**Management Letter**

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

*For the Year Ended December 31, 2025*

**Promoting Accountability of Public Resources**

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

**Monrovia, Liberia**
June 2026

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## Acronyms/Abbreviations/Symbols

| Acronyms/Abbreviations/Symbol | Meaning |
|---|---|
| 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 25, 2026

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, 2025 to December 31, 2025.**

The financial statements of the Special Agro-Industrial Processing Zone (SAPZ) for the fiscal year ended December 31, 2025, 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, 2025, to December 31, 2025, 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. | Subozu Kollie | Project Internal Auditor | 2022 - Present |
| 4 | Andrew Anderson | Project Coordinator | 2022 - Present |
| 5. | Boimah Gibson | Procurement Officer | 2022 - Present |
| 6. | Saye K. M. Dolo | Financial Management Officer | 2022 - Present |

**APPRECIATION**

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the project during the audit.

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

**Monrovia, Liberia**
June 2026

# 1 DETAILED FINDINGS AND RECOMMENDATIONS

## 1.1 Governance

### 1.1.1 Lack of Detailed Monitoring and Evaluation Report

**Criteria**

1.1.1.1 Paragraph (2), Page 41 of the Project implementation Manual (PIM) for the SAPZ Project states that the project is scheduled for implementation over a 60-month period, from January 2022 to December 2026. This schedule is reasonable, given the scope of activities to be implemented and project implementation capacity in the country. The PIU will be responsible for gender sensitive project monitoring and evaluation. Using the Project Result Monitoring Framework and the project result based logical framework. The PIU will include a Monitoring & Evaluation Staff. The periodic performance assessment and result reporting will be carried out by the Executing Agency, in collaboration with the beneficiary stakeholders. A consolidated quarterly and annual activity will also be prepared and submitted to the Bank the LNIC. The bank will carry out rigorous monitoring and supervision missions at least twice a year, to the extent possible on the project. The Liberia Country Office will play an active role in the coordination, country dialogue, and project supervision and monitoring.

**Observation**

1.1.1.2 During the audit, we observed no evidence that the Project Monitoring and Evaluation (M&E) Officer prepared detailed progress reports on the implementation and execution of the project programs: such as IP's progress reports (including physical and financial progress) and the analysis of the ratio of project funds utilization (programmatic expenditures vs. administrative expenditures), which is a measure of the efficiency in the management of project resources.

**Risk**

1.1.1.3 Failure by the M&E Officer to prepare detailed progress reports may deny stakeholders the information on progress achieved against set objectives.

1.1.1.4 The absence of effective monitoring and evaluation during the project may impair the achievement of value for money and the implementation of project deliverables.

**Recommendation**

1.1.1.5 Management should ensure proper coordination, monitoring and evaluation are implemented during the execution of the project.

1.1.1.6 Management should ensure that the M&E Officer prepares comprehensive monitoring, evaluation and progress reports on a timely basis. Evidence of periodic Monitoring and Evaluation reports should be adequately documented and filed to facilitate future review.

***Management's Response***

1.1.1.7 *Please note that the project has an M&E Officer who produces monthly, quarterly, and annual monitoring and evaluation reports. We have submitted some of those monthly reports to the audit team for their review.*

**Auditor General's Position**

1.1.1.8 We acknowledge Management subsequent submission of some M&E monthly reports after our audit execution. However, Management's provision of documents after our review, does not guarantee Management effective control of document management. Going forward, Management should ensure that requested documents for audit purposes are submitted in a timely manner.

### 1.1.2 No Evidence of Training and Development Plan

**Criteria**

1.1.2.1 The Committee of Sponsoring Organizations of the Treadaway Commission (COSO) states, that "commitment to competence includes the level of knowledge and skill needed to help ensure orderly, ethical, economical, efficient and effective performance, as well as a good understanding of individual responsibilities with respect to internal control".

1.1.2.2 The above can be evidenced by providing training, to raise the awareness of management and employees of the internal control objectives and, in particular, the objective of ethical operations, and helps them to understand the internal control objectives and to develop skills to handle ethical dilemmas.

**Observation**

1.1.2.3 During the audit, we observed no evidence that Management had a documented training and development plan for staff(s) of the entity.

