Management Letter

On the Financial Statements Audit of the Liberia Integrated Fisheries Sector Strengthening Project (LIFSSP)

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

Table of Contents

Acronyms/Abbreviations/Symbols

Acronyms/Abbreviations /Symbol	Meaning
AG	Auditor General
CFIP	Certified Forensic Investigation Professional
FCCA	Fellow Member of the Association of Chartered Certified Accountants
GAC	General Auditing Commission
GOL	Government of Liberia
OPEC	Organization of the Petroleum Exporting Countries
IPSAS	International Public Sector Accounting Standards
LIFSSP	Liberia Integrated Fisheries Sector Strengthening Project
M & E	Monitoring and Evaluation
PFM Act	Public Finance Management Act
PFMU	Project Financial Management Unit
PPC Act	Public Procurement & Concession Act
PPCC	Public Procurement and Concession Commission
PSC	Project Steering Committee
PV	Payment Voucher
US$	United States Dollar

June 24, 2026

Hon. J. Cyrus Saygbe, Sr.
Director General
National Fisheries & Aquaculture Authority (NaFAA)
Bushrod Island
Montserrado, Liberia

Dear Hon. Saygbe:

Re: Management Letter on the Audit of the Liberia Integrated Fisheries Sector Strengthening Project (LIFSSP) for the year ended December 31, 2025.

The Audit of the Financial Records of the Liberia Integrated Fisheries Sector Strengthening Project (LIFSSP) for the year ended December 31, 2025 implemented by the National Fisheries & Aquaculture Authority (NaFAA) was commissioned by the Auditor-General (AG) on March 10, 2026, under AG's mandate as provided for in Section 2.1.3 of the GAC Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

Introduction

The LIFSSP's account is managed by the Minister of Finance in terms of the Grant agreement as of October 16, 2023.

The objectives of the audit were to express professional opinion on the LIFSSP's Financial Reports for the year ended December 31, 2025, as submitted to the Organization of the Petroleum Exporting Countries (OPEC) and express an audit opinion according to Cash Basis International Public Sector Accounting Standards (IPSAS) promulgated by International Federation of Accountants (IFAC), whether the Financial Reports of the Liberia Integrated Fisheries Sector Strengthening Project (LIFSSP) submitted to OPEC are in accordance with the Project Financial Management Unit's (PFMU) policies and OPEC requirement for financial reporting".

Audit Scope and Methodology

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) as well as the Engagement (Audit) Terms of Reference. These standards

require that we plan and perform the audit so as to obtain reasonable assurance whether the LIFSSP's financial statements and related records are free of material misstatements due to errors or fraud and comply with ethical requirements.

In planning and performing the audit, we considered the LIFSSP's internal controls over financial reporting that were considered to be significant deficiencies. Significant deficiencies involve matters coming to our attention relating to deficiencies in the design or operation of internal control over financial reporting that, in our judgment could adversely affect the LIFSSP ability to initiate, authorize, record, process and report financial data reliably in accordance with the International Financial Reporting Standards, Cash Basis and OPEC financial reporting framework.

Towards this end, we reviewed the Grant agreement, business and the control environment of the LIFSSP through which risks of material misstatements affecting its operations were assessed using a risk-based approach. Audit procedures considered necessary were thus pursued to address the risks identified within LIFSSP's operations.

Limitation of Responsibility

We reviewed the systems and management controls operated by the Management of the Liberia Integrated Fisheries Sector Strengthening Project (LIFSSP) only to the extent we considered necessary for the effective performance of this audit. As a result, our review may not have detected all weaknesses that existed or all improvements that could have been made.

The responsibility to put in place effective systems and controls for the prevention and detection of fraud, error and non-compliance with applicable accounting standards, laws and regulations and policies is the duty of the Management of the LIFSSP.

Our responsibility under AG's mandate as provided for in Section 2.1.3 of the GAC Act of 2014 as well as the Audit Engagement Terms of Reference (ToR) is to provide certification on the LIFSSP's financial statements and related records based on the outcome of our examination of the financial statements and related records.

