

Management Letter

On the Japan-Liberia Paddy and Seed Rice Project

For the period October 1, 2010 to December 31, 2013



Promoting Accountability of Public Resources

**Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.**

Monrovia, Liberia
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ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
AG	Auditor General
AOM	Audit Observation Memorandum
BGR/LRA	Bureau of General Revenue / Liberia Revenue Authority
CAC	County Agriculture Coordinator
CBL	Central Bank of Liberia
CDA	Cooperative Development Agency
CPA	Certified Public Accountant
CGMA	Chartered Global Management Accountant
CVF	Counterpart Value Fund
DAG/Adm.	Deputy Auditor General for Administration
DAG/Aud.	Deputy Auditor General for Audit
DAO	District Agriculture Officer
DMA	Deputy for Administration
DMRPD	Deputy Minister for Research, Planning & Development
DMTE	Deputy Minister for Technical Extension
DSA	Daily Subsistence Allowance
ECOB	Ecobank
EM	Engagement Manager
FAA	Finance & Administrative Assistance
FIB	First International Bank
GAC	General Auditing Commission
GoJ	Government of Japan
GoL	Government of Liberia
IAS	Internal Audit Secretariat
IAU	Internal Audit Unit
J-LFAP	Japan-Liberia Food Aid Project
J-LPSRP	Japan-Liberia Paddy & Seed Rice Project
LD/L\$	Liberian Dollars
LPMC	Liberia Produce Marketing Corporation
MoA	Ministry of Agriculture
MoC	Ministry of Commerce
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
PFM	Public Financial Management
PSRP	Paddy and Seed Rice Project
ToR	Term of Reference
US\$	United States Dollars
WFP	World Food Program

January 25, 2016

Dr. Moses Zinnah
Minister
Ministry of Agriculture
Republic of Liberia

Dear Dr. Zinnah:

RE: MANAGEMENT LETTER: FINANCIAL AUDIT PERFORMED FOR THE JAPAN-LIBERIA PADDY AND SEED RICE PROJECT (J-LPSRP) FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2013

The audit of the financial statements of the Japan-Liberia Paddy and Seed Rice Project (J-LPSRP) of the Ministry of Agriculture (MoA) for the period October 1, 2010 to December 31, 2013 was commissioned by the Auditor-General (AG) under the AG's statutory mandate as provided for in Section 2.1.3 of the General Auditing Commission Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

INTRODUCTION

The audit of the Japan-Liberia Paddy and Seed Rice Project (J-LPSRP) for the period October 1, 2010 to December 31, 2013 has been completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

AUDIT SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit of the project was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI), as promulgated by the International Organization of Supreme Audit Institutions (INTOSAI) as well as the Audit Engagement Terms of Reference (ToR). These standards require that we plan and perform the audit so as to obtain reasonable assurance about whether the Japan-Liberia Paddy and Seed Rice Project (J-LPSRP) Financial Statements and related records are free of material misstatements due to errors or fraud and whether they comply with ethical requirements.

An audit involves:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statement presentation.

An audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit, and it is possible that there might be other matters and/or weaknesses that were not identified.

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Management of the Japan-Liberia Paddy and Seed Rice Project. Our responsibility is to express an opinion on these financial statements.

The audit findings which were identified during the course of the audit are included in this report.

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Japan-Liberia Paddy and Seed Rice Project of the Ministry of Agriculture during the audit.


Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.

Monrovia, Liberia
January 2016

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 FINANCIAL ISSUES

1.1.1 Procurement

Observation

1.1.1.1 Section 54(1) of the Public Procurement and Concessions (PPC) Act of 2005 as amended in 2010 states that, "Quotations shall be requested in writing from as many bidders as practicable, but from at least three (3) bidders."

1.1.1.2 During our review of payment vouchers, we observed that the Japan-Liberia Paddy and Seed Rice Project Management authorized the disbursement of L\$66,430.00 to Greenfield LIB Inc., for purchasing of materials to facilitate harvesting of rice in Margibi County without the required number of quotations.

