



## Management Letter

### On The Financial Statements Audit of the Special Argo Industrial Processing Zone Project (SAPZ)

*For the Year Ended December 31, 2024*



**Promoting Accountability of Public Resources**

**Monrovia, Liberia**  
May 2025

**P. Garswa Jackson. Sr., FCCA, CFIP, CFC**  
**Auditor General, R.L.**

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**Acronyms/Abbreviations/Symbols**

<b>Acronyms/Abbreviations/Symbol</b>	<b>Meaning</b>
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Professional
COSO	Commission on Sponsoring Organization
FCCA	Fellow Member of the Association of Chartered Certified Accountants
FDA	Forestry Development Authority
FY	Fiscal Year
GoL	Government of Liberia
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
IT	Information Technology
LRA	Liberia Revenue Authority
NIC	National Investment Commission
PFM Act	Public Finance Management Act
PIEs	Project Implementing Entities
PIU	Project Implementing Unit
R. L	Republic of Liberia
SAPZ	Special Argo-Industrial Processing Zone Project
US\$	United States Dollar

June 26, 2025

Hon. Jeff B. Blibo  
Chairman  
National Investment Commission (NIC)  
Un Drive  
Monrovia, Liberia

Dear Hon. Blibo:

**Re: Management Letter on the Financial Statements Audit of Special Agro-Industrial Processing Zone (SAPZ) for the Fiscal Year January 1, 2024 to December 31, 2024.**

The financial statements of the Special Agro-Industrial Processing Zone (SAPZ) for the fiscal year ended December 31, 2024, are subject to audit by the Auditor General consistent with the Auditor General's mandate as provided for under Section 2.1.3 of the GAC Act of 2014 as well as the engagement Terms of Reference.

**Introduction**

The Audit of the Special Agro-Industrial Processing Zone (SAPZ) for the period January 1, 2024, to December 31, 2024, 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 Methodology**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) as well as the Engagement (Audit) Terms of Reference. These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual Financial Statements.

An audit includes:

- 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.

The audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations that 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 Accounting Officer. Our responsibility is to express our opinion on these financial statements.

The audit findings which were identified during the course of the audit are included below.

Thank you as we strive to promote accountability, transparency, and good governance across the Government of Liberia.

**Key Personnel of The Project**

No.	Name	Position	Tenure
1.	Papin Daniels	Unit Director - PFMU	2022 - Present
2.	Leroy N. Fendor	Deputy Director - PFMU	2022 - Present
3.	Leroy N. Fendor	Deputy Director - PFMU	2022 - Present
4.	Subozu Kollie	Project Internal Auditor	2022 - Present
5	Andrew Anderson	Project Coordinator	2022 - Present
6.	Boimah Gibson	Procurement Officer	2022 - Present

**APPRECIATION**

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the National Investment Commission (NIC) Team and other individuals who contributed to the success of this Audit.

Sincerely,

P. Garswa-Jackson, Sr., FCCA, CFIP, CFC

**Auditor General, R.L.**

**Monrovia, Liberia**

June 2024

## **1. DETAILED FINDINGS AND RECOMMENDATIONS**

### **1.1 Governance**

#### **1.1.1 Lack of Steering Committee Meeting Minutes**

##### **Criteria**

- 1.1.1.1 Regulation A.3 (1) of the PFM Act of 2009 as amended and restated 2019 states that, "Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor-General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister."
- 1.1.1.2 The approved Project Implementation Manual page (17) States That "The Special Economic Zone (SEZ) Joint Steering Coordination Team (JSC) will provide strategic direction and oversight guidance for the project, as well as monitor the overall implementation progress of the project and approve key strategic documents including annual work plans"
- 1.1.1.3 Furthermore, the approved Project Implementation Manual page (17) States "Internal Audit reports shall be submitted to the Joint Steering Committee (JSC), established under the SEZ, who will ensure the timely implementation of audit recommendations".

##### **Observation**

- 1.1.1.4 During the audit, we observed no evidence of Joint Steering Coordination Team (JSC) meeting minutes to facilitate oversight and review of project operations.

##### **Risk**

- 1.1.1.5 The strategic oversight over the Project Management may be impaired. This may impair the achievement of the project's objectives.
- 1.1.1.6 Management may override institutional policies and procedures that may adversely impact the operations of the entity.
- 1.1.1.7 Monitoring and evaluation of the mandate and strategic and operational objectives of the project may be impaired. This may impair the achievement of approved deliverables of the project.

##### **Recommendation**

- 1.1.1.8 Management should liaise with the relevant authorities of the Joint Steering Coordination Team (JSC) to facilitate the conduct of periodic JSC meetings. JSC's meeting minutes should comprehensively detail activities discussed, actions to implement planned activities

and approved timelines. Meetings' minutes should be subsequently documented and filed to facilitate future review.

