

Management Letter



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

For the Period July 1, 2020 to June 30, 2021



Promoting Accountability of Public Resources

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

Monrovia, Liberia
December 2021

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ACRONYM

Acronym/Abbreviation/Symbol	Meaning
AG	Auditor General
ACCA	Association of Certified Chartered Accountant
AWPB	Annual Work Plan and Budget
CDA	Cooperative Development Agency
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Practitioner
CPA	Certified Public Accountant
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
LRA	Liberia Revenue Authority
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) for the Fiscal Period July 1, 2020 to June 30, 2021.

The financial statements of the Tree Crop Extension Project (TCEP) 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 Tree Crop Extension Project (TCEP) 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

1.1.1 No Evidence of 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 the PIU Management made several payments amounting to US\$612,968.80 without evidence of Receiving and Inspection Report (RIR). **See table 5 below for detail.**

Table: 5 payment vouchers without Inspection Report

No.	Date	Voucher No.	Description	Payee	Amount in US \$
1	Invoice 2021-0014	12/28/2020	Supply of Vegetable Seeds for farmers COVID-19 Res	GRO GREEN	289,075.00
2	Invoice: 2019-0628	12/21/2020	Supply of Agriculture tools and Inputs	GRO GREEN	206,443.80
3	Invoice 2021-0024	3/22/2021	Supply of Agriculture Tools and Inputs	GRO GREEN	42,450.00
4	CPV-0001315	3/2/2021	Chk#01411078 Payment to Masarco Services Inc. for procurement of motorbikes for LACRA	Masarco Auto	30,000.00
5.	Invoice # 001	7/14/2020	Procurement of 6 heavy duty motorbikes for Coopera	Masarco Auto	22,500.00
6	Invoice # 001	7/14/2020	Procurement of 4 heavy duty motorbikes for YPs	Masarco Auto	15,000.00
7	CPV-0001319	3/2/2021	Chk#01411079 Payment to Services for procurement of 2 motorbikes for DAO	Masarco Auto	7,500.00
TOTAL					612,968.80

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 5).*

Auditor General's Position

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

1.1.2 Incomplete Construction Works Observation

- 1.1.2.1 Contract for the construction of two (2) warehouses in Gbloulay, Buu – Yao district and Karnwee, Saclepea – Mah district for an amount of US\$ 37,679.44 and US\$ 37,580.54 respectively was awarded to FAH architecture designs & Construction Company. The extended contract completion date was slated for November 6, 2020. Also, PIU Management awarded contracts for the construction of a management building in Beeplay to LIDA for amount of US\$ 22,592.30. The extended completion date of the contract for the construction a management building is May 26, 2021.

- 1.1.2.2 A review of engineer report and subsequent field verification exercise on November 20,2021 revealed that the construction of both warehouses and the management building are yet to be completed even though the contract completion date has expired.

- 1.1.2.3 Also, it was observed that the following activities in Gbloulay, Buu – Yao and Karnwee, Saclepea – Mah are still pending:

- tiling work, construction of ramp and stairs, lining of 6" cement block for septic tank, construction of hand pump water, and installation of ceiling joist.

- 1.1.2.4 Furthermore, it was also observed that the following activities in Beeplay are still pending:

- tiling work, plastering work, ceiling joist, ceiling lining, installation of wooden door and door frames as well as rough electrical.

1.1.2.5 The method of construction was not in line with design and specifications, as a result the septic tank collapsed and has to be redone. See Exhibit 1, 2 and 3 for detail.

1.1.2.6 There was no evidence to substantiate delay in the completion of both projects.

Risk

1.1.2.7 Project objective may not be achieved in the absence of effective project implementation and coordination.

1.1.2.8 The absence of effective monitoring and evaluation of project deliverables may deny achievement of value for money during project implementation.

Recommendation

1.1.2.9 The PIU Management should ensure that deliverables are implemented in line with project workplan.

1.1.2.10 The PIU Management should ensure proper monitoring and evaluation are implemented during the execution of the project.

Management Response

1.1.2.11 *Management acknowledged the recommendation. Works have started on the Management Building in Beeplay and at substantial completion level (90%) in December 2021. See Photo attached.*

1.1.2.12 *For the warehouses in Gbloulay (92%) and Kanwee (76%) works are completed except for the construction of hand pump water. See attached photos as evidence.*

Auditor General's Position

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

1.1.3 Non-Preparation of Monthly Statement of Supplies Observation

1.1.3.1 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.

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

Risk

1.1.3.3 Effective stock management may not be achieved in the absence of a monthly statement of supply.

1.1.3.4 Inventory/supply may be misappropriated leading to decline in operational activities.

1.1.3.5 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 ability to make informed decision on the level of supplies available or used.

Recommendation

1.1.3.6 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.

