



Management Letter

On The Audit of the Liberia Sustainable Management of Fisheries Project (LSMFP) National Fisheries & Aquaculture Authority (NaFAA)

For the Period January 1, 2022 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/Abbreviations/Symbols

Acronyms/Abbreviations/Symbol	Meaning
A/C#	Account Number
AfDB	African Development Bank
AG	Auditor General
APA	Assistant Project Accountant
BEP	Bid Evaluation Penal
CBL	Central Bank of Liberia
CFE	Certified Fraud Examiner
CFIP	Certified Forensic Investigation Professional
COTABD	Class of Transaction Account Balances and Disclosures
CPA	Certified Public Accountant
GAC	General Auditing Commission
GOL	Government of Liberia
IDA	International Development Assistance
IPFMRP	Integrated Public Financial Management Reform Project
IPSAS	International Public Sector Accounting Standards
LSMFP	Liberia Sustainable Management of Fisheries Project
M & E	Monitoring and Evaluation
MSC	Ministerial Steering Committee
PFM Act	Public Finance Management Act
PFMU	Project Financial Management Unit
PPC Act	Public Procurement & Concession Act
PPCC	Public Procurement and Concession Commission
PSC	Project Steering Committee
PV	Payment Voucher
SPA	Senior Project Accountant
US\$	United States Dollar

June 30, 2023

Hon. Emma Glassco
Director General
National Fisheries & Aquaculture Authority (NaFAA)
Bushrod Island
Montserrado, Liberia

Dear Hon. Glassco:

Re: Draft Management Letter on the Audit of the Liberia sustainable Management of Fisheries Project for the year January 1, 2022 to December 31, 2022.

The Audit of the Financial Records of the Liberia Sustainable Management of Fisheries Project (LSMFP) Project for the year January 1, 2022 to December 31, 2022 implemented by the National Fisheries & Aquaculture Authority (NaFAA) was commissioned by the Auditor-General (AG) on March 6, 2023, under AG's mandate as provided for in Section 2.1.3 of the GAC Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

Introduction

The LSMFP account is managed by the Minister of Finance in terms of the Grant agreement as of October 12-16, 2020.

The objectives of the audit were to express professional opinion on the LSMFP Financial Reports for the period ended December 31, 2022, as submitted to the World Bank and express an audit opinion according to Cash Basis International Public Sector Accounting Standards (IPSAS) promulgated by International Federation of Accountants (IFAC), whether the Financial Reports of the Liberia Sustainable Management of Fisheries Project submitted to the Bank are in accordance with the Project Financial Management Unit's (PFMU) policies and World Bank requirement for financial reporting".

Audit Scope and Methodology

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) as well as the Engagement (Audit) Terms of Reference. These standards require that we plan and perform the audit so as to obtain reasonable assurance whether the LSMFP financial statements and related records are free of material misstatements due to errors or fraud and comply with ethical requirements.

In planning and performing the audit, we considered the LSMFP internal controls over financial reporting that were considered to be significant deficiencies. Significant deficiencies involve matters coming to our attention relating to deficiencies in the design or operation of internal control over financial reporting that, in our judgment could adversely affect the LSMFP ability to initiate, authorize, record, process and report financial data reliably in accordance with the International Financial Reporting Standards, Cash Basis and the World Bank financial reporting framework.

Towards this end, we reviewed the Grant agreement, business and the control environment of the LSMFP through which risks of material misstatements affecting its operations were assessed using a risk-based approach. Audit procedures considered necessary were thus pursued to address the risks identified within LSMFP operations.

Limitation of Responsibility

We reviewed the systems and management controls operated by the Management of the Liberia Sustainable Management of Fisheries Project (LSMFP) only to the extent we considered necessary for the effective performance of this audit. As a result, our review may not have detected all weaknesses that existed or all improvements that could have been made.

The responsibility to put in place effective systems and controls for the prevention and detection of fraud, error and non-compliance with applicable accounting standards, laws and regulations and policies is the duty of the Management of the LSMFP.

Our responsibility under AG's mandate as provided for in Section 2.1.3 of the GAC Act of 2014 as well as the Audit Engagement Terms of Reference (ToR) is to provide certification on the LSMFP financial statements and related records based on the outcome of our examination of the financial statements and related records.

Appreciation

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff and Management of the Liberia Sustainable Management of Fisheries Project and other individuals who contributed to success of this Audit. The audit findings which were identified during the course of the audit are included.

