

Management Letter



On the Financial Statements Audit of the Global Partnership for Education – Getting to Best in Education Project (GPE-G2B)

For the Period Ended June 30, 2021



Promoting Accountability of Public Resources

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

Monrovia, Liberia
December 2021

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Acronyms/Abbreviations

Acronyms/Abbreviations	Meaning
ACCA	Association of Chartered Certified Accountants
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant
DLI	Disbursement Link Indicators
DA	Designated Account
ESDC	Education Sector Development Committee
EEP	Eligible Expenditure Program
FAR	Fixed Asset Register
FASB	Financial Accounting Standards Board
PFM	Project Financial Management Manual
GAC	General Auditing Commission
GPE	Global Partnership for Education
GPE-G2B	Global Partnership for Education – Getting to Best Project
GOL	Government of Liberia
IA	Internal Audit
IAS	International Accounting Standards
IFR	Interim Financial Report
IFRS	International Financial Reporting Standards
IPSA	International Public Sector Accounting framework
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institutions
ISAs	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
MFD	Ministry of Finance and Development Planning
MOE	Ministry of Education
NGOs	Non-governmental Organizations
PFM	Public Financial Management
PFMU	Public Financial Management Unit
PDT	Project Delivery Team
PPCC	Public Procurement and Concession Commission
PRC	Procurement Review Committee
PIM	Project Implementation Manual
PIU	Project Implementation Unit (Same as PDT)
SOE	Statement of expenditure
US\$	United States Dollar
WB	World Bank

Prof. D. Ansu Sonii, Sr.

Minister of Education

Global Partnership for Education – Getting to Best Education Project
Ministry of Education
Ministerial Complex
Monrovia, Liberia

December 31, 2021

Dear Hon. Sonii:

AUDITOR GENERAL’S REPORT ON THE FINANCIAL STATEMENTS AUDIT OF the Global Partnership for Education – Getting to Best in Education Project (GPE-G2B) FOR THE PERIOD 1 JULY 2020 TO 30 JUNE 2021.

The Financial Statements of the Global Partnership for Education – Getting to Best in Education Project (GPE-G2B) were 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. The Financial Audit was performed for the period ended June 30, 2021.

INTRODUCTION

The audit of the Global Partnership for Education – Getting to Best in Education Project for the period July 1, 2020 - June 30, 2021 is being 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 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 and reporting is achieved.

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 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.

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the GPE-G2B 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 staff of GPE-G2B during the audit.



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

Monrovia, Liberia
December 2021

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Statement Issues

1.1.1 Note Disclosure of Budgetary Basis, Period and Scope

Observation

1.1.1.1 Paragraph 1.7.33 of the Revised Cash Basis IPSAS (2017) requires that an entity shall explain in the notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.

1.1.1.2 It was noted that the financial statements of GPE-G2B for fiscal year 2020/2021 did not include explanatory notes on the budgetary and classification basis adopted in the approved budget.

Risk

1.1.1.3 The lack of full disclosure to the financial statements may undermine clarity and decision making of the users of the financial statements.

Recommendation

1.1.1.4 The Management of GPE-G2B should disclose the basis of preparation of the financial statements in the notes to the financial statements.

Management's Response

1.1.1.5 *We acknowledge the auditor's recommendation and will ensure full compliance during the preparation of the next financial reports.*

Auditor General's Position

1.1.1.6 We acknowledge Management's acceptance of our finding and recommendation. We will make a follow-up during subsequent audit.

1.2 Governance & Operations Issues

1.2.1 Non-implementation of Project's Programs

Observation

1.2.1.1 Section 1(B) (1) & (2) of the Grant Agreement states that "The Recipient through MoE shall implement the Project in accordance with the Project Implementation Manual ("PIM"). Except as the World Bank shall otherwise agree in writing, the Recipient shall not, amend, waive, suspend or abrogate any provision of the PIM and in case of any inconsistency between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail."

1.2.1.2 During the conduct of the audit, we observed that several activities outlined in the Project's budget and work plan for the fiscal period July 2020 - June 2021 were not fully implemented. **See Table 4 below for details:**

Table 4: Non-implementation of Project programs

Project Description	Status
Development of National School Quality Standards	Not Implemented
DEO annual training (2 days annual training at Regional Level)	Not Implemented
DEO's School Visits	Not Implemented

Risk

- 1.2.1.3 The absence of effective monitoring and evaluation, may deny the achievement of project deliverables and value for money during the execution of the project.
- 1.2.1.4 The delay in the achievement of the project deliverable may result into additional expenditure of the project (fixed cost Etc.).

