



## Management Letter

### **On The Financial Statement Audit of the World Bank Support to PFMU Ministry of Finance and Development Planning**

*For the Period February 1 to December 31, 2020*



**Promoting Accountability of Public Resources**

**Monrovia, Liberia**  
May 2021

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

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**Acronyms/Abbreviations/Symbols**

| <b>Acronyms/Abbreviations/Symbol</b> | <b>Meaning</b>  |
|--------------------------------------|---|
| AG                                   | Auditor General                                       |
| CGMA                                 | Chartered Global Management Accountant                |
| CPA                                  | Certified Public Accountant                           |
| GAC                                  | General Auditing Commission                           |
| ISSAIs                               | International Standards of Supreme Audit Institutions |
| PFM Act                              | Public Finance Management Act                         |
| PFMU                                 | Project Financial Management Unit                     |
| US\$                                 | United States Dollar                                  |
| WB                                   | World Bank  |

June 17, 2021

Hon. Samuel D. Tweah, Jr.  
Minister  
Ministry of Finance and Development Planning  
Corner of Broad and Mechlin Streets  
Monrovia, Liberia

Dear Hon. Tweah:

**Re: Management Letter on the Financial Statement Audit of the World Bank Support to PFMU for the period February 1, 2020 to December 31, 2020.**

The Audit of the Financial Statements of World Bank Support to PFMU for the period February 1, 2020 to December 31, 2020 was commissioned by the Auditor-General (AG) under AG's mandate as provided for under in Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

**Introduction**

The audit of the World Bank Support to PFMU for the period February 1 to December 31, 2020 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 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 the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the 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 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 Statement Audit of the World Bank Support to PFMU  
Ministry of Finance and Development Planning  
For the period February 1 to December 31, 2020*


The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the PFMU 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.

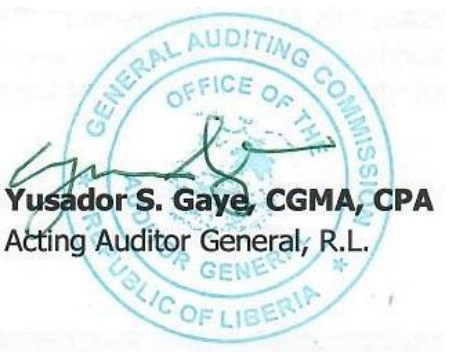
Thank you as we strive to promote accountability, transparency and good governance across the Government of Liberia.

### **APPRECIATION**

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Project Financial Management Unit (PFMU) during the audit.



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



**Monrovia, Liberia**  
May 2021

## 1 DETAILED FINDINGS AND RECOMMENDATIONS

### 1.1 Financial Statement Issues

#### 1.1.1 Withholding Tax

##### Observation

- 1.1.1.1 Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 stipulates that "within 10 days after the last day of the month, a payer described in (a) is required to remit to the tax authorities the total amount required to be withheld during the month".
- 1.1.1.2 Section 905(m) of the Revenue Code of Liberia Act of 2000 as amended in 2011 also states that "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".
- 1.1.1.3 During the audit, there was no evidence that taxes withheld amounting to US\$18,904.40 were remitted to General Revenue Account. **See table 1 below for details.**

**Table 1: Taxes withheld**

| No. | Names                  | Contract amount per month US\$ | # of months of contractor payment | Total contractor amount for the period US\$ A | Total amount paid for the period US\$ B | Taxes withheld US\$ C=(A-B) |
|-----|------------------------|--------------------------------|-----------------------------------|---|---|-----------------------------|
| 1   | Aloysius Kortu         | 2,500.00                       | 6                                 | 15,000.00                                     | 13,500.00                               | 1,500.00                    |
| 2   | Verleewo Siakor        | 1,600.00                       | 10                                | 16,000.00                                     | 15,003.00                               | 997.00 <sup>1</sup>         |
| 3   | Gbolu Patience Goldore | 2,222.00                       | 5                                 | 11,110.00                                     | 10,000.00                               | 1,111.00                    |
| 4   | Amos Wendell Fahn      | 2,556.00                       | 4                                 | 10,224.00                                     | 9,201.60                                | 1,022.40                    |
| 5   | James Beyan            | 2,500.00                       | 11                                | 27,500.00                                     | 24,750.00                               | 2,750.00                    |
| 6   | Papin Daniels, Jr.     | 5,556.00                       | 6                                 | 33,336.00                                     | 30,000.00                               | 3,333.60                    |
| 7   | Subozu Kollie          | 3,611.00                       | 11                                | 39,721.00                                     | 35,750.00                               | 3,971.00                    |
| 8   | Elijah Sebleh          | 2,222.00                       | 11                                | 24,442.00                                     | 22,000.00                               | 2,442.00                    |
| 9   | Leroy Nyan Fendor      | 4,444.00                       | 4                                 | 17,776.00                                     | 16,000.00                               | 1,776.00                    |
|     | <b>Total</b>           | <b>27,211.00</b>               |                                   | <b>195,109.00</b>                             | <b>176,204.60</b>                       | <b>18,904.40</b>            |

