Management Letter

Global Financing Facility (GFF) Preparation Grant

For the period July 1, 2016 to June 30, 2017

Promoting Accountability of Public Resources

Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.

Monrovia, Liberia
December 2017
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<tr>
<td>AFP</td>
<td>Audit Focal Person</td>
</tr>
<tr>
<td>AG</td>
<td>Auditor General</td>
</tr>
<tr>
<td>CBO</td>
<td>Community Based Organizations</td>
</tr>
<tr>
<td>CGMA</td>
<td>Certified Global Management Accountant</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>DMA</td>
<td>Deputy Minister for Administration</td>
</tr>
<tr>
<td>DMHS</td>
<td>Deputy Minister for Health Services</td>
</tr>
<tr>
<td>EOC</td>
<td>Emergency Operation Center</td>
</tr>
<tr>
<td>FS</td>
<td>Financial Statements</td>
</tr>
<tr>
<td>GbL</td>
<td>Government of Liberia</td>
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<td>GFF</td>
<td>Global Financing Facility</td>
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<tr>
<td>IFR</td>
<td>Interim Financial Reports</td>
</tr>
<tr>
<td>INTOSAI</td>
<td>International Organization of Supreme Audit Institutions</td>
</tr>
<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
</tr>
<tr>
<td>ISSAI</td>
<td>International Standards of Supreme Audit Institutions</td>
</tr>
<tr>
<td>MOH</td>
<td>Ministry of Health</td>
</tr>
<tr>
<td>No.</td>
<td>Number</td>
</tr>
<tr>
<td>OFM</td>
<td>Office of Financial Management</td>
</tr>
<tr>
<td>PBF</td>
<td>Performance Based Financing</td>
</tr>
<tr>
<td>PCO</td>
<td>Project Coordination Office</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PIM</td>
<td>Project Implementation Manual</td>
</tr>
<tr>
<td>PPC</td>
<td>Public Procurement &amp; Concessions</td>
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<td>QPR</td>
<td>Quarterly Progress Report</td>
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<tr>
<td>SOE</td>
<td>Statement of Expenditure</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>ToR</td>
<td>Term of Reference</td>
</tr>
<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
</tr>
<tr>
<td>USD/US$</td>
<td>United States Dollars</td>
</tr>
</tbody>
</table>
December 30, 2017

Dr. Bernice T. Dahn

Minister
Ministry of Health
Republic of Liberia

Dear Dr. Dahn:

Re: Management Letter: Financial Audit of the Global Financing Facility (GFF) Preparation Grant being implemented by the Ministry of Health for the Period July 1, 2016 to June 30, 2017

The audit of the financial statements of the Global Financing Facility (GFF) Preparation Grant of the Ministry of Health for the fiscal period ended June 30, 2017 was commissioned by the Auditor-General (AG) under the AG’s statutory mandate as provided for in Section 2.1.3 of the General Auditing Commission Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

Introduction
The audit of the Global Financing Facility (GFF) Preparation Grant for the fiscal period ended June 30, 2017 has been completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

Audit Scope and Determination of Responsibility
The audit of the project was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI), as promulgated by International Organization of Supreme Audit Institutions (INTOSAI) as well as the Audit Engagement Terms of Reference (ToR). These standards require that we plan and perform the audit so as to obtain reasonable assurance about whether the Global Financing Facility (GFF) preparation Grant Financial Statements and related records are free of material misstatements due to errors or fraud and whether they comply with ethical requirements.

An audit involves:
- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statement presentation.

An audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.
Management letter on the Audit of the Global Financing Facility (GFF) Preparation Grant For the fiscal period ended June 30, 2017

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 Management of the Global Financing Facility (GFF) Preparation Grant. Our responsibility is to express our opinion on these financial statements.

Appreciation
We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Global Financing Facility (GFF) Preparation Grant of the Ministry of Health (MOH) during the audit.

Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.

Monrovia, Liberia
December 2017
1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Unretired Domestic Travels

Observation

1.1.1.1 Section 12 of the Domestic Travel Ordinance for fiscal period 2016/2017 states "upon completion of the travel, officials shall submit to the Ministry of Finance and Development Planning, the travel settlement form per annexure II and valid receipts for expenditures up to 80% of per diem received within 5 working days of their return".

