



Management Letter

On the Financial Statements Audit of the Harmonizing and Improving Statistics in West Africa (HISWA) Project

For the Period March 3, 2020 to January 7, 2021



Promoting Accountability of Public Resources

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

Monrovia, Liberia
June 2021

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Acronyms/Abbreviations

Acronyms/Abbreviations	Meaning
CGMA	Chartered Global Management Accountant
CPA	Certified Public Accountant
DA	Designated Account
PFM	Project Financial Management Manual
GAC	General Auditing Commission
GOL	Government of Liberia
HISWA	Harmonizing and Improving Statistics in West Africa
IPSA	International Public Sector Accounting framework
INTOSAI	International Organization of Supreme Audit Institutions
ISAs	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
LISGIS	Liberia Institute of Statistics and Geo-Information Services
MFD	Ministry of Finance and Development Planning
PFMU	Public Financial Management Unit
PMT	Project Management Team
POM	Project Operational Manual
PPA	Project Preparation Advance
PIU	Project Implementation Unit (Same as PMT)
SOE	Statement of expenditure
US\$	United States Dollar
WB	World Bank

June 18, 2021

Hon. Francis F. Wreh

Director General

Liberia Institute of Statistics and Geo-Information Services (LISGIS)

Executive Mansion Ground

Capitol Hill, Monrovia, Liberia

Dear Hon. Wreh:

**RE: MANAGEMENT LETTER ON THE FINANCIAL STATEMENTS AUDIT OF THE
HARMONIZING AND IMPROVING STATISTICS IN WEST AFRICA (HISWA) PROJECT FOR
THE PERIOD ENDED JANUARY 7, 2021.**

The Financial Statements of the Harmonizing and Improving Statistics in West Africa (HISWA) Project are subject to audit by the Auditor General in terms of Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Engagement Terms of Reference.

INTRODUCTION

The audit of the HISWA Financial Statements for the period ended January 7, 2021 has been completed; the purpose of this letter is to bring to your attention the findings that were revealed during the conduct of the audit.

SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

An audit includes:

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

An audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

*Management Letter on the Financial Statements Audit of the
Harmonizing and Improving Statistics in West Africa (HISWA) Project
for the Period March 3, 2020 to January 7, 2021*

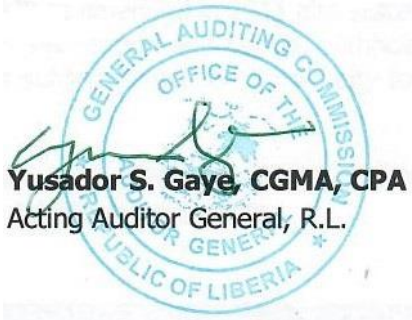
The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Project Management. Our responsibility is to express our opinion on these financial statements.

The audit findings which were identified during the course of the audit are included below.

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the staffers of HISWA during the audit.

Thank you as we strive to promote accountability, transparency and good governance across the Government of Liberia.



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

Monrovia, Liberia

June 2021

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Statement Issues

1.1.1 Inconsistency in Bank Account Number

Observation

1.1.1.1 **APPENDIX 1**, Project Accountant, count (2) of the PFMU Financial Procedures Manual states “review and process requests for payments received from the Special Implementation Unit and other implementing units of the projects to ensure consistency with the contract terms and procedures of the World Bank, AfDB and other donors.”

1.1.1.2 It was observed during the conduct of the audit that the HISWA Management Team made payment to Consultant Eco-Bank Account# 6100134702 instead of Eco-Bank Account #6100134704 that was stipulated in the agreed Contract No: LISGIS/ HISWAP/CS /ICS/02 /PPA without justification. **See table 1 below for detail:**

Table 1: Inconsistency in Bank Account Number

Payee	Description	Document Ref	Amount US\$	Comment
Alfred K. Tarway-Twalla	Payment for Consultancy Service rendered to LISGIS for Capacity assessment & Curriculum review for CEST & UL Statistics Degree Program under the HISWA Project	HISWA/2021/020	9,000.00	Payment made to A/c#6100134702 instead of A/c#6100134704 as per the contract document

Risk

1.1.1.3 Payment made to an account outside of the agreed contract terms is a violation of the contract which could lead to misappropriation of project’s fund.