**Risk**

1.1.2.4 Lack of training and development plans may result in training programs not being able to address employees' training needs and performance deficiencies.

1.1.2.5 In the absence of an annual training plan, training may be conducted arbitrarily. This may impair the development plan and the required capacity of staff of the entity.

1.1.2.6 In the absence of periodic training/capacity-building initiatives, staff may not obtain the required capacity needed to achieve the objectives of the entity.

**Recommendation**

1.1.2.7 Management should develop, approve, and operationalize a comprehensive training plan that addresses the strategic capacity needs of the staff of the entity. The requisite training and capacity development plan for each unit should be identified and scheduled.

1.1.2.8 Management should facilitate the execution of the training and development plan consistent with the approved schedule, monitor output from training for adjustments to future annual training and development plans

1.1.2.9 Evidence of annual capacity development plan should be adequately documented and filed to facilitate future review.

***Management's Response***

1.1.2.10 *Please note that under the project, there's no requirement for a development and training plan. However, the African Development Bank conducts regular training for project staff across all sponsored projects.*

**Auditor General's Position**

1.1.2.11 Management assertions did not adequately address the issue raised. The Training and Development Plan is an important instrument for capacity building initiatives that catalogues significant areas for improvement/ skills deficits, targeted training and associated institutions of learning, resources needed to implement planned annual capacity building initiatives and timelines for the execution of the planned activities. The development of this plan is cardinal in facilitating comprehensive and structured capacity building initiatives to address continuous development of staff capacity of the project. Therefore, we maintain our finding and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.1.3 The Use of Personal Email for Business Purpose

**Criteria**

1.1.3.1 Sections 6 of the National Policy on the Use of the Gov.Lr Domain Name of the Ministry of Posts and Telecommunications of the Republic of Liberia provides: (6) for the use of domain name such as .gov.lr by all Ministries, Agencies and Commissions (MACs). This assures citizens, residents, businesses, the international community and other stakeholders that they are accessing an official Government of Liberia site. The policy ensures domain name and integrity of domains within in the .gov.lr domain space as well as adherence to the .gov.lr domain space by all MACs of government through the Ministry of Posts and Telecommunications. All MACs under the Government of the Republic of Liberia shall operate within the .gov.lr domain space. The .gov.lr and all third level domain name (MAC.gov.lr) shall be managed by the Ministry of Posts and Telecommunications through the Chief Information Office. All gov.lr domain names must only be used for the official business of the MACs. All third level domain name (MAC.gov.lr) must be used specifically and exclusively for the stated purpose.

1.1.3.2 Further, Regulation A.14 {(1), 2 a & c), (3a) and (4)} of the PFM Act of 2009 as amended and restated 2019 state: "(1) All public sector computerized electronic records and systems shall be consistent with an approved integrated financial management automated system consistent with the (IT) Security Policy issued by the Minister. (2a) Each user of a computerized accounting, records, inventories, assets, human resource management, payroll or any similar system must be given a user identification number (User ID) and a password or personal identification number (PIN) by the system administrator. (2c) The system must be configured such that all passwords are encrypted to prevent any other person seeing the words. (3a) All computerized systems referred to in sub-regulation shall be configured such that, the audit trails, among other things, shall: (a) Show clearly the user ID, the time, the type of entry made on the system. And, (4) Notwithstanding any provision in the Information Technology Policy of any government establishment, all system administrators shall ensure that users are limited to doing only assignments or tasks approved for them on the system".

**Observation**

1.1.3.3 During the audit, we observed no evidence that Management facilitated the use an official email for the management and channeling of communications related to the entity. We observed that key personnel such as the Monitoring and Evaluation Officer, Procurement Officer and others used their personal emails to conduct official business of the entity.

**Risk**

1.1.3.4 The use of personal email may lead to unauthorized access to sensitive or confidential information of the project thereby impairing data privacy and security.

1.1.3.5 The use of personal email for managing and channeling communication may lead to permanent loss of business-related communication/email as the retrieval of lost emails from personal email accounts may be impaired.

1.1.3.6 Failure to ensure the use of official email, business communication/email records may not be monitored and retained for audits or legal purposes.