<sup>1</sup>The amount of US\$99.7 was deducted per month instead of US\$160

##### Risk

- 1.1.1.1 Failure to remit income taxes could deny Government of needed tax revenues.

##### Recommendation

- 1.1.1.2 The Management of PFMU should provide justification for not remitting taxes to the general revenue account.

##### Management's Response

- 1.1.1.3 *Payments to staff were made net of taxes. However, the tax element could not be processed during the period under reference as the expected income inclusive of taxes from the PIU was not made in full. Within this period, expected income from the PIU's inclusive of taxes for the nine (9) staff was 299,321 USD (27,211 USD X 11 months'*

payment). However, against such expected income, actual income received from PIU's for the period was 177,335 USD. There is a difference of 121,986 USD that was not received for the referenced period which include the tax elements that should have been remitted. Management therefore is exerting efforts to get PIUs make available the required funding to enable the remittance of the taxes accordingly.

### **Auditor General's Position**

- 1.1.1.4 Management's assertion is not a justification for failing to remit income taxes on the portion of salaries received. Management should deposit into the GoL Consolidated Revenue account the total amount of US\$18,904.40 which is 10% of salary received. Copy of the revenue receipt should be provided to the Office of the Auditor General within 30 (thirty days) after the signing of the Audit Report.

## **1.1.2 Bank Reconciliation**

### **Observation**

- 1.1.2.1 Regulation R.3 (6) of the PFM of 2009 states that, "The Balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof."
- 1.1.2.2 A review of the bank statement and ledger showed that a recorded amount of US\$5,000 in October was not reflected on the bank statement.

**Table 2 – Bank reconciliation**

| <b>Date</b>    | <b>Ledger<br/>US\$<br/>A</b> | <b>Bank Statement<br/>US\$<br/>B</b> | <b>Variance<br/>US\$<br/>C=A-B</b> |
|----------------|------------------------------|--------------------------------------|------------------------------------|
| <b>October</b> | 5,000.00                     | 0                                    | 5,000.00                           |

### **Risk**

- 1.1.2.3 Cash balance could be misstated.

### **Recommendation**

- 1.1.2.4 The PFMU should provide justification for the discrepancy in financial information.

### **Management's Response**

- 1.1.2.5 *Management has contacted the commercial bank informally and will ensure that the transaction is reflected accordingly.*

### **Auditor General's Position**

- 1.1.2.6 We acknowledge the Managements' acceptance of our finding. However, Management should request the bank to correct the error within 30 days upon the issuance of this Report and submit evidence of the ratification/correction to the Office of the Auditor General.

### 1.1.3 Funding Support

#### Observation

1.1.3.1 The World Bank (WB) provides funding support to the PFMU through existing active projects in the amount of US\$378,679.40 per annum to cover cost of salaries for 11 staff and other cost.

1.1.3.2 We observed during the audit that project managements were not timely in responding to requests from PFMU for funding support to cover salaries and other cost. Out of 17 projects, only 9 had responded amounting to **US\$177,335.44**. See Table 3 below.