1.1.1.2 During the conduct of the audit, it was observed that the Management of the project authorized two (2) payments to Grand Bassa and Grand Kru Counties for RMNCAH Meetings in the total amount of US$18,505 without evidence of retirement report for the advances paid to participants during said meeting. See Table 1 below for detail

Table 1. Unretired Domestic Travels

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher#</th>
<th>County</th>
<th>Description</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/20/17</td>
<td>PV03762-2016-17</td>
<td>Grand Bassa County</td>
<td>MOH RMNCAH Meeting</td>
<td>8,705.00</td>
</tr>
<tr>
<td>5/23/17</td>
<td>PV03387-2016-17</td>
<td>Grand Kru County</td>
<td>RMNCAH Investment Case</td>
<td>9,800.00</td>
</tr>
<tr>
<td></td>
<td>Ref: 000392</td>
<td></td>
<td>Meeting</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>18,505.00</td>
</tr>
</tbody>
</table>

Risk

1.1.3 The authenticity of the expenditure could be in doubt in the absence of a retirement.

Recommendation

1.1.4 The Management of Global Financing Facility Preparation Grant should ensure that the US$ 18,505 received by participants of the two counties for the RMNCAH meeting is retired as required by the GoL Travel Ordinance.

1.1.5 The Management of the Global Financing Facility Preparation Grant should provide justification for not retiring the above travel advances.

Management’s Response

Payment for RMNCAH Meeting in Grand Bassa County

1.1.6 This payment was made to the MOH Cashier for the payment of transportation allowance and DSA for about 60 participants attending the meeting from various parts of the country. In such a case, it is difficult to have each participant filling up the retirement form. However, there are evidence that the participants signed for their respective DSA based on the attendance sheet and actual days attended including travel days. These documents are attached to the payment voucher referenced above.
Additionally, unused fund was deposited and deposit slip attached to the deposit voucher.

**Payment for RMNCAH Meeting in Grand Kru County**

1.1.1.7 This amount is part of the advance retirement for previous advance payment to the Grand Kru County Health Team for transportation allowance, DSA, hall rental, and catering services for about 60 participants attending the meeting from various parts of the country, similar to the above. Documentations are attached to the advance retirement voucher referenced above.

**Auditor General’s Position**

1.1.1.8 Going forward, the Management of the Project should ensure that advances paid for Daily Substance allowances are retired as required by the GOL Travel Ordinance.

**Procurement**

**Observation**

1.1.2.1 Section 54(1) of the PPC Act of 2005 as amended and stated in 2010 states that “Quotations shall be requested in writing from as many bidders as, practicable, but from at least three (3) bidders.”

1.1.2.2 During the conduct of the audit, it was observed that the Global Financing Facility (GFF) Preparation Grant Management authorized three (2) payments in favor of Aminata & Sons Inc for Fuel and Air Ticket without soliciting the required number of quotations. 

**See table 2 below for details**

**Table 2: Payments without the required number of quotations**

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Voucher No.</th>
<th>Payee</th>
<th>Description</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>8/6/17</td>
<td>PV03719-2016-17</td>
<td>Aminata &amp; Sons Inc.</td>
<td>Payment for fuel</td>
<td>2,377.50</td>
</tr>
<tr>
<td>2.</td>
<td>30/5/17</td>
<td>PV03557-2016-17</td>
<td>Aminata &amp; Sons Inc.</td>
<td>Payment for fuel</td>
<td>3,450.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>5,827.50</strong></td>
</tr>
</tbody>
</table>

**Risk**

1.1.2.3 Failure to obtain the required number of quotation is a breach of the PPC Act of 2005 as amended and restated in 2010 and could lead to the non-achievement of the project objectives.

**Recommendation**

1.1.2.4 The Management of the Global Financing Facility (GFF) Preparation Grant should provide justification for not soliciting the required number of quotations for the above transactions.
Management’s Response

1.1.2.5 The MOH had a standing contract with Aminata & Sons Inc., following a competitive bidding process for the procurement of gas/fuel for the entire Ministry’s operation covering the period of one year. All projects within the Ministry use this contract to procure gas/fuel for operational support and the GFF Preparation Grant is no exception (see copy of contract attached). Copy of the contract is also attached to the payment voucher reference above.

Auditor General’s Position

1.1.2.6 The Management should use either the country system or the World Bank procurement method for consistency. The Ministry’s contract should be used to procure items included in its approved procurement plan.

1.1.3 Withholding Tax

Observation

1.1.3.1 Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 stipulates, “within 10 days after the last day of the month, payer described in (a) is required to remit to the tax authorities the total amount required to be withheld during the month”, and (m) stipulates “a person who has a withholding obligation under this section and fails to withhold and remit the amount of tax required to be withheld is subject to Section 52 penalty for late payment and failure to pay”.

1.1.3.2 During the conduct of the audit, it was observed that the Management of the Global Financing Facility (GFF) Preparation Grant deducted 15% withholding tax from consultant’s services of Lawrence Mumbe but failed to remit into Government of Liberia Revenue the amount of US$980.00 from the Consultant as required by the Revenue Code of Liberia.

Risk

1.1.3.3 Failure to remit the withholding tax could deny the GoL of much needed revenue

Recommendation

1.1.3.4 The Management of the Global Financing Facility (GFF) preparation Grant should provide justification for not remitting the applicable tax in GoL Account.

