

COLLECTION OF THE TAX DUTIES AT THE ROBERTS INTERNATIONAL
AIRPORT

VOLUME 4
REPORT

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LIST OF ACRONYMS

BPS	Bank Payment Slip
BCE	Bureau of Customs and Excise
BRA	Bureau of Revenue Audit
CPA	Comprehensive Peace Agreement
CIF	Cost, Insurance and Freight
CBL	Central Bank of Liberia
CC	Chief Collector
DCC	Deputy Chief Collector
CIF	Cost Insurance Freight
EC	European Commission
EU	European Union
GOL	Government of Liberia
GST	Goods and Services Tax
H/S CODE	Harmonized Description and Coding System
IAD	Internal Audit Division
ROL	Republic of Liberia
MCCR	Monthly Customs Collection Reports
MOF	Ministry of Finance
NPA	National Port Authority
NAFM	Needs Assessment and Fiscal Management
NAE	Needs Assessment Exercise
NTGL	National Transitional Government of Liberia
PSI	Pre-shipment Inspection
RCL 2000	Revenue Code of Liberia (2000)
RIA	Roberts International Airport

RD	Revenue Department
SAD	Single Administrative Document
TIN	Taxpayer Identification Number
UNDP	United Nations Development Programme

1. EXECUTIVE SUMMARY

1.1 Background

The report on the Needs Assessment of Fiscal Management in December 2003 by the International Monetary Fund (IMF) identified inefficient Customs procedures and operations as the main cause of loss of Government revenue in Customs Administration. The report stated that the current Customs procedures make it possible for a significant portion of government revenue to be diverted for unauthorized purposes.

The Needs Assessment Exercise reiterated the need for a financial and systems audit of the various revenue collection agencies in Liberia including the Central Bank to ensure that revenue administration of the various agencies are streamlined to guarantee accountability.

1.2 Scope

We performed a systems and financial review of the Customs operations at the Roberts International Airport. Our review specifically focused on the following areas:

- Review of Customs duty exemptions and the conditions necessary for granting such exemptions.
- Systems review of Customs examination, assessment and collection procedures.
- Substantive tests on the completeness of Customs Collections for selected months.

1.3 Significant Findings

We identified weaknesses ranging from internal control and accounting, absence of documentation necessary to determine the completeness of trade statistics, poor reporting and logistics to personnel issues all of which adversely affect the completeness of government revenue. The combined effects of these weaknesses make it possible for individuals to exploit the system for personal gains.

Specific findings include :

- Inadequate record keeping. Cashbook does not indicate the sum total of monthly collections received. There were instances where there were differences between duty approved on the Single Administrative Documents (SAD) and duty recorded in the cashbook for the same transaction.

For instance, on 18/3/2004, whilst the Single Administrative Document (SAD) with serial (#6397) indicated an assessed import duty of US\$62.50 and GST charge of US\$ 87.50 amounting to a total collection of US\$150, a total collection of only \$50 was recorded in the cash book, leaving a difference of US\$100. Another instance noted was a difference between declared revenue as per the Customs Collection Report and revenue recorded in the cash book for March 2004 :

Details	Amount per Cash Book	Amount per Custom Collections Report	Differences
	US\$	US\$	US\$
Import Duty	12,885.12	12,852.69	59.13
Customs U/Fees	12,911.81	12,882.17	2.95
Total	25,796.94	25,734.86*	62.08

The Custom Collections Report indicates a total of US\$25,779.29 for duty collected. However, the summary section of the same report indicates the breakdown shown above with a total of US\$25,734.86. This reveals errors and inconsistencies in the monthly report submitted to the Ministry of Finance.

- Poor quality of reports. Monthly Customs Collection reports do not reflect summary of duty collections recorded in the cashbook.
- Payment of Customs duties in cash. This system results in problems of segregation of duties, as the Cashier is both responsible for the receipt of cash and the recording of cash in the cashbook.
- There is no effective system in place to ensure that airlines make available airway bills for cargo delivered on each flight thus making it difficult to determine the completeness of Customs Collection at Roberts International Airport (RIA).
- Audit reports of the Inspection and Internal Audit Division of the Bureau of Revenue Audit and Inspection are not communicated to the Custom House – Roberts International Airport (RIA).
- Customs examination points are not provided with Manifest making it difficult to reconcile cargo landed to cargo delivered out of customs charge.
- Loss of potential Government revenue as a result of the discretionary power of the Government to grant exemptions and waivers. Government waivers are the main cause of loss of revenue and efforts should be made to reverse this trend if revenue collection is to improve. As a first step, all contracts for exemptions should be reviewed and those found to be inappropriate revoked. Beneficiary institutions qualifying for exemption should be companies or individuals whose services benefit society directly for all.