**Table 3: Current Project/Active Project**

| Project ID | Project  | Loan      | Approved Amount (USD Eq) | Implementing Entity                                | Total Amount of Contribution Per Project | Received  |
|------------|--|-----------|--------------------------|--|--|-----------|
| P16089     | Getting to Best in Education   | FT A7093  | 11,070,000.00            | Ministry of Education                              | 15,210.52                                | 15,210.52 |
| P164932    | Improving results in Secondary Education Project                           |           | 47,000,000.00            | Ministry of Education                              | 45,105.18                                | 45,105.18 |
| P149279    | Southeastern Corridor Road Asset Management                                | IDA 63590 | 29,000,000.00            | Ministry of Public Works                           | 28,128.73                                |           |
|            | Southeastern Corridor Road Asset management Project                        | IDA G2780 | 48,000,000.00            | Ministry of Public Works                           | 43,937.20                                |           |
| P162893    | Liberia Land Administration Project  | IDA D2370 | 7,000,000.00             | Liberia Land Authority                             | 9,824.18                                 | 9,824.18  |
| P159961    | Cheesemanburg Landfill and urban Sanitation Project                        | TF A5269  | 10,500,000.00            | Monrovia City Corporation                          | 14,736.26                                | 14,736.26 |
| P155293    | Liberia Social safety Nets Project   | TF A6428  | 1,200,422.00             | Ministry of Gender, Children and Social Protection | 4,998.78                                 | 4,998.78  |
| P155293    | Liberia Social safety Nets Project   | IDA 57910 | 10,000,000.00            | Ministry of Gender, Children and Social Protection | 12,320.25                                | 12,320.25 |
| P165000    | Public Financial Management Reform for Institutional Strengthening Project | IDA D5060 | 19,000,000.00            | Ministry of Finance and Development Planning       | 23,308.48                                | 23,308.48 |
| P159040    | Regional   | IDA       | 15,000,000.00            | Ministry of  | 19,980.38                                |           |



| Project ID   | Project   | Loan      | Approved Amount (USD Eq) | Implementing Entity  | Total Amount of Contribution Per Project | Received          |
|--------------|---|-----------|--------------------------|--|--|-------------------|
|              | Disease Surveillance Systems Enhancement (REDISSE) Phase II | 59690     |                          | health   |  |                   |
| P146827      | Liberia Youth Opportunity Project                           | IDA 56210 | 13,500,000.00            | Ministry of Youth and Liberia Agency for Community Empowerment | 15,232.34                                | 15,232.34         |
| P154114      | Liberia Forest Sector Project                               | TF A2427  | 36,777,082.47            | Ministry of Agriculture, FDA, EPA & LME                        | 36,599.45                                | 36,599.45         |
| P152359      | Ebola Emergency Response Project                            | IDA D0080 | 11,000,000.00            | Ministry of Health   | 13,152.28                                |                   |
| P143064      | Liberia: Public Sector Modernization Project                | TFA1263   | 4,325,683.47             | Civil Service Agency   | 7,599.08                                 |                   |
| P143064      | Liberia: Public Sector Modernization Project                | IDA 53590 | 2,000,000.00             | Civil Service Agency   | 5,664.05                                 |                   |
| P125574      | Liberia Road Asset management Project- LIBRAMP II           | IDA 51670 | 50,000,000.00            | Ministry of Public Works                                       | 45,601.25                                |                   |
| P125574      | Liberia Road Asset management Project- LIBRAMP I            | IDA 49500 | 67,700,000.00            | Ministry of Public Works                                       |  |                   |
| P125574      | Liberia Road Asset management Project- LIBRAMP              | TF 99588  | 108,900,000.00           | Ministry of Public Works                                       |  |                   |
| P125574      | Liberia Road Asset management Project- LIBRAMP              | IDA 60370 | 40,000,000.00            | Ministry of Public Works                                       | 37,281.00                                |                   |
| <b>Total</b> |   |           | <b>531,973,187.94</b>    |  | <b>378,679.40</b>                        | <b>177,335.44</b> |

## Risk

1.1.3.3 Staff will not be paid on time and this defeats funding support objective.

## Recommendation

1.1.3.4 The Management of PFMU should exert all efforts to receive contribution from the various projects.

**Management's Response**

- 1.1.3.5 *Management is very grateful for the auditor observation on this challenge as this has been the key factor for the non-remittance of tax elements as there is insufficient funding. However, management will continue to exert the needed efforts as recommended.*

**Auditor General's Position**

- 1.1.3.6 We acknowledge Managements' acceptance of our recommendation. We will make a follow up on the implementation of the recommendation in subsequent audit.