



Management Letter

On The Financial Statement Audit of the National Port Authority

For the Period July 1, 2018 to June 30, 2019



Promoting Accountability of Public Resources

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Acting Auditor General, R.L.**

Monrovia, Liberia
May 2021

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Acronyms/Abbreviations/Symbols

Acronyms/Abbreviations/Symbol	Meaning
A/C#	Account Number
AG	Auditor General
NPA	National Port Authority
CGMA	Chartered Global Management Accountant
CPA	Certified Public Accountant
FY	Fiscal Year
GAC	General Auditing Commission
GOL	Government of Liberia
ISSAIs	International Standards of Supreme Audit Institutions
FS	Financial Statement
PFM Act	Public Finance Management Act
US\$	United States Dollar

May 31, 2021

Hon. Bill Twehway
Managing Director
National Port Authority
Monrovia, Liberia

Dear Hon. Twehway:

The Financial Statements of the National Port Authority (NPA) are subject to audit by the Auditor General (AG) consistent with Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

INTRODUCTION

The Audit of the Financial Statements of the NPA for the fiscal year July 1, 2018 to June 30, 2019 have been completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). 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 an 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 which came to our attention and are applicable to financial matters.

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

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Management of NPA. 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.

MANAGEMENT COMMENTS

It would be appreciated if your comments on these findings could be submitted within two weeks after the date of this report for incorporation.


Key Management Personnel

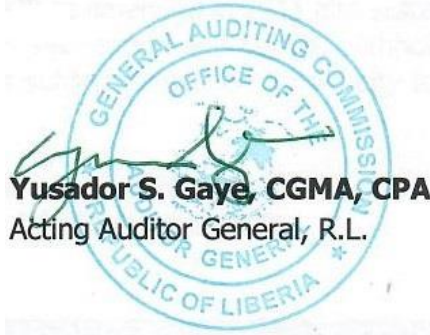
No.	Name	Position	Tenure
1	Hon. Cecelia Coffey Brown	Acting Managing Director	Jan. 2018 - Sept. 2018
2.	Hon. Bill Twehway	Managing Director	Nov. 2018 - Present
3.	Christopher Wisner	Deputy/Operation	Feb. 2018 - present
4.	Hon. Diana Nabo	Deputy Managing Director/ Adm.	June, 2019 - Present
5	Mr. Vakuma S. Dukuly	Comptroller	Oct. 2018 - present

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the Management and Staff of the NPA during the audit.

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


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



Monrovia, Liberia

May 2021

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Revenue

Observation

1.1.1.1 Statements on Financial Accounting Concepts (SFAC) No. 2 'Qualitative Characteristics of Accounting Information', requires that the reliability of the financial statements rests upon the extent to which the accounting description or measurement is verifiable and representationally faithful. It also requires that the financial statements must depict the true and fair picture of the status of the company affairs which means that the information provided must not have any significant errors or material misstatements.

1.1.1.2 Section 39 (2) of the Public Finance Management (PFM) Act of 2009 states that "Autonomous agencies and Special Funds must keep full and proper records of the financial affairs of the agency in accordance with the relevant rules and procedures set forth in this Act and its regulations".

Monrovia Port

1.1.1.3 It was observed during the conduct of the that total revenue generated by APM Terminal upon which the Port of Monrovia share of revenue was based could not be verified due to the terms of the existing APM agreement which does not allow for verification of total revenue generated by the NPA Management.

Risk

1.1.1.4 The accuracy and completeness of the NPA Share of revenue generated by APM Terminal could be in doubt in the absence of NPA verifying the total revenue generated.

1.1.1.5 Revenue understated could cast doubt over the reliability of the financial statements

Recommendation

1.1.1.6 The Government of Liberia should review the concessional agreement with the APM Terminal to ensure that proper mechanism is put in place to monitor and confirm the total revenue generated by the APM Terminal upon which the NPA Share of revenue is based.

1.1.1.7 Management Should provide justification for the variances noted in revenue reported for the ports of Buchanan, Greenville and Harper.

Management's Response

1.1.1.8 *The Government of Liberia signed a 25-year concession agreement with APM terminals in September 2010 to take over the marine, cargo and storage activities of the Freeport of Monrovia. APM Terminal started its operations in the Freeport of Monrovia in February 2011, and since then, APM Terminal's activities has not been scrutinized/reviewed by the NPA. NPA only receives a summary report from APMT at the end of every month on APMT revenue and also the share of NPA. APMT does not provide any source data (invoices, adjustment*

