

The General Auditing Commission

Building A new Liberia On Solid Foundations

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Mission Statement

After many years of corruption, financial malpractices and mismanagement caused by a total breakdown in the system of governance during the civil war, Liberia has embarked on a new course following the democratic elections of 2005. The reform agenda of the government will require a total departure from the practices of the past. In this regard, the General Auditing Commission (GAC), functioning as a public advocacy institution, will play a major role in ensuring transparency, accountability and a high degree of professionalism in the management of the affairs of the state by the various government institutions.

The primary duty of the GAC will consist of auditing public operations and provide the government and the legislature with independent, unbiased advice to ensure proper and efficient management of public funds. In this regard, the GAC will conduct performance audits of the departments and agencies of the government. It will carry out financial audits of the government's financial statements (public accounts). It will also perform special examinations as well as annual financial audits of public corporations and other entities that fall within the purview of vested public interests and functions.

As a promoter and defender of the public interest, the GAC will bring integrity, accountability and dignity to public service. It will restore confidence in the way government conducts itself with respect to stewardship of the public trust.

The GAC will principally focus on programs to fight waste, fraud and abuse.

A New Beginning

One of the greatest challenges has been to put together a robust and dependable framework for accountability and transparency to safeguard assets and improve operational effectiveness. The new government has undertaken plans to make public institutions leaner and more efficient by setting achievable, auditable and reportable priorities measured against performance benchmarks.

Through the Governance and Economic Management Assistance Program (GEMAP), the government has centralized some revenue collections and reporting via various escrow accounts at the Central Bank, with the Finance Ministry having direct knowledge and control over these resources. Government is also reviewing concessionary agreements to bring them to international standards.

The GSA, for instance, is undertaking a rigorous exercise to identify and take an inventory of all Government of Liberia (GOL) properties. The Budget Bureau has promised to institute performance-based budgeting, and will eventually introduce multi-year budgeting.

In addition, within the same framework, the U. S. Department of Treasury has agreed to provide to Liberia an Integrated Financial Management System (IFMIS).

The GEMAP Agreement states that a successful implementation of the IFMIS is “a challenging one since it is a typical example of a high technology system expected to operate and be sustainable in a low capacity environment.”

The GEMAP asserted that, consistent with best practices, an “external Resource Management Unit (RMU), with expertise in financial management, procurement, change management, and business process re-engineering be recruited and established within the Ministry of Finance.” GEMAP added, “the Minister of Finance will appoint a full time senior project manager to liaise with the RMU and ensure successful implementation of the project.”

The financial system will thus include both budgeting and reporting capabilities. The GAC will need to conduct a periodic information system audit to ensure reliability and integrity.

The GAC is, for all intents and purposes, the first line of defense for promoting integrity, transparency and accountability throughout the public sector. However, this important institution has been non-functional due to a variety of reasons including the lack of competent manpower, funding and constant political interference.

The GAC was created by an Act of the National Legislature in 1956 which was amended under Charter 53, Sections 1–10 of the Executive Law of 1972, establishing the commission as an independent agency within the Executive Branch. Its basic functions consisted of ensuring transparency, accountability, fiscal discipline, and economic management of government funds and resources. This required the GAC to conduct and perform post and special investigative audits of all ministries, autonomous agencies, state-owned enterprises, other parastatals, and privately-owned entities that interact with the Republic of Liberia for goods and services.

In June 2005, the National Transitional Legislative Assembly (NTLA) amended Section 53 of the Act and made the GAC more independent and reporting to the legislature rather than to the executive. This is a necessary step to fight waste, fraud and abuse, as well as ensure accountability and transparency in the public sector.

Dedicated Source of Funding For GAC

Independence alone, however, is not sufficient to make the GAC an effective institution. The following conditions are critical to ensuring the efficacy of the GAC:

- It must be staffed with competent, experienced and capable people with impeccable integrity and solid track records.
- It must be adequately funded (dedicated source of funding); given Liberia's current financial conditions and consistent with the new consensus on financing development as, for example, established by the Paris Declaration on

Aid Effectiveness (2005), medium term financing by external sources is critical while government restructures the economy.

- A Constitutional amendment will be needed to establish a firm commitment to a vibrant and independent GAC by setting its funding as a percentage of the consolidated annual budget of the government, as it is done in Ghana and other serious minded African nations who want to fight corruption.
- Its capacity must be developed to gradually achieve implementation of international standards and practices.

The European Union has agreed to provide some initial funding for the GAC; however, the Government of Liberia must make available a dedicated source of support from domestically generated cash flow and then seek out external assistance for the immediate future.

Providing a dedicated source of funding for the GAC will boost public confidence in the administration's readiness to fight corruption. The savings, revenue enhance and asset protection and recovery efforts by the GAC will more than offset the costs of financing its activities. Domestic and international confidence in the administration will bring in many intangible benefits.

Addressing issues of transparency and accountability is an uphill struggle due to structural weaknesses that include a lack of framework for accountability. Working with its international partners, the government could strengthen institutions and tackle entrenched ills.

Instituting such changes must evolve through a process rather than resulting from a series of stop-gaps measures. Every step must be fundamental, firmly rooted in best practices, focused and geared towards institutional capacity building.

The functions of the GAC must go beyond financial and compliance audits to show how resources are generated, managed and whether such management is consistent with laws and regulations; whether programs' goals and objectives fall within national priorities. The future institutional framework must incorporate performance audits to measure Efficiency, Effectiveness, and Economy or the 3Es.

A robust GAC requires incorporating best possible practices. Thus, emphasis must first be set on revamping systems, control mechanisms and prioritizing the development of human resources as well as creating a legal framework to guide actions and reactions.

Short, Medium and Long Term Objectives

Liberia is beginning almost anew and has to build institutions that will serve to lay the foundations for a new nation. The overall mission of the GAC is to work toward

promoting accountability, integrity and reliability of government's financial information. The Commission would work in partnership with other institutions to promote activities that can safeguard assets as well as improve efficiency, effectiveness and economy. A revamped GAC will seek to achieve several objectives including:

Short and Medium Term Objectives: (1-3 years)

- Reform, reorganize and reengineer the Office of the GAC to make it an integral part of the nation's desire to achieve accountability and transparency in line with international best practices;
- Rehabilitate the agency's public image by increasing public confidence in the GAC as an independent, non-partisan promoter of the interest of the Liberian people;
- Ensure that each public sector institution secures an external audit agency (EAA);
- Ensure that all government institutions establish performance benchmarks, then assess the extent of their achievement;
- Establish accounting, auditing and internal control standards for all GOL agencies;
- Induce the national government, counties and local institutions to produce audited quarterly financial, performance and compliance reports;
- Ensure the enactment into law of a minimum of four pieces of legislation to enhance accountability, integrity, and reliability within government financial and program management. They include The CFO Act, Anti-Bribery and Racketeering Laws, Whistleblower Act, and Money Laundering Law;
- Ensure that UN and Liberian government requests to audit the recent interim government are filled;
- Ensure that the United Nation's asset freeze list is fully and completely carried out; paragraph 21 of the Security Council's Resolution 1512 must be implemented to end impunity and regain international credibility;
- Ensure unexpected audits by GAC staff are carried out competently within a reasonable timeframe to secure successful prosecution and asset confiscation of convicted economic criminals;

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- Ensure that all government institutions—ministries, publicly chartered corporations, autonomous agencies, counties and districts develop robust Web sites and advertise them so that the public can track their performances through the dissemination of information about activities.

Long Term Objectives (3-5 years)

- A. In the long term, the objectives would be to instill a new administrative culture in Liberia, where efficiency, transparency and effective management of public resources become the rule not the exception.
- B. The government of Liberia could seek in the shortest possible time, as it implements recommendations from the GAC, to be ranked by Standards & Poors, Moodys or Fitch, to receive favorable rating (90 percentile) by Transparency International, and Freedom House. This could lead among others to accessing international capital market as well as meeting – even if symbolically, such requirements as set by the Millennium Challenge Corporation toward accessing larger and better quality aid.

The activities of the GAC must be forward looking at all times. Its foremost objective must consist of laying solid foundations upon which the new Liberia will build systems of accountability and transparency. A solid governance environment requires continuous monitoring, refining and updating of the system and control structures. A three-year window would be a reasonable timeframe to achieve this all-important rule.

In order to achieve its stated objectives, the GAC must lead the change in the following areas:

Accounting and Auditing Standards, and Certifications of Accountants: Standards stand as the single most important starting point for building a strong and accountable system of governance. Public institutions must incorporate accounting and reporting standards into their financial management. This allows for consistent, accurate evaluation and reporting of assets, liabilities, revenues and expenses for programs' activities.

Uniformed accounting and auditing standards in both the public and private sectors must be set as a matter of urgency.

Creation of a Financial Accounting Institute (FAI): This institute will serve as the umbrella organization responsible for establishing generally accepted accounting and auditing standards, and the certification of auditors. Its membership will comprise a seven-member board, with administrative and technical staff. FAI's funding necessity is based on a sliding scale of fees generated by the standard setting and certification institutes.

Government Sector

Government Accounting Standard Board (GASB): This board will promulgate accounting standards. It could be composed of a seven-member board, with administrative and technical staff. The body will include a minimum of two accountants, each possessing at least one recognized professional certification.

Since Liberian universities, including the University of Liberia, teach U.S.-based government accounting, a good starting point would be to model after of the U.S. Standards, namely GASB Statement 34 (GASB34) in use by state and local governments. Its components include a management discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information (RSI).

Liberia could also look to other successful models in Africa such as Ghana, Rwanda, Mozambique, Botswana, South Africa, and Tanzania, amongst others.

Government Auditing Oversight Board (GAOB): GAC will also seek legislation to promote the establishment of the Government Auditing Oversight Board. This institute could be composed of seven-member board with technical and administrative staff to develop or adopt international generally acceptable government auditing and international control standards. U.S.-GAO standards are among the most comprehensive generally acceptable government auditing standards, while the standards promulgated by the Committee of Sponsoring Organizations (COSO), as incorporated by the International Organization of Supreme Audit Institutions (INTOSAI), are the most widely recognized and used standards for internal auditing.

Other African countries such as Ghana, Botswana, South Africa and Tanzania, have successfully implemented other models.

Ministries, publicly chartered corporations, autonomous agencies, county and district governments will provide annual funding for GASB and GAOB by paying annual fees.

Private Sector

While the rights to set accounting and auditing standards in the private sector must be legally the prerogative of the GAC, in practice, accounting associations must also create a seven-member board to promulgate accounting principles or adopt U.S. Generally Accepted Accounting Practices (GAAP).

The standard setting is moving globally. For instance the International Accounting Standard Board (IASB), based in London, is working to develop a common global standard for financial accounting and reporting. Liberia must move gradually toward the international standard. Several African countries like Ghana and Botswana have modeled their standard setting after England while francophone West African countries have, in some fashion, modeled after France.

Private Accounting Standard Board (PASB): This seven-member board, along with its technical and administrative staff, will set accounting standards in the private sector and for NGOs.

Private Accounting Oversight Board (PAOB): This institution will establish auditing standards. It is also a seven-member board, with technical and administrative staff.

Public Accounting firms, private sector firms and non-government organizations (NGOs) will foot the bill of PASB and PAOB from regular annual due payments. As it is the case with the Institute of Chartered Accountants (Ghana), the Liberian version will seek collaboration with institutes such as the Association of Accountancy Bodies in West Africa and the International Federation of Accountants.

Certification of Auditors

National Board Accountancy: Liberia needs to urgently establish an accreditation process for those who seek to become certified public accountants (CPA). In most well functioning economies, States Board of Accountancy assume that role, because of the importance of the accounting profession in promoting transparency and accountability through fair presentation and disclosure of financial information to stakeholders. In Liberia, the state must establish such an important institution. The GAC will work to establish the National Board of Accountancy (NBA) to certify persons interested in pursuing a career in the field of auditing.

The NBA will have a seven-member board with technical and administrative staff. Its funding will be generated from annual dues from certified accountants and auditors, as well application fees by new registrants and testing fees.

External Reporting: Government and Private Institutions

All government institutions, counties and district governments, state-owned enterprises and private companies with revenues of \$250,000, not-for-profit organizations and all institutions receiving government funds must provide regular external reports to the President, Legislature, GAC and Bureau of the Budget:

- Three quarterly financial and internal control reports by the 20th of the month following the end of each of the three quarters;
- Annual financial and internal control reports audited by an independent public accounting firm;
- Heads and CFOs of audited institutions must sign all reports, taking full responsibility for all material, misstatements and fraud of any kind;
- All reports from the public and private sectors must be filed with the GAC within 60 days from the end of each fiscal year;

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- All reports will be made public one month after submission to the GAC.

GAC Reporting to the Legislature

The GAC will provide four sets of reports directly to the national legislature. The three reports will consist of:

- Annual reports on GAC activities including statements on the nation's annual accounts, and key audit observations and recommendations;
- Statutory reports on compliance with government regulations and laws, reporting observations, deviations and recommendations;
- Special reports as deemed necessary by the legislature;
- Prepare for the President, Legislature and the public three quarterly and an annual **Uniform Accountability Report (UAR)**. This is a "Color Coded Report Card" listing all government institutions and ranking them on select benchmarks including unqualified audit opinions.

Annual Auditing

The GAC will retain the right to audit all government agencies and state-owned enterprises as well as private companies (including non-governmental organizations) receiving government funds, contracts, concessions, awards, and procurements. At a minimum, the GAC will, each year, conduct the following unplanned and discretionary financial, compliance, information system, and performance audits. In addition to the statutory audits, the GAC will conduct the following surprise audits annually:

- 12 Audits of Government Ministries
- 10 Audits of Autonomous Agencies
- 10 Audits of Public Owned Corporations
- 10 Audits of Private Sector Companies
- 8 Audits of County Governments
- 8 Audits of District Governments
- 5 Financial System Audits
- 18 Attestations

External Audit Agency (EAA)

Independent auditing is an important aspect of accountability. So the, Inspector General (IG) and CFO of each government institution, county and district governments, in consultations with the GAC will enter into an auditing agreement with an independent public accounting firm to conduct the required annual audits.

Legislative Actions Needed

Several legislative actions are to be enacted to facilitate the complete transformation of accountability in government financial management. The five most important ones include the CFO Act, the Anti-Bribery and Racketeering Act, the Whistleblower Act, and the Money Laundering Law.

