

Liberian Institute of Certified Public Accountants
(LICPA)
Regulation 2 (Hiring and Working with
Foreign Firms)

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A Regulation Issued by the Governing Council of the LICPA

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Liberian Institute of Certified Public Accountants (LICPA)

Regulation 2 (Hiring and working with foreign firms)

Preamble and objectives

- I. By the powers vested in the **Liberian Institute of Certified Public Accountants (LICPA)** by Sections 7 and 24 of the **LICPA Act**; and also by the powers vested in the **Governing Council of the Institute** by Section 8 of the Act, the **Governing Council of the Liberian Institute of Certified Public Accountants (LICPA)**, hereby issues and promulgates **Regulation 2 (Hiring and Working with foreign firms)**. The objective of this Regulation is to stipulate requirements that member firms of the Institute must meet in order to hire or accept to avail of resources available in foreign firms for accounting and accounting-related work in Liberia. It also stipulates requirements that foreign firms must meet in order to acceptably offer or agree to make available such resources to any member firm(s) of the Institute in providing accounting or accounting-related service(s) in Liberia.
- II. The restrictive provisions of the LICPA Act and of this Regulation are based on and take duly into account the background, history and circumstances described in Section 11 of this Regulation.

Section 1: Registration of Foreign Firms

- 1.1 To be legally authorized to do so, any, each and every foreign firm that desires to participate in the Liberian accountancy market, shall first acquire legal existence in Liberia by being duly registered or established in Liberia, in accordance with the requirements of Chapter 12 (**Foreign Corporations**) of Part I (**Business Corporations Act**), of Title 5, (**Associations Law**) of the **1976 Liberian Code of Laws** of January 3, 1977 (as revised June 19, **2002**) and/or other relevant statute(s) of the Republic of Liberia, as a foreign legal entity duly authorized to do business in Liberia.
- 1.2 Subject to the effective date provisions of Section 13 of this Regulation, no accounting or other firm of any kind that is based anywhere outside of Liberia shall, following the coming into effect of this Regulation, commence or continue to perform accounting or accounting-related service(s) of any kind whatsoever anywhere in Liberia without first meeting the preceding legal registration requirement; and in no case, no instance and under no condition or circumstance shall any member, or member firm of the Institute or any Registered Practicing Accountant (RPA) as established in Section 15 of the LICPA Act, professionally associate in any manner or form whatsoever with any foreign firm without first ensuring that the foreign firm has complied with the legal registration requirement stipulated above.

- 1.3 For the purpose of this Regulation, any foreign firm that commences or continues to provide any accounting or accounting-related service of any kind to any client in Liberia after the effective date of this Regulation without meeting said registration requirement, commits an offense that is punishable as provided in Section 26 of the LICPA Act. Criminal penalties may also apply under the applicable statutes of Liberia.
- 1.4 Any member, member firm or RPA or firm of RPAs that professionally associates with any foreign firm that is not duly registered as required above, in providing accounting or accounting related service(s) to anyone in Liberia commits an offense that is punishable by suspension of the membership or registration certificate as well as the practice license of such member, member firm or RPA for a period not less than twelve (12) calendar months, i.e., three hundred and sixty five (365) calendar days nor exceeding two years (730 calendar days), as the Council of the Institute shall determine after taking into consideration all the relevant facts. For the purpose of this provision, a member, member firm or an RPA or his firm is deemed to professionally associate with a foreign accounting firm if the member, member firm, RPA or RPA firm or any staff of the member firm or the RPA firm participates in any manner whatsoever in any engagement with such a firm; or permits the firm or any of its staff, officers or owners to use the office or other facility of the member firm or RPA or RPA firm; or of any facility owned or controlled by the member or member firm or RPA; or by any staff of a member firm or RPA.
- 1.5 Under no circumstance shall the Institute register any foreign firm to, in any manner, form or guise, participate in the Liberian accountancy market unless such foreign accounting firm or other foreign entity meets the preliminary business registration requirements stipulated above.
- 1.6 Subject to the preceding, to be legally authorized to do so, each, any and every foreign accounting, consultancy or other firm that desires to participate in the Liberian accountancy and accounting-related market shall:
- (a) apply to the Institute to that effect, on a form provided by the Institute for the purpose, and shall provide thereon all information reasonably required by the Institute for registration with the Institute as a foreign accounting firm duly authorized to do business in Liberia;
 - (b) pay to the Institute the **nonrefundable** application fee established from time to time by the Council of the Institute for that purpose, provided that in no case shall such application fee exceed five thousand United States dollars (US\$5,000) for any foreign firm; and if approved for registration,

- (c) pay to the Institute the initial registration fee established by the Council of the LICPA, which may be less than but shall at no time exceed ten thousand United States dollars (US\$10,000), per firm; and shall thereafter, pay to the Institute such annual subscription fees that the Council of the Institute shall reasonably establish along with such other fee(s), if any, that the Council may require, provided that the annual subscription taken together with any and all other fee(s), shall at no time exceed fifteen thousand United States dollars (US\$15,000) per foreign firm, per year.
- (d) in compliance with the requirements of subsection 1(f) of chapter 12.3 of the Liberian statute cited in subsection 1.1 of this Section; and/or otherwise in compliance with the requirements of any other Liberian statute that is then in force in Liberia, designate one-member firm of the LICPA as the registered agent of the foreign firm in Liberia.

1.7 Subject and in addition to all of the preceding, to qualify for registration with the LICPA under this Section, each, any and every foreign firm that desires to participate in the Liberian accountancy market, shall provide to the LICPA evidence acceptable to the Institute that:

- (a) the foreign firm is, at the time of its application to the LICPA, currently licensed by the appropriate licensing authority of its country of incorporation or domicile to perform in that country the kind of service(s) that the foreign firm seeks to perform in Liberia;
- (b) such foreign firm is a member firm in good standing of the national Professional Accounting Organization (PAO) or equivalent authority of its home jurisdiction; or where firm membership of such national PAO is not required by law or is not otherwise applicable in that country, that the foreign firm is nonetheless in good standing with the appropriate accounting authority of its country of domicile;
- (c) the Managing Partner (or equivalent) along with other partner(s), if any, of the foreign firm, is, at the time the foreign firm's application to the LICPA, a member in good standing of the national PAO of its home jurisdiction; or where the Managing Partner is not a member of the PAO where the firm is domicile, that s/he together with other partner(s), if any, of the firm is a member in good standing of any PAO in another country, that is recognized by the Council of the LICPA, consistent with the applicable requirement(s) of Section 2.5 of this Regulation, as a PAO of equivalent standing as the LICPA;

(d) provided that, where the national PAO, per the preceding, is not a voting member of IFAC, the foreign firm seeking registration with the LICPA under this section, shall submit to the LICPA evidence satisfactory to the Council of the Institute that the foreign firm is a member firm of a global network of accounting firms, which network is recognized by the Council of the LICPA as sufficiently reputable for the purpose.

- 1.8 The Executive Director (ED) of the LICPA shall take steps that are adequate to satisfy himself and based on that to confirm to the Council of the LICPA that any and all information presented to the LICPA in order to satisfy the requirements of this Section is genuine and true. For the purpose of this requirement, the ED, should s/he consider it reasonably warranted under the circumstance, may require any claim(s) adduced by an applicant to be directly confirmed to the LICPA by an institution or other person(s) in the home jurisdiction of the applicant; or in any other country, as the circumstance(s) may require.
- 1.9 The registration required of foreign firms, per the preceding, shall not in any way, shape, manner, form, sense or guise, confer upon and shall not be seen, deemed or interpreted as conferring in any manner or in any sense upon any foreign firm any right as a member firm of the LICPA; or any right of any kind whatsoever to engage in public practice on its own in Liberia, the only intent of permitting such registration being (consistent with the provisions of subsections 8 and 16 of Section 24 of the LICPA Act and the underlying objectives of this Regulation), to give latitude to member firms that may desire to avail of resources and competencies that are available in and are offered by foreign firms.
- 1.10 Because under Section 24 of the LICPA Act, only members and member firms of the Institute and Registered Practicing Accountants (RPAs) who are duly licensed by the Institute are legally permitted to engage in any form of public accounting in Liberia, it follows rationally and is therefore hereby required that in no instance, no case and under no condition, guise or circumstance shall any foreign firm or other foreign-based entity, including foreign-based entities that are registered with the Institute in keeping with this Section, solicit, canvass or bid for any type of accounting or accounting-related engagement(s) in Liberia; or otherwise advertise itself as available to undertake such engagement(s) in Liberia, except in collaboration **and together with** a duly licensed member firm of the Institute and then shall do so in accordance with the relevant provisions of this Regulation or any amended or replacement version thereof; and/or such other additional regulation(s), if any, reasonably promulgated by the Council of the Institute.
- 1.11 For the same reason, in no case, no event and under no condition or circumstance whatsoever shall any foreign firm or other entity, including those registered with the

Institute in keeping with this Section, respond to any **Request for Expression of Interest (RFEI)** of any kind; or any **Request for Proposal (RFP)** of any kind from any Liberia-based client or prospective client to perform any accounting or accounting-related service(s) of any kind whatsoever anywhere in Liberia except, in each and every case, in association **and together with** one or more duly licensed member firm(s) of the Institute that invite or agree to such association. Where an Expression of Interest or proposal is submitted to any client or prospective client jointly by or together with more than one member firms of the Institute, the firms making such submission shall do so as a consortium of firms or otherwise as a single submitting unit. In that case, none of the firms comprising such consortium or other submitting unit shall make a separate submission, whether alone or together with anyone else, for the same prospective engagement.

- 1.12 Subject to the preceding, a foreign firm that meets the requirements of this Section may variously associate with any member firm or group of member firms of the Institute that invites or agrees to such association, in responding to different requests from different clients or prospective clients; or different requests for separate and distinct engagements from the same client or the same prospective client.
- 1.13 Similarly, subject to the limitations specified above, any member firm of the Institute that meets the requisite preconditions established in this Regulation may, consistent with the requirements of this Regulation, variously invite and work with or accept a request to associate and work with any duly registered foreign accounting or other foreign firm or a group of such foreign firms in responding to different requests from different clients or prospective clients; or in responding to different requests for separate and distinct engagements from the same client or the same prospective client; or otherwise in meeting the business objectives of the member firm of the LICPA.
- 1.14 A member firm or group of member firms that together with any foreign accounting or other firm(s) submits any proposal to any client or prospective client for any accounting or accounting-related engagement(s) or prospective engagement(s) in Liberia shall include in that proposal, a schedule of out-of-pocket expenses reasonably expected to be necessarily incurred in carrying out the assignment, if awarded; and, consistent with the requirements of Section 4.2 (a-4) of this Regulation, also a charge-out fee schedule covering each foreign individual or category of foreign individuals intended to be assigned to the engagement if awarded; along with a similar but separately listed charge-out fee schedule covering each local employee or category of local employees intended to be assigned to the engagement if awarded, provided that where an appropriate charge-out rate is not specified, then the provisions of Section 3.11 of this Regulation shall apply.