Recommendation

- 1.2.1.5 Management should ensure that a comprehensive monitoring and evaluation reporting structure is established to ensure deliverables are achieved in a timely manner.
- 1.2.1.6 Reports from monitoring and evaluation activities should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.1.7 **The National School Quality Standards (NSQS)** are supposed to be developed before the end of the project. The NSQS has now been developed pending validation by education stakeholders. Following the validation of this document, the MoE is expected to roll out implementation of the NSQS by the first quarter of 2022. Copy of the NSQS is attached for your information.
- 1.2.1.8 **DEO annual training:** A two-day training workshop was conducted for CEOs and DEOs across the country with specific emphasis on DEOs from the project intervention counties. Please see summary report of the workshop attached for your information.
- 1.2.1.9 **DEOs School Visits:** This is a follow-up activity to the School Quality Assessment that was successfully completed by the project. All preliminary activities leading to the school visits have been concluded including digitization of tool to be used for school visits and training of DEOs in use of the tool. The school visits are now planned for the first quarter of the new fiscal year 2022.
- 1.2.1.10 Overall, we expect implementation of project activities to accelerate in year 4; hence, increased disbursement. As at the time of this audit ML, the disbursement rate of the project is US\$5.25M or 50% of total grant based on the proposed revised restructuring budget. The disbursement rate is expected to rise to US\$7.25 M or 70% at the end of the first quarter of Year 4 (March 2022). One hundred percent of the additional disbursement expected is associated with DLIs. All results linked to this expected disbursement have been validated by the World Bank as Grant Agent and final disbursement is pending on GPE approval of the project restructuring which has already advanced.

Auditor General’s Position

1.2.1.11 We acknowledge Management’s assertions. We will follow-up on the implementation of project deliverables during subsequent audit.

1.2.2 Unsupported School Grant Expenditure

Observation

1.2.2.1 Section 3.8 of the Global Partnership for Education – Getting to Best Project (GPE-G2B) Project Implementation Manual (PIM) states that “...Supporting documentation will be retained by the implementing agencies for review by World Bank missions and external auditors.”

1.2.2.2 P.9 (2) of the Public Financial Management (PFM) Regulations 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.”

1.2.2.3 It was observed during the conduct of the audit that several schools verified, located in various counties that received School Improvement Grants from GPE-G2B for the fiscal period did not maintain receipts for expenditure in the amount of **US\$2,664.13** to authenticate the usage of the grant received. **See Table 5 below for details.**

Table 5: School Improvement Grants

Maryland County				
#	County	School Name	Amount Received	Amount without Receipts
1.	Maryland	Zone #5 Community Elem. Sch.	904	280.79
2.	Maryland	Grace Temple Community Sch.	872	340.70
Rivercess County				
1.	Rivercess	Nyorwein Public Sch.	984	279.00
2.	Rivercess	Judu Public Sch.	984	235.36
Rivergee County				
1.	Rivergee	Kanweaken Elem. Jr. High Sch.	5,422.00	547.53
2.	Rivergee	Jolowroken Elem. Sch.	2,600.00	395.00
3.	Rivergee	Taih Memorial Academy	2,384.00	337.00

Sinoe County				
1.	Sinoe	Plandialebo Elem. & Jr. High	290	248.75
Total:				US\$2,664.13

Risk

1.2.2.4 Failure of the GPE-G2B Management to account for grant expenditure could lead to mismanagement of project funds.

1.2.2.5 Inadequate documentation of grant expenditure may lead to misstatement of expenditure within the financial statement.

Recommendation

1.2.2.6 Management should ensure that the grant expenditures are adequately supported by original copies of receipts and liquidation reports to justify the regularity of the transactions.

Management's Response

1.2.2.7 *We accept these findings under School Grant except that 4 of the 12 schools listed here are not to be included. We had provided clarifications and other evidence for these four schools to the GAC field team during a debriefing session held at the MoE on December 20, 2021. The schools are Jalokudi Elementary, A.T. Simeon ECE, J.J. Geleplay Elementary, and Plahn Elementary & Jr. High.*

1.2.2.8 *Properly documenting expenditure has been challenging for some schools in the implementation of the ECE School Grant. However, it is worth noting that throughout our compliance monitoring, we saw evidence of actual utilization of the grants even at schools with inadequate documentation of expenditures. Compared to the previous audit, the GAC will agree with us that the schools have made tremendous achievement as far as School Grant administration is concerned. The current audit is a classical example in this respect- only 8 out of almost 100 schools or 8% of schools have issues with inadequate documentation of expenditures.*

1.2.2.9 *During the period under review, we took several steps to correct this situation. We increased the frequency of compliance monitoring, created adequate awareness on School Grant administration, engaged stakeholders more to clarify roles and responsibilities, and finalized plan to conduct refresher training for School Grant administrators on the ECE School Grant guidelines including new District Education Officers (DEOs) and principals.*

Auditor General's Position

1.2.2.10 We acknowledge Management's assertion and have adjusted our figures from 12 to 8 GPE-G2B schools that did not maintain receipts for expenditure to authenticate the usage of the grant received. We also note management's acceptance of our finding and recommendation. We will make a follow-up during subsequent audit.