1. The CFO Act

This Act would establish leadership structure, provide for long range planning, require audited financial statements and strengthen accountability reporting. The major breakdown of such legislation will take the following form:

Chief Financial Officers (CFOs)

- Create CFOs in government entities/SOEs to provide financial management and reporting;
- CFOs will be presidential appointees, assisted by deputy CFOs both possessing extensive financial management experience;
- CFOs will report directly to institution heads on all financial matters;
- CFOs will become part of top management with overall responsibility for establishing and implementing effective financial management policies, internal controls, and financial management system;
- CFOs will develop and maintain financial management systems to comply with applicable accounting principles, standards and requirements, internal control standards, and other requirements.

Financial Management Plan

- The Budget Bureau will prepare and submit to the legislature a 5-year financial management plan with annual updates, making sure to provide the basis for identifying and addressing staffing resource problems.;
- CFOs will prepare and annually update plans to implement the Budget Bureau's 5-year financial management plans;
- CFOs will produce annual audited financial statements;
- The Budget Bureau will direct all government institutions to develop performance-based budgeting using tools such as Data Envelopment Analysis (DEA) or Balanced Scorecard.

Annual Financial Management Status Report

- Budget Bureau will be required to submit government financial management status report at the time of the President's budget submission.

Financial Management Staffing

- CFOs will approve job descriptions and skill requirements for those heading the component's financial management activities;
- CFOs will participate in heads of components' annual performance evaluations;
- CFOs will also ensure continuing education and training for financial managers through respective institutions to maintain a well-trained and high-caliber financial management team.

The CFO Council

- The Council will advise institutions and coordinate activities of financial matters, including consolidating and modernizing financial systems, improving the quality of financial data and information standards, strengthening internal controls, and developing legislation affecting financial operations and organizations;
- The Budget Director will head the Council, with other members to include all appointed CFOs, Controller General of GOL, and all deputy ministers for finance, expenditures or economics-related matters;
- The Council will meet four times a year; unpaid meetings (part of government work);
- Council will provide Benchmarking Report to the President highlighting best practices.

2. Anti-Bribery and Racketeering Laws

The issue of corruption in Liberia is not only relegated to the government sector, nor limited to outright embezzlement of government funds by government employees. Rather, it is a corrosive problem that affects every facet of life. In the past, successive initiatives have centered on stopping only one form of corruption—the theft of government monies. However, as the nation moves to make a firm commitment to battle corruption, actions must seek to address both sides of the corruption line, namely corrupted and corrupter.

The GOL must move to amend the anti-bribery and racketeering laws and sending a loud signal that all will be punished. While a large number of corrupt practices involved the stealing of funds at various points of revenue collections, bribery and kickbacks have imposed a larger cost on the Liberian treasury. Bribery causes distributional behavior with a higher economic cost on lost revenue that can exceed what is stolen. Additionally, many government officials do not handle cash but are in a position to grant favors in exchange for kickbacks.

For instance, the anti-corruption task force set up under the interim administration found that merchants were submitting fake invoices in exchange for kickbacks. In another case, a businessman had managed to evade paying more than US\$3.5 million in taxes and fees to government, impacting revenue intake.

Media reports, quoting a high level government official, revealed that two cellular phone companies paid about \$40,000 to \$50,000 each for licensing fees valued at \$5 to \$7 million. The World Bank recommended a regulator for the telecommunications sector to prevent a repeat.

This type of corrupt practices extends to other areas of government including procurement, contracts, licensing, concession and awards—at each turn depleting the government coffers.

The GOL through the GAC, Revenue Auditors and Internal Revenue Service personnel must focus on this other side of the fence—bribery, kickbacks and gratuities.

3. Whistleblower Act

The President of the Republic has asked the legislature to pass a “Code of Conduct” to provide basic guidelines for moral and ethical behavior within the government sector. This widely applauded initiative means to set a new ethical tone within the government. All employees are expected to know and comply with the policy, and to report any potential violations will be subject to disciplinary actions.

However, in order to complete the process of instilling new ethical behaviors in government employees, the legislature must also pass a “Whistleblower Act.” The legislation will protect whistleblowers by prosecuting anyone who attempts to intimidate, harass or punish whistleblowers. People will not expose waste, corruption, and other forms of integrity violations if they are afraid of losing their jobs and livelihood. The legislation could be fashioned to reward whistleblowers. The GAC will set up a hotline to facilitate this process.

Increasing the perception of detection may well be the most effective fraud prevention method. Controls, for example, do little good to forestall theft and fraud if the controls are not known by those at risk. This means letting employees, managers, and executives know that auditors are actively seeking out information concerning internal theft. This can be accomplished in several ways, such as educating employees on existing reporting programs—whistleblower hotlines, and rewards.

4. Money Laundering Law

Liberia has had a severe problem with capital flight, which strangled the economy. It has been widely reported that public funds embezzled in developing countries like Liberia find their way into foreign banks. Continuing global financial liberalizations and lax banking laws during the pre-9/11 years facilitated the massive movements of large sums of cash around the globe.

The United States Congress moved to pass laws to tighten the loop holes within its own banking laws. After 9/11, the desire on the part of the developed world to battle money laundering has come as a welcome change to activists in the fight against global corruption.

But there is still a fundamental weakness in the struggle to limit the flow of illicit monies around the world. One of these weaknesses lies with fragile banking institutional structures in a large number of developing countries. Liberia is no exception. The Governance and Economic Management Assistance Program (GEMAP) is designed to ring fence key revenue generating sectors by requiring them to close down multiple bank accounts (in and outside of the country) and centralizing all revenues via escrow accounts at the Central Bank. The GEMAP also has brought in a Chief Administrator with co-signature authority for operational and financial matters with respect to banking operations and internal controls and auditing.

While these actions will somehow limit the opportunity to embezzle public funds, Liberia still needs strong and enforceable money laundering laws. These laws must seek to strengthen supervision and oversight of commercial banks. For the most part, corrupt public officials do not put a large sum of money in a bag to deposit abroad. The corruption has been facilitated by commercial banks with external relationships. In a nutshell, an unsupervised banking system is a continued recipe for financial disaster because it would lead to more corruption, and posed a serious challenge to the GAC to comeback fraud.

5. Economic Crimes Court

The Judiciary is prominent among the fundamental institutional weaknesses of Liberia. From published reports, incompetence and institutionalized corruption constitute the major impediments to justice in Liberia. While it would take some time to rebuild the competencies of the judiciary, the nation must seek alternative means to push ahead in dispensing fundamental justice. Part of the GEMAP's goals and the intentions of the International Expert Panel on Liberia were to bring in outside judges to assist the judiciary to dispense justice in a fair and unbiased manner consistent with laws and constitutional provisions.

In public pronouncements, the Chief Justice of Liberia has rejected this notion, in spite of growing evidence of weaknesses within the judiciary.

Ass far as fraud is concerned —financial statement fraud, corruption and conflicts of interests—swift prosecution of alleged violators of the public trust is very important if the GAC is to establish any credibility with the Liberian people. In October 2006, 11 people who were indicted and tried for economic crimes are alleged to have bribed their way out of prison. The jury is alleged to have taken money and rendered a non-guilty verdict

The administration must diligently work with the national Legislature to immediately pass a law that would create **5 Special Economic Crimes Courts**, and establish a

funding source for an independent team of capable Liberian prosecutors to handle these cases as they emerge. International lawyers should be asked to come to Liberia to assist in prosecuting these cases. Doing this will, yet again, establish credibility that the nation is for the first time serious about fighting waste, fraud and abuse. After all, there is no purpose in conducting a criminal audit when the alleged perpetrators of economic crimes are just going to walk away scot free. Prison sentences and asset confiscation have to form an integral part of this process.

6. Administrative Panel

Liberia needs to depoliticize the fight against waste, fraud and abuse. The government needs to work with the National Legislature to write and pass a law that will create an Administrative Panel composed of professionals with expertise in issues of waste, fraud and abuse. The “Panel” will issue indictments based on audit reports of the General Auditing Commission, in which there is allegation of waste, fraud and abuse on the part of anyone, both in the private and public sectors.

After issuing an indictment, the Panel will then file it with the Economic Crimes Court for a full blown trial, wherein prosecutors and defense attorneys will make their cases. This Panel is similar to a “grand jury.” Nigeria currently has an Administrative Panel that has proven beneficial in the fight against waste, fraud and abuse.

7. Freedom of Information Act

The Liberia constitution states clearly that the citizens have a right to information. In practice, that has not been the case. In building the new Liberia, it is vitally important that Liberians be provided timely and accurate information. This process must be put into practice with a legislative action that mandates government officials to provide unclassified information to the Liberian people within seven business days from the day of request, or provide justification within three days why such information cannot be made public. The cost of reproducing documents, which is limited to printing and mailing, will be charged to the person requesting the information.

8. Strengthening the Institutions of Inspector Generals

Independent auditors cited a gross lack of oversight, resulting in severe internal control weaknesses at Liberian government institutions. Examples range from a lack of auditable documentation to budget manipulation (moving funds around at will and spending outside of budgetary parameters without legislative approval).

Examples also include a lack of debt management policy, leading budget operatives to stratify payment of debt based on a “how much I can get in kickbacks mentality.” The list goes on and on. A strong internal control apparatus would have prevented these poor practices.

Inspector Generals (IGs), like internal auditors (IAs) in corporations, make up the first line of defense within their respective institutions when it comes to promoting integrity, efficiency and effectiveness. In corporate America, in the aftermath of the

collapse of several multi-billion dollar corporations, a new legislation (Sarbanes-Oxley) forced many corporations to make IAs an integral part of the fight for good governance and accountability. Government institutions and quasi-government agencies have been doing likewise.

Ghana passed the 'Internal Audit Agency Act' to buttress the position of internal auditors and make them an integral part of the overall initiatives to institute sound governance, accountability and transparency. Liberia must do same to promote IGs and IAs.

While IGs and IAs should be the first to chase down, identify and report on all forms of financial and corporate malfeasance, they should also seek to assist managers to do their work better. They can assess risk exposures and make recommendations to improve institutional practices and mitigate weaknesses to safeguard assets, achieve objectives and maximize efficient, organizational operations.

As part of the overall, broad initiative to strengthen institutions and promote accountability, the GOL should do all it can to promote a high caliber of IG and IA offices throughout government.

Inspector Generals/Internal Auditors

- Commission a Risk Review (top down) composed of a team to consider all the operations and activities of the institution in relation to its objectives; to identify the associated risks in an attempt to build a risk profile for a wide range of activities thereby identifying the policy fields, activities and functions which may be particularly vulnerable to fraud, corruption and waste;
- IGs and IAs combine Risk Review and Risk Self-assessment to facilitate the identification of institutional and activity level risks;
- Risk Self-Assessment (bottom up) allows each level and part of the institution to review its activities and diagnose the upward risks faced. This is normally done through documentation approach (Questionnaires) or a facilitated workshop approach;
- IGs and IAs will conduct periodic assessments and test internal controls and report findings to management and GAC;
- IGs and IAs will conduct unplanned audits of various functions, either by a request from the head of the agency or on a discretionary basis following acceptable auditing standards; reports will be presented to management and GAC;

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- GAC always reserves the right to accept or reject reports of IGs and IAs, but does so under stringent requirements such as observable malfeasance and malpractice;
 - IGs should continue to be appointed by the President of Liberia, while IAs by the various Board of Directors of Public Corporations and autonomous agencies with Boards of Directors. The head of the institution should appoint IAs of autonomous agencies without a Board of Directors;
 - IGs and IAs will report to the head of their respective institutions, but can only be fired for a cause such as gross negligence, corruption, malfeasance, abandonment, or non-performance;
 - IGs should make an Annual Report to the President and IAs to their Board.

Inspector General Council

- The Council will advise, share information of best practices and coordinate the activities of all IGs and IAs, including evaluating and assessing internal controls, audit methodologies and techniques, and developing legislation affecting internal auditing;
- The Deputy AG will head the council and other members include Budget Director, Deputy Minister of Financial and Legal Affairs, Ministry of State, all IGs, all IAs, and Controller General, GOL;
- The Council will meet four times a year; as part of government work, the Council will not be compensated for the meetings;
- The Council will provide a Benchmarking Report to the President highlighting best practices.

9. Third Party—Conflicts of Interests Disclosures

The Government of Liberia, under the leadership of President Sirleaf has mandated high ranking public officials disclose their assets upon taking office. For the most part that process is almost complete. President Sirleaf has also insisted on all public officials signing a code of conduct for acceptable behavior within government. The President and the government are expected to regularize these two processes, insisting on periodic disclosures.

The public, domestic and international communities have applauded those efforts. It is a welcome change in Liberia, albeit not the first time these things have been advocated.

In addition to these initiatives, the administration must insist on the disclosures of third party relationships. This is basically requiring all government employees to disclose business, family, etc. relationships with any company doing business with the Liberian government. It is customary for a high ranking government official,

including legislators to be actively involved or hold business interests in companies in Liberia to supplement their meager incomes. This invariably increases the opportunity for influence peddling, with cascading distorting effects in the marketplace, and undermined government financial positions.

While it may be understandable that government officials could be involved in multiple business ventures while holding a high level government post, it is only fair that such external relationships are made public. Conflict of interest is a bad thing for Liberia, especially when it involves officials with significant influence over contracts, awards, procurement, tax implementation, etc.

10. Code of Conduct

The administration has submitted a Code of Conduct to the national Legislature for passage into law. The National Legislature should move quickly to enact the code. But critically important is for the administration to ensure that it is signed by all government employees, not just the top hierarchy of government. It must be enforced and violators must be held accountable swiftly to establish a tone of seriousness.

11. Asset Declaration

The administration has also made its officials declare their assets and income before taking office. This is also a good move in the right direction. The administration must now work with the national legislature to regularize the process, involving annual disclosures by all government officials and members of the national legislature. Unlike the past disclosures, these annual asset and income disclosures must be notarized and carry the full force of law, which will punish anyone, including members of the national legislature, for providing false and misleading information.

The GAC will regularly conduct audits to ensure fair, competent and adequate disclosures are done by all including members of the national legislature.

12. Reforming Government--More Autonomous Institutions

Big and complex bureaucracies are most likely to breed and ferment a culture of waste, fraud and abuse. They are less transparent and accountable. Criminologists and fraud examiners have relied on the concept of authoritative leakage to argue that big and complex bureaucracies are a breeding ground for all forms of waste, fraud and abuse. Authority leakage suggests that the leader at the top is less likely to see far down to the operational levels of big bureaucratic institutions. Since the locus of power is way at the top, many at the bottom are less inclined to assume personal responsibility.

As Liberia moves ahead in creating functioning institutions, the administration should orient the core of its institutional reform initiatives towards creating smaller and lean autonomous and institutions. Single purpose institutions will make it far easier to conduct audits and investigate acts of waste, fraud and abuse.

