



Management Letter

On the Financial Statement Audit of Rural Economic Transformation Project (RETRAP)

For the Period July 1, 2021 to December 31, 2022



Promoting Accountability of Public Resources

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

**Monrovia, Liberia
June 2023**

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ACRONYMS USED

Acronym	Meaning
AG	Auditor General
ACCA	Association of Chartered Certified Accountant
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Practitioner
CoBit	Control Objectives for Information and Related Technology
COSO	Committee of Sponsoring Organization of the Treadway Commission
CPA	Certified Public Accountant
GAC	General Auditing Commission
GoL	Government of Liberia
IFMIS	Integrated Financial Management Information system
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standard of Supreme Audit Institutions
IT	Information Technology
MFDP	Ministry of Finance and Development Planning
MoA	Ministry of Agriculture
MoCI	Ministry of Commerce and Industry
PIM	Project Implementation Manual
PFM	Public Finance Management
PIU	Project Implementation Unit
PV	Payment Voucher
RETRAP	Rural Economic Transformation Project

June 30, 2023

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 Rural Economic Transformation Project (RETRAP) for the Period July 1, 2021 to December 31, 2022

The financial statements of RETRAP are subject to audit by the Auditor-General in terms of Section 2.1.3 of the New GAC Act of 2014 as well as the Engagement Terms of Reference.

INTRODUCTION

The audit of RETRAP for the eighteen months ended December 31, 2022 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.

The audit will also include 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's Management at the Ministry of Agriculture (MoA). Our responsibility is to express our opinion on these financial statements.

Key Personnel of the Project

During the period under audit, the following key persons managed the affairs of the RETRAP Project

Name	Position	Tenure
Hon. Jeanine Milly Cooper	Minister	2020 - Present
Galah Toto	Project Coordinator	2022 -Present
Micah Tebah Belleh	Financial Management Specialist	2022 -Present
Tarnue Jeke	Operation Manager	2022 -Present
Dean Ebenezer Kulah	Procurement Officer	2022 -Present
James Sumo	Accountant	2022 -Present

The audit findings which 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 RETRAP 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

June 2023

1 DETAIL FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Inadequate Disclosure of Project Expenditures

Observation

- 1.1.1.1 Paragraph 1.3.8 of IPSAS Financial Reporting Under Cash Basis of Accounting, November 2017, states: "Notes to the financial statements include narrative descriptions or more detailed schedules or analyses of amounts shown on the face of the financial statements, as well as additional information. They include information required and encouraged to be disclosed by this standard, and can include other disclosures considered necessary to achieve a fair presentation and enhance accountability."
- 1.1.1.2 During the audit, we observed that the financial statements did not disclose in the notes the composition and nature of expenditures for each component as presented in the Statement of Receipts and Payments. Specifically, note 12: Project Expenditure per Nature cannot be traced to any component as presented on the face of the Statement of Receipt and Payments.

Risk

- 1.1.1.3 In the absence of a precise, clear, and complete analysis that accounts for each project component per the respective nature of expenditures, fair presentation and full disclosure may be impaired.

Recommendation

- 1.1.1.4 The notes to the financial statement should fully disclose the nature of expenditures of each Project Component.

Management's Response

- 1.1.1.5 *The PIU has taken note of this observation and has provided the Auditors with an updated note which has linked the expenditure by nature, to the appropriate project components.*

Auditor General's Position

- 1.1.1.6 We acknowledge Management's acceptance of our findings and recommendations and subsequent adjustments of the financial statements.

1.1.2 The signing date of the Financial Statements not specified

Observation

- 1.1.2.1 Paragraph 1.4.5. of the IPSAS Cash basis reporting framework states "An entity shall disclose the date when the financial statements were authorized for issue and who gave the authorization. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact.