1.1.3.7 Management may be non-compliant with the National Policy on the Use of the Gov.Lr Domain Name of the Ministry of Posts and Telecommunications of the Republic of Liberia.

**Recommendation**

1.1.3.8 Management should develop, approve and operationalize policies and procedures for the effective and efficient operations of the entity's official site for the management and channeling of communication/emails. The policy should comprehensively catalog the requirements for establishing and managing the site consistent with the National Policy on the Use of the Gov.Lr Domain Name of the Ministry of Posts and Telecommunications of the Republic of Liberia as well as Regulation A.14 of the PFM Act of 2009 as amended and restated 2019.

1.1.3.9 Subsequently, Management should ensure that all email communications of the entity are facilitated through official email platforms to ensure data security and privacy are optimized.

1.1.3.10 Evidence of the approved policy for the entity's official site and the procedures for the management and channeling of the entity's communication/emails should be adequately documented and filed to facilitate future review.

***Management's Response***

1.1.3.11 *Management takes note of this issue and will work to resolve it.*

**Auditor General's Position**

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

## 1.2 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 Going forward, Management should ensure that the trial balance is reflective of all ledger accounts titles and closing balances.

1.2.1.6 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 expendituteres 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 designed 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. Moreover, the trial balance was designed programmatically to enable the project team to track payments made to contractors, consultants, and vendors with whom the project signed contracts, serving as a monitoring tool for contract management. Based on that, the names of the contractors, consultants, and vendors appear on the trial balance.*

**Auditor General's Position**

1.2.1.11 Management's assertions did not adequately address the issues raised. The trial balance should be reflective of only ledger accounts titles and associated closing balances. Special purpose reports can be designed in the system exclusive of the trial balance for other monitoring and reporting purposes. However, these reports should not be merged with the trial balance for effective review and reconciliation. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

## 1.3 Personnel Management

### 1.3.1 Procurement Management

***Irregularities Associated with Procurement Management***

**Criteria**

1.3.1.1 Section 30 (1 and 2) of the Public Procurement and Concessions Act of 2005 as amended and restated in 2010 states: "(1) Each Procurement Committee shall constitute a Bid Evaluation Panel with the required expertise as and when required to evaluate bids solicited by the Procuring Entity. (2) A Bid Evaluation Panel shall be responsible for the evaluation of bids in accordance with the predetermined and Published evaluation criteria as outlined to bidders in the bid documents in accordance with this Act and shall prepare and submit evaluation reports and recommendations for award for the consideration of the Procurement Committee or the Head of the Procuring Entity as provided in the Schedule".

1.3.1.2 Section 32 (1, 2 and 3) of the Public Procurement and Concessions Act of 2005 as amended and restated in 2010 states: (1) "In order to participate in procurement proceedings, a bidder must qualify by meeting the criteria set by the Procuring Entity, which will normally include evidence of: (a) Professional and technical qualifications; (b) Equipment availability, where applicable; (c) Past performance; (d) After-sales service, where applicable; (e) Spare parts availability; (f) Legal capacity; (g) Financial resources and condition; and (h) Verification by the internal revenue authority of payment of taxes and social security contributions when due. (2) The qualification criteria set forth in subsection (1) of this Section shall be applied by examining, through investigation and collaboration with other relevant agencies, to ascertain whether or not the bidder meets the minimum qualification criteria established for the bid and not by using a point system for comparing the relative level of qualifications of participating bidders. (3) The Procuring Entity shall be entitled to demand qualification documentation from potential bidders in formal prequalification proceedings, or as a required component of a bid submission".

**Observation**

1.3.1.3 During the audit, we observed the following irregularities associated with the procurement system:

- No functional procurement committee evidenced by the absence of meeting minutes and periodic reports.
- No evidence of bid evaluation panel meeting minutes
- No evidence of bid evaluation reports
- No evidence of periodic procurement activities reports

**Risk**

1.3.1.4 In the absence of a functional procurement committee, the entity's procurement processes may be discretional.

1.3.1.5 The absence of bid evaluation panel meeting minutes may lead to unfair selection of supplier.

1.3.1.6 In the absence of bid evaluation report, contracts may be awarded without objective evaluation of bidders.

1.3.1.7 In the absence of quarterly and annual procurement activities reports, Management may be non-compliant with the PPC Act of 2005 as amended and restated 2010.

