



Management Letter

On the Financial Statement Audit of Smallholder Agriculture Development for Food & Nutrition Security (SADFONS) Project

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
SADFONS	Smallholder Agriculture Development for Food & Nutrition Security

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 Smallholder Agriculture Development for Food & Nutrition (SADFONS) Project for the Fiscal Period July 1, 2021 to December 31, 2022

The financial statements of SADFONS 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 the SADFONS for period 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 SADFONS Project

Name	Position	Tenure
Hon. Jeanine Milly Cooper	Minister	2020 - Present
Jlopeh Dennis Wiagbe, Jr.	Project Coordinator	2021- Present
Bob V. Fassah	Project Accountant	2021- Present
Mohammed L. Kamara	Procurement Expert	2021- 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 SADFONS Project Implementation Unit (PIU) of the Ministry of Agriculture (MoA) during the audit.

Sincerely,


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

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 The signing date of the Financial Statements not specified

Observation

- 1.1.1.1 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.
- 1.1.1.2 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.
- 1.1.1.3 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

- 1.1.1.4 Management may be non-compliant with Paragraph 1.4.5. of the IPSAS Cash basis of reporting.
- 1.1.1.5 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

- 1.1.1.6 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

- 1.1.1.7 *As recommended, the financial statements have been adjusted to include the preparation date adjacent to the signature of the authorizers.*

Auditor General's Position

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

1.1.2 Inconsistent Comparable Figures in the Financial Statements

1.1.2.1 Paragraph 1.4.19 of the IPSAS Cash Basis of Accounting states, "When the presentation or classification of items required to be disclosed in the financial statements amended, comparative amounts shall be reclassified, unless it is impracticable to do so, to ensure comparability with the current period, and the nature, amount of, and reason for any reclassification shall be disclosed.

1.1.2.2 Paragraph 1.4.1 of the IPSAS Cash Basis of Accounting states, "The general-purpose financial statements shall be presented at least annually. When in exceptional circumstances, an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

- The reason(s) for a period other than one year being used; and
- The fact that comparative amounts may not be comparable"

1.1.2.3 During the audit, we observed that the comparable amounts in the financial statements were not consistent. The prior year figures were for three (3) months (October to December 2021) while the current year figures were for twelve (12) months (January to December 2022). Management did not also disclose in the notes to the financial statements the reason why comparable prior year figures were inconsistent.

Risk

1.1.2.4 Management may be non-compliant with Paragraph 1.4.19 of the IPSAS Cash Basis of Accounting.

1.1.2.5 Fair presentation and full disclosure may be impaired.

Recommendation

1.1.2.6 Management should adjust the financial statements and disclose in the notes to the financial statements why it was impractical to present comparable figures, as the project had activities for only three (3) months in the prior year.

Management's Response

1.1.2.7 *As recommended, the financial statements have been adjusted to disclose in the notes why it was not practical to present comparable figures.*

Auditor General's Position

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

1.1.3 The explanation for Material Variance

1.1.3.1 Part 1.7.8 of the Revised Cash Basis IPSAS (November 2017) provides that an entity that makes publicly available its approved budget(s) shall present a comparison of the budget amount for which it is held publicly accountable and actual amounts either as a separate

additional financial statement of an additional budget column in the statement of cash receipts and payments. The comparison of the budget and the actual amount shall present separately for each level of legislative oversight:

- By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and cross-reference to those documents is made in the notes.

1.1.3.2 During the audit, we observed that the Financial Statements include a Statement of Comparison of Budget and Actual amount which shows material variances. However, the statement did not include notes for the explanation of the material variances.

Risk

1.1.3.3 Failure to include notes or explanations for material variance between budgetary and actual amounts in the financial statements may impair informed decision-making by users of the financial statements.

1.1.4.4 Full disclosure and fair presentation of the financial statements may be impaired.

Recommendation

1.1.3.4 Management should ensure that full and adequate disclosures are made for material variance(s) between the budget and actual amounts consistent with Part 1.7.8 of the Revised Cash Basis IPSAS (November 2017).

