Specific Contract N°2009/221927

Framework Contract EuropeAid: 127054/C/SER/multi - Lot 11
Macro economy, Statistics, Public Finance Management

Design and Formulation Mission to EC Support to Strengthening the General Auditing Commission (GAC) of Liberia

Design Study

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Study coordinated by ADE
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"This report has been prepared by Daniel P. Blais with the assistance of the European Commission. The content of this report is the sole responsibility of ADE and can in no way be taken to reflect the views of the European Commission."
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1. Executive Summary

The **general objective** of this mandate was to prepare a design study and formulate an initial EC support to the General Auditing Commission under the 10th EDF, thus pursuing the achievement of the global and specific objectives under the component (Governance, Institutional Support and Capacity-Building Cross-Cutting Programme) of the focal sector of the County Strategy Paper / National Indicative Programme (CSP/NIP) 2008-2013. The objective of this planned EC support is to increase the productivity and effectiveness of the GAC so that it can contribute significantly to improving accountability, transparency, management effectiveness and efficiency in the collection and use of public resources while enhancing the performance of the GoL with respect to control of corruption.

The **specific objectives** were to firstly prepare a design study based on inter alia GAC's (and other related) policies and plans (existing or under preparation), the current situation at the GAC, EC and other donor support given to date or planned and secondly to prepare an initial Project Identification Fiche wherein more detailed activity proposals would be formulated. The mission thus sought to analyse two main components of GAC’S overall effectiveness in achieving its Section 53.1 Executive Law mandate, that of being the country’s Supreme Audit Institution involved in post facto external auditing of the budget execution process. It **firstly** assessed the internal GAC institutional status in terms of organization, methodologies, practices in the context of the effectiveness use of national funds and donor inputs. The objective criteria of the INTOSAI Lima Declaration SAI precepts were used as benchmarks to conduct this institutional analysis which led to an overall conclusion that GAC does in fact encompass all 10 mandated attributes and strives to improve/upgrade upon each but however much additional strengthening is needed in identified areas. **Secondly** the mission analysed the external enabling/disabling environment having a direct impact on GAC’s limits to enhancing effectively public accountability and transparency. Issues of legal and de facto independence, the state of PFM in producing valid, complete and timely audit evidence and documentation, institutional capacity absorption, the role of the National Legislature in taking up its responsibility for GAC’s audit reports, donor coordination, reaffirming the basic role of a national SAI and the long term sustainability of GAC were issues which the mission sought to assess.

The role of GAC as the national Supreme Audit Institution in the country’s National Integrity System, as defined by Transparency International, was examined with a view to defining GAC’s partnership role in anti corruption activities conducted through its forensic auditing activities. Its legal and working relationships/linkages with executive entities such as Judicial and Prosecuting were observed to define GAC’s partnership role in Liberia’s anti corruption strategy. The GAC does not have a legal relationship with prosecuting and judicial authorities although these latter bodies do have a role to play in addressing anomalies and malfeasance reported upon by GAC in the course of its forensic mandates. Additionally the recently created Anti Corruption Commission is a main player in anti corruption activities and as such GAC’s forensic audit reports are of immediate interest to it but its limited jurisdiction and resources precludes it from fully playing its role. Collaboration with GAC and the LACC is limited to having GAC support LACC in creating investigation expertise within its small investigation unit. GAC cannot give itself a more preponderant legal partnership role with executive ministries or other Commissions.
but its continuance of preparing credible audit reports publicized by the media and civil society actors does keep the limelight on its role in advancing accountability and transparency as well as creating public awareness of the need to reform/strengthen key role players of the executive.

With the support of AFROSAI-E/INTOSAI-IDI and the EU, GAC has developed a comprehensive 5 year Strategic Plan for the years 2009-2013. The plan sets out a precise step by step roadmap for its development into a completely effective SAI playing fully its role in the Liberia National Integrity System. Its GAP analysis addresses the areas for major and minor improvements and mission has scrutinized the SP for its applicability as the basis for any donor support activity, project or programme targeting GAC. The design study thus extracts specific SP objectives/strategies which are directly related to continuing institutional development needing continued donor support. The mission has analysed past and present donor support in terms of the relevance/practicality of implementing audit tools, procedures and techniques seemingly advanced for the basic reporting needs of financial and compliance auditing. The project design approach would entail support activities addressing only those which seek to consolidate and build upon past help and successful developments within GAC and should focus on three themes (a) communications and awareness (b) audit staff/human resources development and (c) internal management and decentralization issues. Mission has also assessed the institutional capacity absorption potential of GAC and its limited substantive staff of some 170 limits the capacity to undergo long training sessions, time consuming involvement in introduction of new methods/practices and participation in committees and work groups and support activities should therefore be limited to those having immediate impact and improvements to the primary role of producing conducting basic financial and compliance audits for all 92 auditees.

While donor support coordination is well developed and information is readily exchanged, preparation of status reports on the exact standing of areas of immediate concern to GAC activities could be formally carried out on a timely basis. For example PFM has received/is receiving much attention and support but the immediate concern of GAC is the state and readiness of audittee accounts at the time of audit. The present incomplete records and non existent audit trails greatly increase the audit scope making the use of its limited substantive staff inefficient and audit mandate completion quite lengthy.

CAVEATS/CONDITIONALITIES/RISKS/ASSUMPTIONS: (1) As the success of past GAC actions as well as its institutional credibility is closely linked to the tenure ship of the present Auditor General, funded by the EU and jointly recruited by the GoL and the EU, the sustainability of donor inputs as well as the GAC itself might be “challenged” with the end of his mandate i.e. April 2011. Consequently periodic reviews and critical assessment of the project status would be advised in order to decide on the continuation of EU supporting addition to having ascertained the status of the conditionalities before the project start up. (2) Close coordination with other donor inputs should be emphasized and periodic status reports prepared by all donors for determination of project achievements and objectives realization. (3) The Executive and Legislative branches must show clear commitment to promoting accountability and transparency with enabling GAC legal and de facto independence legislation, audit findings and recommendations follow up with corrective measures as well as assurance of auditee collaboration in the execution of GAC mandates.
2. Abbreviations

**GAC**: General Auditing Commission of Liberia  
**SP**: GAC Strategic Plan-2009-2013  
**PIF**: EU Project Identification Fiche  
**INTOSAI**: International Organization of Supreme Audit Institutions  
**SAI**: Supreme Audit Institution  
**AFROSIA**: African Organization of Supreme Audit Institutions  
**IDI**: International Development Initiative  
**ECOWAS**: Economic Association of West African States  
**USAID**: United States Agency for International Development  
**WB**: World Bank  
**NL**: National Legislature of Liberia  
**SNAO**: Swedish National Audit Office  
**DFID**: UK Department for International Development  
**GoL**: Government of Liberia  
**AG**: Auditor General  
**UNMIL**: United Nations Military Mission to Liberia  
**UNDP**: United Nations Development Programme  
**UNO**: United Nations Organization  
**LACC**: Liberia Anti Corruption Commission  
**EU**: European Union  
**EC**: European Commission  
**IT**: Information Technology  
**CAAT**: Computer Assisted Audit Technique  
**QA**: Audit Quality Assurance  
**QC**: Audit Quality Control  
**GEMAP**: Governance and Economic Management Assistance Program  
**PFM**: Public Financial Management  
**IC**: Internal Control  
**NAO**: National Authorizing Officer  
**PPCC**: Public Procurement and Concessions Commission  
**CSC**: Civil service Commission  
**RBA**: Risk Based Auditing  
**NIS**: National Integrity System  
**SWOT**: analysis of strength/weaknesses/opportunities/threats  
**MOU**: Memorandum of Understanding
3. Design Study Formulation Approach

This design study is formulated in a **four step approach** and analyzes **three substantive facets**. It conducted in accordance with the following mission TOR’s extract and has sought to address all relevant issues while coping with mission field time constraints.

“Analysing the key issues regarding the current context of the GAC. This will be done through a rapid review of policies, plans, existing donors programmes (or those under preparation), studies, and meetings. The areas to be covered by the analysis will include, but not exclusively, policies and plans, coordination and complementarities, gaps, constraints and opportunities, as well as specific capacity building needs of other relevant institutions and stakeholders to improve the impacts and follow-ups of audits carried out.”