on bills, credit note, etc.) to NPA to verify the summary report. Whatever APMT reports to NPA is considered as final. NPA assigned some field staff (M&E) to monitor the activities of APMT, but this did not really help to gather the necessary data NPA needed to verify the APMT's entire operations (cargo movement, vessel traffic, storage days, etc.). Because of these doubts, the Managing Director of NPA, in September 2019 requested a reconciliation of APMT revenue and Royalty report from the year 2011(from the inception of APMT) up to July 31, 2019 (about seven years plus) to produce an independent and reliable report. He sought the involvement of the Internal Audit Agency of Liberia (IAA) to be blended with staff of NPA. The joint reconciliation was brief. The IAA final report (7.2 finding) disclosed that APMT generated extra revenue in the amount of US\$29,607,017.49, which APMT termed as auxiliary revenue" and did not share with NPA from February of 2011 up to July 31, 2019. The Managing Director of APMT, Hon. George G. Adjei, in response to the IAA of Liberia findings (7.2) stated that, although APMT generated auxiliary revenue and did not share said revenue with NPA as reported in the joint reconciliation report, the figure of US\$29,607,017.49 was overstated and should have instead been US\$25.2 Million. Mr. Adjei, in his response letter to the Managing Director of NPA Hon, Bill Twehway, dated November 22, 2019, justified APMT's action by citing Article 7.07 b of the Agreement of 2010 between APMT and the Government of Liberia which according to him gives APMT the right to generate certain revenue for itself without remittance to NPA. Thus, the report was submitted to the Justice Minister of the Republic of Liberia for consideration and further action. The reconciliation and compliance department of the NPA-Finance Division continued the review process by carrying out monthly reconciliation of APMT revenue/royalty summary submitted. It has been difficult to do this reconciliation without any source document. NPA has persistently requested APMT management to submit all invoices and other revenue data that generated the revenue, but APMT is yet to comply. Besides the IAA report of the revenues not shared with NPA (February 1, 2011 to July 31, 2019), we do monthly summary of the outstanding revenue that has not been received. The NPA will most appreciate if the GAC could intervene to ensure that its fair share of revenue is remitted with the appropriate documentation. Please see above analysis of the Reconciliation and Compliance Department from August 2019 – April 2021 submitted to APMT through official communication without recourse.

Auditor General's Position

- 1.1.1.9 We acknowledge Management's assertion. However, Management should initiate discussions with the Government of Liberia to review the concession agreement with the APM Terminal to ensure that GAC is allowed to verify NPA share of total generated by APM Terminal.

1.1.2 Financial Reporting Requirements

Observation

- 1.1.2.1 On July 1, 2013 the Government of Liberia mandated all Government Business Enterprises or State-Owned Enterprises (SOEs) to adopt International Financial Reporting Standards (IFRS) in the preparation and presentation of their financial statements.

1.1.2.2 We noted during the conduct of the audit that the Management of NPA prepared its financial statements in accordance with United States Generally Accepted Accounting Principles (US GAAP) instead of the International Financial Reporting Standards (IFRS) as adopted by the Government of Liberia in 2009 as a reporting framework for State Owned Enterprises (SOE).

Risk

1.1.2.3 The failure of the National Port Authority (NPA) Management to prepare financial statements in accordance with IFRS undermines comparability and consolidation of SOEs financial statements.

Recommendation

1.1.2.4 Management should adopt the IFRS as its financial reporting framework

Management's Response

1.1.2.5 *NPA acknowledges the policies of Government regarding the adoption of International Financial Reporting Standard(IFRS) as the reporting frame work for State Own Enterprises. In an effort to prepare for possible migration from GAAP to IFRS, the NPA sent two of its senior Managers for the first time adoption of IFRS training in the USA, Florida, from Dec. 5-9, 2016. More systematic training is required. Additionally, we are working with the SOEs at the Ministry of Finance, Economic and Development Planning for the revaluation of our assets which is the only hindrance to our migration to IFRS.*

Auditor General's Position

1.1.2.6 We acknowledge Management's assertion acceptance of our finding. However, we will make follow up on Management transition from US GAAP to IFRS during subsequent audit.

1.1.3 Manual Financial Reporting

Observation

1.1.3.1 According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control Framework, Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

1.1.3.2 We noted during the conduct of the audit that the NPA Management prepares its financial reports manually (Excel) instead of an automated accounting software.

Risk

1.1.3.3 The reliability of information reported in the Financial Statements could be in doubt in the absence of an accounting software.

Recommendation

1.1.3.4 Management should ensure that an accounting software is acquired and used for effective and efficient recording and reporting of financial information.

Management's Response

1.1.3.5 *Management acknowledges your observation. We are transitioning into an automated accounting system where our books of accounts will be automated.*

1.1.3.6 *We have acquired the Software and our accounting staffer are being trained. We have also been able to maintain proper books of account using excel.*

Auditor General's Position

1.1.3.7 We acknowledge Management's assertion that "We are transitioning into an automated accounting system where our books of accounts will be automated. We have acquired the Software and our accounting staffer are being trained." However, we will make follow up on the implementation of the automating accounting software during subsequent audit.