Exemptions or waivers should be governed by properly documented guidelines which would stipulate organisations and individuals who qualify to benefit from such exemptions.

1.4 RECOMMENDATIONS

RECOMMENDATION	TIME FRAME	WHO TO IMPLEMENT
The present regulations as well as the entities eligible for exemptions should be reviewed to reflect the economic and social conditions of the country.	Immediate	Ministry of Finance
Appropriate measures should be adopted to improve the internal control structure focusing on accounting records and procedures, documentation procedures, physical controls, independent internal verification and monthly bank reconciliation statement.	Immediate	Bureau of Customs
Management should provide logistics adequate to ensure that work is performed effectively and efficiently and under proper conditions.	Immediate	Bureau of Customs
Monthly Customs Collection Reports should be reviewed and agreed to the collections recorded in the cashbook before the Chief Collector of Customs approves them and subsequently forwarded to the headquarters at the Ministry of Finance (MoF).	Henceforth	Bureau of Customs
An effective system should be put in place to mandate all cargo to be covered by duly signed airway bills. The airway bills should be maintained by personnel independent of accounting functions.	Immediate	Management of RIA
The Revenue Department of the Ministry of Finance (MoF) should ensure that final audit reports on internal audits undertaken by the Inspection and Internal Audit Division are issued and discussed with the audited organization.	Henceforth	Ministry of Finance
A comprehensive training programme should be developed for all levels of staff at the Customs House – RIA to enhance manpower capacity.	Medium term	Ministry of Finance

1.5 CONCLUSION

Our review indicated weaknesses in operational procedures relating to assessment, examination, billing and collection of customs duties. Also, deficiencies were identified in the area of human resource capacity, training and logistics needed to enhance effectiveness and efficiency.

WEAKNESSES/DEFICIENCY	RECOMMENDATION
Granting of arbitrary waivers and exemptions.	Exemptions or waivers should be governed by properly documented guidelines which stipulate organisations and individuals who qualify to benefit from such exemptions.
Weak internal control systems in place.	Improving the internal control systems focusing on accounting records and procedures to ensure that there exists a trail of all revenues from source documents such as the SAD to the bank account/statement of the entity.
Poor financial reporting systems.	<p>There should be regular review of customs collection reports by the Inspection and Internal Audit Division to ensure their conformity with the institution's guidelines.</p> <p>The Ministry of Finance (MoF) should also ensure that final audit reports on internal audits undertaken by the Inspection and Internal Audit Division are issued and discussed with audited organizations, and that the persons affected by the internal reports are made to answer such queries.</p>
Lack of supporting documents to guarantee a meaningful assessment of cargo due to the unavailability of airway bills.	An effective system should be put in place to mandate all cargo to be covered by duly signed airway bills. The airway bills should be maintained by personnel independent of accounting functions and all SADs completed should be evidenced by the attachment of copy of the airway bill.
Inadequate segregation of duties.	To strengthen the collection and banking process as well as ensure transparency, a bank Payment Slip official should be assigned to the RIA.

We are of the opinion that, if the above recommendations are diligently implemented, the negative effects of the weaknesses identified will significantly reduce.

2. INTRODUCTION

The signing of the Comprehensive Peace Agreement in August 2003 and the assumption of power of the National Transitional Government of Liberia (NTGL) in October 2003 was a significant milestone towards the rebuilding of the Liberian economy. Central to the realisation to the NTGL's goal of economic reconstruction is the review of the operations of revenue collection agencies.

The government has made progress in implementing measures (announced in October 2003) to strengthen revenue collections and resume an orderly budget process. The centralization of revenue collections at the Ministry of Finance has put an end to practices under which government institutions levied and retained taxes and fees at the margins of the budgetary process. This practice led to an increase in average monthly collections to US\$5 million in the period October 2003-January 2004, three times more than monthly collections in the third quarter of 2003.

General weaknesses and lack of transparency in financial management, particularly in the area of revenue collection have been identified as key capacity difficulties in Liberia. Financial management is therefore one of the sectors that need to be reviewed and supported as a matter of priority in order that the Transitional Government can resume proper financial management. The European Union stood ready to assist the Government with this and therefore, at the request of the Transitional Government, offered to finance the audits of the revenue generating sectors. On the basis of the outcome of these audits, further support to these key sectors could be considered.

The Needs Assessment of Fiscal Management (December 2003) identified the non-transparent and non-accountable functioning of the Revenue Administration and the regular diversion of the bulk of the country's revenues for unauthorized purposes as a major financial management issue.

The Assessment called for the streamlining of revenue administration, for all revenue earning entities to ensure that revenues are properly accounted for and do actually reach the Treasury and further proposed the need for a financial and systems audit of the major revenue earning agencies, together with an audit of the Central Bank.