**Step 1: Internal Institutional Assessment:** Mission has assessed the GAC in accordance with the objective INTOSAI Lima Declaration SAI attributes reiterated in the Mexico declaration. This analysis is based on the work schedule and approach as stated in the **Annex 1** terms of reference. The precepts have been analysed so as to indicate the present status of GAC in terms of meeting each of these 10 international standards and summarily indicates what action/support needs to be undertaken or not in further enhancing its efficiency as Liberia’s Supreme Audit Institution (SAI), whose mission is to promote and enhance accountability and transparency of public finances. GAC is only one of the pillars of the national integrity system. Its primary role is that of the main external audit “watchdog” institution mandated to post facto verify execution of the republican budget and submit its findings and recommendations to the National Legislature for action. A National SAI is not meant to be an anti corruption body but is one of the partners in a national anti corruption strategy. The summary description of its National Integrity System role is contained in **Section 4**.

**Step 2: Enabling Environmental Factors:** The mission subsequently identified the main challenges/impediments to GAC’s complete fulfilment of its statutory role as set out in the Executive Law. Although GAC has achieved much progress and has made /is making good use of the substantial external donor support listed in **Annex 2** it still has much work to accomplish in order to be considered as fully realizing its SP corporate vision and mission statement but some key factors are not within the realm of action of GAC. Empowering means should be forthcoming from both the Executive and Legislature arms of the GoL and further complementary donor support should be viewed in this perspective i.e. as complementary to national inputs. The summary description of this is the object of **Section 7**.

**Step 3: 2009-2013 GAC Strategic Plan:** A comprehensive and clear Strategic Plan for the years 2009-2013 has been prepared and is being used as a road map. GAC seeks to achieve as much as possible the stated goals and objectives by undertaking the needed strategies. Also set out in the SP are the quantified indicated needed resources both from national and international funds. Mission has thus extracted from the SP those objectives and strategies that should be integrated and form the basis of a possible continuing EU support activity. The listed SP extracts are included in **subsection 8-2-A of Section 8** and
those converging with needed external support/funding and they complement past and ongoing activities.

**Step 4: Future EU Project Component Approach (Thematic):** Based on the receptivity of the design study, the SP objectives /strategies would be presented in a proposed project format contained in a EU PIF with a later formulation of the supporting action plan/detailed activities as well as the planning matrix and logical framework. The proposed support inputs would then be quantified in EUROS and be executed within an agreed upon time frame set in a chronological sequence. The suggested three thematic components and sub components with justifications are enumerated in **sub section 8-2-B**.
4. The Role of a Supreme Audit Institution in the National Integrity System:

As Liberia presently ranks 138th on the Transparency International Corruption Perception Index, there is no doubt that corruption constitutes a major impediment to poverty restriction measures and the lack of accountability and transparency. Various national players, partners and stakeholders must all play a role in rendering corruption a high risk-low return venture within Liberia. As a national integrity partner GAC is the national Supreme Audit Institution (SAI) involved in external auditing of the executive and is but one of the partners having but a complementary role in a national anti corruption strategy. Traditionally an SAI does not have as mandate being an anti corruption body.

There appears to be different perceptions within the stakeholder community as to the exact GAC role and mission, with perceptions ranging from that of a national executive internal control organ to that of being foremost a government body mandated to investigate corruption cases and bring guilty parties to the forefront and justice. GAC, as Liberia’s SAI, should be considered a “watchdog” institution within the Transparency International national integrity system matrix and as such should be but one of the players. Its primary role is that of being an organ answering/reporting to the National Legislature. Thus ultimately GAC’s effectiveness and successful endeavours are dependent on the strength and weaknesses of the other pillars but under article 53 of the Executive Law, GAC’s legal mandate is only to the legislature although it can recommend to the Executive “the enhancement of speedy prosecution of violators so as to ensure restitution”. The mission has thus concentrated on that pillar having a formal legal relationship with GAC overall in the context of the following TOR’s excerpt,

“……..The GAC’s current linkages with the Executive, Legislature, Ministry of Justice/Judiciary, Liberia Anti-Corruption Commission, as well as other relevant entities, with the view of GAC’s mandate and the audit reports it produces………..”.

In addition to its statutory link with the NL, GAC does undertake beyond this link certain actions to stimulate the follow up actions on its findings and recommendations. It does so by reporting directly to the Head of the Executive (seemingly not a Chapter 53 legal obligation) upon whom the onus is to refer to the necessary government entities for action either on financial/compliance or forensic audit reports. GAC does play its stimulation role extremely well through its involvement and collaboration with the media and civil society NIS pillars. Mission has assessed that it is this media/civil society interaction which allows GAC to enhance accountability and transparency by raising public awareness. Contrary to some other SAI systems, GAC does not have a direct legal relationship with Justice/Judicial/Prosecuting authorities but the wide publicity of its work and findings should alert these with Head of the Executive empowering these authorities. It appears that these authorities constituting important pillars are themselves in dire need of strengthening with some being addressed by elements of the donor community.

The newly (August 2008) created “watch dog” agency, the Liberia Anti Corruption Commission, does have an important direct role to play in acting upon the GAC findings
but its work is limited firstly to ‘wrongdoings’ perpetrated only since its creation (August 2008) and secondly by very limited resources enabling it to carry out its responsibilities especially in its investigation role. It has only some 6 investigators which are often referred to GAC for training.

The mission has summarily assessed that most of the Liberia NIS pillars are in great need of strengthening in a harmonious, holistic and almost simultaneous manner. GAC appears to be the most solid and effective one. As Figure 2 illustrates, GAC is but one of the pillars and even if relatively strong it cannot be indefinitely sustainable without addressing capacity building within the other pillars. For example a strong well trained civil service is necessary for producing timely and complete audit information and records for GAC to carry out completely and effectively its audit work even if itself meeting the LIMA declaration precept as to having an independent well remunerated and independent-from civil service-staff.

Figure 1: Transparency International Pillars
5. Institutional Background - Contemporary

In 1956 GAC was originally created as the Bureau of Audits, reporting to the Minister of Finance and responsible for pre auditing but in 1972 was renamed the General Auditing Office (GAO) to include post audits of all accounts of the GoL and reporting to the President of the Republic. The war caused the GAO to operate at minimal capacity, understaffed and lacking a clear legal framework that would allow it to operate according to best practices and international standards. Moreover, as the AG was under and reporting directly to the President/Head of the Executive, the independence of this body from the Executive was undermined and the Legislature had de facto limited possibility to check how Government was making use of public resources. In 2005 an Act was passed to amend the 1972 Law and create the GAC (General Auditing Commission) as an independent body reporting to the National Legislature. The President/Head of the Executive retained the mandate to appoint the AG but with the consent of the Senate with the responsibilities of the AG better defined. Pursuant to the new regulatory framework GAC is a statutory body in charge of conducting audits of all government ministries, agencies and organizations (including state owned enterprises). Also upon request of the President it can also conduct special audits or investigations. Its legal mandate is derived from 1972 amended Executive Law. Sections 1-11 of Chapter 53 established the Office and attributed it responsibilities and jurisdiction. In 2005 an Act to amend this Chapter 53 was passed and harmonized the GAC with Article 89 of The 1986 Liberia Constitution, making it one of the autonomous Commissions in Liberia. In order to further make GAC conform to INTOSAI-LIMA Declaration precepts, a new law was recently drafted but has yet to be enacted. The functions of the Auditor General are prescribed in 53.3 of this 1972 Executive Law. At present Cabinet is discussing decentralization within the country and this will have an effect on the Executive Law Chapter 53.1 (a) GAC mandates i.e. that of auditing all decentralized and local authorities. It does not presently have the needed structure to carry out resident regional work in order to better and more effectively address this as well as having a visible local presence.