1.1.4 Bank Reconciliation

Observation

1.1.4.1 Regulation R.3(6) of the PFM Regulations of 2009 stipulates 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".

1.1.4.2 We noted during the conduct of the audit that the NPA Management did not prepare bank reconciliation statements for all of its accounts disclosed in its financial statements.

Risk

1.1.4.3 Failure to prepare monthly bank reconciliation statement could lead to error or omission not timely being detected on a timely basis.

Recommendation

1.1.4.4 Management should provide justification for not preparing the monthly bank reconciliation statements for accounts stated in its financial statements.

Management's Response

1.1.4.5 *NPA reconciles all its bank accounts monthly over the periods 2018/2019 and are available. We are resubmitting the bank reconciliations for fiscal year 2018/2019 for your review. Please see attached.*

Auditor General's Position

1.1.4.6 Bank Reconciliation statements submitted by Management for evaluation was not signed, review and/or approved by a designated authority.

1.1.4.7 Going forward, Management should prepare bank reconciliation statements, signed, review and approved by a designated authority.

1.1.4.8 Therefore, Management is in breach of financial discipline in line with regulation A. 20 of the Public Financial Management Act.

1.1.5 Corporate Social Responsibility (CSR)

Observation

- 1.1.5.1 Section 55 (3) of the Act creating the National Port Authority empowers the Board of Directors to develop policy to guide the NPA administration in executing its function for the smooth operation of the Port.
- 1.1.5.2 We noted during the conduct of the audit that the NPA Management expended the amount of US\$1,625,260.00 (One million, six hundred twenty-five thousand, two hundred fifty United States Dollars) for Corporate Social Responsibility (CSR) per its financial Statement without an approved policy to regulate said expenditure. Further, the Management failed to provide a scheduled that comprises the amount indicated.

Risk

- 1.1.5.3 Funds disbursed could be discretionary.

Recommendation

- 1.1.5.4 The NPA Management should provide justification for making CSR Payments without an approve policy.

Management's Response

- 1.1.5.5 *Expenditures made for Corporate Social Responsibility were approved in the NPA annual budget approved by the Board and spent by management thoughtfully with precedence and need based qualification criteria as guide. However, a policy is currently being reviewed by the Board for subsequent approval.*

Auditor General's Position

- 1.1.5.6 Management's assertion did not provide justification for making Corporate Social Responsibility Payments without an approved policy. Going forward, Management should develop a policy for CSR payments to ensure that CSR payments are not discretionary. Therefore, Management is in breach of Section 55 (3) of the Act creating the National Port Authority.

1.1.6 Fixed Assets

Observation

- 1.1.6.1 FASB ASC 360-10-50-1 requires that the following disclosures to be made in the Financial Statements or notes thereto:
- a. Depreciation expense for the period;
 - b. Balances of major classes of depreciable assets, by nature or function, at the balance sheet date;
 - c. Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance sheet date;
 - d. A general description of the method(s) used in computing depreciation with respect to major classes of depreciable assets

1.1.6.2 We noted during the conduct of the audit that there was no evidence that the balances indicated in the register reflect the fair value of the assets on the NPA's books.

Risk

1.1.6.3 The accuracy of the fixed assets balance could be in doubt in the absence of a complete and accurate fixed asset register.

Recommendation

1.1.6.4 The NPA Management should provide the fixed asset register.

Management's Response

1.1.6.5 *NPA fixed assets (schedule) registrar does not only reflect the cost of asset, monthly depreciation, accumulated depreciation and net value original cost as claimed by GAC. It includes location, date of purchase and model of the Asset acquired. Vehicles, Buildings and Equipment are marked by function or Department and coded. However, we take note of the issue of coding other assets that are neither coded nor marked. In the absence of fixed assets registrar, NPA's Management has a fixed assets schedule. Nevertheless, the issue of establishing a registrar is in progress.*

1.1.6.6 *NPA has and always maintained an Asset disposal details contrary to GAC claim;*

- *Vehicles disposal are consistent with Article IV section 1 Buy-your-own Car Scheme of the Transportation Policy; Transport, Finance, DMD/Administration and Managing Director offices are copied on details of disposal (i.e. vehicle type, license plate, Cash receipt number, disposal date and name of the buyer).*
- *Vehicles, Equipment and other Assets disposal are done through public auction consistent with Auction policy; a brochure with details description of assets including price are made available. Management's committee conducts said exercise and the list of winners is published and following financial fulfillment, the Claims Section of the Transport Department maintained a detailed description of assets disposed of. **Refer to Exhibit C.***

Auditor General's Position

1.1.6.7 Management's assertion does not adequately address the issue raised. The fixed assets schedule provided by Management does not include assignee, assets code, current condition and location.

1.1.6.8 Going forward, Management should ensure that the fixed assets register contains or have all the components necessary for a fixed asset such as assets code, assignee, current condition, location, life span, depreciation value, amount and date purchased.