaps identified should be adjusted in a timely manner.
- 1.2.2.9 All relevant personnel documents should be adequately filed to facilitate future review.

Management's Response

- 1.2.2.10 *See attached the employees' files for the four mentioned employees (Tenneh Sonnie, Alexander Daniels, Cyrenius Abdullah, and Anthony T. Blaye). These files were not presented during the audit due to the fact that these employees were not in the employed of the FIU for the period under audit as per the payroll and personnel listings for 2020/2021 fiscal period. Exhibit 12 A, B, C, D*

Auditor General's Position

- 1.2.2.11 Management's assertion does not adequately address the issues raised. A review of documents presented as exhibits 12 A, B, C and D shows that these employees were staff of the entity during the period under audit.
- 1.2.2.12 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.3 Performance Appraisal

Observation

- 1.2.3.1 Chapter 8, Section 1, reports 8.1.1 of the Civil Servants Standing Order of 2021 provides that "all classified Civil Servants shall have their work performance appraised at the end of the calendar year. Performance Appraisal Reports shall be completed by officers who are the immediate supervisors of those being appraised. Reports shall be made on the standard performance appraisal report form and a copy of which shall be forwarded to the Director General within 15 working of the end of the calendar year".
- 1.2.3.2 During the audit, we observed no evidence that Management implemented a documented performance appraisal system.

Risk

- 1.2.3.3 The lack of periodic performance appraisal may lead to unnoticed and/or consistent poor performance by staff thus impairing the achievement of the entity's objectives.

1.2.3.4 In the absence of a documented performance evaluation system, employee development plan may not be achieved thereby impairing the achievement of the entity's objectives.

1.2.3.5 Activities such as promotion, demotion, etc. may be performed on a discretionary basis.

1.2.3.6 In the absence of a documented performance evaluation system, employee development plan may not be achieved thereby impairing the achievement of the entity's objectives.

Recommendations

1.2.3.7 Management should facilitate the conduct of periodic performance evaluation for all staff.

1.2.3.8 Documentation for performance evaluation should be adequately filed to facilitate future review.

Management's Response

1.2.3.9 *Management has taken note and will act accordingly*

Auditor General's Position

1.2.3.10 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.4 No pay grade system

Observation

1.2.4.1 Section 66.10 of the Civil Service Agency Act of 1973 states that "It shall be the function of this division to maintain both the classification and the salary plans by consent review and where necessary, revision. This Division shall be responsible for conducting periodic comparative salary studies. It shall also take what action is required in respect of promotion".

1.2.4.2 During the audit, we observed no evidence that Management established and operated with a Pay grade system. **See table #3 for details:**

Table #3: Payroll without a pay grade system

| Position | Pay Grade | FIU standard salary US\$ | GOL harmonized pay US\$ | Variance US\$ |
|--------------------|-----------|--------------------------|-------------------------|---------------|
| Office Assistant | Non | 500.00 | 400.00 | 100.00 |
| Office Assistant | Non | 600.00 | 480.00 | 120.00 |
| Compliance Analyst | Non | 950.00 | 760.00 | 190.00 |
| Compliance Analyst | Non | 800.00 | 640.00 | 160.00 |
| Driver | Non | 500.00 | 400.00 | 100.00 |
| Driver | Non | 350.00 | 280.00 | 70.00 |
| Driver | Non | 250.00 | 200.00 | 50.00 |
| Total | | 3,950.00 | 3,160.00 | 790.00 |

Risk

1.2.4.3 Management may not fully account for activities of the entity payroll.

Recommendation

1.2.4.4 The Management should develop, approve, and operationalize a paygrade system for equity of compensation, accountability and transparency in the entity pay system.