Under the GEMAP umbrella and within the ISP first and more recently ISCBP, the EC played a major role in building up the GAC, contributing to strengthening the capacity and its independence as well as increasing its productivity and effectiveness through a long term technical assistance project (until July 2009) and the financing of the AG’s position (ongoing until 2011). Through this support GAC is today playing better its role in supplementing the Government’s efforts to improve fiscal transparency, accountability and probity in public sector financial management. An important challenge that faced the old GAC and which needed to be addressed was to build the capacity of the staff and increase its credibility. GAC underwent right-sizing and restructuring programmes where the old staff were retired and requested to reapply. A total of 270 audit and administrative staff were hired. Considerable training activities in auditing and administrative matters have been carried out during the past few years. Currently GAC has on its budget some 360 staff members of which only 200 or so are substantive personnel involved in financial/compliance, performance and forensic auditing. IT has and is still in the process of structuring itself into functional departments seeking to professionalize all aspects of an
SAI audit process as well as responding to the needs of its overseer, the National Legislature. Special emphasis is put on the mobilization of public opinion awareness on its work both in its compliance and forensic/investigative facets. Close cooperation with civil society partners and the media has to some extent mitigated some of the drawbacks in governmental accountability and transparency as well as audittee resistance in being held accountable. To ensure the highest possible standards and practices applicable in the Liberian context, staff is encouraged to undergo continuous training and the GAC structure is being periodically revisited and improved. Until approximately two years ago, nearly all of the ministries, departments and agencies had not been audited for some 25 years thus creating a huge audit backlog for the GAC. To date, the GAC has completed and submitted to the President and the National Legislature some 25 audits and is currently in the process of completing another 32 audits, 5 of them required under the HIPC. (There are some 92 audittee units in which statutory audits must be conducted). Additionally 12 forensic audits have been concluded with the reports being remitted to the overseer and the Executive. GAC is continuing to build specialized departments in order to more effectively execute its mandate. It has adopted the INTOSAI Code of Ethics and Auditing Standards in which all its audit staff has received training. GAC has also developed an Audit Manual, Guidelines and training materials for audits as well as human resources documents, including a Code of Conduct and performance management system, has been documented in addition to formal communications policies and internal quality control/assurance expertise. In spite of its marked progress and credibility within the Liberian constituency it is still faced with crucial and determining challenges as set out in Part 7. Lessons learnt from the implementation of GEMAP identify GAC as one of the key players in the effort to achieve a transparent and accountable public financial management in Liberia, being the institution with the mandate to guarantee an overall external control function on how the GoL collects, allocates and spends public resources. Therefore, the GAC was one of the main targets of the GEMAP assistance and so far one of its most successful experience in comparison to the other entities/areas supported by GEMAC such as the enhancement of PFM within Ministries. With the support framed under the GEMAP umbrella (i.e. EC support under 9 EDF) the GAC has been granted more of the independence it needed to fulfil its mandate thanks to financial support and capacity building even if complete sustainable independence is still forthcoming. A future project would therefore seek to build on these gains, in a coherent and systematic strategy perspective. Capacity building and financial support to GAC continue to represent the most appropriate means to pursue the objective of strengthening the external audit function in the current Liberian context.

With respect to donor coordination, the Project would continue building on lessons learnt from the GEMAP approach where the EU has been playing the leading role in the support to the GAC. The EU has always been a strong promoter of a cluster approach which resulted in the late 2008 creation of a GAC donors’ coordination group to strengthen and consolidate donors’ efforts. It has met sporadically during 2008-2009 but there are plans to make this group more active as of 2010. Therefore, there is a complementarity of actions between this Project and the GAC component of the World Bank Economic Governance and Institutional Reform Project (18 months support focused on strengthening the GAC capacity to conduct revenue, forensic, financial statement, procurement audits as well as provide software and build the capacity for
computer aided audit techniques. The SNAO (Swedish National Audit Office) is bilaterally implementing a four point support activity targeting management advisory services, performance auditing, and quality assurance and creating GAC awareness within the national Legislature.

GAC has become a well known institution both in Liberia as well as amongst the INTOSAI community. Its relatively well developed organizational structure is in line with its Five Year Strategic Plan and has not hesitated in calling upon the experiences and technical expertise of AFROSAI-E peer SAI’s such as the Ghana and Zambia. GAC In partnership with the AFROSAI-E community and the EU, it has prepared and adopted a comprehensive Strategic Plan for 2009-2013 aiming at invigorating its operations in order to meet the new challenges and furthering its performance within the context of national priorities. The necessity to guarantee a conducive environment to enable the AG and GAC to deliver according to the mandate is pivotal.

- This implies, amongst other factors:
  - Continue strengthening the legal framework in which the GAC is called to perform, through support to domestic reforms in the public management sector with contextual sensitization and dissemination of best practices amongst the different stakeholders. This latter action should target both those who manage public funds and the civil society as customers of this service;
  - Enlarging the audit coverage taking also into consideration the increase in the demand of audit services in the context of the decentralization policy for Liberia currently under discussion;
  - Continue in the process of structuring/restructuring GAC;
  - Increasing the quality and quantity of documented procedures and methodologies;
  - Continuing emphasis on basic financial/compliance auditing skills;
  - In addition to the SNAO support continue to further initiate actions to involve the National Legislature directly in its in addressing the GAC’s reports;
  - To have GAC support PFM initiatives to help assure that the 92 or so auditees make available up to date and timely manner all records, documents and statements consisting of audit evidence necessary for GAC’s main mission;
  - To undertake a nurturing campaign so as to have basic collaboration with the auditee entities in making available information and staff to help and in the worst case scenario not hinder the audit process.

- But the performance of the GAC is influenced by internal weaknesses, such as:
  - Lack of adequately qualified personnel – many of the audit staff do not possess sufficient skills and experience to enable them to perform in line with international standards.
  - Inappropriate organisation structure – the current structure of the GAC is not conducive to enable the GAC to meet objectives of its strategic plan and expectations from the public. A new Organization structure
for the GAC which has just been completed still has to be made operational.
- Inadequate infrastructure and equipment – currently the GAC is still struggling in order to secure a long lasting solution with respect to office space, furniture, equipment, etc.
- Lack of resources – to enable the GAC to play its role there is still need of support from the donor community in order to complement the budget allocated by the GoL.
- Inappropriate audit methodologies and approach – the GAC is still lagging behind in terms of applying the developed audit methodologies so as to be in line with international best practices but implementation is limited by the institutions’ absorption capacity;
- Management Information Systems – lack of management information system to enable the planning of audit assignments and related activities.

The SP is detailed as to the particular areas needing strengthening and in support of this it contains, in its appendices, SWOT (strength/weaknesses/opportunities/threats) and GAP analyses which list and quantify the institutional needs to allow it to fully execute its mandate and realize its mission of holding the executive accountable for the use of public funds. The SP is being used by GAC in mapping its course of action and should also be forming the basis for mobilizing donor resources including additional EU support.
6. GAC Adherence to Lima (Mexico) SAI Precepts Basic to an Effective Supreme Audit Institution

Past and present donor support has/is focused on helping GAC to adhere to the INTOSAI precepts. Figure 1 summarises the sought after attributes for a “world class” SAI. Of the ten attributes most have and are being addressed within GAC, but the crucial missing elements for a truly effective SAI are mostly beyond the immediate action realm of GAC as shown in Part 7. For GAC to be an effective and sustainable institution, these success achievement factors need to be addressed by the national and donor stakeholders and thereby fully play its role in the transparency and accountability of public finances. Following is a summary of each of the desired attributes as assessed in GAC through onsite observations, verbal enquiries, documents and procedures examination as well as studies of existing GAC departmental set up and functioning.

**Figure 2**

**CARACTERISTICS OF AN EFFECTIVE SAI**

*(INTOSAI Lima Declaration)*

*It is free from government interference and reports directly to the legislature,*

*It has a clear legislative mandate for its work,*

*It has a compensation policy which will motivate its staff,*

*It can recruit competent staff,*

*It has its own training programme and facilities,*

*It has well-documented methodologies and procedures,*

*It can report directly to the media,*

*Its reports are clear and unambiguous,*

*It has established quality controls,*

*It obtains effective media coverage in order to sensitize public opinion and influence political action.*
Attribute 1. It Is Free from Government Interference and Reports Directly to the Legislature:

(a) The GAC obtains its financing and accesses its funds directly through the Ministry of Finance, one of its auditees. This does affect directly its independence as Ministerial actions can and do constitute interference in its work. GoL impediment also manifests itself in not providing or limiting/refusing access to audit records and evidence as affirmed by GAC staff. Additionally the appointment of the Auditor General is a prerogative of the Head of the Executive.

Assessment: It is not free from Executive interference in several of the mentioned aspects and although the reports are remitted directly to the Legislature they are not acted upon. Corrective measures are beyond the immediate realm of jurisdiction of the GAC as well as the immediate substantive scope of an EU GAC support project. Possible support measures to help overcome and circumvent these major limiting factors are envisaged in section 7. (Issues 1, 2 & 7 of Part 7)

(b) GAC does send all its reports (both regular and forensic auditing) directly to three parties 1- President of the Republic 2- Speaker of the House of Representatives 3- President of the Senate. The Executive report transmission is above what Section 53.7 of the Executive Law providing calls for i.e. the presentation of the reports directly to the National Legislature. However the effectiveness of GAC’s role is affected by the lack of Legislature’s follow up on the audit findings and recommendations. Also in reporting directly to the Head of The Executive the audit findings and recommendations should be addressed by the executive but in reality are rarely acted nor followed up upon. These factors are much beyond the CAC’s immediate control/jurisdiction.

Assessment: While also beyond the immediate realm of jurisdiction of the GAC, there are some mitigating support measures to help alleviate, circumvent and improve this lack of follow up and action on the part of firstly the NL and secondly the Executive. (Issue 3 of Part 7)

Attribute 2. It Has a Clear Legislative Mandate for its Work:

Section 53.1 of the Executive Law defines its specific audit mandates to all government agencies and organizations, some 92 or so entities. Additionally its scope is extended to the audit of local governments, municipalities, embassies and diplomatic missions in Executive Law 53.1 (a). As for the functions of the Auditor General, they are clearly set out in section 53 of the Executive Law.