No.	Name	Position	Tenure
1.	Hon. Cyrus J. Saygbe, Sr.	National Fisheries & Aquaculture Authority	2025 - Present
2.	Austin Wehye	Project Coordinator	2025 - Present
3.	Sam Gbormie	Financial Management Officer	2025 - Present
4.	Palpin Daniel, Jr.	Director – Donor Funded Project - PFMU	2025 - Present
5.	Leroy N. Fendor	Deputy Director – Donor Funded Project - PFMU	2025 – Present
6.	Subozu Kollie	Project Internal Auditor	2025 - Present

Appreciation

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff and Management of the Liberia Integrated Fisheries Sector Strengthening Project (LIFSSP) and other individuals who contributed to success of this Audit. The audit findings which were identified during the course of the audit are included.

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 Project Steering Committee did not Meet as Required

Criteria

1.1.1.1 Section 2.5 (i) 22 of the PIM States that: The PSC shall be responsible for providing overall strategic oversight of the project. It will provide policy coordination and will be the forum for resolving strategic issues impeding program implementation. It will also be the forum for policy dialogue with development partners on project implementation activities and other project-related activities. The PSC will convene two (2) weeks after the end of every quarter.

Observation

1.1.1.2 During the audit, we observed that the Project Steering Committee (PSC) met only twice, instead of the required four (4) quarterly statutory meetings per the Project Implementation Manual (PIM).

Risk

1.1.1.3 The PSC may be non-compliant with Section 2.5 (i) 22 of the Project Implementation Manual (PIM).

1.1.1.4 The strategic oversight over the function of Management may be impaired. This may impair the achievement of the project's objectives.

1.1.1.5 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

1.1.1.6 Management should liaise with the relevant authorities of the Project Steering Committee to facilitate the conduct of periodic Project Steering Committee meetings. Project Steering Committee 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.

1.1.1.7 Management should also institute a platform for following-up on decision made at Project Steering Committee meetings. Actions/deliverables should be discussed during current meetings, as a medium for tracking implementation progress and planning for future activities.

1.1.1.8 Evidence of meeting minutes and periodic activities reports of the PSC should be adequately documented and filed to facilitate future review.

Management Response

1.1.1.9 *Although the Project Financing Agreement was approved in 2023, the project did not become effective until May 2025* ***(see attached Exhibit: 1A)****, following the approval of the project activity workplan and budget. As a result, nearly two quarters of the year had elapsed before project implementation officially commenced. During this period, no project activities were undertaken, and consequently, the corresponding quarterly PSC meetings were not held.*

1.1.1.10 *Furthermore, in July 2025* ***(see attached Exhibit: 1B)****, all project activities were suspended by the OPEC Fund to facilitate the project restructuring process. The authorization to resume implementation was granted in October 2025* ***(see attached Exhibit: 1C)****, resulting in a three-month interruption of project activities. During the restructuring period, no substantive project implementation took place, and therefore no PSC meeting was convened.*

1.1.1.11 *Consequently, for the period from May 2025 to December 2025, only two PSC meetings were held. The remaining meetings were not conducted because there were no project activities requiring PSC oversight prior to the project's effectiveness and during the period when project activities were suspended pending restructuring approval. Moreover, the project operated for two full quarters and two months in the year (2025) under review.*

Auditor General's Position

1.1.1.12 Management's assertions did not adequately address the issue raised. The project became operational in May 2025 and remained active during portions of the second, third, and fourth quarters of the year. The Project Steering Committee serves as a governance and oversight body responsible for providing strategic direction, monitoring implementation progress, addressing challenges, and ensuring compliance with project objectives and funding requirements. The Project Steering Committee should have met as required to deliberate on the above strategic issues. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.2 Financial Reporting

1.2.1 Variance between the Financial Statements and the General Ledger/Drill Down

Criteria

1.2.1.1 Section 36(1) of 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 instruction issued by the Minister".

Observation

1.2.1.2 During the audit, we observed that total expenditures recorded in the general ledger amounted to US$322,326.98 and total expenditures reported in the financial statements amounted to US$386,133.00 resulting in a variance of US$63,806.02. **See Table 1 below for details:**

Table 1: Variance between Financial Statements and General Ledger/Drill Down

No.	General Ledger Amount US$ A	Financial Statement Amount US$ B	Variance US$ C=(A-B)
1.	322,326.98	386,133.00	63,806.02

Risk

1.2.1.3 The completeness and accuracy of the financial statements may not be assured; therefore, the financial statements may be misstated.

1.2.1.4 A misstated financial statement may facilitate fraudulent financial reporting and mislead the users of the financial statements.

1.2.1.5 Management may not account for all its transactions.

1.2.1.6 Fair presentation and full disclosures of the financial statements may be impaired.

Recommendation

1.2.1.7 Management should account for the variance identified between the general ledger and the financial statements catalogued in Table 1 above, as part of Management's response to this Management Letter.