The Bureau of Customs and Excise is one of such revenue generating agencies that are beset with problems that hinder their capacity to perform as an effective revenue collection agency. This review seeks to identify the systems and financial lapses that exist at the Roberts International Airport.

3. OBJECTIVES, SCOPE AND APPROACH

3.1 Audit objectives and scope

The audit was undertaken to determine whether:

- All imports through the RIA are completely and correctly recorded by the Ministry of Finance (and, if not, the proportion of “leakages”),
- All taxes on imports are correctly billed to tax payers (and, if not the proportion of “leakages”),
- All taxes billed, are completely collected by the Ministry of Finance.

3.2 Audit approach

In order to be able to report on the Custom revenues, we performed the following procedures:

- Systems review, based on walkthroughs, of the current billing and collection processes, including the follow-up on uncollected tax bills.
- Testing of the completeness of the Custom revenue.
- Investigation on the conditions of tax exemptions granted by the Ministry of Finance, and assessment of the proportion of imports benefiting from such exemptions (and of the foregone revenue).

4. LINKS WITH OTHER INFORMATION OR REPORTS

4.1 Previous audits and evaluations

The Inspection and Internal Audit Division of the Bureau of Revenue Audit and Inspection is responsible for the audit of Customs at RIA. The Division is headed by a Deputy Chief Auditor who supervises and coordinates the daily activities of the Division in close collaboration with the Chief Auditor.

The inspection and audit is mainly concentrated on Customs collection for selected periods. The last audit was conducted on 21 January 2004 and covered the period 1 January 2002 to 30 November 2003.

The audit report was however yet to be issued by the Inspection and Internal Audit Division as at the end of October 2004 and we believe this delay is perhaps due to the Civil Service bureaucratic system.

4.2 Other available information

We refer to the following reports:

- IMF's Technical Needs Assessment;
- IMF report on "Practical Measures for Customs and Tax Reform".

5. LEGAL ENVIRONMENT

5.1 Applicable Regulations and Tariffs

The Customs Revenue Code of 2000 and related amendments thereto outline the regulations relating to the administration and collection of customs duties at the various ports of entry in the Republic of Liberia. The Code provides schedules of duties, which shall be levied, collected, and paid on all goods imported into Liberia and upon all goods exported including goods re-exported as transshipment from Liberia.

The Ministry of Finance (MoF) is the sole body authorised by law to impose additional customs levy on any import or export including goods to be imported for re-exportation as transshipment.

5.1.1 Types of Duties

Under the code the following constitutes duties:

Import Duties

Customs import duties are levied on, and paid by the importer in respect of goods listed in column 2 of schedule 1 of the Code when imported into Liberia at the rates specified in column 4 of the schedules of the same Code.

Export Duty

Schedule 3 of the Code provides that exports of goods shall be generally free of duty, except that a customs user fee of up to 2.5% shall be levied on all unprocessed exportable goods. Export duty paid is normally considered tax credits against income tax liability in the year.

Goods and Services Tax

Schedule 1 of the Code provides for a fixed charge of 7% on the value of goods of any kind imported into Liberia. Goods and Services Tax (GST) is a sales tax applied to all imports, to some goods manufactured in Liberia and to a limited number of services.

5.1.2 Valuation

The value of any imported goods for the purposes of determining the duty payable is taken to be the normal price which they will fetch on a sale in the open market between a buyer and a seller independent of each other.

The normal price of any imported goods is determined based on the following assumptions:

- That the goods are delivered to the buyer at the port or place of importation into Liberia;

- That the sellers bear all costs charges and expenses incidental to the sale and to the delivery of the goods at the Port or place of importation, which are hence, included in the normal price;
- That the buyer bears any duties or taxes applicable in Liberia which are hence not included in the normal price; and
- That the sale is a sale of the quantity to be valued.

The market value of exports is taken to be the price at which the exported goods are freely sold to a purchaser abroad or, in the absence of such sales, offered for sale in the ordinary course of trade at the place of export. The market value includes the cost of containers and coverings of whatever nature and all owner costs, charges and expenses incurred at the place of export before the actual shipment of such goods.

5.1.3 Exemptions

The Customs Code provides that the privilege for exemption from duties shall be contingent upon compliance with regulations promulgated by the Deputy Minister in consultation with the Minister of Finance.