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



Monrovia, Liberia

June 2023

1. DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Inadequate Trial Balance

Observation

1.1.1.1 Section A3 of the PFM Regulation states that; "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".

1.1.1.2 During the audit, we observed that the trial balance was inappropriately prepared. Instead of the ledger accounts titles and their respective closing balances, the trial balance contains the names of individuals to whom payments were made for the provision and acquisition of goods and services. Balances could not be traced to detailed of revenue and expenditures reported in the general ledger.

Risk

1.1.1.3 Failure of Management to prepare a proper trial balance as required by the PFM regulation may lead to inadequate financial information to stakeholders which may adversely affect decision making.

1.1.1.4 Inappropriate preparation of the trial balance may lead to the financial statements been misstated.

Recommendation

1.1.1.5 Management should ensure that the trial balance is reflective of all ledger accounts closing balances.

1.1.1.6 Additionally, financial statements should be prepared by individuals who are qualified and experienced about the relevant standards. The financial statements should also be subsequently reviewed and approved by senior management to ascertain its accuracy and completeness.

Management's Response

1.1.1.7 *The PFMU management takes serious exception to the above caption or heading. First and foremost, Management wishes to indicate that her system-generated trial balance has never been inadequate or inappropriate. Management has presented these trial balances to several external reviewers like the World Bank Financial Management Specialists, African*

Development bank financial management specialists, the EU, SIDA, USAID, EY, KPMG, the GAC and others to review and they have never, to the best recollection of our memory, described our system-generated trial balance as inadequate Trial balance.

- 1.1.1.8 *The system generated trial balance presented to the auditor and to all other external reviewers consists of all the general ledger accounts contained in the ledger of the projects. The list contains name of each nominal ledger account and the value of that nominal ledger balance. From the system generated trial balance, each nominal account holds an opening balance, period debits, period credits, period balance and a closing balance. The auditor's assertion of risk arising from the LSMFP management to prepare proper trial balance could lead to inadequate financial information to stakeholders is unfounded. Is the auditor insinuating that previous financial statements that Management has prepared are inadequate including those audited by the GAC? If the auditor needed better understanding of the system generated trial balance, he should have requested Management to do so rather than labeling our system-generated trial balance as inadequate. Interestingly, since the GAC has been auditing the PFS at the PFMU, this is the same system generated trial balance Management has been presenting to the GAC. How come this same trial balance is inadequate today?*
- 1.1.1.9 *Management wishes to maintain that the system generated trial balance is adequate and should not be labeled as such by the auditor. **Please see attached Exhibit I.***

Auditor General's Position

- 1.1.1.10 We acknowledge Management's assertion. However, the trial balance presented for audit purposes includes names of individuals with associated balances which cannot be traced to the financial statements. Account balances in the trial balance which are not traceable to the financial statements impair effective reconciliation, review, fair presentation, full disclosure and may lead to the financial statements being misstated. Management should therefore ensure that the trial balance contains ledger details that are traceable to the financial statements.

1.1.2 Payments made on the same Voucher Number

Observation

- 1.1.2.1 Section A3 of the PFM Regulation states that; "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".
- 1.1.2.2 During the audit, we observed that payments amounting to US\$46,000.00 were made to separate clients on different dates but were paid on the same voucher number. **See Table 1 for details.**

Table 1: Payments made on the same Voucher Number

Date	Description	Payment Voucher No.	Amount US\$
20/12/2022	Payment for reimbursable apartment rental fees for 12 months	LSMFP/2022/256	36,000.00
16/12/2022	Payment for salary for the Month of December	LSMFP/2022/256	10,000.00
TOTAL			46,000

Risk

- 1.1.2.3 Multiple payments may be made for a single a transaction leading to misappropriation of project's funds.
- 1.1.2.4 Effective reconciliation and review of financial transactions may be impaired.

Recommendation

- 1.1.2.5 Management should ensure that all vouchers are serially and uniquely numbered, dated and authorized during the processing of all transactions.