1.2.1.8 Subsequently, Management should adjust the financial statements by the variance observed between the general ledger and the financial statements. The adjusted financial statements should be submitted to the Office of the Auditor General, as part of Management's response to this Management Letter.

1.2.1.9 forward, Management should conduct 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. Evidence of periodic reconciliation reports should be adequately documented and file to facilitate future review.

1.2.1.10 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. Going forward, 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.

Management's Response

1.2.1.11 Management takes note of the audit finding and has revised the drill-down ledger. Attached is a copy for ease of reference. ***See attached Exhibit II: Revised Drill-down Ledger.***

Auditor General's Position

1.2.1.12 We acknowledge Management's acceptance of our finding, recommendations and subsequent adjustment of the general ledger/drill down.

1.2.2 No Names and/or Titles of Preparer, Reviewer and Approver of Vouchers

Criteria

1.2.2.1 Section 36(1) of 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 instruction issued by the Minister".

Observation

1.2.2.2 During the audit, we observed that there were no names and titles/positions for the preparer, reviewer, and the person responsible to approve voucher payments before disbursements are made.

Risk

1.2.2.3 Segregation of duties and check and balances may be impaired.

Recommendation

1.2.2.4 Management should ensure that the titles of the preparer, reviewer and approver of the voucher payments are indicated adjacent their signatures to validate the existence of segregation of duties, check and balance, and a comprehensive review system.

Management's Response

1.2.2.5 According to the PFMU Financial Procedures Manual, Bank Reconciliation Statements are prepared by Assistant Project Accountants, Reviewed by Project Internal Auditor and Approved by either the Deputy Director – Donor Financed Projects or Director – Donor Financed Projects. Please find the section below:

I. *The Director - Donor Financed Projects shall ensure that all reconciliation differences are properly and promptly investigated with a view to regularizing them. To this end, all Bank Reconciliation statements shall be prepared by an Assistant Project Accountant (APA), reviewed by an Internal Auditor and approved by the Deputy Director – Donor Financed Projects or Director – Donor Financed Projects. Additionally, the signatory specimen and titles for these stakeholders have been shared with the GAC as was requested during previous audits engagement. Given the limited or unavailability of space on the face of the payment Vouchers, individual names and titles of these stakeholders cannot be inserted.*

II. *7.1.1 (f) The cash books shall be reconciled with the bank statements monthly and the bank reconciliation statements shall be reviewed and verified by the Project Internal Auditor and approved by the Director - Donor Financed Projects or Deputy Director – Donor Financed Projects;*

1.2.2.6 The PFMU is in full compliance with sections 6.5.3 and 7.1.1(f) of the Financial Procedures Manual. Anyone, including GAC, reviewing Bank Reconciliation Statements (BRSs) from PFMU will know that BRS are prepared by Accountants, reviewed by Auditors and approved by the Deputy Director of PFMU. The risk stated by GAC in this instance is non – existent.

1.2.2.7 Moreover, the auditors did not request for the signature specimen of Groups Accountants, Internal Auditors, Deputy Director – PFMU and Director - PFMU in relations to Payment vouchers processing. The same signature specimen applies for Bank Reconciliations Statements. However, we are attaching them for the auditor's review. ***See attached Exhibit III: PFMU Signature Specimen.***

Auditor General's Position

1.2.2.8 Management's assertions did not adequately address the issue raised. Our observation did not relate to the preparation of bank reconciliation statements, but rather to the review of payment vouchers. Specifically, the payment vouchers examined did not clearly indicate the names and designations of the officers responsible for their preparation, review, and approval.

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 Non-Withholding and Remittance of Social Security's Contributions

Criteria

1.3.1.1 Section 89.6 of The National Social Security and Welfare Corporation (NASSCORP) Act of 2017, provides that "The National Social Security and Welfare Corporation shall be organized in such manner and with such personnel as shall be determined by the Director General with the approval of the Board. Such organization shall be structurally flexible to ensure coordination of the work of the Corporation with the work of ministries and other agencies of the Government and employers in the private sector."

1.3.1.2 Also, Section 89.16 of the Decree establishing NASSCORP requires that "the contribution payable under this Act in respect of an employee shall comprise contribution payable by the employer (hereinafter referred to as the employer's contribution) and contribution payable by the employee (hereinafter referred to as the employee's contribution) and shall be paid to the corporation. Contribution rate shall be total 10% of total gross remuneration of each employee; 2 % under the Employment Injury Scheme payable by the employer; 4 % employer contribution and 4% employee contribution to be remitted by the employer."