Exemptions from the payment of duty shall be granted on any goods, which are imported:

- a. By or for the account of the President;
- b. By and on behalf of Government or Local Government or Local Government bodies;
- c. By or on behalf of representatives of Foreign Governments or Public International Organizations (not nationals of the member state) and certified by the Foreign Minister of the Country into which goods are being imported;
- d. By or for the account of Foreign Governments and public International Organizations certified as such by the Minister of Foreign Affairs;
- e. As reasonably used households and personal effects in reasonable quantities when accepted as such by the Customs Authorities and imported by or for the account of any citizen of Liberia arriving from abroad;
- f. Under special circumstances relating to senior officials of Government with the approval of the President subject to such terms and conditions as he may impose; or by regulation by the President;

- g. As personal effects for the personal use of persons arriving from abroad provided that no person may import free of duty tobacco in amounts exceeding 200 sticks of cigarettes or 25 sticks of cigars or 250 grams smoking tobacco or alcoholic beverages exceeding 1 litre or portable spirits, 1 litre wine, or perfumes exceeding 100 grams or toilet water exceeding ½ litre when brought in by an adult person; or other goods in accompanied baggage of not more than two suitcases when accepted as such by customs authorities and imported by or for the amount of any citizen of Liberia arriving from abroad.

5.2 Important Contractual Relationships in Place

No major contractual relationships between the Bureau of Customs and Excise and any individuals or entities came to our attention during the course of our review.

6. REVIEW OF THE TAX COLLECTION PROCESS

6.1 Brief Summary of the Organization of the Tax Authorities

6.1.1 Bureau of Customs and Excise

The Deputy Minister of Revenue at the Ministry of Finance oversees the operations of the Bureau of Customs and Excise through the Assistant Minister of Revenue.

The Bureau of Customs and Excise enforces the collection of import and export duties and related fees including excise and other custom duties. It also institutes measures to prevent smuggling and to intercept contra - band.

The Bureau of Customs and Excise is headed by a Commissioner and assisted by three Deputy Commissioners, each in charge of Administration, Operations and Excise respectively. Administration is responsible for training, duty free payments and statistics whilst Operations is responsible for warehouses, transshipments and the ports. Excise is responsible for the application of the GST and Excise tax on imports, exports and Excise Tax on domestic trade.

The Bureau has 10 Directors and an Assistant Commissioner responsible for rural ports.

6.1.2 Customs House – Roberts International Airport

The Bureau of Customs and Excise Collectorate is located at the Roberts International Airport (RIA). It is headed by a Chief Collector responsible for the day to day management of the Custom functions at the Roberts International Airport. He has a Deputy who reports directly to him.

The Deputy Collector has direct responsibilities over the two main Departments of the Bureau of Customs and Excise at RIA i.e. the Ministerial and the Examination, which are headed by the Chief of Ministerial and the Chief Examiner respectively.

The Chief of Ministerial has a deputy and 3 Assessors who report directly to the Deputy Ministerial.

The Chief Examiner has a Deputy, a Shift Supervisor and 15 Examiners to undertake the functions of the Examination Department. The Examiners report directly to the Shift Supervisor who is the direct subordinate of the Deputy Examiner.

The Accounting Functions of the Bureau of Customs and Excise (Roberts International Airport) are handled by a Cashier and an Assistant Cashier and a Messenger who reports directly to the Assistant Cashier. The Unit reports to the Chief Collector.

The Bureau of Customs and Excise (Roberts International Airport) had approximately 30 persons on its payroll as at the time of our visit in October 2004.

The Chief Collector at Custom House (RIA) is the Administrative Head of the Collectorate and is responsible to:

- Supervise personnel and monitor activities of the Collectorate.
- Conduct inspection of imported and exported goods crossing the border.
- Ensure that the appropriate tariff headings and rates are applied and the duty determined is paid.
- Make a monthly activities report to the Customs and Excise authorities.
- Use the Customs Code and the relevant portion of the Revenue and Finance law as a guide in determining import or export duty.
- Signs all entries relating to movement of goods at the airport.
- Ensure safekeeping of GOL revenue and make sure collected revenue is deposited into GOL accounts with the Central Bank.
- Report to the Commissioner of Customs and Excise through the Assistant Commissioner.

6.2 Assessment Process

The Ministerial Department is responsible for assessing tax on the value of imports and exports at the Roberts International Airport.

The Chief Ministerial assigns Entry documents to commodity teams for assessment, after which the Entry is signed and subsequently sent to the Collector for review and approval.

Tax is assessed based on rates outlined for commodity categories in the Customs Revenue Code.

The process is carried out after physical examination of imports and exports by the Examination Department to establish quantities and description that are needed for assessment.

Taxes include:

- Import Duty: a percentage rate levied on the Cost, Insurance and Freight (CIF) value of imported items. The rates applied are provided in the Customs Revenue Code.
- Goods and Service Tax: a 7% levy on the CIF value of imports.
- Export Duty: a 2% levy on the value of goods to be exported.