1.2.3 SOE annexed to Financial Statements

Observation

- 1.2.3.1 Section 3.14 of the PIM states, “Replenishments, through fresh withdrawal applications to the World Bank, into the DA will be made subsequently, at a minimum of monthly intervals, but such withdrawals will equally be based upon documentation of prior funds received in the DA through a Statement of Expenditure (SOE). The supporting documentations for the SOEs will be retained by the PFMU for World Bank review during missions and for external purposes. The SOE method of disbursement will be used as a basis for the withdrawal of the proceeds...”
- 1.2.3.2 The term of reference for external financial audit of the GPE-G2B, provides that a schedule listing individual SOE withdrawal application for specific reference number and amount should be annexed to the project financial statements. Furthermore, the total withdrawals under the SOE procedures should agree with the overall reconciliation of catalytic form disbursements prepared by the projects.
- 1.2.3.3 We observed from our review of the financial statements that there was no indication that a schedule listing individual SOE withdrawal application was attached/annexed to the financial statements prepared for the period.

Risk

- 1.2.3.4 Failure to report in line with the guidelines of the World Bank could cast doubt on the presentation, consistencies and reliability of the financial statements.

Recommendation

- 1.2.3.5 The GPE-G2B Project Management should ensure that a schedule listing individual SOE withdrawal application are attached to the financial statements for presentation, consistencies and reliability purposes.

Management’s Response

- 1.2.3.6 *The Auditor’s assertion that there was no attached schedule listing individual SOE withdrawal application to the financial statements is a flagrant misrepresentation of the actual fact. The references in the PIM and the Term of Reference for the external financial audit of the GPE-G2B relates to the Interim Financial Reports (IFRs) and not the IPSAS report that GAC usually requests for. However, we have herewith attached the schedule listing of SOE withdrawal application for the Auditor’s reference. (See Exhibit 3 attached: Withdrawal Application Schedule)*

Auditor General’s Position

- 1.2.3.7 The project Terms of Reference is clear about a schedule listing individual SOE withdrawal application being attached to the project’s financial statements. Therefore, we maintain our finding and recommendation.

2 Prior Year’s Audit Matter 2019/2020 (GPE-G2B Project)

No.	Title of Finding	Finding	Recommendation	Status of Implementation
1.	Bank Reconciliation Inconsistency	We noted that the date, name/description and reference number of some transactions highlighted in bank reconciliation differ from the ones shown in the general ledger.	Management should provide justification why date, name/description and reference number of transactions highlighted in bank reconciliation differ from the ones shown in the general ledger Management should provide justification for not including transactional check numbers in the general ledger	Implemented
2.	Payments to Third Party	It was observed during the conduct of the audit, that the GPE-G2B Project Delivery Team (PDT) made payments that summed up to US\$2,189.00 for various goods and services in the names of staff of the PDT instead of the vendors providing the goods and services. Additionally, the procurement of the items purchased did not follow a competitive process.	Management should provide substantive justification for authorizing payments in the names of staff of the PDT. Also, Management should provide material justification why goods were procured without a competitive process.	Implemented
3.	No Evidence of Tax Remittance	We observed from review and analysis of documents submitted that there was no evidence that the PMFU remitted taxes withheld for goods and services procured in the amount of US\$7,129.92.	Management should provide material justification for not remitting taxes withheld from goods and services procured.	Implemented
4.	Payment made to Ineligible Business	It was observed during the audit, that the GPE-	Management should provide material	Implemented

No.	Title of Finding	Finding	Recommendation	Status of Implementation
		G2B Project Delivery Team (PDT) made a total payment of US\$98,519.00 to business entities that did not have valid business registration and tax clearance for the purchase of assorted stationeries, printing and binding.	justification why transactions were carried out with business institutions without valid tax clearance and business registration.	
5.	Misapplication of School Grant	We observed during the conduct of the audit that Monies received by beneficiary schools in targeted counties were misapplied and could not be properly accounted for.	Management should provide material justification why the school grant fund was used for purposes not intended	Partially Implemented Finding repeated in current year