Management's Response

- 1.1.2.6 *This is acknowledged. It was due to an inadvertent error which has now been corrected. Please find attached Exhibit II.*

Auditor General's Position

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

1.1.3 No Names and/or Titles of those Preparing, Reviewing and Approving Monthly Bank Reconciliation Statements

Observation

- 1.1.3.1 Count 6.5.1 of the PFMU Financial Procedure Manual revised February 2020 states that, "All cash books shall be reconciled monthly to the bank statements within 10 working days of the month end. Differences arising there from shall be investigated and resolved promptly".
- 1.1.3.2 Also, count 6.5.3 states that, "The PFMU Manager shall ensure that all reconciliation differences are properly and promptly investigated with a view to regularize them. To this end, all bank reconciliation statements prepared by the Assistant Project Accountant (APA) shall be reviewed by the Internal Auditor and approved by the Unit Head or Senior Accountant".
- 1.1.3.3 During the audit, we observed that the Project's bank reconciliation statements show that, there were no names and titles/positions for the preparer, reviewer, and the person responsible to approve the bank reconciliation statements as indicated in count 6.5.3 above.

1.1.3.4 Moreover, this issue was raised during last audit but Management failed to address our finding and recommendation.

Risk

1.1.3.5 The lack of the title of the preparer, reviewer, and the person responsible for approval of bank reconciliation statements may make it difficult to determine their level of experience and seniority of the preparer, reviewer and approval.

1.1.3.6 Segregation of duties and check and balances may be impaired.

Recommendation

1.1.3.7 Management should ensure that the titles of the preparer, reviewer and approval of the bank reconciliation statements are indicated adjacent their signatures to validate the existence of segregation of duties, check and balance, and a comprehensive review system.

Management's Response

1.1.3.8 *According to the PFMU Financial Procedures Manual, Bank Reconciliation Statements are prepared by Assistant Project Accountants, Reviewed by Project Internal Auditors and Approved by either the PFMU Manager/Director or Senior Project Accountant/Deputy Director. Please find the sections below:*

- *The PFMU Manager shall ensure that all reconciliation differences are properly and promptly investigated with a view to regularizing them. To this end, all Bank Reconciliation statements prepared by the APA shall be reviewed by the Internal Auditor and approved by the Unit Head or Senior Project Accountant.*
- *(f)The cash books shall be reconciled with the bank statements monthly and the bank reconciliation statements shall be reviewed and verified by the Project Internal Auditor and approved by the PFMU Manager or Senior Project Accountant;*

1.1.3.9 *The PFMU is in full compliance with sections 6.5.3 and 7.1.1(f) of the Financial Procedures Manual. Anyone including GAC reviewing Bank Reconciliation Statements (BRSs) from PFMU will know that BRS are prepared by Accountants, reviewed by Auditors and approved by the Senior Project Accountant who happens to be the Deputy Director of PFMU. The risk stated by GAC in this instance is non – existent.*

1.1.3.10 *Moreover, GAC was provided signature specimen of Groups Accountants, Internal Auditors, Unit Head / Director - PFMU and Senior Project Accountant / Deputy Director – PFMU in relations to Payment vouchers processing. The same signature specimen applies for Bank Reconciliations Statements.*

Auditor General's Position

1.1.3.11 Management's assertions did not adequately address the issues raised. Going forward, Management should ensure that the titles of the preparer, reviewer and approver are displayed on the Bank Reconciliation Statements. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.4 Monthly Bank Reconciliations Not Prepared on a Timely Basis

Observation

- 1.1.4.1 Count 6.5.1 of the PFMU Financial Procedure Manual revised February 2020 states that; All Cash book shall be reconciled monthly to the bank statement monthly within 10 working days of the month end. Differences arising there from shall be investigated and resolved promptly. Un-Presented checks will be written back in the project's books of accounts one month after the negotiable period of six (6) months has elapsed.
- 1.1.4.2 During the audit, we observed that the Project's bank reconciliation statements for the period under audit, were prepared far beyond the required time stipulated in the PFMU Financial Procedural Manual stated above.
- 1.1.4.3 Additionally, we requested but were not provided the monthly bank reconciliation statements for the months of January, February and April. **See Table 2 for details.**

Table 2: Monthly Bank Reconciliations Not Prepared on a Timely Basis

No.	Bank Reconciliation Statement January 1, 2022 to December 31, 2022	Date of Preparation	Account Number USD
1	31-Jan 2022	N/A	6101852102
2	28- Feb 2022	N/A	6101852102
3	31-Mar-22	26-Apr-22	6101852102
4	30 Apr 2022	N/A	6101852102
5	31-May-22	8-Jul-22	6101852102
6	30-Jun-22	14-Jul-22	6101852102
7	31-Jul-22	22-Aug-22	6101852102
8	31-Aug-22	29-Sep-22	6101852102
9	30-Sep-22	31-Oct-22	6101852102
10	31-Oct-22	25-Nov-22	6101852102
11	30-Nov-22	20-Jan-23	6101852102
12	31-Dec-22	27-Jan-23	6101852102

Risk

- 1.1.4.4 Delay in the preparation of bank reconciliation statements may result into untimely detection of errors, omission or fraud.
- 1.1.4.5 This may also lead to misstatement of the cumulative fund balance and the financial position of the Project.