1.1.1.3 The amount of L\$66,430.00 at the time of the transaction on November 11, 2011 equaled US\$910.00 using the exchange rate of L\$73.00 to US\$1.00 as indicated on the payment voucher. The only quotation attached to the payment voucher was from the payee, Greenfield LIB Inc.

Risk

1.1.1.4 Value for public money may not be achieved. Also, other potential vendors may be denied the opportunity to participate in public procurement.

Recommendation

1.1.1.5 The Management of the Japan-Liberia Paddy and Seed Rice Project should ensure adherence to the PPC Act of 2005 as amended in 2010 in all future transactions.

Management Response

1.1.1.6 *We acknowledge the procurement issue raised by the audit. However, Greenfield Liberia, Inc. was the only company that had the materials in stock at the time of the purchase. Second, considering the amount involve (US\$910) and the need to urgently supply farmers so that their produce did not spoil, management thought it necessary to procure the harvesting materials from Greenfield Lib, Inc. at the time.*

1.1.1.7 *Notwithstanding, management realized the oversight in the procurement and had since corrected the procurement process in subsequent procurement undertakings.*

Auditor General's Position

1.1.1.8 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.1.2 Voided Check

Observation

1.1.2.1 Part-R, R.6 of the PFM Regulations of 2010 requires that, "Checks issued by the Republic of Liberia shall be valid for a period of six months from the date of issue."

1.1.2.2 It was observed during the course of the audit that the Japan-Liberia Paddy and Seed Rice Project Management raised three checks representing 10% for personnel income tax in favor of the Bureau of General Revenue now the Liberia Revenue Authority (LRA).

1.1.2.3 However, these checks were not issued to LRA. Both the vouchers and the checks were not marked "void." **See details of the checks in the table below.**

Date	Payee	Check No.	Amount		Bank
			US\$	L\$	
10/15/13	Bureau of General Revenue/Liberia Revenue Authority	000495443	190.00	-	FIB
08/07/13	Bureau of General Revenue/Liberia Revenue Authority	00460971	357.50	-	Ecobank
12/08/13	Bureau of General Revenue/Liberia Revenue Authority	000495458	-	14,725.00	FIB
TOTAL			US\$547.50	US\$14,725.00	

Risk

1.1.2.4 Failure to void checks for which no payment was made could lead to future use.

Recommendation

1.1.2.5 Management of the project should mark "void" on all checks not issued within a period of six months as required by Part-R, R.6 of the PFM Regulations of 2010.

1.1.2.6 The Japan-Liberia Paddy and Seed Rice Project Management should void the checks mentioned in the table above.

Management Response

1.1.2.7 *The three checks along with the vouchers will be voided once the Audit Team returns our source documents.*

Auditor General's Position

1.1.2.8 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.1.3 Withholding Tax

Observation

1.1.3.1 Section 905(e) of the 2000 Revenue Code of Liberia, as amended in 2011 states that, "a payor who makes a payment of wages or salaries to an employee in an amount that during the tax year exceeds the standard deduction amount of Section 205(a) is required to withhold tax from each payment in accordance with the income tax rates specified in Section 200(a) of the Revenue Code of Liberia."

1.1.3.2 It was observed during the course of the audit that the Japan-Liberia Paddy and Seed Rice Project Management raised several checks representing income tax in favor of the Bureau of General Revenue now Liberia Revenue Authority (LRA). However, the Project Management failed to remit the applicable income taxes from its employees' salaries to GoL.

