

## Management Letter



### On the Financial Statement Audit of the Tree Crop Extension Project (TCEP) II

*For the Effective Date to June 30, 2021*



**Promoting Accountability of Public Resources**

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

**Monrovia, Liberia**  
December 2021

**Table of Contents**

- 1   DETAIL FINDINGS AND RECOMMENDATIONS ..... 6**
- 1.1   Administrative Issues ..... 6**
- 1.1.1   No Evidence Receiving and Inspection ReportObservation ..... 6
- 1.1.2   No Risk Assessment Process..... 7
- 1.1.3   No Daily Attendance Record ..... 8
- 1.1.4   Non-Preparation of Monthly Statement of Supplies ..... 9



**ACRONYM**

<b>Acronym/Abbreviation/Symbol</b>	<b>Meaning</b>
AG	Auditor General
ACCA	Association of Certified Chartered Accountant
AWPB	Annual Work Plan and Budget
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Practitioner
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPV	Cash Payment Voucher
CQS	Consultant Qualification Selection
FC	Financial Comptroller
GAC	General Auditing Commission
ICB	International Competitive Bidding
ICS	Individual Consultant Selection
IFAD	International Fund for Agriculture Development
ISSAI	International Standards of Supreme Audit Institutions
JRCPV	Journal Cash Payment Voucher
JV	Journal Voucher
LCS	Least Cost Selection
MOA	Ministry of Agriculture
NCB	National Competitive Bidding
PC	Project Coordinator
PIU	Project Implementation Unit
QCBS	Quality and Cost Based Selection
RIR	Receiving and Inspection Report
RL	Republic of Liberia
TCEP	Tree Crop Extension Project
US\$	United States Dollars
USD	United State Dollars

December 30, 2021

Hon. Jeanine Milly Cooper  
Minister Ministry of Agriculture  
New Ministerial Complex, Congo Town  
Montserrado County, Liberia

Dear Hon. Cooper:

**RE: Management Letter on the Financial Statement Audit of the Tree Crop Extension Project (TCEP) II from Project Effective Date to June 30, 2021.**

The financial statements of the Tree Crop Extension Project (TCEP) II are subject to audit by the Auditor-General in terms of Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as in accordance with the Term of Reference of the Project Financing Agreement.

**Introduction**

The audit of the Audit of the Tree Crop Extension Project (TCEP) II for the period ended June 30, 2021 was 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:

- 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.

An 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 Project Management. Our responsibility is to express our opinion on these financial statements.

The audit findings that 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.

### **APPRECIATION**

We would like to express our appreciation for the courtesy accorded and assistance rendered by the staff of the IFAD Project Implementation Unit (PIU) of the Ministry of Agriculture (MoA) during the audit.



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

**Monrovia, Liberia**  
December 2021

## 1 DETAIL FINDINGS AND RECOMMENDATIONS

### 1.1 Administrative Issues

#### 1.1.1 No Evidence Receiving and Inspection Report Observation

1.1.1.1 *Section 5.9 paragraph 287 of the Finance and Administrative Procedures Manual states that "upon receipt of goods procured by way of a goods contract, the accountant and the requesting staff conduct a detailed inspection of the goods before acceptance. They immediately fill out a receiving & inspection report (RIR – see model in Annex 5.I), indicating the contract number and whether all goods ordered were received and in what condition. In case of a problem (damaged or missing goods), the accountant notes the details on the RIR. The accountant keeps a copy of the RIR and sends the original to the Procurement Officer who handles the claim against the freight carrier, the insurance company and/or the supplier under the supervision of the FC. S/he also inputs the date and number of the RIR in the TOMMARCHE and files it in the procurement file".*

1.1.1.2 It was observed during the period under audit that several payments for goods procured and received by the PIU amounting to US\$ \$800,522.50 were without evidence of Receiving and Inspection Report (RIR). **See table 2 below for detail.**