Assessment: The legal empowering framework is clear and comprehensive. The extent and scope of its work is not limited by the legal framework but by the lack of credible and timely auditee records, audit staff accessibility to these as well as severe budgetary and staff contingent capacity limitations. The lack of decentralization of GAC is a factor in the limited scope of its work as the present budgetary limitations prevents GAC from auditing most of the local entities within its jurisdiction. (Issues 1, 2 & 7 of Part 7)
Attribute 3. It Has a Compensation Policy That Will Motivate its Staff:

GAC does have an institutional remuneration policy, not tied to regular civil service, seeking to attract and retain the best available national staff taking into consideration the limited number of suitable candidates i.e. those having basic auditing/accounting qualifications.

Assessment: GAC has its own incentive remuneration scale and is not subject to Liberia civil service standards but retention is a limiting factor in keeping a full operational contingent. (Issues 1 & 7 of Part 7)

Attribute 4. It Can Recruit Competent Staff:

GAC strives to recruit the best available staff then seeks to render them competent through its in house training programmes and facilities. The Liberia job market situation precludes GAC from hiring fully trained and operational auditors and must rely on identifying and recruiting individuals capable of undergoing in house/on the job training to eventually carry out the audits.

Assessment: GAC is not bound by Liberia civil service requirements in engaging staff but the available qualified candidate pool is limited. It thus seeks to attract candidates that seem more suitable for auditing and must devise in house training programmes. The GoL national budget allocation to GAC severely limits the number of recruits. (Issues 1 & 7 of Part 7)

Attribute 5. It Has Its Own Training Programmes and Facilities:

GAC has devised and implemented its own training programmes which focus mostly on entry level staff in their initiation to the GAC structure and procedures as well as introducing them to basic auditing and accounting techniques. It relies mostly on in house facilities but has also benefited from considerable donor and peer SAI’s technical expertise inputs as well. In house physical facilities and venues are at best rudimentary.

Assessment: GAC does design and implement most of its own training programmes but is severely limited by the needed resources although it has made efforts and received some donor support. The training facilities and venues are rudimentary and need to be enhanced for both in house and off premises. Training activities should more and more focus on enhancing auditing skills and techniques of initiated and experienced staff. The need for more credible substantive staff professional accreditation must also be addressed even if some certification activities have been undertaken within the previous EU support including provision of technical expertise through technical assistance, support for staff registration in certification activities and preparation of training documents. (Issues 1 & 7 of Part 7)
Attribute 6. It Has Well Documented Methodologies and Procedures:

AC does have documented methodologies and procedures with many being provided and/or assisted by donor/peer SAI support. However they are inadequate to meet high professional standards.

Assessment: There exists a limited supply of operational documentation with quantity and quality needing to be considerably improved. Quality assurance of audit documents, procedures and archiving needs further support than what the SNAO is providing. *(Issues 1 & 7 of Part 7)*

Attribute 7. It Can Report Directly to the Media:

GAC can and does make available to the media all its reports whether financial/compliance or forensic auditing. These are either published or commented upon by the media. GAC also keeps the media informed of its ongoing actions/audits. To this end GAC has set up a Communications Department which seeks to nurture strong credible relationships with the media.

Assessment: This area is perceived to be the main strength of GAC and is effective in mobilizing public opinion and hopefully lead to political and executive action. Its excellent relations and communications strategy with media and civil society have allowed it to raise significantly awareness for accountability and transparency. Needed enhancements of its Communication and Governmental Affairs Departments to further impact public opinion, are considered minor. *(Issues 1 & 7 of Part 7)*

Attribute 8. Its Reports are Clear and Unambiguous:

In the opinion of the present mission expert, the 25 financial/compliance and 12 forensic reports are all well presented by GAC with its’ findings and recommendations clear and unambiguous. These reports all contain sufficient information for the National Legislature and Executive to act upon and follow up. It is anticipated that the 32 or so audits in progress will meet the same quality standards. All these reports have been submitted to the NL but it is not known how many have actually been reviewed for ensuing action.

Assessment: This area is also perceived as a major strength as the reports, in addition to being more timely, are well presented, clear, standardized as to format, define the audit scope, describe the internal control anomalies and propose recommendations to the overseers and other related organizations and ministries to implement corrective measures. *(Issues 1 & 7 of Part 7)*
Attribute 9. It Has Established Quality Controls:

GAC has set up a Quality Control/Assurance department to address its internal audit documentation and procedures issues with the past support of AFROSAI and the ongoing Swedish National Audit Office project which contains an ongoing component addressing this issue.

Assessment: Quality control and assurance is not up to international standards as it is presently in the setting up stage. Fundamental QC aspects as audit file standardization, internal documentation flow, authorizations and approvals as well as documentation archiving and retrieval need to be enhanced in accordance to the INTOSAI/AFROSAI-QC manual already obtained by GAC (Issues 1 & 7 of Part 7)

Attribute 10. It Obtains Effective Media Coverage in Order to Create Public Awareness and Influence Public Opinion to Stimulate Political Action:

GAC has striven to create public awareness and does influence public opinion as to financial management in Liberia as well as the accountability and transparency of the executive arm. The stated sought after goal is stimulating political action but clear results by the parties (NL and Executive) responsible for addressing and following audit recommendations are not forthcoming.

Assessment: This attribute is also a very strong suit of GAC as it maintains open, close, informative clear channels not only with the media through its Communications but with civil society players and stakeholders through its Governmental Affairs Departments. It thus keeps accountability and transparency at a high level of exposure. This successful approach has allowed GAC to be nationally perceived as the practically only existing and effective institution involved in financial good governance. (Issue 7 of Part 7)

Conclusion on Overall INTOSAI Attributes Assessment: The above summary assessment leads to the conclusion that GAC does indeed possess the 10 attributes that are included in the INTOSAI Lima declaration for making it an institution meeting international standards. However some of these precepts are at the implementation/development stage but past and present efforts are being deployed to further enhance them in spite of severe limitations on its needed resources. The contemplated EC support to GAC would thus seek to further build upon and strengthen the work undertaken by both GAC and the donor community to help it meet the requirements of a fully compatible INTOSAI SAI while helping GAC in addressing severe limitations on its effectiveness, namely the inaction of the National Legislature and Executive in regards to the low quality of records keeping and audit information available within the 92 or so auditees. Section 8-2 of Part 8 - Possible Future EU Support-
would thus include continuing capacity building measures already addressed in past support of the EU and some other donors as well as the GAC itself. This GAC EU support approach is complementary and compatible with other donor and/or GoL support to the other pillars of integrity. While the scope of the anticipated EC support is not a holistic approach to Liberia’s accountability and transparency issues, it would allow the GAC to continue focusing on creating public awareness and prodding both the legislature and executive arms into needed complementary reforms and actions. Thus it will allow GAC to continue playing its role of a “watchdog” pillar and main accountability and oversight national body.
7. GAC Challenges/Impediments-Issues to be Addressed

Issue 1  The GAC’s Legal and De facto Independence:

1-a) There are limited internal financial resources *(GAC 2009 budget is 3.7 M of which 2.4 is for salaries)* thus corresponding to 1% of the republican budget of 371 M;

1-b) The SP calls for an annual GoL input of *(16.5 M over 5 yrs)* 3.3 M year but only 2.4 obtained in 2009 thus leaving 14 M for the next SP 4 years *(3.5 M per year)*;

1-c) The Head of the Executive-President appoints the AG with consent of the Legislature;

1-d) The GAC budget is presented to and determined by MoF, a GAC auditee;

1-e) The finalized budget allocations (funds) are accessed through bureaucratic regular GoL channels and thus are slow, time consuming and hamper the GAC’s efficiency.

1-f) Its reports are presented first to Head of Executive and then to the National Legislature.

*Issue Conclusion/Recommendations:* This is a limiting factor beyond the immediate control of GAC and should be addressed directly by revamping/amending relevant National Laws affecting the GAC independence. In most peer independent SAI’s the yearly financing is obtained directly from the legislature and allotted disbursements are not effected by an auditee entity.