- 1.1.1.9 The JSC should also institute a platform for following-up on decision made at Board's meeting. An update of progress towards previous meeting agreed actions/deliverable should be discussed during current meetings, as a medium for tracking institutional progress and planning for future activities.

#### **Management's Response**

- 1.1.1.10 *The management acknowledges the GAC's observation regarding the absence of Steering Committee meeting minutes. However, it is important to clarify that since the government transitioned, no Steering Committee meeting has been convened due to the ongoing restructuring of the Committee, which is being undertaken based on advisory guidance from key stakeholders. This restructuring aims to enhance the effectiveness, composition, and governance of the Committee moving forward.*
- 1.1.1.11 *Notwithstanding, a Steering Committee meeting has been proposed and is tentatively scheduled for July 2025. Management remains committed to ensuring that Steering Committee meetings resume and are conducted in a timely and transparent manner.*

#### **Auditor General's Position**

- 1.1.1.12 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### **1.1.2 Delay in Project Implementation**

#### **Criteria**

- 1.1.2.1 Regulation A.15 (1) of the PFM Act of 2009 as amended and restated 2019 states that "a head of government agency must exercise all reasonable care to prevent and detect unauthorized, irregular, fruitless, and wasteful expenditure, and must for this purpose implement clearly defined business processes, identify risk associated with these processes and institute effective internal controls to mitigate these risks.

#### **Observation**

- 1.1.2.2 During the audit, we observed that several project-related activities and payments to contractors were not completed and/or made on time due to delays in the processing of payments by the African Development Bank (AfDB).
- 1.1.2.3 Furthermore, we observed that in September 2024, the Gender Officer assigned to the project resigned her position due to delays in salary compensation for services rendered the project.
- 1.1.2.4 Additionally, we observed that the project does not maintain a local bank account or special account to facilitate the timely payment for project-related expenses.

**Risk**

- 1.1.2.5 Project deliverables may not be implemented within the approved timelines. This may lead to increased overhead costs and non-achievement of project objectives.
- 1.1.2.6 Delay in payment to contractors, vendors and staffs may lead to breach of the contract terms and conditions, potential fines resulting from litigation and/or reputational damage to the project.

**Recommendation**

- 1.1.2.7 Management should provide substantive justification why project deliverables cataloged in our findings above have not been implemented in line with the approved budget and timelines.
- 1.1.2.8 Going forward, Management should develop, approve and operationalize a work plan to facilitate the smooth implementation of service for all contractors. The work plan should comprehensively catalog phases of deliverable and corresponding payments required to implement each phase of approved deliverables. The work plan should be discussed and agreed with the contractors and included as supplementary documentation to the approved contracts.
- 1.1.2.9 Management should facilitate periodic monitoring and evaluation of project activities to ensure that services paid for are performed in a timely manner consistent with approved work plans and contracts.
- 1.1.2.10 Evidence of approved work plans, contracts and periodic monitoring and evaluation reports should be adequately documented and filed to facilitate future review.
- 1.1.2.11 Management should facilitate the creation of a special account or local bank account to facilitate timely payments to contractors/vendors to mitigate delays in payments for project related activities.

**Management's Response**

- 1.1.2.12 *Management acknowledges the GAC's observation on delays in project implementation and notes that several contributing factors were beyond the control of the Project Implementation Unit (PIU). These include the suspension of AfDB disbursements, which compelled the project to adopt the Direct Payment Method—resulting in extended processing times for contractor and vendor payments. Additionally, delays in responses from the AfDB on procurement matters have hindered timely contract execution and service delivery.*
- 1.1.2.13 *A critical implementation constraint has been the pending Resettlement Action Plan (RAP), which must be completed before the commencement of civil works. As stipulated in Section 4.03(d) of the ratified Loan Agreement between the Republic of Liberia and the African Development Bank, all project-related displacement and/or resettlement must be addressed*



*in accordance with a RAP to be prepared and executed by the Government of Liberia. The delay in fulfilling this obligation has directly impacted the timeline of key project deliverables.*

### **Auditor General's Position**

- 1.1.2.14 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

## **1.2 Financial Reporting**

### **1.2.1 Trial Balance Irregularities**

#### **Criteria**

- 1.2.1.1 Regulation A3 of the PFM Act 2009 as amended and restated in 2019 states that "any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody, and disbursement of public and trust money, or for the custody, care, and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor- General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister".

#### **Observation**

- 1.2.1.2 During the audit, we observed that the trial balance was inappropriately prepared. Instead of the ledger accounts titles and their respective closing balances, the trial balance contained the names of individuals to whom payments were made for the provision and acquisition of goods and services. Balances could not be traced to detailed revenue and expenditures reported in the general ledger.