1.15 No foreign firm that is hired by or agrees to work with a member firm of the Institute in providing any accounting or accounting-related service to any client(s) in Liberia, shall at any time on its own accord, switch from that member firm to another member firm of the Institute in providing the same professional service or the same type of professional service to the same client from time to time. Where, for good and valid reasons, a recipient of accounting service in Liberia desires to change from one member firm of the Institute to another duly qualified member firm of the Institute as that service recipient's principal provider of accounting and/or accounting-related service(s), but the service recipient also desires to retain the services of a foreign firm to associate with the new member firm of the Institute in providing such service(s); then in any, each and every such a case, the service recipient concerned (but **NEVER** the foreign firm) shall request from the Executive Director (ED) of the Institute, on a form provided by the ED, a **No Objection** to make the switch, providing valid and adequately supported reasons for such request, which **No Objection** the ED shall not unreasonably withhold. In any and all such cases, even with a **No Objection** issued by the Executive Director of the Institute, the requirements of Section 4.9 below shall apply as if there had been no change of member firm of the Institute. Hence, the starting fee share of the new member firm shall be as would have applied for the replaced member firm of the Institute.

Signing of Agreements

1.16 In line with the preceding, in no case, no instance, nowise and under no circumstance, shall any foreign firm sign any accounting or accounting-related engagement contract with any client or prospective client in Liberia except in appropriate association **and together with** a member firm of the Institute, whose practice license is then currently in force and is reasonably expected to remain in force for the anticipated duration of the engagement; and then in a manner reasonably prescribed by the Institute.

1.17 Consistent with subsections 6 and 16 of Section 24 of the LICPA Act, in any, each and every case where a member firm invites or accepts to work, collaborate or otherwise associate with a foreign firm in providing accounting or accounting-related service(s) to any client(s) in Liberia, as required above, the member firm of the Institute, shall either be the sole contracting service provider or, in any case, the principal contracting party in such agreement, provided that where it is deemed useful or otherwise desirable for any good reason, an associating foreign firm may also sign the related engagement contract below the signature of the member firm under a text line labeled "**In association with:...**" or "**In collaboration with...**" or "**In cooperation with...**" or "**together with**" or "**Jointly with...**" followed suitably by the name of the foreign firm and an authorized signature of the foreign firm, and/or where applicable and appropriate

by the name, official title and the individual signature of the authorized representative of such foreign firm. In each case the ellipses (i.e., the three dots indicated in each of the bolded texts prescribed above) shall be substituted with the name of the collaborating foreign firm.

Signing of Reports

1.18 Similarly, in no case, at no time and under no circumstance shall any foreign firm based anywhere outside of Liberia sign **alone** any report relating to any accounting or accounting-related service(s) of any kind provided to any client(s) anywhere in Liberia. Each, any and every such report shall be signed either by a member firm alone; or where required by Section 4.8 of this Regulation, or where doing so is otherwise required or deemed desirable for whatever good reason, the foreign firm shall also sign such report jointly with the collaborating member firm(s) of the Institute as provided below:

(I) For the Member Firm of the LICPA:

- (a) Firm Signature
- (b) Current license number of the member firm;
- (c) Signature of licensed member of the Institute
- (d) Name of licensed member of the Institute who signs the report;
- (e) Membership number of the signing member of the Institute;
- (f) Current license number of signing member of the Institute;

(II) For the Nonmember firm:

- (a) Firm Signature
- (b) Membership and license number(s), as applicable, of such foreign firm in the Professional Accounting Organization (PAO) per item “e” below;
- (c) Signature of the individual who signs the report;
- (d) Name of the individual signing the report;
- (e) Institute or equivalent Professional Accounting Organization (PAO) of the individual signing for the foreign firm;
- (f) Membership and license number(s), as applicable, of such individual in the PAO per item “e” immediately above.

1.19 Subject to the preceding, each, any and every assurance report pertaining to any such service provided to any client in Liberia shall be signed and dated in accordance with the signing and dating requirements of IAS 700 as promulgated by the **International Audit Standards Board (IASB)** that is associated with the **International Federation of Accountants (IFAC)**. In the case of a non-assurance engagement, the relevant report(s) shall, subject to the requirements of the

preceding paragraph, be signed in accordance with the signing and dating requirements of the applicable IFAC standard.

Firm Logos

1.20 In any and all cases of any kind of collaboration involving a member firm of the Institute and any foreign firm, the name and logo of the collaborating member firm of the Institute is required **without exception**. The name and logo of a foreign firm shall also be mandatory where the requirements of Section 4.8 of this Regulation apply. Otherwise, the logo of a foreign firm, although not required, may also be used if deemed desirable for any good reason. Where two logos apply, the name and logo of the member firm of the Institute shall be prominently positioned at the top right corner of the first page of the report; followed, where applicable, by the logo (or both the name and the logo of the member firm), suitably sized, on each succeeding page of such report; with the name and/or the logo of the foreign firm correspondingly placed on the left hand side of the applicable page(s) of such report. Where more than two firms (and hence more than two logos) apply, the name and logo of the member firm of the Institute shall be positioned as indicated above; with the names and logos of the other parties positioned as the parties shall determine and agree among themselves, consistent with the above-stated requirements of this subsection.

Section 2: Responsibilities of a Hiring or Collaborating Member Firm

Ability to Absorb Training (Transfer of Appropriate Knowledge and Skills)

2.1 As more fully explained in Section 10 of this Regulation, the underlying objective of the restrictive provisions of the LICPA Act and of this Regulation is to give any foreign firm that desires to participate in the Liberian accounting market an economic incentive that is large enough to encourage such foreign firm, in its own self-interest, to appropriately transfer knowledge and skills to the Liberian staff of a member firm of the Institute that hires or accepts to collaborate with the foreign firm in providing service to clients in the Liberian accountancy market.

2.2 This rationally requires, and it is for that reason hereby stipulated, that to qualify to hire or accept to associate with any firm based outside of Liberia in providing any type of accounting or accounting-related service(s) to any client(s) in Liberia, a member firm desiring to do so shall demonstrate to the satisfaction of the Executive Director (ED) of the Institute, in a manner reasonably required by the ED, or as otherwise reasonably required in appropriate regulation duly promulgated by Council, that the member firm has in its employ Liberian nationals, excluding any and all partners (or equivalent) of the member firm, who have a rational capacity to beneficially receive such transfer of knowledge and skills; and that such Liberian

employees are available to be deployed on the engagement(s) on a full time basis for the duration of each qualifying engagement that a member firm desires to perform in collaboration with a foreign firm that is duly registered with the LICPA in accordance with the requirements of Section 1 of this Regulation.

- 2.3 For the purpose of this Section, an individual is deemed rationally capable of beneficially receiving the desired transfer of appropriate knowledge and skills if that individual is either a professional accountant (as defined in subsection 2.5 of this Section) or is actively pursuing professional accounting qualification under one or the other of the Institute's professional credentialing programs (ATSWA or LICPA Professional) or the corresponding professional credentialing program(s) of a Professional Accounting Organization (PAO) located in a jurisdiction outside of Liberia that the Council of the Institute recognizes, consistent with the requirement(s) of subsection 2.5 of this Section, as a PAO of equivalent status as the LICPA.
- 2.4 Also for the same purpose, an employee of a member firm of the Institute shall be deemed to be actively pursuing an approved professional accounting credential if, as at the date of that member firm's application to the Institute for a **No Objection** (in compliance with Section 4.2 of this Regulation) to associate professionally with a foreign firm in providing service to one or more clients in Liberia, that employee:
- (a) has passed two or more subjects in any of the private sector credentialing examinations of the LICPA or a similar credentialing examination program of a PAO deemed to be of equivalent standing as the LICPA;
- AND**, where applicable the employee,
- (b) has progressively cleared each level of such credentialing program not later than eighteen (18) months after qualifying as a candidate for that level of the credentialing program, provided that failure to make such progress in an approved credentialing program owing to illness or prolonged travel that is substantiated to the satisfaction of the Institute shall not be held against anyone regarding this requirement;
 - (c) but provided further that in all such cases of intervening illness or prolonged travel, the candidate shall nonetheless have completed that level of such program not later than twenty-four (24) months after initial registration or otherwise after initial qualification as a candidate for such program.

(d) In the case of a single comprehensive all-encompassing credentialing examination of a PAO that is of equivalent status as the LICPA [(e.g., the credentialing examination of the **American Institute of Certified Public Accountant (AICPA)**] the individual is required to have completed such single comprehensive all-encompassing credentialing examination within 36 months of her initial registration as a candidate for the credential.

2.5 For the purpose of subsection 2.3 of this subsection, a professional accountant is any individual who is a member of the institute under any provision of Section 14 of the LICPA Act. For the same purpose, any institute or other association of professional accountants that meets the requirements of Section 2(a-ii) of said Section 14 of the LICPA Act shall be deemed a PAO of equivalent status as the LICPA, provided that only a PAO that is a full voting member of the **International Federation of Accountants (IFAC)** shall be deemed an accountancy body of equivalent standing as the LICPA.

Fielding Staff for a Collaboration Engagement

2.6 Consistent with the preceding, the member firm of the Institute shall assign an adequate number of its Liberian staff who meet the requirements stipulated in subsections 2.1 to 2.4 above, to the engagement; and shall ensure that they are given engagement responsibilities that will position such Liberian staff to learn appropriately from the foreign professional staff of the of the foreign collaborating firm.

2.7 The working papers file(s) for the engagement are hereby required to contain appropriate particulars as to the specific Liberian staff assigned to the engagement; the responsibilities allocated each; the coaching, if any, given such staff to execute the assigned task(s) acceptably, etc., as applicable and appropriate under the circumstance; and an appropriate report regarding the learning progress of such Liberian staff.

2.8 A member firm that does not have Liberian staff (other than partners of the firm) who have a rational capacity (as defined in subsection 2.5 above) to acceptably absorb an appropriate transfer of knowledge and skills from a prospective collaboration with any foreign firm shall not be eligible for such collaboration and, on that basis, shall not be eligible for a **No Objection** from the Executive Director as required by Sections 1, 4 and 6 of this Regulation. The ED is hereby mandated to require and obtain satisfactory evidence of such rational capacity as a precondition for granting a **No Objection** in all such cases.

2.9 In each, any and every collaboration engagement, the field team that performs the engagement shall include not less than two Liberian staff (unless less than two is

indisputably required under the circumstance) who meet the requirements stipulated in subsections 2.1 to 2.4 of this Section. The Executive Director may, based on her understanding of the requirements of the engagement, require the participation of a higher number of the Liberian staff of the member firm, which may, should it so desire, request the President of the Institute to review such additional requirement(s) of the Executive Director for possible reversal or modification. If not satisfied with the decision of the Institute's President in that regard, either the Executive Director or the member firm may appeal that decision to the full Council of the Institute, whose decision shall be final.

2.10 In all cases of association when a member firm works with a foreign firm, the initial field meeting (entry conference or equivalent) with the client and/or the accountant(s), if other than internal staff of the client to be served; as well as any exit meeting(s) with such client, shall be led, preferably by a partner of the member firm; but where that is not practicable for any reason, then in any case by a senior staff of the member firm with a rank of manager (or equivalent) or higher in the member firm.

Resident Representative of a Nonmember accounting firm

2.11 Any member firm of the LICPA that is duly issued a **No Objection**, in keeping with the requirements of this Regulation, to professionally collaborate with any foreign firm in carrying out any engagement(s) in Liberia, shall, consistent with the requirements stated in section 1.6 (d) of this Regulation, unless contrary evidence is promptly provided to the LICPA, be deemed the resident registered agent of that foreign firm in Liberia for the purposes, but only for the purposes of this Regulation, provided that no member firm of the Institute shall be held accountable, for such purposes, for the action(s) or inaction(s) of a foreign firm in respect of any engagement(s) in which the foreign firm has participated in Liberia but in respect of which the member firm has not accepted to be and has not otherwise been a collaborating service provider. For any and all other purposes outside of the intent of this Regulation a collaborating foreign firm may opt to appoint a resident representative other than a member firm chosen by the foreign firm; and shall otherwise be deemed to be represented in Liberia in keeping with the relevant and applicable statute(s) of Liberia by such other registered agent.