1.3.1.8 Management may not adequately account for its procurement activities and impair effective monitoring of its procurement activities by the PPCC.

**Recommendation**

1.3.1.9 Management should establish a functional procurement committee evidenced by the documentation of meeting minutes and periodic reports.

1.3.1.10 Management should establish and operationalized bid evaluation committees comprising of individuals with the relevant technical expertise and experiences for each procurement activity within the threshold of the contract. Subsequently, the bid evaluation committee should develop bid evaluation reports comprehensively cataloguing the results of bid evaluation, submit same to Management and subsequently utilized for the awarding of contracts. Additionally, meeting minutes of the bid evaluation meetings should be comprehensively signed and filed as part of the procurement documentation to provide evidence of fair and transparent evaluation processes.

1.3.1.11 Management should facilitate the preparation and submission of quarterly and annual procurement activities reports to the PPCC as required by the PPC Act of 2005 as amended and restated 2010.

1.3.1.12 Evidence of approved annual procurement plan, bid evaluation committee meeting minutes and periodic reports, quarterly and annual procurement activities report, and all relevant supporting procurement records should be adequately documented and filed to facilitate future review.

1.3.1.13 Going forward, Management should facilitate adequate planning of procurement activities to ensure that competitive procurement processes are utilized to optimize value for money and the achievement of project's deliverables. The procurement plan should be prepared and approved before the commencement of the fiscal year to provide adequate timing for the conduct of more competitive procurement processes.

***Management's Response***

1.3.1.14 *Please note that all submitted procurement folders are intact. As stated in the financing agreement, the project uses both the Borrower's Procurement Method and the Bank's Procurement Method. Goods and a few other services, such as Printing and Media Services, Vehicle Repairs & Maintenance, and Advertising Services, are subject to the PPCC procurement method and are approved by the National Investment Commission Procurement Committee. In contrast, other services and works are subject to the Bank's Procurement Method, and Bid Evaluation Reports are submitted to the African Development Bank for no objection. The folder you are referring to falls under the Banks Procurement Method. Hence, it did not go through the Commission's Procurement Committee and holds no objection from the bank.*

1.3.1.15 *Please note that the Bid Evaluation Panel produces a Bid Evaluation Report and not meeting minutes. Meeting minutes are produced by the Procurement Committee.*

1.3.1.16 *Please note that the folder you are referring to, Waves Travels and Tours, does not have a Bid Evaluation Report due to the procurement method used, Request for Quotation. Quotations were requested from three (3) firms, and a price analysis was conducted, leading to the acceptance of the lowest quote from Waves Travels and Tours, which was in line with the 2025 procurement plan. We have attached hard copies of the quotes submitted for your review.*

1.3.1.17 *Please note that the project has periodic procurement activity reports. These reports can be found in the Project's Quarterly Progress Report. We have attached the hard copies of the 3rd- and 4th-quarter reports for your review. Please note that we have submitted the 2025 Contract Ledger.*

**Auditor General's Position**

1.3.1.18 We acknowledge and will validate Management's assertion.

## 1.4 Expenditure Management

### 1.4.1 Non-Withholding and Remittance of Goods & Service Tax

**Criteria**

1.4.1.1 Section 905 of the Revenue Code of Liberia Act of 2000 - Withholding of Tax on Payments to Residents states:

- A person listed in this subsection who makes a payment of the kind specified in this section is required to withhold tax at the rate specified in this section. The payor is treated as a withholding agent for all purposes of this Code.

1.4.1.2 This subsection applies to the following types of persons:

(1) a resident legal or natural person;
(2) a nonresident with a branch in Liberia or doing business in Liberia;

(3) a government agency; or
(4) unless expressly exempted by international agreement or treaty, a nongovernmental organization operating in Liberia or a diplomatic mission to Liberia.

(f) Payments for Services Rendered.

(a) If a payor makes a payment to a resident for services rendered, and the services are not the subject of a contract of employment, the payor is required to withhold tax at the rate of 10 percent of the amount of the payment.

