



Management Letter

On the Financial Statement Audit of the National Oil Company of Liberia (NOCAL)

For the Fiscal Year 1 July 2018 to 30 June 2019



Promoting Accountability of Public Resources

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

Monrovia, Liberia
December 2022

Table of Contents

1 DETAILED FINDINGS AND RECOMMENDATIONS	6
1.1 Financial Issues	6
1.1.1 Miscalculation of National Social Security Tax.....	6
1.1.2 Non-remittance of NASSCORP Tax	8
1.1.3 Non-remittance of Employees' Withholding Tax.....	10
1.1.4 Overstatement of Salary Expense	11
1.1.5 Unsupported Adjustment to Net salary payable	13
1.1.6 Prior Period Adjustments	14
1.1.7 Non-Disclosure of Lease Rental.....	15
1.1.8 Payments without Adequate Supporting Documentation.....	17
1.1.9 Fixed Asset Discrepancies	18
1.1.10 Misstatement of Accounts Receivable	23
1.1.11 Payment of Both Board and Sitting Fees	24
1.1.12 Procurement Irregularities.....	25
PRIOR YEAR AUDIT MATTERS NOT IMPLEMENTED	27

Acronyms Used

ABBREVIATION	MEANING
ACCA	Association of Chartered Certified Accountant
AG	Auditor General
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Practitioner
CPA	Certified Public Accountant
GAC	General Auditing Commission
GOL	Government of Liberia
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
NOCAL	National Oil Company of Liberia
PFM Regulation	Public Financial Management Regulation
PPC Act	Public Procurement and Concession Act
RL	Republic of Liberia

April 17, 2023

Madam Saifuah-Mai Gray

President/CEO

National Oil Company of Liberia (NOCAL)

Ashmun and Randall Streets

Monrovia, Liberia

Dear Madam Gray:

RE: Management Letter on the Financial Statement Audit of the National Oil Company of Liberia (NOCAL) for the Fiscal Period July 1, of 2018 to June 30, 2019

INTRODUCTION

The financial statements of the National Oil Company of Liberia (NOCAL) are subject to audit by the Auditor-General in terms of Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Engagement Terms of Reference.

The audit of the National Oil Company of Liberia (NOCAL) for the year July 1, of 2018 - June 30, 2019 was completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

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 and reporting is achieved.

An audit involves:

- 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 Financial Statement presentation.

An 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 Management. Our responsibility is to express an opinion on these financial statements.

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

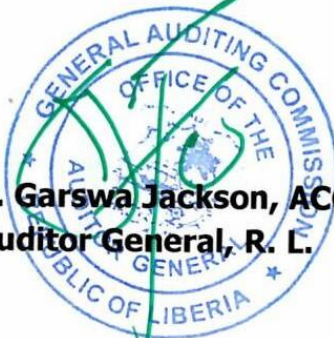
Thank you as we strive to promote accountability, transparency and good governance across the Government of Liberia.

Key Management Personnel of NOCAL

Name	Rank	Period of service
Saifuah-Mai Gray	President/CEO	September 2018 to Present
Eric W. Daniels	Vice President / Finance & Administration	September 2018 to Present
Saah Mayah	Financial Controller	September 2018 to January 2022
Lester Tenny	Vice President / Technical Services	September 2018 to December 2021
Richmond Jallah	Asst. Finance Manager	September 2018 to September 2022
Mankarnue Dainese	Internal Auditor	September 2018 to Present

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the National Oil Company of Liberia (NOCAL) during audit.


P. Garswa Jackson, ACCA, CFIP, CFC
Auditor General, R. L.

Monrovia, Liberia

December 2022

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Miscalculation of National Social Security Tax

Observation

- 1.1.1.1 Section 89.16(a) of the National Social Security and Welfare Corporation (NASSCORP) Act published February 13, 2017 states that "The contribution payable under this Act in respect of an employee shall comprise contribution payable by the employer (hereinafter referred to as the employer's contribution) and contribution payable by the employee (hereinafter referred to as the employee's contribution) and shall be paid to the Corporation. Contribution rate shall be total 10% of the *total gross remuneration* of each employee; 2% under the Employment Injury Scheme payable by the employer; 4% employer contribution and 4% employee contribution to be remitted by the employer".
- 1.1.1.2 Regulation T.1 (2) of the Public Financial Management (PFM) Act of 2009 states that, "Subject to any enactment, basic salary shall be used for computation of allowances, pensions, gratuities or any other entitlement of public servants except where the allowances have been incorporated into the salaries."
- 1.1.1.3 During the audit, we observed that Management understated the employees' contribution to NASSCORP by US\$17,001.27. Management applied NASSCORP contribution rates on the basic salary instead of the total gross **See Table 1 below for details.**
- 1.1.1.4 We also observed that Management misclassified its NASSCORP tax calculation for July, 2018 of US\$3,346.06 to Net Salary Payable instead of National Social Security tax payable.