Recommendation

1.1.1.4 HISWA Management should provide justification why payment was made to another account than the one specified in the contract.

Management’s Response

1.1.1.5 *While it is true that LISGIS Management note the account number error within the Consultant’s contract signed June 9th 2021, it is also important to note that this error emanated from the Consultant who provided the wrong account number: 6100134704 (see minutes of contract Negotiation signed June 8th, 2021). Thereafter, the consultant provided a change to the account number 6100134702 (see consultant’s payment invoice to LISGIS dated August 11, 2020 and LISGIS management’s payment request to PFMU dated September 9, 2020) for payment processing. Additionally, see evidence and prove of payment shown on the consultant’s bank statement. **Exhibit I & II***

Auditor General's Position

- 1.1.1.6 We acknowledge Management's acceptance of our findings. Going forward, the Project Management should ensure that changes to provisions in the contract are formally documented and approved before they are effected.

1.2 Internal Controls & Compliance Issues

1.2.1 Valid Tax Clearance

Observation

- 1.2.1.1 Section 7.3.2 of the PFMU Financial Procedure Manual states, "All payments (local) to vendors should be accompanied by valid Business Registration and Tax Clearance. In the absence of a valid Business Registration and Tax Clearance, valid Tax payment receipt would suffice. Note: The validity (timing) of the Tax Clearance should be compared to the Delivery Date or Date of Completion of Service."
- 1.2.1.2 It was observed during the audit, that the HISWA Management Team made a total payment of US\$75,208.03 to business entities that did not have valid tax clearance. **See Table 2 below for details.**

Table 2: Valid Tax Clearance

No	Name of Business	Document Ref.	Date Tax Clearance Issued	Date Tax Clearance Expired	Payment Date	Amount (US\$)
1	Max Culinary Services	2021/061	2020/08/06	2020/11/04	2/12/2020	961.00
2	Yankai Services, Inc.	2021/021	2020/04/23	2020/07/22	17/09/2020	460.00
3	Yankai Services, Inc.	2021/026	2020/04/23	2020/07/22	25/09/2020	672.00
4	United Motor Company	2020/027	2020/02/24	2020/05/24	25/06/2020	71,540.00
5	Lion Stationery Store	2021/009	2020/03/12	2020/06/10	12/8/2020	882.00
6	Victor Printing Services	2021/002	2020/03/18	2020/06/16	2/7/2020	693.03
Grand total						75,208.03

Risk

- 1.2.1.3 Transacting business with invalid tax clearance could deny the Government of much needed resources.

Recommendation

- 1.2.1.4 Management should provide justification why transactions were carried out with business institutions without valid tax clearance.

Management's Response

1.2.1.5 LISGIS Management refers the auditor to carefully look at the date of submission of the Request for Quotation (RFQ), and it will be observed that these businesses submitted valid business registrations, tax clearances and met all requirements stated in the RFQ to have been awarded contracts. We remain committed to ensuring that GoL receives their legitimate tax revenue and will in no way make payment to ineligible businesses. Please see attached business registration and tax clearance covering the period in which the payments were received by these businesses. Exhibit III

Auditor General's Position

1.2.1.6 We acknowledged the additional evidence presented in the Exhibit. Except for Max Culinary Services that did not present a valid tax clearance at the time payment was made, we have revised our findings for the other Entities indicated in table #2. Going forward the Project Management should ensure that valid tax clearances are attached to the payment vouchers.

1.2.2 Authorization and Approval

Observation

1.2.2.1 Section 12.4.2 of the PFMU Financial Procedures Manual states "Payments shall be recommended to the PFMU Manager for approval after they have been reviewed and authorized by the Project Manager of the implementing unit / EMT".