For instance, it would be far more efficient to audit the Department of Motor Vehicles, Bureau of Customs and Exercise, and Internal Revenue Service, each as it stands

alone as institution rather than a consolidated part of the Ministry of Finance. The concentration of these institutions under the Ministry of Finance has created an agency that is plagued with massive waste, fraud and abuse. Therefore, adding more institutions could further increase these vices, making it more difficult, if not impossible to battle waste, fraud and abuse in Liberia.

The Ministry of Finance should focus its energy on fiscal policies, tax policies and government expenditures that are aimed at increasing domestic output and job creation. It is foolhardy for a policy making institution like the Finance Ministry to serve as a “money collection” agency. Essentially, a reformed Liberia should boast more autonomous, single purpose institutions than a large bureaucratic juggernaut.

Government--Administrative Action

On the administrative side, two immediate actions are needed to improve accountability and safeguard assets and resources. These include a complete centralization of all revenue, and mandating ethics training for all government employees. The GOL must make these changes front and center.

1. Centralizing, Forecasting, Validating and Auditing Revenue Sources

In the summer of 2004, the European Union sponsored the audits of five state-owned enterprises (SOEs) and the Central Bank of Liberia. The audits were conducted by Ernst and Young and the British firm, Moore Stephens. The Economic Community of West African States (ECOWAS) also sponsored an investigative team to examine the financial status of selected autonomous agencies. Both sets of audits showed poor financial management resulting from a lack of oversight, intentional fraud, and a lack of documentation to facilitate sound audit.

As mentioned earlier, the GEMAP agreement aims to, among other things, ring fence critical revenue sources through centralizing their revenues via an escrow account vehicle at the Central Bank of Liberia, with total oversight by the Finance Minister, the Chief Treasurer of the State. That practice is under way.

However as suggested in the GEMAP document, all revenue producing agencies should follow the same procedures and centralize their respective revenues. A critical issue that has faced Liberia in the past has been the lack of sound financial projections to determine, with a high degree of confidence, the revenue intake of government. It boggles the mind as to how a country can afford to spend on this or that program without having a good sense of revenue inflow.

There are revenue auditors within the Ministry of Finance, but as it is now known, these people attempt to monitor, without much success, the actual intake. The GOL needs a **Revenue Validation Team**, a group of experienced professionals who will validate revenue projections by various agencies, which would allow the **Revenue Auditors** to measure intake against some reasonable benchmarks.

In a good governance environment, private or public sector, estimating revenues is the beginning of the process. Validated revenue forecast serves two main purposes: Planning—what can we afford to do programmatically given revenue projections, and variance analysis—where do we stand relative to forecast or where did the revenue go?

All in all, without control measures and an agreement on critical assumptions at the front end, the revenue leakages that have plagued Liberia are bound to continue—and on a more massive scale than happened in the past.

For instance, in 2001 the Minister of Finance at that time indicated that he did not know the total variance of several state-owned enterprises including LPRC, NPA, Maritime, FDA, RIA, LPMC, etc.

Evidence demonstrates that big institutions usually suffer from “Authority Leakage” in which the complexity creates the lack of a critical management oversight. One of the reasons is that the large company becomes too unwieldy for executives to manage. Organizational growth naturally leads to a progressive loss of control over departments.

Executives cannot hope to keep track of all the units of a large company, and must rely on subordinates to carry out policy. Authority leakage results when the distance between top executives and subordinate units widens considerably. Such leakage allows subsidiaries, researchers, accountants or other departments to engage in misconduct since there are inadequate internal controls to check the behavior.

The Ministry of Finance should become a policy making institution with direct oversight of revenues collected and deposited on a regular basis at the Central Bank. From the perspective of auditing, it is far easier to audit a small, lean and focused entity than a big, unwieldy bureaucracy. Institutional reforms will assume this basic point.

2. Ethics Training

Corruption and financial mismanagement in Liberia is not just relegated to the top echelon of public officials, it is a problem that runs from top to bottom. In countries with strong anti-corruption efforts, the most important success factors for battling corruption are unbiased, vigorous and successful prosecutions, prevention through instituting stronger internal controls, robust institutional reforms, and attitudinal change.

Attitudinal change yields the most significant results. This involves transmitting positive values and norms that can strengthen the enforcement, prevention, and state building measures. Institutionalizing ethics training in all aspects of public life will go a long way in curbing corruption. So it is important that the government mandate that each government employee attend an ethics seminar. This will be done in collaboration with non-governmental institutions with expertise in business

ethics. The overall goal is to instill moral values, increase the perception of detection, and reduce rationalization of wrongdoing.

Enforcement Mechanism

Liberia has developed a culture that fosters corruption and encourages impunity from prosecution. Sound institutional reforms will prevent violations; but this cannot be achieved in isolation. The justice system must be functional and consistent. In order to succeed, the GOL has to insist on a vigorous, swift and successful prosecution and sanction of persons allegedly involved in economic crimes, without exception. These sanctions must include prison sentences, confiscation of assets, and prohibition from further government work, at the national, county or district levels. Successful prosecution and implementation of these sanctions will set a clear tone for good governance.

Human Resources Management

The GAC will become a highly respected Supreme Audit Institution (SAI) of Liberia, dedicated to protecting and safeguarding the public interest by fulfilling its statutory obligation. A motivated team of multi-disciplined, well-trained and well-equipped officers who continuously provide total quality service to all clients and stakeholders would change Liberia.

It is vital that Liberia and its international partners support the GAC for 3 or more years in order for the GAC to become more proactive, and more forward-looking. A fundamental reform reflected in the organigram (appendix A) shows a revamped GAC.

All GAC auditing staff must at least possess a bachelor's degree, with the majority holding a bachelor's degree in accounting, or business economics along with internationally recognized certifications in auditing, accounting, fraud or management. The second largest group will have post-graduate degrees in areas such as public administration, finance, political science, journalism, economics, and sociology. The third largest group will be lawyers.

GAC will be staffed with people with solid track records and high moral character. They will be expected to undergo vigorous background checks, sign a notarized third party disclosure form, sign a notarized asset disclosure form, sign a notarized code of conduct, and attend a week of business ethics training. There will be no exceptions.

Existing GAC staff must submit a resume and a list of accomplishments, and to reapply for the jobs. All new auditors and investigators will have to produce a resume with 3 names of professional references, take and pass professionally designed tests, and go through an extensive interview with a professional panel. GAC will post nationwide advertisements in all the major Liberian newspapers and on the Web for those living in the Diaspora to apply for a post with the commission.

GAC will also enforce mandatory vacations, job rotation, and surprise audits where possible for its own staff to prevent conflict of interest situations and influence peddling. There will be zero tolerance for auditors who seek bribes in exchange of writing fake audits, as it is widely believed to be the case in Liberia. The infamous “Kato” audit will and must become a thing of the past.

GAC staff will be competitively recruited with all vacancies advertised in a minimum of five daily papers, three radio stations, and three online publications. New recruits will undergo a rigorous objective test before an interview is even granted.

Professional Development Initiatives

The fundamental foundation of a successful institution is predicated on the ability of its management to attract and retain competent and capable individuals who are committed to good governance, and who possess a high level of integrity. The management team of the revamped GAC will seek to provide creative solutions in addressing the professional needs of its staff. Some of the human development initiatives envisioned include:

1. Continuing Professional Education

The GAC will require each staff member to obtain a minimum of 20 credit hours of professional training, either through seminars, workshops, online courses, or in-class courses. This would allow staff to upgrade skills to continuously add value to the overall institutional goals. The Division of HR and Workforce Development will assist in providing guidance and a list of possible courses, workshops, or seminars.

2. Peer Program

All GAC staff will be required to select a peer partner within the institution. The Peer program assumes a large number of cross functional and cross-operational peering; e.g., a Senior Compliance Auditor within the Division of Public Owned Corporation and Private Sector firms would pair with a senior Performance Auditor in the County and District Government. The goal is to leverage knowledge as well as provide a supporting environment. For the most, peering would be done based on random selection to avoid a situation where someone would be left out since this a professional arrangement.

3. Mentoring Program

The management team wants to train and retain staff. An integral part of the process is for experienced professionals within each sector to become a ‘mentor’ to at least one junior level staffer. In addition to institution wide capability building efforts, mentors will assist in the success of junior staff, including career planning and professional development. It is however important to note that the ‘program’ will not be a substitute for direct reports up the chain of command. As with the Peer Program, assignments will be based on random selection. But unlike the Peer Program, this professional relationship will be based on people within the same industry sector, or functional areas.

4. Internship Program

One of the proven ways to attract new recruits and to smooth the transition is through internship programs. The GAC will develop a robust, competitive internship program to attract the best talent. There will be two Internship Tracks: College and University Level, and High School Students. College and University interns are expected to join one of the technical teams upon graduation. In contrast, High School interns will be more focused on administrative functions to give them professional exposure at an earlier age. The Division of HR and Workforce Development will host sessions across various universities, colleges and high schools in Liberia to promote the internship program.

5. Professional Certifications and Membership in Associations

The GAC management team will put in place a program that would enable staff to acquire a minimum of one internationally recognized certification, including but not limited to the Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Management Accountant (CMA), Chartered Financial Analyst (CFA), Chartered Accountant (CA), Certified Government Auditing Professional (CGAP), and Certified Fraud Examiner (CFE). Staffers would also be required to become members of a professional organization.

HR and Workforce Development will provide a list of internationally accepted professional certifications and associations. Professional certifications and associations impose acceptable ethical behaviors and continuing education requirements of holders and members, buttressing GAC's own internally sanctioned acceptable ethical behaviors.

GAC, as an institution, will become a member in good standing of the International Organization of Supreme Audit Institutions (INTOSAI). It will also seek membership in regional and international audit, accountability, good governance and transparency organizations.

Training

The 14-year civil war and the ensuing political instability created a 'brain drain.' At great number of professional Liberians now live in the Diaspora. The new administration, although cash strapped with a backbreaking debt and internationally imposed economic sanctions, is doing all it can to entice Liberians to return home to participate in the reconstruction and rebuilding efforts.

It is in that regard that the budget of the GAC made contacts with 15 professional Diaspora based Liberians. These people are expected to bring with them requisite expertise. However, a large pool of the employees at the GAC will reflect locally-based Liberians. All efforts must therefore be undertaken to provide sufficient training to bring them up to the standard.

Evaluation and Improvement Initiatives

A fully functioning GAC must be staffed with competent people, who are provided continued educational opportunities to upgrade their skills. This is yet another area where international partners can prove substantially helpful. However, in order to achieve maximum results, the budget assumed the contracting of training services, provided in Liberia for the benefit of a larger number of staff. While overseas training and internship remains a part of the training process, initially massive training locally is the right option.

Following international best practices, the (GOL) is determined to enhance the independence of the GAC. But GAC is like any other institution; it exists to perform a given function. Therefore, its function will have to be evaluated to ensure that it is carrying out its responsibilities efficiently, professionally and effectively. The revamped GAC will put in place internal processes and mechanisms to that end. The initiatives include:

1. Annual Employee Evaluation

Each staff member of the GAC will have to set goals and objectives in collaboration with the immediate supervisors. The goal setting process will promote a “work-life” balance consistent with overall goals and objectives of the GAC. Annually, the immediate supervisors will conduct annual performance reviews. Promotions, salary increases and raises will be based on the performance review.

2. Client Survey Program (CSP)

The GAC exists to serve the public, both as the single most defender and promoter of the public interest. But it also has clients, which are the audited institutions. The CSP will take two forms. First, there will be a Fraud Assessment Questioning. This is a non-accusatory interview technique used as a part of a normal audit. It operates on the theory that employees' attitudes are a good indicator of potential problems, and that one of the most effective ways to deal with fraud is to ask about it. Second, a Post Engagement Survey will be conducted via a questionnaire format to measure engagements on four core areas: Competency, Quality, Integrity and Professionalism. The GAC will then use the results to make continuous improvements.

3. Peer Review Program (PRP)

The GAC has five operational areas. The GAC also has five functional areas, namely financial statements review, system audit, financial audit, compliance audit and performance audit. Twice a year, GAC will require a cross team peer review to evaluate the audit methodology and quality of work to ascertain areas of risk exposure requiring immediate corrective actions. This will be a vigorous undertaking in which all staff will be required to participate fully and objectively and it will include a review of working papers, documentation, and methodology, etc.

4. Internal Scorecard (IS)

Each operational and functional area will be required to develop an internal scorecard to evaluate the performances. For the functional areas, they will be required to form a cross team to develop the scorecard. For instance, the financial audit function cuts across all operating divisions, so the scorecard will reflect input from all the divisions.

5. Quality Assurance Rating (QAR)

CSP, PRP and IS will be fed into a progress matrix that will rate the performance of core operational and functional areas. This rating will then be updated periodically to form part of the report to the Legislature, Executive Branch and the public.

6. Technical Advisory Group (TAG)

This group will be composed of highly professional, experienced employees within the GAC. They will meet periodically to share knowledge as well as develop a mechanism for disseminating best practices across the GAC. Members of this group are the "go-to" people on technical issues relating to all aspects of client engagement.

7. Knowledge Management Team

This group will include people within GAC who will design processes of how to manage knowledge within the GAC. This will include process documentation and a proven course of actions. An integral part of the knowledge management process is that this group will work with sector and functional experts to produce several "White Papers."

8. Government Financial Management Road Shows

The GAC will put together an informative, all-inclusive PowerPoint presentation on financial management in the government environment. The presentation will be delivered to all government institutions, focusing mainly on the legal, financial and accounting teams, offices of internal audit, offices of inspector generals and the Budget Bureau. This will be done at the national, county and district levels.

9. Engagement Review Panel

This group will be composed of people drawn from within the GAC, government institutions, private sector and civil society. Engagement managers are expected to be available to assist the panel in evaluating and assessing audits, attestations and investigations in order to make informed recommendations about business process improvement. The panel will meet quarterly.

10. Public Opinion Survey

The GAC will conduct a periodic survey to assess public opinion on government financial management. The survey will focus on three critical areas: Vulnerability & Risk Exposure; Progress on Accountability & Transparency; and Expectations & Measurement. The survey will be conducted bi-annually.

11. Public Forum

Public forums are very important. The GAC will talk from time to time with the public. It will invite the public to ask questions and voice its opinions. The GAC team will highlight efforts being made to promote good governance through accountability, integrity and reliability. The forum will be a two-way conversation. These forums will be conducted throughout the 64 legislative districts. The main target will be the ordinary people.

This will make people believe in the government, encourage participation and trust between government and the people. GAC will also get some insight—ideas from the public on how to build on successes, develop creative solutions, and prevent a repeat of past mistakes. These forums will be done bi-annually.