Importers are liable for both Import Duty and Goods and Services Tax whilst exporters incur Export Duty.

Documents reviewed before assessment of tax include:

- Single Administrative Document (Entry Form)
- Invoice
- Other related documents on handling charges, insurance and freight.

6.3 Billing Process

Billings follow the assessment process and are also carried out by the Ministerial Department.

Tax charges are determined after the Consignee enters the assessment in the appropriate columns on the Entry Form together with the total cash collection payable.

The Entry Form and the relevant documents are sent to the Chief Collector of Customs for review and approval.

The approved tax to be paid represents the Consignee's bill for that particular consignment.

6.4 Collection process

The Bank Payment Slips (BPS) Section and the designated banks handle the collection process. The process is as follows:

- Collector approves Entry forms and passes them on to the BPS Officer.
- BPS Clerk prepares BPS slips and presents the slip to importer.
- The Entry forms are then sent to the BPS Finance Office for final signature.
- The importer pays the duty charge at the designated bank and collects a Flag Receipt, which he presents, to the BPS Finance Office at the MoF to collect Entry documents.
- The importer submits Entry documents to the Collector for sealing.
- The importer delivers Entry documents for release and delivery of the goods.

The process outlined applies to organized and key trading companies.

Cash payments at the RIA are made mainly by petty West African traders who incur relatively smaller duty charges. The cashier collects cash from the traders and subsequently deposits the cash collected into the Central Bank of Liberia (CBL) designated account twice each week.

6.5 Reporting

The Customs - RIA prepares on a monthly basis Customs Collection Report for the Commissioner of Customs & Excise.

Information in the report includes the following:

- Total Customs collection for the month analysed according to import duty (Sub Duty) and Goods and Services Tax (GST)
- Total waivers granted during the month analysed according to waivers granted per organization.
- Total funds deposited into the CBL designated account after deduction of monthly imprest of US\$1,500. According to the Chief Collector, the headquarters has authorised him to use US\$1,500 out of each month's collections to meet recurrent expenditures.

6.6 Computer Systems Used

The operation and accounting treatment are manual. We noted that a Hewlett Packard Desk computer that had been donated by the United Nations Development Programme (UNDP) is not yet fully operational. No accounting software had been installed on it at the time of our review in October 2004.

6.7 Compliance with Internationally Accepted Practices and with National Rules

6.7.1 Internationally Accepted Customs Practices

Review of the operations of the Customs House revealed shortfalls in internationally accepted practices and standards in the following areas:

- The discretionary power of the Ministry of Finance to grant exemptions and waivers. For example, waivers granted to companies like Atlantic Wireless and Lone Star Communications which are purely commercial entities. We were unable to establish the criteria applied when the MOF granted the waivers to these entities.
- Import, export and assessment procedures. We noted instances where there were deliberate delays in the assessment process just to cause the importers to present various forms of "speed" money and other personal gifts that tend to corrupt the system. The final examination of goods is also done at the premises of the importer. The Customs Officials who go there to examine, are usually exposed to corrupt influences. Examination should be done at the Port of entry.
- Human resource capacity. For instance, the Deputy Collector at the RIA has had no formal training on customs procedures yet he holds this high position.
- Logistics and general working conditions. For example, there was only one copy of the tariff book at the RIA. The office lacked furnishing. There was no safe to keep collections. The note book used by the Assessor could hardly be opened as all pages have come off, and we therefore could not review all the entries therein. Overall, the customs lack the basic tools needed for the staff to do effective work.

6.7.2 National Rules

The Customs House – RIA complies with the regulations and provisions outlined in the Customs Revenue Code of 2002 and directives as issued by the Ministry of Finance concerning exemptions and imposition of additional customs levy on imports or exports including goods to be imported for re – exportation as transshipment.

However, we have not found a written document allowing the Chief Collector to use US\$ 1,500 out of the monthly collections to meet recurrent expenditures. Such an approval should be formalized.

7. FINDINGS RESULTING FROM SUBSTANTIVE TESTS

7.1 Adequate financial records should be maintained

We noted that the Cash Book is not properly maintained. A matter of fact, our review indicated that:

- The cashbook does not indicate the total of monthly collections received.
- Entries made in the cash book are not reviewed by a senior official. For instance, on 18/3/2004, whilst the Single Administrative Document (SAD) with serial (#6397) indicated an assessed import duty of US\$62.50 and GST charge of US\$ 87.50 amounting to a total collection of US\$150, a total collection of only \$50 was recorded in the cash book, leaving a difference of US\$100.

These are the result of inadequate review of postings in the cashbook. We also noted that no reconciliation of total amount banked monthly to total cash collections recorded in the cashbook was performed.