#### **Risk**

- 1.2.1.3 Adequate classification of transactions, review, and reconciliation of the financial statements may be impaired. Fair presentation and full disclosure of financial information, and subsequently the financial statements, may be impaired.
- 1.2.1.4 Inappropriate preparation of the trial balance may lead to the financial statements being misstated.

#### **Recommendation**

- 1.2.1.5 Management should ensure that the trial balance is reflective of all ledger accounts titles and closing balances.
- 1.2.1.6 Going forward, Management should facilitate routine training of data entry and preparation of financial statements for junior staff. This will ensure that financial statements prepared are reflective of the comprehensive and approved financial activities of the project.

Financial statements should be prepared, reviewed and approved by individuals with the relevant qualification, experience and seniority. Management should also perform periodic reconciliation among the general ledger, trial balance, and the financial statements. Variances identified should be investigated and adjusted where applicable in a timely manner.

- 1.2.1.7 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Subsequently, an automated linkage should be created between the general ledger, trial balance and the financial statements to facilitate completeness and accuracy of the financial statements.
- 1.2.1.8 Evidence of approved financial statements and periodic reconciliation reports should be adequately documented and filed to facilitate future review.

#### **Management's Response**

- 1.2.1.9 *Kindly note that Sunsystems accounting software that is used and approved by the donors for use by the PFMU/MFDP generates trial balance consisting of assets, liabilities, capital, and expenditures with their respective debit and credit balances. Unlike other systems' trial balance that shows only debits and credit balances, the Sunsystem accounting software trial balance is NOT deigned like that. The reports (financial statements) are special purpose reports designed and prepared based on programs within components and subcomponents. Expenditures captured in the system cut across these components and subcomponents. The transactions drilldown that was presented to the audit team represents transactions or activities details that are within components and subcomponent on a component by component basis which tallied with the financial statement.*
- 1.2.1.10 *The names seen on the trial balance represent the liabilities section. This helps the donor to know the total amount that has been paid to the consultants or contractors for the period. The expenditure section begins right after the Funds Withdrawal in Process Account downwards to Financial Management Account.*

#### **Auditor General's Position**

- 1.2.1.11 Management's assertion did not adequately address the issues raised. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.
- 1.2.1.12 Additionally, Management should include in the notes to the financial statements a reconciliation between the programmatic classification and the economic classification or at least disclose a detailed composition of each programmatic classification utilized in the preparation of the financial statements.

## 1.2.2 Variance between Receipts per SAPZ Ledger and Receipts per Financial Statements

### Criteria

- 1.2.2.1 Section 36(1) PFM Act of 2009 as Amended and Restated 2019 states that "It is a general responsibility under this Act for all government officials handling public financial transactions to ensure that financial information is reported in a timely, comprehensive, and accurate manner, in the manner prescribed in this Act, under its regulations, and in instructions issued by the Minister".
- 1.2.2.2 Additionally, Section 1.3.27 of IPSAS Cash Basis of Accounting requires that "financial statements shall present information that is:
- (a) Understandable;
  - (b) Relevant to the decision-making and accountability needs of users;
  - (c) A faithful representation of the cash receipts, cash payments, and cash balances of the entity and the other information disclosed in the financial statement in that it is:
    - (i) Complete;
    - (ii) Neutral and
    - (iii) Free from material error;"

### Observation

- 1.2.2.3 During the audit, we observed a variance of US\$5,749.94 between receipts per the SAPZ Ledger and receipts reported in the financial statements. **See Table 1 below for details.**

**Table 1 Variance between Receipts per SAPZ Ledger and Receipts per Financial Statements**

No.	Description	Amount US\$
1	SAPZ Ledger Amount	\$591,737.98
2	Financial Statement Amount	\$585,988.04
<b>Total</b>		<b>\$5,749.94</b>

### Risk

- 1.2.2.4 The completeness and accuracy of the financial statements may not be assured; therefore, the financial statements may be misstated. A misstated financial statement may facilitate fraudulent financial reporting and mislead the users of the financial statements.
- 1.2.2.5 Management may not account for all its transactions.

### Recommendation

- 1.2.2.6 Management should account for the variances identified between the SAPZ ledger and the financial statements and subsequently adjust the financial statements accordingly. The adjusted financial statements should be submitted to the Office of the Auditor General as part of Management's response to this Management Letter.

- 1.2.2.7 Going forward, Management should perform periodic reconciliation among bank statements, Statements of Confirmed Disbursements, SAPZ ledger, trial balance and the financial statements. Variances identified should be investigated and adjusted where applicable in a timely manner. Evidence of periodic reconciliation reports should be adequately documented and filed to facilitate future review.
- 1.2.2.8 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Additionally, an automated linkage should be created among the general ledger, the trial balance, and the financial statements to facilitate the completeness and accuracy of the financial statements.