2.12 Based on the preceding, each, any and every member-firm of the Institute that desires to professionally associate with any foreign firm is hereby required to first ensure that the foreign firm in question is duly registered in Liberia, in keeping with the applicable laws of Liberia and also in keeping with the requirements of Section 1 of this Regulation, as a foreign-based legal entity duly authorized to do business in Liberia; and shall obtain appropriate documentary evidence to that effect, which evidence the member firm of the Institute shall promptly present to duly authorized

inspector(s) of the Institute when requested to do so by such inspector(s), under authority of Section 10 of this Regulation.

2.13 Similarly, each member firm that associates with a foreign firm in providing service(s) to any client(s) in Liberia shall, with respect to each such engagement, obtain and maintain sufficient, genuine and satisfactory documentary evidence that the foreign firm has fully complied with the requirements of Sections 1 and 3 of this Regulation; and shall also promptly provide such evidence, when required to do so, to a duly authorized inspector of the Institute.

2.14 A member firm that accepts to provide accounting and/or accounting related-service(s) to a client in Liberia, and finds out whether in the course of rendering such service or otherwise that the client has, following the effective date of this Regulation, previously engaged the services of any foreign person, whether individual or legal, who is not duly authorized to do business in Liberia, as required by this Regulation, is hereby required and obliged to report the infringement to the Executive Director of the Institute with copy of that report to the President of the LICPA.

2.15 Failure to promptly report such infringement of this Regulation or to provide to duly authorized inspectors of the Institute the evidence required by this Section shall constitute an offense that is punishable as specified in Section 1.4 of this Regulation.

2.16 All member firms of the Institute are to conform appropriately to the tax laws and other legal requirements of Liberia and to thereby serve as good examples in such regards to the foreign firm(s) with which they associate in keeping with the requirements of the LICPA Act and this Regulation.

Section 3: Tax and Other Legal Obligations of a Registered Foreign firm

3.1 Any foreign firm that meets and acceptably complies with the requirements of the preceding Sections, and is thereupon duly registered with the Institute as required, shall also be obliged to comply duly with the immigration, labor and tax laws of Liberia, as applicable, prior to and during the course of providing any accounting or accounting-related service(s) to any client(s) in Liberia or otherwise in relation thereto, as applicable.

Residence and Work Permits

3.2 In particular, with respect to the immigration and labor laws of Liberia, as applicable, the foreign firm and the collaborating member firm of the Institute shall ensure that, each, any and every foreign individual who participates in any engagement in Liberia, including visiting partners (or equivalent), team leaders, supervisors, managers, etc., who come and go during the course of an assignment, obtains, as

required by the applicable law(s) of Liberia, a valid residence permit, where applicable; as well as a valid work permit, where also applicable, that is in force for the duration of the engagement;

- 3.3 Subject to the effective date provisions of Section 12 of this Regulation, any foreign firm, that commences, carries out or continues to perform any accounting or accounting-related engagement in Liberia, after the coming into effect of this Regulation, without having earlier obtained for each foreign staff assigned by that firm to any engagement in Liberia, a valid residence and a valid work permit as required by the applicable law(s) of Liberia, (each of which, where required, is reasonably expected to remain in force for the duration of such engagement), commits an offense that is punishable by being delisted from the records of the Institute as a foreign firm authorized to do business in Liberia in accordance with this Regulation; or, if not already so registered, by being denied such registration in the records or the Institute.
- 3.4 Any foreign firm that is properly denied such registration or is properly delisted from the records of the Institute as herein provided shall not thereafter be eligible to register or re-register with the Institute until at least twenty-four (24) calendar months have elapsed from the date of such delisting or a refusal to register that firm.
- 3.5 Any foreign firm that commences or continues to perform any engagement in Liberia after having been notified of such delisting or a refusal to list commits an offense in Liberia that is punishable under Section 26 of the LICPA Act. Any Liberia-based client of such a firm that permits the foreign firm to commence or continue an engagement in Liberia after having been notified of such denial or withdrawal of registration commits an offense that is similarly punishable as specified in the above-mentioned provision of the LICPA Act. Any member of the Institute; or any RPA that in any way professionally associates with any delisted foreign firm or with a foreign firm that is denied the requisite registration with the Institute also commits an offense that is punishable as provided in Section 1.4 of this Regulation.
- 3.6 Criminal and/or other legal penalties may additionally apply under the applicable statutes of Liberia to the foreign firm and its employees as well as to any resident entity doing business in the Liberia that engages and utilizes the services of person(s), both natural and legal, who are not legally authorized to work in Liberia.

Taxation of Nonresident firms and Individuals

- 3.7 The foreign firm shall pay income tax to the Government of Liberia on its share of Liberia-sourced gross fees, by way of an appropriate withholding tax withheld by

the client served or to be served, in keeping with the then current tax law(s) of Liberia, unless such tax on income derived from Liberia by a foreign person (“*income derived from Liberia*”) as defined in the **Revenue Code of Liberia 2000**, revised November 2011; or any revised or equivalent replacement version thereof) is specifically tax-exempt by a double taxation treaty or otherwise by an agreement or understanding to which the Republic of Liberia is signatory.

- 3.8 Where the service contract with the client concerned provides for payment on a “net of taxes” basis, the applicable tax base shall be correctly grossed up and the withholding tax required by law calculated thereon and withheld by the client served or to be served, as required by the Revenue Code of Liberia (revised November 2011) or any revised or subsequent replacement tax law(s) of Liberia.
- 3.9 Moreover, consistent and in keeping with Sections 804 and 805 (a-2) and/or other similar provisions of the **Revenue Code of Liberia 2000** revised November 2011, (or the relevant provisions of an equivalent revised, modified or replacement version(s) of the tax laws of Liberia), each, any and every foreign staff, including visiting partners (or equivalent) team leaders, supervisors, managers, etc., of the foreign firm who come and go during the course of an assignment, and is present in Liberia for any period of time on account of such engagement, shall also pay an appropriate **personal income tax** (PIT) on that individual’s proportionate share of Liberia-sourced personal income derived from or attributable to such assignment.
- 3.10 For the purpose of the preceding requirement, the personal income attributable to each foreign individual who is present in Liberia for any length of time in relation to such engagement shall be based on the charge-out fee; or in accordance with the charge-out rate indicated for that foreign staff or category of foreign individuals in the related service proposal, engagement letter (or equivalent terms of reference) as required by Section 1.14 of this Regulation.
- 3.11 For the purpose of this requirement, the applicable taxable amount shall be the charge-out amount determined from the charge-out fee or based on the charge-out rate indicated above divided by the factor 1.5 (one point five) unless the ED circulates a different factor approved by the Council to member firms of the Institute not later than the fifth (5th) day of January of each calendar year, and provided further that at no time shall the calculation factor circulated by the ED be lower than the figure 0.5 (zero point five) or higher than the figure 3 (three). Absent a factor change by the date indicated above for any year, the factor used for the preceding year shall be applicable.
- 3.12 In the absence of any charge-out specifics, or where the charge-out amount applicable to any specific individual is, for any reason, not reliably determinable from such charge-out schedule or otherwise from the applicable terms of reference,

the taxable personal income attributable to each team member of any foreign service provider shall be the total gross fee allocated to the foreign firm divided by the number of foreign individuals who are present in Liberia at any time during the course of such engagement, regardless of the specific duration of stay in each case, for the engagement.

3.13 Consistent and in keeping with the requirements of Sections 804 and 806 of the **Revenue Code of Liberia 2000** (revised November 2011) or any revised or replacement versions of the Code or otherwise in keeping with the tax laws of Liberia, the Liberia-sourced **personal income** of each **foreign individual**, per the preceding, shall be subject to the withholding tax required by the above-mentioned sections of the Code (or the equivalent provision(s) of any revised or replacement version thereof) which shall be effected by the client or prospective client as required by Section 804 of said Revenue Code of Liberia (revised November 2011) or as otherwise required by any subsequent provision(s) of the tax laws of Liberia, and paid over by such client to the Government of Liberia in keeping with Section 806 (h) of the Code or such other subsequent and relevant provisions of the tax laws of Liberia.

3.14 The member firm of the Institute that hires or agrees to associates with a foreign firm in providing service in Liberia is hereby required to ensure due compliance with the tax laws of Liberia as indicated above; to otherwise duly comply with the requirements of this Regulation; and to obtain and maintain appropriate documentary evidence to the effect.

Section 4: Collaboration with a foreign firm (Non-network members)

4.1 Subject to the effect-date provisions of Section 12 of this Regulation, no collaboration arrangement of any kind involving a member firm of the LICPA and any firm based outside of Liberia is permissible and none shall be legal in Liberia unless and until it is entered into and carried out duly in compliance with the applicable requirements of this Regulation.

4.2 Any firm of accountants that meets the requirements of subsection 6 of Section 24 of the LICPA Act and is duly licensed by the Council of the Institute as a member firm of the Institute may, in accordance with the relevant provisions of this Regulation, or otherwise in accordance with regulations, if any, duly approved by the Council in such regard which are not contrary to the provisions of the above-mentioned Section or the LICPA Act, hire one or more foreign firms or agree to serve clients in Liberia in collaboration with one or more foreign firms, that is/are duly registered with the Institute in accordance with the requirements of Section 1 of this Regulation, provided the following conditions are fully met as applicable:

(a) The collaborating parties obtain from the Executive Director (ED) of the Institute a **No Objection** that is based a collaboration work plan or action plan which provides with reasonable clarity:

- (1) an adequate description of the service(s) to be performed by the parties in such collaboration;
- (2) the core expertise of the foreign firm;
- (3) duration of the service(s); whether periodic or otherwise;
- (4) number, category or categories and intended assignments and responsibilities of personnel of the foreign firm for each engagement period; and correspondingly the number and intended assignments and responsibilities of the local staff of the member-firm of the Institute for each engagement period;
- (5) a realistic Action Plan agreed by the parties for duly empowering the Liberian accounting staff of the member firm of the LICPA by means of appropriate capacity building or transfer of knowledge and skills to such Liberian staff of the member firm of the LICPA in a manner that, if implemented as planned, is reasonably likely to enable such Liberian staff of the member firm of the LICPA to progressively assume, within the timeframe agreed by the collaborating parties, the technical and administrative requirements of the engagement to the satisfaction of both the client served and the foreign collaborating firm. The timeframe referred to above is required to be included in such work plan or action plan required of the parties;
- (6) a measurement matrix that clearly outlines the nature and timing of capacity building deliverables with particular reference to the knowledge-and-skills transfers to be provided local staff of the member firm together with a corresponding progressive transfer of engagement responsibilities from staff of the foreign firm to those of collaborating member firm of the Institute during the period(s) indicated by the parties in items 4 and 5 immediately above.