12. Meet the Press Events

Criminologists Clinard and Yeager, in their studies, found that mass media publicity was the most feared consequence of sanctions imposed on a corporation. Hence the revamped GAC management team will understand that the press is a partner in the process to promote accountability and transparency. Management will host a monthly “meet the press” forum to provide information to the media and answer questions. These forums will include all domestic and international media institutions.

Conclusion

Liberia is coming out of a 14-year civil war. It lacks the trained personnel and institutional culture. The transition will be challenging. From the onset, it is vital to set up an institutional structure that will last a long time. The following appendixes are based on a transitional timeframe of three years, at which point the Government of Liberia will be able to take full control of the activities of the GAC.

In the meantime, the country will need a lot of financial assistance from its international partners, the business community and private foundations during this critical transitional period—a period that will determine whether democracy and good governance will thrive or perish in Liberia.

The GAC must be reformed and strengthened to take over when the expatriates working for the international community and Liberian government sponsored GEMAP would have completed their assignment. This is why it is so vital any reform and reorganization of governance and accountability framework in Liberia must take a holistic approach and must be home-grown.

There have been many instances in the past when the West has sent in experts, the IMF has attempted to implement stabilization policies, or the World Bank has tried structural adjustment programs with little or no input from within. Time and time again, those policies have failed not because they were not sound economic decisions, but were viewed as temporary measures or quick fixes—not broad in scope to institute lasting reforms. Liberia has entered a new era and is anxious to

open a new, successful chapter in governance. There is no better time to institute changes than now.

The GAC is at the apex of the governing process. Investing in it TODAY will generate a bigger return in the near future. Liberia needs to reengage in the international financial marketplace. But it can only do that by receiving a favorable rating from respected credit agencies, a favorable rating on Transparency International's Corruption Index, and Freedom House Ratings.

All of this is possible with dedicated and competent staff, a solid plan of action, and unquestionable commitment from the nation through finding a dedicated source of funding to make the GAC truly independent, as is the case in Ghana and other nations that are serious in combating waste, fraud and abuse in government. The benefit that would be achieved from a robust GAC is unquestionably more than the costs of financing its operation.

Appendix A—Organizational Chart

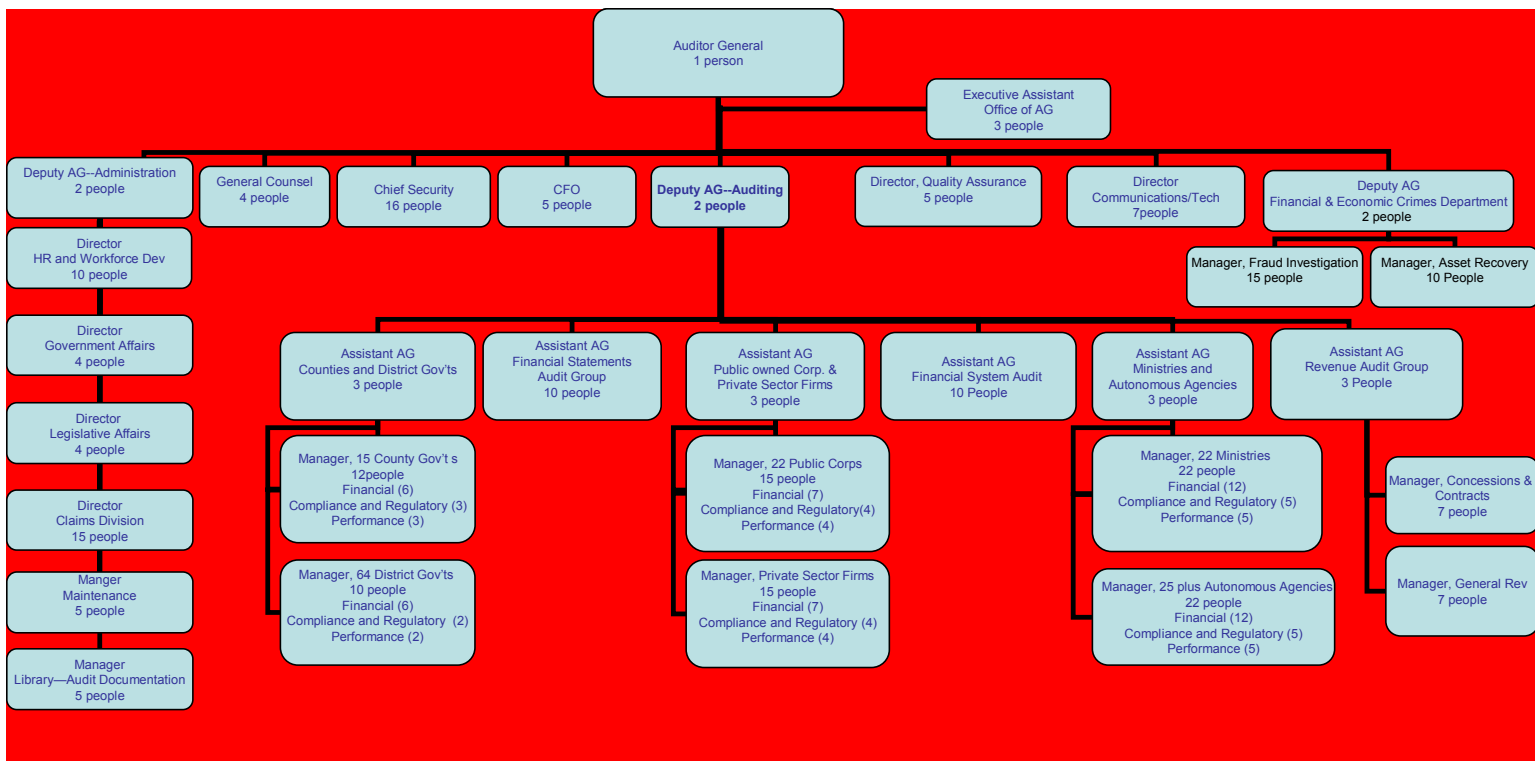
The current organizational structure of the GAC is composed of the Auditor General, a Deputy for ADM and a Deputy for Technical.

Under Technical: General Audit Manager; four Audit managers; four Audit Supervisors, several senior auditors and several junior auditors. Under Administration: Administrative Manager, Asst. Administration Manager, and Controller (not in structure).

Claims Department investigates claims against government by vendors, and the Desk Audit department validates vouchers processed for payments by government (this department is not active).

The proposed organizational structure assumed an operational and functional task orientation to facilitate a more expansive role in promoting accountability at all levels of government. It is an institutional structure that is expected to last a long time and it would also have a more beneficial impact on the country's overall position on good governance issues internationally. The structure also reflects best practices.

GENERAL AUDITING COMMISSION 252 Qualified Manpower



Summary Explanations Organizational Chart

252 employees needed to oversee:

- 22 ministries
- 22 public corporations
- 22+ autonomous agencies
- 15 counties
- 64 legislative districts
- City mayors around the country

Other functions to be assumed

- General Revenue audits
- Concessions audits
- Companies with GOL shareholdings audits
- Financial System audits
- Financial audits
- Private sectors involved with govt.
- Standard setting
- Performance audits,
- Compliance and Regulatory audits etc.
- Attestation services
- Single purpose audit
- 33 Diaspora Liberians (included in 252) for capacity building and to complement efforts of local employees

Superimposed on the government structures are private companies doing business with the government and multiple major cities with mayors? The institutional governance arrangement also envisioned financial statement reporting by all institutions—public, private and non-governmental organizations.

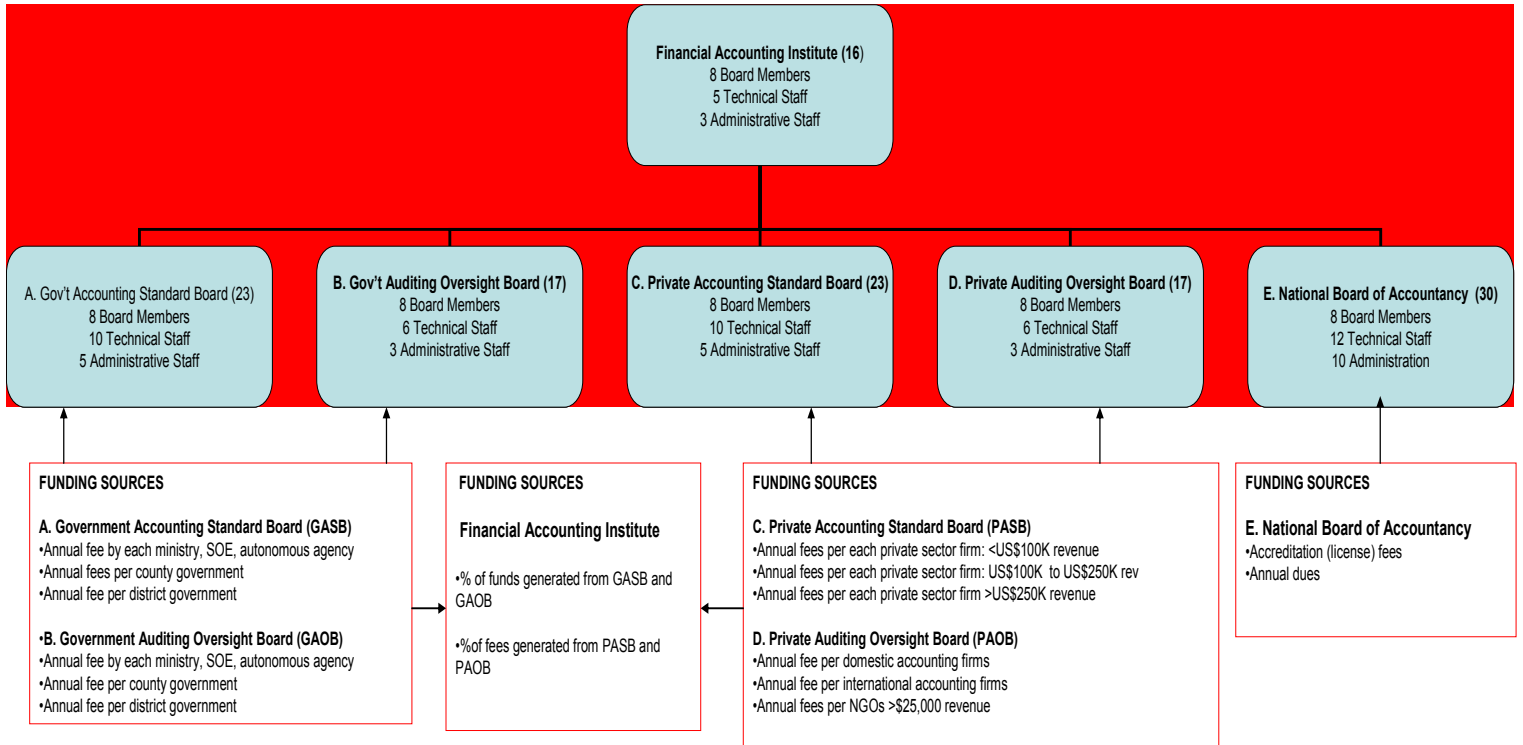
- Office of AG—Manages GAC; the following report directly to the AG
 - Executive Assistant—tracks AG daily activities; aided by 3 people
 - General Counsel—oversees GAC legal section with 3 assistants
 - Chief of Security—protects personnel and assets; aided by 15 assistants
 - Chief Financial Officer—overlooks finances; aided by 4 people
 - Quality Assurance Director—oversees internal audit of GAC; aided by 4 aides
 - Communications/IT Director—oversees communication and image-building aspects of GAC; aided by 6 assistants
- Office of Deputy AG for Admin—oversees daily operation of GAC; the following report directly to the Deputy AG/Admin
 - HR/Workforce Dev Director—oversees employment, remuneration, staff development, etc.; aided by 10 staff

-
- Govt. Affairs Director—liaises with government agencies; develops good customer relations; aided by 3 staff
 - Legislative Affairs Director—liaises with the legislature; aided by 3 staff
 - Claims Director—processes claims; will train 14 staff to report, document and process claims from the public. Manage GAC Fraud, Waste and Abuse Hotline
 - Maintenance Manager—aided by 4 staff, maintains GAC assets.
 - Library Manager—maintains a viable library ensuring material codification and organization
- Deputy AG, Financial/Economic Crimes—oversees fraud investigation, documentation and asset recovery; will organize training programs for staff; the director is assisted by 2 managers
 - Fraud Investigation Manager—handles all fraud reports or claims; will track fraudsters for prosecution; aided by 14 staff
 - Asset Recovery Manager—is aided by 10 staff; will track fraudsters' assets
 - Deputy AG/Overseas Audit—technical arm of the GAC; has 2 aides. This office has 6 assistant AG and 6 managers, respectively:
 - Assistant AG/County/District govt.: oversees county/district audits; aided by 2 people
 - Manager, County govt. assisted by 12 staff; oversees financial, compliance and performance of county governments
 - Manager, District govt. made of 10 staff; also oversees financial, compliance and performance of district governments
 - Assistant AG/Financial Statement Audits: authenticates financial statements and ensures they conform with generally accepted accounting principles (GAAP) and adequate disclosures and supplementary information; verifies accuracy of govt. financial reports to the legislature; aided by 10 professionals, this group is the public watchdog for financial statement fraud. Lawmakers must be confident that financial statements put in the public domain are fairly presented and not misleading. The Group also leads the effort to produce public reporting standards.
 - Assistant AG/Public Corporations and Private Sector Firms: oversees audits of public and private sector entities; he/she manages 2 managers.
 - Manager, Private Sector Firms is also aided by 15 staff that ensures financial, compliance and regulatory, and performance of private commercial entities providing services to government
 - Manager, Public Corporations assisted by 15 staff; oversees public corporation audits as well as statutory audits and attestation services

-
- Assistant AG/Financial Systems Audit Group—oversees audit function of financial systems in government entities and private entities providing services for government; this section has 10 professionals. Lawmakers must know that financial systems are working as they should, that system vulnerabilities to fraud are prevented and detected
 - Assistant AG/Ministries/Autonomous agencies—oversees audit of government ministries and autonomous agencies; staffed by 3 people and oversees 2 managers
 - Manager, Ministries—ensures financial, compliance, regulatory, statutory and attestation services; aided by 12 staff
 - Manager, Autonomous Agencies—ensures financial, compliance, regulatory, statutory and attestation services; also aided by 12 staff
 - Assistant AG/Revenue Audits—oversees audits of government revenues, mainly concessionary royalties, dividends, taxes, etc. as required by INTOSAI; staffed by 3 people; manages 2 managers
 - Manager, Concessions/Contracts Audit Group: composed of 7 professionals, the manager will ensure that fair royalties, taxes, dividends, etc. are paid; will provide expert advice on concession-related matters to government and the legislature
 - Manager, General Revenue Audit Group: oversees audits of general revenues including tax revenues; also audits nation's tax collection system; provides expert advice to the legislature and administration on tax-related taxes...as stipulated in the LIMA declaration signed by Liberia.