1.1.3.3 A total of **US\$78,605.34** was paid to employees as salaries without remittance of income tax to GoL as required by the Revenue Code of Liberia. **See schedule below.**

TAX PERIOD	EMPLOYEE	TAXABLE INCOME US\$	INCOME TAX US\$
OCT 2010 – Dec 2012	Project Coordinator	14,605.65	1,462.54
OCT 2010 – Dec 2013	Admin./Finance Assistant	32,110.00	3,772.57
OCT 2010 – Dec 2010	Database Assistant	1,800.00	278.61
OCT 2010 – Dec 2012	Monitoring & Evaluation Personnel	6,333.87	384.35
OCT 2010 – Dec 2010	Field Agent	2,945.00	469.38
JAN 2011 – Dec 2013	Pick-up Driver	20,810.82	2,150.55
TOTAL		US\$78,605.34	US\$8,518.00

Risk

1.1.3.4 Government of Liberia could be deprived of much needed revenue that could be used for development purposes.

Recommendation

1.1.3.5 The Management of the Japan-Liberia Paddy and Seed Rice Project should ensure that income taxes withheld are duly remitted to GoL consolidated fund in keeping with the Revenue Code of Liberia.

1.1.3.6 The total of **US\$8,518.00** should be remitted to GoL consolidated account for the periods under audit with official GoL flag receipt obtained for audit validation.

Management Response

1.1.3.7 *Management acknowledges your findings and will subsequently remit, on a timely basis, all taxes withheld from staff of the project. In this light, please be informed that we have remitted the total of US\$8,518.00 withheld from employees of the project for the period under audit.*

Auditor General's Position

1.1.3.8 Our review of the attached GoL official flag receipt dated October 9, 2015, along with Management's responses, indicates that Management made the remittance in compliance with our audit recommendation contained in the Management Letter.

1.1.4 Payment to Farmers

Observation

1.1.4.1 Section 2.2, of the Japan-Liberia Paddy and Seed Rice Project Proposal Document states that, "payment exceeding L\$70,000 will be made to farmers by checks and payment equivalent to and less than L\$70,000 will be made directly to the farmers themselves in cash by the pay team."

1.1.4.2 During the conduct of the audit, it was observed that the Management of the Japan-Liberia Paddy and Seed Rice Project made a cash payment of US\$7,000 approximately L\$508,200 to the Margibi County Agriculture Coordinator for onward purchase of Paddy Rice from local farmers without adhering to the provision of Section 2.2 of the Project Proposal Document.

Risk

1.1.4.3 Non-adherence to payment procedures as prescribed in the project document could lead to misapplication of project funds.

Recommendation

1.1.4.4 The Management of the Japan-Liberia Paddy and Seed Rice Project should ensure that all future payments for the purchase of Paddy Rice are carried out consistent with Section 2.2 of the Project Document.

Management Response

1.1.4.5 *Management acknowledges your finding, but wishes to inform you that there had been significant changes since the payment to the County Agriculture Coordinator (CAC) of Margibi County. Below is the process now in place for purchasing paddy rice from farmers:*

- *The County Agriculture Coordinator (CAC) and the District Agriculture Officer (DAO) identify and list farmers who have seed rice for sales.*
- *The certified list is sent to Administrative/Finance Officer.*
- *Administrative/Financial Officer requests approval for payment.*
- *Upon approval, management writes the bank to pay the farmers in the county as per the certified list.*

- *CAC and DAC again identify farmers as per the certified list and the bank pays the farmers.*

Auditor General's Position

1.1.4.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.2 ADMINISTRATIVE ISSUES

1.2.1 Rice Mill

1.2.1.1 Observation

1.2.1.2 During the course of the audit field verification, it was observed that three (3) Rice Mills were installed in River Gee, Bong and Bomi Counties.

1.2.1.3 However, from observation and interview conducted with the District Agriculture Officer and Warehouse Manager in Gbarnga, Bong County, it was revealed that one of the major components of the Gbarnga Rice Mill, known as de-stoner was not in a normal working condition due to technical problem. According to the Warehouse Manager in Gbarnga, this problem has persisted over a year.