1.3.1.3 The National Social Security and Welfare Corporation (NASSCORP) was established for the income protection and welfare of employees in both the public and private economic sectors of Liberia. One important function of the Corporation is the implementation of the Employment Injury Scheme (or EIS), which provides medical benefits for insured persons who sustain job-related injuries or contract occupational diseases. A second vital function is the National Pension Scheme (or NPS), that provides pension benefits to insured persons.

1.3.1.4 Section 3.2 of The Employer's Guide to the National Social Security and Welfare Corporation Schemes of 2013, provides "Persons not Eligible for Coverage under the EIS and NPS" includes:

- Members of the Armed Forces including the Naval and Air Force;
- Members of any military forces of any country other than Liberia;
- Members of the employer's family dwelling in his/her house;
- Wives working for their husbands; vice versa.
- Domestic servants and hires;
- Persons employed on board vessels, ships, boats or canoes, etc. flying Liberian flag;
- Persons born before September 1, 1959, and
- Persons under the age of 18 or above the age of 55 (for persons born before 1980) and above the age 52 (for persons born 1980 and after)

1.3.1.5 Also, Section 3.3 of The Employer's Guide to the National Social Security and Welfare Corporation Schemes of 2013, provides that "Why are these persons not covered" There are special pension plans and life insurance policies for those in the army and others who are not covered by NPS and EIS. Some of these individuals are extremely high-risk employees and they perform their jobs under conditions that are difficult to monitor.

Observation

1.3.1.6 During the audit, we observed no evidence that Management withheld and remitted the employees' and employer's social security's contributions to NASSCORP for the period under review as required.

Risk

1.3.1.7 Management may be non-compliant with the NASSCORP Act of 2017 which may result to penalties and fines.

1.3.1.8 Potential retirees of GoL may be denied required pension benefits due to non-compliance with the Regulation.

1.3.1.9 The completeness and accuracy of social security contributions for employees may be misstated. This may lead to inaccurate computation of employees' social security benefits.

1.3.1.10 Non-remittance of social security contributions may lead to misapplication / misappropriation of social security funds.

1.3.1.11 Miscomputation of the social security benefit may lead to misstatement of social security contributions and subsequently the financial statements.

Recommendation

1.3.1.12 Management should provide substantive justification for not withholding and remitting social security's contributions to NASSCORP.

1.3.1.13 Management should facilitate comprehensive and accurate computation of social security benefits by ensuring social security computations are derived on the basis of total earnings, as required by the Regulations.

1.3.1.14 A payment plan should be crafted and agreed between Management and NASSCORP Management for full settlement of all arrears. Management should budget for and ensure full compliance to the terms of the agreed payment plan. Management should also ensure that future employers' contributions are adequately provided for in the approved budget on an annual basis (where applicable).

1.3.1.15 Management should facilitate full payment of employees and employer's contributions to NASSCORP on a consistent and timely basis.

1.3.1.16 Management should ensure that a comprehensive reconciliation is performed with NASSCORP records to ensure that individual employees social security contributions are duly allocated and compiled to validate the completeness and accuracy of employees' social security contributions.

1.3.1.17 Going forward, monthly remittance of social security's contributions should be accompanied by a listing of employees and their social security numbers for ease of allocation to employees' NASSCORP accounts respectively.

1.3.1.18 Evidence of remittances of monthly social security contributions and all relevant supporting records should be adequately documented and filed to facilitate future review.

Management's Response

1.3.1.19 Project Implementation Unit staff are recruited under a contract for service status and not contract of service arrangement that qualifies or attract social benefits (i.e NASSCORP). Under contract for service status, there is no employer to employee relationship, and the associated social benefits that an employer to employee relationship derive does not exist.

1.3.1.20 A contract of service is essentially an employment contract between an employer and an employee. It defines the terms of employment, including working hours, duties, compensation, vacation, and other conditions. The employee is integrated into the business and works under the employer's control, meaning the employer directs how, when, and where the work is performed. Employees under this contract enjoy statutory benefits such as paid leave, pension contributions, health insurance, and protection from unfair dismissal. The employer is also generally liable for the employee's actions performed in the course of employment.