Management's Response

1.2.4.5 *Management has taken note and will act accordingly*

Auditor General's Position

1.2.4.6 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.5 Lack of Policies and Procedures

Observation

1.2.5.1 Regulation A.15(1) of the PFM Act of 2009 as restated in 2019 states: "The head of government agency must exercise all reasonable care to prevent and detect unauthorized, irregular, fruitless and wasteful expenditure, and must for this purpose implement clearly defined business processes, identify risk associated with these processes and institute effective internal control to mitigate these risks".

1.2.5.2 The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal control framework on control activities states: "Institutions deploy control activities through policies that establish what is expected and procedures that put policies into action". Policies and procedures are established and implemented to help ensure that risk responses are effectively carried out within an entity.

1.2.5.3 During the audit, we observed that Management did not develop various policies to guide its operations. There was no evidence of approved policy for the following:

- Petty cash
- Human Resource
- Asset Management
- Risk Management
- Fuel/Gasoline Policy

Risk

1.2.5.4 Failure to develop policies and procedures to guide the activities of the entity may lead to arbitrary decisions that may be non-compliant to applicable laws and regulations and may impair the achievement of the entity's objectives.

Recommendation

1.2.5.5 Management should develop, approve and operationalize policies and procedures for the various functions identified above, for the effective and efficient operations of the entity.

- 1.2.5.6 Evidence of approved policies and procedures should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.5.7 *See sections 5.1-5.8 of the financial manual concerning assets management; petty cash management, and fuel/gasoline. Exhibit 6.*
- 1.2.5.8 *HR Policy on human resource, code of conduct, and confidentiality. Exhibit 9*

Auditor General's Position

- 1.2.5.9 We acknowledge Management's assertion and the subsequent submission of some policies and procedures manual after the audit execution. However, the documents presented did not include provisions for petty cash management, risk management and fuel/gasoline management.
- 1.2.5.10 Also, Management provision of documents after our review does not guarantee Management effective control of documents.
- 1.2.5.11 Going forward, Management should ensure that requested documents for audit purposes are presented in a timely manner.

1.2.6 No Strategic and Operational Plans

Observation

- 1.2.6.1 The COSO framework requires, that management of entities or organizations should develop strategic and operational plans in order to ensure that their operations are ethical, orderly, economical, efficient and effective. A strategic plan is a document that outlines an entity's objectives in the long term and operational plan is a document that outlines an entity's objectives in the short term. The document establishes the basis for allocating resources for the achievement of organizational objectives. The above document must be approved by an appropriate authority.
- 1.2.6.2 During the audit, we observed no evidence that Management had developed strategic and operational plans.

Risk

- 1.2.6.3 The failure to develop strategic and operational plans may result in resources not being used in an orderly, economical, efficient and effective manner. This may impair the achievement of the organization's objectives.
- 1.2.6.4 The lack of strategic and operational plans may lead to discretionary decision making. This may impair full compliance to laws and regulations and the achievement of the entity's objectives.

Recommendations

- 1.2.6.5 Management should develop, approve and operationalize strategic and operational plans to ensure that long, medium and short-term objectives are identified, documented, prioritized, monitored and implemented in a timely manner.
- 1.2.6.6 Approved strategic and operational plans should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.6.7 *Management has taken note and will act accordingly*

Auditor General's Position

- 1.2.6.8 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.7 No Organization Structure

Observation

- 1.2.7.1 According to COSO framework an entity should have an organizational structure that defines the entity's key areas of authority and responsibility. The organizational structure of an entity provides a basis for assignment of authority and responsibility, empowerment and accountability and appropriate lines of reporting. Empowerment and accountability relate to the manner in which this authority and responsibility are delegated throughout the organization. In addition, the organizational structure sets the basis for an entity to establish the optimum number of staff to be employed. The organizational structure should be approved by an appropriate authority and there should be evidence of approval.
- 1.2.7.2 During the audit, we observed no evidence that Management operated the entity with an approved organizational structure.

Risk

- 1.2.7.3 In the absence of an approved organizational structure, roles and responsibilities within the organization may not be clearly defined.
- 1.2.7.4 Important controls such as segregation of duties, check and balances and a clearly defined reporting structure may not be established and implemented thereby impairing the achievement of the entity's objectives.