(b) This subsection applies only if—

(1) the payment is of a sort includible in gross income under Section 201 (including Board fees, management fees, commissions, and the like); and
(2) the payment is $100,000 or more (or of any amount if the total amount of payments made to the payee is (or is expected to be) $1,000,000 or more for the payer's tax year).

(c) A payment for the acquisition of goods is not a payment for services rendered. If the payment is for a mixture of goods and services, withholding is required only on the portion of the payment that is allocable to the services.

(n) Payments by Government Agency.
A government agency that makes a payment to a resident in circumstances other than those described in subsections (a) through (i) is required to withhold a portion of the payment as specified in regulations, but not more than 4%.

1.4.1.3 Section 806 of the Revenue Code of Liberia Act of 2000 - Withholding of Tax on Payments to Nonresidents states:

(a) Payments. A person listed in this subsection who makes a payment of the kind specified in this section is required to withhold tax at the rate specified in this section. The payor is treated as a withholding agent for all purposes of this Code.

1.4.1.4 This subsection applies to the following types of persons:

(1) a resident legal or natural person;
(2) a nonresident with a branch in Liberia or doing business in Liberia;
(3) a government agency; or
(4) unless expressly exempted by international agreement or treaty, a nongovernmental organization operating in Liberia or a diplomatic mission to Liberia.

(e) Payments for Services Rendered. A payor who makes a payment to a nonresident for Liberian-source services rendered is required to withhold tax at the rate of 15 percent of the amount of the payment if payment is of a sort that, if made to a resident, would be includible in gross income under Section 201 Page 75 of 100 (including Board fees, management fees, commissions, and the like).

(j) Payments by Government Agency.
A government agency that makes a payment to a nonresident in circumstances other than those described in subsections (a) through (g) is required to withhold a portion of the payment as specified in regulations, but not more than 4%.

1.4.1.5 Section 905 of the Revenue Code of Liberia Act of 2000
(J) Withholding Requirements, Remittance, And Statement. Within 10 days after the last day of a month, a payor described in (a) is required to remit to the tax authorities the total amount required to be withheld during that month. Each remittance of tax under this section must be accompanied by a statement specifying the name and address of each resident to whom a payment was made, the type and amount of each payment, and the amount of tax withheld (and, if the Minister requests, underlying documentation in accordance with Section 55, including contracts). and (M) Penalties. 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 the Section 52 penalty for late payment and failure to pay. For the purpose of applying the Section 52 penalty to a failure to withhold and remit tax, references in Section 52 to the "payment due date" are to be understood as referring to the remittance due date under this section. A person who fails to provide the tax authorities with a required statement under subsection (l) is subject to a fine of $10,000 for each required statement not provided.

1.4.1.6 Section 806 of the Revenue Code of Liberia Act of 2000 (h) Withholding Requirements, Remittance, And Statement. Within 10 days after the last day of a month, a payor who has made a payment to a nonresident is required to remit to the tax authorities the total amount required to be withheld during that month. Each remittance of tax under this section must be accompanied by a statement specifying the name and address of each nonresident to whom a payment was made, the type and amount of each payment, and the amount of tax withheld (and, if the Minister requests, underlying documentation in accordance with Section 55, including contracts). If the withholding agent is a resident, the place for remittance is the withholding agent's filing location (as designated in Section 50). If the withholding agent is a nonresident, the place of remittance is the Ministry of Finance.

**Observation**

1.4.1.7 During the audit, we observed no evidence of services tax (2% or 4% for GoL Agency, 10% and 15% for service and consultancy of resident and non-resident respectively and 1% for petroleum products) being withheld and remitted into GoL Revenue Account for the purchase of services. **See Table 2 for summary and Annexure 1 for details.**

**Table 2: Non-Withholding and Remittance of Goods & Service Tax**

| No. | Description | Year | Amount in US$ |
|---|---|---|---|
| 1 | Non deduction of GST | 2025 | 2,718,620.18 |

**Risk**

1.4.1.8 Failure to withhold and remit service tax may deny GoL of the much-needed tax revenue.

1.4.1.9 Management may be noncompliant with Section 905 (a, f and n) and Section 806 (a, e and j) of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay. **Please see Section 52 of the Revenue Code of Liberia as referenced above.**

1.4.1.10 Non-remittance of withholding taxes may lead to an overstatement of the cash book and subsequently the financial statements.