(b) The parties otherwise commit in writing to the Institute, by signing as provided on a form provided by the Institute, to:

- (1) build the capacity of local Liberian staff by transfer of appropriate knowledge and skills from staff of the foreign firm to Liberian staff of the member firm of the Institute, as specified by them in subsection 4.2 (a) above; and provide to the Institute a schedule of periodic reporting to confirm to the Institute to what extent, if any, the work plan mentioned above has been actualized;
 - (2) allocate to the collaborating member firm of the LICPA; not less than forty five percent (45%) or better of the initial gross fee for the engagement; and thereafter to allocate the gross fee between the parties in accordance with the requirements of Section 4.9 of this Regulation; and particularly to ensure that in all cases, both initially and subsequently, that the gross fee allocated to the member firm of the LICPA shall, consistent with subsection 16 of Section 24 of the LICPA Act, shall be paid by the client concerned **directly** to the collaborating member firm of the Institute.
- 4.3 The ED may, where appropriate in her considered view, require the parties to suitably amend the collaboration work plan stipulated above, in order to bring it into compliance with the intent of the LICPA Act and of this Regulation. Subject to that, provided the parties have duly complied with the requirements stipulated above, the Executive Director shall promptly, but in any case within ten (10) working days of receiving a request for **No Objection**, either issue the **No Objection** sought or provide reason(s) for its denial or for any delay in granting same.
- 4.4 Anyone who is denied a **No Objection** or is otherwise dissatisfied with the decision of the ED, whether to issue or not to issue a **No Objection**, may within ten (10) calendar days of its due date or its issuance by the ED (whichever comes later), appeal the ED's decision first to the President; and then if still not satisfied to the Council of the Institute. The Council's decision on the matter shall be final, provided that anyone not satisfied with that decision may appeal it to a court of competent jurisdiction within Liberia.
- 4.5 The approved work plan or action plan shall additionally be subject to periodic review by the ED or under authority of the ED to ensure that it is reasonably followed and actualized as planned.
- 4.6 Consistent with the preceding, in no case, no instance and under no condition or circumstance shall a foreign firm request or for any reason receive from the client served or to be served any element of the gross fee portion allocated to a member

firm the LICPA as stipulated in subsection 4.2 (b-2) of this Section. Similarly, in no case, no instance or under no condition or circumstance shall a member firm of the Institute accept payment of any element of the gross fee allocated and due to that member firm, per above, from a collaborating foreign firm. The member firm shall receive payment(s) due under such agreement from the client served or, where justified under the prevailing circumstance, from one or more parties legitimately designated by the service recipient, but in any case, **never** from a collaborating foreign firm.

- 4.7 Acceptance/payment of any element of the fee allocated and due to a member firm in contravention of the preceding requirement shall constitute an offense that is punishable, in the case of a foreign firm, as stipulated in Section 1.3 of this Regulation; and in the case of a member firm, as provided in Section 1.4 of this Regulation, except that in each such case the penalty shall arise from violation of the stipulations of this Section.
- 4.8 In each, any and every case where a foreign firm of the LICPA is allocated or otherwise effectively receives ten percent (10%) or more of any gross engagement fee for services rendered in Liberia, that foreign firm shall, as a precondition for being allowed the privilege of participating in the Liberian market and on a form provided by the Institute for that purpose; as well as in the terms of engagement signed with any client or prospective client, affirmatively accept and confirm to bear full responsibility jointly and severally with the member firm of the LICPA for the professional quality of the service to be provided to the service recipient. Consequently, in any and all cases where the fee share received by a foreign firm is equal to or greater than ten percent (10%) of the total gross fee for the engagement the foreign firm is required to sign any and all related reports as stipulated in Sections 1.16 to 1.18 of this Regulation.
- 4.9 For the purpose of the transfer-of-knowledge-and-skills requirements stated in Section 2 of this Regulation, the requisite progressive transfer of appropriate knowledge and skills shall, absenting any contrary evidence, be presumed to have occurred between the parties, if, beginning with the third year of collaboration between the parties, the share of gross revenue allocated to the collaborating member firm(s) is progressively increased by not less than two and half (2.5) percentage points in each successive year when the same engagement is either renewed or otherwise continued; or a similar engagement is jointly undertaken anew by the same pair or consortium of collaborating parties.
- 4.10 The progressive increase indicated above shall be in addition to the initial forty-five percent (45%) minimum allocation required per subsection 4.5 of this Section, provided that the parties may, if they so desire for any good and valid reason, agree to set a ceiling for the member firm's share of fees that is **NOT LESS THAN** but

may, at the election of the parties, be greater than seventy-five percent (75%) of the gross fees for an engagement. This additional requirement is also intended to foster a speedy transfer of knowledge and skills as mentioned in Section 2 of this Regulation, the underlying basis of which is explained in Section 11 of this Regulation.

- 4.11 Failure of the parties to progressively increase the member firm's share of the applicable gross fee in accordance with the preceding requirement shall constitute presumptive but rebuttable prima facie evidence that the requisite transfer of knowledge and skill, per Section 2 of this Regulation, has either not taken place at all; or has not taken place in a sufficiently progressive manner. Because the building of local capacity through appropriate transfer of knowledge and skills is the underlying driving motive for the restrictive provisions of Section 16 of Section 24 of the LICPA Act and of this Regulation, such failure shall, unless proven otherwise by the parties concerned, indicate that the purpose for such professional association, as permitted under the Act and as stipulated in this Regulation, has been fundamentally defeated.
- 4.12 In that event, the Council shall by a majority vote of its members at any duly convened meeting of the Council, decide whether such collaboration arrangement should be terminated.
- 4.13 Prior to taking such vote the Council shall give the parties concerned, (both the member firm of the Institute and the collaborating foreign firm) an adequate opportunity to satisfy the Council as to why the collaboration arrangement, having failed to meet the stipulated requirement, should not be terminated. The presiding officer at such Council meeting may, should s/he deem fit, call for a vote on the matter by secret ballot. The decision thereby taken by Council shall be final.
- 4.14 Where the Council votes to permit the working collaboration between the two firms to continue, the Council shall stipulate conditions that must be met within an appropriate timeframe specified by the Council. In such cases the Council may choose to accelerate the periodic increase of fee share to the member firm of the Institute as it shall deem fit; and may also stipulate such additional requirements as it shall deem proper under the circumstance.

Section 5: Collaboration within an International network of Accounting Firms

5.1 Any member firm of the LICPA that meets the requirements of Section 16 of Section 24 of the LICPA Act, "*may collaborate with one or more member firms or other offices of such a network in carrying out any engagements*" in Liberia if:

- (a) prior to commencing the collaboration, the member firm and its intended network partner provide satisfactory evidence to the

Executive Director (ED) of the Institute that the member firm of the Institute has been a member of such international network of accounting firms for five (5) years or longer within the meaning of Section 16 of Section 24 of the LICPA Act, provided that no member firm of the Institute should at the same time have been a member or an exclusive correspondent of more than one international networks of accounting firms within the timespan specified in said Section 16 of Section 24 of the LICPA Act; and provided further that the five-year requirement of the Act shall nonetheless be deemed satisfied in situations where the international network of which a member firm of the Institute was a member has merged with or has been taken over in whole or in part by one or more other international networks of firms or otherwise where any section of such international network has changed its name on account of such merger or takeover; and if

(b) the relevant conditions stipulated in Sections 1 to 4 of this Regulation, as modified by subsection 5.2 below, are fully complied with, as applicable.

5.2 Subject to the preceding, the portion of gross fees allocable to a member firm shall **NOT** be less than but may be greater than thirty-five percent (35%), compared to a required minimum allocation of forty-five percent (45%) in the case of non-network firms or in the case of a network affiliation that is shorter than five (5) years. Moreover, the progressive fee increase for a member firm shall apply as provided in Section 4.9 of this Regulation, except that the collaborating parties may agree to set the member firm's share of fees from a collaboration engagement at a ceiling that is **NOT LESS THAN** but may, as determined by the parties, be greater than sixty five percent (65 %) of the gross fee(s) agreed with the client for the service rendered or to be rendered.

Section 6: Filing Requirements

Commencement of Collaboration

6.1 Prior to commencing any collaboration effort, the member firm and any foreign firm shall comply the applicable requirements of Sections 1 to 5 of this Regulation. Failure to do so shall be punishable as applicably specified those sections.

Completion/Interim Reports

6.2 Upon completion of the engagement, if less than twelve (12) months; but in any case not less frequently than once each calendar year, in cases where the terms of the engagement span more than twelve (12) calendar months, the collaborating parties shall furnish the ED of the Institute, in the manner reasonably required by the Council of the Institute, such evidence of due

compliance with the deliverables stipulated in the work or action plan submitted by them to the Institute in compliance with the requirements Section 4.2 of this Regulation and also otherwise in compliance with the requirements of LICPA Act and of this Regulation as the Council shall reasonably require, including but not limited to evidence:

- (a) that meaningful transfer of knowledge and skills (as detailed in the work plan required by Section 4.2 (a) of this Regulation), has taken place;
- (b) of payment received by the member firm **directly** from the service recipient for the service(s) performed or to be performed, in the case of an advance receipt of such payment; and that amounts paid to the collaborating member firm are in keeping with the applicable requirements of Sections 4 and 5 of this Regulation.
- (c) satisfactory to the Council that the amount received in compliance with item “b” immediately above has been lodged in a bank account of the member firm;
- (d) of such other indicator(s) that confirm accomplishment of the underlying objectives of the restrictive provisions of the LICPA Act and of this Regulation, as shall be deemed reasonably appropriate under the circumstance.

Section 7: Liberian Operation of a Foreign Accounting Firm

7.1 A foreign accounting firm that is not yet a member firm of the Institute may, in association with one or more Liberian nationals who are duly licensed as public accountants, establish a Liberian operation of the foreign firm in Liberia in keeping with the then current Associations Law of Liberia or any other relevant Liberian statute(s) and also in keeping with any relevant Council Regulation(s) provided:

- (a) the Liberian nationals mentioned above hold equity interest(s) in the Liberian operation of the firm, which Liberian interest(s) aggregate to not less than forty-five percent (45%) of the total equity interest of the firm, as at the date of the firm’s application for firm membership of the LICPA;
- (b) the Managing Partner (or equivalent authority) of such Liberian operation is a Liberian citizen who holds a practice license that is currently in force; such managing partner or equivalent authority is an authorized signer to each and every bank account of such firm whether such account is located in Liberia or outside of the Republic; and the

- signature of such individual is required for any and all withdrawals from any and all such bank account(s). The Council of the Institute, may solely at its option, require proof that this requirement is duly adhered to; and may towards that end, specifically authorize a targeted inspection, under authority of Section 10 of this Regulation, for that purpose;
- (c) the parties organizing the foreign firm's Liberian operation, particularly the Liberian stakeholders per items "a" and „b" immediately above along with their foreign counterparts, present to the Council for its advance approval, a realistic work Action Plan of the firm for duly empowering the Liberian staff of the firm by means of appropriate transfer of knowledge and skills to such Liberians in a manner that, if implemented as planned, is reasonably likely to enable such Liberians to take as much responsible ownership of the Liberian operation as practicable within a realistic and definitive timeframe as the Liberian stakeholders and their foreign counterparts shall agree, consistent with the requirements of Section 4.2(a) of this Regulation;
 - (d) also consistent with Section 4.2 (a) of this Regulation, the organizing parties, per the preceding, present to the Council for its approval a schedule of appropriate deliverables and related target dates for timely accomplishment of the Action Plan mentioned immediately above;
 - (e) the organizing parties, per above, provide to the Council of the Institute such additional information, data or evidence, etc., as the Council may reasonably require; and in such manner as the Council shall reasonably require, as a precondition for approving the organizers' request for their firm's membership of the Institute, which approval the Council shall not unreasonably withhold if the preconditions stipulated in this Section are satisfactorily complied with;
 - (f) subject to full compliance with the preceding, one or more members of the foreign firm, who have been duly admitted into the LICPA as professional members of the Institute under subsection 2 of Section 14 of the LICPA Act, but are not yet qualified (under subsection 8 of Section 15 of the Act) for licensure as public accountant(s) in Liberia, may, in accordance with appropriate agreement(s) or understanding(s) reached by the parties, provide technical guidance, mentoring and assistance to Liberian staff and other employees of the Liberian operation in servicing clients of the firm; and may also participate in ensuring appropriate quality of service to clients of such Liberian operation of the firm, provided that each of such other individuals, if an alien, holds a valid

work permit as well as a permit of residence, as required by the laws of Liberia, that is currently in force; and provided further that in no case or instance under any circumstance shall any individual sign any professional report(s) of the Liberian operation of the firm unless that individual is a bona fide resident staff of such Liberian operation who is also a member of the Institute duly licensed to engage in public accounting in Liberia.