Management's Response

1.1.3.5 *Explanation of material variances were included in the financial statements. Please see Note 6.6.0.*

Auditor General's Position

1.1.3.6 The notes referred to by Management in response to its assertions were not presented in a systematic and comprehensive manner. Individual reasons for the significant variances were not detailed in the notes to the financial statements. Also, the Statement of Comparison of Budget vs Actual Amount were not cross-referenced to the related information in the notes to the financial statements. Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendation during subsequent audit.

1.1.4 No Fuel Consumption Report

Observation

1.1.4.1 Regulations A.3 of the Public Financial Management (PFM) Act of 2009 states" any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody, and disbursement of public and trust 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”

- 1.1.4.2 During the audit, we observed that payments amounting to US\$18,451.22 for fuel from CONEX Energy Liberia did not have a consumption report attached. **See Table 1 below.**

Table 1. No Fuel Consumption Report

Date	Payee	Voucher Number	Cost Per Gallon	Amount
19-May-22	Conex Energy Liberia	66	6	1,800.00
25-Oct-22	Conex Energy Liberia	159	5.66	2,264.00
4-Nov-22	Conex Energy Liberia	176	5.66	882.96
28-Jun-22	Conex Energy Liberia	87	6.9	2,070.00
9-Aug-22	Conex Energy Lib.	111	6.9	4,140.00
6-Jan-22	Total Liberia Inc.	21	4.2	5,000.00
12-Dec-22	Conex Energy Liberia	206	5.66	1,731.76
4-Oct-22	CARI/SADFONS PROJECT	153	N/A	562.5
Total				18,451.22

Risk

- 1.1.4.3 In absence of consumption report, fuel procured may not be based on actual consumption.
- 1.1.4.4 Management may spend above budgeted allocation and fuel may be subjected to misappropriation or theft.

Recommendation

- 1.1.4.5 Management should maintain a fuel consumption and distribution log to help the entity manage costs and inform future purchase.
- 1.1.4.6 Evidence of fuel consumption and distribution logs and reports should be adequately documented and filed to facilitate future review.

Management’s Response

- 1.1.4.7 *As required, Fuel Consumption Report are maintained by the project. The consumption reports for the previous period are attached to vouchers of the replenishment request. This issue was addressed at the Audit Query level.*

Auditor General's Position

- 1.1.4.8 We reviewed the documents subsequently submitted by Management, after our audit execution. *Consequently*, we have adjusted the transactions without fuel consumption report to (US\$18,451.22 – US\$15,836.50) US\$2,614.72 to be accounted for by Management. *However*, Management's provision of documents after our review, does not guarantee Management effective control of expenditure liquidation and document management.
- 1.1.4.9 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.

1.1.5 No Back-to-Office/ Travel Mission Report

Observation

- 1.1.5.1 Section 2.5.10 of the PMU Operational Manual states that: Within three working days following their return from a mission, staff members are required to prepare a back-to-office or mission report to be submitted to the Project Coordinator and PMU Director along with their travel expense claim. After review, the report is returned to the traveler for action and/or filing in the appropriate records. A copy is sent to the M&E Officer for consideration.
- 1.1.5.2 During the audit, we observed that twenty-five (25) payments totaling US\$ 63,723.00 for travel missions to foreign and local training/ meeting sections had no back-to-office/ travel mission reports attached. **See Annexure 1 for details**

Risk

- 1.1.5.3 Travels may be made for activities not related to operations of the project using project funds.
- 1.1.5.4 The objective of official travel may not be achieved.

Recommendation

- 1.1.5.5 Management should institute the preparation of a Back-to-Office Report for all travel made consistent with Section 2.5.10 of the PMU Operational Manual. The report should be submitted within a week upon the staff's return to the office.

Management's Response

- 1.1.5.6 *As required by the PMU Manual, Back to Office reports are prepared for all field missions and are usually attached to the payment voucher of the mission head. They were not seen on the samples selected by the Auditors. This issue was addressed as the Audit Query.*

Auditor General's Position

- 1.1.5.7 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.

- 1.1.5.8 Going forward, Management should ensure that the comprehensive listing of all team members is included in the back-to-office reports. 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.