1.1.3.5 Going forward, the Management of the Global Financing Facility (GFF) preparation Grant should timely remit taxes to the Liberia Revenue Authority

Management’s Response

1.1.3.6 Management recognizes your findings. We want to register that we have been having challenges in converting the manager checks to LRA official receipts. Prior to introducing payment of taxes through commercial banks, LRA had an agent assigned with the Ministry responsible for collecting manager check from the Ministry and converting same
to receipt. We have had delays in picking up the checks and returning the receipt, as well as, missing receipts or mixing up receipts with other projects. The amount in question is part of other manager checks that were taken to LRA for receipt in the amount of US$975.00. The US$5.00 difference represents cost of the manager check (See attached copy of manager check). Going forward, we will ensure that all withholding taxes will be timely converted to manager’s checks and subsequently to LRA official receipts without depending on LRA assigned agent.

Auditor General’s Position
1.1.3.7 We acknowledge Management’s acceptance of our audit finding. We will make a follow-up on the implementation of the audit recommendations.

1.1.4 Lack of Valid Business Registration

Observation
1.1.4.1 Section U.9.(4) of the PFM Regulations of 2009 states that, “A Government Agency shall procure government inventories from persons whose business is registered by the Registrar General’s Office and any Government Agency that requires an exemption for any specific case shall apply to the head of government agency with the necessary justification.”

1.1.4.2 During the conduct of the audit, it was observed that a payment in the amount of US$3,900.00 was made by the Management of the Global Financing Facility (GFF) Preparation Grant without evidence of a valid business registration from the service provider. See table 3 below for details:

Table 3 Payments without valid business registration

<table>
<thead>
<tr>
<th>Date</th>
<th>Names of business</th>
<th>Date issued</th>
<th>Date expired</th>
<th>Contract date</th>
<th>Amount US$</th>
</tr>
</thead>
</table>

Risk
1.1.4.3 Conducting business with entity without valid business registration is a violation of the PFM Regulations of 2009 which could lead to loss of revenue of the GoL.

Recommendation
1.1.4.4 The Management of Global Financing Facility (GFF) Preparation Grant should provide justification for conducting business with Roosevelt Business Center in the absence of a valid business registration.

1.1.4.5 Going forward, the Management of the Global Financing Facility (GFF) preparation Grant should not conduct business with an entity without valid business registration.
Management’s Response

1.1.4.6 We note the recommendation. We wish to indicate that, per the above table, we cannot verify whether this payment was made from Central Ministry directly through our system because there is no voucher reference to trace this payment. However, we want to believe that it is a part of the advance retirement of previous advance paid to Grand Kru County or Grand Bassa County. Going forward, Management will ensure that fund transferred to counties as advance will be monitored to avoid payment being made to business entity without valid business registration, especially easily pliable counties. We might face challenges with hard to reach counties.

Auditor General’s Position

1.1.4.7 We acknowledge Management’s acceptance of our audit finding. We will make a follow-up on the implementation of the audit recommendations.

1.1.4.8 Going forward, the Management of the Global Financing Facility (GFF) preparation Grant should adhered to the PFM Regulations of 2009.

1.2 Administrative Issues

1.2.1 Internal Audit Function

Observation

1.2.1.1 Section 15, paragraph 15 of the Ministry of Health Financial Management Policies and Procedure Manual states that, “The Internal Auditors should furnish an audit report to the Minister of Health and all Deputy Ministers with an executive summary of the critical issues/findings that require attention of the Senior Management”.

1.2.1.2 During the conduct of the audit, it was observed that the Internal Audit Unit of the Ministry of Health did not conduct an audit on the activities of the Global Financing Facility (GFF) Preparation Grant.

Risk

1.2.1.3 The lack of an internal audit report on the assessment of the financial and administrative controls of the Global Financing Facility (GFF) Preparation Grant could lead to errors not being detected and reported on a timely basis for corrective action.

Recommendation

1.2.1.4 The Internal Audit Unit should conduct periodic audit on the activities of the Global Financing Facility (GFF) Preparation Grant and provide report to senior Management for implementation.

Management’s Response

1.2.1.5 Management accepts your findings and will encourage the MOH Internal Audit Unit to carry out review and audit of the GFF Preparation Grant and will ensure that audit
Management letter on the Audit of the Global Financing Facility (GFF)
Preparation Grant For the fiscal period ended June 30, 2017

reports from Internal Audit Unit are submitted to Senior Management for implementation as required by the Ministry of Health Financial Management Policies and Procedure Manual. However, this review will be limited as January 31, 2018.

Auditor General's Position

1.2.1.6 We acknowledge Management's acceptance of our audit finding. We will make a follow-up on the implementation of the audit recommendations.