Appendix B—Standard Setting Institutions

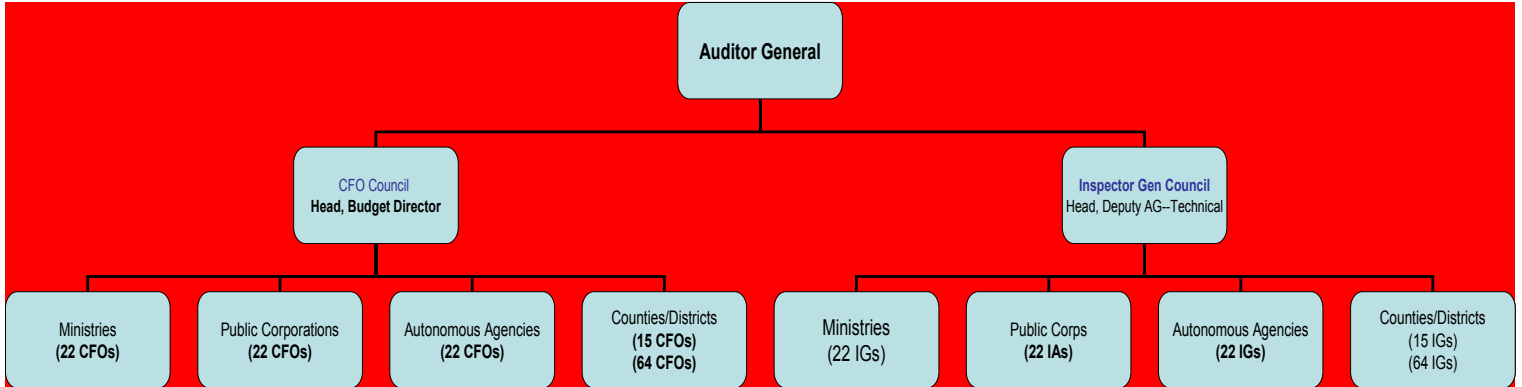
STANDARD SETTING



Explanatory Notes: These institutions will oversee accounting and auditing standards in the private and public sectors, as well as accredit accounting and auditing professionals

Appendix C—GAC External Framework

EXTERNAL FRAMEWORK

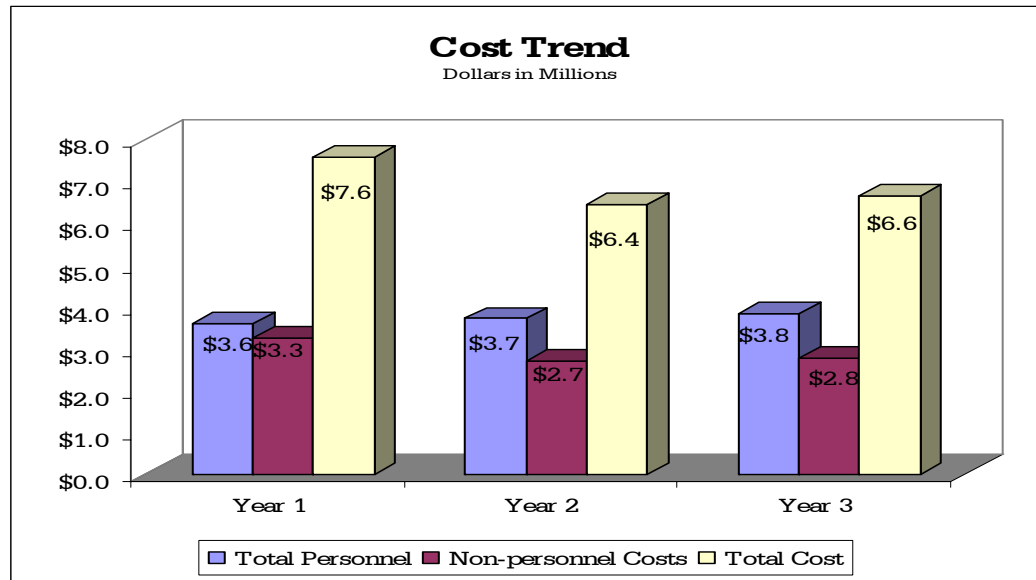


Notes:

*President will appoint CFOs throughout government to provide broad based financial management including producing quarterly financial statements, independently audited annual financial reports, and annual performance reports. GEMAP via EU is recruiting financial controllers and Chief Financial Officers (CFOs) for public corporations and selected autonomous agencies.

*The Board of Directors must recruit and make independent the Internal Audit Teams within Publicly Chartered Corporations. Inspector Generals must also become independent, reporting to the president directly with dotted line responsibility to the General Auditing Commission.

Appendix D—Budget Forecasts



Personnel	Staff	Average Salary		Year 1	Year 2	Year 3	Total
		Monthly	Annual				
Diaspora Liberian	35	\$2,800	\$33,600	\$1,176,000	\$1,211,280	\$1,247,618	\$3,634,898
Fringe Benefits	20%			\$235,200	\$242,256	\$249,524	\$726,980
Subtotal				\$1,411,200	\$1,453,536	\$1,497,142	\$4,361,878
Domestic Staff	217	\$700	\$8,400	1,822,800	1,877,484	1,933,809	5,634,093
Fringe Benefits	20%			364,560	375,497	386,762	1,126,819
Subtotal				\$2,187,360	\$2,252,981	\$2,320,570	\$6,760,911
Total Personnel				\$3,598,560	\$3,706,517	\$3,817,712	\$11,122,789
Non Personnel Costs	Assumptions (% of Personnel)						
Computers, servers, printers				\$260,800	\$13,040	\$13,040	\$286,880
Training Cost/Education	18%			647,741	667,173	687,188	2,002,102
Travel Costs	8%			287,885	296,521	305,417	889,823
Consultancy	8%			287,885	296,521	305,417	889,823
Outside Legal Counsel	5%			179,928	185,326	190,886	556,139
Materials and Supplies	4%			143,942	148,261	152,708	444,912
Maintenance Costs	2%			71,971	74,130	76,354	222,456
Leases and Rentals	2%			71,971	74,130	76,354	222,456
Information Technology	4%			143,942	148,261	152,708	444,912
Communications	6%			215,914	222,391	229,063	667,367
Transportation--Vehicle Maintenance/Fuel	3%			107,957	111,196	114,531	333,684
Vehicles				200,000	50,000	50,000	300,000
Allowances	4%			143,942	148,261	152,708	444,912
Events and Recreation	4%			143,942	148,261	152,708	444,912
Financial Management System				250,000	-	-	-
Independent Annual Audit of GAC				100,000	100,000	100,000	100,000
Total Non-Personnel Cost				\$3,257,821	\$2,683,471	\$2,759,084	\$8,250,377
Renovation--Old Executive Mansion				\$500,000			
Furniture				200,000	50,000	50,000	300,000
Recruitment				\$100,000			
Total Costs				\$7,556,381	\$6,439,988	\$6,626,797	\$19,673,166
	Forward Assumptions						
COLA (cost of living Adj)		103%		7,302,492	6,236,877	6,626,797	19,216,166
Computer Replacement		5%		253,889	203,111		457,000
				-	-	-	-
Variance				\$0	(\$0)	\$0	\$0
				Sources			
				GOL			
				EU--Direct			
				Others?			

Appendix D-Budget Notes

1. Diaspora Liberians: Diaspora Liberians to mix with country staff to leverage lessons learned and facilitate continuity when foreign expatriates depart. Hence there is an urgent need to entice Liberians living abroad to come home to assist with the rebuilding process. But many are less likely to do so given financial constraints abroad. So salary represents 3-year transition costs for 35 Diaspora Liberians, whose recruitment will be competitive with advertisement in a minimum three major papers, and major Online publications

2. Domestic Staff: Domestic Staff at average US\$700 to provide for 'living wage' and in turn decrease the propensity to compromise integrity to make up for shortfalls in income. Auditors are integral to the fight to achieve accountability, so they must be compensated fairly; \$700 a month is a fair deal. The total estimated number of local employees is 217. International NGO, who are paying US\$1500 per month on average, cannot find finance manager with the requisite experience and training. Recruitment is going to be the biggest challenge in building the New GAC. Experienced and trained Liberians who will work at the GAC have to do so for love for country; there are better alternatives in the burgeoning INGO community.

Benefits: Fringe benefits reflect medical insurance and contributions to retirement, an assumption reflecting current market conditions based on weighing Liberia and Diaspora. Current Diaspora medical trend reflects 20 to 35 percent of salaries. The assumed percent rate is 20 percent.

3. Computers: US\$900 times 251 units (\$800 per unit plus \$100 custom and shipping). Four Servers are priced at \$3,000; 24 printers (4 network printers priced at \$1,000 and 20 single user units priced at \$600) and software licensed at \$6,000. Computers are vitally needed in an audit environment. All computers will come installed with Microsoft Office and staff will be trained how to conduct audits using Access, at least for the short-medium term range. Replacement cost is assumed at 5 percent of initial amount.

4. Training Costs: Continuing education. Massive training is 18 percent of personnel cost. Giving the 14-year civil war that left many people out of the reach of formal employment, training and retraining of staff is critically important. International and local experts will be contracted to provide training to staff. They could include the Institute of Internal Auditors, the Institute of Management Accountant, the Association of Certified Fraud Examiners, the American Accounting Association, and Information Systems Audit and Control Association, among others. Training expense is also expected to provide licensing and professional development of staff. International NGOs, who are paying US\$1500 per month on average, cannot find finance manager with the requisite experience and training. Recruitment is going to be the biggest challenge in building the New GAC. Experienced and trained Liberians who will work at the GAC have to do so for love country; there are better alternatives in the burgeoning INGO

community looking for seasoned financial people. More funds spent on training to build capacity is a solid long term strategy. Liberians are smart people, who just need an “Opportunity” to be trained.

5. Travel Costs: Part of an investigator or auditor function reflects constant travel; so assume 8 percent of personnel cost and remaining constant within forecast period. Liberia has 15 counties and 64 legislative districts. International travel to attend conferences is also required.

6. Consultancy: Auditors and investigators usually need to outsource specialized knowledge not found in house. Those needs are expected to be high during the first three years during the transition, remaining at 8 percent. Consultants are going to be needed as staff is brought up to standard.

7. Outside Legal Counsel: The GAC is expected to face lot of legal challenges from government officials and members of business community refusing to provide access to files and documentation. It cannot depend on the Justice Ministry to prosecute its cases. Additionally, GAC is operating in an environment constrained in a rule of law; so it must have sufficient legal representation and advice to stay within the laws of Liberia. Cost is expected to remain at 5 percent of personnel.

8. Materials and supplies: Materials and supplies include stationary, printer ink and office supplies. Those costs are also expected to remain at a constant 4 percent.

9. Maintenance Costs: Maintenance costs including renovation, clearing and general continuous maintenance. Cost is expected to be high during the first year at 2 percent for forecast period.

10. Leases and rentals: This reflects lease of an office space and other equipment including audio visual services. Total cost is expected to remain at 2 percent of personnel cost during the forecast period.

11. Information Technology Services: This includes Intranet, Internet and network infrastructure equipment. Web based services in particular will continue to be crucial for timely dissemination of audit information to the consumer public, including donors, government and tax payers. Total cost expected to remain at 4 percent of personnel cost during the forecast period.

12. Communications: This involves content management and dissemination of information, including advertisement in newspaper, radio, and online. It also involves the creation of a monthly newsletter and quarterly magazine on the GAC activities, meeting the press forums, and public survey. Cost is expected to remain flat at 6 percent of personnel cost during the forecasted period.

13. Transportation: This includes vehicle maintenance, gasoline and other lubricants. Costs are also expected to remain flat at 3 percent of personnel cost during the forecasted period.

14. Vehicles: The budget assumed 13 vehicles at \$15,000 per unit, inclusive of shipping costs. This is a one time cost that is vitally needed to enable staff to move about.

15. Allowances: In Liberia, agencies are expected to provide allowances to the employees of the institution, including management. This cost is expected to remain at 4 percent of costs.

16. Events and Recreation: GAC expects to host multiple public awareness events, as well as hosting of events and recreation activities between National Legislature, administration, Civil Society, international partners, media and the GAC. The concept of a fully functioning GAC with an independent AG is a new thing in Liberia, and must be engrained in the minds of the Liberian people and the political leadership. Particularly more relationship building between GAC and the National Legislature must be an integral part of the New GAC efforts to build a genuine accountability system. This expense line is expected to remain at 4 percent for costs.

17. Financial Accounting System. GAC will purchase a new financial management system to manage its finances. The estimated US\$250,000 include financial system selection, implementation and training costs.

18. Independent Annual Audit of GAC. National Legislature will competitively engage an international auditing firm to audit the annual accounts of the GAC. The estimated amount of US\$100,000 is based sample reviewed of the amount spent by the European Union to audit various Liberian government institutions.

19. Office Building: Renovation and furnishing of the Old Executive Mansion and the Executive Pavilion (Annex). The Annex would be used as the primary training ground for GAC staff, financial reporters, members and staff of the National Legislature, and

Civil Society, among others. It will become the Center of Excellence. This amount is

a one time cost that is vitally needed to enable adequate housing of the New GAC.

Ministry of Public Works is finalizing engineering cost estimate with local firm Milton and Richardson.

20. Furniture. GAC estimates US\$200,000 to furnish the Old Executive Mansion.

This is

also a one-time cost, with a meager amount of US\$50,000 a year to replace broken furniture.

21. Recruitment. Cost to pay honorarium to the members of the recruitment panel to

competitively recruit the New GAC staff. It is a one time cost to build a credible GAC.

International NGO, who are paying US\$1500 per month on average, cannot find finance manager with the requisite experience and training. Recruitment is going to

be the biggest challenge in building the New GAC.