### **Management's Response**

- 1.2.2.9 *First of all, we want to provide some clarification regarding the various roles assigned to all stakeholders involved in the implementation of project. The financing agreement charged the PFMU/MFDP with all fiduciary responsibilities which includes but not limited to preparing financial reports for annual audits of SAPZ project Liberia. The Project Implementation Unit (PIU) at the National Investment Commission (NIC) is responsible for the implementation of the project. In executing this mandate, the PFMU prepares the annual financial report and it is approved by both PFMU and NIC. We are taken aback when the auditor compared the NIC Ledger's with that of the financial report which both the PFMU and NIC signed.*
- 1.2.2.10 *Secondly, the issue raised with the current report is not new. It was the same issued raised on the last financial report and our response remains the same. In line with IPSAS cash basis, the total disbursement for the period as disclosed in the financial report is based on the Statement of Confirm Disbursement received from the African Development Bank (AfDB) covering the period under review. Kindly be reminded that the project, during the period, did not maintain a special account as all payments were made directly by the AfDB. Thus, from the AfDB's Statement of Confirmed Disbursement, the total disbursed to vendors and consultants on behalf of the project for the period is \$585,988.04 and not \$591,737.98 as reported erroneously by auditor. The auditor should note that as part of the disbursement process, payment(s) are processed by the PIU and sent to PFMU for review and compliance before mandating the AfDB to disburse. With the issue referenced, the PIU may have included all requests in their payment listing submitted to the auditor as paid. However, as long as it does not appear on the AfDB's Statement of Confirm Disbursements for the period, it will not be recorded as disbursed in our financial statement.*

### **Auditor General's Position**

- 1.2.2.11 Management's assertions did not adequately address the issues raised. Management did not account for the variance between the SAPZ ledger and the financial statements cataloged in table 1 above to adjust the SAPZ ledger or financial statements where applicable. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.2.3 Failure to Withhold and Remit Taxes

#### Criteria

- 1.2.3.1 Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 stipulates: "Within 10 days after the last day of the month, payer described in (a) is required to remit to the tax authorities the total amount required to be withheld during the month", and (m) stipulates "a person who has a withholding obligation under this section and fails to withhold and remit the amount of tax required to be withheld is subject to Section 52 penalty for late payment and failure to pay".
- 1.2.3.2 Section 91. (a) of the revised Revenue Code of 2011 states that; A person required under the provisions of this Code or regulations hereunder to withhold, collect, segregate, account for, or pay over any tax or other revenues of the Republic and who knowingly fails to do so commits a misdemeanor. Upon conviction, in addition to any other sanctions that may be provided by law, the person is subject to a fine of not more than US\$50,000.00, imprisonment for not more than one year, or both.

#### Observation

- 1.2.3.3 During the audit, we observed that taxes on goods and services (GST) purchased amounting to US\$ 1,212.76 were not withheld from vendor's payment during the period under audit. **See Table 2 below for details.**

**Table 2 Failure to Withhold and Remit Taxes**

No.	Expenditure Description	Payee	Transaction Date	Payment/voucher reference #	Amount per voucher/ Payment Advice	Amount of 2% or 4% tax withheld: "Recomputed by Auditor".	Amount of 2% or 4% tax not withheld:
1	Office Equipment & Furniture, Executive Chair	Tangerine Solution INC.	Jul-18-2024	I/LR/2024/50634	5,000.00	4%	200.00
2	Repair & Maintenance services-Vehicle	Auto Spare Garage	Feb-11-2025	I/LR/2025/63015	535	4%	21.40
3	Repair & Maintenance services-Vehicle	Auto Spare Garage	Dec-20-2024	I/LR/2024/60960	1,235.00	4%	49.40
4	Repair & Maintenance services-	Auto Spare Garage	Nov-20-2024	I/LR/2024/57473	210	4%	8.40

No.	Expenditure Description	Payee	Transaction Date	Payment/voucher reference #	Amount per voucher/ Payment Advice	Amount of 2% or 4% tax withheld: "Recomputed by Auditor".	Amount of 2% or 4% tax not withheld:
	Vehicle						
5	Repair & Maintenance services- Vehicle	Auto Spare Garage	Sep-13-2024	I/LR/2024/53 276	1,200.00	4%	48.00
6	Repair & Maintenance services- Vehicle	Auto Spare Garage	Jul-15-2024	I/LR/2024/50 509	2,120.00	4%	84.80
7	Internet Router	Power- Net	Jul-15-2024	I/LR/2024/50 504	9,000.00	4%	360.00
8	Stationery & InK	Abby Enterprise	Jul-7-2024	I/LR/2024/50 475	4,964.00	4%	198.56
9	Vehicle Insurance Service	National Insurance Corporation of Liberia	Nov-6-2024	I/LR/2024/48 354	6,055.00	4%	242.20
	<b>TOTAL</b>				<b>30,319.00</b>	<b>-</b>	<b>1,212.76</b>

**Risk**

- 1.2.3.4 Failure to withhold and remit taxes, may deny GoL of much-needed tax revenue.
- 1.2.3.5 Management may be non-compliant with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 which may result in to penalties for late payment and failure to pay.
- 1.2.3.6 Non-remittance of withholding taxes may lead to an overstatement of the cash book and subsequently the financial statements.