Recommendations

- 1.2.7.5 Management should develop, approve and operationalize an organizational structure to establish clearly defined roles and responsibilities and promote segregation of duties, check and balances and a clearly defined reporting structure to aid the entity achieve its objectives. The organizational structure should be effectively communicated throughout the organization to promote full compliance to the approved organizational structure.

- 1.2.7.6 The approved organizational structure should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.7.7 *See attached the organization chart marked exhibit 10*

Auditor General's Position

- 1.2.7.8 We acknowledge Management's assertion and the subsequent submission of an organization structure, after the audit execution. However, the organizational structure submitted was illegible and documented on a single paper without reference to an official institutional document or referenced to the entity's website.
- 1.2.7.9 Further, Management provision of documents after our review does not guarantee Management effective control of documents.
- 1.2.7.10 Going forward, Management should ensure that requested documents are presented in a timely manner.

1.2.8 No Internal Audit Unit

Observation

- 1.2.8.1 Regulation J3 of the PFM Act of 2009 requires that the Internal audit units shall carry out internal audit of its institution and shall submit reports on the internal audit it carries out in accordance with section 38 (3) and (4) of the Public Finance Management Act of 2009.
- 1.2.8.2 During the audit, we observed no evidence that Management established and operated with an Internal Audit Unit.

Risk

- 1.2.8.3 The absence of an Internal Audit Unit may deny assurance that risks are appropriately identified and mitigated.
- 1.2.8.4 Systems, controls and compliance activities may not be monitored, thereby impairing the achievement of the entity's objectives.

Recommendation

- 1.2.8.5 Management should establish a functional Internal Audit Unit to provide independent assurance on the effectiveness of the Entity's risk management, governance and internal control processes.
- 1.2.8.6 Alternatively, Management should contact the Internal Audit Agency to manage its internal audit function.

- 1.2.8.7 Management should ensure that the Internal Audit Unit is made fully functional evidenced by the conduct of audits and issuance of reports. Periodic Internal Audit Reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.8.8 *Management has taken note and will act accordingly*

Auditor General's Position

- 1.2.8.9 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.9 Lack of Audit Committee

Observation

- 1.2.9.1 Regulation K.10 of the PFM Act of 2009 as restated in 2019 states: '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'.

- 1.2.9.2 We observed during the audit that there was no Audit Committee established at the entity to monitor and address audit matters at the institution as required.

Risk

- 1.2.9.3 Audit issues and lapses identified in the entity's internal control system may not be appropriately monitored and addressed due to the lack of audit committee.

- 1.2.9.4 Internal and external audit recommendations may not be monitored and implemented in a timely manner.

Recommendation

- 1.2.9.5 Management should liaise with the relevant authority of the Board to establish a functional audit committee. The audit committee should be functional evidenced by the documentation of periodic meetings minutes and activities reports.

Management's Response

- 1.2.9.6 *Management has taken note and will act accordingly*

Auditor General's Position

- 1.2.9.7 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.10 Irregularities Associated with Procurement Management