Appendix E—Major Milestone

Activity	Start From	End Time
Amendment to 1972 Law, creating GAO	Month 1	Month 1
Reorganization	Month 1	Month 3
Staff Selection	Month 1	Month 3
EAA	Month 3	Month 9
Mandatory Audits—interim government (1)	Month 4	Month 9
Private and Public Standard Setting Boards	1 Month	Month 3
Standard Setting	Month 6	Month 10
Gov't. Financial Management Road Shows	Month 3	Month 6
Financial/Compliance Audit (2)	12 month	
Performance Standards Setting	Month 12	
Legislation—Financial Reform Act, and Internal Auditors Act	Month 4	
Performance Audit	24 month	

Notes:

1. Post Interim Government—Executive Mansion, Budget Bureau, Ministry of Commerce, Finance etc
2. EAA performs regular annual audits

Appendix F-Government Institutions

	Ministries	Public Corporations	Autonomous Agencies
1	Ministry of Agriculture	Agriculture Cooperative Development Bank	Bureau of Immigration and Naturalization
2	Ministry of Commerce	Agriculture Industrial Training Board	Bureau of General Auditing
3	Ministry of Education	Forestry Development Authority	Bureau of Maritime Affairs
4	Ministry of Finance	Liberia Broadcasting System	Bureau of State Enterprises
5	Ministry of Foreign Affairs	Liberia Domestic Airport Authority	Bureau of Budget
6	Ministry of Gender and Development	Liberia Electricity Corporation	Center for National Documentation and Records
7	Ministry of Health and Social Welfare	Liberia Free Zone Authority	Civil Service Agency
8	Ministry of Information	Liberia Mining Corporation	Cooperative Development Agency
9	Ministry of Internal Affairs	Liberia National Lotteries	General Service Agency
10	Ministry of Justice	Liberia Petroleum Refining Corporation	John F. Kennedy Memorial Medical Center
11	Ministry of Labor	Liberia Rubber Development Unit	Liberia National Police Force
12	Ministry of Lands, Mines and Energy;	Liberia Telecommunications Corporation	Refugee, Repatriation and resettlement Commission
13	Ministry of National Defense	Liberia Water and Sewer Corporation	National Bureau of Investigation
14	Ministry of National Security	Liberian National Oil Company	National Fire Services
15	Ministry of Planning and Economic Affairs	Liberian Produce Marketing Corporation	National food Assistance Agency
16	Ministry of Post and Telecommunication	Monrovia Transit Authority	National Investment Commission
17	Ministry of Public Works	National Housing and Savings Bank	National Security Agency
18	Ministry of Rural Development	National Housing Authority	Truth and reconciliation Commission
19	Ministry of Ministry of State	National Insurance Corporation of Liberia	Independent National Human Rights Commission
20	Ministry of Transport	National Port Authority	Governance Reform Commission
21	Ministry of Youth and Sports	National Social Security and Welfare Corporation	Contract Monopolies Commission (a)
22	Ministry of State Without Portfolio	Robert International Airport	National Elections Commission

Notes: There 15 counties and 64 legislative districts. There is also large pool of private sectors firm doing business with government, and a host of international and domestic NGOs. Superimposed on the complexity of the institutional weakness, creates a challenging task of fighting waste, fraud and abuse. It is however doable with solid legal empowerment and independent financial commitment to the GAC.

Appendix G—Major Sectors

Construction Industry

- Building farm to market roads, public highways, and rail system
- Building Schools, hospitals, and healthcare centers
- Building government institutions such as ministries, agencies, and bureaus
- Building public facilities such as parks and other recreation centers
- Building affordable housing for Liberians

Agriculture

- Rubber, cocoa, coffee, tropical staples, etc
- Rubber covers 1,000,000,000 acres
- Investment opportunities for additional 80,000 acres of rubber exist
- Rice is the country's staple food. Chinese investors produced and sold rice prior to the war
- Local farmers are eager to partner with foreign investors to increase production for domestic and international markets
- Cocoa and Coffee were once leading cash crops, now hibernating
- Unlike other resources, cocoa and coffee were not exploited
- Reestablishing a market mechanism will reinvigorate the trade in these crops again
- Prominent rice, cocoa, and coffee growers are Lofa, Nimba, Bong, Cape Mount, Bomi and Gbapolu counties.
- Investment in this sector is challenging, but profitable

Forestry

- Covers 9,000,000 hectares of forest land
- 260 species of trees identified, including Teak, Mahogany, Walnut, Ironwood, Makore, etc.
- Most trees are in the diameter of eight feet.
- Forest reserves have the potential to produce over 1,000,000 cubic meters per year
- Concession agreements available in Sinoe, Grand Gedeh, Lofa, Bong, Nimba and Cape Mount

Fisheries & Marine Life

- There are 350 miles of rich coastal water
- Home to marine species and exotic seafood
- Revitalizing the Montserrado Group of Companies potentially a lucrative investment. The Group packages, distributes and exports fish and other marine products
- Markets transcend Liberia's borders; domestic consumption of sea food is high
- Smart privatization remains at the core of a revitalized Liberia

Telecommunications

- The fastest growing industry in postwar Liberia. Tremendous “pent up” demand
- Two state of the art earth stations using IDR technology
- 11,000 current users in Monrovia
- 100,000 phone lines needed country-wide
- 10,000 additional expandable wireless loop lines needed
- Cellular phone market huge and growing rapidly
- Liberia Telecommunications Corporation (LTC) oversees the industry
- Privatization of LTC is part of economic reform

Electricity & Hydro Power Generation and Distribution

- Investment opportunities for two hydro plants
- Each plant used to produce 64 megawatts of power
- St Paul Hydro plant still has power production capacity of 600-700 megawatts
- Potential to produce 40 million megawatts yearly.
- Investment opportunities for Solar Energy for rural Liberia.
- Privatizing the Liberia Electricity Corporation is part of economic reform program

Water & Sanitation

- Monrovia could consume 15 million gallons daily.
- Today, only one-fourth of Monrovia receives pipe-borne water due to damage in the 36-inch pipeline that conveys the treated water from White Plains to Monrovia
- Residents receive water from reservoirs built by the EU
- Commercial water trucking serves service industry and embassies
- Rural water supplies are also critical
- Privatization of the Liberia Water and Sewer Corporation will ensure efficiency in water supply

Energy Imports & Refinery

- Petroleum market is one of the biggest followed by rice
- Petroleum Importers include West Oil, MOTC, Aminata and Origin
- Contracts signed during Charles Taylor regime but scheduled to expire in 2006
- Mineral fuel and lubricant imports reached \$94.4 million, about 28.5 percent in 1988
- Ten years later, it dropped to \$39.4 million, about 24.4 percent of total imports for the year. The sharp decrease is due to the war
- One can, therefore, speculate that the consumption level will increase with stability

-
- The Liberia Refinery Corporation (LPRC) used to refine and distribute finished petroleum products to local vendors
 - Today, LPRC only provides storage facilities for refined imported petroleum products, creating tremendous opportunity for a new refinery
 - This sector is earmarked for a possible privatization. Competition will also be encouraged in the distribution market

Maritime Offshore & Corporate Registration

- Liberia has been historically and continues to be predominant for the registration of ships carrying Liberian flags
- Today, number one foreign currency earner for the country
- Must be managed by a foreign partner; today it is managed by LISCR; contract will expire in 2009
- Small Watercraft Program is becoming an increasing promising business area
- Maritime Institute to train Seafarers is being reopened; GOL seeking investing partners

Mining—Gold and diamond

- Over 1,000,000 carats still reserved of high quality diamonds
- Feasibility studies indicate a large deposit of gold in Grand Gedeh and other areas in southeastern Liberia
- Strong potential for new discoveries

Land, Sea and Air Transport

- Land Transport—the need for trans-county transport is crucial; the transporting of people, goods and services cannot be overemphasized
- Sea Transport—the National Port Authority is leader in this area. It operates the ports of Buchanan, Greenville, Harper, Monrovia and Robertsport
- Investors build, lease, and manage ports. Or investors receive contracts to provide parts to the ports. Or investors build, maintain, and operate terminals at ports
- Air Transport—ICAO has suspended Liberia's registration for trafficking in contraband. Under a new democratic government, investors have the opportunity, in concert with the relevant authority, to regain a normal status with the ICAO. Air Liberia can be revitalized to compete regionally and internationally

Offshore Oil Exploration

-
- 12 wells have been identified along the coast
 - Government signed three contracts that are subject to review
 - Significant opportunities exist for potential investors

Tourism, Entertainment and Recreation

- Long coast line for resort construction and management
- Government owns a significant portion of the land along the coast line for building hotels, conference centers and resorts
- Hotel Africa and Ducor Palace Hotel prime real estate
- Reconstructing historical sites to attract foreign visitors such as Providence and Bush Road Island

Management Consulting

- International community, UN Experts Panel on Liberia, and foreign donors are calling for rigorous, independent oversight of critical revenue producing entities, and other critical agencies
- Named agencies include Forestry Development Authority (FDA), National Port Authority (NPA), Robertsfield International Airport (RIA), Aviation Administration, Bureau of Maritime Affairs (BMA), Internal Revenue Service (IRS), Bureau of Lands and Mines (BLM), The Liberian Mining Corporation (LIMINCO), among others
- Other critical agencies include General Services Administration, and Social Security and Welfare Corporation
- There is also increasing need for management consulting on financial matters and business process improvement.

Scrap Metals—Entire infrastructure must be rebuilt

- Many buildings--schools, hospitals, public housing complexes, and government facilities—will have to be demolished, creating abundant scrap metals
- There is a sunken ship at the Freeport of Monrovia, creating abundant metals
- Investors receive contracts to purchase scraps at reasonable costs

Real Estate and Housing

- There is a tremendous demand for private affordable and decent housing in Liberia
- Existing stock of housing is not sufficient to meet the current demand of existing population, much less the large number of people returning home from a protracted stay in exile
- Market is open to domestic and foreign real estate investors

-
- There is also a high demand for mortgage banking in Liberia to finance home ownerships

Other Significant Sectors

- Healthcare Development/Management
- Education & Vocational Development
- Human Resource Development/Training
- Manufacturing/assembly

Appendix H—Proposed Amendment 1972 Legislation

AN ACT TO REPEAL CHAPTER 53 OF THE EXECUTIVE LAW OF 1972 CREATING THE GENERAL AUDITING COMMISSION PLACING THEREUNDER THE EXECUTIVE BRANCH OF GOVERNMENT AND TO GRANT IT STATUS OF INDEPENDENT AUTONOMOUS AGENCY OF GOVERNMENT AMENDABLE TO THE LEGISLATIVE BRACH OF THE GOVERNMENT OF THE REPUBLIC OF LIBERIA AND TO GIVE IT LEGAL AND FINANCIAL INDEPENDENCE

WHEREAS the Government of the Republic of Liberia comprises three (3) distinct and coequal Branches so established by the Constitution for the purpose of checks and balances;

WHEREAS authority of the Republic of Liberia take steps by appropriate legislation to eliminate such abuses of power as the misuse of government resources and the prevention of fraud, waste and abuse is vested in the legislature of the Republic;

ACKNOWLEDGING that the lack of transparency and accountability for distributive justice in terms of national wealth is one of many justifications for the legislature to be constitutionally mandated to provide oversight of government financial, managerial and programmatic activities;

DISCERNING that setting the pace for good governance, transparency, accountability and the rule of law must begin with reviewing existing legislations and policies of Government for adjustments through repeals and/or amendments to reflect the intent of the Liberian Constitution and aspirations of the Liberian people;

RECOGNIZING that upholding the placing of the General Auditing Commission under the Executive Branch of the Government of the Republic of Liberia will undermine transparency, accountability and good governance. Interim National Legislative Assembly put the General Auditing Commission under the Legislative Branch of Government;

REALIZING that the Act granting the General Auditing Commission as an independent Public Autonomous Agency of Government called it the General

Auditing Commission, in accordance with Chapter X Article 89 paragraph 1.C of the Constitution of the Republic of Liberia;

NOW THEREFORE, IT IS ENACTED BY THE 52nd NATIONAL LEGISLATIVE OF THE REPUBLIC OF LIBERIA IN ASSEMBLED:

SECTION 1: That from and after the passage of this Act, Section 53.1 of Chapter 53 of the Executive Law of 1972 creating the General Auditing Office, is hereby amended to read as follows:

As used in this chapter:-

(a) "The term "Government Agency", means every ministry, bureau, board, Commission, institution, authority, organization, enterprise, officer, employee, or other instrumentality of the Government including commonwealths, cities and townships and other local authorities political units of the Republic;

(b) "The term "Government Organization" means every enterprise, authority, monopoly, factory, or other industrial or commercial facility, corporation, utility, company, lending or financial institution, or other instrumentality which is wholly or partly owned by the Government; and

(c) "The term "Private Institution" means solely owned private enterprises, domestic non-government organizations and international non-government organizations operating partly or wholly in the Republic of Liberia.

SECTION 2: That from and after the passage of this Act, Section 53.2 of Chapter 53 of the Executive Law of 1972 creating the General Auditing Office, is hereby amended to read as follows:

The General Auditing Commission is hereby given Autonomous Status and shall report directly to the Legislative Branch of Government. The General Auditing Commission shall be headed by the Auditor General, who shall be assisted by at least 3 deputies (technical, administration and economic crimes investigation). **The Auditor General shall be appointed by the president with the advice and consent of the Senate. The Auditor General shall be appointed for a term of office of 9 years and shall be eligible for reappointment. A person appointed to be the Auditor General of Liberia shall, before entering upon the duties of his office, take, subscribe and swear to the Oath of Office of the Auditor General set out in the Constitution. The provisions of the Constitution relating to the removal of a Justice of the Supreme Court from office shall apply to the Auditor General. The Auditor General is given the same privileges of immunity and subpoena powers as members of the National Legislature. The Auditor General is also empowered to investigate and prosecute cases involving fraud, waste and abuse. In the absence of the Auditor General, one of**

Deputies shall be appointed or designated by the Auditor General to act in the capacity of the Auditor General. **The Auditor General shall not be subject to the direction or control of any other person or authority; the Auditor General is only answerable to the National Legislature.**

SECTION 3: That from and after the passage of this Act, Section 53.3 of Chapter 53 of the Executive Law of 1972 creating the General Auditing Office, is hereby amended to read as follows:

"The Auditor-General shall be the officer of the Government principally responsible for conducting comprehensive post audits, special financial investigations, reconciliations and analyses, and continuous audits on a routine, unannounced basis. He shall;

(a) "Once a year perform audits of all Government agencies and Government organizations and examine, to the extent deems necessary, all transactions and accounts relating to the receipt, disbursement, and utilization of the public monies;

(b) "Perform audits of all property accounts and transaction of all Government agencies and Government organization; such audits shall be conducted as far as practicable at the place or places where the property and records are located and shall include an evaluation of the effectiveness of internal control and other methods of safeguarding the assets of the Government and the Liberian public;

(c) "Perform audits of withdrawals of money within the responsibility of the Government as started in the appropriation acts or financial obligations by the order of Ministry of Finance.