Issue 2  Auditee Records and Statements (PFM):

2-a) Although there is ongoing donor support (USAID, WB, EC since 2004 through GEMAP) to improve PFM, the 92 auditee entities have mostly inadequate records as well as untimely production of internal financial reporting. GAC staff thereby spends up to 5 times more in reconstituting transactions and the audit scope is thereby greatly increased as reliability of internal control systems are minimal. This in effect means that GAC is running at 20% efficiency and thus some 80% less productive;

2-c) The lack of a national integrated PFM precludes effective/efficient auditing and applying modern performance audit techniques;

2-b) Deficient, poor or non existent internal control systems lead to malfeasance opportunities; and preclude the use of IT (CAATS) in the audit process and

2-d) GAC encounters much auditee resistance in its access to statements, records and Supporting documents with at least one reported incidence of physical assault.

*Issue Conclusion/Recommendations:* Past and ongoing donor support to PFM has not corrected the untimely and lack of up to date auditee records and statements. For GAC to efficiently and effectively carry out its primary financial/compliance role PFM must be a such a sate as to procure all up to date audit records, evidence and
statements. Results of an integrated financial management system have yet to be forthcoming. The state of records precludes the use of advanced auditing techniques.

**Issue 3 GAC Report Follow up and Ownership:**

3-a) GAC is the legislature’s oversight arm, as Lima INTOSAI precepts stipulate;
3-b) It is the responsibility of the NL (Senate and House of Representatives) to act upon GAC findings and recommendations but at present is not being done by either’s financial committees;
3-c) NL misunderstanding/unawareness/misperception of the GAC role; i.e. perceives GAC role as that of an internal ministerial inspectorate general and as a training venue to supply auditors/accountants to the Liberia private and donor sectors;
3-d) There is National Legislature committee inaction on the 25 reports including 12 forensic ones submitted;
3-e) There is a lack of Senate and House permanent staff/secretariat to follow up;
3-f) NL public accounts work not being addressed directly by donor community except for a component of the SNAO support ending 10/2009;
3-g) UNMIL Civil Affairs “Validation Project” seeks to circumvent the lack of audit findings/recommendations follow up by creating a working group within GAC with the objective of following up on the progress and subsequent actions upon the Audit Reports—in effect increasing public awareness to stipulate legislature and executive corrective and punitive measures;
3-h) Out of an estimated 25 reports, including 12 of a forensic nature only one or two seem to have been addressed by the NL and/or the Executive.

**Issue Conclusion/Recommendations:** The ownership of addressing GAC findings and recommendations rests with the NL and in the absence of this legislature involvement with the Executive. The role of the SAI is to carry out its work to present the outcome in reports and GAC does in effect do this. The national promotion of accountability and transparency is thus hampered by this limitation. The GAC’s very involved and effective relations with the media and civil society to publicize and promote good public financial management continue to be its main strengths and should continue receiving support.

**Issue 4 Institutionalization of GAC and AG position:**

4-a) At present the success of GAC actions, as well as its institutional reputation, are associated mostly to AG’s person and his pro active relationships with the media and civil society players. Also the GAC internal structure/organization is not yet elaborated to allow other top management cadre to assume management leadership roles.
4-b) A process/procedure to help ensure continuity/sustainability should be defined and implemented from the start of the new project implementation i.e. April-May 2010. Both the executive and legislature arms of the GoL should jointly collaborate in this
formulation including the funding, from public coffers if necessary, of the AG’s position beyond April 2010.

**Issue Conclusion/Recommendations:** The GAC effectiveness and institutional sustainability is largely tied to the high profile and information/awareness work of the present AG. Future donor support would seek to address this by possibly tying the life of aid support to the AG’s tenure scheduled to end April 2011 by subsequently conducting periodic reviews of project accomplishments for continuation or suspension (*see Executive Summary Caveats*). Future EU and other donor are also necessary in middle and decision making management capacity enhancing as well as continued internal responsibility delegation.

**Issue 5  GAC Mission as a SAI post facto audit body:**

5-a)  GAC- Liberia’s SAI - is an INTOSAI standards adhering body to be involved in post facto external auditing-financial, compliance, performance-and reporting to the legislature on the budget execution;

5-b)  It is not meant to play the role of an anti corruption body (usually an executive body) but that of an anti corruption partner;

5-c)  The SP mission statement as stated in Sections 53.1 and 53.3 of the Executive Law gives it a dual role. This makes it legally possible for AG to commission an audit on an official or employee, thus requiring information from officials and employees as it does from a ministry. The historical context of this quite unusual law was meant for the then President to use the AG to investigate corrupt cases at the individual level. At the time President Tolbert enacted Chapter 53, corruption was considered rampant and an instrument to fight it was needed and in the absence of a clearly defined anti-corruption body, the GAC (then GAO) was made given the mandate of an anti-corruption body as well as being external oversight body. In reading Sections 53.1 and Section 53.3 one can see the logic. Overall Chapter 53 now seems somewhat far reaching for an SAI as its powers appear to be second to none and eventual abuses could ensue. This helps to explain why all anti-corruption bodies including the Ministry of Justice, LACC, NBI, NSA come to GAC to get records for them because since GAC has subpoena powers and thus can compel any person in Liberia (section 53.3, subpart G) to testify under oath. 53.1 defines employees and officials as agencies of the government and therefore subject to audit thus allowing GAC to request and secure personal bank records/accounts;

5-d)  Forensic auditing department has approximately 15% of substantive staff (*30 out of some 200*);

5-e)  The exercising of this dual role is presently adapted to the Liberian reality as GAC is publicly perceived as the main and/or only national institution involved in anti corruption and promoting good financial governance and

5-f)  The malfeasance reports do not seem to be acted upon in a timely and comprehensive manner by substantive GoL entities such as Ministry of Justice or Anti Corruption Commission.
**Issue Conclusion/Recommendations:** The public perception of GAC’s role as a body dedicated to uncovering and publicizing the discovery of fraud, malfeasance or other corrupt practices entails some risk of diverting GAC’s efforts away from its main responsibility of being the NL’s organ for reporting on the execution of the republican budget in accordance with INTOSAI precepts. The need to further inform/create awareness of its main role must be promoted by itself and other stakeholders.

**Issue 6 Donor Coordination and Substantive follow up:**

6-a) The donor community assessment of the GAC capacity absorption potential is not evident;

6-b) The SP appendix B SWOT (strengths/weaknesses/opportunities/threats) should guide donor/national capacity strengthening endeavours;

6-c) The SP appendix C -GAP analysis-with strategic options should also be taken into account in any ensuing EU support project and

6-d) There is lacking a process/mechanism of a formal periodic donor activity and GAC status reporting on the GAC support actions.

**Issue Conclusion/Recommendations:** While progress reporting as well as project evaluation reports exist for the EU past help, actual status reports from donors as to the exact state of GAC activities and its progress on sought after project objectives including clearly established benchmarks are not forthcoming. This feedback mechanism would be useful in adjusting ongoing support so as to ensure that GAC is progressing in its strengthening process.

**Issue 7 GAC Capacity Absorption Potential for Donor Support:**

7-a) GAC presently has some 360 staff of which about 200 are substantive audit personnel. This latter figure includes some 30 involved in forensic auditing leaving about 170 carrying out the principal work of an INTOSAI precept adhering SAI i.e. auditing the republican budget execution and reporting findings and recommendations to the legislature overseer whose duty is to follow up and act upon the audit conclusions;

7-b) Thus some 170 audit staff must cope with the 92 or so auditees amidst the ongoing GAC structuring, implementation of new units and practices as well as coping with new training programmes or updates;

7-c) The physical installations and resources at the disposal of the GAC are not conducive to maximizing the output of the GAC as in the case of field audits to the several political subdivisions and

7-d) Staff does have limitations as to their availability for effective involvement in new donor supported activities such as the UNO Validation Process.
**Issue Conclusion/Recommendations:** Due to the very limited number of substantive staff future donor support must seek to **consolidate** and **build upon** past and present institutional enhancements in accordance with the limited institutional ability for absorption/involvement and Support should be targeted to basic financial compliance auditing and not on more advanced mandates or techniques such as performance, environment audits with IT enhancements limited to basic auditor hardware assistance tools as opposed to CAAT’s auditing tools and techniques considered sophisticated in the present Liberian PFM environment. All future EU and other donor support must take into consideration the limits of GAC’s institutional absorption capacity caused by the limited number of substantive staff, its level of training, the physical and working environment and the weakness of the other pillars of integrity in Liberia’s accountability and transparency process with this being measured on an ad hoc basis in terms of the time needs and complexity of donor support activities placed upon existing staff and institutional mission requirements.
8. EU Project Design Guidelines & Recommended Target Support Areas

8-1 PROJECT DESIGN GUIDELINES:

A future project proposal should build upon past experiences as well as continuing to promote overall and specific objectives forming the basis of previous support from the EU and other donors. Additionally it must continue supporting directly the strengthening of GAC in the areas of INTOSAI SAI attributes. Indirectly any forthcoming project must, within its sphere of activity; help GAC address some of the external empowering factors presently limiting its effectiveness as set out in Section 7 above.