7.2 Any member or member firm that violates any of the requirements stipulated in this Regulation shall, upon being found guilty of such violation (in keeping with Section 19 of the bylaws of the Institute), be subject to immediate suspension or dismissal from the Institute and the practice license of such member or member firm correspondingly suspended or withdrawn, as the Council of the Institute, following its review of all the relevant facts, shall deem fit under the circumstance.

Section 8: Liberian-Owned and Foreign-Owned Member Firms

8.1 For the purpose of this Regulation, a member firm in which one or more Liberian nationals have equity interest(s) that aggregate to fifty-one percent (51%) or greater is a Liberian-owned member firm of the Institute. Any other member firm is a foreign-owned member firm. However, a foreign-owned accounting firm shall be assessed annual firm membership fees at a fee rate not in excess of five (5) times the annual firm membership fee for a Liberian-owned member firm of the Institute.

8.2 The requirements in this Regulation are intended to prevent or minimize fronting; encourage transfer of knowledge and skills to qualified citizens of Liberia and thereby enable and promote duly qualified citizens of Liberia to participate in and benefit deservingly from accounting-related economic opportunities that are available in Liberia.

Section 9: Special Rule for Citizens of Liberia

Auditor General & Principal Deputies

9.1 By the very nature of their official responsibilities, the Auditor General of Liberia, the Deputy Auditor General for Audits and the Deputy Auditor General for Administration are automatically engaged in public accounting or accounting practice in the public sector from the time each assumes office. However, subsection 8(b) of Section 15 of the Act requires that *“to be licensed as [a] Public Accountant in Liberia” an accountant should have “been enrolled in the Institute as a certified public accountant continuously in good standing with the Institute, financially and otherwise, for five (5) consecutive years or more.”* Moreover, subsection 8(d) of Section 15 of the Act also requires that a candidate for licensing should also have *“been a lawful resident of Liberia, as defined in*

Section 19 of this Act, for three (3) or more continuous years as at the date of that individual's application for a practicing license."

- 9.2 Given the fact of their effective and de facto legitimate and legal engagement in public accounting within the public sector of the Liberian economy, it requires no argument that the restrictive provisions (mentioned above) of Section 15 the LICPA Act were clearly not intended to cover the Auditor General and the Deputy Auditors General of Liberia.
- 9.3 Therefore, to clarify the real intent of those provisions of the LICPA Act and to thereby remove any unintended conflict-of-law (and also any possible unintended constitutional issues), it is hereby provided, pending appropriate clarifying amendment of the LICPA Act, that immediately following confirmation of the Auditor General of Liberia or of any Deputy Auditor of Liberia by the Liberian Senate, the Auditor General and each Deputy Auditor General of Liberia shall, by that fact, become eligible to be licensed by the LICPA, under authority of the Act, to engage in public accounting in Liberia, provided the individual so confirmed by the Senate is otherwise eligible for admission into the Institute under the requirements of subsection 2(a) of Section 14 of the LICPA Act; has applied to the Institute for admission in keeping with the application requirements then in force; and has paid to the Institute the fees required by the Institute for admission into membership and for licensing as a public accountant.
- 9.4 The individual so licensed shall, all other things being equal, remain eligible for such licensing even after s/he leaves the post to which s/he was appointed by the President of Liberia and confirmed by the Liberian Senate, provided that, if not already done by then, the member would have passed an appropriate examination in Liberian taxation administered by the Institute.

Other Citizens of Liberia

- 9.5 Any citizen of the Republic of Liberia who meets the requirements of subsection 8(a), 8(c), and 8(e) of Section 15 of the LICPA Act shall be entitled to a practice license if such individual having been registered as an RPA or enrolled in the institute as a professional member thereof is, at the time of application for practice license, in good standing with the Institute financially and otherwise; pays to the Institute the license fees prescribed by the Council; has met the residency requirements of Section 19 of Act; and satisfies any other requirement(s) reasonably stipulated by the Council.
- 9.6 Consistent with the Constitution of the Republic of Liberia and the relevant statutory Laws of the Republic, subsection 8(b) of Section 15 of the Act shall not be enforced against citizens of Liberia.

9.7 Also consistent with the Constitution of the Republic of Liberia and the relevant Statutory Laws, subsection 8(d) shall be considered satisfied if such individual has a place of residence in Liberia.

9.8 Additionally, for a Liberian citizen in private practice, subsection 8(d) of said Section 15 of the LICPA Act is deemed satisfied if, during the time stipulated in that provision of the Act,:

- (a) the individual had a registered Liberian business;
- (b) the majority of the service is performed in Liberia;
- (c) service performed is either directly or under his/her direct supervision;
- (d) the individual has had a physical office location;
- (e) all payments are made in Liberia; and
- (f) if an employee, such individual is employed by a company registered in Liberia.

9.9 Consistent with the preceding, a member firm of the Institute that is registered in the records of the LICPA as a Liberian-owned firm under the requirements of Section 8 of LICPA Regulation 2, may admit and accredit, as a partner (as defined in Section 3 of the LICPA Act) of that member firm, a Liberian citizen who has served in the firm as manager or higher in providing accounting, assurance or tax service(s) to clients of the Liberian-owned member firm for fifteen (15) or more years, provided that, unless duly licensed by the Council of the Institute under any provision of Section 14 or of Section 15 of the LICPA Act or otherwise under other section of the Act, such individual, whether a member or a nonmember, shall **NOT** be “*authorized to sign off on professional work done by the firm*” in keeping with item 24 of said Section 23 of the LICPA Act.

9.10 Admission to partnership in a member firm under this subsection is intended to permit a nonmember Liberian citizen, who has served a Liberian-owned member firm for the time period indicated in the preceding subsection, an opportunity to share in the profits and otherwise in the equity of such firm. Any individual admitted to partnership of a member firm under this subsection shall be designated a Principal. Such admission to partnership and such designation, if done in accordance with this subsection, shall not be deemed in violation of any provision of the Act.

Section 10: Inspections

10.1 The Secretariat of the Institute shall, not less frequently than once a year, inspect or commission an inspection of the working papers files and where need be also the related accounting records of any member firm of the Institute that has sought and received a **No Objective** from the Institute, in order to confirm to the satisfaction of the ED that the member firm and the foreign firm(s) with which that member firm has associated in rendering services to clients in Liberia, have done so fully in accordance with the spirit (as explained in Subsection 11 below of this

Regulation) of the restrictive provisions of the LICPA Act as well as in accordance with the corresponding provisions in this Regulation. The history of public accounting in Liberia and deriving therefrom the rationale for those restrictive provisions are outlined in Section 11 of this Regulation.

- 10.2 The inspection mentioned above may, at the discretion of the Executive Director of the Institute, in his capacity as Chief Administrative Officer (CAO) of the Institute, be performed by staff of the Institute and/or by other persons, including but not limited to members and member firms of the Institute, who may perform such inspection on the basis of a limited and specially authorized peer review, provided that such review shall not at any time be in violation of the requirements of Section 17, particularly subsection 2 of Section 17, of the LICPA Act. All inspections commissioned by the ED shall be subject to approval by the President of the Institute or in the absence of the President subject to approval of the Vice President or in the concurrent absence of the President and the Vice President then subject to the approval of any member duly authorized to stand in the place of the President.
- 10.3 Any, each and every review conducted under authority of this Regulation shall be limited to obtaining satisfactory evidence that each engagement that has been carried out by a member firm of the Institute, during the current or the preceding calendar year, in any form of association with any foreign firm was performed in accordance with the requirements of this Regulation, as applicable. In particular, the inspector shall seek to ascertain that:
- (a) any foreign firm with which the member firm has associated in providing any service to any client(s) during the year is duly registered in Liberia, as required by Section 1 of this Regulation, as a legitimate legal person authorized to do business in Liberia in accordance with the laws of the Republic; or failing such compliance, that the member firm has, as required by Section 2.14 of this Regulation, duly reported in writing to the Executive Director of the Institute, any violation of Section 1 of this Regulation, by a foreign person, individual or firm, who has served a client as a predecessor auditor or other service provider to such client;
 - (b) there has been a meaningful transfer of knowledge and skills from the foreign firm to the Liberian professional staff of the member firm (as set out in the work plan submitted by the collaborating parties in their application for a No Objection and also as otherwise determined in accordance with assessment guidelines prepared by the Executive Director and duly approved by Council);

- (c) the gross fee allocation between the parties has been strictly in keeping with Sections 4.2 (b-2), 4.9 and 5.2, as applicable, of this Regulation;
- (d) there is satisfactory evidence available to confirm that the member firm has received the correct amount allocated to it in compliance with the LICPA Act and the applicable section of this Regulation; and that the member firm has received such amount **directly** from the client served or to be served, rather than from the foreign firm or from any intermediary of the foreign collaborator;
- (e) there is also satisfactory evidence that the amount received per item “d” immediately above, has been lodged in a bank account of the member firm; provided that where specifically mandated and only if so specifically mandated by the Council of the Institute, an inspector may additionally require evidence that the bank account in question is one to which no staff of the foreign firm or anyone else related in any manner to such foreign firm has any form of authorized access;
- (f) there is satisfactory evidence that the transfer of knowledge and skills, which underlies the restrictive provisions of the LICPA Act and those of this Regulation has been achieved, consistent with the collaboration plan submitted by the parties to the Institute in compliance with Section 4.2 (a) of this Regulation;
- (g) only duly licensed members of the LICPA have signed any and all professional reports issued by the firm;
- (h) any and all foreign individuals who have participated in any service engagement(s) of any client of the member firm in Liberia, have complied with the applicable laws of Liberia; in particular, that, where applicable, such individuals have obtained residence and work permits from the appropriate agencies of the Republic of Liberia; and that such individuals have paid the personal income taxes required by the tax laws of Liberia and consistent with the relevant requirements of this Regulations;
- (i) each client served has withheld from the nonresident employer of such nonresident individual(s) and paid to the Government of Liberia the corporate income tax required by law to be withheld from payments made to such nonresident employer; and also that personal income tax has been properly withheld from any employees of such foreign firm with which the member firm has collaborated during the year under review;

(j) other applicable requirements of the LICPA Act and of this Regulation have been duly complied with.