(d) "Inspect the books of account of banking and financial institutions to verify the amounts of Government monies, securities, and other assets hypothetical or on deposit, or otherwise require written bank confirmations of Government monies, securities, and other assets under control of such banks or financial institutions;

(e) "Inspect the books of account of privately owned commercial and manufacturing establishments for the purpose of verifying transactions with Government agencies and Government organizations, requiring outside written, confirmations of accounts receivable and employing such other extended audit procedures as are necessary;

(f) "Prescribe auditing and develop and implement auditing procedures, methods, and techniques appropriate to government accounting and practices;

(g) "Require any Government official or employee or other person to testify on oath as a witness in matters pertaining to financial transactions which involve the use or custody of Government monies or assets;

(h) **"Establish or designate institutions to establish accounting and auditing standards for government agency, government organization, and private institution;**

(i) **"Establish or designate an institution to establish methods and means in which accountants and auditors are chartered or certified in the Republic of Liberia;**

(j) **"Register independent audit institutions in the Republic of Liberia, and conduct inspections of and discipline of those registered audit institutions;**

(k) **"Commission privately owned and independent accounting or auditing firms to carry out financial statement audits, attestation services and specialized audits of government agency and government organization on behalf of the Government of the Republic of Liberia/General Auditing Commission;**

(l) **Prescribe financial accounting and reporting procedures and guidelines on financial reporting for government agency, government organization, and private institution;**

(m) **Audit the collection of taxes as extensively as possible and, in doing so, to examine individual tax files; tax audits are primarily legality and regularity audits; when auditing the application of tax laws, General Auditing Commission shall also examine the system and efficiency of tax collection, the achievement of revenue targets and, if appropriate, shall propose improvements to the legislative body;**

(n) **Manage the affairs of the General Auditing Commission in line with the provision of the LIMA Declaration, as proposed by the International Organization of Supreme Audit Institutions, in so far as it does not violate the Constitution and laws of the Republic of Liberia;**

(o) **Prescribe methods and procedures for asset and third party disclosures by employees and officials of government agency and government organization, and shall perform periodic audits to ensure compliance and fair disclosure;**

(p) **Decide on the appointment of the entire staff of the Republic of Liberia General Auditing Commission; staff appointments and dismissals are the exclusive prerogatives of the Auditor-General;**

(q) Create divisions/sections that are appropriate for the proper, efficient functioning of the General Auditing Commission; and

(r) Ensure that government agency and government organization's programs and activities have been undertaken with due regard to economy, efficiency and effectiveness in relation to the resources utilized and results achieved.

(s) In the performance of his functions under this Constitution or any other law the Auditor-General -(a) may disallow any item of expenditure which is contrary to law and surcharge -(i) the amount of any expenditure disallowed upon the person responsible for incurring or authorizing the expenditure; or (ii) any sum which has not been duly brought into account, upon the person by whom the sum ought to have been brought into account; or (iii) the amount of any loss or deficiency, upon any person by whose negligence or misconduct the loss or deficiency has been incurred.

SECTION 4: That from and after the passage of this Act, Section 53.4 of Chapter 53 of the Executive Law of 1972 creating the General Auditing Office, is hereby amended to read as follows:

"The Auditor-General or his designee is entitled to free access at all times to all files, documents, and other records relating to the accounts of every Government agency and Government organization, **private institution** and he is also entitled to require and receive from officials and employees such information as he may deem necessary for the proper performance of his duties. The Auditor-General may station in any Government agency or Government organization any person employed by the General Auditing office to exercise more effectively, the audit functions set forth above.

SECTION 5: That from and after the passage of this Act, Section 53.8 of Chapter 53 of the Executive Law of 1972 creating the General Auditing Office, is hereby amended to read as follows:

"All regular reports of audits of Government agencies and Government organization shall, in addition to being submitted to the **National Legislature** be transmitted to the head of the affected agency or organization and to the **President of the Republic of Liberia.**

SECTION 6: That from and after the passage of this Act, Section 53.9 of Chapter 53 of the Executive Law of 1972 creating the General Auditing Office, is hereby amended to read as follows:

"Whenever the **National Legislature or a member of the National Legislature** directs, the Auditor General shall inquire and report on any matter relating to the financial affairs of the Government or to public property and on any person

or organization receiving or seeking financial aid, **contract, award, concession, or license agreement** from the Government.

SECTION 7: That from and after the passage of this Act, Section 53.11 of Chapter 53 of the Executive Law of 1972 creating the General Auditing Office, is hereby amended to read as follows:

(a) **"The Auditor General shall be responsible for the income and expenditure accounts of the General-Auditing Office. The accounts of the office of the Auditor General shall be audited and reported upon by an auditor appointed by the National Legislature;**

(b) **The salary and allowances payable to the Auditor General shall be a charge on the consolidated Fund;**

(c) **The salary and allowances payable to the Auditor General, his rights in respect of leave of absence, retiring award or retiring age shall not be varied to his disadvantage during his tenure of office;**

(d) **The administrative expenses of the office of the Auditor General including all salaries, allowances, gratuities and pensions payable to or in respect of persons serving in the Audit Service shall be a charge on the consolidated Fund;**

(e) **The Auditor General shall be entitled to use the funds allotted to General Auditing Commission under a separate budget heading under the Legislative Branch as they see fit;**

(f) **Budgetary allotment for the General Auditing Commission shall be deposited in a separate account by the Ministry of Finance, and shall be managed solely under the supervision of the Auditor General of the Republic of Liberia; and**

SECTION 8: This Act shall take effect immediately upon publication in Hand Bill.

ANY LAW TO THE CONTRARY NOTWITHSTANDING

Appendix I—LIMA Declaration--INTOSAI

The Lima Declaration of Guidelines on Auditing Precepts Foreword

When the Lima Declaration of Guidelines on Auditing Precepts was adopted by acclamation of the delegates more than two decades ago in October 1977 at the IX INCOSAI in Lima (Peru) there were great hopes, but no certainty, that it would achieve world-wide success.

The experiences made with the Lima Declaration since that time have exceeded even the highest expectations and proven how decisively they influence the development of government auditing in the given context of each individual country. The Lima Declaration is equally significant for all Supreme Audit Institutions grouped in INTOSAI, no matter to what region they belong, what development they have undergone, how they are integrated into the system of government or how they are organized.

The success of the declaration is above all due to the fact that it contains a comprehensive list of all goals and issues relating to government auditing, while simultaneously remaining remarkably significant and concise, making it easy to use, with its clear language ensuring that focus does not wander away from the main elements,.

The chief aim of the Lima Declaration is to call for independent government auditing. A Supreme Audit Institution which cannot live up to this demand does not come up to standard. It is not surprising, therefore, that the issue of the independence of Supreme Audit Institutions continues to be a theme repeatedly discussed within the INTOSAI community. However, the demands of the Lima Declaration are not satisfied by a SAI just achieving independence; this independence is also required to be anchored in the legislation. For this, however, well-functioning institutions of legal security must exist, and these are only to be found in a democracy based on the rule of law.

Rule of law and democracy are, therefore, essential premises for really independent government auditing and are the pillars on which the Declaration of Lima is founded. The precepts contained in the Declaration are timeless and essential values which have maintained their topicality since the years they were first adopted. The fact that it has been decided to re-publish the Declaration more than 20 years later indeed witnesses the quality and farsighted spirit of their authors.

We extend our thanks to the International Journal of Government Auditing for their effort in publishing the new edition of the Lima Declaration, realizing the great importance of this fundamental paper which quite rightly is held to be the Magna Carta of government auditing. We now know that the Lima Declaration will continue to be disseminated in future. Living up to its high ideals remains an ongoing task for us all.

Vienna, in the fall of 1998
Dr Franz Fiedler
Secretary General of INTOSAI
The Lima Declaration of Guidelines on Auditing Precepts

Preamble

The IXth Congress of the International Organization of Supreme Audit Institutions (INTOSAI), meeting in Lima:

-
- Whereas the orderly and efficient use of public funds constitutes one of the essential prerequisites for the proper handling of public finances and the effectiveness of the decisions of the responsible authorities;
 - whereas, to achieve this objective, it is indispensable that each country have a Supreme Audit Institution whose independence is guaranteed by law;
 - whereas such institutions become even more necessary because the state has expanded its activities into the social and economic sectors and thus operates beyond the limits of the traditional financial framework;
 - whereas the specific objectives of auditing, namely, the proper and effective use of public funds; the development of sound financial management; the proper execution of administrative activities; and the communication of information to public authorities and the general public through the publication of objective reports, are necessary for the stability and the development of states in keeping with the goals of the United Nations;
 - whereas at previous INTOSAI congresses, plenary assemblies adopted resolutions whose distribution was approved by all member countries;
- RESOLVES:
- To publish and distribute the document entitled "The Lima Declaration of Guidelines on Auditing Precepts."

I. General

Section 1. Purpose of audit

The concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent--or at least render more difficult--such breaches.

Section 2. Pre-audit and post-audit

1. Pre-audit represents a before the fact type of review of administrative or financial activities; post-audit is audit after the fact.
2. Effective pre-audit is indispensable for the sound management of public funds entrusted to the state. It may be carried out by a Supreme Audit Institution or by other audit institutions.
3. Pre-audit by a Supreme Audit Institution has the advantage of being able to prevent damage before it occurs, but has the disadvantage of creating an excessive amount of work and of blurring responsibilities under public law. Post-audit by a Supreme Audit Institution highlights the responsibility of those accountable; it may lead to compensation for the damage caused and may prevent breaches from recurring.
4. The legal situation and the conditions and requirements of each country determine whether a Supreme Audit Institution carries out pre-audit. Post-audit is an

indispensable task of every Supreme Audit Institution regardless of whether or not it also carries out pre-audits.

Section 3. Internal audit and external audit

1. Internal audit services are established within government departments and institutions, whereas external audit services are not part of the organizational structure of the institutions to be audited. Supreme Audit Institutions are external audit services.

2. Internal audit services necessarily are subordinate to the head of the department within which they have been established. Nevertheless, they shall be functionally and organizationally independent as far as possible within their respective constitutional framework.

3. As the external auditor, the Supreme Audit Institution has the task of examining the effectiveness of internal audit. If internal audit is judged to be effective, efforts shall be made, without prejudice to the right of the Supreme Audit Institution to carry out an overall audit, to achieve the most appropriate division or assignment of tasks and cooperation between the Supreme Audit Institution and internal audit.

Section 4. Legality audit, regularity audit and performance audit

1. The traditional task of Supreme Audit Institutions is to audit the legality and regularity of financial management and of accounting.

2. In addition to this type of audit, which retains its significance, there is another equally important type of audit--performance audit--which is oriented towards examining the performance, economy, efficiency and effectiveness of public administration. Performance audit covers not only specific financial operations, but the full range of government activity including both organizational and administrative systems.

3. The Supreme Audit Institution's audit objectives--legality, regularity, economy, efficiency and effectiveness of financial management--basically are of equal importance. However, it is for each Supreme Audit Institution to determine its priorities on a case-by-case basis.

II. Independence

Section 5. Independence of Supreme Audit Institutions

1. Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.

2. Although state institutions cannot be absolutely independent because they are part of the state as a whole, Supreme Audit Institutions shall have the functional and organizational independence required to accomplish their tasks.

3. The establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution; details may be set out in legislation. In particular, adequate legal protection by a supreme court against any interference with a Supreme Audit Institution's independence and audit mandate shall be guaranteed.

Section 6. Independence of the members and officials of Supreme Audit Institutions

1. The independence of Supreme Audit Institutions is inseparably linked to the independence of its members. Members are defined as those persons who have to make the decisions for the Supreme Audit Institution and are answerable for these decisions to third parties, that is, the members of a decision-making collegiate body or the head of a monocratically organized Supreme Audit Institution.

2. The independence of the members shall be guaranteed by the Constitution. In particular, the procedures for removal from office also shall be embodied in the Constitution and may not impair the independence of the members. The method of appointment and removal of members depends on the constitutional structure of each country.

3. In their professional careers, audit staff of Supreme Audit Institutions must not be influenced by the audited organizations and must not be dependent on such organizations.

Section 7. Financial independence of Supreme Audit Institutions

1. Supreme Audit Institutions shall be provided with the financial means to enable them to accomplish their tasks.

2. If required, Supreme Audit Institutions shall be entitled to apply directly for the necessary financial means to the public body deciding on the national budget.

3. Supreme Audit Institutions shall be entitled to use the funds allotted to them under a separate budget heading as they see fit.

III. Relationship to Parliament, government and the administration

Section 8. Relationship to Parliament

The independence of Supreme Audit Institutions provided under the Constitution and law also guarantees a very high degree of initiative and autonomy, even when they act as an agent of Parliament and perform audits on its instructions. The relationship between the Supreme Audit Institution and Parliament shall be laid down in the Constitution according to the conditions and requirements of each country.

Section 9. Relationship to government and the administration

Supreme Audit Institutions audit the activities of the government, its administrative authorities and other subordinate institutions. This does not mean, however, that the government is subordinate to the Supreme Audit Institution. In particular, the government is fully and solely responsible for its acts and omissions and cannot

absolve itself by referring to the audit findings--unless such findings were delivered as legally valid and enforceable judgments--and on expert opinions of the Supreme Audit Institution.

IV. Powers of Supreme Audit Institutions

Section 10. Powers of Investigation

1. Supreme Audit Institutions shall have access to all records and documents relating to financial management and shall be empowered to request, orally or in writing, any information deemed necessary by the SAI.
2. For each audit, the Supreme Audit Institution shall decide whether it is more expedient to carry out the audit at the institution to be audited, or at the Supreme Audit Institution itself.
3. Either the law or the Supreme Audit Institution (for individual cases) shall set time limits for furnishing information or submitting documents and other records including the financial statements to the Supreme Audit Institution.

Section 11. Enforcement of Supreme Audit Institution findings

1. The audited organizations shall comment on the findings of the Supreme Audit Institution within a period of time established generally by law, or specifically by the Supreme Audit Institution, and shall indicate the measures taken as a result of the audit findings.
2. To the extent the findings of the Supreme Audit Institution's findings are not delivered as legally valid and enforceable judgments, the Supreme Audit Institution shall be empowered to approach the authority which is responsible for taking the necessary measures and require the accountable party to accept responsibility.