8-1-a) Lessons Learned: Previous EU Support Conclusion of FINEUROP 09.ACP.LBR.20/03 Final Report of July 2009

As extracted from the previous EU project, the following lessons were learnt;

- “The development of a five year strategic plan (SP) enabled the GAC to do a position audit and identified GAPs in competences, skills, manpower, equipment, organizational structure etc. However the implementation of the SP needs resources, financial and otherwise.

- Close collaboration between the project team and the beneficiary fostered relationship and closer understanding of the beneficiary’s needs. Hence, solutions to problems were easily found.

- Whereas the GAC has to date submitted 19 audit reports to the National Legislature, we have not seen corresponding action being taken by the Executive following the Auditor General’s recommendations.

- Findings from the current audits of public institutions have established the need for a global certification for the GAC staff. However, administration of such a global certification for the GAC requires a lot of logistics and a guaranteed source of funding.

- “However, the sustainability of the GAC is still a challenge. It is therefore our hope that the valuable support will continue in order to consolidate the structures that have been created”.

The area where previous EU support has been most noteworthy is in financially allowing for the services of a full time, dedicated, involved, competent and proactive AG able to understand and efficiently work within the particular Liberian accountability and transparency context. A second noteworthy contribution was allowing for the preparation of a detailed realistic Strategic Plan which enabling GAC to establish benchmarks to guide and gage its progress. The SP also allows for a more complete and targeted approach to the planned EC support. The previous support has allowed (1) to strengthen the legal and regulatory framework to allow for the enhancement of the INTOSAI SAI attributes, (2) strengthen the capacity of GAC’s staff, (3) improve the working environment of the auditors and (4) strengthen the internal management and methodologies.

The main areas of success have thus been the hiring of the AG, the formulation of the SP and (1) above. (2), (3) and (4) are areas that still need a particular focus and
constitute the essence of continued EU support. It is however possible to identify certain achievements made under 9th EDF support to GAC. On the job training for auditors (basic and advanced) has been one main component of EC's earlier support. This has considerably contributed to the professional development of the auditors. Some certification activities have been initiated (43 enrolled on AAT course), but there is need to expand this facet as the credible substantive staff professional accreditation is a key issue. A human resources management system is in place, but it needs further implementation support. The auditors are using training materials, audit manuals, standards and documents, but more practice and tutoring is still required. There is a Code of Conduct for all GAC staff in place and it is fully implemented. GAC also has a Code of Ethics for auditors, which it has adopted from INTOSAI. A monitoring mission report of September 2009 concluded that earlier EC technical assistance had mostly achieved intended results and had received high visibility. In terms of possible impact, the report that the issues of whether audit anomalies findings/recommendations would in effect lead to successful prosecutions is outside the earlier project's and the AG's scope and jurisdiction. A major risk was seen in retention rates for trained key staff.

8-1-b) Continuing Support Overall objective:
To contribute to building a credible and independent Supreme Audit Institution in Liberia to serve as the pillar of integrity, accountability and transparency in public financial management.

8-1-c) Continuing Support Specific objective:
To increase the productivity and effectiveness of the GAC so that it can contribute significantly in improving accountability, transparency, and management effectiveness and efficiency in the collection and use of public resources.

8-1-d) Continuing Support Coherence:
The recommended support would build upon previous activities and address issues set out in the Strategic Plan, especially the GAP and SWOT analyses contained in it.

8-1-e) Continuing Support Reflecting the Environmental Financial Context:
Future support should be targeted at consolidating/enhancing basic auditing practices and techniques needed in GAC’s basic role as the National Legislature’s financial oversight organ (watchdog institution) while strengthening the existing institutional structure.

8-1-f) Continuing Support Emphasis Strengthening of GAC INTOSAI SAI Attributes:
Procure resources to address and strengthen INTOSAI attributes as set out in Part 6.
8-2 RECOMMENDED TARGET SUPPORT AREAS/ACTIVITIES:

A-The Existing GAC Strategic Plan:

The below listed objectives/strategies are extracted in their integrity from the SP and would form the core of a PIF document in support of a three year support project tentatively set to start in 2011. These would be restated, redrafted and made more explicit within an actual PIF formulation and the accompanying action plan formulation i.e. the ensuing proposed EU project would be based on the existing SP taking into account that at the start up certain activities will have been completed/undertaken.

**SP Objective/Strategy 1.1:** To draft and facilitate the enactment into Law of a GAC Law to obtain full operational and financial independence of the GAC in line with international best practice.
- Seek donor and Presidential support.
- Create legislative and public awareness.

**SP Objective/Strategy: 2.1:** To develop a professional cadre of staff at the GAC
- Approve training policy.
- Recruit staff to implement the training policy.
- Enrol staff for certification.
- Post graduate/fellowship training programs.
- In house training.

**SP Objective/Strategy: 2.3:** To build up competencies within the GAC through bilateral relations with other SAI’s and International Partners such as INTOSAI, IDI and AFROSAI-E
- Strategically establish relations with other SAI’s and other professional.
- MoU’s with other SAI’s for staff attachments, study tours and field trips.

**Objective/Strategy: 3.1:** To implement a GAC communication strategy that will ensure GAC stakeholders are informed through public awareness programs
- Complete the build up of the communications department implement the strategy.

**SP Objective/Strategy: 3.2:** To incorporate the use of IT to improve effective communication
- Draw from a broader section to secure capable Liberians.
- Work closely with IT to ensure linkages with communications strategy.
- Assign all GAC staff with e mail accounts.
- Recruit a webmaster to regularly update website.
**SP Objective/Strategy: 3.3:** To develop and improve our relations with external stakeholders
- Strengthen relations with the National Legislature PAC and the Executive.

**SP Objective/Strategy: 4.2:** To create a Library and Training centre for continuous training and research
- Establishment of a learning and innovation centre (Library).
- Establishment of a training centre.

**SP Objective/Strategy: 4.3:** To build a reliable IT infrastructure to support and improve efficiency.
- Extranet installed and maintained.

**SP Objective/Strategy: 5.1:** To fully implement the regularity audit manual and to develop manuals for other types of audits, performance, public debt, IT, environmental audits etc.
- Update and implement regularity audit manual and guidelines
- Achieve a penetration rate of 95% to maintain the backlog at 5%.

**SP Objective/Strategy: 5.2:** To develop a QA strategy, policy and QA manual for all types of audits being undertaken by the GAC to ensure consistency with international standards and ensure the QA unit is fully operational.
- Adopt, adapt and implement the AFROSAI-E QA policy and manual.
- Source executive auditors to man departments for 4 years.
- MoU’s through joint audits.
- A dedicated QA unit established.
- Source and implement CAAT’s software.

**SP Objective/Strategy: 5.3:** To adopt and implement modern audit techniques
- Risk Based Auditing (RBA) implemented.

**SP Objective/Strategy: 5.4:** To decentralize operations to fulfil mandate by establishing 6 regional offices to more cost effectively expand audit coverage.
- Establishing regional offices.

**SP Objective/Strategy: 7.3:** Facilitate the passage of a Public Finance Management (PFM) Act and subsequent regulations.
- Liaise with the Minister of Finance.

**SP Objective/Strategy: 7.5:** Establish a Division of advisory services composed of highly experienced professionals in financial management and reporting.
- Advisory services established.
**B- The Proposed EU PIF Thematic Approach:**

It is proposed that an ensuing project be in harmony with the final PIF with its suggested thematic support areas would take into account the EU pipeline transitional (*tentative March 2010 to June 2011*) consisting of 3 components *(1)* strengthen GAC staff capacity and human resources management *(2)* improve the working environment of auditors and *(3)* strengthen GAC internal methodologies and internal management. Thus the above A Strategic Plan objectives and strategies would be regrouped, redefined and quantified into the following PIF thematic components and would address the needed enhancements of **Part 1 –**SAI INTOSAI attributes as well a seeking to alleviate the main issues of **Part 7-**Challenges and Impediments while taking into account the GAC institutional absorption capacity. The project would thereby be structured into the following three thematic components with activities formulated into the sub thematic areas that would form the scope of continuing support beyond 2010.

**Component 1: Communication and Awareness:**

**Activity Focus Areas:**

1-1: GAC independence issues;
1-2: Continuation of media dissemination and civil society engagement;
1-3: Pro active involvement of the National Legislature and
1-4: Enhancement of Inter Ministerial/Agency action in addressing audit reports by supporting/creating mechanisms such as the UNMIL’s “Validation Committee” project referred to in Annex 2.