Table 1: Miscalculation of NASSCORP tax

Month	Auditor's Re-computation				NOCAL	Variance US\$ F=D-E
	Basic US\$ A	Allowances US\$ B	Gross payroll US\$ C=A+B	Total Contribution (10% of gross salary) US\$ D=C*10%	NOCAL's Ledger amount US\$ E	
Jul.	42,172.25	-	42,172.25	4,217.23	-	871.17
Aug	41,155.00	-	41,155.00	4,115.50	4,317.80	(202.30)
Sep	62,512.38	13,350.00	75,862.38	7,586.24	6,672.50	913.74
Oct	63,353.53	14,575.00	77,926.63	7,792.66	6,335.35	1,457.31
Nov	55,741.13	13,075.00	68,817.13	6,881.71	5,574.11	1,307.60
Dec	55,742.13	13,075.00	68,817.13	6,881.71	5,574.21	1,307.50
Jan	59,292.13	13,300.00	72,592.13	7,259.21	5,929.21	1,330.00
Feb	60,590.13	13,400.00	73,992.13	7,399.21	6,059.01	1,340.20

Month	Auditor's Re-computation				NOCAL	Variance US\$ F=D-E
	Basic US\$ A	Allowances US\$ B	Gross payroll US\$ C=A+B	Total Contribution (10% of gross salary) US\$ D=C*10%	NOCAL's Ledger amount US\$ E	
Mar	58,692.13	13,100.00	71,792.13	7,179.21	5,869.21	1,310.00
Apr	60,590.13	13,400.00	73,990.13	7,399.01	6,059.01	1,340.00
May	60,591.13	13,400.00	73,991.13	7,399.11	6,059.11	1,340.00
Jun	60,592.13	13,400.00	73,992.13	7,399.21	6,059.21	1,340.00
	681,024.20	134,075.00	815,100.30	81,510.03	64,508.76	17,001.27

Risk

- 1.1.1.5 Social Security contribution due to NASSCORP and subsequently the financial statements may be misstated.
- 1.1.1.6 Potential retirees of NOCAL may be denied required pension benefits due to non-compliance with the regulation.
- 1.1.1.7 Social security benefits may be inaccurately computed.

Recommendation

- 1.1.1.8 Management should adjust the financial statements by the understated amount and resubmit same to the Office of the Auditor General for subsequent validation.
- 1.1.1.9 Going forward, Management should ensure that social security contributions are computed on gross salaries inclusive of allowances.

Management's Response

- 1.1.1.10 *Management notes your recommendation and with cognizance of the NASSCORP Act of 2017 will adjust the financial statements with the stated variance of **USD 17,001.27** and will present a restated financial statement.*

Auditor General's Position

- 1.1.1.11 We acknowledge Management's acceptance of our findings and recommendations. However, Management should provide a comprehensive, adjusted and approved financial statements to the Office of the Auditor General for validation within 30 days upon issuance of the AG's Report to the National Legislature.

1.1.2 Non-remittance of NASSCORP Tax

Observation

- 1.1.2.1 Section 89.16(h) of the NASSCORP Act published February 13, 2017 states that " the contribution payable in respect of each month shall ordinarily fall due on the last day of the month, and where an employee is employed for part of the month or is employed under two or more employers during the same month, the contributions shall fall due on such days as may be specified in the regulations.
- 1.1.2.2 During the audit, our recomputation of NASSCORP contribution amounted to US\$81,510.33 for the period under audit. However, only US\$43,958.32 of the amount was remitted to NASSCORP designated account thus leaving an unpaid amount of US\$37,552.01.
- 1.1.2.3 Further, the reported balance of National Social Security tax was US\$20,550.41 instead of **US\$37,552.01**, resulting into a variance of US\$17,001.60. **See Table 2 below for details.**

Table 2: Non-remittance of NASSCORP taxes

Month	Auditor's Reperformance			NOCAL'S Computation	Variance
	Total Contribution US\$ A	Amount paid US\$ B	NASSCORP tax payable balance US\$ C=A-B	NASSCORP tax payable balance US\$	
Jul.	4,217.23	3,346.06	871.17	(3,346.06)	(4,217.23)
Aug	4,115.50	4,317.50	(202.00)	0.30	202.30
Sep	7,586.24	6,672.50	913.74	-	(913.74)
Oct	7,792.66	6,335.37	1,457.29	(0.02)	(1,457.31)
Nov	6,881.71	5,724.23	1,157.48	(150.12)	(1,307.60)
Dec	6,881.71	5,574.22	1,307.49	(0.01)	(1,307.50)
Jan	7,259.21	5,929.22	1,329.99	(0.01)	(1,330.00)
Feb	7,399.21	6,059.22	1,339.99	(0.21)	(1,340.20)
Mar	7,179.21	-	7,179.21	5,869.21	(1,310.00)
Apr	7,399.21	-	7,399.21	6,059.01	(1,340.20)
May	7,399.21	-	7,399.21	6,059.11	(1,340.10)
Jun	7,399.21	-	7,399.21	6,059.21	(1,340.00)
Total	81,510.33	43,958.32	37,552.01	20,550.41	(17,001.58)

Risk

- 1.1.2.4 Employers' contribution due to NASSCORP and subsequently the financial statements may be misstated.
- 1.1.2.5 Potential retirees of NOCAL may be denied required pension benefits due to non-compliance with the regulation.