1.1.2.2 Regulation I.11. of the PFM Act of 2009 -Annual Government Agency Accounts, states "(1) There shall be prepared by the head of government agency or an administrator or head of any Government agency and transmitted to the, the Minister and the Comptroller-General in respect of the year, accounts covering all Public Funds under his control. The accounts shall be submitted within a period of two months after the end of each fiscal year, or such other period as the Legislature may by resolution appoint and shall include statements and documents to be specified in the International Public Sector Accounting Standards as adopted by the Government of Liberia.

1.1.2.3 During the audit, we observed that the financial statements signed by the Chief Financial Officer and the Project Coordinator did not specify the actual date the financial statements were prepared and signed.

Risk

1.1.2.4 Management may be non-compliant with Paragraph 1.4.5. of the IPSAS Cash basis of reporting.

1.1.2.5 Untimely presentation and approval of financial statements may impair accountability and decision making. The completeness and accuracy of the financial statements may also be impaired.

Recommendation

1.1.2.6 Management should adjust the financial statements to include the date of preparation of the financial statements adjacent to the signatures of the authorizers.

Management's Response

1.1.2.7 *Management did not respond to this finding.*

Auditor General's Position

1.1.2.8 In the absence of a response by Management, we maintain our findings and recommendations.

1.1.3 Inadequate Disclosure of Information

Observation

1.1.3.1 Para 1.4.7 of IPSAS Financial Reporting Under Cash Basis of Accounting, "An entity shall disclose the following in the notes to the financial statements if not disclosed elsewhere in information published with the financial statements:

- The domicile and legal form of the entity and the jurisdiction(s) within which it operates;
- A description of the nature of the entity's operations and principal activities;
- A reference to the relevant legislation governing the entity's operations, if any; and
- The significant entities or sectors of government that are presented in the financial statements, and changes in the significant entities or sectors that

comprise the reporting entity and were presented in the previous period financial statements.”

1.1.3.2 During the audit, we observed that a precise and clear description of the project’s objectives, components, activities, and jurisdictions in which the project activities are implemented are not disclosed in the financial statements.

1.1.3.3 In addition, there was no disclosure that the financial statements are accompanied by any other information such the Project Activities Report, etc.

Risk

1.1.3.4 Management may be non-compliant with Para 1.4.7 of IPSAS Financial Reporting Under Cash Basis of Accounting.

1.1.3.5 Fair presentation and full disclosure may be impaired.

Recommendation

1.1.3.6 Management should fully disclose in the notes to the financial statements the precise and clear description of the project’s objectives, components, activities, and jurisdictions in which the project activities are implemented.

1.1.3.7 Alternatively, Management should reference the provision of these information in an accompanied report in the notes to the financial statements.

Management’s Response

1.1.3.8 *The PIU has taken note of this observation. We have provided the Auditors with an updated Financial Statement to include the project’s objectives, components, activities, and jurisdictions in which the project activities are implemented.*

Auditor General’s Position

1.1.3.9 We acknowledge Management’s acceptance of our findings and recommendations and subsequent adjustments of the financial statements.

1.1.4 No Memorandum of Understanding between STAR-P and RETRAP

Observation

Institutional Arrangements

1.1.4.1 1. Inter-Ministerial National Project Steering Committee. By no later than one (1) month after the Effective Date, the Recipient shall establish and thereafter maintain throughout the project’s implementation period, an inter-ministerial national project steering committee with a mandate, composition, and resources satisfactory to the Association. Without limitation on the foregoing, said committee shall be chaired by the Recipients ministries of MOA or designated representative and comprise relevant representatives from ministries and agencies, and shall meet at least once every year or more often if required for the purposes of, inter alia (a) reviewing the overall progress of the Project;

(b)providing strategic and policy direction on all project activities, and (c)facilitating the coordination of project activities.

1.1.4.2 During the audit, we observed that STAR-P pre-financed RETRAP's activities without a formal agreement that clearly outlines the nature of activities and the amount to be expended.