**Recommendation**

- 1.2.3.7 Management should provide substantive justification for not withholding and remitting withholding taxes to the General Revenue Account as required.
- 1.2.3.8 Management should facilitate full remittance of withholding taxes to the General Revenue Account in keeping with Sections 91 and 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.
- 1.2.3.9 Going forward, Management should withhold all taxes and facilitate full remittance of same to the General Revenue Account in keeping with Section 905 (J) of the Revenue Code of

Liberia Act of 2000 as amended in 2011. Evidence of remittance of withholding taxes , including original copies of flag receipts and other relevant supporting records, should be adequately documented and filed to facilitate future review.

### **Management's Response**

- 1.2.3.10 *The issue of failure to withhold and remit taxes was raised by the auditor in the last Management Letter and our position on this issue remains the same: that the project is tax exempt as stated in the Project Appraisal Document (PAD) signed between the Government of Liberia and the African Development Bank. Kindly note that section 2, sub-section 2.4 on Project Cost and Financing Arrangements as enshrined in the Project Appraisal Document (PAD) states that, 'the total cost of the project is estimated at UA 11.31 million (US\$ 16.24 Million), NET OF TAXES and based on 2021 prices, comprising UA 6.43 Million (US\$9.23 Million) or 57% of the total cost in foreign cost and UA 4.69 Million (US\$ 6.73 Million) or 43% in local costs. This cost is inclusive of physical and price contingencies estimated at average rates of 11% and 4%, respectively. The price contingencies were estimated based on actual and projected levels of local and foreign inflation rates of about 2.0% and 1.8% per annum, respectively. The physical contingencies are estimated from 0 to 15.0%, based on common practices.*
- 1.2.3.11 *Also, the Revised ADB AND ADF GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS AND OF THE ADF GENERAL CONDITIONS APPLICABLE TO PROTOCOL OF AGREEMENTS FOR GRANTS" below doubles down on this issue of taxes below:*
- 1.2.3.12 *SECTION 8.01 Taxes (Page 132)*
- 1.2.3.13 *(a) The principal of, and service charge, Special Commitment charge, commitment charge and other charges on, the Loan shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Member State which is the Borrower or the Guarantor.*
- 1.2.3.14 *(b) The Loan Agreement and the Guarantee Agreement, and any other agreement to which these General Conditions apply, shall be free from any taxes levied by, or in the territory of, the Member State which is the Borrower or the Guarantor on or in connection with, the execution, delivery or registration thereof.*
- 1.2.3.15 *(c) The immunities, exemptions and privileges from taxation referred to in this Section 8.01 and in Article 49 of the Fund Agreement shall ensure to and be for the sole benefit of the Fund and shall therefore not be the basis for a claim to or request for similar entitlement by a consultant, contractor or other third party engaged by the Borrower or Guarantor in connection with the Project.*
- 1.2.3.16 *Also Section 11.02 (Page 132)- Section 11.02 Taxes*

- 1.2.3.17 (a) *The principal, service charge and other charges on the Loan shall be paid without any deduction and shall be exempt from any taxes imposed under the legislation of the Borrower or the Guarantor in its territory.*
- 1.2.3.18 (b) *The Loan Agreement and the Guarantee Agreement shall be exempt from any taxes imposed under the legislation of the Borrower or the Guarantor in its territory in connection with the signature, issue, delivery or registration of such documents. (See attached*

### **Auditor General's Position**

- 1.2.3.19 Management's assertion did not adequately address the issues raised. According to Article VIII, Section 8.01(C) of the General Conditions Applicable to the African Development Bank Loan Agreements and Guarantee Agreements states "The immunities, exemptions and privileges from taxation referred to this Section 8.01 and in Article 57 of the Bank Agreement shall ensure to and be for the sole benefit of the Bank and shall therefore not be the basis for a claim to or request for similar entitlement by a consultant, contractor or other third party engaged by the Borrower or guarantor in connection with the Project". Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

## **1.3 Fixed Assets Management**

### **1.3.1 Irregularities Associated with Fixed Assets Management**

#### **Criteria**

- 1.3.1.1 Regulation V.1 (2) of the Amended and Restated Public Finance Management (PFM) Act of 2019 states that "The Head of Government Agency must take full responsibility for assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that:(a) preventive mechanisms are in place to eliminate theft, losses, wastage, and misuse; And (b) inventory levels are at an optimum and economical level.