1.2.1.4 As a result of this technical problem, the de-stoner does not filter sands from the Milled Rice during the milling process. Several bags of unfiltered rice were seen at the LPMC storage facility where the Milling Center is located in Gbarnga City. **See photos below:**



Photo: 1Gbarnga Rice Mill



Photo: 2 Unfiltered Milled Rice in Gbarnga at LPMC Warehouse

Risk

- 1.2.1.5 Japan-Liberia Paddy and Seed Rice Project Management's delay in repairing or replacing the destoner could render the Gbarnga Mill unproductive. As such, it could impede the achievement of the project objectives.

Recommendation

- 1.2.1.6 The Project Management should seek the speedy replacement of the destoner for the Rice Mill located in Gbanga City to reduce the stock of Paddy Rice in Lofa, Bong and Nimba Counties.

Management Response

- 1.2.1.7 *Please note that the de-stoners attached to the rice mill at the Gbarnga warehouse does not need to be repaired or replaced. At the time of installation, the de-stoner was not properly set to separate the small stones from the milled rice. The de-stoner will be adjusted properly to enable the mill to separate the small stones from the mill rice during the milling process.*

Auditor General's Position

- 1.2.1.8 According to the Warehouse Manager in Gbarnga, this problem has persisted over a year. In our view, the proper adjustment of the de-stoner should not take more than a year. The delay in remedying this problem could undermine the achievement of the project objective. However, we will make a follow-up on the implementation of the recommendation.

1.2.2 Name of Project

Observation

1.2.2.1 On March 2, 2015, a cover letter including copy of the Japan-Liberia Paddy and Seed Rice Project Financial Report was submitted to the GAC for the audit of the Project.

1.2.2.2 During the conduct of the audit, we observed inconsistencies with the name of the Project on several documents of the Project. For instance, the Project Bank statement bears, "GOL Food Aid Project", the Project Guide carries, "Paddy and Seed Rice Project" while the Project's Annual Report has "Japan-Liberia Paddy and Seed Rice Project."

Risk

1.2.2.3 Inconsistencies in the name of the project could create confusion for the true identity of the project.

Recommendation

1.2.2.4 The Management of the Project should provide clarity on the inconsistencies noted with the project name and be consistent with the name of the project to avoid confusion for users of the project information.

Management Response

1.2.2.5 *The name of the Project is "Japan-Liberia Food Aid Project". The account title, "GoL Food Aid Project", and Paddy and Seed Rice Project which appeared on the voucher are two major components of the project that is usually used to identify the sub-projects. In other words, these are sub-projects under the core project (Japan-Liberia Food Aid Project).*

1.2.3 Auditor General's Position

We are not auditing the core project. The audit focused on the Japan-Liberia Paddy & Seed Rice Project which is one of the sub-projects of the Japan-Liberia Food Aid Project. On the basis of this, all documentation in relation to the sub-project should be consistent with the sub-project title. Therefore, we maintain our audit recommendation.

1.2.4 Warehouse

Observation

1.2.4.1 During the course of our physical verification exercise, the team visited one of the storage facilities at the Agricultural Translation and Rice Processing Center Warehouse to assess the condition of the Paddy and Seed Rice purchased by the Project Management in Voinjama City.

1.2.4.2 The stock of Paddy Rice at said warehouse was observed to be in an unsafe condition as indicated by the severe cracks of the building. The warehouse is at the verge of collapse, as condition continues to worsen.

- 1.2.4.3 As a result of the acute shortage of project storage facility for the large quantity of paddy rice purchased in Voinjama City and its environs, the Voinjama District Cooperative Society Warehouse is currently being rented by the Project Management to provide additional storage facility. **See photos below**



Photo: 3 Agricultural Translation and Rice Processing Center Warehouse with stock of Paddy and Seed Rice



Photo: 4 Stock of Purchased Paddy and Seed Rice in the Voinjama District Cooperative Society's warehouse

Risk

- 1.2.4.4 The continuous storage of the Paddy and Seed Rice in the already cracked warehouse could lead to the damage of the Paddy and Seed Rice Purchased by the Project, thereby denying the achievement of the project objectives.