1.1.4.3 In addition, we observed no evidence of approval of RETRAP refund to STAR-P amounting to US\$968,193.00 by the National Project Steering Committee and the World Bank

Risks

1.1.4.4 Management may be non-compliant with the approved financing agreement by refunding STAR-P without the approval of the Inter-Ministerial National Project Steering Committee and the World Bank.

Recommendation

1.1.4.5 Management should ensure that all expenditures are adequately planned for and approved per the approved financing agreement.

1.1.4.6 The World Bank should ensure that funds are made available in a timely manner to facilitate effective implementation of project activities.

Management's Response

1.1.4.7 *The PIU has taken note of this observation and will adhere to the auditor's recommendation subsequently*

Auditor General's Position

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

1.1.5 Renovated MOA in Robertsport, Grand Cape Mount, Abandoned and out of use

Observation

1.1.5.1 Principles of Procurement of the PIM states that: "Procurement function must be discharged honestly, fairly, and in a manner, that secures best value for which the financing was obtained. The Procurement function must be cost-effective and efficient in the use of resources while upholding the highest standards of probity and integrity. The procedures are formulated along the following main principles that will serve as the primary basis for implementing procurement activities under this Project: -

- High-quality services;
- Value for Money;

- Economy and efficiency to achieve quality, cost-effectiveness, and timely delivery in procurement;
- Equitable, fair, and open competition allowing all eligible/qualified bidders to participate;
- Reliability;
- Transparency of procurement process;"

1.1.5.2 During the audit, we observed that RETRAP made a payment to Alesther Construction Company on August 17, 2022 amounting to US\$6,780.00 for the renovation of the PIU Office in Grand Cape Mount County. However, during our physical verification of assets, the PIU office was out of use and abandoned due to severe leakages. **See photo below for details:**



GAC photo 1: Renovated PIU Office located in Robertsport, Grand Cape Mount, Abandoned and out of use

Risk

1.1.5.3 Inadequate maintenance of assets may impair the effective activities of the project.

Recommendation

1.1.5.4 Management should provide substantive justification why facilities renovated by project funds have been abandoned and made dilapidated.

1.1.5.5 Going forward, Management should adequately maintain all assets acquired and used by the project to facilitate effective operations of the project.

Management's Response

1.1.5.6 *The PIU takes note of your observation and is pleased to inform you that the office referenced in your query is not owned or run by the PIU but rather the Ministry of Agriculture. This facility has been formally turned over to the Ministry and serves as the Ministry County office.*

Auditor General's Position

1.1.5.7 We acknowledge and will validate Management's assertions.

1.1.6 NASSCORP Contribution not Paid

Observation

- 1.1.6.1 Section 89.16(a) of the NASSCORP New Act published February 13, 2017 states 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 a total 10% of the 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".
- 1.1.6.2 During the audit, we observed that Management did not provide payment receipts on the remittance of employees and employer contributions to NASSCORP for the period under audit.

Risk

- 1.1.6.3 Potential retirees may be denied the required social security benefits.

Recommendation

- 1.1.6.4 Management should provide substantive justification for not withholding and remitting Social Security Contributions for the period under audit.
- 1.1.6.5 A Payment plan should be developed and agreed upon between the project management, and NASSCORP Management for full settlement of all arrears. Management should budget for and ensure full compliance with the terms of the agreed payment plan.
- 1.1.6.6 Going forward, Management should budget for the 6% of the employer's contribution, deduct the 4% employees' contribution and combine the same for subsequent remittance on a monthly basis to the designated accounts of NASSCORP.
- 1.1.6.7 Evidence of Social Security Contribution remittances should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.6.8 *A consultant cannot be required to make social security contribution as they are not employees and are not entitled to the related benefits. Kindly note that were we employees, the LRA progressive tax rates would be used rather than the fixed local consultancy rate allowed under the revenue code.*

Auditor General's Position

- 1.1.6.9 Management's assertion is not supported by documentary evidence and is not consistent with NASSCORP Act of 2017.