#### **Observation**

- 1.3.1.2 During the audit, we observed the following irregularities associated with the entity's Fixed Assets Management System:
- The fixed assets register did not contain all the relevant columns. **See Table 3 for details**
  - The fixed assets register was not regularly updated. **See Table 4 for details**
  - Some fixed assets of the entity were not coded. **See Table 5 below for details**
  - There was no evidence of periodic physical verification of assets by Management
  - There was no evidence of movement of assets form.
  - Fixed assets within given vicinity were not displayed as required by the PFM Act. **See Table 6 for details.**

- 1.3.1.3 Furthermore, during our field visit to Buchanan we could not verified two (2) 75KVA Generators and Agro-Equipment 500kg oil palm Expeller machines purchase during the



period under audit for Grand Bassa Community College and SAZ hub respectively, because of the unavailability of the keys to the locked container.

**Risk**

- 1.3.1.4 Fixed Assets may be misstated (Over/understated).
- 1.3.1.5 Fixed Assets may be damaged or impaired but their values are still on the books.
- 1.3.1.6 Fixed Assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.
- 1.3.1.7 The lack of asset movement log may make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.
- 1.3.1.8 Failure to properly account for fixed assets may lead to theft and misapplication of equipment/materials. This may result in the non-achievement of the project's objectives.
- 1.3.1.9 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

**Recommendation**

- 1.3.1.10 Management should account for fixed assets not verified during our physical verification exercise. Management should update the fixed assets register to include fixed assets not recorded in the fixed assets register catalogued in table 3 above. Management should adjust the fixed assets register to reflect all the project's assets including their respective locations and conditions. The adjusted fixed assets register should be submitted to the Office of the Auditor General, as part of Management's response to this Management Letter.
- 1.3.1.11 Going forward, Management should ensure that the fixed assets register is updated to reflect the following; description, class, code, location, condition, cost, depreciation expense, accumulated depreciation and net book value of the asset.
- 1.3.1.12 Management should initiate/enforce a systematic fixed assets coding system to ensure all fixed assets are uniquely identified. This control will facilitate the efficient and effective periodic fixed asset verification exercises. Discrepancies in coding identified during verification should be updated in a timely manner.
- 1.3.1.13 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of physical verification should be adequately documented and filed to facilitate future review.
- 1.3.1.14 The Fixed Assets Register should be updated periodically to reflect all the project's assets including their respective locations and conditions.
- 1.3.1.15 Fixed Assets within particular vicinity should be clearly displayed as required by the PFM Act.

1.3.1.16 A movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in the location of assets.

**Management’s Response**

1.3.1.17 *The Management notes GAC’s observation about missing columns on the SAPZ Project asset register. The Commission’s assets including those acquired under the Project are kept in the GSA approved asset register that is formulated and maintained by their agents assigned to us. Fixed assets are regularly updated by GSA when placed into use. All fixed assets assigned in offices are duly coded and visibly displayed as required. The assets suggested to be not coded are neither assembled nor deployed, but are in boxes or containers awaiting deployment and subsequent coding. Verification of fixed assets was done in 2024 by the Asset*

**Auditor General’s Position**

1.3.1.18 Management’s assertion did not adequately address the issues raised. Management did not account for fixed assets not made available for our physical verification catalogued in our findings above. Management also did not make available for audit purposes evidence of periodic physical verification conducted as asserted in Management’s response. Additionally, all fixed assets should be coded upon acquisition, even before they are made available for use. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.3.1.19 Further, Management should facilitate the conduct of physical verification for the fixed assets not made available during our physical verification exercise. The report from the proposed physical verification should be submitted to the Office of the Auditor General for validation within 3 months upon the issuance of the Auditor General’s Report to the National Legislature.

Implementation level of Prior Year Audit Recommendations			
Issues	Responsible Party	Recommendation	Level of Implementation
Non-Explanation of Material Variances	PIU	Management should adjust the financial statements and include in the notes to the financial statement’s explanations for material variances between the budgetary and actual amounts cataloged in the table-3 above. The adjusted financial statements should be forwarded to the Office of the Auditor General as part of Management’s response to this Management Letter.  Going forward, Management should ensure that full and adequate	Unresolved