**Table 2: No Receiving and Inspection Report**

Date	Voucher N°	Description	Amount in US\$
1/4/2021	398	CK#01290717 PAYMENT TO GROW GREEN FOR THE SUPPLIED OF ASSORTED VEGETABLE SEEDS FOR FARMERS IN LOFA	289,075.00
9/9/2020	CPV-298	Chk#0126712 Payment to UMC for the Procurement of 2 Toyota Land Cruiser Hightop	91,600.00
5/4/2021	CPV-548	Payment to VISHNU TRADING INC. for the supply of 15pcs of Power Tiller & Accessories for Farmer	67,500.00
1/4/2021	400	CK#01290718 PAYMENT TO GRO GREEN FOR THE SUPPLY OF FERTILIZERS FOR COVID 19 RESPONDS	60,000.00
3/4/2021	481	CK#01290771 PAYMENT TO GROW GREEN FOR THE SUPPLIED OF AGRO-FERTILIZER FOR COVID 19 RESPOND FOR FARM	60,000.00
7/21/2020	CPV-233	Chk#01266967 Payment to MASARCO AUTO SERVICE for the procurement of 13 pcs of motorbikes for YPs	48,750.00
11/11/2020	JV-075	Chk#01245361 Payment to GRO GREEN for Vegetable Farmers	42,450.00
9/9/2020	CPV-299	Chk#01267613 Payment to GRO-GREEN for Agricultural Inputs and Materials	41,112.50
4/15/2021	522	Payment for 7 motorbikes for Young Professionals	26,250.00
4/15/2021	522	CK#01267717 PAYMENT TO MASARCO FOR THE SUPPLIED OF MOTORCYCLES FOR LOFA DAOs	22,500.00

7/21/2020	CPV-235	Chk#01290658 Payment to GRO-GREEN for the supplied of Chain saw, Moisture, Flatbed Scale	17,440.00
6/25/2021	638	PAYMENT TO MASARCO AUTO SERVICE FOR SUPPLIED OF SPARE PARTS FOR TCEP-II YPS MOTOR BIKE	17,745.00
5/27/2020	124	Payment to EElectro City for the supply of 14pcs of Dell laptop	16,100.00
<b>Total</b>			<b>800,522.50</b>

**Risk**

1.1.1.3 In the absence of Receiving and Inspection Report, the completeness and existence of goods procured may not be assured.

**Recommendation**

1.1.1.4 The Management of the PIU should ensure that the Receiving and Inspection Report is prepared for all goods procured to validate the completeness and existence of the transactions.

**Management Response**

1.1.1.5 *Management acknowledged recommendation. Goods procured are received and verified by Administrative Assistant, Accountant along with Internal Auditor who signs off on the delivery notes to certified that goods have been fully delivered and physically verified. Management has reinforced the use of Receiving and Inspection Report going forward as evidence attached (MR 2).*

**Auditor General's Position**

1.1.1.6 We acknowledge Management's acceptance of our findings and recommendations. We will make a follow-up during subsequent audit.

**1.1.2 No Risk Assessment Process**

**Observation**

1.1.2.1 Paragraph 17 of the Internal Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) indicates that in most cases, the board of head of public entity is ultimately responsible for determining whether management has implemented effective internal control including monitoring. The institution makes this assessment by (a) understanding the risks the organization faces and (b) Gaining an understanding of how senior management imagines or mitigates those risk that are meaningful to the organization objectives. Obtaining this understanding includes determining how management supports its beliefs about the effectiveness of the internal control system in those areas.

1.1.2.2 It was observed during the audit that there was no evidence that the TCEP II Management has developed a risk management policy and or carries on a risk assessment to guide internal and external risks that could impact the achievement of the institution's objective.



**Risk**

- 1.1.2.3 The absence of a risk management policy could lead to management not being aware of potential risks that may affect the operations of the institution.

**Recommendation**

- 1.1.2.4 The PIU Management should put in place a risk management policy to guide internal and external risks that could impact the achievement of the Project's objectives.

- 1.1.2.5 Subsequently, The PIU Management should facilitate the conduct of periodic risk assessment and take corrective action for gaps identified.