Recommendation

- 1.2.4.5 The immediate transfer of the Paddy and Seed Rice from the cracked warehouse should be carried out by the Project Management to avoid damage of the Paddy and Seed Rice already bought.

Management Response

- 1.2.4.6 *The Project will ensure the immediate transfer of the paddy rice from the cracked warehouse to avoid the rice being damaged.*

Auditor General's Position

- 1.2.4.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.2.5 Vehicles Identity

Observation

- 1.2.5.1 International best practice requires that the asset of an entity be distinctly separated from the implementer. As such, assets of the Japan-Liberia Paddy and Seed Rice Project should be distinct from the assets of MOA.

- 1.2.5.2 As such, assets of the Japan-Liberia Paddy and Seed Rice Project should be distinct from the assets of the Ministry of Agriculture which is also an implementing entity.

- 1.2.5.3 However, we observed no clear distinction between the Project vehicles and those of the Ministry of Agriculture, as all of the Project vehicles were marked "End Hunger in Liberia" while some vehicles owned by the Ministry of Agriculture carried the same inscription.

Risk

- 1.2.5.4 Physical identity as relates ownership of the project's vehicles could not be established due to the absence of clear distinction between the Project's vehicles and those of the Ministry of Agriculture for verification.

Recommendation

- 1.2.5.5 Management should mark Project vehicles to show the true identity in reference to the Japan-Liberia Paddy and Seed Rice Project.

Management Response

- 1.2.5.6 *Management decision to mark all MoA's vehicles, including the project vehicles, was to have uniformed coding system under Agriculture Ministry. However, management will, in addition to the uniformed coding, mark the project assets with the project inscription. This, we believe, will distinguish the Japan-Liberia Food Aid Project assets from other assets of the Ministry.*

Auditor General's Position

1.2.5.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.2.6 Milling Facilities

Observation

1.2.6.1 During our physical verification in Voinjama and Foya cities, the Team observed several stocks of Paddy and Seed Rice in the Voinjama District Farmer Cooperative Society Warehouse and the INTOFAWON Warehouse in Foya City. Also, large quantities of Paddy Rice owned by motivated farmers were stored outside of the warehouses due to the lack of milling facility. **See photos below:**

1.2.6.2 Currently, individual farmers and farmer groups in both Voinjama and Foya Districts expressed urgent need for milling facilities in the two districts.



Photo: 5 Paddy Rice purchased and Stored in Voinjama District Farmers' Cooperative Society Warehouse waiting to be transported to Gbarnga for milling



Photo: 6 Paddy Rice Stored Outside of Warehouse in David Selma Town, Voinjama District.



Photo: 7 Paddy Rice purchased and Stored in the INTOFAWON Warehouse in Foya City waiting to be transported to Gbarnga for milling.

Risk

- 1.2.6.3 The absence of Rice Mills in Lofa County could demotivate the farmers, thereby denying the achievement of the project objectives.

Recommendation

- 1.2.6.4 The Management of the Japan-Liberia Paddy and Seed Rice Project should seek to address the crucial need for Rice Mills in both Voinjama and Foya Districts.

Management Response

- 1.2.6.5 *The Project is remedying the storage constraints being faced by farmers. Thus, the project, through approval from the Government of Japan, is currently constructing five (5) warehouses in four (4) of the rice producing zones in Liberia (Lofa, Bong,*

Nimba and Grand Gedeh counties). Three (3) of these warehouses will be equipped with rice mills.

Auditor General's Position

1.2.6.6 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.2.7 Project Implementation Manual

Observation

1.2.7.1 Part V.1 (3), of the PFM Regulations of 2010 states, "the head of Government Agency must ensure that processes whether manual or electronic and procedures are in place for the effective, efficient, economical and transparent use of the assets assigned to the institution."

1.2.7.2 Conventionally, underpinning all Financial Management Systems is a series of financial policies and procedures developed and adopted by the appropriate authority of an organization which guide the operations and lay out how an organization uses and manages its financial resources.