1.3.1.21 A contract for service is an agreement between a client and an independent contractor or freelancer to complete a specific task or project. The contractor operates independently, determines how to perform the work, and is responsible for delivering the agreed results. This type of contract does not create an employer-employee relationship, so labor laws and statutory benefits generally do not apply. Payment can be a lump sum or per project, and the contractor bears responsibility for their own taxes and insurance.

1.3.1.22 Furthermore, the Financing Agreement and associated project implementation arrangements establish the categories of expenditures eligible for financing under the Project. The remuneration and contractual benefits payable to PIU consultants are *specifically defined in contracts that have been reviewed and approved by the World Bank. The Project is not authorized to unilaterally impose deductions, alter agreed remuneration, or create additional employer obligations that are not contemplated in the approved contracts, Financing Agreement, or Project Operations Manual. Any modification to the contractual remuneration structure would require the consent of the parties and, where applicable, prior review and clearance by the World Bank.*

1.3.1.23 *Management therefore respectfully submits that the finding appears to be premised on the assumption that all individuals receiving compensation under the Project are employees for purposes of the NASSCORP Scheme. Such a conclusion requires a legal determination of the status of the PIU consultants under the Decent Work Act, the NASSCORP Act, the Financing Agreement, and the individual consultancy contracts. In the absence of such a determination, Management is unable to conclude that mandatory employee and employer contributions were legally required during the period under review.*

1.3.1.24 *Notwithstanding the foregoing, Management recognizes the importance of ensuring full compliance with the laws of the Republic of Liberia and the requirements of the Financing Agreement. Accordingly, Management will engage the Ministry of Finance and Development Planning, and the World Bank to obtain formal guidance on the applicability of NASSCORP contribution requirements to project-financed consultants engaged under World Bank-financed investment operations.*

1.3.1.25 *In light of the foregoing, Management respectfully submits that the recommendations relating to the computation and remittance of employee and employer social security contributions, settlement of alleged arrears, preparation of payment plans, and reconciliation of employee contribution records are not presently applicable unless and until it is legally established that the PIU consultants fall within the category of covered employees under the NASSCORP Scheme. Nevertheless, Management remains committed to ensuring that all project-financed engagements are administered in full compliance with the laws of the Republic of Liberia, the Financing Agreement, and World Bank requirements.*

Auditor General's Position

1.3.1.26 Management's assertions were not consistent with Section 89.6 of The National Social Security and Welfare Corporation (NASSCORP) Act of 2017, Section 89.16 of the Decree establishing NASSCORP and Section 3.2 of The Employer's Guide to the National Social Security and Welfare Corporation Schemes of 2013. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.4 Expenditures Management

1.4.1 Payments without Evidence of Adequate Supporting Documents

Criteria

1.4.1.1 Regulation P.9 (2) of the PFM Act of 2009 as amended and restated 2019 states that "Payments except for statutory transfers and debt services shall be supported by invoices, bills and other documents in addition to the payment vouchers."

Observation

1.4.1.2 During the audit, we observed no evidence of adequate supporting documents such as; payment vouchers, request forms, contracts, receipts, goods received notes delivery notes etc., for several transactions amounting to US$5,517.00. **See Table 3 below for details:**

Table 3: Payments without Evidence of Adequate Supporting Documents

No.	Date	Payee	Description	Voucher No.	Check. No.	Amount US$
1.	1/12/2025	LIBERIA ANALYST COR.	Payment for publication	N/A	125	768.00
2.	2/12/2025	OBESERVER CORP.	Payment for publication	N/A	125	624.00
3.	4/12/2025	SAKSOUK SHOPPING CENTER	N/A	N/A	126	3,175.00
4.	6/25/2025	Canon EOS 250D Camera	Payment for Canon EOS 250D Camera	N/A	N/A	950.00
TOTAL						**5,517.00**

Risk

1.4.1.3 Payments may be made for goods not delivered or services not performed. Goods delivered or services performed may not meet the approved specifications.

1.4.1.4 In the absence of adequate supporting documents, the validity, occurrence, and accuracy of payments may not be assured. This may lead to misappropriation of the project's funds.

1.4.1.5 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.

1.4.1.6 Management may override the procurement processes by completing disbursement without utilizing the required procurement methods.

Recommendation

1.4.1.7 Management should fully account for expenditure made without adequate supporting documents comprehensively catalogued in Table 3 above, as part of Management's response to this Management Letter.