1.1.6 Incomplete/ Inadequate Supporting Documentation

Observation

- 1.1.6.1 Regulations P.9 (1) and (2) of the PFM Act of 2009 as amended and restated 2019 states: (1) "All disbursements or payments of public money shall be properly supported by pre-numbered payment vouchers. (2) Payments except for statutory transfers and debt service shall be supported by invoices, bills, and other documents in addition to the payment vouchers".
- 1.1.6.2 During the audit, we observed that payment amounting to US\$2,850.00 (PV#153) was disbursed for CARI- field mission for site selection & collection of landraces. However, the listing of casual workers paid was not attached.

Risk

- 1.1.6.3 In the absence of adequate supporting documents, the validity, occurrence and accuracy of payments may not be assured. This may lead to misappropriation of the project's funds.
- 1.1.6.4 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.

Recommendation

- 1.1.6.5 Management should ensure that all payments to casual workers are supported by payment listing including the signatures and telephone numbers of the recipient of funds.
- 1.1.6.6 Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations.
- 1.1.6.7 Evidence of all supporting documents should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.6.8 *This issue was addressed at the Audit Query level. Please see attached the liquidation report for advance disbursed to CARI for site selection and collection of landraces in Exhibit 3.*

Auditor General’s Position

- 1.1.6.9 We acknowledge Management’s subsequent submission of supporting documents for the transaction indicated above 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.
- 1.1.6.10 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.

1.1.7 Fuel Consumption inconsistent with Fuel Procured

Observation

- 1.1.7.1 Regulations A.3 of the Public Financial Management (PFM) Act of 2009 as amended and restated 2019 states “any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and 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”
- 1.1.7.2 During the audit, we observed a variance of US\$2,731.77.00 between the figures recorded on the payment vouchers (US\$ 5,810.00) and the figure recorded on the attached fuel distribution logs (US\$ 3,078.23). **See table 2 for details**

Table 2. Fuel Consumption inconsistent with Fuel Procured

Date	Payee	Payment Voucher #	Cost Per Gallon	Procured Amount	Disbursed Amount	Variance
2-Dec-22	Conex Energy Lib.	196	5.91	3,546.00	1,140.63	2,405.37
25-Oct-22	Conex Energy Lib.	159	5.66	2,264.00	1,937.60	326.40
Total				5,810.00	3,078.23	2,731.77

Risk

- 1.1.7.3 Fuel procured may not be based on actual consumption.
- 1.1.7.4 Management may spend above budgeted allocation and fuel may be subjected to misappropriation or theft.

Recommendation

- 1.1.7.5 Management should ensure that fuel procured is consistent with actual usage and made within budgetary allocations.
- 1.1.7.6 Management should maintain a fuel consumption and distribution log to help the entity manage costs and inform future purchases.



- 1.1.7.7 Evidence of fuel consumption and distribution logs and reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.7.8 *As stated above, Fuel consumption reports attached represent consumption from previous period not report for the request. Please see attached Fuel consumption Summary and statement for the period.*

Auditor General's Position

- 1.1.7.9 We reviewed the documents subsequently submitted by Management, after our audit execution. Therefore, we have adjusted the transactions with inconsistent consumption report to (US\$3,546 – US\$1,140.63) US\$2,405.37 to be accounted for by Management.
- 1.1.7.10 Also, Management's provision of documents after our review, does not guarantee Management effective control of expenditure liquidation and document management.
- 1.1.7.11 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.

1.1.8 Payment voucher inconsistent with Direct credit Instruction

Observation

- 1.1.8.1 Section 36(1) of the PFM Act of 2009 as amended and restated 2019 states that "It is a general responsibility under this Act for all government officials handling public financial transactions to ensure that financial information is reported in a timely, comprehensive, and accurate manner, in the manner prescribed in this Act, under its regulations, and in instructions issued by the Minister".
- 1.1.8.2 Section 1.3.27 of IPSAS Cash Basis of Accounting requires that financial statements shall present information that is:
- a) Understandable;
 - b) Relevant to the decision-making and accountability needs of users;
 - c) A faithful representation of the cash receipts, cash payments, and cash balances of the entity and the other information disclosed in the financial statement in that it is:
 - (i) Complete;
 - (ii) Neutral and
 - (iii) Free from material error;
- 1.1.8.3 During the audit, we observed a variance of US\$591.00 between the figure recorded on approved PV# 196 (US\$ 3,546.00) and the figure recorded on the direct credit instruction (US\$ 2,955.00).