1.2.7.3 During the course of the audit, we observed from our review of the accounting system operated by the Japan-Liberia Paddy and Seed Rice Project Management that the Project has no approved manual for accounting and financial related procedures to guide its operations.

Risk

1.2.7.4 Financial operations may be undertaken without proper controls.

Recommendation

1.2.7.5 The Ministry of Agriculture should ensure that the Project Implementation Manual is finalized and adopted.

Management Response

1.2.7.6 *The Ministry of Agriculture will work with other members of the Ministerial Steering Committee (MSC) of the Kennedy Round (KR) Food Aid and Non-Project Grant Programs in approving the draft implementation manual. However, in the meantime, the Project operates under the financial system of MoA which is consistent with the Amended and Restated Public Procurement and Concessions Act, 2005 and the 2009 PFM Act. Also, the Project is reporting to the donor in line with the project document which is also consistent with the draft implementation manual.*

Auditor General's Position

1.2.7.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.2.8 Memorandum of Understanding

Observation

1.2.8.1 Section 4.1 of the Japanese Commodity Grants monetization program & funding Projects Document states that, "the role and responsibility of each line ministry during the implementation of any development project approved by the donor should be clearly defined to avoid duplication. The Ministries of Finance and Commerce are expected to enter into a memorandum of understanding (MOU) with the implementing entity (ies) to clearly articulate the role and responsibilities of each line ministry or agency before the Counterpart Value Funds (CVFs) are disbursed."

1.2.8.2 During the conduct of the audit, it was observed that the project implementing partners include the Ministry of Commerce, the Ministry of Agriculture, the Cooperative Development Agency (CDA), the Central Bank of Liberia (CBL) the Ministry of Finance and the Ministry of Foreign Affairs.

1.2.8.3 We observed that the Japan-Liberia Paddy and Seed Rice Project Management operated for the period under audit without a Memorandum of Understanding among the Project implementing ministries or agencies.

Risk

1.2.8.4 The lack of a Memorandum of Understanding to clearly define the roles and responsibilities of line ministries and agencies associated with the project implementation could undermine the achievement of the project objectives.

Recommendation

1.2.8.5 The Management of the Japan-Liberia Paddy and Seed Rice Project should ensure the existence of a Memorandum of Understanding in keeping with Section 4.1 of the Japanese Commodity Grants Monetization Program & Funding Projects Document.

Management Response

1.2.8.6 *Like mentioned in our comments under 1.2.6, MoA will work with the Ministerial Steering Committee of the Japanese projects in reviewing and adopting the Japanese Commodity Grants Monetization and Counterpart Value Funding Projects Guide. This manual spells out the roles and responsibilities of parties involved with the Japanese projects and we think this will address the audit concerns on this matter.*

Auditor General's Position

1.2.8.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.3 INTERNAL CONTROL ISSUES

1.3.1 Fixed Assets

Observation

1.3.1.1 The PFM Regulations of 2010, Part C.8 (4e) stipulates that, "head of a GOL Agency or Spending Unit in collaboration with the General Services Agency must compile and maintain assets register."

1.3.1.2 Fixed Assets Register provides descriptions of the asset, date of purchase, cost of assets, assignees, serial number, codes number and other relevant details that would enhance proper accountability and safeguarding of the assets.

1.3.1.3 During the conduct of our audit, we observed that fixed assets schedule provided us for the purpose of the audit lacked complete or detailed information.

Risk

1.3.1.4 When Fixed Assets Register lacks important information such as assignee, serial number and asset code, it could pose a challenge in the verification of the fixed assets. Also, fixed assets could be susceptible to theft.

Recommendation

1.3.1.5 The Management of the Japan-Liberia Paddy and Seed Rice Project should ensure that all information of the fixed assets register be provided as guided by PFM Regulations of 2010 part C.8 (4e).