- 10.4 It shall be the responsibility of the parties, particularly the member firm of the Institute to maintain in sufficiently good order authentic records, or where appropriate, copies of relevant authentic records, that are adequate to provide the evidences required by this subsection. Such records shall be kept in sufficiently good order for not less than seven (7) years.
- 10.5 The reviewer shall, as promptly as practicable but in any case within ten (10) working days of having completed field work related to a review, communicate in writing to the member firm under review all exceptions or apparent exceptions, if any, noted in an inspection with a request for the member firm's explanation of the exception(s) or apparent exception(s) in question. The member firm shall as promptly as practicable but in any case within ten (10) working days of that request, unless a longer period is authorized in writing by the Executive Director (ED) of the Institute, provide written response(s) to the reviewer's queries, which explanation(s) the reviewer shall suitably include in the inspection report. The reviewer shall bring to the attention of the person subjected to a review, and if need be to the attention of the ED of the Institute for the latter's intervention, comments of the party subjected to a review which, in the view of the reviewer, are inadequate, non-responsive or otherwise unsatisfactory under the circumstance.
- 10.6 Unless earlier expressly excused in writing by the ED, failure by the member firm to respond to valid inspection queries within the timeframe specified in the preceding paragraph, shall subject the member firm to a fine of two hundred United States dollars (US\$200) or its Liberian dollar equivalent for each calendar day or part thereof that the required response remains outstanding. For the purpose of this requirement, the entire written response sought shall be deemed outstanding for as long as any query raised by an inspector remains not acceptably answered. The fine shall fall due and unless paid, shall accumulate, starting the eleventh (11th) day following an inspector's request for response. Failure to pay such fine on demand shall, with the approval of the Council, render such member firm liable to immediate suspension from the Institute unless and until the requirement is duly complied with.
- 10.7 Where in the view of the Executive Director (ED) the explanation(s) provided by a member firm in relation to the preceding is/are not satisfactory, the ED shall provide to the Council of the Institute a synopsis of the pertinent factors along with copies of each pertinent review report and the ED's recommendation(s) for appropriate action(s) by the Council under the circumstance.

10.8 The Council shall, following its review of the ED's submission, per the preceding, determine an appropriate course of action, including what sanction(s), if any, to impose on an offender, provided that in each and every instance, mandatory suspension of a member firm from practice shall apply in the case of a member firm that refuses or otherwise fails to provide to the Institute the evidence required by subsection 10.3 of this Section or otherwise as required by Sections 1 to 6 of this Regulation. The Council's decision under this requirement shall be final, provided that any person not satisfied with such decision may appeal that decision to a court of competent jurisdiction within Liberia.

Section 11: Why the Restrictive Provisions of the LICPA Act and these Bylaws

Preamble

11.1 Following the coming into effect of the **Liberian Institute of Certified Public Accountants (LICPA) Act** on June 3, 2011, many individuals, business houses, foreign diplomatic missions and in certain cases, even Ministries and other agencies of the Government of Liberia have purveyed, in various forms, grossly incorrect information about and interpretations of the restrictive provisions of the Act. It is not clear whether that spate of misinformation has been deliberate or simply based on ignorance. To obviate or minimize the risk of further misinformation and misinterpretation with regard to those provisions of the LICPA Act and of this Regulation, it is deemed efficacious to provide herein a brief history of public accounting in Liberia and based on that to outline and explain the thinking behind the restrictive provisions of the LICPA Act and the corresponding restrictive provisions of this Regulation.

Underlying Objective of the Restrictive Provisions of the Act

11.2 The ultimate underlying objective of the restrictive provisions of the LICPA and of this Regulation is to appropriately put the accounting profession in Liberia in the hands and in the charge of qualified Liberian professionals who are globally competitive. It is especially desired that all major accounting firms operating in Liberia, whether indigenous or foreign-based are owned (in whole or in part) and managed entirely or substantially by duly qualified and globally competitive Liberian professional accountants, as applies everywhere else in the world including in neighboring ECOWAS countries.

11.3 The restrictive provisions of the LICPA Act and of this Regulation seek to obtain the objective indicated above by giving the operators of foreign accounting firms in Liberia a large enough economic incentive to, in their own self-interest, appropriately transfer knowledge and skills in a timely manner to Liberian nationals who have both the capacity and the desire to acquire such knowledge and skills.

The history and the thinking behind the relevant provisions of the Act and of this Regulation are explained below.

Brief History

11.4 Public accounting commenced in Liberia in 1926 (88 years ago as at July, 2014) with the signing of Firestone Rubber Plantation Company's concession agreement with the Government of Liberia in that year. The Company's financial statements were audited by US-based accountants who commuted between Liberia and their home-base in the United States of America (USA) for that purpose. Other investors that came later (e.g., First City Bank of Monrovia, a subsidiary of First City Bank of New York, now CITICORP; Chase Manhattan Bank, National Iron Ore Company (NIOC), Monrovia Port Management Company, International Trust Company (ITC), Bong Mines, LAMCO, etc.) followed the Firestone example, except that for the most part, later investors used Europe-based accounting firms that were mainly British.

Briefcase Accountants, Auditors & Consultants

11.5 In the 88 years that followed, except for a relatively brief period of about 30 years (early 1960s to 1990), the various foreign firms that have operated in Liberia with lucrative gains have done so, for the most part, on a briefcase-commuter basis. They have collectively made very little or no discernible effort to encourage the development of local professional capacity or to otherwise develop the accounting profession in Liberia (which accounts for the existing capacity gap in Liberia). Their alleged reason for having so persistently and for so long neglected to develop accounting capacity in Liberia is separately discussed in subsections 10.23 to 10.31 below.

Resident for a While

11.6 Between 1960 and 1990, a period of thirty (30) years, four of the many foreign firms then operating in Liberia, three UK-based and one US-based did establish offices in Liberia for varying periods of time, while others continued their preferred come-and-go approach. Even then those foreign firms (including three of the then Big 8 firms) that became resident continued to ply their trade substantially as they had previously done before establishing residence in Liberia. In particular, they recruited professional staff either exclusively (in some cases) or almost exclusively (in other cases) from their home bases, mostly from Britain and then to a limited extent also from jurisdictions of British influence in West Africa, with only token efforts made to recruit and train Liberian staff as professional accountants.

Two Professional Accountants in 85 Years

11.7 As a result, during the period of eighty-five (85) years (1926 - 2011) of lucrative operations in Liberia, including the 30-year period of residency mentioned above, when the accounting profession in Liberia has been exclusively controlled and dominated by foreign-based accounting firms, put together, all of those foreign firms (ten or more in all) that have operated in Liberia for close to 90 years have trained a grand total of only two (2) Liberian nationals as professional accountants. Except for those two, the foreign-based and foreign-managed firms that have operated lucratively in this Country for nearly a century have absolutely nothing at all to show with respect to local capacity building. Their excuse for that level of neglect of Liberia and its people, from whom those firms have benefited for so long, is discussed in Sections 11.23 to 11.30 below. Some do not even bother to offer any excuse at all. They see no need for it.

Back to Commuting

11.8 In the wake of the Liberian civil war that commenced in 1990, all foreigner-operated accounting firms in Liberia left the Country and did not return, except on a briefcase-commuter basis, prior to the coming into effect of the LICPA Act. During that 23-year period (1990-2013), their staff entered Liberia, booked into local hotels or into the guest houses of their clients; did their work; collected fabulous fees and left with absolutely no benefit (repeat, absolutely no benefit at all) of any kind whatsoever to any Liberians. None has hired any Liberian in any capacity of any kind whatsoever – not even as clerks, drivers, messengers, security, etc., and certainly not as accountants. The foreign employees of those foreign firms that performed accounting and accounting-related services in Liberia (in many cases without benefit of any resident or work permits, as required by the laws of Liberia) have not paid any form of personal income taxes; nor did the firms that hired and brought them to Liberia pay any corporate income tax on their Liberia-sourced incomes.

Unwilling to Mentor or to Share

11.9 Moreover, experience has shown very clearly that given the chance, the foreign operated firms only desire to make as much money as they possibly can but without any benefit of any kind at all to Liberian accountants. In this regard it is noteworthy that prior to the coming into effect of the LICPA Act, the Government of Liberia informally **requested** (repeat, requested) the foreign firms operating in Liberia on a briefcase-commuter basis to ensure to partner with local firms in performing Liberia-based engagements in a manner that would position the foreign firms to transfer knowledge and skills to Liberian accountants.

11.10 In response, one Big 4 firm (based in an ECOWAS country) that was awarded a US\$1.7 million engagement by the Government, picked a local firm that is not even an accounting firm (hence no possibility of appropriate knowledge and skills transfer) as its local partner for that engagement. When the job was done, the BIG FOUR firm gave its local counterpart twenty thousand US dollars (US\$20,000), i.e., mere 1.1 percent of the fee mentioned above, as the local firm's fee share from the engagement. Similarly, another BIG FOUR, also from the same ECOWAS country, gave its local counterpart, an accounting firm in that case, five thousand US dollars (US\$5,000), being a mere 2.5 percent of a total gross fee of two hundred thousand US dollars (US\$200,000) for an engagement. These are only two illustrative examples of many similar situations that have occurred even in fairly recent times, let alone much earlier times, prior to the coming into effect of the LICPA Act.

11.11 In each of the cases outlined above, neither the foreign firm nor any of its employees paid any local taxes whatsoever, whereas the local counterparts and their staff were required to pay taxes on the little that was given them.

The Restrictive Provisions of the LICPA Act in Proper Context

11.12 The restrictive provisions of the LICPA Act (and those of this Regulation that are based on the Act) are intended and designed to address the preceding. They seek to provide the foreign-based operators of global firms operating in Liberia with an economic incentive that is large enough to encourage such global firms to meaningfully partner with and thereby appropriately transfer knowledge and skills to Liberian accountants on a basis that will make Liberian professional accountants globally competitive. Taken together, those provisions make it illegal for any non-resident firm to perform any type of accounting or accounting-related engagement (assurance, accounting, taxation, other consultancy, etc.) in Liberia except in collaboration and together with a member firm of the LICPA and also provided the resident firm is allocated and paid, as a minimum, the fee shares indicated in the LICPA Act and in this Regulation, as applicable.

11.13 Contrary to how the restrictive provisions of the Act have been misinterpreted and conveyed to key decision makers, including certain officials of Government, donor agencies and the diplomatic community in Liberia, the thinking behind the restrictive provisions of the LICPA Act and of this Regulation is emphatically **NOT** to exploit anyone or otherwise to unjustly enrich anyone to the detriment of another. Instead, those provisions are intended and designed to **encourage** foreign firms to do, in their own self-interest what they have so consistently failed to do in Liberia for well-nigh one century of lucrative operations in the Country: that is, transfer appropriate knowledge and skills to local accountants. It is also **NOT** the objective of those restrictive provisions of the Act or of this Regulation to discourage the participation

of global firms in the Liberian accountancy market. Instead, all claims to the contrary notwithstanding, those provisions are intended and designed to encourage the participation of global accounting firms in the Liberian accountancy market in a way that fairly transmits measurable capacity and corresponding economic benefits to Liberian accountants.

How is it supposed to work?

- 11.14 The thinking is that given the legal requirement to partner and share fees with one or more resident firms, non-resident firms will think and behave rationally and so will, in their own economic self-interest, seek out and partner with locally-based institutions that are either immediately capable of **EARNING** the fee share allocated by law; or if not immediately so capable, are willing and capable of benefiting from capacity building (formal and informal training for transfer of knowledge and skills) that will empower Liberian nationals to do so within the shortest period of time practicable.
- 11.15 On that basis, from the Institute's point of view, it would be perfectly acceptable if the Liberian staff of a member firm of the Institute became so well trained that, in due course, the Liberian firm can and does perform 100 percent of a collaborative assignment to the full satisfaction of the client served and its nonmember partner (with little or no direct supervision from outside), but the non-member firm still gets its agreed share (up to 65 percent) of gross fees as permitted by the Act and this Regulation.
- 11.16 Under the scenario above, the ultimate objective of the restrictive provisions of the LICPA Act and of this Regulation, which is to suitably empower Liberian accountants and make them globally competitive, would, in the view of the framers of the LICPA Act, have been achieved; and would constitute a much desired win-win situation for everyone. Indeed, in the view of the Institute, it would be an even better win-win scenario if the resident firm that does 100 percent of the work, per above, is the Liberian office of a major global firm, **provided that such Liberian office is staffed and managed by qualified Liberian nationals**. In that case, there would be no need or requirement to share fees with anyone.
- 11.17 With respect to the preceding, the restrictive provisions of this Regulation are especially intended and designed to encourage meaningful and genuine **Liberianization** of the local offices of major international firms as promptly as practicable. Those provisions are specifically intended and designed to obviate or minimize the risk that the Liberian operation of a global firm will be colonized by foreigners, who will, in protecting their positions in Liberia, effectively discourage professional qualification of Liberian accountants, as is known to have happened in the past, prior to the Liberian civil war; and as further suggested by the behavior of

those same firms in their briefcase operations in Liberia since the war even in very recent times prior to the coming into effect of the LICPA Act. The framers of the LICPA Act and of this Regulation consider that, given the historical context of public accounting in Liberia, and taking properly into account the experiences outlined above, the restrictive provisions of the Act and those contained in this Regulation, are the only practical alternative for suitably empowering Liberian accountants to exercise their birthrights by competently harvesting accounting and accounting-related economic opportunities that are available in Liberia, rather than remain on the sidelines as non-nationals benefit from those economic opportunities, as has until recently, been the case for nearly a century.