Risk

- 1.1.8.4 Petroleum products paid for may not be received. This may lead to misappropriation of the project's funds.

Recommendation

- 1.1.8.5 Management should provide justification for the variance between the payment voucher and the direct credit instruction.
- 1.1.8.6 Going forward, Management should ensure that payment records are appropriately reviewed and reconciled for consistency and accountability purposes.

Management’s Response

- 1.1.8.7 *There is no discrepancy between the payment voucher and the direct credit statement. Please see direct credit statement. This issue was addressed at audit query level.*

Auditor General’s Position

- 1.1.8.8 We acknowledge Management’s subsequent submission of the adjusted Conex Direct Credit Statement reflecting the variance of US\$591.00 as downloaded credit in progress.
- 1.1.8.9 Going forward, Management should ensure that payment records are appropriately reviewed and reconciled for consistency and accountability purposes.

1.1.9 Payments without Receipt

Observation

- 1.1.9.1 Regulation A.3(1) of the PFM Act of 2009 states that, “ Any public officer 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 During the audit, we observed that expenditures amounting US\$15,551.76 as listed in table 4 below had no vendor’s receipt attached: ***See table 43below for details.***

Table 3: Payments without Receipts

Date	Payee	Payment Voucher #	Payment Voucher Amount
19-May-22	Conex Energy Liberia	66	1,800.00
25-Oct-22	Conex Energy Liberia	159	2,264.00
2-Dec-22	Conex Energy Liberia	196	3,546.00
28-Jun-22	Conex Energy Liberia	87	2,070.00
9-Aug-22	Conex Energy Liberia	111	4,140.00
12-Dec-22	Conex Energy Liberia	206	1,731.76
Total			15,551.76

Risk

- 1.1.9.3 In the absence of adequate supporting documents, the validity, occurrence and accuracy



of payments may not be assured. This may lead to misappropriation of the project's funds.

- 1.1.9.4 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.

Recommendation

- 1.1.9.5 Management should ensure that all payments to vendors are supported by official receipts.
- 1.1.9.6 Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations.

Management's Response

- 1.1.9.7 *During the transition of Total Liberia to Conex Energy, the service provider could not issue official receipt, however they issued customers direct credit statements and copies of deposit slips which confirmed receipt of funds. This issue was address at the query level.*

Auditor General's Position

- 1.1.9.8 We acknowledge Management's subsequent submission of Conex's customers statement after our audit execution. However, neither these statements nor the official receipts were attached to the payment vouchers to validate the completeness, existence and accuracy of the payments. Going forward, Management should ensure that all relevant supporting documents including receipts and/or customers statements are attached to the payment vouchers to validate the completeness, existence and accuracy of the payments.
- 1.1.9.9 Also, 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 Inadequate Segregation of Duties

Observation

- 1.1.10.1 COSO Internal Control Framework on Internal Control requires that organizations put in place Control activities that will help the entity achieve its objectives and spell out the necessary actions taken to address risks affecting such achievement. Control activities occur throughout the organization, at all levels and function. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.
- 1.1.10.2 During the audit, we observed that the existing staffing in the finance section of the project is inadequate to ensure sufficient segregation of duties. The finance section only has the project accountant who is responsible for all of the accounting and financial reporting activities of the project.

Risk

1.1.10.3 Lack of segregation of duties of such key functions may impair check and balances, thereby, leading to misappropriation of the entity's assets.

Recommendation

1.1.10.4 Management should facilitate the competitive hiring of additional qualified and experienced staff in the finance section to ensure appropriate segregation of duties.

Management's Response

1.1.10.5 *This recommendation is noted. The Project has initiated the process of hiring the services of a Finance Assistant to address the issue of segregation of duties.*

Auditor General's Position

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

1.1.11 No Remittance of Withholding taxes on Payments

Observation

1.1.11.1 Section 905 (a) of the Revenue Code of Liberia Act of 2000 as amended in 2011 stipulates: "Payments. A person listed in this subsection who makes a payment of the kind specified in this section is required to withhold tax at the rate specified in this section. The payor is treated as a withholding agent for all purposes of this Code. This subsection applies to the following types of persons: (1) A resident legal or natural person; (2) A non-resident with a branch in Liberia or doing business in Liberia; (3) A government agency; or (4) Unless expressly exempted by international agreement or treaty, a nongovernmental organization operating in Liberia or a diplomatic mission to Liberia".