Recommendation

- 1.1.2.6 Management should adjust the financial statements by the understated amount and resubmit same to the office of the Auditor General for subsequent validation.
- 1.1.2.7 Management should ensure that social security contributions are remitted to NASSCSORP in a timely manner.
- 1.1.2.8 Evidence of full remittance of social security contributions should be adequately documented and filed to facilitate future review.
- 1.1.2.9 A payment plan should be crafted and agreed between NOCAL and NASSCORP Management for full settlement of all arrears. Management should budget for and ensure full compliance to the terms of the agreed payment plan.

Management's Response

- 1.1.2.10 Management has acknowledged your recommendation and is therefore in talks with the National Social Security and Welfare Corporation to initiate a payment plan for the settlement of all arrears. Also, it is important to note that for the period under review, NOCAL paid **USD 52,821.5** towards NASSCORP contribution instead of **USD 43,958.32** that was mentioned in the observation. Please find payment ledger attached.

Auditor General's Position

- 1.1.2.11 We acknowledge Management's subsequent submission of supporting documents after our audit execution. Based on the review of document submitted, we have adjusted the amount to be remitted by Management to US\$34,714.60 (US\$87,536.79-US\$52,822.19). **See table 3 below for details.**

Table 3:

Description	Total Contribution Per auditor's reperformance US\$ A	NASSCORP payable balance US\$ B	Variance US\$ C=A-B
Opening balance, July 1, 2018	6,026.76	6,026.76	-
Addition, 2018/2019	81,510.03	67,346.21	14,163.82
Total NASSCORP for the year	87,536.79	73,372.97	14,163.82
Payment during the year	(52,822.19)	(52,822.19)	-
Total Outstanding Liability	34,714.60	20,550.78	14,163.82

- 1.1.2.12 However, Management submission of documents after our review does not guarantee Management's effective control of document management.

1.1.2.13 Going forward, Management should ensure that documents requested for audit purposes are submitted in a timely manner.

1.1.3 Non-remittance of Employees' Withholding Tax

Observation

1.1.3.1 Section 905 (a) of the Revenue Code of Liberia (2000) as amended in 2011 states that "resident persons who make payments to resident natural persons pursuant to a contract of employment are required to withhold income tax on payments to employees according to the schedule in section 200. Withheld amounts are to be deducted from every payment due to an employee and to be paid over to the Government on a monthly basis, with payments due within ten (10) days of the last day of each month".

1.1.3.2 Furthermore, Section 51(a) of the Revenue Code of Liberia (2000) as amended in 2011 states that "a taxpayer who is late in filing a return is subject to the late filing penalty and may also be subject to the failure-to-file penalty".

1.1.3.3 During the audit, we observed that taxes withheld on salaries during the period amounted to US\$206,046.63; however, only US\$92,610.31 of the amount was remitted to the Liberia Revenue Authority (LRA) thus resulting into an unpaid amount of US\$113,436.32.

1.1.3.4 In addition to amounts payable for the fiscal period under audit, there was an unpaid balance of US\$708,048.44 from prior years giving a total amount of US\$821,484.76 as withholding tax payable for the fiscal period 2018/2019. **See Table 3 below.**

Table 3: Non-remittance of Withholding Tax

Month	Total taxes Payable US\$ A	Amount Paid US\$ B	Withholding tax payable US\$ C=A-B
Jul.	9,493.39	9,493.39	-
Aug	9,319.19	9,740.00	(420.81)
Sep	18,699.16	18,699.16	-
Oct	19,511.35	19,511.36	(0.01)
Nov	17,582.31	17,582.30	0.01
Dec	17,584.10	17,584.10	-
Jan	18,676.85	-	18,676.85
Feb	18,949.41	-	18,949.41
Mar	18,424.37	-	18,424.37
Apr	18,988.35	-	18,988.35
May	19,422.17	-	19,422.17
Jun	19,395.98	-	19,395.98
	206,046.63	92,610.31	113,436.32
Opening Balance	708,048.44	-	708,048.44
Total	914,095.07	92,610.31	821,484.76

Risk

- 1.1.3.5 Failure to remit taxes withheld may deny GoL of much needed tax revenue.
- 1.1.3.6 Management may be in noncompliance with Section (905) J. of the Revenue Code of Liberia 2000, which may result into penalties for late payment and failure to pay. Please see Section 52 of the Revenue Code of Liberia as reference above.