1.1.3.7 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

1.1.3.8 *Recommendation acknowledged. There are stock-cards in place to record stock issued and received. Inventories are taken before replenishment; however, management take note of the audit finding and recommendations. Going forward Management will 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

1.1.3.9 We acknowledge Management's acceptance of our findings and recommendations. We will make a follow-up during subsequent audit. Going forward, all future stock-take activities should be adequately documented and filed to facilitate future review.

1.1.4 No daily Attendance Record Observation

1.1.4.1 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.

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

Risk

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

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

Recommendation

1.1.4.5 The PIU Management should ensure that all staff sign the daily attendance record.

1.1.4.6 The Attendance Record should be adequately documented to facilitate future review.

1.1.4.7 The Human Resource should conduct periodic spot checks to ascertain the authenticity of the attendance record.

Management Response

1.1.4.8 *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

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

1.1.5 Unauthorized approval in procurement process Observation

1.1.5.1 Section 5.7 and paragraph 269 of the Finance and Administrative Procedures Manual provides that when reviewing the evaluation report submitted by the evaluation committee, the Procurement Committee ensures that (i) there are no inaccuracies in the report, and (ii) the award recommendation is consistent with the evaluation. Before giving approval, the Committee also ensures that any written complaints made by bidders concerning the procurement process have been reviewed and responded to. The Committee may issue a full or a qualified approval to the award of contract or the action recommended by the evaluation committee. In case of a qualified approval, the evaluation committee must make corrections to the report or provide clear explanations before final issue. The tables below summarize the approval authority for contract awards.

No.	Type of Contract	Threshold: Contract Value in USD	Authority Approving Proposed Contract Award
1.	Goods	Less than \$10,000	Project Coordinator (as head of Procuring Entity)
		Above \$10,000	Project Procurement Committee
2.	Works/Technical Services	Less than \$30,000	Project Coordinator (as head of Procuring Entity)
		Above \$30,000	Project Procurement Committee
3.	Consulting Services	Less than \$10,000	Project Coordinator (as head of Procuring Entity)
		Above \$10,000	Project Procurement Committee

1.1.5.2 It was observed during the audit that the PIU Management awarded contract to Omega Supply Chain for the supply of fifteen (15) Power Tillers amounting US\$67,500.00 for implementation of the COVID – 19 responses in Nimba County. A review of the contract document reveal that the contract was signed by Minister of Agriculture instead of the Project Procurement Committee.

Risk

1.1.5.3 Unauthorized approval of procurement contract may lead to the non-achievement of value for money.

1.1.5.4 Unauthorized approval of procurement contract may lead to non- compliance with the required procurement standard.

Recommendation

1.1.5.5 The PIU Management should provide material justification for unauthorized approval of procurement contract.

1.1.5.6 The PIU Management should facilitate full compliance with the required procurement standards for the award of all contracts to ensure value for money is achieved.

Management Response

1.1.5.7 *Recommendation acknowledged. The Minister of Agriculture instructed through the PMU Director that all procurement contracts above US\$50,000.00 be approved by the Minister. It is important to know that these new approval levels have given raise to the reversion of the PIU Finance and Admin manual and they are being considered in the reversion.*

Auditor General’s Position

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

1.1.6 Verification of Distribution of Power Tillers Observation

- 1.1.6.1 Section 4.6 and paragraph 206 of the Finance and Administrative Procedures Manual require that the distribution of supplies to staff be carried out using pre-numbered delivery vouchers. Staff members submit their needs to the AA who fills out a voucher, indicating for each item requested, the delivery date, name of staff, description of item and quantity. Both the AA and the staff member are requested to sign the voucher, which serves as the source document to record the movement in the individual stock card (date and voucher number, name of staff and quantity).
- 1.1.6.2 IV Schedule I, Section I of Amendment II of the Financing Agreement provides that the Goal of the RPSF Grant is to improve the livelihood and COVID-19 resilience for rural households in Nimba and Lofa Counties. The overall objective is to improve food crops production and Lofa Counties. The RPSF Grant is aimed at increasing local production and productivity of food crops (mainly rice, vegetables and cassava) by ensuring timely access to inputs of those affected by COVID-19. The target group will be small-scale producers, including women and youth, living in the poorest communities, who because of the crisis, are constrained in accessing and effectively using inputs.
- 1.1.6.3 Our field verification exercise (November 20, 2021) in Nimba county identified the following discrepancies:
- two of the power tillers given to Rural Women and Girls Promoters and Menlehkoyee Women Vegetable Cooperative Society do not have operators.
 - One power tiller was seen in the possession of the proprietor of Rain Forest Agricultural Enterprise in Ganta City contrary to the requirement of Rural Poor Stimulus Facility Project
 - We could not ascertain the existence of another power tiller given to Miss Betty K. Nenleh. **See exhibit 4, 5 and 6 for detail.**
- 1.1.6.4 Also, there was no evidence of a need assessment survey report to form a basis for the process of selecting the beneficiaries.
- Risk**
- 1.1.6.5 The distribution of Power Tillers to beneficiaries without train operators may lead to misappropriation.
- 1.1.6.6 In the absence of documented procedures and survey report, beneficiaries could be arbitrarily selected thereby denying the achievement of project objective.
- 1.1.6.7 The existence of the power tiller could not be assured in the absence of physical verification.