- 1.1.6.10 Section 3.2 Persons not Eligible for Coverage under the EIS and NPS, EMPLOYER'S GUIDE TO NASSCORP SCHEMES Social Security Revised May 19, 2017, states that: "a) Members of the Armed Forces including the Naval and Air Force; c) Members of any military forces of any country other than Liberia; d) Members of the employer's family dwelling in his/her house; e) Wives working for their husbands; vice versa. f) Domestic servants and hires; g) Persons employed on board vessels, ships, boats or canoes, etc. flying Liberian flag; h) Persons born before September 1, 1959, and (b) 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"
- 1.1.6.11 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.7 Irregularities with Employees Attendance

Observation

- 1.1.7.1 Article 6 of the Project Implementation Manual states "Normal weekly working hours for all staff, except security, shall be from 07:30 to 17:30 Monday to Friday with a one-hour lunch break. The employee may be absent from work only with the prior consent of the employer, and where circumstances preclude this consent must be sought immediately afterward.
- 1.1.7.2 During the audit, we observed that staff were not signing the attendance log at the start and end of the work day. We observed instances where staff signed in but did not sign out at the end of day.

Risk

- 1.1.7.3 The accuracy of time spent on the job may not be assured in the absence of daily attendance records for PIU key staff.
- 1.1.7.4 Failure to monitor and supervise personnel attendance records may result in compensation for none-deserving employees. This practice may cultivate an inappropriate work culture at the entity and may subsequently affect the operations and performance of the project.

Recommendation

- 1.1.7.5 Management should ensure that personnel attendance records are regularly monitored by a designated staff and that employees should be reprimanded in line with the PIM for failing to record attendance.
- 1.1.7.6 Evidence of employees' attendance records should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.7.7 Management has taken note of this observation and provided the sign in logs to the auditors for their review.

Auditor General's Position

- 1.1.7.8 We acknowledge Management's subsequent submission of some timesheets. However, we observed that the staff of the project did not regularly sign in and out as evidence of attendance on a daily basis. Therefore, we maintain our recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.8 Misclassification of Expenditure

Observation

- 1.1.8.1 Regulation D13(3) of the Public Financial Management Act of 2009 provides that accounting and reporting for the National Budget or the appropriations for the central government as well as that of all government agencies shall be according to the budget classification and the Chart of Accounts.
- 1.1.8.2 During the audit, we observed that payment (PV 209) related to Catering Services expenses amounting to US\$1,175.00 were misclassified as Domestic Subsistence Allowance.
- 1.1.8.3 Also, we observed that Home Satisfaction Catering Services was not found on the Project Contract Tracker.

Risk

- 1.1.8.4 Misclassification of transactions may result in improper reconciliation of budget vs actual analysis.
- 1.1.8.5 Misclassification of expenditures may facilitate fraudulent financial reporting especially if the preparer of the financial statements intends to conceal over/under utilization of expenditures.
- 1.1.8.6 Vendors balances may be misstated due to ineffective recording/tracking of liabilities.

Recommendation

- 1.1.8.7 Management should adjust the financial statement accordingly to ensure that transactions related to expenditures are properly classified and consistent with the budget and the approved chart of accounts.
- 1.1.8.8 Management should facilitate routine training of staff on data entry posting and classification of transactions for junior staff.

- 1.1.8.9 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.
- 1.1.8.10 Management should ensure that the project tracker is regularly updated to reflect all vendor transactions including bills, payments and running balances.

Management's Response

- 1.1.8.11 Management has taken note of the above observation and properly classified the expense indicated.

Auditor General's Position

- 1.1.8.12 We acknowledge Management's acceptance of our findings and recommendations and subsequent adjustments of the financial statements.