**Justification:** (a) Consistent with prior EU support building on strengths of past operations and lessons learned. Also consistency with GAC policy and plans, especially the 5-year S P. Implementation will coordinate and complement other donor involvement. (b) Addresses **Parts 6-**INTOSAI Attributes and **7 Issues to be Addressed** to strengthen/correct weaknesses to GAC effectiveness.

**Component 2: Audit Staff/Human Resources:**

**Activity Focus Areas:**

2-1: GAC internal capacity building:
2-2: Auditee support service:
2-3: GAC staff retention.

**Justification:** (a) Continued support needs for development of human resources and strengthening management capacity of the GAC reviewing and enhancing training programmes and professional certification of staff contributing to sustainability by keeping qualified audit staff. (b) Will contribute to enhance PFM by assisting clients/auditees in improving their internal control systems and audit evidence documentation by providing advisory service.
Component 3: Internal Management and Decentralization;

Activity Focus Areas:

3-1: Strengthening the internal management of the GAC to assure sustainability of the institution by creating a competent cadre of managers having skills beyond audit methodologies and procedures.

3-2: Contributing to the pilot set up of one regional office for GAC to fully address its Executive Law section 53.1-(a) mandate of carrying out audits of commonwealth, cities, townships and local authorities. The decentralization policy bill has been approved by cabinet but yet to be adopted by the NL. It has been proposed that GAC assure regional representation in all areas by initially setting up staffed facilities.

Justification: (a) Contributing to sustainability and professionalization of a senior management cadre. (b) Enabling GAC to conduct its work in accordance with GoL decentralization policy and meet its local entities audit requirements in a cost effective manner but initially to conduct its decentralization in a pilot manner within at the most two areas.

The 10th EDF support is foreseen to start June 2011 following the transitional phase to be undertaken March 2010 with the necessary enabling project activities supported by long and short-term technical assistance, providing peer exchanges, MOU’s and support using INTOSAI-AFROS...
Annex 1: Mission Terms Of Reference

Output:

1) Prepare a design study, analysing the planned 10th EDF support to GAC. This should take into consideration GAC's (and other related) policies and plans (existing or under preparation), the current situation at the GAC, EC support given to date, other donors support given to date and planned. The analysis should lead to a formulation and validation with the EC, GAC (especially AG) as well as donors of the scope and main components for the planned EC support. The aim of this is to analyse remaining gaps and ensure the impact of the programme on structuring and strengthening the capacities of the GAC. It should consider the coherence of the overall system GAC operates in and propose possible targeted and specific activities from GAC side related to key institutions (relevant committees in the Parliaments, services in the Judiciary) and stakeholders (media, NSA’s) to make the external audit process more effective.

Requested services

1) Under objective 1: Prepare a design study, which provides a situation analysis, as well as formulation and validation of the scope, composition and elements for the EC 2008-2013 NIP support.

- **Analysing the key issues** regarding the current context of the GAC. This will be done through a rapid review of policies, plans, existing donors programmes (or those under preparation), studies, and meetings. The areas to be covered by the analysis will include, but not exclusively, policies and plans, coordination and complementarities, gaps, constraints and opportunities, as well as specific capacity building needs of other relevant institutions and stakeholders to improve the impacts and follow-ups of audits carried out.

- Consequently **elaborate on the planned EC support**. The areas to be taken into consideration will include, inter-alia:

  Consistency with prior EC support as well as the level of achievement of the results foreseen, difficulties and strengths of past operations and lessons learned.

  Consistency with GAC's policy and plans, especially the GAC's 5-year Strategic Plan, and coordination, complementarities and possible areas of cooperation with other donors programmes and initiatives (Swedish SNAO, World Bank, UNMIL etc)

  The GAC's current linkages with the Executive, Legislature, Ministry of Justice/Judiciary, Liberia Anti-Corruption Commission, as well as other relevant entities, with the view of GAC's mandate and the audit reports it produces. To identify further ways to strengthen the linkages in order to ensure follow-up of the audit recommendations, including exploring what could be done in terms of legislation (and even in terms of organisational procedures) and capacity building in this aspect. It is important that the study takes into account and builds on the other donor-supported efforts.

  The structuring and scope of the programme, and proposing how to best design the different components.
Support needs related to the finalization of the necessary legal framework for the GAC (the GAC Act has been prepared, but is not yet in Legislature)

Support needs for development of human resources and strengthening management capacity of the GAC, reviewing strategically oriented training programmes and certification as well as internal management.

Review how the decentralization policy (currently under Cabinet review) will affect GAC's work and to what extent this would imply decentralization of its operations, including proposals on how this should be feasibly reflected in the support

Support to increase audit coverage by communication and sensitization.

Support to the working environment of the GAC

Review and propose the most effective implementation modalities for the planned EC support, including the set-up of the Long-Term and Short-term Technical Assistance, analysing the ways and effectiveness of providing peer-to-peer exchanges and supports (using INTOSAI, AFROSAI-E or any relevant cooperation mechanisms with European and African Supreme Audit Institutions) and the most suitable capacity development mechanisms.

Assess the sustainability aspects of the planned EC support, including the funding arrangements, and the needs in terms of establishing a sustainable institutional set up at GAC (including hierarchy and salary scales).

Analyse the risks and assumptions related to the support, including identification of aspects requiring clear commitment from Government as well as conditionalities (possibly even accompanying measures) that should be attached. Presenting the drafts for discussion with the EC Delegation and integrating the comments into a final version of the documents.
Annex 2: Ongoing/Pipeline Donor Support

The improvement of public finances to strengthen executive accountability and transparency has been a focus of the donor community within several simultaneous ongoing support programmes with the major ones under the GEMAP umbrella programme now into its closing phase. The following list provides an overview of the support with the present EU mission concentrating on obtaining details of those directly supporting and/or having a direct impact on GAC’s work and effectiveness.

a) EU;
   1- The was EU instrumental in current AG appointment,
   2- The EU is supporting AG’s emoluments 2007-2011,
   3- There have been several phases from January 2007 to June 2009 emphasizing,
      a- Legal and regulatory strengthening;
      b- Staff capacity strengthening;
      c- Audit institutional environment improvements and
      d- Improvement of senior management practices and methodologies.
   4- (Pipeline) Transitional Support to GAC for 15 months tentatively scheduled
      for start up in March and
   5- (Pipeline) 3 year 10 EDF GAC support project tentatively scheduled to start – June 2011.

b) WB;
   Within the 18 month Economic Governance and Institutional Reform Project there is a
   GAC component which seeks to,
   1- Strengthen institutional capacity in financial and procurement auditing,
   2- Provide resources for IT auditing applications and supply equipment such as
      vehicles and laptops to aid in audit effectiveness delivery,
   3- Support capacity building efforts to National Legislature through strengthening
      public accounts PAC and Ways and Means Committee and
   4- Focus on training such as IT audit, IPSAS, IFRS and PCAOB.

c) UNMIL:
   The Mission’s Civil Affairs section has an ongoing project to set up and render operational
   a “Validation Committee “. The key objective is to ensure some follow up on the audit
   reporting in the absence of the National Legislature follow up and action.

d) UNDP;
   A Diaspora technical advisor has been recruited and is funded to strengthen the GAC and
   ministerial public debt monitoring and recording capacity.

e) SNAO:
   An 18 month support project to end December 2010 is ongoing and focuses on 4
   areas;
   1- Procure management advice to the GAC executive and senior staff,
   2- Strengthen relations with the stakeholders, especially the National Legislature
      Committees and the Budget Office,
   3- Performance auditing and
4- Implementing/strengthening GAC quality control and assurance in its internal audit processes and functions.

f) **USAID:**
1- It is presently supporting the new (2008) Anti Corruption Commission and
2- Has been involved in PFM/budget control through GEMAP umbrella since 2004. The bilateral component executed by IBI has been focused on training ministerial personnel in financial and budget control management as well as anti corruption.

h) **AFROSAI-E:**
1- This INTOSAI regional body has supported the GAC in its initial structuring/restructuring efforts especially the preparation and finalization of the 5 year SP and
2- GAC has received training through the IDI modality, INTOSAI’s training arm,

i) **Peer Regional SAI’s:**
GAC has called upon more developed peer regional SAI’s (i.e. Ghana & Zambia) for technical expertise as well as secondments of their audit staff as at present a high level audit professional of the Ghana Office of the Auditor General is on a 1 year secondment to GAC with his salary paid by his employer and his living expenses paid by GAC.

j) The **umbrella GEMAP** project encompasses other than above donors such as ECOWAS and IMF and all these support actions to strengthen financial accountability and transparency of national financial management.
Annex 3: The Strategic Plan-Donor Support Relevant Issues Summary