Observation

- 1.2.10.1 Section 30 (1 and 2) of the Public Procurement and Concessions Act of 2005 as amended and restated in 2010 states: "(1) Each Procurement Committee shall constitute a Bid Evaluation Panel with the required expertise as and when required to evaluate bids solicited by the Procuring Entity. (2) A Bid Evaluation Panel shall be responsible for the evaluation of bids in accordance with the predetermined and Published evaluation criteria as outlined to bidders in the bid documents in accordance with this Act and shall prepare and submit evaluation reports and recommendations for award for the consideration of the Procurement Committee or the Head of the Procuring Entity as provided in the Schedule".
- 1.2.10.2 Section 32 (1, 2 and 3) of the Public Procurement and Concessions Act of 2005 as amended and restated in 2010 states: (1) "In order to participate in procurement proceedings, a bidder must qualify by meeting the criteria set by the Procuring Entity, which will normally include evidence of: (a) Professional and technical qualifications; (b) Equipment availability, where applicable; (c) Past performance; (d) After-sales service, where applicable; (e) Spare parts availability; (f) Legal capacity; (g) Financial resources and condition; and (h) Verification by the internal revenue authority of payment of taxes and social security contributions when due. (2) The qualification criteria set forth in subsection (1) of this Section shall be applied by examining, through investigation and collaboration with other relevant agencies, to ascertain whether or not the bidder meets the minimum qualification criteria established for the bid and not by using a point system for comparing the relative level of qualifications of participating bidders. (3) The Procuring Entity shall be entitled to demand qualification documentation from potential bidders in formal prequalification proceedings, or as a required component of a bid submission".
- 1.2.10.3 During the audit, we observe the following irregularities associated with the procurement system:
- There was no functional procurement committee evidence by the absence of meeting minutes and periodic reports.
 - There was no evidence of annual procurement plan approved by PPCC.
 - There was no evidence of periodic (quarterly and annual) procurement activities report submitted to PPCC.
 - No evidence of application of the requisite methods (Request for quotation, national competitive bidding, sole sourcing, restricted bidding, international competitive bidding, etc.) where applicable.

Risk

- 1.2.10.4 In the absence of a functional procurement committee, the entity's procurement processes may be discretionary.

- 1.2.10.5 The lack of an approved Procurement Plan may lead to discretionary expenditure, waste and impair value for money.
- 1.2.10.6 In the absence of a quarterly procurement report, Management may be in noncompliance with the PPC Act of 2005 as amended and restated in 2010.
- 1.2.10.7 Management may not adequately account for its procurement activities and impair effective monitoring of its procurement activities by the PPCC.
- 1.2.10.8 The non-application of the requisite procurement method may impair the achievement of value for money and facilitate fraudulent procurement activities.

Recommendation

- 1.2.10.9 Management should ensure that the requisite procurement methods are utilized for all procurement transactions to achieve value for money and ensure compliance to the PPC Act of 2005 as amended and restated in 2010.
- 1.2.10.10 Management should establish a functional procurement committee evidence by the documentation of meeting minutes and periodic reports.
- 1.2.10.11 Management should facilitate the approval of annual procurement plan by PPCC. All unplanned procurement activities should be subsequently submitted to PPCC for approval before execution.
- 1.2.10.12 Management should facilitate the preparation and submission of quarterly and annual procurement activities reports to the PPCC as required by the PPC Act of 2005 as amended and restated in 2010.

Management's Response

- 1.2.10.13 *During the period under review there were no procurement committee minutes due to the fact that all our transactions at the time were done under section 54 of the PPCC Act of 2005 and did not meet the Threshold as per the PPCC's Threshold schedule.*
- 1.2.10.14 *However, Exhibit 13 contains the FIU's Procurement Plan and method*

Auditor General's Position

- 1.2.10.15 Management's assertion is not supported by material evidence. Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.3 IT Governance Issues

1.3.1 Lack of IT Steering Committee

Observation

1.3.1.1 APO01.01.8 of COBIT 5 - require an organization to 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 enterprises business strategy and priorities track the status of projects and resolve resource conflicts and monitor service levels and service improvements.

1.3.1.2 During the audit we observed no evidence of an IT steering committee to provide technical oversight of the IT functions of the entity.

Risk

1.3.1.3 In the absence of an IT Steering Committee the strategic goals, objectives and activities of the IT function may not be achieved.

Recommendation

1.3.1.4 Management should establish a functional IT steering committee evidenced by documentation of meeting minutes and periodic reports.