1.1.11.2 During the audit, we observed that the *total of US\$5,675.00* for withholding on Service Contract was not withheld nor remitted to Liberia Revenue Authority. **See table 4 below for details.**

Table 4: No Remittance of Withholding Taxes on Payments

Date	Payee	Voucher	Amount US\$	10%
02/08/2022-010001	Godwin K. Senagah	PV#036	17,025.00	1,702.50
05/19/2022-010002	Godwin K. Senagah	PV#068	22,700.00	2,270.00
09/27/2022-010007	Godwin K. Senagah	PV#149	17,025.00	1,702.50
Total				5,675.00

1.1.11.3 Furthermore, we observed that goods/service tax for payments to vendors totaling US \$242,632.62 was not withheld nor remitted to the general revenue account. **See table 5 below for details.**

Table 5: No Withhold Tax Remitted for Goods

Date	Vendor	Reference	Amount Us\$
5/6/2022	United Motor Company	NCO-DP NO005	85,650.00

Date	Vendor	Reference	Amount Us\$
7/13/2022	United Motor Company	NCO-DP NO006	94,200.00
9/22/2022	EADECON Liberia Inc	PV#0141	13,951.18
10/27/2022	EADECON Liberia Inc	PV#0160	17,309.39
11/21/2022	EADECON Liberia Inc	PV#0181	17,719.38
12/12/2022	EADECON Liberia Inc	PV#214	13,802.67
TOTAL			242,632.62

Risk

1.1.11.4 Failure to remit withheld taxes may deny GoL of much needed tax revenue.

1.1.11.5 Management may be non-compliant with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 which may result into penalties for late payment and failure to pay.

Recommendation

1.1.11.6 Management should facilitate full remittance of withholding taxes to the LRA in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.

1.1.11.7 Evidence of official tax payment flag receipts and all other relevant documentation should be adequately documented and filed to facilitate future review.

Management's Response

1.1.11.8 *As per the "General Conditions" of the African Development Bank (AfDB), taxes are ineligible expenses in all Bank financed operations in its Regional Member Countries which could not allow the withholding taxes for services.*

1.1.11.9 *However, as required by Revenue Code 2000 amended 2011 of Liberia, service providers are informed and required to settle their tax obligations to the LRA.*

Auditor General's Position

1.1.11.10 Management's assertion is not supported by documentary evidence. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.12 Employees' Social Security and Income Tax Not Paid.

Observation

1.1.12.1 Chapters 89.16 (a, and h) of the Decree establishing the National Social Security & Welfare Corporation (NASSCORP), require that (89.16) "except as otherwise provided, contributions and the method of payment shall be as follows: The contribution payable under this Decree in respect of an employee shall comprise contribution payable by the employer (herein after referred to as the employer's contribution) and contribution payable by the employee (herein after referred to as employee's contribution and shall be

paid to the Corporation; (h) The contributions payable in respect of each month shall ordinary fall due on the last day of the month and where an employee is employed for part of the month or is employed under two or more employers during the same month, the contributions shall fall due on such days as may be specified in the Regulations". And Chapter (89.18) stipulates "where a principal employer defaults in paying any contribution prescribed by this Decree or subsequent regulations, a sum equal to four percent (4%) of the amount unpaid shall be added for each month or part of a month after the date on which payment was due, and any amount so added shall be recoverable as a debt owed by the employer to the Republic".

1.1.12.2 During the audit, we observed that a total of US \$167,800.00 was disbursed on Salaries and Allowances during the period under review but social security contributions and personal income tax (PIT) were not withheld nor remitted. **See Table 6 below.**

Table 6: No Social Security Contribution PIT not Paid

Payroll Expenditure	PIT 10%	Social Security
US\$ 167,800.00	US\$16,780.00	US\$16,780

Risk

1.1.12.3 Failure to remit withholding taxes may deny GOL of the needed tax revenue. Management may be non-compliance with laws and regulations.

1.1.12.4 Potential retirees may be denied the required social security benefits.

Recommendation

1.1.12.5 Management should provide substantive justification for not withholding and remitting Withholding Taxes for the period under audit.