Question:

11.18 Otherwise, given the inherent structural imbalance in competition that would otherwise exist between the almighty and ubiquitous global firms versus their unknown or little known local counterparts, how else can locals be rationally expected to acquire appropriate capacity and thereby benefit from the accounting-related economic opportunities in Liberia that are their birthright, especially given the history of accounting practice in Liberia from 1926 up to 2011, as outlined above? The framers of the LICPA Act and of this Regulation believe that properly and fairly enforced, as intended and designed, the restrictive provisions referred to above will **encourage** foreign firms to carryout appropriate due-diligence in scouting for and selecting member firms of the Institute with which to collaborate in performing services in Liberia.

Answer:

11.19 The framers also believe that under the conditions specified in the Act as well as correspondingly in this Regulation, the economic self-interest of nonresident firms will obviate or minimize the risk that unscrupulous Liberian nationals will take unfair advantage of the restrictive provisions of the LICPA Act and of this Regulation to unjustly enrich themselves at the expense of any foreign firm(s).

11.20 All in all, the restrictive provisions of the LICPA Act and the related provisions of this Regulation are **NOT** (repeat, they are emphatically **NOT**) intended to discourage the participation of international firms in the Liberian accountancy market. On the contrary, although that fact may not be immediately obvious to some, they are actually intended and designed to **encourage** the participation of global firms that desire to genuinely work with the Institute in enhancing the development of the accounting profession in Liberia, in the Liberian accountancy market.

Emerging Results

11.21 There is strong and encouraging evidence that the restrictive provisions of the LICPA Act and those enunciated in this Regulation have already begun to produce the results intended in fashioning those provisions. Notable cases in point:

- (a) Several global firms that have not previously considered doing so are currently partnering with member firms of the Institute in significant ways. In particular, a major Big 4 global firm, has (late 2013) established a Liberian office, which was in November 2013, admitted as a member firm of the LICPA.
- (b) In keeping with requirements now specified in this Regulation, a Liberian professional accountant is the pioneer Managing Partner of that Big 4 global firm. Beyond that, the firm has indicated to the LICPA that it has recruited another Liberian from the US who is a partner in Liberian firm. In addition, so it has indicated to the LICPA, the firm has recently hired five Liberian accountants, who are being trained as professional accountants in the Firm's office in a nearby ECOWAS country.
- (c) Moreover, the firm has in recent times also advertised for more associates to be hired and trained as professional accountants and in various other professional and ancillary capacities. Thanks to the LICPA Act, all of this is in sharp contrast to what obtained previously when that same Big 4 Firm operated in Liberia on a commuter basis. In that case, as earlier stated, there was not a single Liberian employed in any capacity whatsoever, whether as clerk, driver, messenger, security, etc.; just nothing then; but now everything.
- (d) In addition to the preceding, a second Big 4 accounting firm has entered into a collaboration agreement with a member firm of the Institute to serve clients in Liberia. This second Big 4 global accounting firm has informed the LICPA that the firm has, since 2011, qualified two Liberian nationals as professional accountants in its home country, a neighboring member state of ECOWAS, with several others already recruited and steadily progressing toward professional qualification.
- (e) Like those mentioned above, two other Big 4 global accounting firms are also now partnering with member's firms of the LICPA to service clients in Liberia.

(f) In summary, all of the Big 4 global accounting firms now operate in Liberia, but no longer in isolation and on a purely commuter basis, as they all previously did prior to the coming into effect of the LICPA Act; but instead now in a way that positions each of them to transfer knowledge and skills to Liberians, which is the underlying objective of the restrictive provisions of the LICPA Act and those of this Regulation. In addition, there is some evidence that a number of second and third tier global firms are also beginning to follow the examples of the Big 4 in Liberia.

11.22 Doubtless the preceding compare very favorably with the history of public accounting in Liberia prior to the coming into effect of the LICPA Act – one foreign-based Big 4 accounting firm having qualified two Liberian nationals as professional accountants in just two years following the coming into effect of the LICPA Act compared to that same number of Liberians qualified by all the foreign firms (10 in all, 5 resident and 5 foreign) put together that have operated profitably in Liberia in nearly one hundred years before then; and another Big 4 firm having recruited and hired a Liberian accountant as the Managing Partner for its local operation, etc., and all the Big 4 firms, as well as a number of second and third tier global firms, now actively partnering with member firms of the Institute, within the same period. Taking duly into account the 88-year history of public accounting in Liberia, as outlined above, it requires no argument that none of these welcome developments would have happened but for the much-misunderstood, much-criticized, much maligned and much-demonized restrictive provisions of the LICPA Act.

The Educational System of Liberia

11.23 The foreign-based accounting firms that have operated in Liberia for nearly a century have, until the coming into effect of the LICPA Act, not seen fit to build local accounting capacity because, so some of them have argued, educational standards within the Liberian school system have over the years been so poor that the outputs of that system have been deemed unfit for training as professional accountants. That perception still abounds (sadly, justifiably so in some cases), even as at this writing (July, 2014).

11.24 It is readily acknowledged that particularly in recent times, especially in the wake of Liberia's fourteen (14) year civil war, and in some cases even earlier, there have indeed been (and there still are) issues of valid concern about quality standards in the Liberian system of education. In a distressingly large number of cases those issues have indeed become progressively worse in the aftermath of the Liberian civil war.

- 11.25 Even so, it is also indisputable that some outputs of that same “rotten”, “broken” and “useless” school system have excelled in some of the best universities (Harvard, MIT, Yale, etc.) in the world, as Fulbright scholars in the US and in similar scholarly roles elsewhere around the world. Notable examples from that “rotten,” “broken” and “useless” Liberian system of education include the current President of the Republic and also the current Finance Minister of Liberia, both of whom are Harvard graduates; as well as the current Executive Director of the Institute who is a 2007 and 2008 MIT graduate (two separate Masters degrees in quantitative disciplines); a part-time instructor and current chairman of the Institute's Education Committee, who is also a 2012 Harvard graduate; and additionally a student member of the LICPA (she completed ATSWA in 2011 and is currently a Candidate in Part 4 of the LICPA’s Professional Credentialing Program) who is also a 2014 Harvard graduate. In addition, there are other young Liberians, products of the same “broken,” “rotten” and “useless” educational system of Liberia, who are also currently enrolled at Harvard and other Ivy League schools in the United States as well as in other globally renowned academic institutions elsewhere around the world.
- 11.26 On a less profound scale, products of Liberia’s “broken,” “rotten” and “useless” Liberian educational system, who spread out to various destinations around the world in the wake of the Liberian civil war, have also made it successfully in various other educational institutions around the world, that “broken,” “rotten” and “useless” educational system notwithstanding. Finally, available statistics indicate that the performance of Liberian candidates in the **Accounting Technicians Scheme, West Africa (ATSWA)** exams, which are uniformly administered in all of English-speaking West Africa, from Nigeria to the Gambia (with the answer scripts of LICPA candidates marked in Ghana by examiners of the Institute of Chartered Accountants, Ghana [ICAG]), have either been better (yes, indeed, significantly better in some cases) or certainly no worse in other cases than to those of their counterparts elsewhere in West Africa.
- 11.27 The point of all the preceding is just simply that, notwithstanding whatever shortcomings have existed and do still exist in Liberia’s educational system, with any serious concerted efforts made, the foreign-based accounting firms that have operated in the Country for close to 100 years, would doubtless have found suitable candidates within that system to have trained as professional accountants. They have not done so for so long apparently because they did care to. They did not care to because they had no incentive to do so. The restrictive provisions of the LICPA Act and of this Regulation are intended and designed to provide them the requisite incentive; in particular, to encourage the foreign-based firms operating (or seeking to operate) in Liberia to help narrow the capacity gap that they created in nearly a century of unregulated operations in the Country.

11.28 The good news is that in response to those provisions of the LICPA Act, the very foreign-based accounting firms that claimed for so long to have been previously unable to do so for the reason discussed above, have now suddenly discovered ways of scouting for and recruiting acceptable products out of Liberia's "rotten," "broken" and "worthless" educational system, not only to train as professional accountants but also to put in significant positions of authority in the management of their Liberian operations, as earlier discussed above. It is therefore clear that the much maligned and much demonized restrictive provisions of the LICPA Act are already beginning to produce the kinds of beneficial results that they were intended and designed to achieve – i.e., give global firms operating in Liberia a large enough economic incentive to do what they should have done so long ago but failed to do; in particular, to see wisdom in developing local capacity by appropriate transfer of knowledge and skills to deserving Liberians.

Request of the Liberian Institute of Certified Public Accountants

11.29 Based on the preceding, the **Liberian Institute of Certified Public Accountants (LICPA)** hereby formally requests the various home authorities of the international community in Liberia (particularly, the relevant authorities of the United Nations, World Bank, IMF, USAID, DFID, European Union, etc.) to use their considerable clout and influence to:

- (a) ensure that their various local operatives who are resident in Liberia exert efforts that will enable the LICPA to achieve the capacity building objectives of the restrictive provisions of the LICPA Act and of this Regulation; as explained above, rather than seek to undermine those requirements;
- (b) educate other international institutions operating in Liberia on the true objectives and intent of the restrictive provisions of the LICPA Act; and encourage such other international institutions and their operatives in Liberia to also put into effect affirmative measures that support attainment of the driving and overarching objectives of the restrictive requirements of the LICPA Act.

11.30 The LICPA also appeals to the authorities of the Government of Liberia, Ministers and the Chief Executive Officers (CEOs) of autonomous agencies of the Government, to please engage the Institute when others with an obvious self-interest purvey to them distorted views of the restrictive provisions of the LICPA Act and/or those of this Regulation; or of anything else pertaining to the Institute regarding which they may desire to be authoritatively and reliably informed.