1.1.9 Transaction Without Supporting Documentation

Observation

- 1.1.9.1 Section A.3 of the PFM Regulations of 2009 as amended and restated 2019 states: "(1) 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 money, or for the custody, care, and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister".
- 1.1.9.2 Additionally, section 9.1 of the World Bank procurement regulations states that "The Borrower shall retain all documentation, and shall furnish such documentation to the Bank upon request, concerning each contract subject to post review, according to the requirements of the Legal Agreement. This documentation shall include, but is not limited to:
 - a) complaints, the signed original of the contract, and all subsequent amendments or addenda,
 - b) the Bids/Proposals evaluation report, and the recommendation for award; and
 - c) the payment invoices or certificates, as well as the certificates for inspection, delivery, completion, and acceptance of Goods, Works, and Non-Consulting Services, for examination by the Bank or by its consultants/auditors".
- 1.1.9.3 During the audit, we observed that Management made payment for Biometric registration amounting to US\$19,715.00 to the National Identification Registry for the registration of farmers. However, the database of registered beneficiaries/farmers was not provided.

Risk

- 1.1.9.4 In the absence of the database of farmers, the validity, occurrence and accuracy of the service performed may not be assured. This may lead to misappropriation of the project's funds.

Recommendation

- 1.1.9.5 Management should provide the database of farmers created by NIR to the Office of the Auditor General for validation.
- 1.1.9.6 Management should ensure that all payments to NIR are supported by the requisite supporting documents consistent with the financial management regulations.
- 1.1.9.7 Evidence of all supporting documents should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.9.8 *Management acknowledges your assertion made about the lack of documentation for US\$19,750.00 payment made to the National Identification Registry for Farmer's Biometric registration. However, we wish to provide the below information for your consideration. The payment in question was an advanced payment contract and the contract is attached to the payment voucher PV543. And after the completion of the Farmers' registration, listing and contact numbers of registered beneficiaries was provided by the NIR team. Please see attached for your consideration.*

Auditor General's Position

- 1.1.9.9 We acknowledge receipt, and reviewed the documents subsequently submitted by Management, 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. Going forward, Management should ensure that requested documents for audit purposes are submitted in a timely manner. Management should also ensure that vouchers are adequately documented and filed to facilitate future review.

1.1.10 No Back-to-Office Report

Observation

- 1.1.10.1 Section 3.4.4 of the PIM Annex 1b required that before the Project Coordinator authorizes any work-related travel, the staff should prepare a staff travel request, in which the objective and cost of the travel are specified. In return, the staff is expected to produce a Back-to-Office Report (BTOR). The BTOR should spell out the objective of the travel, the period of the travel, and a write-up of the activities, particularly focusing on the relevance to the Project. It must also include the statement of expenditure relating to the trip.

1.1.10.2 During the audit, we observed that payments amounting to US\$ 14,242.00 were made to staff for travel. However, we obtained no evidence of Back-to-Office reports as required by the PIM. **See Table 2 below.**

Table 2: No Back-to-Office Report

Date	PV No.	Description	Payee	Amount
23-Nov-22	Pv-0665	Blossom Travel and Tour, P.m.t for Air ticket for five Staff to attend study tour Climate Smart Agriculture	Stephen T. Marvin	2,496.00
23-Nov-22	Pv-0666	Tarnue N. Jeke, DSA for Study Tour on Climate Smart Agriculture Organic Farming.	Tarnue N. Jeke	2,496.00
23-Nov-22	Pv-0664	Galah Toto, DSA for Study Tour on Climate Smart Agriculture Organic Farming.	Gala Toto	2,496.00
9-Nov-22	Pv-0647	Jeanine M. Cooper, DSA payment to attend the 27th Conference of Parties of the UNFCCC (COP-27)	Jeanine Cooper	2,058.00
11-Oct-22	Pv-0569	Jeanine Cooper, DSA Payment for International travel for 13 days (Oct. 11 - 23, 2022)	Jeanine Cooper	4,056.00
4-Nov-22	Pv-0634	DSA for IT Field Mission in Bassa, Bomi, Margibi and Cape Mount	Johnson S. Chelleh	640
Total				14,242.00

Risk

1.1.10.3 Travels may be made for activities not related to the operations of the project using project funds.

1.1.10.4 The objective of official travel may not be achieved.

Recommendation

1.1.10.5 Management should institute the preparation of a Back-to-office Report for all travel made consistent with Section 3.4.4 of the Project Implementations Manual. The report should be submitted within a week upon the staff's return to the office.