1.1.12.6 Payment plans should be developed and agreed upon amongst the project management, LRA, and NASSCORP Management for full settlement of all arrears. Management should budget for and ensure full compliance with the terms of the agreed payment plans.

1.1.12.7 Going forward, Management should withhold and remit the full amount of income tax for the period to the general revenue account.

1.1.12.8 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.

1.1.12.9 Evidence of tax remittances should be adequately documented and filed to facilitate future review.

Management's Response

1.1.12.10 *Staff of the project (10) are mostly civil servants who are seconded by the Ministry with their social security and income tax obligations being handled through the GOL pay system. They are just being paid salary top-up by the project. Other project staff (3) who*



are consultants have contracts that do not contained provisions for the deduction for National Social Security and income tax.

1.1.12.11 *As per the "General Conditions" of the African Development Bank (AfDB), taxes are ineligible expenses in all Bank financed operations in its Regional Member Countries which could not allow the withholding taxes for services.*

1.1.12.12 *However, the NCO will engage the relevant authorities (Ministry of Finance, Ministry of Agriculture & African Development Bank) to determine if the implementation of the recommendation is feasible or applicable.*

Auditor General's Position

1.1.12.13 We acknowledge Management's assertion that: "... the NCO will engage the relevant authorities (Ministry of Finance, Ministry of Agriculture & African Development Bank) to determine if the implementation of the recommendation is feasible or applicable."

1.1.12.14 However, in the absence of documentary evidence to substantiate full tax exemption to all AfDB projects, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.13 Salaries paid without Approved Time Sheet.

Observation

1.1.13.1 Regulation A.3(1) of the PFM Act of 2009 states that, " Any public officer 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."

1.1.13.2 During the audit, we observed that payments of remunerations to the below-listed staff of the PMU were not accompanied by payment requests and timesheets. **See Table 7 for details**

Table 7: Salaries paid without approved time sheets

Date	Staff Name	P.V. NO	Amount US\$
3/2/2022	Linda Sam	44	150
6/29/2022	Hawa Kromah	89	150
6/29/2022	Linda Sam	88	150
10/27/2022	Hawa Kromah	165	150
10/27/2022	Linda Sam	164	150
8/29/2022	Linda Sam	125	150
12/12/2022	Linda Sam	213	150
12/15/2022	Hawa Kromah	17	150
12/15/2022	Linda Sam	18	150

Date	Staff Name	P.V. NO	Amount US\$
4/27/2022	Hawa Kromah	64	150
5/25/2022	Linda Sam	75	150
7/20/2022	Hawa Kromah	110	150
3/2/2022	Hawa Kromah	43	150
1/28/2022	Linda Sam	33	150
1/28/2022	Hawa Kromah	34	150
7/20/2022	Linda Sam	109	150
Total			2,400.00

Risk

- 1.1.13.3 In the absence of adequate supporting documents, the validity, occurrence and accuracy of payments may not be assured. This may lead to misappropriation of the project's funds.
- 1.1.13.4 The absence of adequate supporting documentation for transactions may also lead to fraudulent financial management practices, through the processing and disbursement of illegitimate transactions.

Recommendation

- 1.1.13.5 The PMU Management should ensure that all payments to staff (casual workers) are supported by approved time sheets and payment requests/ payrolls.
- 1.1.13.6 Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations.

Management's Response

- 1.1.13.7 *Time sheets were prepared for these staff. This issue was resolved as the Audit Query level.*

Auditor General's Position

- 1.1.13.8 We acknowledge Management's subsequent submission of some timesheets for periods indicated in our audit findings. Some of the timesheets provided were not dated and a significant number of timesheets were also not submitted. Therefore, we maintain our recommendations. We will follow up on the implementation of our recommendation during subsequent audit.

1.1.14 Excess Expenditure over approved budget

Observation

- 1.1.14.1 Section 5.6.2 of the PMU Manual states: "The Project Accountant (or FC in the case of IFAD PIU) is responsible for monitoring the budget by comparing it with actual expenditures. All project expenses are automatically recorded in the "actual expense" column of the budget within the accounting system."
- 1.1.14.2 Section 5.6.3 of the PMU Manual states: "The Project Accountant (or FC in the case of IFAD PIU) prints a monthly budget monitoring statement which shows the status of the

budget by component and by expense category at the end of each month. This statement shows for each AWPB activity or budget line, the budgeted amount, the cumulative expenditures, the available balance, etc.”.