The errors in the cash book may adversely affect the completeness and accuracy of revenue reported to the Commissioner of Customs, since the cash book serves as the main underlying record of all the cash collections at the Airport.

Recommendation

The Cash Book, which serves as the main underlying record of customs collections should be properly maintained. Daily entries in the records should be checked to the Single Administrative Documents (SAD) to ensure that tax charges are entered correctly in the cash book.

The cash book should indicate the total of monthly duty collections.

Monthly reconciliation statements should also be prepared to reconcile the total monthly collections to the total amount banked monthly..

Also, a senior official independent of the Cashier, preferably the Chief Collector, should review entries for each month and sign off before subsequent month's entries begin.

The cash book should be balanced on a timely basis, preferably daily and monthly.

7.2 There should be adequate segregation of duties at Customs House - RIA

We noted that duty charges levied on goods imported and exported by Petty West African traders are paid in cash to the Cashier, who is also responsible for the recording of transactions in the cash book. Apart from the obvious absence of segregation of duties portrayed by the above practice, it is also contrary to procedures established for collection of Customs duties, making it possible for Customs officials to handle cash.

This is because there is no BPS Officer attached to RIA to collect cash payments of the petty West African traders who can not undertake bank transactions.

An officer from the BPS Section should be attached to the Customs House at RIA to collect cash payments made by traders. This will reduce the risk of cash not being deposited in the CBL account on time.

The practice makes the risk of misappropriation for cash collections very high. Since the Cashier who receives cash is the same person who records the transaction in the cash book, it is difficult to trace cash received if he fails to record the transaction in the cash book.

Such a practice coupled with the absence of airway Bills and inadequate record keeping by the Ministerial and Examination Sections of the Customs House makes it difficult to check the completeness of cash collections declared by the Bureau of Customs and Excise.

Recommendation

A BPS official should be assigned to the RIA to take responsibility for the large volumes of transactions involving petty West African traders who pay duties mainly by cash. Cash payments should be made to the BPS Official who will issue the Original Flag Receipt to the tax payer and return the duplicate copy with the cash to the CBL for deposit.

7.3 Airway bills should cover all cargo that land at the RIA

We noted that the Customs House did not maintain Airway bills covering the cargo cleared at RIA.

There is no effective system in place to ensure that airlines make available airway bills for cargo delivered on each flight.

There should be a record of all airway bills on cargo cleared at the airport. This would provide adequate details on imported goods to ensure that all items that pass through the airport are appropriately levied. It could also be used to check the completeness of revenue collections recorded by the Customs House at the RIA.

The absence of airway bills makes it difficult to determine the completeness of Customs Collections at RIA. Furthermore, personnel may exploit this weakness for their personal gain.

Recommendation

Management should ensure that an effective system is put in place that will mandate all cargo to be covered by duly signed Airway bills. The airway bills should be maintained by personnel independent of accounting functions.

In this way, the reports generated could be compared to revenue reported by the Custom House at the Roberts International Airport to ensure completeness of monthly declared revenue.

7.4 Exemptions should be properly controlled and appropriately monitored

A review of the waivers and exemptions granted to organizations for the period January to September 2004 revealed that out of the total of US\$ 1,073,763.46 of waivers granted to 59 organizations, US\$306,751.54 and US\$69,320.97 was granted to two commercial organizations, Atlantic Wireless and Lone Star Communications respectively. The waivers to these two organizations represent 35% of all Waivers granted during the period.

Further analysis revealed that Waivers granted exceeded Customs Collections for each of the months from January to September 2004.

Monthly waivers granted to the two institutions compared to the total Waivers and Customs Collections are outlined below:

	Customs Collections	Waivers			
		Atlantic Wireless	Lone Star Communication	Total Waivers	% of Total
	\$US	\$US	\$US	\$US	
January	15,580.74	-	852.74	41,045.08	2.08
February	18,589.83	-	-	103,045.44	-
March	29,348.17	175,306.02	6,463.80	280,887.16	64.71
April	44,020.49	70,061.26	309.50	147,847.47	47.60
May	10,077.14	-	2,825.51	207,453.08	1.36
June	51,268.61	28,210.57	912.80	55,528.90	52.45
July	38,867.15	33,173.69	-	95,085.04	34.89
August	62,774.74	-	50,708.49	112,276.43	45.16
September	<u>24,490.24</u>	-	<u>7,248.13</u>	<u>30,594.86</u>	<u>23.69</u>
Total	<u>295,017.11</u>	<u>306,751.54</u>	<u>69,320.97</u>	<u>1,073,763.46</u>	<u>35.02</u>

Waivers for the period January to September 2004

Source: Bank Payment Slips Section, Ministry of Finance, Liberia

This is as a result of the discretionary power exercised by some government officials to grant exemptions and waivers.

