



Management Letter

On the Financial Statements Audit of the National Bureau of Concessions-(NBC)

For the period ended June 30, 2016



Promoting Accountability of Public Resources

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

Monrovia, Liberia
December 2020

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ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
AFP	Audit Focal Person
AG	Auditor General
CGMA	Chartered Global Management Accountant
CPA	Certified Public Accountant
FSs	Financial Statements
GOL	Government of Liberia
IFRs	Interim Financial Reports
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
NBC	National Bureau of Concessions
PAN	Personnel Action Notice
TOR	Term of Reference

Hon. Edwin N. Dennis
Director General (DG)
National Bureau of Concessions (NBC)
Monrovia, Liberia

December 31, 2020

Dear Hon. Dennis

The Financial statements of the National Bureau of Concessions (NBC), for the fiscal period ended June 30, 2016 are subject to audit by the Auditor-General (AG) consistent with the AG's mandate as provided for in section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Audit Engagement (Terms of Reference ToR).

Introduction

The Audit of the National Bureau of Concessions (NBC), Financial statements for the fiscal period ended June 30, 2016 has been completed and the purpose of this Management Letter is to bring to your attention the finding that were revealed during the audit.

Audit Scope and Determination of Responsibility.

The audit was conducted in accordance with International Standards of Supreme Audit Institution (ISSAIs) as promulgated by International Organization of Supreme Audit Institutions (INTOSAI) as well the audit engagement Terms of Reference (ToR). 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 financial statements.

An audit involves;

- Examination on a test basis of evidence supporting 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 statements presentation

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

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 matter and/or weaknesses that were not identified.

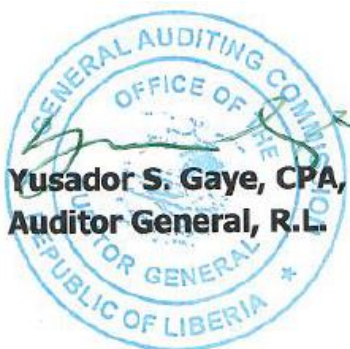

The Financial statements, maintenance of effective control measures and compliance with laws and regulation are the responsibility of the Management of the National Bureau of Concessions (NBC). Our responsibility is to express an opinion on these financial statements.

Key Management

Name	Rank	Tenure
Ciata A. Bishop	Director General	2015-Present
Dickson T. Yarsiah	Deputy Director General for Administration	2015-Present
Ramsay Kombayah	Deputy Director General for Concession	2015-Present
Kaliva Jorgbor	Director of Finance/ Comptroller	2015-Present
Aaron Y. B. Konah	Procurement Manager	2015-Present
J. Varney Okai	Director of Human Resource	2015-Present

Appreciation

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the National Bureau Concessions (NBC), during the audit.



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

Monrovia, Liberia

December 2020

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Bank Reconciliation

Observation

1.1.1.1 Page 26 paragraph 2 of the NBC Financial Management Policies Procedures Manual with caption 'Bank Reconciliation' states that "The bank reconciliation and petty cash reconciliation processes are described in the month end closing and reporting section of this month. Every bank account will be reconciled against the corresponding G/L account every month."

1.1.1.2 Additionally, Regulation R.3 (6) of the PFM Act of 2009 requires that the balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof.

1.1.1.3 It was observed during the conduct of the audit that the NBC Management did not prepared bank reconciliations.

Risk

1.1.1.4 The failure to prepare bank reconciliations statements could result in errors and omissions not being identified on a timely basis.

Recommendation

1.1.1.5 The NBC Management should provide justification for not preparing monthly bank reconciliation.

Management's Response

1.1.1.6 *The Management of the NBC have prepared its Financial Policy and Procedure Manual. The Management of the NBC has taken into consideration all of the accounting practices going forward, i.e preparation of monthly, quarterly reports, financial statements, general ledger maintenance, bank reconciliation etc. we are going to take keen note on the recommendations.*

Auditor General's Position

1.1.1.7 We acknowledge Management's acceptance of our finding. However, going forward management should ensure that all the entity's bank accounts are reconcile monthly.