*The SP states the mission, goal, objectives and strategies as well as output indicators of the General Auditing Commission for the period 2009 to 2013. The SDP also addresses the GAC strength, weaknesses, opportunities and threats in fulfilling its mandate and meeting stakeholders’ expectations of improved public sector integrity, accountability and transparency through GAC audit works.*

Auditing to account for public resources has been a weak link in public financial management in Liberia and has contributed to the high corruption that led to the intervention of the international partners through GEMAP. National and donor support of the SP is thus critical. The Strategic Plan (SP) was formulated to build on the process of reforms started at the GAC in 2007. It is time bound for 2009-2013 and is developed based on benchmarking and inputs from stakeholders including the staff, management and the European Union supported technical staff. It is based on INTOSAI-IDI and AFROSAL-E model and has been formulated with AFROSAL-E member technical inputs. It also assumed greater coordination and collaboration with other good governance institutions in Liberia and abroad and a strengthened Public Accounts Committee of the National Legislature. Furthermore, the Strategic Plan contains well defined goals, strategic objectives, performance measurement and indicators all of which are underpinned by an operational plan. An in house Strategic Plan Unit has been set up and its mandate is to follow up the implementation. Its first year progress has been presented to AFROSAL on October 17-20, 2009 and shows that the first year goals and objectives have been largely met. Furthermore it seeks to invigorate, align, integrate and coordinate the operations of the GAC and prioritize management efforts in building a world class Supreme Audit Institution. Full implementation of the SP will hopefully enable GAC to execute its full audit mandate and thus make GAC a proactive strategic partner to the Government and its development partners in the reform effort to build genuine and lasting Public Financial Management (PFM) and good governance systems. An important aspect of the SP is geared towards institutional reform, building capacity including a new organizational chart, qualified manpower development, expanding audit coverage, carrying out other types of audits such as performance and environmental audits, acquiring adequate infrastructure and logistics and reforming the legal framework to bring the GAC law into line with the 1977 LIMA Declaration and the subsequent reaffirmation in the 2007 Mexico Declaration. In order to be LIMA tested, the GAC should at least achieve the following:

- Organization Independence—Financial and Operational,
- Legal Independence—Constitutional provisions for the duties of the Auditor-General and the security of tenure of the office of the Auditor-General.
The reporting independence of the Auditor-General was achieved in 2005 when the law was amended moving the GAC from the Executive Branch to an autonomous commission status reporting to the National Legislature. The SP meant to provide a clear roadmap that is time-bound and costed. Careful analysis, benchmarking, inputs from staff and partners in INTOSAI-IDI and AFROSAI-E have led to a well defined mission, vision, and value statements that are consistent with the spirit and intent of the GAC law and all stakeholders. The process leading to the preparation of the SP was rigorous and participatory. The process followed was:

- Capacity Building Needs Assessment (CBNA) sponsored by INTOSAI-IDI/AFROSAI to determine desired position matched against current situation creating a need Assessment Gap.
- SWOT Analysis was performed by the GAC and EU Technical Team
- A Strategic Plan Team was formed to follow a participatory means to drafting the SP.
- A peer Evaluation was conducted by other Supreme Audit Institutions within the AFROSAI-E Community.
- The draft SP was presented to select development partners to seek input and feedback.
- The SP was finalized at a Strategic Planning Workshop sponsored by INTOSAI.

The precise goals/needs have been defined chronologically and the estimated key activities figures have been set as follows (Appendix H of the SP with sought after funding sources are indicated in the note)

**Objective/Strategy 1.1:** *To facilitate the enactment into Law of the draft GAC Law to obtain full operational and financial independence of the GAC in line with international best practice.*

- Seek donor and Presidential support (0)
- Create Legislative and Public awareness 10,000 (1)

**Objective/Strategy 2.1:** *To develop a professional cadre of staff at the GAC*

- Approve Training policy (0)
- Recruit staff to implement the training policy (0)
- Enrol staff for certification 1,432,000 (2)
- Post graduate/Fellowship training programs 900,000 (2)
- In House training 300,000 (2)

**Objective/Strategy 2.2:** *To attain and retain an optimal staffing level for the GAC*

- Competitively recruit new staff 5,000 (3)
- Implement a market tested salary structure 16,428,500 (3)
- Fully implement the HR policy 5,000 (2)
Objective/Strategy: 2.3: To build competences within the GAC through bilateral relations with other SAI’s and International Partners such as INTOSAI, IDI and AFROSAI-E

Strategically establish relations with other SAI’s and other professional Organizations to strengthen relations

MoU’s through staff attachments, study tours and field trips

Objective/Strategy: 2.4: To promote a diversified workforce by giving equal opportunities

Affirmative action during recruitment. 60% men; 30% women; 10% differently abled

Objective/Strategy: 2.5: To promote good health by ensuring a clean environment and organizing workshops on the dangers of HIV/AIDS so as to have a health workforce.

Assign a dedicated staff to implement HR policy on health and safety

Conduct workshops/Seminars on HIV/AIDS

Objective/Strategy: 3.1: To implement GAC communication strategy that will ensure GAC stakeholders are informed through public awareness programs

Complete the build up of the communications Dept.

Implement the strategy

Objective/Strategy: 3.2: To incorporate the use of IT to improve effective communication

Draw from a broader section to secure capable Liberians

Work closely with IT to ensure linkages with communications strategy

Assign all GAC staff with e mail accounts

Recruit a webmaster to regularly update website

Objective/Strategy: 3.3: To develop and improve our relations with external stakeholders

Strengthen relations with PAC and the Executive

Objective/Strategy 4.1: Improve the working environment of the GAC staff through the provision of adequate office space, and other logistics such as motor vehicles, computer, printers etc.

Renovations to the 3rd Floor of the GAC building
Logistical support

**Objective/strategy: 4.2:** To create a Library and Training centre for continuous training and research

- Establishment of a learning and Innovation Centre (Library) **200,000 (2)**
- Establishment of a Training Centre **300,000 (2)**

**Objective/Strategy: 4.3:** To build a reliable IT infrastructure to support and improve efficiency.

- Extranet installed and maintained **150,000 (2)**

**Objective/Strategy: 5.1:** To fully implement the regularity audit manual and to develop audit manuals for other types of audits, performance, public debt, IT, environmental audits etc.

- Update and implement regularity audit manual and guidelines **10,000 (2)**
- Achieve a penetration rate of 95% to maintain the back log at 5%. **500,000 (2)**

**Objective/Strategy: 5.2:** To develop a QA strategy, policy and QA manual for all types of audits being undertaken by the GAC to ensure consistency with international standards and ensure the QA unit is fully operational.

- Adopt, adapt and implement the AFROSAI-E QA policy and manual **10,000 (2)**
- Source Executive Auditors to man departments for 4 years **1,440,000 (2)**
- MoU’s through joint audits **1,800,000 (2)**
- A dedicated QA unit established **(0)**
- Source and implement a CAATS software **75,000 (2)**

**Objective/Strategy: 5.3:** To adopt and implement modern audit techniques

- RBA implemented **30,000 (2)**

**Objective/Strategy: 5.4:** To decentralize operations to fulfil mandate by establishing 6 regional offices to more cost effectively expand audit coverage.

- Establishing Regional Offices **844,500 (2)**

**Objective/Strategy: 5.5:** Create specialized Divisions: Performance, IT, Public Debt, and Environmental audits.

- Develop Audit manuals **20,000 (2)**
- Train staff for specialized divisions **100,000 (2)**
- Establish specialized divisions **5,000 (2)**
Objective/Strategy 6.1: To take a proactive role in the fight against corruption by conducting independent audits.

Objective/Strategy 7.1: Facilitate a legislation to create and establish a five member auditing oversight board to regulate auditing in Government and private sector.

Support to Government Auditing Standards setting Board 10,000 (2)

Objective/Strategy 7.2: Facilitate a passage of an Act to legally establish a seven member National Board of Accountancy (NBA) to certify and regulate accountants as well as adopt a generally accepted accounting principle and issue regulations.

Liaise more closely with the Executive and the National Legislature (0)

Support to accounting practice board 60,000 (2)

Objective/Strategy 7.3: Facilitate the passage of a Public Finance Management (PFM) Act and subsequent regulations.

Liaise with the Minister of Finance (0)

Objective/Strategy 7.4: Facilitate the drafting and passage of the whistle blowers’ Act.

Public awareness campaign 50,000 (2)

Objective/Strategy 7.5: Establish a Division of advisory services composed of highly experienced professionals in financial management and reporting.

Advisory services established (0)

5 Year SP Budget 26,100,000 USD

NOTE
0 – No additional funds needed
1 – Possible Donor Funding
2 – Shortfall
3 – Liberia Government Funding