Recommendation

- 1.1.4.6 Management should facilitate timely preparation and approval of monthly bank reconciliation statements ten (10) days after the month end consistent with Count 6.5.1 of the PFMU Financial Procedure Manual revised February 2020.

Management's Response

- 1.1.4.7 *We acknowledge the auditor's observation and will enforce the timely preparation of the bank reconciliations subsequently.*
- 1.1.4.8 *There are no bank reconciliations for the months of January and February, 2022 due to the main project account opening not being finalized until March, 2022. With the finalization of the account opening in March, 2022, bank reconciliations were prepared; and we have herewith attached the bank reconciliation for April, 2022. **Please see attached Exhibit III.***

Auditor General's Position

- 1.1.4.9 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 Fixed Assets Irregularities

Observation

- 1.1.5.1 V.4 of the PFM Acts of 2009 as amended and restated 2019, titled Master Inventory of Furniture, Equipment, Vehicles, etc.
- 1) Furniture, and equipment issued for Government quarters or offices or vehicle and other fixed asset shall be brought on a master inventory of the Government Agency.
 - 2) The master inventory shall record under each category of item:
 - a. the date and other details of the voucher or other document on which the items were received or issued;
 - b. their serial numbers where appropriate; and
 - c. their distribution to individual locations and the total quantity held.
 - 3) In respect of each individual location, there shall be made two copies of the inventory showing all items held at the location; one copy of the inventory shall be kept with the master inventory and the other copy at the location.
 - 4) The dates and other details of all receipts and issue of items to or from the location shall be recorded on both copies of the inventory as they occur.
 - 5) The initial entries and all other entries made later on both copies of the inventory shall be validated by the signature of the officer having the use of the items, or where there is more than one officer, the most senior of them.
- 1.1.5.2 Also, Count 5.11, Paragraph 82 of the Project Implementation Manual (PIM) states that; The Project Administrative Assistant must ensure that a verification count of all equipment and furniture recorded in the fixed assets register is performed quarterly. The following should be checked:
- The location of equipment and furniture as previously recorded on the register
 - Equipment is still in a reasonable state of use
 - Any inconsistencies between the verification exercise and the fixed assets register

and investigate as the case may be.

- 1.1.5.3 Paragraph 83 of the PIM also states that; Assets that are missing or seriously damaged should be removed from the assets register. The removal should be formally documented and approved by the Project Account Officer and the Project Coordinator.
- 1.1.5.4 During the audit, we observed that the following irregularities were associated with the project fixed assets management system.
- Several of the project’s fixed assets were not coded,
 - The fixed assets register was not regularly updated,
 - There was no evidence of movement of assets form,
 - The fixed assets register did not contain all the relevant columns,
 - There was no evidence of periodic (quarterly) physical verification of fixed assets
 - Fixed assets within a given vicinity were not displayed as required by the PFM Act.
- 1.1.5.5 Additionally, there were two YAMAHA Motorcycles with License Plates 682 and 683 purchased in November 2022 that were not coded and recorded in the assets register.
- 1.1.5.6 Moreover, damaged assets are still maintained on the assets register as new assets. 44 pieces Samsung Galaxy Tablet costing US\$11,968.00 could not be verified during the assets verification exercise. Also, seven (7) of the nine (9) Jincheng motorcycle amounting US\$12,775.00 could not be verified as well. **See Table 3 for details.**

Table 3: Non-Performance of Quarterly Verification Exercise of Fixed Assets

No.	Item Description	Purchase Date	Unit Cost US\$	Amount in Qty.	Total Cost US\$
1.	Samsung Galaxy Tablet	October 25, 2020	272.00	44 Pcs.	11,968.00
2.	Jincheng Motorcycle	October 25, 2020	1,825.00	7 Pcs.	12,775.00

Risk

- 1.1.5.7 Fixed Assets Register may be misstated (Over/understated).
- 1.1.5.8 Assets may be damaged or impaired, but their values are still on the books.
- 1.1.5.9 Fixed assets may be removed from the entity’s premises without authorization, misappropriated, subjected to personal use or theft.
- 1.1.5.10 The lack of asset movement log may make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.
- 1.1.5.11 Failure to properly account for fixed assets may lead to theft and misapplication of

equipment/materials. This may result in the non-achievement of the project's objectives.