Implementation level of Prior Year Audit Recommendations			
Issues	Responsible Party	Recommendation	Level of Implementation
		disclosures are made for material variance(s) between the budget and actual amounts consistent with Part 1.7.8 of the Revised Cash Basis IPSAS (November 2017).	
Inadequate Trial Balance	PIU	<p>Management should ensure that the trial balance is reflective of all ledger accounts closing balances.</p> <p>Additionally, financial statements should be prepared by individuals who are qualified and experienced in the relevant standards. The financial statements should also be subsequently reviewed and approved by senior management to ascertain their accuracy and completeness.</p>	Unresolved
Funds Receipts per Financial Statements not Reconciled to SAPZ Ledger	PIU	<p>Management should account for the variances identified between the trial balance and the financial statements and subsequently adjust the financial statements. The adjusted financial statements should be forwarded to the Office of the Auditor General as part of Management's response to this Management Letter.</p> <p>Going forward, an automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Additionally, an automated linkage should be created among the general ledger, the trial balance, and the financial statements to facilitate the completeness and accuracy of the financial statements.</p>	Unresolved
No Risk	SAPZ	Management should establish a risk	Unresolved

Implementation level of Prior Year Audit Recommendations			
Issues	Responsible Party	Recommendation	Level of Implementation
Assessment Policy and Process		<p>management policy that identifies strategies for mitigating internal and external risks that may impair the achievement of the project's objectives.</p> <p>Subsequently, Management should facilitate the conduct of periodic risk assessment and take corrective action for gaps identified.</p> <p>Evidence of approved risk management policy and periodic risk assessment reports should be adequately documented and filed to facilitate future review.</p>	
Staff on Payroll without Employment Letter		<p>Management should ensure that all employees' files are updated to contain essential documents such as letter of applications, letter of employment, contracts, credentials, Term of Reference, police clearances, medical certificates, etc. to enable Administration regulate the activities of its personnel effectively.</p> <p>Management should institute periodic review / inspection of personnel files to validate the completeness of personnel records.</p> <p>Management should institute an electronic document management system by scanning all documents in employees' files and creating electronic files for each employee. This control will facilitate more effective document retention and archiving system, along with manual records.</p>	Unresolved
Failure to Withhold and Remit Taxes		Management should provide substantive justification for not withholding and remitting withholding taxes to the LRA.	Unresolved

Implementation level of Prior Year Audit Recommendations			
Issues	Responsible Party	Recommendation	Level of Implementation
		<p>Management should facilitate full remittance of withholding taxes to the LRA in keeping with Sections 91 and 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.</p> <p>Going forward, Management should withhold all taxes and facilitate full remittance of same to the General Revenue Account in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011. Evidence of remittance of withholding taxes including original copies of flag receipts and other relevant supporting records should be adequately documented and filed to facilitate future review.</p>	
Irregularities Associated with the Management of the Project Assets		<p>Management should develop, approve and operationalize a fixed asset management policy to regulate fixed assets activities of the project.</p> <p>Management should ensure that the fixed assets register is updated to reflect the following; description, class, code, location, condition, cost, depreciation expense, accumulated depreciation and net book value of the asset.</p> <p>Management should initiate/enforce a systematic fixed assets coding system to ensure all fixed assets are uniquely identified. This control will facilitate the efficient and effective periodic fixed asset verification exercises. Discrepancies in coding identified during verification should be updated in a timely manner.</p> <p>Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of</p>	Unresolved

<b>Implementation level of Prior Year Audit Recommendations</b>			
<b>Issues</b>	<b>Responsible Party</b>	<b>Recommendation</b>	<b>Level of Implementation</b>
		<p>physical verification should be adequately documented and filed to facilitate future review.</p> <p>The Fixed Assets Register should be updated periodically to reflect all the project's assets.</p> <p>Fixed Assets within a particular vicinity should be clearly displayed as required by the PFM Act.</p> <p>A movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in the location of assets.</p>	

**Table 3 Fixed assets register did not contain all the relevant columns.**

No.	Obtain the below reports/Asset Category	Asset Description	Description/ Name of FAR/Report/ Policy	Period of FAR/Report/ Policy	Responsible Department /Unit (If applicable)	Column for asset depreciation?	Column for asset Accumulated depreciation?	Column for asset Net book value?	Was there fixed asset verification report for the period?	Was the fixed asset verification report prepared in line with the entity's Fixed Assets Management Policy?	Was the fixed asset verification report reviewed by appropriate authority?
1	Office equipment	Desk		2024	SAPZ/PIU	No	No	No	No	No	No
2	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No
3	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No
4	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No
5	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No
6	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No
7	Office equipment	Bookshelf		2024	SAPZ/PIU	No	No	No	No	No	No