1.2.2.2 It was observed during the conduct of the audit that the HISWA Management Team made payment in the amount of US\$500.00 to the Kakata City Hall Management without approval by the Public Financial Management Unit (PFMU), Director at the MFDP. **See table 3 below for detail:**

Table 3: Authorization and Approval

Date	Payee	PV No.	Amount (US\$)
30/12/2020	Kakata City Corporation	HISWA/2020/070	500.00
Grand total			500.00

Risk

1.2.2.3 Payment without approval could deny the legitimacy of the transaction.

Recommendation

1.2.2.4 The PFMU should provide justification for making payment without approval or authorization.

Management's Response

1.2.2.5 We take note of this payment voucher not being approved by the Director of Donor financed projects which was a result of oversight. That is, as payment vouchers are raised by the Assistant Project Accountant, it then moves to the group heads of another group which is not involved with that project and it is checked. It further moves to the Deputy Director for Donor Financed Project for independent check or review of the attached documentations before checks or funds transfers are raised for signing.

1.2.2.6 Checks raised for signing are attached to the payment voucher with all of its supporting documents and sent to the Director for review and final approval- which is the A signature. During this time, the Director at the end of his review, approves the voucher and signs off on the check or transfer to be moved to signature B, who are authorities of the Ministry of Finance and Development Planning. The level of fraud-related controls and other compensating controls in place are rigorous. The payment in question went through the control environment of the LISGIS and PFMU/MFDP and met all approvals for processing. We take note and have taken remedial action. Please see attached. **Exhibit IV (PV Approved)**

Auditor General's Position

1.2.2.7 We acknowledge Management's acceptance of our finding. Going forward, the Project Management should ensure that the internal control processes to guide the implementation of the project are operating effectiveness.

1.2.3 Non-implementation of Project programs

Observation

1.2.3.1 Count 1, Paragraph 3 (i)(ii) & (iii) states "This Project Operations Manual (POM), contains the required program rules, methods, guidelines, specific development plans, standard documentation and procedures for the implementation of the Project, including:

- Detailed description of all Project activities supported under the FA, and the prospective timetable and benchmarks in relation thereto;
- Project administrative, financial, accounting, auditing, and procurement including all relevant standard documents;
- Protocols and operative procedures of the Project management team and monitoring and coordination framework pertaining to the Project."

1.2.3.2 We observed during the audit that several project components outlined in the Project Preparation Advance (PPA) Work Plan for the HISWA project were not implemented during the period under audit. **See table 4 below for detail:**

Table 4: Non-implementation of project programs

Activities	Current Status	Budget US\$	Budgeted but Not Actualized US\$	Percentage Variance (%)
Pre-census activities	On hold	692,000.00	692,000.00	100%
PMT and Technical Staff of LISGIS to conduct a study tour to Ghana	On hold	19,000.00	19,000.00	100%
Conduct Training Workshop to strengthen and develop Institutional capacity of NSO	Pending	35,000.00	35,000.00	100%
Conduct Workshops for Administrative	Pending	25,000.00	25,000.00	100%

Activities	Current Status	Budget US\$	Budgeted but Not Actualized US\$	Percentage Variance (%)
Data Steering Committee (NSS)				
Total		771,000,00	771,000.00	100%

Risk

- 1.2.3.3 Failure to implement project programs as outlined in the PPA HISWA work plan and budget for the period could lead to project objectives not being achieved.

Recommendation

- 1.2.3.4 The HISWA Management Team should provide justification for not meeting the project targets earmarked for the period.

Management's Response

- 1.2.3.5 *LISGIS Management note the auditor's observation and emphasize that during the Project Preparatory Advance (PPA) those activities since March 2020, could be implemented due to COVID-19 pandemic. During this period, the country was disturbed and disrupted by the world's current biggest existential threat – the COVID-19. With the emergence of the virus, the Government of Liberia instituted measures across the country ranging from curfews to lockdowns, social distancing, stop travel and gathering of people, amongst other things. The emergence of the COVID-19 Virus disrupted the PPA implementation mainly with those activities that required gathering like workshops, training etc. Cognizant of this emergence, LISGIS management brought forward those activities in the main project annual workplan for implementation. Since there's now a standard operating procedure observing the country's Health protocol, granted by the Ministry of Health in collaboration with the National Public Health Institute.*

Auditor General's Position

- 1.2.3.6 We acknowledge Management's response as it relates to the COVID-19 Pandemic. Going forward the Project Management should find innovative ways to execute the Project's deliverables.