**Management Response**

- 1.1.2.6 *We note the lack of the conduct of a risk assessment process. Notwithstanding, the Program Management Unit (PMU) has risks management policy, which is to improve the likelihood of the organization, program or project achieving its stated objectives and safeguarding assets and investments. Internal Audit has scheduled in its annual work plan to facilitate risks assessment of each PIU. Please find attached PMU risks management policy and IA work plan.*

**Auditor General's Position**

- 1.1.2.7 We acknowledge Management's acceptance of our findings and recommendation on the lack of the conduct of a risk assessment process. Management's acceptance will be validated during subsequent audit. More so, there are perceive variations between risks association PMU operations and the TCEP II operations. Therefore, the TCEP II Management should craft it own Risk Assessment Policy.

**1.1.3 No Daily Attendance Record**

**Observation**

- 1.1.3.1 Section 2.2 and paragraph 53 and 54 of the Finance and Administrative Procedures Manual provides that daily working hours are from 8:30 am to 5:30 pm, including a one-hour lunch break. It should be pointed out that PIU officers are expected to make themselves available in order to meet the exigencies of service and the needs of the project. All public holidays observed by the Liberia public administration are applicable to PIU staff. 54. Staff are required to sign in and out in the attendance register. Unless for medical reasons, staff may only be absent from work with the prior consent of their direct supervisor and the Financial Controller.

- 1.1.3.2 During the conduct of the audit, we observed no evidence of daily attendance registers for key project staff and Young Professionals.

**Risk**

- 1.1.3.3 The absence of a daily attendance record may lead to employees being continuously absent from work without management's attention.

- 1.1.3.4 It may also lead to salaries being paid for work not performed.



### **Recommendation**

- 1.1.3.5 The PIU Management should ensure that all staff sign the daily attendance record.
- 1.1.3.6 The Attendance record should be adequately documented to facilitate future review
- 1.1.3.7 The Human Resource should conduct periodic spot checks to ascertain the authenticity of the attendance record.

### **Management Response**

- 1.1.3.8 *Recommendation acknowledged.*
- *Staff are now signing daily attendance*
  - *Attendance records are now adequately documented by signing in and out daily*
  - *Human Resource has begun conducting spot checks and drawing line after grace period of attendance to work.*

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

- 1.1.3.9 We acknowledge Management's acceptance of our findings and recommendations. We will make a follow-up during subsequent audit.

## **1.1.4 Non-Preparation of Monthly Statement of Supplies**

### **Observation**

- 1.1.4.1 Section 4.6 and paragraph 203 of the Finance and Administrative Procedures Manual requires that a simple stock management system be developed on Excel to record the receipt and delivery of supplies and to monitor the level of stocks at all times. The system includes an individual stock card for each item purchased by the Project. The card shows the opening balance, receipts, deliveries and available stock (see model in Annex 4.k). The monthly stock statement (see Annex 4.k) shows cumulative movements for the month as well as end-of month balance for each item. The monthly statement is updated automatically from the data contained in the individual cards.

- 1.1.4.2 It was observed during the audit that the Management of the PIU provided no evidence of a monthly statement of supply for the period under audit.

### **Risk**

- 1.1.4.3 Effective stock management may not be achieved in the absence of a monthly statement of supply.
- 1.1.4.4 Inventory/supply may be misappropriated leading to decline in operational activities.
- 1.1.4.5 The lack of monthly statement of supply may not provide information on the historical cost of the supplies procured as well as deny the Management of the PIU the abilities to make informed decision on the level of supplies available or used.

**Recommendation**

- 1.1.4.6 Management should initiate an automated inventory management system to facilitate and ensure accurate records of inventories such as current stock balances, stock-out levels and etc.
- 1.1.4.7 Management should ensure that periodic stock taking of inventories are conducted and appropriate adjustments, where applicable, are made to support the inventory balances in inventory management system.

**Management Response**

- 1.1.4.8 *Recommendation acknowledged. There are stock-cards in place to record stock issues and received. Inventories are taken before replenishment, however, management take note of the audit finding and recommendations and will going forward Management should ensure that periodic stock taking of inventories are conducted and appropriate adjustments, where applicable, are made to support the inventory balances in inventory management system.*

**Auditor General's Position**

- 1.1.4.9 We acknowledge Management's acceptance of our findings and recommendations. We will make a follow-up during subsequent audit.