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8	Office equipment	Copy machine		2024	SAPZ/PIU	No	No	No	No	No	No	No
9	Fixture	Air conditioner		2024	SAPZ/PIU	No	No	No	No	No	No	No
10	Office equipment	Desk		2024	SAPZ/PIU	No	No	No	No	No	No	No
11	Office equipment	Desk		2024	SAPZ/PIU	No	No	No	No	No	No	No
12	Office equipment	Desk		2024	SAPZ/PIU	No	No	No	No	No	No	No
13	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No	No
14	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No	No
15	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No	No
16	Office equipment	Chair		2024	SAPZ/PIU	No	No	No	No	No	No	No
17	Office equipment	Cupboard		2024	SAPZ/PIU	No	No	No	No	No	No	No
18	Office equipment	Icebox		2024	SAPZ/PIU	No	No	No	No	No	No	No
19	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No	No
20	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No	No
21	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No	No
22	Fixture	Airconditioner		2024	SAPZ/PIU	No	No	No	No	No	No	No





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23	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
24	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
25	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
26	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
27	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
28	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
29	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
30	Office equipment	Computer		2024	SAPZ/PIU	No	No	No	No	No	No
31	Vehicle	Isuzu D. Max		2024	SAPZ/PIU	No	No	No	No	No	No
32	Vehicle	Isuzu D. Max		2024	SAPZ/PIU	No	No	No	No	No	No
33	Vehicle	Toyota Hilux		2024	SAPZ/PIU	No	No	No	No	No	No
34	Office Equipment	Chairs		2024	SAPZ/PIU	No	No	No	No	No	No
35	Office Equipment	Table		2024	SAPZ/PIU	No	No	No	No	No	No
36	Generator	Generator		2024	SAPZ/PIU	No	No	No	No	No	No
37	Office	Boards		2024	SAPZ/PIU	No	No	No	No	No	No





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**Table 4 Fixed assets register was not regularly updated**

No.	Expenditure Description	Payee	Transaction Date	Payment voucher / Payment Advise reference #	Was each asset on the source document(voucher) recorded in the FAR?	Total cost/value of acquired assets NOT recorded in the FAR
1	Office Equipment & Furniture- ANC Smart UPS 723VA	Tangerine Solution INC.	Jul. 18, 2024	I/LR/2024/50634	No	250
2	Canon Pmaix-Printer G3411 All in one Injet color, and black & white	Tangerine Solution INC.	Jul. 18, 2024	I/LR/2024/50634	No	425
3	Hard DriveITB	Tangerine Solution INC.	Jul. 18, 2024	I/LR/2024/50634	No	200
4	Office Equipment & Furniture- Neopix Prime-2 Projector	Tangerine Solution INC.	Jul. 18, 2024	I/LR/2024/50634	No	700
5	Office Equipment & Furniture- Digital Camera-16.1 mega Pixel	Tangerine Solution INC.	Jul. 18, 2024	I/LR/2024/50634	No	190
	<b>TOTAL</b>					<b>1,765.00</b>



**Table 5: Fixed assets of the entity were not coded**

No.	Asset Description per FAR/Asset Category	Asset Description	Asset code per FAR	Asset cost/value per FAR	Asset condition per FAR
1	Office equipment	Chair	No Code	\$200.00	New
2	Office equipment	Chair	No Code	\$200.00	New
3	Office equipment	Chair	No Code	\$200.00	New
4	Office equipment	Chair	No Code	\$200.00	New
5	Office equipment	Chair	No Code	\$200.00	New
6	Office equipment	Cupboard	No Code	\$200.00	New
7	Office equipment	Computer	No Code	\$1,320.00	New
8	Office Equipment	Chairs	No Code	\$13,200.00	New
9	Office Equipment	Bulletin Boards	No Code	\$112.00	New
10	Office Equipment	Office Chairs 30	No Code	\$114.00	New
11	Office Equipment	Blinds	No Code	\$380.00	New
12	Office Equipment	Printer	No Code	\$2,999.00	New
13	Generator	MOG Desel	No code		New
14	Projector	Neo PixPrim	No code		New
15	Office Equipment	Dispenser with bottle	No Code	\$340.00	New
	<b>TOTAL</b>			<b>\$19,665.00</b>	

**Table 6: Fixed assets within given vicinity were not displayed as required by the PFM Act**

No.	Asset Description per FAR/Asset Category	Asset Description	Asset cost/value per FAR	Asset condition per FAR	Was the asset in the register traced to location?
1	Office equipment	Chair	\$ 200.00	New	No
2	Fixture	Air conditioner	\$470.00	New	No
3	Office equipment	Computer	\$1,320.00	New	No
4	Vehicle	Toyota Hilux	\$36,000.00	New	No
5	Office Equipment	Table	\$650.00	New	No
6	Agro-Equipment- 5- ton Rice Mills	5- ton Rice Mills	Non	New	No
7	Agro-Equipment- 500 kg oil palm Expeller	500 kg oil palm Expeller	Non	New	No
8	Generator	75 KVA Generator	Non	New	No
9	Generator	75 KVA Generator	Non	New	No
	<b>TOTAL</b>		<b>\$ 38,640.00</b>		