Recommendation

- 1.1.3.7 Management should provide substantive justification for non-remittance of withholding taxes amounting to US\$ 821,484.76.
- 1.1.3.8 Management should facilitate full remittance of withholding taxes to the LRA in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.
- 1.1.3.9 A payment plan should be crafted and agreed between NOCAL and LRA Management for full settlement of all arrears. Management should budget for and ensure full compliance to the terms of the agreed payment plan.
- 1.1.3.10 Evidence of remittance should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.3.11 *Management has acknowledged your recommendation and is therefore negotiating with the Ministry of Finance and Development Planning and LRA management to initiate a payment plan for the settlement of all arrears.*

Auditor General's Position

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

1.1.4 Overstatement of Salary Expense

Observation

- 1.1.4.1 According to International Accounting Standards (IAS) 19, employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognize:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
 - an expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.
- 1.1.4.2 During the audit, we observed that Management reported the total amount US\$859,096.63 as salary expense; however, our re-computation of total salary amounted to US\$815,105.30 resulting into a variance of US\$ 43,991.33.

1.1.4.3 We also observed that the salary expense included gross salary and Employer's contribution of National Social Security and Welfare Corporation (NASSCORP) taxes. Employer's contribution, though calculated on the gross remuneration, does not form part of employees' earnings but is a separate expense of the entity. **See table 4 below for details.**

Table 4: Overstatement of Salary expense

Month	Gross payroll US\$ A	Ledger - Salary Expense US\$ B	Variance (payroll and ledger) US\$ C=A-B
July	42,172.25	44,223.08	(2,050.83)
August	41,155.00	43,745.51	(2,590.51)
September	75,862.38	79,341.88	(3,479.50)
October	77,928.63	81,205.85	(3,277.22)
November	68,817.13	71,868.22	(3,051.09)
December	68,817.13	72,161.66	(3,344.53)
January	72,592.13	77,704.13	(5,112.00)
February	73,992.13	77,627.66	(3,635.53)
March	71,792.13	75,313.66	(3,521.53)
April	73,992.13	78,527.66	(4,535.53)
May	73,992.13	78,527.66	(4,535.53)
June	73,992.13	78,849.66	(4,857.53)
Total	815,105.30	859,096.63	(43,991.33)

Risk

1.1.4.4 Salary expense may be misstated.

1.1.4.5 The financial statements may not be fairly presented.

Recommendation

1.1.4.6 Management should adjust salary expense by disaggregating employer's contribution from basic salary to facilitate fair presentation of the financial statements.

1.1.4.7 Going forward, Management should disaggregate Employer's NASSCORP contribution from salary expense in order to give a true and fair view of employee's total remuneration.

Management's Response

1.1.4.8 *Management has acknowledged your recommendation and will make the appropriate adjustment to a special expense account that will reflect a clearer view of Employer's NASSCORP contribution. Management will present a restated financial statement with the appropriate adjustments and anticipates that those statements will be presented prior to the issuance of the final report.*

Auditor General's Position

1.1.4.9 We acknowledge Management's acceptance of our findings and recommendations. However, Management should provide a comprehensive, adjusted and approved financial statements to the Office of the Auditor General for validation within 30 days upon issuance of the AG's Report to the National Legislature.

1.1.5 Unsupported Adjustment to Net salary payable

Observation

1.1.5.1 According to IAS 19, employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognize:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future

1.1.5.2 During the audit, we observed that there were no salary arrears for the fiscal period except for the long-standing net salary payable balance of US\$98,389.50; The salary payable was based on provision for the salary of a dismissed employee who has an active litigation against the entity.

1.1.5.3 However, the ledger balance at June 30 was **US\$115,355.88**. This amount was adjusted by US\$16,966.38 (by prior year and year-end adjustments) to achieve the closing balance of US\$98,389.50. There were no supporting documents to substantiate the transactions.

Risk

1.1.5.4 In the absence of adequate supporting documents, the validity, occurrence and accuracy of adjustments cannot be assured. This may lead to misstatement of liabilities and subsequently the financial statements.

1.1.5.5 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.

Recommendation

1.1.5.6 Management should account for the adjustment made to salary arrears account through the provision of adequate supporting documents.

1.1.5.7 Going forward, Management should ensure all adjustments/transactions are supported by the requisite supporting documents consistent with the financial management regulations.

1.1.5.8 Documentation for adjustments/transactions should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.5.9 Management notes your recommendation with respect to adequate documentations and adherence to internal policies relative to adjusting entries into the accounting system. Appropriate corrective actions including designing of journals entries forms are executed. Management wants to highlight its commitment to openness and accountability of all accounting entries that are posted to the system.

Auditor General's Position

- 1.1.5.10 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.
- 1.1.5.11 However, Management should account for transactions without adequate supporting documents through the submission of supporting documents to the Office of the Auditor General 30 days after the issuance of this report to the National Legislature.

1.1.6 Prior Period Adjustments

Observation

- 1.1.6.1 According to International Accounting Standards (IAS) 8, period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements. Such errors result from mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.
- 1.1.6.2 Immaterial errors can be corrected in current year without restating comparative amounts. It is generally accepted that immaterial errors should be corrected via the same financial statement lines through which the error originated.
- 1.1.6.3 During the audit, we observed that several adjustments were made to Other Income account; however, there were no supporting documents to substantiate the transactions.
See Table 5 below for details.