**Recommendation**

1.4.1.11 Management should provide substantive justification for not withholding and remitting service tax.

1.4.1.12 Going forward, Management should withhold tax on all services procured and facilitate full remittance of service tax to the general revenue account in keeping with Section 905 (a, f and n) and Section 806 (a, e and j) of the Revenue Code of Liberia Act of 2000 as amended and restated 2011.

1.4.1.13 Evidence of remittance including original copies of flag receipts and other supporting records should be adequately documented and filed to facilitate future review.

***Management's Response***

1.4.1.14 *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.*

1.4.1.15 *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:*

1.4.1.16 *SECTION 8.01 Taxes (Page 132)*

*(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.*

(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.

(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.

1.4.1.17 *Also Section 11.02 (Page 132)- Section 11.02 Taxes*

*(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.*

(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.

**Auditor General's Position**

1.4.1.18 Management's assertion did not adequately address the issue raised. According to Article VIII Section 8.01c of the General Conditions Applicable to the African Development Bank Loan Agreement and Guarantee Agreement states "the immunities, exemptions and privileges from taxations referred to this section 8.01 and in Article 57 of the Bank Agreement shall ensure to and be for the sole benefits 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.

## 1.5 Fixed Assets Management

### 1.5.1 Irregularities Associated with Fixed Asset Management

**Criteria**

1.5.1.1 Regulations V.4 (2) of the PFM Act of 2009 and revised in 2019 states that, "The master inventory shall record under each category of item:

- the date and other details of the voucher or other document on which the items were received or issued;
- their serial numbers where appropriate; and
- The distribution to individual locations and the total quantity held."

**Observation**

1.5.1.2 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.
- The fixed assets register was not regularly updated.
- There was no evidence of periodic physical verification of assets by Management.
- No evidence of asset movement log
- Fixed assets within a given vicinity were not displayed as required by the PFM Act.

**Risk**

1.5.1.3 Fixed Assets may be misstated (Over/understated).

1.5.1.4 Fixed Assets may be damaged or impaired but their values are still on the books.

1.5.1.5 Fixed Assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.

1.5.1.6 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.

1.5.1.7 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 entity's objectives.

**Recommendation**

1.5.1.8 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.

1.5.1.9 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.

1.5.1.10 The Fixed Assets Register should be updated periodically to reflect all the entity's assets.

1.5.1.11 Fixed Assets within a particular vicinity should be clearly displayed as required by the PFM Act.

1.5.1.12 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 location of assets.

***Management's Response***

1.5.1.13 *The Fixed Assets Register contains all relevant columns as suggested by the previous audit and was regularly updated by the General Service Agency, from which the project asset register was extracted. Additionally, the National Investment Commission conducted physical verification of assets. Please see the attached hard copies of the Asset Verification Report and the Laptop Movement Log for your review. Furthermore, the fixed assets log has always been displayed in all offices at the National Investment Commission. This was done in recognition of a previous audit observation.*

**Auditor General's Position**

1.5.1.14 Management's assertions did not adequately address the issues raised. The fixed assets register submitted for audit purposes did not contain columns for cost, accumulated depreciation and net book value of the assets. Also, the condition columns were consistently filled with the description "GoL" and not the actual status of the respective fixed assets. Physical verification reports mentioned in Management's response was not submitted for audit purposes as asserted. The Movement of Assets Forms mentioned in Management's response were rather Assets Distribution Listings which did not contain information relative to authorization of movement of fixed assets from one location to another. Also, we observed no evidence of Fixed Assets Display Logs as asserted in Management's response during our physical verification exercise. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