Recommendation

- 1.1.6.8 Management should ensure that power tillers are given to farmers that have the requisite training to effectively operate the power tillers.
- 1.1.6.9 Going forward, Management should facilitate a Need Assessment exercise for all applicants to ensure that only deserving beneficiaries are selected.
- 1.1.6.10 As Asset Loan Form are approved for all receipt of assets, Management should provide material justification of asset that could not be verified during field verification exercise.

Management Response

1.1.6.11 *Recommendation acknowledged.*

- *Training for Power Tiller operation and maintenance will be conducted early January 2022 under the RPSFP.*
- *Ministry of Agriculture (MOA) and the Project Team jointly assessed all beneficiaries for power tillers. See Report attached (MR 7)*
- *The power tillers under the RPSF are to be distributed to Cooperative, Farmer Based Organizations (FBO) and Lead Farmers. The Rain Forest Agricultural Enterprise (RAE) in Ganta is a FBO. Mr. Fredrick Gonkartee is the lead farmer and member of the FBO.*
- *Betty K. Nenleh is Chairlady for the Belly Women Group of Flumpa engaged in vegetable and low land rice production. However, this group can be contacted on following Contact for verification Betty K. Nenleh --0775145711*

Auditor General's Position

- 1.1.6.12 We acknowledge management's acceptance of our findings and recommendation. Management's acceptance will be validated during subsequent audit. However, the Assessment Report presented by Management of the PIU in support of its assertions is not signed and dated. Therefore, we maintain our findings and recommendations.

2 STATUS ON THE IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATION

Recommendations conveyed during financial statement audit of Tree Crop Extension Project (TCEP) for the fiscal period ended June 30, 2020 are yet to be implemented and implemented by Management of the PIU as indicated in the Table below:

Prior-year audit matters not implemented

Paragraph No.	Source of the finding	Particulars of paragraph	Recommendation	Status of Implementation
1.1.1.2	Final Management Letter	Internal Audit Report	The Internal Auditor should provide justification why an internal audit was not conducted and documented for the Tree Crop Extension Project (TCEP).	Implemented
1.1.2.2	Final Management Letter	Performance evaluation	The PIU Management should provide justification for not conducting regular performance evaluation	Implemented
1.1.1.3.2 1.1.1.3.3	Final Management Letter	Storage of Supplies	The PIU Management should provide substantive justification why stocks, supplies and other assets were kept at the resident of the CARI's supervisor to the TCEP. The PIU Management should ensure that process and procedures for documenting, storing and distributing supplies prescribe by the IFAD are adhere to at all times.	Implemented Pending
1.2.1.3	Final Management Letter	Procurement Method	The TCEP Management should provide justification	Implemented

Paragraph No.	Source of the finding	Particulars of paragraph	Recommendation	Status of Implementation
			for not using the required procurement method	
1.2.2.2	Final Management Letter	Evaluation for Hybrid Cocoa Seeds	The PIU Management should provide justification why the required procurement process was not followed and also provide the evaluation report to the audit team for review.	Implemented
1.2.3.2	Final Management Letter	Monitoring of Contractual Works	The PIU Management should provide justification why the contracts were not completed on the date specified by the contract.	Pending
1.2.4.2	Final Management Letter	Supporting Documentation	The TCEP Management should ensure the authority at CARI refund full amount withdrawn.	Pending
1.2.5.3	Final Management Letter	Unverified Assets	The PIU Management should present to two vehicles to the auditors for physical verification	Implemented

3 EXHIBIT



Front View of the Incomplete Warehouse in Karnwee, Saclepea Mah



Side View of the Incomplete Warehouse in Karnwee, Saclepea Mah



Interior of Incomplete Warehouse in Bloulay, Buu-Yao District



Front View of the Incomplete Warehouse in Bloulay, Buu-Yao District



Front View of the Staff Management Building in Beeplay, Buu-Yao District



Back View of the Staff Management Building in Beeplay, Buu-Yao District



Interior of the Staff Management Building in Beeplay, Buu-Yao District



Power Tiller Supplied to Rural Women & Girls promoters



Power Tiller Supplied to Menlehkoyee Women vegetable Cooperative