Section 12. Expert opinions and rights of consultation

1. When necessary, Supreme Audit Institutions may provide Parliament and the administration with their professional knowledge in the form of expert opinions, including comments on draft laws and other financial regulations. The administrative authorities shall bear the sole responsibility for accepting or rejecting such expert opinions; moreover, this additional task must not anticipate the future audit findings of the Supreme Audit Institution and must not interfere with the effectiveness of its audit.
2. Regulations for appropriate and as uniform as possible accounting procedures shall be adopted only after agreement with the Supreme Audit Institution.

V. Audit methods, audit staff, international exchange of experiences

Section 13. Audit methods and procedures

1. Supreme Audit Institutions shall audit in accordance with a self-determined programme. The rights of certain public bodies to request a specific audit shall remain unaffected.

2. Since an audit can rarely be all-inclusive, Supreme Audit Institutions as a rule will find it necessary to use a sampling approach. The samples, however, shall be selected on the basis of a given model and shall be sufficiently numerous to make it possible to judge the quality and regularity of financial management.

3. Audit methods shall always be adapted to the progress of the sciences and techniques relating to financial management.

4. It is appropriate for the Supreme Audit Institution to prepare audit manuals as an aid for its auditors.

Section 14. Audit staff

1. The members and the audit staff of Supreme Audit Institutions shall have the qualifications and moral integrity required to completely carry out their tasks.

2. In recruiting staff for Supreme Audit Institutions, appropriate recognition shall be given to above-average knowledge and skills and adequate professional experience.

3. Special attention shall be given to improving the theoretical and practical professional development of all members and audit staff of SAIs, through internal, university and international programmes. Such development shall be encouraged by all possible financial and organizational means. Professional development shall go beyond the traditional framework of legal, economic and accounting knowledge, and include other business management techniques, such as electronic data processing.

4. To ensure auditing staff of excellent quality, salaries shall be commensurate with the special requirements of such employment.

5. If special skills are not available among the audit staff, the Supreme Audit Institution may call on external experts as necessary.

Section 15. International exchange of experiences

1. The international exchange of ideas and experiences within the International Organization of Supreme Audit Institutions is an effective means of helping Supreme Audit Institutions accomplish their tasks.

2. This purpose has so far been served by congresses, training seminars jointly organized with the United Nations and other institutions, by regional working groups and by the publication of a professional journal.

3. It is desirable to expand and intensify these efforts and activities. The development of a uniform terminology of government audit based on comparative law is of prime importance.

VI. Reporting

Section 16. Reporting to Parliament and to the general public

1. The Supreme Audit Institution shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published. This will ensure extensive distribution and discussion, and enhance opportunities for enforcing the findings of the Supreme Audit Institution.
2. The Supreme Audit Institution shall also be empowered to report on particularly important and significant findings during the year.
3. Generally, the annual report shall cover all activities of the Supreme Audit Institution; only when interests worthy of protection or protected by law are involved shall the Supreme Audit Institution carefully weigh such interests against the benefits of disclosure.

Section 17. Method of reporting

1. The reports shall present the facts and their assessment in an objective, clear manner and be limited to essentials. The wording of the reports shall be precise and easy to understand.
2. The Supreme Audit Institution shall give due consideration to the points of view of the audited organizations on its findings.

VII. Audit powers of Supreme Audit Institutions

Section 18. Constitutional basis of audit powers; audit of public financial management

1. The basic audit powers of Supreme Audit Institutions shall be embodied in the Constitution; details may be laid down in legislation.
2. The actual terms of the Supreme Audit Institution's audit powers will depend on the conditions and requirements of each country.
3. All public financial operations, regardless of whether and how they are reflected in the national budget, shall be subject to audit by Supreme Audit Institutions. Excluding parts of financial management from the national budget shall not result in these parts being exempted from audit by the Supreme Audit Institution.
4. Supreme Audit Institutions should promote through their audits a clearly defined budget classification and accounting systems which are as simple and clear as possible.

Section 19. Audit of public authorities and other institutions abroad

As a general principle, public authorities and other institutions established abroad shall also be audited by the Supreme Audit Institution. When auditing these

institutions, due consideration shall be given to the constraints laid down by international law; where these limitations justified shall be overcome as international law develops.

Section 20. Tax audits

1. Supreme Audit Institutions shall be empowered to audit the collection of taxes as extensively as possible and, in doing so, to examine individual tax files.

2. Tax audits are primarily legality and regularity audits; however, when auditing the application of tax laws, Supreme Audit Institutions shall also examine the system and efficiency of tax collection, the achievement of revenue targets and, if appropriate, shall propose improvements to the legislative body.

Section 21. Public contracts and public works

1. The considerable funds expended by public authorities on contracts and public works justify a particularly exhaustive audit of the funds used.

2. Public tendering is the most suitable procedure for obtaining the most favourable offer in terms of price and quality. Whenever public tenders are not invited, the Supreme Audit Institution shall determine the reasons.

3. When auditing public works, the Supreme Audit Institution shall promote the development of suitable standards for regulating the administration of such works.

4. Audits of public works shall cover not only the regularity of payments, but also the efficiency of construction management and the quality of construction work.

Section 22. Audit of electronic data processing facilities

The considerable funds spent on electronic data processing facilities also calls for appropriate auditing. Such audits shall be systems-based and cover aspects such as planning for requirements; economical use of data processing equipment; use of staff with appropriate expertise, preferably from within the administration of the audited organization; prevention of misuse; and the usefulness of the information produced.

Section 23. Commercial enterprises with public participation

1. The expansion of the economic activities of government frequently results in the establishment of enterprises under private law. These enterprises shall also be subject to audit by the Supreme Audit Institution if the government has a substantial participation in them--particularly where this is majority participation--or exercises a dominating influence.

2. It is appropriate for such audits to be carried out as post-audits; they shall address issues of economy, efficiency and effectiveness.

3. Reports to Parliament and the general public on such enterprises shall observe the restrictions required for the protection of industrial and trade secrets.

Section 24. Audit of subsidized institutions

1. Supreme Audit Institutions shall be empowered to audit the use of subsidies granted from public funds.
2. When the subsidy is particularly high, either by itself or in relation to the revenues and capital of the subsidized organization, the audit can, if required, be extended to include the entire financial management of the subsidized institution.
3. Misuse of subsidies shall lead to a requirement for repayment.

Section 25. Audit of international and supranational organizations

1. International and supranational organizations whose expenditures are covered by contributions from member countries shall be subject to external, independent audit like individual countries.
2. Although such audits shall take account of the level of resources used and the tasks of these organizations, they shall follow principles similar to those governing the audits carried out by Supreme Audit Institutions in member countries.
3. To ensure the independence of such audits, the members of the external audit body shall be appointed mainly from Supreme Audit Institutions.

Appendix J—Charter Thirteen, Ghana Constitution

CHAPTER THIRTEEN

The Auditor-General

187.

(1) There shall be an Auditor-General of Ghana whose office shall be a public office.

(2) The public accounts of Ghana and of all public offices, including the courts, the central and local government administrations, of the Universities and public institutions of like nature, of any public corporation or other body or organization established by an Act of Parliament shall be audited and reported on by the Auditor-General.

(3) For the purpose of clause (2) of this article, the Auditor-General or any person authorised or appointed for the purpose by the Auditor-General shall have access to all books, records returns and other documents relating or relevant to those accounts.

(4) The public accounts of Ghana and of all other persons or authorities referred to in clause (2) of this article shall be kept in such form as the Auditor-General shall approve.

(5) The Auditor-General shall, within six months after the end of the immediately preceding financial year to which each of the accounts mentioned in clause (2) of this article relates, submit his report to parliament and shall, in that report, draw attention to any irregularities in the accounts audited and to any other matter which in his opinion ought to be brought to the notice of Parliament.

(6) parliament shall debate the report of the Auditor-General and appoint where necessary, in the public interest, a committee to deal with any matters arising from it.

(7) In the performance of his functions under this Constitution or any other law the Auditor-General -

(a) shall not be subject to the direction or control of any other person or authority;

(b) may disallow any item of expenditure which is contrary to law and surcharge -

(i) the amount of any expenditure disallowed upon the person responsible for incurring or authorising the expenditure; or

(ii) any sum which has not been duly brought into account, upon the person by whom the sum ought to have been brought into account; or

(iii) the amount of any loss or deficiency, upon any person by whose negligence or misconduct the loss or deficiency has been incurred.

(8) Paragraph (a) of clause (7) of this article shall not preclude the President, acting in accordance with the advice of the Council of State, from requesting the Auditor-General in the public interest, to audit, at any particular time, the accounts of any such body or organisation as is referred to in clause (2) of this article.

(9) A person aggrieved by a disallowance or surcharge made by the Auditor-General may appeal to the High Court.

(10) The Rules of Court Committee may, by constitutional instrument, make Rules of court for the purposes of clause (9) of this article.

(11) The salary and allowances payable to the Auditor-General shall be a charge on the consolidated Fund.

(12) The salary and allowances payable to the Auditor-General, his rights in respect of leave of absence, retiring award or retiring age shall not be varied to his disadvantage during his tenure of office.

(13) The provisions of article 146 of this Constitution relating to the removal of a Justice of the Superior Court of Judicature from office shall apply to the Auditor-General.

(14) The administrative expenses of the office of the Auditor-General including all salaries, allowances, gratuities and pensions payable to or in respect of persons serving in the Audit Service shall be a charge on the consolidated Fund.

(15) The accounts of the office of the Auditor-General shall be audited and reported upon by an auditor appointed by Parliament.

(16) A person appointed to be the Auditor-General of Ghana shall, before entering upon the duties of his office, take and subscribe the Oath of the Auditor-General set out in the Second Schedule to this Constitution.

The Audit Service

188.

There shall be an Audit Service which shall form part of the public services of Ghana.

189.

(1) There shall be an Audit Service Board which shall consist of -

- (a) a chairman and four other members appointed by the President, acting in consultation with the Council of State;
- (b) the Auditor-General; and
- (c) the Head of the Civil Service or his representative.

(2) The appointment of officers and other employees in the Audit Service, other than the Auditor-General, shall be made by the Audit Service Board, acting in consultation with the Public Services Commission.

(3) The Audit Service Board shall, acting in consultation with the Public Services Commission -

- (a) determine the terms and conditions of service of officers and other employees in the Audit Service; and
- (b) by constitutional instrument, make regulations for the effective and efficient administration of the Audit Service.

(4) A member of the Audit Service Board, other than the Auditor-General or the Head of the Civil Service or his representative, may be removed from office by the President, acting in accordance with the advice of the council of State, for inability to perform the functions of his office arising from infirmity of mind or body or for any other sufficient cause.

Appendix K—Major Reference Sites

1. International Organization of Supreme Audit Institutions (INTOSAI)
<http://www.intosai.org/en/portal>
2. International Auditing and Assurance Standards Board (IAASB)
<http://www.ifac.org/IAASB/>
3. Financial Accounting Foundation (FAF)
<http://www.fasb.org/faf/>
4. International Accounting Standard Board (IASB)

<http://www.iasb.org/Home.htm>

5. Financial Accounting Standard Board (FASB)

<http://www.fasb.org>

6. Federal Accounting Standard Advisory Board (FASAB)

<http://www.fasab.gov>

7. Government Accounting Standard Board (GASB)

<http://www.gasb.org>

8. Cost Accounting Standard Board (CASB)

<http://www.whitehouse.gov/omb/procurement/casb.html>

9. The Committee on Sponsoring Organizations of the Treadway Commission (COSO)

<http://www.coso.org>

10. Private Company Accounting Oversight Board (PCAOB)

<http://www.pcaobus.org>

11. National Association of State Boards of Accountancy (NASBA)

<http://www.nasba.org>

12. US General Accountability Office (GAO)

<http://www.gao.gov>

13. The Association of State Auditors, Comptrollers and Treasurers (NASACT)

<http://www.nasact.org>

14. The Institute of Internal Auditors (IIA)

<http://www.theiia.org>

15. East & Southern African Association of Accountants General (ESAAG)

<http://www.esaag.co.za>

16. International Federation of Accountants (IFAC)

<http://www.ifac.org>

17. Government Finance Officers Association

<http://www.gfoa.org/>

Mr. John S. Morlu, II



In August 2006, the European Union (EU), in concert with the Liberian government, requested applications from Liberians and non-Liberians for the post of Auditor-General of Liberia. The job was advertised in 150 countries.

By addressing the issue of public accountability, the EU and other international partners are, for the first time, addressing the real reason for Liberia's 'growth without development'. They are also addressing the real reasons we have 'growth without jobs.' Making the GAO independent will empower the institution to serve as a frontier to fight fraud, waste and abuse in Liberia.

This is a monumental leap to desired social changes, innovations and political stability in over 150 years of Liberia's existence as an independent

nation. Brussels called this partnership with the Liberian government a 'Special Dispensation', which is the first of its kind from the EU...a revolutionary approach or a paradigm shift to development in Africa, one would guess.

The EU picked John Sembe Morlu, II, a Liberian financial expert, well versed in auditing and financial management. The GAO nominee comes to the position of Auditor-General with a wealth of experience in the financial world. He's meticulous and brilliant in his field of specialty. He's innovative and a writer, by hobby, with finesse.

Mr. Morlu has managed U.S. projects in 24 countries including breakaway republics of the former Soviet Union. Such responsibilities define his managerial skill, as well as his people-to-people skill, also.

Morlu currently works for Unisys Corporation, a firm operating in more than 120 countries, as audit manager. He also worked for BearingPoint (formerly KPMG) as senior consultant with the United States Departments of Justice and Homeland Security. He served as Senior Financial Analyst for Teligent, ensuring compliance with US Security and Exchange Commission public financial reporting guidelines and US GAAP, particularly revenue recognition.

Morlu holds an MBA in Finance from Johns Hopkins, a Masters in International Commerce and Policy from George Mason University, and double bachelors in Economics and International Relations from the Thomas Jefferson's University of Virginia.

Morlu also holds several professional certifications including Certified Management Accountant (CMA), Certified Fraud Examiner (CFE), Certified Financial Manager (CFM), Certified Internal Auditor (CIA), Certified Government Auditing Professional (CGAP), and Certified Masters in Business Administration (CMBA).

Morlu faces enormous challenges if he is to make positive changes in a country so entrenched in financial malpractices.

Mr. John Morlu has developed the professional vigilance and character clout needed to tackle the intricate and corrupt dust that plagues the public sector in Liberia. He will find in President Ellen Johnson Sirleaf a partner to institute the changes needed to turn the war-torn country around. This is a Herculean challenge, The EU vetting process and subsequent decision to hire him is a clear testimony that he's one fine Liberian that is committed, with tooth and nail, to show the world that Liberia will rise up and become of model of transparency, accountability and good governance.