1.1.5.12 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

Recommendation

1.1.5.13 Management should account for all assets not seen during our physical verification exercise.

1.1.5.14 Management should ensure that all assets value is recorded and maintained in the register.

1.1.5.15 Management should ensure that the fixed assets register is updated to reflect the following; description, source of purchase, date of purchase, class, code, assignee, location, condition, original cost, depreciation expense, accumulated depreciation and net book value of the assets.

1.1.5.16 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of physical verification should be adequately documented and filed to facilitate future review.

1.1.5.17 The Fixed Assets Register should be updated periodically to reflect all project's assets.

1.1.5.18 Fixed assets within a particular vicinity should be clearly displayed as required by the PFM Act.

1.1.5.19 Management should initiate/enforce a systematic fixed assets coding system to ensure all fixed assets are uniquely identified. This control will facilitate the efficient and effective periodic fixed asset verification exercises. Discrepancies in coding identified during verification should be updated in a timely manner.

1.1.5.20 A Movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Assets Register should be updated to reflect the change in location of assets.

Management's Response

1.1.5.21 *The two motorcycles with License Plates 682 and 683 purchased in November, 2022 were handed over to NaFAA, the beneficiary institution, documents of which were submitted on 27th of June to GAC for verification.*

1.1.5.22 *The required documentation for the 44 pieces Samsung Galaxy Tablets purchased for NaFAA, was transmitted via WhatsApp No. 0886849674 and acknowledged by GAC on the 27th of June, 2023.*

1.1.5.23 *Also, the documentation for the 7 Jincheng motorcycles alongside the above two motor bikes was submitted to the GAC and verified on the 27th of June, 2023.*

Auditor General's Position

- 1.1.5.24 We acknowledge Management's assertions and have adjusted our recommendations to reflect the followings:
- The two motorcycles with License Plates 682 and 683 purchased in November, 2022 were verified but not coded.
 - The 44 pieces of Samsung Galaxy Tablets purchased for NaFAA were verified but some were not coded.
- 1.1.5.25 The 7 Jincheng motorcycles were not verified and are to be accounted for by Management.
- 1.1.5.26 We therefore maintain all other recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.6 Lack of Fuel Consumption Log for Generator

Observation

- 1.1.6.1 Regulations A.3 of the Public Financial Management (PFM) Act of 2009 states that;" 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".
- 1.1.6.2 During the audit, we observed that US\$16,464.00 was expended for three thousand twenty-two (3,022) gallons of fuel for use by the generators at the Project's offices without evidence of consumption report/ fuel log.

Risk

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

Recommendation

- 1.1.6.5 Management should provide substantive justification for the variance observed between the amount of fuel procured and amount distributed.
- 1.1.6.6 Going forward, Management should ensure that fuel procured are based on actual consumption.
- 1.1.6.7 Management should maintain a fuel consumption and distribution log to aid the project manage cost and inform future purchase. Fuel consumption and distribution log should be adequately documented and filed to facilitate future review.

Management's Response

1.1.6.8 Documents are still being put together for verification.

Auditor General’s Position

1.1.6.9 We acknowledge Management’s assertions that “Documents are still being put together for verification” and therefore maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.7 Transactions without Supporting Documentations

Observation

1.1.7.1 Regulation P.9 (2) of the Public Financial Management Act of 2009 states that “Payments except for statutory transfers and debt service shall be supported by invoices, bills and other documents in addition to the payment vouchers”.

1.1.7.2 Also, 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, with respect to 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”

1.1.7.3 During the audit, we observed two (2) separate payments amounting to US\$458,640.00 were made without supporting documents. The review of the documents shows that the contract and bid documents were not attached to the payment vouchers. **See Table 4 for details.**

Table 4: Transactions Without Supporting Documentations

Payee	PV #	PV Date	Description	Amount in US\$
Mwetana Consulting & Tech. Group	LSMFP/2022/253	16/12/2022	Payment for 80% work completion against Fisheries Management & Info. System @ NaFAA.	282,240.00
Mwetana Consulting & Tech. Group	LSMFP/2022/123	02/08/2022	Payment to complete the establishment and roll-out of Fisheries Management & Info. System (MIS) @ NaFAA.	176,400.00
Total				458,640.00

Risk

1.1.7.4 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.