1.4.1.8 Going forward, Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations. Documentation such as contracts, invoices, goods received notes, job completion certificates, purchase orders, payment vouchers etc., should be prepared and approved for the procurement of goods and services where applicable. All relevant supporting records should be adequately documented and filed to facilitate future review.

1.4.1.9 Additionally, Management should facilitate the operationalization of the electronic document management system by ensuring that all relevant source and supporting documents are scanned, attached to the transaction (in the accounting software for financial transactions), archived and maintained to facilitate future review.

Management's Response

1.4.1.10 *All the aforementioned payments were made with all the requisite supporting documents. At no time are payments authorized or executed without proper documentation, which include payment vouchers, invoices, delivery notes, receipts and any other relevant supporting documents. We are herewith submitting the payment vouchers with all the requisite supporting documents for the auditor's review.* ***See attached Exhibit V: Payment Vouchers with Supporting Documents.***

Auditor General's Position

1.4.1.11 We acknowledge Management's subsequent submission of payment vouchers and supporting documents after our audit execution. However, Management's provision of documents after our review, does not guarantee Management effective control of expenditure liquidation and document management.

1.4.1.12 Going forward, Management should ensure that requested documents for audit purposes are submitted in a timely manner. Management should also ensure that payment vouchers and all relevant supporting records are adequately documented and filed to facilitate future review.

1.5 Fixed Assets Management

1.5.1 Irregularities Associated with Fixed Assets Management

Criteria

1.5.1.1 Regulation V.4 of the PFM Regulation of 2009 as amended and restated 2019 states" (1) Furniture, and equipment issued for Government quarters or offices or vehicle and other fixed asset shall be brought on a master inventory of the Government Agency. (2) The master inventory shall record under each category of item: (a) the date and other details of the voucher or other document on which the items were received or issued; (b) their serial numbers where appropriate; and (c) their distribution to individual locations and the total quantity held. (3) In respect of each individual location, there shall be made two copies of the inventory showing all items held at the location; one copy of the inventory shall be kept with the master inventory and the other copy at the location. (4) The dates and other details of all receipts and issue of items to or from the location shall be recorded on both copies of the inventory as they occur. (5) The initial entries and all other entries made later on both copies of the inventory shall be validated by the signature of the officer having the use of the items, or where there is more than one officer, the most senior of them.

Observation

1.5.1.2 During the audit, we observed the following irregularities associated with the project's fixed assets management system:

- Fixed assets within a given vicinity were not displayed as required by the PFM;
- Some fixed assets of the project were not coded. **See Table 4 below for details:**

Table 4: Irregularities Associated with Fixed Assets Management

No.	Item/Description	Original Cost US$	Assignee	Asset Code	Location	Comment
1.	Office Fireproof Safe (Medium)	450.00	Finance Office	None	NaFAA's HQ	Not Coded
2.	Office Safe (Small)	215.00	Finance Office	None	NaFAA's HQ	Not Coded
3.	Canon EOS 250D Camera	950.00	N/A	None	NaFAA's HQ	Not Coded
	TOTAL	**1,615.00**				

Risk

1.5.1.3 The completeness, existence and valuation of fixed assets may not be assured. Therefore, the fixed assets register and subsequently the financial statements may be misstated.

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 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

Recommendation

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

1.5.1.8 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.

Management's Response

1.5.1.9 During the referenced audit period, most of the project assets procured had not been assigned to specific staff members or located within a designated project office. This was primarily because the project had not yet secured dedicated office space, and the recruitment of key project personnel was still ongoing. Consequently, the assets were temporarily held without being displayed in a specific project vicinity. In addition, certain assets that had been assigned to seconded project staff were not visibly displayed as project assets. This approach was adopted to avoid confusion between project-owned assets and those belonging to the host entity, as both sets of assets were located within the same office environment. Currently, all key project staff have been recruited, and dedicated office space has been secured for the project team. As a result, project assets have now been appropriately assigned and we are in the process of clearly displaying them within the designated project office.

1.5.1.10 Also, it was an inadvertent oversight not to have physically coded the three referenced assets. However, the assets had been duly recorded in the Assets Register and assigned the appropriate asset codes. The omission was limited to the physical labeling of the assets and *did not affect the completeness or accuracy of the asset records. Corrective action has since been taken, and the assets have now been physically coded in accordance with project asset management requirements. Evidence of the coding is provided in the below exhibit.* ***See attached Exhibit VI: Evidence of Asset Coding.***

Auditor General's Position

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