## Implementation of Prior Year's Audit Recommendations

| 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.<br><br>Going forward, Management should ensure that full and adequate 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). | Unresolved |
| Inadequate Trial Balance | PIU | Management should ensure that the trial balance is reflective of all ledger accounts closing balances.<br><br>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. | Unresolved |
| Funds Receipts per Financial Statements not Reconciled to SAPZ Ledger | PIU | 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.<br><br>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. | Unresolved |

| **Implementation level of Prior Year Audit Recommendations** | | | |
|---|---|---|---|
| **Issues** | **Responsible Party** | **Recommendation** | **Level of Implementation** |
| No Risk Assessment Policy and Process | SAPZ | Management should establish a risk management policy that identifies strategies for mitigating internal and external risks that may impair the achievement of the project's objectives.<br><br>Subsequently, Management should facilitate the conduct of periodic risk assessment and take corrective action for gaps identified.<br><br>Evidence of approved risk management policy and periodic risk assessment reports should be adequately documented and filed to facilitate future review. | Unresolved |
| Staff on Payroll without Employment Letter | | 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.<br>Management should institute periodic review / inspection of personnel files to validate the completeness of personnel records.<br><br>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. | Unresolved |
| Failure to Withhold and Remit Taxes | | Management should provide substantive justification for not withholding and remitting withholding taxes to the LRA.<br><br>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.<br><br>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 | Unresolved |

| Implementation level of Prior Year Audit Recommendations | | | |
|---|---|---|---|
| **Issues** | **Responsible Party** | **Recommendation** | **Level of Implementation** |
| | | receipts and other relevant supporting records should be adequately documented and filed to facilitate future review. | |
| Irregularities Associated with the Management of the Project Assets | | Management should develop, approve and operationalize a fixed asset management policy to regulate fixed assets activities of the project.<br><br>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.<br><br>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.<br><br>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.<br><br>The Fixed Assets Register should be updated periodically to reflect all the project's assets.<br><br>Fixed Assets within a particular vicinity should be clearly displayed as required by the PFM Act.<br><br>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. | Unresolved |

## ANNEXURES

### Annexure C: Non-Withholding and Remittance of Goods & Service Tax

| No. | Date | Description | Payee | Voucher # | Cheque # | Amt. in US$ |
|---|---|---|---|---|---|---|
| 1 | Sept. 25, 2025 | Representing Payment for Petroleum Products to the PIU | Conex Energy Liberia INC | SAPZ/2025/026 | '00583825 | 15,335.00 |
| 2 | Dec. 12, 2025 | Payment representing procurement of Air ticket to staff of the SAPZ project traveling to Ethiopia and Togo for study tour. | Wave Travels and Tours | SAPZ/2025/051 | '00585003 | 12,775.00 |
| 3 | Sept. 16, 2025 | Payment representing Supply of scratch card to the PIU | Harbel Supermarket Corp. | SAPZ/2025/018 | '00583813 | 2,997.25 |
| 4 | Sept. 15, 2025 | Payment representing provision of Internet services to the PIU for the period June 1, 2025 to may 31, 2026 | Power Net | SAPZ/2025/017 | '00583812 | 9,000.00 |
| 5 | Sept. 9, 2025 | Payment representing advance payment for execution of construction works for 4.27 KM for non existing Access Road to the Buchanan SEZ/SAPZ site | HM & A Core Construction LTD (JV) | SAPZ/2025/"005 | Direct Payment | 1,560,549.27 |
| 6 | Oct. 10, 2025 | Being Payment for internet services to the Project implementation unit of the NIC | Power Net | SAPZ/2025/034 | '00583832 | 10,010.00 |
| 7 | Oct. 15, 2025 | Being Payment for | National Insurance | SAPZ/2025/"035 | '00583833 | 3,410.00 |

| No. | Date | Description | Payee | Voucher # | Cheque # | Amt. in US$ |
|---|---|---|---|---|---|---|
| | | comprehensive insurance services for three vehicles for (12) months to the Project implementation unit of the NIC | Corporation | | | |
| 8 | 25/09/2025 | Being Payment for vehicle maintenance and services for the Project implementation unit of the NIC | Auto Spare Garage | SAPZ/2025/"023 | '00583823 | 4,325.00 |
| 9 | 04/11/2024 | Being Payment for Printing of the ratified loan agreement under the OPEC Fund, Resettlement Action Plan banner for the Project implementation unit of the NIC | Millennium Arts | SAPZ/2025/"045 | '00583840 | 1,980.00 |
| 10 | 20/10/2025 | Being Payment for vehicle maintenance services for the Project implementation unit of the NIC | Auto Spare Garage | SAPZ/2025/"040 | '00583838 | 420.00 |
| 11 | 29/10/2020 | Being Payment for Stationeries supplies for the Project implementation unit of the NIC | Aries Ventures Group | SAPZ/2025/"042 | '00583839 | 7,036.00 |
| 12 | 30/01/2025 | Payment representing procurement of plane ticket and hotel accommodation for three NIC staffs of the SAPZ project traveling to China to show case SAPZ | WaKanow | 00161 | Direct Payment | 20,916.00 |