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

1.1.7.6 Management may override the procurement processes by completing disbursement without utilizing the required procurement processes.

Recommendation

1.1.7.7 Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations.

1.1.7.8 Documentation such as contracts, invoices, goods received notes, job completion certificates, purchase orders, payment vouchers etc. should be prepared and approved for the procurement of goods and services where applicable.

1.1.7.9 All relevant supporting documents should be adequately documented and filed to facilitate future review.

Management's Response

1.1.7.10 *Detailed attachments for the two payments to Mwetana Consulting & Tech. Group were submitted on the 28th of June, 2023 for verification.*

Auditor General's Position

1.1.7.11 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.

1.1.8 No Explanation of Material Variances

Observation

1.1.8.1 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 columns in the statement of cash receipts and payments. The comparison of budget and 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.

1.1.8.2 The Project 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.

- 1.1.8.3 During the conduct of the audit, we observed that the explanatory notes relating to the causes of significant variances between the budget and actual amounts were not disclosed in the financial statements. **See Annexure 1 for details.**

Risk

- 1.1.8.4 The completeness and accuracy of the revenue/ expenditure may not be assured; therefore, the financial statements may be misstated.
- 1.1.8.5 A misstated financial statement may facilitate fraudulent financial reporting and mislead the users of the financial statements.

Recommendation

- 1.1.8.6 Management should provide justification for the variance noted between the financial statements and the revenue / expenses.
- 1.1.8.7 Management should perform periodic (monthly) reconciliation between the financial statement, the revenue / expenditure and the bank statements. Variance recognized should be investigated and adjusted in a timely manner.
- 1.1.8.8 Periodic reconciliation on revenue reports should be adequately documented and filed to facilitate future review.
- 1.1.8.9 Management should facilitate the automated linkage of the revenue reporting software to provide consistency in revenue reporting.

Management's Response

- 1.1.8.10 *This was earlier communicated and was also resolved in the revised financial statements. Please See attached Exhibit IV .*

Auditor General's Position

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

1.1.9 Signing date of the Financial Statements not specified

Observation

- 1.1.9.1 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.
- 1.1.9.2 Regulation I.11. of the PFM Act of 2009 as amended and restated 2019-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.

- 1.1.9.3 During the audit, we observed that the financial statements signed by the Director of Donor Funded Projects of the PFMU, MFDPA and the Project Coordinator did not specify the actual date the document was prepared and signed.

Risk

- 1.1.9.4 Management may be non-compliant with Regulation I.11. of the PFM Act of 2009 as amended and restated 2019.
- 1.1.9.5 Untimely presentation and approval of the financial statements may impair accountability and decision making. The completeness and accuracy of the financial statements may also be impaired.

Recommendation

- 1.1.9.6 Management should adjust the financial statements to include the date of approval adjacent to the signatures of the authorizers.

Management's Response

- 1.1.9.7 *This was earlier communicated and was also resolved in the revised financial statements. Please see attached Exhibit IV.*

Auditor General's Position

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

1.1.10 Undisclosed Reporting Period

Observation

- 1.1.10.1 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
- 1.1.10.2 During the audit, we observed that Management did not disclose that the amounts for prior and current periods figures may not be comparable due to the change in the reporting period.

Risk

1.1.10.3 Comparability, understandability, reconciliation and decision making of users of the financial statements may be impaired.

1.1.10.4 Fair presentation and full disclosure may be impaired.

Recommendation

1.1.10.5 Management should facilitate full and adequate disclosures in the notes to the financial statements consistent with Paragraph 1.4.1 of the 2017 revised Cash Basis IPSAS

Management's Response

1.1.10.6 *This was earlier communicated and was also resolved in the revised financial statements.*

Auditor General's Position

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

1 STATUSES ON THE IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATION

Recommendations conveyed during financial statement audit of the Liberia Sustainable Management of Fisheries Project (LSMFP) for the fiscal period ended July 1, 2020 to June 30, 2021 are yet to be implemented by Management of the PIU as indicated in the Table below:

Prior-year audit matters not implemented

No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
1	Uncomplete Project Deliverables	It was observed during the conduct of the audit that key deliverables of the LSMFP Project such as the conduct of a feasibility study on the Mesurado pier, Preparation of Environmental and social Management Plan (ESMP) and the	1.1.1.1.2	The PIU believes the audit team missed out on the information that was provided on the Feasibility Study for the Mesurado Pier, the Environmental Social Management Framework Plan (ESMP) and the Resettlement Action Plan (RAP). However, for the purpose of the audit report, the PIU is pleased to respond as follows:	We acknowledge Management's assertion that "in a nut shell, yes the stock assessment was not implemented but the process for the implementation has already begun and will continue well into the main project." We will follow-up on the implementation of project deliverables during subsequent audit.	Not Implemented		



Management Letter On the Audit of the Liberia Sustainable Management of Fisheries Project (LSMFP), National Fisheries & Aquaculture Authority (NaFAA) For the Period January 1, 2022 to December 31, 2022

No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
		<p>preparation of Resettlement Action Plan (RAP) for the Mesurado pier were not completed.</p> <p>We also noted that the LSMFP Management did not undertake the development of a Project Implementation manual and the conduct of an aquaculture frame survey.</p> <p>Additionally, consulting</p>		<p>A) At the time of the audit, the detailed Environmental Social Impact Assessment (ESIA) and the Economic Feasibility Study for the Mesurado Pier had not been performed and is still pending. However, in the absence of a detailed ESIA, a preliminary ESIA for the Mesurado Pier was commissioned and executed and its outcome was approved by the World Bank Task Team Lead in July 2021. The preliminary was recommended to be undertaken simply because it could be done in relatively short</p>	<p>However, we maintain our findings and recommendations.</p>			



Management Letter On the Audit of the Liberia Sustainable Management of Fisheries Project (LSMFP), National Fisheries & Aquaculture Authority (NaFAA) For the Period January 1, 2022 to December 31, 2022

No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
		<p>services to conduct an independent fish stocks assessment in the Liberian coastal waters for NaFAA were not implemented by the project Management for the period under audit.</p> <p>Refer to Appendix 1 for details.</p>		<p>period of time and in the absence of a detailed ESIA, it could be accepted by the Bank as part of the instruments for project negotiation. Shortly after the preliminary ESIA, a request for the expression of interest (REOI) for a detailed ESIA for Mesurado Pier was published and several EOIs were received and evaluated and qualified shortlisted applicants were invited to submit full-blown proposals. The full-blown proposals for the detailed ESIA for Mesurado Pier have since been received</p>				



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No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
				<p>and evaluated and outcomes of such evaluation has been shared with the World Bank Task Team Lead for his "No-Objection" before the PIU can move to the next step. Please see attached, a copy of the EOIs evaluation report for the Mesurado Pier and the preliminary ESIA for your reference (See Exhibit 1 attached: ESIA for Mesurado Pier). The delay in undertaking and completing this activity was largely due to the fact that its execution was dependent upon the completion of other activities such as</p>				



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No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
				<p>undertaking the preparation of Resettlement Action Plan/policy, Environmental and Social Management Policy/Plan (ESMP), etc. None of the following was prepared early enough, given the fact that the staff who would lead their development had not been recruited to oversee the process. These conditions were even further worsened by the slow process of the development and clearance of the ToR for the exercise.</p> <p>B) The Environmental Social</p>				



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No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
				<p>Management Framework Policy/Plan (ESMP) and the Resettlement Action Policy/Plan (RAP). Like the ESIA, the PIU firmly believes that the auditors inadvertently missed out on this, as information on the availability of the two documents were provided. Better still, both ESMP and RAP were preconditioned instruments for project negotiation and therefore were developed long since before August 2021. Not only that the ESMP and the RAP were developed, cleared by the Bank and are</p>				



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No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
				<p>available, they were— as part of the project public consultation— publicly disclosed on the webpages of the Executive Mansion, the Ministry of Agriculture and the National Fisheries and Aquaculture Authority (NaFAA). Please see the attached files for your ease of reference. (See Exhibit 2 attached: RAP and ESMP Reports). The second draft of the Project Implementation Manual (PIM) was available even before the annual audit was commissioned and implemented but during the period of</p>				



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				<p>execution of the audit, the 2nd draft of the PIM was undergoing thorough revision by relevant departments and key staff at NaFAA. That revision was long since completed and the PIM was submitted to the World Bank for its clearance, which wasn't obtained until 21 December 2021. Please see attached the final PIM cleared by the Bank and the Aquaculture Frame Survey report. (See Exhibit 3 attached: Final PIM and Aquaculture Frame Survey report). The main operational</p>				