Table 5 : Adjustment to Other Income

No.	Date	Amount US\$	Memo
1	28/07/2018	899.93	Month-end adjustment to net salary payable
2	31/08/2018	114,934.00	Returned Tuition/Duke University
3	18/10/2018	6,167.77	Curtis Mallet /IN: 772017
4	18/10/2018	4,676.56	Susan D. Maples /IN: 005
5	18/10/2018	8,006.25	Susan D. Maples /IN: 008
6	18/10/2018	2,071.93	Susan D. Maples /IN: 009
7	13/12/2018	1,367.00	Local Deposit-M. Harris
8	30/04/2019	2,797.63	Prior year correction
9	30/06/2019	750.00	Correction of Receivable account

No.	Date	Amount US\$	Memo
10	30/06/2019	37,695.03	Prior year adjustment
11	30/06/2019	18,331.00	Prior year corrections to Net Salary payable.
Total		197,697.10	

Risk

- 1.1.6.4 In the absence of adequate supporting documents, the validity, occurrence and accuracy of adjustments cannot be assured. This may lead to misstatement of other income and subsequently the financial statements.
- 1.1.6.5 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.

Recommendation

- 1.1.6.6 Management should account for the adjustment made to other income account through the provision of adequate supporting documents.
- 1.1.6.7 Going forward, Management should ensure all adjustments/transactions are supported by the requisite supporting documents consistent with the financial management regulations.
- 1.1.6.8 Documentation for adjustments/transactions should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.6.9 *Management acknowledged your recommendation and will ensure that adjusting entries are supported by the requisite documentations and journals. Appropriate journals for such adjustment will be signed off and filed away.*

Auditor General's Position

- 1.1.6.10 We acknowledge Management's acceptance of our findings and recommendations.. We will follow up on the implementation of our recommendation during subsequent audit.
- 1.1.6.11 However, Management should account for transactions without adequate supporting documents through the submission of supporting documents to the Office of the Auditor General 30 days after the issuance of this report to the National Legislature.

1.1.7 Non-Disclosure of Lease Rental

Observation

- 1.1.7.1 According to International Financial Reporting Standards (IFRS) 16, leases are capitalized and presented on the Lessee's balance sheet as both assets, known as the right-of-use (ROU) assets and liabilities, unless subject to any of the exemptions prescribed by the standard which are short-term leases defined as having a term of 12 months or less at commencement and no option to purchase the leased asset and leases of low-value assets,

defined as leases for which the underlying asset's fair value (when the asset is new) is generally less than \$5,000.

- 1.1.7.2 Within the notes to the financial statements, an entity is expected to present both qualitative and quantitative disclosures regarding their leasing activities for the respective reporting period(s) which include but are not limited to: the carrying amount of all ROU assets summarized by asset class as of the end of the reporting period; ROU asset depreciation expense by asset class for the reporting period.
- 1.1.7.3 During the audit, we observed that Management entered a lease agreement with the Episcopal Church of Liberia to lease the 3rd and 4th floors of the Episcopal church Plaza Building for the period June 1, 2019 to May 31, 2021 for the total amount of US\$81,000.
- 1.1.7.4 There was no evidence that NOCAL reported lease activities in the Statement of financial position as an asset and liability with corresponding depreciation expense for one month at the end of the reporting period.
- 1.1.7.5 There was no disclosure note on the lease activities for the reporting period.

Risk

- 1.1.7.6 The lack of adequate disclosure of lease activities as required by the IFRS 16 is a violation of the standards and may lead to misstatement of asset (leases) and subsequently the financial statements.
- 1.1.7.7 The non-disclosure of lease activities in the notes to the financial statements may impair fair presentation, full disclosure and deny users of the financial statements information relevant for decision making.

Recommendation

- 1.1.7.8 Management should adequately present on the face and notes to the financial statements lease activities/obligations that extend beyond a year as required by IFRS 16 to facilitate full disclosure of the financial statements.

Management's Response

- 1.1.7.9 *Management notes your observation and recommendation. The office building lease is for 12 months renewable yearly and payment is done in arrears. It is important to note that NOCAL did not pay the lease in advance but accrues lease expenses and liability monthly. The entity has no purchase option for such asset. Please refer to IFRS-16:5, 6 & 8 as follows:*
- a) a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:*
- i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and*
- ii) leases where the underlying asset has a low value when new (such as personal*

computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

Auditor General’s Position

1.1.7.10 We acknowledge Management’s assertion. However, the lease agreement was signed for two years (June 1, 2019 to May 31, 2021 for the total amount of US\$81,000) and not for 12 months as asserted by Management.

1.1.7.11 Therefore, we maintain our finding and recommendation. We will follow-up on the implementation of our recommendation during subsequent audit.

1.1.8 Payments without Adequate Supporting Documentation

Observation

1.1.8.1 Regulation P.9 (2) of the Public Finance Management (PFM) Act of 2009 states, “Payments except for statutory transfers and debt service shall be supported by invoices bills and other documents in addition to the payment vouchers”.