There should be a reduction in this discretionary power to grant exemptions and waivers.

Government should take steps to depoliticize the Bureau of Customs and there should also be guidelines to govern the granting of exemptions. This should include periodic reassessment and review of the criteria and guidelines for granting waivers and exemptions.

In the medium to long-term Government should consider placing a cap on the level of exemptions. The cap could be set at a given percentage monthly. The total exemptions could be capped at say not more than x% of the previous month's total collections. This measure would check the present system where exemptions unacceptably exceed collections each month. Government revenue would increase significantly if these measures are implemented.

Also, the present categories of exemptions make it difficult for the Customs administration to minimize fraud and abuse that contribute to the depletion of Government revenue.

Recommendation

The present regulations as well as entities eligible for exemptions should be reviewed to reflect the economic and social conditions of the economy. Furthermore measures should be put in place to ensure the effective monitoring and control of exemptions.

These measures may include:

RECOMMENDATION	TIME FRAME TO IMPLEMENT	WHO TO IMPLEMENT
<ul style="list-style-type: none"> • There should be a clear cut list of the commodities, which should attract exemptions, together with an indication of the type of organisations as well as the purposes for bringing in the goods. 	Immediate	Ministry of Finance
<ul style="list-style-type: none"> • Controls at the time of importation – Verification to ensure that only qualified, registered entities receive exemptions before imported commodities are released. 	Immediate	Ministry of Finance
<ul style="list-style-type: none"> • End user confirmation – Inspection and audit of entities enjoying exemptions to confirm that the entities are engaged in activities for which the exemptions were granted and that the intended ultimate beneficiary actually benefited from the commodities in respect of which the exemptions were granted. 	Immediate	Ministry of Finance

7.5 Findings of all reviews should be made available to the local management for the necessary action to be taken

We noted that audit reports of the Inspection and Internal Audit Division of the Bureau of Revenue Audit and Inspection are not communicated to the Customs House – RIA. According to Management, the internal audit reports on previous examinations and audits carried out by the Inspection and Internal Audit Division had not been shared with them.

The Procedures and Terms of Reference of the Revenue Department, Ministry of Finance requires the publication of a final audit report by the Chief Auditor after review of the preliminary report by the Technical Committee.

The benefits of internal audit may not be fully realized as a result of this weakness because the Custom House is not provided with information and recommendations necessary to improve its accounting and internal control procedures.

Recommendation

The Revenue Department of the Ministry of Finance should ensure that final audit reports on internal audits undertaken by the Inspection and Internal Audit Division are issued and discussed with audited organizations to ensure maximum benefit of internal audits.

7.6 Customs personnel at all levels should be trained

We noted that the personnel of the Examination, Assessment and the Accounts Units of Customs at RIA lacked basic training in Customs procedures.

Key staff personnel interviewed stated that lack of training has been a major set back in their career development.

This largely accounts for the inefficient execution of examination and assessment procedures at Customs.

The Training Department of the Bureau of Customs and Excise should undertake a training needs assessment programme to ensure that officers who have not received basic customs training are identified and trained.

Recommendation

A comprehensive training programme should be developed for all levels of staff at Customs House – RIA to enhance manpower capacity. Training programmes must focus on training personnel on modern trends in customs operations and regulations, ethical practices and revenue mobilization.

In the short run, assistance can be sought from West-African Experts to provide immediate training to Customs officials. We understand that the Bureau of Customs already has some co-operation with their Ghanaian counterparts in this direction.

7.7 Provision of logistics to facilitate Customs operations

We noted that Customs operations are adversely affected as a result of the absence of basic logistics to facilitate the work of Customs officials. Basic logistics that are lacking include computers, uniforms, communication equipment and transportation facilities.

The absence of this equipment results in poor processing of customs records and loss of morale. It may also result in the reliance on importers for some of these facilities, which compromises the independence and professionalism of Customs officials.

Recommendation

Logistics adequate to ensure that work is performed effectively and efficiently and under proper conditions should be provided.

In the short run assistance may be sought from the international community to provide basic logistics such as computers, office space and furnishing that will be needed to facilitate Customs operations.

7.8 Other recommended improvement in the internal control system

Internal accounting controls should be strengthened to ensure that the Government benefits substantially from total Customs revenue collected at the Roberts International Airport.

Areas that require improvement include:

Documentation Procedures

Management should put in place an effective filing system for the safe preservation of documents necessary to furnish evidence of the validity and correct valuation of all transactions recorded. These documents should include Airway bills, Single Administrative Documents and invoices.

Independent Internal Verification

There should be frequent review of all work in sensitive areas by an official independent of the employee who initially enters the data or maintains custody of assets. The Chief Collector should review the work of the Cashier frequently.