| No. | Date | Description | Payee | Voucher # | Cheque # | Amt. in US$ |
|---|---|---|---|---|---|---|
| | | project | | | | |
| 13 | 06/11/2025 | Payment representing advance payment for construction works for 33 KVA Powerline and associated LV Network to the Buchanan SEZ/SAPZ site | RSF company | '0036 | Direct Payment | 164,134.66 |
| 19 | Apr. 21, 2025 | Payment representing procurement Branding and communication consultant for stakeholder engagement for RAP assessment, ad social media post, and content marketing conference | Hesta Baker | N/A | Direct Payment | 5,000.00 |
| 20 | 23/09/2025 | Being 10% of the contract price for Audit Consultant for the submission of the inception report for the preparation of the Environmental Audit | Robert D. Boakai | SAPZ/2025/021 | '00583822 | 2,148.00 |
| 25 | 06/05/2025 | Payment representing procurement Branding and communication consultant for program planning design, and printing, press kit, press | Hesta Baker | N/A | Direct Payment | 5,000.00 |

| No. | Date | Description | Payee | Voucher # | Cheque # | Amt. in US$ |
|---|---|---|---|---|---|---|
| | | invite, press management, for the SAPZ. | | | | |
| 26 | 28/05/2025 | Payment representing procurement Branding and communication consultant for commercial production, social media advertising, joining of FB group, and website updating for the SAPZ/ PIU. | Hesta Baker | N/A | Direct Payment | 5,000.00 |
| 28 | 31/03/2025 | Payment representing procurement Branding and communication consultant for Advertising, social media post, content marketing, and budget activities under the SAPZ/ PIU. | Hesta Baker | N/A | Direct Payment | 5,000.00 |
| 29 | 17/01/2025 | Payment for consultancy service for the submission of organization structure, role of Positions, and MOU with competent agencies under the SAPZ project | Nimba Research Consultancy Co. LTD. | '0026 | Direct Payment | 107,860.00 |
| 30 | 17/01/2025 | Payment for consultancy service to develop the institution structure, SOP website, and one stop shop web application for SAPZ | Nimba Research Consultancy Co. LTD. | '0027 | Direct Payment | 107,860.00 |

| No. | Date | Description | Payee | Voucher # | Cheque # | Amt. in US$ |
|---|---|---|---|---|---|---|
| | | project | | | | |
| 32 | 09/04/2025 | Payment for consultancy service to deliver report on review of policy regulation, stregies and law of Liberia | Consortium Apex Consulting LLC | '00029 | Direct Payment | 37,224.00 |
| 33 | 16/01/2025 | Payment for consultancy service to deliver report on review of policy regulation, stregies and law of Liberia | Consortium Apex Consulting LLC | '00025 | Direct Payment | 46,530.00 |
| 35 | 04/09/2025 | Payment for consultancy service for the submission of finalized standard operational procedure (SOP) for guiding procedure and process for the Special Agriculture Processing Zone (SAPZ). | Nimba Research Consultancy Co. LTD. | '0030 | Direct Payment | 215,720.00 |
| 36 | 24/06/2024 | Payment of 40% consultancy fees for mapping and capacity needs assessment of 50 farmers cooperatives and submission of capacity need report for the Special Agriculture Processing Zone (SAPZ). | Urban Associate LTD. | '0002 | Direct Payment | 301,410.00 |

| No. | Date | Description | Payee | Voucher # | Cheque # | Amt. in US$ |
|---|---|---|---|---|---|---|
| 37 | 24/06/2024 | Payment of 10% consultancy fees for second phase of value chain training and mapping of farmers groups report for the Special Agriculture Processing Zone (SAPZ). | Urban Associate LTD. | '0001 | Direct Payment | 66,980.00 |
| **Total** | | | | | | **2,718,620.18** |