1.1.8.2 During the audit, we observed that from sampled payment vouchers, amounting to **US\$15,022** for various goods/services, there was no evidence of adequate supporting documentation such as payment vouchers and invoices to validate the transactions. **See Table 7 below for details.**

Table 7: Payments without Adequate Supporting Documentation

No.	Date	Payee	Amount
1	7/11/2018	SN Brussels	5,204.00
2	1/22/2019	gritaco Travel	699.00
3	9/30/2018	SN Brussels /IN: 13092018	6,261.00
4	9/30/2018	SN Brussels /IN: 18092018	1,000.00
5	9/30/2018	SN Brussels /IN: 25092018	609.00
6	1/22/2019	gritaco Travel	699.00
7	1/23/2019	ILAC Center /IN: 176	550.00
Total			15,022.00

Risk

1.1.8.3 In the absence of adequate supporting documents, the validity, occurrence and accuracy of payments may not be assured. This may lead to misappropriation of the entity’s funds.

1.1.8.4 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.

1.1.8.5 Management may override the procurement processes by completing disbursement without utilizing the required procurement processes.

Recommendation

- 1.1.8.6 Management should account for the transactions without supporting documents.
- 1.1.8.7 Going forward, Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations. Evidence of supporting documents for all transactions should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.8.8 *Management notes your observation and recommendation. The supporting documents in question all refer to air tickets. It is cardinal to emphasize that air ticket price changes by minutes, hours and days-what this means is that if a ticket is quoted at a particular price today and you didn't purchase it, it increases in the next minute or hour. However, please find attached supporting documents for the ticket transactions.*

Auditor General's Position

- 1.1.8.9 We acknowledge Management's subsequent submission of supporting documents after our audit execution. Based on the review of document submitted, we have adjusted the amount to be accounted for by Management to US\$1,550.00 (US\$15,022.10-US\$13,472.00)
- 1.1.8.10 However, Management submission of documents after our review does not guarantee Management's effective control of document management.
- 1.1.8.11 Going forward, Management should ensure that documents requested for audit purposes are submitted in a timely manner.

1.1.9 Fixed Asset Discrepancies

Observation

- 1.1.9.1 IAS 16 requires that the depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life. The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under."
- 1.1.9.2 Regulation V.1 (2a) of the PFM Act 2009 states: 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: (a) preventive mechanisms are in place to eliminate theft, losses, wastage and misuse;
- 1.1.9.3 During the audit, we observed the following irregularities associated with the fixed assets management system:
- Fixed assets acquired during the fiscal period under audit in the amount of US\$11,963.50 were not recorded on the fixed asset register.

- There was no evidence of periodic physical verification of assets by Management
- The fixed assets register was not regularly updated.
- Assets acquired during the period were not coded.
- There was no evidence of movement of assets form.
- We observed a variance of US\$15,318 between the fixed assets ledger and the fixed asset register. **See Table 6 for details.**
- Fixed assets within a given vicinity were not recorded in a fixed assets log as required by the PFM Act.

Table 6: Fixed Asset Discrepancies

Assets	Reperformance of depreciation, accumulated depreciation and Net Book Value							Financial Statements			Variance US\$ (K=G-J)
	Cost at beginning of the year US\$ (A)	Addition US\$ (B)	Total Cost US\$ (C=A+B)	Opening Balance Accum. depre US\$ (D)	Depre. 2018/2019 US\$ (E)	Accum. Depre. US\$ (F=D-E)	Net Book Value US\$ (G=C-F)	Cost US\$ (H)	Accum. Depre. US\$ (I)	Net Book Value US\$ (J=H-I)	
Furniture and fittings	68,075	-	68,075	68,075	-	68,075	-	68,075	68,075	-	-
Office Equipment	160,515	3,835	164,350	156,132	3,209	159,341	5,009	150,927	150,927	-	5,009
Computer	95,892	1,400	97,292	95,892	513	96,405	887	97,292	97,292	-	887
Other Equipment	444,159	6,729	450,888	443,259	3,143	446,402	4,486	450,888	450,888	-	4,486
Vehicle	1,090,077	-	1,090,077	946,688	59,340	1,006,028	84,049	1,035,332	956,220	79,112	4,937
Land	713,625	-	713,625	-	-	-	713,625	713,625	-	713,625	-
	2,572,343	11,964	2,584,307	1,710,046	66,205	1,776,251	808,056	2,516,139	1,723,402	792,737	15,319

Risk

- 1.1.9.4 Fixed Assets Register may be misstated (Over/understated).
- 1.1.9.5 Fixed assets and subsequently the financial statements may be misstated due to the miscalculation of depreciation expense.
- 1.1.9.6 Assets may be damaged or impaired but their values are still on the books.
- 1.1.9.7 Fixed assets may be removed from the entity's premises without authorization, misappropriated and subjected to personal use or theft.
- 1.1.9.8 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.
- 1.1.9.9 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.
- 1.1.9.10 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