Section 12: Empowerment Programs of the LICPA

Professional Credentialing Programs

- 12.1 In furtherance of the underlying objectives of the restrictive provisions of the LICPA Act, as stated in Section 2 above, the **Liberian Institute of Certified Public Accountants (LICPA)** has, starting 2008, inaugurated a number of capacity building programs that are doing well and hold good promises. These include three professional accounting credentialing programs. One is the **Accounting Technicians Scheme, West Africa (ATSWA)**, which is a preparatory foundation program for the other two higher level programs. The professional programs are two: one designed to professionalize accounting in the public sector of Liberia; and the other designed to professionalize accounting in the private sector.
- 12.2 ATSWA is organized and administered by the **Association of Accountancy Bodies in West Africa (ABWA)**, a regional umbrella organization of the national Professional Accountancy Organizations (PAOs) in the member states of ECOWAS, plus the national accounting institute of Cameroon, which although located in Central Africa, has applied for and has been granted membership in ABWA. Successful ATSWA candidates are eligible for admission into the LICPA as **STUDENT** members.
- 12.3 The Professional credentialing program for the public sector is currently at development stage. It is intended that when fully operative the program will provide a career path for professional accountants in the public sector. The LICPA is currently in discussion with the UK-based Chartered Institute of Public Finance and Accountancy (CIPFA), which is globally renown in this area, to develop particulars of the LICPA's public sector accounting program. Toward that eventual end, under funding provided by the **United States Agency for International Development (USAID)** the LICPA has partnered with the **Liberian Institute of Public Administration (LIPA)**, to launch the **Liberia Accountancy Training (LAT)** into which are incorporated the three national accountancy capacity building programs mentioned of the LICPA. i.e., (a) ATSWA, (b) Professional Credentialing Program for the Public Sector and (c) Professional Credentialing Program for the Private Sector. The LIPA also runs various certificate programs under the umbrella of the LAT Program.
- 12.4 The three programs are running concurrently even while the top end of the public sector credentialing program is being designed. As applies for the private sector, candidates for public sector professional credentialing will be required to pass an appropriate professional exams organized by a Professional Accounting Organization (PAO) of international repute, such as the **Chartered Institute of Public Finance Accountants (CIPFA)** or the Institute of Chartered Accountants,

England and Wales (ICAEW) both UK-based as a starting point for the LICPA's public sector accountancy program.

- 12.5 It is expected that appropriately modified for the purpose the syllabus of the ATSWA will provide a common based for those seeking for those seeking a career path in public sector accounting and those who desire to follow a corresponding career path in private sector accounting. This way, successful ASTWA candidates have two professionalization possibilities: public sector or private sector.
- 12.6 Currently, the LICPA's private sector credentialing program is actually that of the **Institute of Chartered Accountants, Ghana (ICAG)**, which the LICPA, in collaboration with the ICAG administers in Liberia under an MOU signed between the two sister Institutes in 2010. Candidates who complete that program are eligible for admission into the Ghanaian Institute as **Chartered Accountants, Ghana** and are eligible, on that basis, for admission into the Ghanaian Institute as professional members of the ICAG. On that same basis they also become additionally eligible for admission into the LICPA as professional members of the Liberian Institute and thereby become additionally eligible for credentialing as **Certified Public Accountants (CPAs), Liberia**.

Syllabi Integration Program (SIP)

- 12.7 On May 8, 2013, His Excellency, Joseph Nyumah Boakai, Vice President of Liberia, officially launched the LICPA's **Syllabi Integration Program (SIP)**, which is being piloted in three participating tertiary institutions of learning, Stella Maris Polytechnic, in Monrovia, starting September, 2013; along with Adventist University of West Africa located in Monrovia and Cuttington University, located in Suakoko, Bong County, starting January, 2015. The LICPA desires to eventually migrate this program to all tertiary institutions of learning in Liberia that offer specialization in Accounting and are also willing to partner with the LICPA in this national capacity building effort.
- 12.8 The SIP is part of the LAT Program funded by the **Governance and Economic Management Support (GEMS)** Program of the **United States Agency for International Development (USAID)** in Liberia. It seeks to fast track professional credentialing of young Liberians. On this basis the LICPA's **Syllabi Integration Program (SIP)** seeks to integrate the syllabi of the Institute's credentialing programs into the accounting curricula of Liberian universities. The aim is that those universities will produce accountants who are professionally qualified by the time they complete academic requirements in participating schools.

Twinning Program with the Institute of Chartered Accountants, Ghana

12.9 Along with the Institute's **SIP**, as outlined above, the Vice President of Liberia also on May 8, 2013, officially launched the LICPA's Twinning Program with the Institute of Chartered Accountants, Ghana (ICAG). This is a World Bank financed program under which the Ghanaian Institute is mentoring the LICPA to become a strong member body of the International Federation of Accountants (IFAC), the highest standard-setting Professional Accounting Organization (PAO) in the world. It is expected that the Program will, among other things, enable the LICPA to mount global quality credentialing programs of its own; or alternatively, to contribute significantly to successful development and promotion of a regional West African professional accounting qualification program; and thereby become a highly influential national capacity building institution in Liberia.

Audit Manual & Audit Quality Review

12.10 The Twinning Partnership with the ICAG requires preparation of an audit manual, appropriately customized for Liberia, for use by practicing members of the LICPA. The LICPA understands that such manual will be suitably adopted from one designed by the **Institute of Chartered Accountants, England and Wales (ICAEW)** under a similar twinning partnership between the **ICAG** and the **ICAEW** for Ghanaian practitioners.

12.11 Going along with the manual is the beginning of a regime of independent audit quality assurance reviews, as required by the Sections 16 and 17 of the LICPA Act, that are intended to provide assurance to the Council of the Institute that professional work performed by practicing members of the LICPA conform to the applicable international standards promulgated by IFAC.

12.12 The Twinning Program has also initiated a series of **Continuing Professional Development (CPD)** training courses (IFRS, audit procedures and documentation, Ethics for Professional Accountants, etc.) that members have been required to pay for and attend. Some of the CPD (e.g., IFRS) courses were and are available to members of the public who desire to avail of those courses.

12.13 Finally, as part of the Partnership arrangement, the **Liberian Institute of Certified Public Accountants (LICPA)** has commissioned preparation of text books for Liberian Taxation, Liberian Public Sector Accounting and Liberian Business Law.

12.14 In addition to the preceding, the LICPA is actively negotiating with the Chartered Institute of Public Finance and Accountancy (CIPFA) an arrangement under which the LICPA will be empowered to professionalize public sector accounting in Liberia. It is contemplated that under that Program, the LICPA, with guidance provided by

CIPFA, will in a handholding manner work with accountants in the various ministries and other agencies of the Government of Liberia to regularly produce, on a timely basis, public sector accounting reports that are in compliance with **International Public Sector Accounting Standards (IPSAS)**. The intention is to commence with Cash Basis IPSAS and then to gradually move those public sector institutions the progress sufficiently toward that end, to then appropriately transition to Accrual Basis IPSAS.

Section 13: Effective Dates:

- 13.1 Except as specified in this Section, the requirements of this Regulation shall come into effect on the effective date of this Regulation.
- 13.2 Full compliance with the requirements of Section 1 of this Regulation is required for any and all collaborative engagements that commence within sixty (60) calendar days of the effective date of this Regulation.
- 13.3 In the case of accounting and accounting-related engagements commenced prior to the effective date of this Regulation, the registration requirements of Section 1 of the Regulation (which are based on already existing statutes of the Republic of Liberia) shall come into effect ninety (90) days after this Regulation comes into effect. In view of the grace period mentioned above, the LICPA shall not at any time following the effective date of this Regulation, pursue any case against either of the collaborating parties (member firm of the Institute or the collaborating foreign firm) concerning foreign firm registration in Liberia for any and all engagements that have been completed prior to the coming into effect of this Regulation. However, the relevant authorities of the Government of Liberia may choose to pursue criminal action(s) against offenders.
- 13.4 The Institute shall also not pursue any such registration issues in respect of engagements commenced prior to the effective date of this Regulation but not yet completed as at that date, provided such registration, if not already done by then, is subsequently done within the ninety (90) day window that follows the coming into effect of this Regulation. Provided the requirement for registration is duly complied within the period stipulated above, a **No Objection** from the Institute shall not be required in respect such engagements. That is to say, a **No Objection** is **NOT** required in respect of any and all engagements commenced prior to but not completed as at the effective date of this Regulation if the foreign firm involved with such engagement becomes duly registered, in keeping with the existing laws of Liberia, within the 90-day window mentioned above.
- 13.5 The fee sharing requirement of Section 4.2 (b-2) of this Regulation come into force on the effective date of this Regulation in respect of any and all applicable engagements commence on or after the effective date of this Regulation.

- 13.6 However, such shall not be required for any collaboration engagements completed prior to the effective date of this Regulation. In this particular regard, the Institute shall also not pursue any action against anyone in respect of collaboration engagements commenced prior to the effective date of this Regulation but not completed as that date, if the fee portion agreed for and paid or payable to the member firm concerned is, consistent with the requirements of subsection 16 of Section 24 of the LICPA Act, thirty-five percent (35%) or more.
- 13.7 Failing that, the requirements of Section 4.2 (b-2) of this Regulation shall apply retroactively in any and all situations where such fee portion for a collaborating member firm is less than thirty-five percent (35%) unless such deficiency, if any, is also cured during the ninety (90) day period mentioned above.
- 13.8 Failure to comply with the applicable provisions of the preceding paragraph following the effective date of this Regulation shall, for the purpose of this Regulation, constitute an offense that is punishable, in the case of a foreign firm as provided in Sections 1.3 of this Regulation and in the case of a member firm, as provided in Section 1.4 of this Regulation, except that in each case the sanction specified shall apply for contravention of the requirements stated above in this paragraph.
- 13.9 The requirements of Sections 2.1 to 2.10 of this Regulation shall become mandatory eight (8) months after the effective date of this Regulation. Early compliance is encouraged. In the interim, member firms are encouraged to meet the requirements stipulated in those provisions.
- 13.10 The applicable signature and logo requirements of Section 1 of this Regulation shall apply in the case of all reports signed on or after the effective date of this Regulation; and also with respect to all Expressions of Interest, Proposals, etc. submitted to any client or prospective client on or after the effective date of this Regulation. All other requirements come into force on the effective of this Regulation.

Section 14: Definitions

- 14.1 Unless otherwise herein defined, terms and phrases used in this Regulation are as defined in Title 5 (Associations Law) of the **1976 Liberian Code of Laws (revised 2002)**; or as defined in the LICPA Act and/or the Bylaws of the Institute.
- 14.2 As used in this Regulation, an accounting firm includes any organization, whether organized as an accounting firm and/or as a consulting firm of whatsoever kind that perform or desires to perform any accounting and/or any accounting-related engagement(s) anywhere in Liberia.

LICPA REGULATION 2 OF 2014

WHEREAS, the Council is mandated by Section 9 of the LICPA Act of 2011 (as Amended) in its entirety to issue regulatory guidelines or Regulations under the LICPA Act of 2011 for adoption by two-third (2/3) or grater majority vote of the Members of the Institute and the approval of the Council to regulate, amongst other things, the promugation of regulations and provide appropriate procedure for sanctioning or lifting of sanctions for full professional members or student members;

NOW THEREFORE, consistent with the statutory mandate aforementioned, the Council approves these Regulations adopted by two-third (2/3) or grater majority vote of Members of the Institute.

1. Citation

These Regulations shall be cited as Liberian Institute of Certified Accountants Regulations 2 of 2014.

2. Commencement

These Regulations shall come into force on the *8th* day of *October* 2020.

3. Coverage

These Regulations are applicable to all members of LICPA (full professional members, student members of the Institute, and member firm, foreign firms collaborating with local member firms, Public Accountant, and Registered Practicing Accountant)

NOW THEREFORE, PRESENTED TO THE PRESIDENT OF THE LIBERIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND CHAIRPERSON OF THE GOVERNING COUNCIL FOR APPROVAL.

APPROVED THIS: 8th DAY OF October A.D. 2020

AT THE HOUR OF 11:21 AM.



THE PRESIDENT AND CHAIRPERSON OF THE GOVERNING COUNCIL OF THE LIBERIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (LICPA)