1.1.14.3 Section 5.6.4 of the PMU Manual state: “The SFMS analyses the budget monitoring statement at the end of each month in order to determine whether funds are being utilized as planned. Any significant variance between the budget and actual expenses is investigated and discussed with the Project Accountant (or FC in the case of IFAD PIU), M&E Officer and technical staffs.”

1.1.14.4 Section 5.6.5 of the PMU Manual state: “The Project Accountant (or FC in the case of IFAD PIU), under the supervision of the SFMS, then prepares a report explaining all variances and identifying any need for budget revision. The monthly budget statement is attached to the report, which is given to the Project Coordinator and PMU Director.”

1.1.14.5 Section 5.6.6 of the PMU Manual states: “The Project Coordinator, in consultation with the SFMS and PMU Director, takes corrective measures to address the problems identified in the report.”

1.1.14.6 Part 1.7.8 of the Revised Cash Basis IPSAS (November 2017) provides that an entity that makes publicly available its approved budget(s) shall present a comparison of the budget amount for which it is held publicly accountable and actual amounts either as a separate additional financial statement of an additional budget column in the statement of cash receipts and payments. The comparison of the budget and the actual amount shall present separately for each level of legislative oversight:

- By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and cross-reference to those documents is made in the notes.

1.1.14.7 During the audit, we observed that the amount of US \$67,809.23 was overspent in Component 3 of the Approved budget during the audit period. However, the financial statement did not state the reason for the variance. Also, there was no monthly report discussing the variance as well as the corrective measure that was taken. **See Table 8 for details**

Table 8: Excess Expenditures over Approved Budget

Activity	Outcome	Budget	Actual	Variance	Percentage
Project workshops and meetings	Workshops and meetings report	15,000.00	30,736.00	(15,736.00)	-105%
Payment of Staff top-up/salaries	Staff salaries paid	166,000.00	167,800.00	(1,800.00)	-1%
Procurement of Stationery and Office	Stationery and office supplies	5,000.00	10,780.30	(5,780.30)	-116%

Activity	Outcome	Budget	Actual	Variance	Percentage
Supplies	procured				
Procure office equipment	Office Equipment procured	10,000.00	19,341.00	(9,341.00)	-93%
Procure internet services, mobile phone cards	Internet services, and mobile phone cards provided to NCO	6,840.00	8,208.00	(1,368.00)	-20%
Procurement of Fuel and maintenance of project vehicles	Vehicles satisfactorily fuelled	10,000.00	34,907.20	(24,907.20)	-249%
Travel allowances	Domestic travel allowances Paid	10,000.00	16,016.00	(6,016.00)	-60%
Total for Advertisement, Media Services and IT & Financial Software support		15,000.00	17,860.73	(2,860.73)	-19%
Grand Total		237,840.00	305,649.23	(67,809.23)	-27%

Risk

1.1.14.1 Management may facilitate the disbursement of unapproved/illegitimate expenditures.

1.1.14.2 Funds availability may be impaired for approved project activities.

1.1.14.3 Failure to include notes or explanations for material variance between budgetary and actual amounts in the financial statements may impair informed decision-making by users of the financial statements.

1.1.14.4 Full disclosure and fair presentation of the financial statements may be impaired.

Recommendation

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

1.1.14.5 In the instance where Management deems unplanned expenditures as being expedient, Management should obtain the authorization of the AfDB.

1.1.14.6 Management should ensure that full and adequate disclosures are made for material variance(s) between the budget and actual amounts consistent with Part 1.7.8 of the Revised Cash Basis IPSAS (November 2017).