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No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
				<p>activities of the stock assessment have not started. However, EOIs were received and evaluated and RFPs were sent out to successful candidates to submit full-blown proposals. The PIU received full-blown proposals and evaluation of those proposals has been concluded and report sent to the Bank for "noobjection". Contract will be negotiated and awarded as soon as the PIU receives a "noobjection". The independent fish stock assessment could not take place on schedule due to the low</p>				



Management Letter On the Audit of the Liberia Sustainable Management of Fisheries Project (LSMFP), National Fisheries & Aquaculture Authority (NaFAA) For the Period January 1, 2022 to December 31, 2022

No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
				<p>response rate to the EOIs which was published on several webpages including the Ministry of Agriculture, the Executive Mansion of Liberia, the National Fisheries and Aquaculture Authority and the United Nations. So, in a nutshell, yes the stock assessment was not implemented but the process for the implementation has already begun and will continue well into the main project. (See Exhibit 4 attached: Independent Fish Stock Assessment EOI)</p>				



No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
2	Lack of Fixed Assets Management	It was observed during the conduct of the audit that thirty- six (36) Samsung Tablets and four Jincheng Motorcycle assigned to project staff were not available for inspection during our physical verification of the project assets. See Table 2 and Refer to Appendix 2A for details.	1.1.1.2.2	The Samsung tablets were not available in the office because they are assigned to the enumerators in the field for data collection purpose. Seven (7) tablets were given to the scientific observer program for use on sea for data collection. Three (3) tablets are currently being kept by the Statistics department for the replacement of damaged tablets from the field. Also, the motorbikes were in use by project staffs for various activities in the project designated counties. We have communicated with	10 In the absence of physical verification of the project assets, we cannot provide assurance that the assets exist and that the current conditions as indicated in the fixed asset register are accurate. In summary, the complexity and existence of fixed assets could be assured during the audit. Therefore, we maintain our findings and recommendations.	Not Implemented		



Management Letter On the Audit of the Liberia Sustainable Management of Fisheries Project (LSMFP), National Fisheries & Aquaculture Authority (NAFAA) For the Period January 1, 2022 to December 31, 2022

No.	Findings	Description of Recommendation	Source (paragraphs)	Management's Response	Auditor General's Position	Status of recommendation	Activities performed	Outstanding activities
		<p>Additionally, the LSMFP Management did not indicate in its fixed asset register the actual identity of project staff it assigned forty-four (44) Samsung Tablets valued US\$11,424.00 (Eleven thousand four hundred twenty-two United States) and nine (9) Jincheng Motorcycle valued at</p>		<p>those assigned with these motorcycles to make them available for inspection by the auditors at their convenient time. (See Exhibit 6 attached: Updated Project Assets). The Samsung tablets were bought for various surveys that have been and will be conducted during the life of the project; thus, the Management does not see it prudent to assign all the tablets to individuals at the PIU or at NAFAA. However, out of the 44 tablets, twenty-nine (29) have been assigned to project and NAFAA staff while the</p>				



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		US\$9,125.00 (Nine thousand, one hundred twenty-five United States Dollars) to facilitate the operations of project activities. Refer to Appendix 2B & 2C for details.		remaining fifteen (15) are in the possession of the Aquaculture Statistics department responsible for survey. Relative to the nine (9) motorcycles, the department from NAFAA responsible for assigning them delayed in providing these names; however, this information has been provided and we have updated the fixed assets register to include the assignees of the nine (9) motorcycles. (See Exhibit 6 attached: Updated Project Assets)				

ANNEXURES

Annexure 1: No Explanation of Material Variance						
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE PERIOD ENDED DECEMBER 31, 2022						
Analysis of Variance						
Activities Within Components						
	Project Allocation US\$	Budget US\$	Actual US\$	Variance US\$	Percentage Variance (%)	
Component 1	11,110,000	3,839,400	2,139,593	1,699,807	44%	
Component 2	21,000,000	2,022,400	331,335	1,691,065	84%	
Component 3	2,000,000	710,680	-	710,680	100%	
Component 4	5,890,000	1,892,778	811,687	1,081,091	57%	
Total	40,000,000	8,465,258	3,282,615	5,182,643	61%	