Monthly Reconciliation Statements

The cashier should prepare a statement that reconciles total amounts banked daily into the CBL designated accounts to the total cash collections recorded in the cashbook to ensure that errors and omissions are identified and corrected on time. It will also ensure that cash collected is adequately safeguarded. The Chief Collector should review the reconciliations at the end of each month.

8 ASSESSMENT OF POTENTIAL REVENUE FLOWS WHICH COULD BE GENERATED IN FOLLOWING PERIODS

As explained above, tax collection at the RIA from January to September 2004 yielded approximately US\$ 295,000 excluding approximately US\$ 1,074,000 representing exemptions and waivers to certain individuals and organizations (note that some of these exemptions are legitimate and cannot be removed).

Even though it is difficult at this time to project tax collection, we believe that tax revenue collection at the RIA can significantly improve if measures are taken in the following areas:

- Internal control over the assessment and collection process should be improved to ensure transparency and accountability and make it difficult for customs officials to personally benefit from the system. Also, there should be frequent monitoring of the assessment and collection process to reduce excessive bureaucratic checks and deliberate bottlenecks created by customs officials which tend to cause tax payers to evade payment of duties.
- airway bills should be systematically collected, and the segregation of duties should be improved in respect of the cash payments made by petty West African traders.
- Customs official should be well trained and remunerated to make them more professional in performing their duties. In addition to good remuneration, we suggest there should be a bonus scheme such that the officers are paid a bonus of say x % of duties collected in excess of an agreed budget between the Bureau of Customs and Excise and the Ministry of Finance.
- The procedures and criteria for granting exemptions should be reviewed to ensure that exemptions are only granted when appropriate. In addition, all significant exemptions and waivers should be approved by the National Legislative Assembly. For less material exemptions, there should be very specific criteria and guidelines that must be followed before one can qualify for waivers.
- In the medium to long-term Government should consider placing a cap on the level of exemptions. The cap could be set at a given percentage monthly. The total exemptions could be capped at say not more than x% of the previous month's total collections. This measure would check the present system where exemptions unacceptably exceed collections each month.

Government revenue would increase significantly if these measures are implemented.

It is important to stress that increased revenue can only be realised if, given improved systems and procedures to achieve transparency and accountability in revenue assessment and collection, there is also sustained political stability, which in turn could boost the level of trade and therefore imports.

9. AREAS WHERE INTERNATIONAL DONORS COULD PROVIDE ASSISTANCE

Areas where assistance is required	Time scale	Form assistance should take
(i) Training programmes for staff on current Customs practices in the form of short courses and seminars..	In the next 3 to 6 months	<p>In house workshops with facilitators from abroad. These facilitators should be experience in customs procedures and methodology.</p> <p>Staff could also go on secondment in other West African countries.</p> <p>Bring in experience customs officials from other countries to assist to build capacity of staff.</p>
(ii) Provision of logistics including office space, IT equipment and furnishing.	Within a year from now.	Vehicles and communication equipment provided.
(iii) provision of technical reference materials (adequate copies of the Revenue Code to all staff)	Immediately. More copies of the Revenue Code should be made available to all staff and copies could be sold to importers and exporters.	Donors may provide the materials and equipment needed for the printing.
(iv) Refurbishing the Custom House and provision of furniture and fittings.	Within a year from now.	Funds and materials needed should be made available for the refurbishment
(v) Provision of security at all bounded warehouses.	Immediately.	Funds should be provided to train the security personnel.
(vi) Information technology systems.	Between one and two years from now	Computers and peripherals should be provided.
(vii) Removal of unqualified staff.	6 – 12 months	Unqualified staff who found themselves in the system (and had top positions) as a result of the CPA should be removed in phases as the political tension calms down.

10 CONCLUSION

Our review indicated weaknesses in operational procedures on the assessment, examination, billing and collection of customs duties, and discretionary granting of exemptions. Furthermore deficiencies were identified in the area of human resource capacity, training and logistics needed for effective work performance.

Government revenue can be improved if the leakages identified are sealed. It also requires training of staff, providing clear job descriptions and general improvement in pay levels, so that employees embrace the recommendations to be implemented. The Ministry of Finance should institute measures to immediately review all relevant study report conducted regarding Customs procedures to ensure the effective and efficient control and monitoring of Customs operations.

The review of regulations in the area of exemptions may also help to boost customs revenue.

The provision of logistics including computers, office space, furnishing, transport, communication facilities and electric power may also be provided by International Donors.

We believe that all our recommendations require urgent attention and that the Ministry of Finance should solicit the necessary assistance from international donors in the forms of grants, credits, loans, and direct provisions of human resources and equipment.

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