Recommendation

- 1.1.9.11 Management should expedite the following to facilitate effective fixed assets management:
- Management should ensure that the fixed assets register is updated in a timely manner to reflect all fixed assets of the entity.
 - 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.
 - Management should conduct periodic reconciliation and any variance identified should be adjusted in a timely manner.
 - All fixed assets of the entity should be uniquely coded. The codes of the assets should be subsequently updated in the fixed assets register. Going forward, all fixed assets should be coded upon acquisition.
 - Fixed assets within a particular vicinity should be clearly listed and displayed as required by the PFM Act.
 - 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

1.1.9.12 Management notes your observation and recommendation. However, we have critically examined the assets ledgers and its schedule and there is no variance detected from the Financial Statements submitted and the assets ledger. Your reperformance states a variance of **USD 15,319** which was a result of an increase (additions) in the cost of vehicle and office equipment and a reduction in Accumulated depreciation for other equipment and computer. For the period under review, there was no addition to the cost of vehicle but an addition to office equipment of **USD 3,835** as stated in the notes to property, plant and equipment **(Please find attached ledgers of Asset original cost and Accumulated depreciation)**. The total addition for the period under review of **USD 11,963.50** was recognized consistently with **IAS-16 (Property, Plant and Equipment)** and management will review the fixed assets register for continuous update.

Auditor General's Position

1.1.9.13 We acknowledge Management's assertion. However, the adjusted fixed asset register was not updated with the amount of US\$11,963.50 for additions during the year. We have adjusted the variance between the fixed asset register and the financial statements to US\$5,282. **See table below.**

Variance between fixed asset register and financial statements

Assets	Fixed Asset Register			Financial Statements			Variance US\$ G=C-F
	Total Cost US\$ A	Accum. Deprec. US\$ B	Net Book Value US\$ C=A-B	Total Cost US\$ D	Accum. Deprec. US\$ E	Net Book Value US\$ F=D-E	
Furniture and fittings	68,075	68,075	-	68,075	68,075	(0)	
Office Equipment	160,515	156,132	4,383	150,927	150,927	-	4,383
Computer	95,892	95,892	(0)	97,292	97,292	0	(1)
Other Equipment	444,159	443,259	900	450,888	450,888	(0)	900
Vehicle	1,090,077	1,010,966	79,111	1,035,332	956,220	79,112	(1)
Land	713,625	-	713,625	713,625	-	713,625	-
	2,572,343	1,774,324	798,019	2,516,139	1,723,402	792,737	5,282

1.1.9.14 We acknowledge Management's commitment for continuous review and update of the fixed assets register. We will make a follow-up during subsequent audit.

1.1.10 Misstatement of Accounts Receivable

Observation

- 1.1.10.1 Regulation M12 (1) of the PFM Act of 2009 states that the Board of Directors of each enterprise governed by this Act shall ensure the efficient management of the financial resources of the enterprise including the collection and receipt of moneys due to that enterprise or institution.
- 1.1.10.2 During the audit, our examination of NOCAL financial records revealed that Accounts Receivable from Romanco had been reduced by US\$6,000; however, no adjustment to the provision for bad debt had been made. Provision for bad debt still stands at 100% **(US\$1,635,716)**. See Table 10 below for details.

Table 10 – Provision for Bad Debt

Description	2019 US\$ A	2018 US\$ B	Variance US\$ C=A-B
European Hydrocarbon-LB-8	771,811.00	771,811.00	-
European Hydrocarbon-LB-9	763,605.00	763,605.00	-
Romanco	94,300.00	100,300.00	(6,000.00)
Provisions for bad debt	(1,635,716.00)	(1,635,716.00)	
Net Receivables	(6,000.00)	-	(6,000.00)

- 1.1.10.3 We also observed that the opening balance of staff loan at 1 July, 2018 did not agree with the closing balance at 30 June, 2018 by US\$749.58. See Table 11 for details.

Table 11 – Staff Loan

Description	US\$ A
Closing balance 30/06/2018	3,876.00
Opening balance 1/7/2018	4,625.68
Difference	749.68

Risk

- 1.1.10.4 Account Receivables and subsequently the financial statements may be misstated.

Recommendation

- 1.1.10.5 Management should adjust the financial statements to correctly state the account receivable balance.

Management's Response

- 1.1.10.6 A review of the bad debt provision account ledger showed that the Auditor's assertion is correct. The variance was due to the fact that the second journal entry that was required to adjust the provision account, wasn't done. Management notes the error and will make the appropriate adjusting entry to reflect the reconciled balance and restate the Financial Statement.

Auditor General's Position

1.1.10.7 We acknowledge Management's acceptance of our findings and recommendations.

1.1.10.8 However, Management should provide a comprehensive, adjusted and approved financial statements to the Office of the Auditor General for validation within 30 days upon issuance of the AG's Report to the National Legislature.

1.1.11 Payment of Both Board and Sitting Fees

Observation

1.1.11.1 Number nine (9) under fiscal targets titled 'State Owned Enterprises (SOEs) Pay' of the Government of Liberia Annual Fiscal Outturn Report Fiscal July 1, 2017 – June 30, 2018 states that:

- Where board fees are paid to board members, there shall be no sitting fees;
- Cabinet Ministers occupying either statutory or appointed board positions on public corporations or autonomous agencies shall not be entitled to board or sitting fees;
- Boards are required to present proposal for Board fees to the President for approval;
- Commissions without oversight boards are required to submit compensation proposal of senior management for approval by the President; and
- In cases where board has performed exceptionally and bonus is being paid, such proposal should be made to the President for approval.