Management Response

1.3.1.6 *The Project will, in consultation with Internal Audit, input all necessary information of the fixed assets into the fixed assets schedule (register).*

Auditor General's Position

1.3.1.7 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.3.2 Bank Reconciliation

Observation

1.3.2.1 Part R, R.3(6) of the PFM Regulations of 2010 requires that, "the balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof."

1.3.2.2 Also, best administrative and financial practice requires that official documents be signed by the person who prepares it and by a superior officer who reviews or approves the document.

1.3.2.3 However, the Japan-Liberia Paddy and Seed Rice Project's bank reconciliations submitted to us for audit were neither signed nor approved.

Risk

1.3.2.4 No one may take the responsibility or credit for an unsigned bank reconciliation statement.

1.3.2.5 Unsigned bank reconciliation statement may cast doubt on the reliability of statement

Recommendation

1.3.2.6 The Administrative/Finance Officer of the Japan-Liberia Paddy & Seed Rice Project should ensure that all bank reconciliation statements submitted for audit are signed by the officer who prepared them, reviewed and approved by a superior officer.

Management Response

1.3.2.7 *As per the audit recommendation, going forward, the Bank Reconciliation Statements will be signed by the preparer and approved by the Comptroller of MoA.*

Auditor General's Position

1.3.2.8 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.

1.3.3 Internal Audit Report

Observation

1.3.3.1 The Ministry of Agriculture Internal Audit Charter mandates the Internal Audit Unit (IAU) to issue periodic reports. Also, Section 38(1) of the PFM Act of 2009 requires internal audit unit to periodically review the financial management activities of an organization so as to identify weaknesses and provide recommendations geared toward the improvement of internal control systems.

1.3.3.2 Section K.10., of the PFM Regulations of 2010 requires that, "head of government agency or government organization shall in consultation with the Internal Audit Governance Board establish and maintain an audit committee for the government agency or organization for which he/she is responsible."

1.3.3.3 During the course of the audit, we observed that the first phase of the Japan-Liberia Paddy and Seed Rice Project lasted for 39 months which started October 1, 2010 and ended December 31, 2013. However, the internal audit report submitted to the Audit

Team covered the period July 2012 to June 2013. This means that only 12 of the 39 months of the project operations were audited by the internal audit unit of the Ministry of Agriculture thus leaving out 27 months unaudited.

1.3.3.4 Further, we observed during the conduct of the audit that the MoA did not establish an audit committee for the periods under audit to review internal controls, the scope of internal audit, internal audit plans and internal audit findings, for the purpose of recommending to the minister.

1.3.3.5 As a result of the absence of Audit Committee, some recommendations of prior audit conducted by the Internal Audit Unit were not implemented. For instance, the absence of Memorandum of Understanding among the Project Implementing agencies and the development of the project implementation document remain outstanding up to the time of compiling this report.

Risk

1.3.3.6 The lack of periodic review of the financial management activities of an organization by an internal audit unit may lead to internal control weaknesses not being identified on a timely basis for corrective actions to be taken.

1.3.3.7 The absence of Audit Committee may undermine Internal audit mandate in that, findings and recommendations of internal audit report may not be implemented by management.

Recommendation

1.3.3.8 The internal audit unit should ensure that internal audit of all the financial activities of the Project are undertaken regularly.

1.3.3.9 The Japan-Liberia Paddy and Seed Rice Project Management, in consultation with the Internal Audit Agency should establish and maintain an audit committee.

Management Response

1.3.3.10 *Management recognizes and acknowledges the audit observation and wish to inform the Audit Team that going forward, Internal Audit will regularly review projects of the Ministry of Agriculture. To this end, the Unit is presently reviewing phase two of the project for the period July 1, 2014-June 30, 2015.*

1.3.3.11 *Besides, we have already established and structured the Audit Recommendation Implementation Committee (ARIC) as required by the 2013 Internal Audit Agency Act and MoA Audit Recommendation Implementation Committee Charter.*

Auditor General's Position

1.3.3.12 We acknowledge Management's acceptance of our finding. However, we will make a follow-up on the implementation of the audit recommendation.