1.1.1.8 Management is however in breach of financial discipline in line with Regulation A.20 of the PFM act of 2009.

1.1.2 Discrepancy between financial statement and General Ledger

Observation

1.1.2.1 Regulation A.3 of the Public Financial Management Act of 2009 states ' 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 used of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the book of accounts and records of transaction for inspection when called upon to do so by the Auditor- General, the Controller General, the relevant internal auditor. A public officer who fails to keep or to produce any records under this regulation is in a breach of financial discipline as defined in Regulation A.20.

1.1.2.2 It was observed during the conduct of the audit, that the NBC Management reported in the financial statements cash balance at end of year totaling US\$14,563.00 whereas the total cash balance reported in the General Ledger was US\$476.41, thus leaving an unexplained variance of US\$14,086.59. **See table 1 below for details.**

Table 1: Discrepancy between Financial statement and General Ledger

Descriptions	Amount Per Financial Statement (US\$) A	Amount Per General Ledger (US\$) B	Difference (US\$) C = A - B
Cash at the end of the year June 30, 2016	14,563.00	476.41	14,086.59

Risk

1.1.2.3 The accuracy and completeness of the financial statements cannot be assured which undermines public sector accountability and transparency.

Recommendation

1.1.2.4 The NBC Management should provide material justification for the variance noted between the financial statements and the General ledger.

Management's Response

1.1.2.5 *Kindly note that this variance exists only due to error within the financial statements. Attached are copies of the allotment's summary received from the Ministry of Finance and Development Planning for fiscal year 2015-2016 and revised financial statements for the period under audit.*

Auditor General's Position

1.1.2.6 The assertions by the NBC Management do not address the issue raised. Cash balance per revised financial statements and general ledger/final trial balance did not still tie. In Addition, the revised financial statements did not agree to the general ledger/ final trial balance for goods and services by US\$123,898.64.

1.1.2.7 Going forward Management should ensure that the balances in the general ledger /final trial balance is mapped to and reflected in the financial statements.

1.1.2.8 Management is however in breach of financial discipline in line with Regulation A.20 of the PFM act of 2009.

1.2 Administrative Issue

1.2.1 Recruitment Process

Observation

1.2.1.1 Section 1.1 and 1.2 of the National Bureau of Concession Employee Handbook of November 2013 states that "the hiring of employees within the NBC in any position shall require the declaration of vacancy by the head of division through the Human Resource Department and approval by the Director General/CEO, followed by letter of interest from suitably qualified applicants/candidates prior to hiring". 1.2 All hiring shall be on a competitive basis as provided for in the act creating the NBC and pursuant to the Labor law of Liberia.

1.2.1.2 Furthermore, section 1.3 states that "All hiring processes of employees must be approved by the Director General of the NBC. The Director General shall also approve the recruiting report after both the hiring manager (Department Head) and HR Director have signed".

1.2.1.3 It was observed during the conduct of the audit, that there was no evidence that the listed personnel recruited have some of the supporting documents as required by the NBC Employee hand book. **See table 3 for details.**

Table 3: Personnel recruited for fiscal year 2015/2016

No	Name	Employment Date	Position	Personnel file	Declaration of Intent	Application	Evaluation Report	Curriculum Vitea	Letter of employment
1	James K. Gbarbea	Aug.1,2015	Concession Advisor	√	X	√	√	√	√
2	Varney K. Irene	1-Aug-15	Procurement officer	√	X	√	√	√	√
3	George T. Phoko	Aug.1,2015	M&E Officer Unit	√	X	√	√	√	√
4	Walley Bendu	3-Aug-15	Reginal Coordinator	X	X	X	X	X	X
5	Precious Flomo	Sept. 4,2015	Dir. Of Compliance	√	X	√	√	√	√

Risk

1.2.1.4 The failure to adhere to the competitive recruitment processes could lead to hiring undeserving or incompetent staff for the position

Recommendation

1.2.1.5 The NBC Management should provide material justification for the recruitment of some personnel without evidence of a competitive process.