1.1.11.2 During the audit, we observed that board fees and sitting fees amounting to **US\$52,200** and **US\$13,050** respectively were paid to board members for the fiscal period ended June 30, 2019 under audit. **See Tables 7 below for details.**

Table 7: Board and Sitting Fees

No.	Description	Amount US\$
1	Board fees	52,200.00
2	Board Sitting fees	13,050.00
Total		65,250.00

Risk

1.1.11.3 Receiving double compensation is a violation of the Government fiscal rules and targets which may lead to misapplication of the entity's resources.

Recommendation

1.1.11.4 Management should provide justification for facilitating payments of both board fees and sitting fees.

- 1.1.11.5 Going forward, Management payment of Board fees should be in compliance with 2017/2018 fiscal rules.

Management's Response

- 1.1.11.6 Management acknowledges and notes your recommendation with respect to Number nine (9) under fiscal targets titled: State Owned Enterprises (SOEs) pay- of the Government Annual Fiscal Outturn- Report. Management also wants to clarify that Cabinet Ministers sitting on its board, do not receive sitting or board fees.

Auditor General's Position

- 1.1.11.7 We acknowledge Management's assertion. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.12 Procurement Irregularities

Observation

- 1.1.12.1 Section 55.1 (a, d) of the Public Procurement Commission (PPC) of 2005 as amended and restated in 2010 states that, "by means of the sole source procurement method is permitted only in the following circumstances: (a) When only one (1) supplier has the exclusive right to manufacture the goods, carry out the works or perform the services to be procured and no suitable alternative is available; (d) In cases of extreme urgency, provided that the circumstances which gave rise to the urgency were neither foreseeable by the Procuring Entity nor the result of dilatory conduct on its part;"
- 1.1.12.2 Section 55.3 of the PPCC Act as amended and restated in 2010 states that, "Use of sole source procurement on any of the grounds referred to in subsection (1) of this Section 55 shall be subject to prior approval by the Commission. When requesting approval of a sole source procurement, the Procuring Entity shall provide the Commission with a statement of facts and reasons justifying use of the requested method under the applicable provision of such subsection (1)".
- 1.1.12.3 During the audit, we observed the following irregularities associated with the procurement system:
- There was no evidence of periodic (quarterly and annual) procurement activities report submitted to PPCC.
 - Management awarded contract totaling US\$ 23,164.80 to Liberia Telecommunication Corporation (LIBTELCO) without evidence of a renewed contractual terms and conditions mutually agreed upon.

Risk

- 1.1.12.4 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.

- 1.1.12.5 The awardance of non-written contracts may lead to discretionary expenditure, waste and the non-achievement of value for money.
- 1.1.12.6 Management may not adequately account for its procurement activities and impair effective monitoring of its procurement activities by the PPCC.
- 1.1.12.7 The non-application of the requisite procurement method may undermine the achievement of value for money and facilitate fraudulent procurement activities.

Recommendation

- 1.1.12.8 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.
- 1.1.12.9 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

- 1.1.12.10 Management takes note of the observations and recommendations resulting from your audit observation that "there was no evidence of periodic (quarterly and annual) procurement activities report to PPCC." We will ensure that your recommendation for the preparation and submission of periodic (quarterly and annual) procurement activities report to PPCC is fully implemented. Management acknowledges your observation regarding contract being awarded to LIBTELCO without evidence of a renewed contractual terms and conditions. However, monthly payments to LIBTELCO for internet service were mutually agreed upon during the contract negotiation stage and payments are made against duly submitted invoices. Your recommendation is duly noted.*

Auditor General's Position

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

PRIOR YEAR AUDIT MATTERS NOT IMPLEMENTED

PRIOR YEAR AUDIT MATTERS NOT IMPLEMENTED				
No.	Findings	Observation	Recommendations	Status of implementation
1.	1.1.1 Settlement Agreements	There was no evidence that the remaining US\$20,568,467.94 owed by TGS NO PEC was paid to NOCAL	1.1.1.45-1.1.1.47	None
2.	1.7.1 Internal Audit	Paragraph 1.7.1.3	Management did not approve the charter, manual and code of ethics to strengthen the purpose, authority and responsibility of the internal auditing department.	Management indicated that it places high priority on having the working documents reviewed and approved by the Board of Directors. Copies will be forwarded to our offices for our attention and records.
3.	1.4.1 Corporate By-Laws corporate governance practices	Paragraph 1.4.1.1 to 1.4.1.4; Page 30 of Management Letter 2015 to 2017	Management's failure to make available new corporate by-law that conforms to current legal environment and sound corporate governance practices	Operations of the National Oil Company of Liberia (NOCAL) and the sector within which it operates are being governed by the Amended Petroleum Reform Law of 2019 and NOCAL Act of 2014.