Management's Response

- 1.1.14.7 *During the project's inception, an annual work plan & budget was developed for FY 2021/2022 (July- June 2022) which was being executed but had to be revised in December 2022 to align with the change of Government of Liberia fiscal year from January - December. Hence the expenditure covered a period of 15 months for approved and eligible project expenditures.*

Auditor General's Position

- 1.1.14.8 Management's assertion does not adequately address the issues raised. The excess expenditure over the approved budget identified was computed on the entire fifteen (15) months approved for project expenditures. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

Annexure

Annexure 1: No Back-to-Office Reports

Account Date	Voucher Number	Description	Amount
16-Jun-22	PV# 080:	Mbakai Varpilah-Woyee- DSA, Transportation for Official Launch & Technical Session-PV#080	8,210.00
7-Sep-22	PV#0132	Mbakai Varpilah Woyee- Payment for Nutrition activities/ Training in the southeast- PV#0132	7,815.00
18-Aug-22	PV#115	Blossom Travel & Tour- Air tickets for the project team to attend GASFP Portfolio review- PV#115	6,300.00
17-Aug-22	PV#116	Jlopleh Dennis Wiagbe, Jr.- Perdiem to attend GASFP Portfolio review in Narobi, Kenya- PV#116	2,435.00
17-Aug-22	PV#117	Bob V. Fassah- Perdiem to attend GASFP Portfolio review in Narobi, Kenya- PV#117	2,435.00
18-Aug-22	PV#118	Mohammed L. Kamara- Perdiem to attend GASFP Portfolio review in Narobi, Kenya- PV#118	2,435.00
17-Aug-22	PV#119	Aagon N. Yoko- Perdiem to attend GASFP Portfolio review in Narobi, Kenya- PV#119	2,435.00
7-Sep-22	PV#0126	Cleopatra F.Jallay- Perdiem for field mission for Nutrition activities in the southeast- PV#0126	1,200.00
7-Sep-22	PV#0127	Menson R. Kwanwah- Perdiem for field mission for Nutrition activities in the southeast- PV#0127	1,200.00
7-Sep-22	PV#0128	Morleeta M. Chea- Perdiem for field mission for Nutrition activities in the southeast- PV#0128	1,200.00
7-Sep-22	PV#0129	David M. Mulbah- Perdiem for field mission for Nutrition activities in the southeast- PV#0129	1,200.00
24-Mar-22	PV#049	Jlopleh Dennis Wiagbe Jr.- Perdiem for field mission to project counties -PV#049	1,120.00
24-Mar-22	PV#050	Menson R. Kwanwah - Perdiem for field mission to project counties -PV#050	1,120.00
24-Mar-22	PV#051	Morleeta M. Chea- Perdiem for field mission to project counties -PV#051	1,120.00
24-Mar-22	PV#052	David M. Mulbah- Perdiem for field mission to project	1,120.00

*Management Letter On the Financial Statement
 Audit of Smallholder Agriculture Development for Food & Nutrition Security (SADFONS) Project
 For the Period July 1, 2021 to December 31, 2022*

Account Date	Voucher Number	Description	Amount
		counties -PV#052	
22-Sep-22	PV#139	Reuben Sivili- Perdiem for field mission to southeast on engineering assesment-PV#139	960
12-Dec-22	PV#202	Senesee S. Hemoh- Perdiem for field mission to the southeast on engineering assess. PV#202	960
30-Nov-22	PV# 193	Alaric Menwipia- Perdiem for scooping mission with Rice Value Chain Consultant- PV# 193	880
12-Dec-22	PV#203	Reuben Sivilli- Perdiem for field mission to the southeast on engineering assess. PV#203	720
19-Oct-22	PV#154	Senesee S. Hemoh- Field mission to CARI to assess progress of works at AMC- PV#154	160
19-Oct-22	PV#155	Reuben G. Sivili- Field mission to CARI to assess progress of works at AMC- PV#155	120
16-Nov-22	PV#179	Cleopatra Gibson Jallay -Perdiem for field mission for assessment of FBOs in Bomi & Gd. Bassa-PV#179	320
16-Nov-22	PV#177	Menson R. Kwanwah - Perdiem for field mission for assessment of FBOs in Bomi & Gd. Bassa-PV#177	320
19-Jul-22	PV#102	Cleopatra F. Gibson- Jallay- Feeding/Transportation for Nutrition awareness workshop in 3 cts-PV#102	15,088.00
4-Oct-22	PV#153	CARI- Periderm for field mission for site selection & collection of Landrace- PV#153	2,850.00
Total			63,723.00