Management's Response

- 1.2.1.6 *Management acknowledges the recommendations from the report. For the period under review, we have made some improvements as per our handbook. Notwithstanding, all the above employees listed have personnel files, application letters, curriculum Vitae and letter of employment, etc. Additionally, all hiring processes of employees were approved by the Director General, and as well as the recruiting processes.*
- 1.2.1.7 *The aspects of the personnel requirements in relation to the declaration of intent and evaluation report will be fully implemented from here onward and it will be done in accordance with the NBC's handbook and the CSA's Standing order.*

Auditor General's Position

- 1.2.1.8 We acknowledge Management's acceptance of our finding. We will make a follow up on the implementation of management declaration.
- 1.2.1.9 The review of document provided by NBC Management in response to the management letter, that employee Bendu Walley file was not among the files presented for review. Further, Management should ensure that a file is maintained for the staff and presented for review during subsequent audit.

1.2.2 Asset Identification Code

Observation

- 1.2.2.1 Section 51.4 of the Executive Law of 1972, the GSA shall record and keep inventory of all Government property and fixed assets. The ministries and agencies are required to avail to the GSA information regarding all assets purchased so that the assets are coded, recorded and given license plates in the case of motor vehicles.
- 1.2.2.2 Furthermore, Regulation V.1.2a of the Public Financial Management Act of 2010 (Responsibility of Assets Management) states that "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: Preventive mechanisms are in place to eliminate theft, losses, wastage and misuse".
- 1.2.2.3 It was observed during the conduct of the audit, that NBC management did not code the entity assets such as equipment, furniture and fittings.

Risk

- 1.2.2.4 In the absence of identification marks with the appropriate coding, the Agency's fixed assets could be susceptible to theft and misuse.

Recommendation

- 1.2.2.5 The Management of NBC should provide justification as to why the Agency's assets were not coded.

Management's Response

- 1.2.2.6 *The recommendations are noted. The NBC's Assets were not coded prior to the audit for the period under review due to delay in the inter-agency communication between the NBC and the GSA.*
- 1.2.2.7 *Notwithstanding, management will provide required trainings for employees of the Asset Management Unit of the NBC and make sure the Unit accepts and applies all required procedures, policies and regulation in relation to asset management. Management has attached copies of communications to the GSA and copy of the asset registry.*

Auditor General's Position

- 1.2.2.8 We acknowledge Management's acceptance of our finding. We will make a follow up on the implementation of management coding assets. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM act of 2009.

1.2.3 Audit Committee

Observation

- 1.2.3.1 Regulation K.10 of PFM Act of 2009 states that "a head of government agency or government organization shall in consultation with the internal audit governance board establish and maintain an audit committee for the government agency or organization for which he/she is responsible.
- 1.2.3.2 In addition, Regulations K.11(1)(a), of PFM Act 2009 also states that "the Audit Committee of Government Agencies or Organizations shall review internal controls, including the scope of internal audit, internal audit Plans, internal audit findings, and recommend to the head of government agency the appropriate action to be taken."
- 1.2.3.3 It was observed during the conduct of the audit, that there was no evidence to indicate that the NBC Management established a functioning audit Committee as required by the above Regulation.

Risk

- 1.2.3.4 Failure by Management to establish functioning Audit Committee may prevent Management from taking timely corrective action on deficiencies identified in internal controls.

Recommendation

- 1.2.3.5 Management should establish a functioning Audit Committee as part of the Governance structures. This will enable Management evaluate and ensure that internal controls are operating effectively and at all times.

Management's Response

- 1.2.3.6 *Management notes the recommendation going forward.*

Auditor General's Position

- 1.2.3.7 We acknowledge Management's acceptance of our finding and recommendation. We will make a follow up on the implementation of our finding and recommendation during subsequent audit. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM act of 2009.

1.2.4 Fleet Management Policy

Observation

- 1.2.4.1 Regulation V.1 (3) of the PFM Act of 2009 state that The Head of Government Agency must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the assets assigned to the institution.
- 1.2.4.2 It was observed during the conduct of the audit, that there was no evidence of policy on fleet management. Additionally, the NBC Management did not maintain an automobile log books to keep track of the movement of its vehicles.

Risk

- 1.2.4.3 Lack of policy on fleet management could lead to lack of controls over the entity assets.
- 1.2.4.4 The absence of a log books could lead to abuse in the movements of the entity vehicles.

Recommendation

- 1.2.4.5 NBC management should develop a policy on fleet management.
- 1.2.4.6 NBC management should maintain an automobile log books to monitor the movements of its vehicles.