Management's Response

1.3.1.5 *Management has taken note and will act accordingly*

Auditor General's Position

1.3.1.6 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.3.2 IT Strategic Plan

Observation

1.3.2.1 APO02.05 Cobit 5 Create a strategic plan that defines, in co-operation with relevant stakeholders, how IT- related goals will contribute to the enterprise's strategic goals. Include how IT will support IT- enabled investment programs, business processes, IT services and IT assets. Direct IT to define the initiatives that will be required to close the gaps, the sourcing strategy and the measurements to be used to monitor achievement of goals, then prioritize the initiatives and combine them in a high-level road map.

1.3.2.2 During the audit, we observed no evidence of an IT strategic plan.

Risk

1.3.2.3 The absence of an IT strategy may result in the acquisition and use of unsuitable IT equipment and services.

1.3.2.4 Management may be unable to identify ICT gaps associated with the systems.

Recommendation

1.3.2.5 Management should develop, approve and operationalize an IT strategic plan that supports its IT business requirements and business objectives.

1.3.2.6 Approved IT Strategic Plan should be adequately documented and filed to facilitate future review.

Management's Response

1.3.2.7 *See attached FIA's ICT Usages and Security Policy that include its ICT Strategic plan marked as exhibit 11*

Auditor General's Position

1.3.2.8 We acknowledge Management's assertion and the subsequent submission of the ICT Usages and Security Policy after the audit execution. However, the policy did not include the ICT Strategic Plan as asserted by Management. The ICT strategic plan catalogs activities, targets, goals and objectives of the ICT function within a given period.

1.3.2.9 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.3.3 Threat to Business Continuity

Observation

1.3.3.1 Dss04.02 of COBIT 5 - maintain a continuity strategy, evaluate business continuity management options and choose a cost-effective and viable continuity strategy that will ensure enterprise recovery and continuity in the face of a disaster or other major incident or disruption. Business continuity management proactively improves the enterprise's resilience against operational disruptions and provides the capacity to adequately react to threats.

1.3.3.2 During the audit we observed the following exceptions:

- No evidence of a Business Continuity Plan (BCP)
- No evidence of a Disaster Recovery Plan or Site
- No evidence of a Network redundancy

1.3.3.3 Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) - are sets of activities that result in the ongoing preparedness for disaster that continually adapts to changes in business conditions for improvement. It describes the requirement to restore critical systems and other critical assets, whether in alternate or primary locations.

1.3.3.4 Disaster Recovery Plan or Site - is a location where an organization can relocate following a disaster for all critical information and information assets.

1.3.3.5 Network redundancy - is a process through which additional or alternate instances of network devices, equipment and communication mediums are installed within a network infrastructure. It is a method for ensuring network availability in case of a network device or path failure and unavailability. As such, it provides a means of a network failover.

Risk

1.3.3.6 Failure to develop an approved business continuity plan, disaster recovery plan and network redundancy may result in loss of transactions data in situations where the impact of a disruption on critical business functions occurs.

1.3.3.7 Additionally, the lack of an offsite backup facility may lead to loss of service to users, loss of credibility, incomplete and inaccurate records in the event of a disaster.

Recommendation

1.3.3.8 Management should develop, approve and operationalize an IT continuity plan, disaster recovery plan and network redundancy as part of their risk mitigation strategy. This may minimize the impact of disruptions on critical business functions and the recovery capability of all services.

1.3.3.9 Additionally, Management should obtain an offsite secure location backup facility to provide disaster recovery protection that will safeguard the business and its resources from future disasters.

Management's Response

1.3.3.10 *Please refer section 3.1.5.14 of the FIU information Communication Technology (ICT) Usage and Security Policy for access to an account for business continuity purposes and section 3.1.5.15, Backup files are kept under the control of the FIUL for the sole purpose of disaster recovery and business continuity on a system-wide basis marked as exhibit 11*

Auditor General's Position

1.3.3.11 We acknowledge Management's assertion and the subsequent submission of the ICT Usages and Security Policy after the audit execution. However, the policy did not include the following: Business Continuity Plan, Disaster Recovery Plan or Site and Network Redundancy Plan.

1.3.3.12 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.