1.1.10.6 Evidence of Back-to-office reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.10.7 *Management acknowledges your assertion made about the lack of Back to Office report for payment of US\$14,242.00. However, we wish to provide the below information for your consideration. The payment of US\$2,058 made to Jeanine Cooper on PV0647 for DSA to attend the 27th Conference of Parties of the UNFCCC (COP-27) was refunded and deposited into RETRAP account as the trip was cancelled. Please see attached bank statement and deposit slip. In addition, there was one back to office report for payments made to Tarnue N. Jeke (PV666, US\$2,496.00), Gala Toto (PV664, US\$2,496.00), Stephen Marvie (PV665, US\$2,496.00) and Jeanine Cooper (PV569, US\$4,056.00) because this was a one team mission and the back to office report is attached to the scan copy of Tarnue Jeke Payment (PV666). The back to office report for payment made to Johnson S. Chelleh for IT Field Mission in Bassa, Bomi, Margibi and Cape Mount Counties is available as well.*

Auditor General's Position

- 1.1.10.8 We acknowledge Management's subsequent submission of some back-to-office reports after our audit execution. However, we observed that the back-to-office reports could not be traced to individual travel retirement vouchers for all participants of the travel mission. For those vouchers where the back-to-office report was not attached, we also observed no reference on the payment vouchers citing the reference for the back-to-office report.
- 1.1.10.9 Going forward, for those payment vouchers for which back-to-office reports may not be attached, clear references to the back-to-office report should be indicated on the payment voucher.

1.1.11 Lack of Coordination between Internal Audit and National Project Steering Committee

Observation

- 1.1.11.1 Section 10.6, Internal Audit Arrangements, of the PMU Manual states:
- 10.6.1 Internal Audit: is established within the PMU by the Program Steering Committee (PSC) to serve the PMU and all PMU/PIUs. It is staffed by an Internal Auditor and Internal Audit Assistant. Appendix 9.3 is the Internal Audit Charter.
 - 10.6.2 Internal Audit reports functionally to the PSC and administratively (i.e., day-to-day operations) to the PMU Director.
 - 10.6.3 The PSC will approve all decisions regarding the performance evaluation, appointment, or removal of the Internal Auditor as well as the Internal Auditor's annual compensation and salary adjustment
- 1.1.11.2 During the audit, we observed that the Internal Audit Reports submitted for review were addressed to the Minister of Agriculture, who is the chair of the National Project Steering Committee (NPSC). However, no evidence was provided to substantiate that the Internal Auditor and the NPSC (Minister) met, discussed issues reported, and agreed on action to

be taken to ensure reported audit issues do not persist.

- 1.1.11.3 Additionally, the internal audit report was not part of the agenda of the National Steering Committee meeting minutes provided for review.

Risk

- 1.1.11.4 The lack of coordination between the internal audit and NPSC may limit the value that the internal audit may create in the financial management system of the PMU. In addition, internal controls gaps identified by the internal audit may continue to persist if the implementation of audit recommendations is not adequately monitored by the appropriate authority.
- 1.1.11.5 Systems and controls deficiencies, and implementation of internal audit recommendations may not be addressed in a timely manner. This may impair the effective operations of the PMU/PIUs.