Management's Response

- 1.2.4.7 *Management notes the recommendation going forward.*

Auditor General's Position

- 1.2.4.8 We acknowledge Management's acceptance of our finding and recommendation. We will make a follow up on the implementation of our finding and recommendation during subsequent audit. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM act of 2009.

1.2.5 Fixed Assets Register

Observation

- 1.2.5.1 Regulation V.4 (1-5) of the PFM Act of 2009 state that (1) Furniture, and equipment issued for Government quarters or offices or vehicle and other fixed assets shall be brought on a master inventory of the Government Agency.

- 1.2.5.2 (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.
- 1.2.5.3 (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.
- 1.2.5.4 (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.
- 1.2.5.5 (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”.
- 1.2.5.6 It was observed during the conduct of the audit, that there was no fixed assets register maintained and consequently the assets had not been recorded and coded. In addition, because of the lack of a fixed assets register/listing, it was difficult to verify the existence of all assets belonging to the entity.

Risk

- 1.2.5.7 Lack of a fixed assets register/listing could make it difficult to trace the whereabouts of assets procured by the NBC.

Recommendation

- 1.2.5.8 NBC Management should prepare a fixed asset register/listing to record all fixed assets procured and donated.

Management’s Response

- 1.2.5.9 *Management clearly agrees with this finding. The NBC’s Assets were not coded prior to the audit for the period under review due to delay in the inter-agency communication between the NBC and the GSA. But thereafter, the NBC’s assets have all been coded and all assets are registered within the NBC’s Asset Registry.*
- 1.2.5.10 *Notwithstanding, management will provide required trainings for employees of the Asset Management Unit of the NBC and make sure the Unit accepts and applies all required procedures, policies and regulation in relation to asset management. Management has attached copies of communications to the GSA and copy of the asset registry.*

Auditor General’s Position

- 1.2.5.11 We acknowledge Management’s acceptance of our finding and recommendation. We will make a follow up on the implementation of our finding and recommendation during subsequent audit. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM act of 2009.

1.3 Internal Controls Issues

1.3.1 Internal Audit

Observation

- 1.3.1.1 Regulation J.3 of the PFM Act of 2009 with the caption 'Establishment of Internal Audit Units' states that "(1) There shall be established in each government agency or government organization an internal audit unit which shall constitute a part of that institution. (b) shall carry out internal audit of its institution and shall submit reports on the internal audit it carries out in accordance with section 38 (3) and (4) of the Public Finance Management Act 2009; the Internal Audit Governance Board standards and procedures;
- 1.3.1.2 the Government Agency or Government Organizations' accounting and auditing instructions; and International Public Sector Accounting Standards, International Organization of Supreme Audit Institutions (INTOSAI) Standards, and Institute of Internal Auditors Standards as adopted by the Government of Liberia; and (c) without prejudice to section 38 (3) and 38 (4) of the Public Finance Act 2009, there port in sub regulation 4(b) shall be submitted to the Head of the Government Agency or Government Organization through the Audit Committee copied to the Auditor General and the Internal Audit Governance Board."
- 1.3.1.3 Internal audit function is an independent appraisal function established by the management of an entity to review the adequacies and effectiveness of the system of internal controls of an entity and provide risk management strategies within the entity.
- 1.3.1.4 It was observed during the conduct of the audit, that there was no evidence that the NBC had a functional Internal Audit Department to review the internal controls system of the entity and ensure compliance by the entity to GoL financial management and other regulations.

Risk

- 1.3.1.5 In the absence of the functional Internal Audit Department, there would be no independent scrutiny of the financial, operational and compliance issues within the entity.

Recommendation

- 1.3.1.6 We recommend that the NBC set up a functional Internal Audit Department to review the internal controls and operations and provide advice on risk management strategies within the entity.

Management's Response

- 1.3.1.7 *Management notes the recommendation going forward.*

Auditor General's Position

- 1.3.1.8 We acknowledge Management's acceptance of our finding and recommendation. We will make a follow up on the implementation of our finding and recommendation during subsequent audit. However, Management is in breach of financial discipline in line with Regulation A.20 of the PFM act of 2009.