Recommendation

- 1.1.11.6 The National Project Steering Committee should meet with internal audit and appropriately address recommendations from internal audit reports. Such meetings should be documented accordingly.
- 1.1.11.7 Management should also draft and agree on a schedule of timelines for implementation of Internal Audit recommendations. This schedule should be periodically monitored and evaluated by Management.
- 1.1.11.8 Evidence of this schedule as well as the implementation of Internal Audit recommendations should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.11.9 *The PIU notes your observation and will engage the office of the Minister to formally document its meetings with internal audit. There have been engagement meetings with IA on audit issues except that they were not formally documented.*

Auditor General's Position

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

1.1.12 Internal Audit Activities Plan not adequately executed

Observation

- 1.1.12.1 Section 10.6, Internal Audit Arrangements, of the PMU Manual states:
- 10.6.1 Internal Audit: is established within the PMU by the Program Steering Committee (PSC) to serve the PMU and all PMU/PIUs. It is staffed by an Internal Auditor and Internal Audit Assistant. Appendix 9.3 is the Internal Audit Charter.

- 10.6.2 Internal Audit reports functionally to the PSC and administratively (i.e., day-to-day operations) to the PMU Director.
- 10.6.3 The PSC will approve all decisions regarding the performance evaluation, appointment, or removal of the Internal Auditor as well as the Internal Auditor's annual compensation and salary adjustment

- 1.1.12.2 During the audit, we observed that the internal audit did not perform all audit interventions in the approved internal activities plan for the period audited.
- 1.1.12.3 For the period under review, the PMU implemented 8 different projects which have activities across the 15 counties. The Internal Audit Function of the PMU has only two staff, the Internal Auditor and an Audit Assistant, that reviews the 8 different projects with activities across the 15 counties.

Risk

- 1.1.12.4 Potential risks that may impair the achievement of the entity objectives may not be identified and mitigated in a timely manner.
- 1.1.12.5 Potential risk may materialize in the absence of internal audit intervention consequently leading to deviation from internal controls, policies, laws, and regulations.
- 1.1.12.6 Deviation from internal controls may result in misappropriation of assets, errors, fraud, and misstated financial statements.

Recommendation

- 1.1.12.7 Management should provide the requisite resources and logistics to ensure that Internal Audit performs all interventions approved by the NPSC.
- 1.1.12.8 Management should ensure that the Internal Audit is appropriately staffed to meet the demands of the eight (8) projects across the fifteen (15) counties.

Management's Response

- 1.1.12.9 *The PIU notes your observation that the Internal Audit Unit had only two staff assigned in the unit during the period audited. However, based on IA's request, management has recruited one IA Assistant to support the work of the Unit.*

Auditor General's Position

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

1.1.13 IT Backup exercises not independently verified

Observation

- 1.1.13.1 3.4.14, Daily on-site backup, of the PIM, states: "The PIU network is designed so that the essential data contained in the hard disks of all PIU computers (particularly financial/accounting and M&E data), as well as the software applications, are automatically saved on the server on a daily basis. In addition, PIU backups on external hard disks are stored in the safe and offsite (at a bank) on a weekly basis.
- 1.1.13.2 Individual backup: Staff is required to save their most important working files on the CD and external hard drives provided by the PIU. These individual backups must be done at least once a week."
- 1.1.13.3 During the audit, we observed that the IT specialist conducted backups that were not verified by any staff to ensure that relevant data that could enable the smooth transition of project activities in case of a disaster are captured. In addition, we also observed that backups are stored only onsite.

Risk

- 1.1.13.4 If essential data that may ensure the smooth continuation of project activities are not backed up and stored in offsite location, vital information could be unrecoverable in case of disaster or system shutdown.

Recommendation

- 1.1.13.5 Management should periodically verify the data backed up by IT. In addition, Management should identify and store back-up data of the project at an appropriate offsite location.

Management's Response

- 1.1.13.6 *The PIU acknowledges the auditor's finding and will accordingly implement this best industry practice.*
- 1.1.13.7 *The financial/accounting data are already being scanned and stored on the PIU server. The M&E data are collected via Kobol Collect which is also on the server.*

Auditor General's Position

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

Annexure

Annexure 1: Renovated MOA County Office in Grand Cape Mount Abandoned and out of use

