



Management Letter

On the Financial Statement Audit of the Liberia COVID-19 Emergency Response Project

For the Period July 1, 2020 to 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

Acronyms/Abbreviations/Symbol	Meaning
AFP	Audit Focal Person
AG	Auditor General
APA	Assistant Project Accountant
CBL	Central Bank of Liberia
CFC	Certified Financial Consultant
CFE	Certified Fraud Examiner
CFIP	Certified Forensic Investigative Professional
CFC	Certified Financial Consultant
CPA	Certified Public Accountant
DSA	Daily Substance Allowance
FS	Financial Statements
GAC	General Auditing Commission
GoL	Government of Liberia
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MOH	Ministry of Health
PFMU	Project Financial Management Unit
PIM	Project Implementation Manual
PPC	Public Procurement and Concessions Act
PIU	Project Implementation Unit
UNOPS	United Nations Office for Project Services
USD/US\$	United States Dollars
SPA	Senior Project Accountant
WHO	World Health Organization

December 30, 2021

Dr. Wilhelmina Jallah
Minster
Ministry of Health
Congo Town
Paynesville City, Liberia

Dear Dr. Jallah:

**Re: Management Letter on the Financial Statement Audit of the Liberia Covid-19
Emergency Response Project for the fiscal Period ended June 30, 2021.**

The Financial Statements of the Liberia Covid-19 Emergency Response Project for the fiscal period ended June 30, 2021 are subject to audit by the Auditor General (AG) consistent with the Auditor General's mandate as provided for under section 2.1.3 of the GAC Act of 2014 and the Audit Engagement Term of Reference.

INTRODUCTION

The audit of the Liberia Covid-19 Emergency Response Project financial statements for the fiscal period ended June 30, 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.

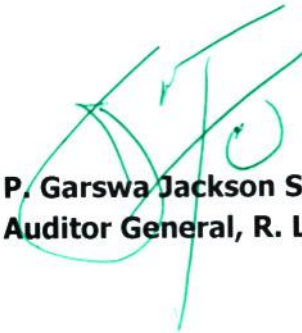
An audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

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.

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.

Appreciation

We would like to express our appreciation for the courtesy extended and assistance rendered by the staffers of the Liberia COVID-19 Emergency Response Project 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 Issues

1.1.1 Unpresented Checks

Observation

- 1.1.1.1 Section 6 paragraph 6.5.1 of the PFMU Financial Procedure Manual states, "the cash book shall be reconciled monthly to the bank statement within 10 working days of the month end. Difference deriving there from shall be investigated and resolved promptly. Unpresented checks will be written back in the project's books of account one month after the negotiable period of six (6) months has elapsed."
- 1.1.1.2 Additionally, 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".
- 1.1.1.3 During the conduct of the audit, it was observed that the Liberia COVID-19 Emergency Response Project Management did not write back in the project's cash book nineteen (19) unpresented checks in the total amount of US\$29,492.18. These checks have been outstanding beyond the period of six (6) months. **See table1 below for details.**

Table 1: Checks outstanding for more than six (6) months

#	Date	Description	Months O/S	Amt. US\$
1	Jul. 16, 2020	General Revenue Account	11 Months	6,201.20
2	Jul. 17, 2020	General Revenue Account	11 Months	257.40
3	Jul. 16, 2020	General Revenue Account	11 Months	1,004.27
4	Aug. 04, 2020	General Revenue Account	10 Months	7,374.05
5	Aug. 05, 2020	General Revenue Account	10 Months	3,220.70
6	Aug. 25, 2020	General Revenue Account	10 Months	40.00
7	Sept. 03, 2020	General Revenue Account	9 Months	13.00
8	Sept. 15, 2020	General Revenue Account	9 Months	561.02
9	Sept. 15, 2020	General Revenue Account	9 Months	1,610.69
10	Oct. 05, 2020	General Revenue Account	8 Months	1,740.45
11	Oct. 07, 2020	General Revenue Account	8 Months	3,220.70
12	Oct. 09, 2020	General Revenue Account	8 Months	1,610.35
13	Oct. 22, 2020	General Revenue Account	8 Months	31.42
14	Oct. 25, 2020	General Revenue Account	8 Months	300.00
15	Oct. 25, 2020	General Revenue Account	8 Months	273.24
16	Oct. 30, 2020	General Revenue Account	8 Months	300.00
17	Nov. 10, 2020	General Revenue Account	7 Months	1,049.27

#	Date	Description	Months O/S	Amt. US\$
18	Nov. 10, 2020	General Revenue Account	7 Months	384.42
19	Nov. 26, 2020	General Revenue Account	7 Months	300.00
Total				29,492.18

Risk

- 1.1.1.4 Outstanding checks for over six months may lead to understatement of the cash book and the financial statements.
- 1.1.1.5 Preparation of checks for withholding taxes which are not subsequently remitted to the LRA may deny GoL of much needed tax revenue.
- 1.1.1.6 Management of the Liberia COVID-19 Emergency Response Project may be in noncompliance with Section (905) J. of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay. Please see Section 52 of the Revenue Code of Liberia as reference above.

Recommendation

- 1.1.1.7 The Liberia COVID-19 Emergency Response Project Management should ensure that all checks written for payment of withholding taxes should be deposited in the General Revenue Account in a timely manner.
- 1.1.1.8 The Management of the Liberia COVID-19 Emergency Response Project should adjust the cash book by the total value of the unrepresented checks and restate the financial statements with the adjusted cash balance.
- 1.1.1.9 The Management of the Liberia COVID-19 Emergency Response Project should facilitate the full remittance of withholding taxes to the LRA in keeping with Section 905(J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.

Management's Response

- 1.1.1.10 *Kindly note that a Tax Form is used to facilitate payment of taxes to GOL instead of Check as purported at the Auditor. This form DOES NOT become stale after 6 months like checks. Due to the delays encountered with tax payment combined with the protocol for tax payment, tax remittance forms are filled and subsequently sent to the banks where the projects accounts are kept. There are no expiry dates attached to the forms which allow them to be paid as and when they have been signed by the relevant signatories.*
- 1.1.1.11 *Hence, we cannot adjust our Cash Book because these tax remittance forms can be paid and cleared anytime by the Commercial Banks.*

Auditor General's Position

- 1.1.1.12 Tax remittance forms filled, signed and sent to the bank for payment of taxes is a rapid mode of payment intended to facilitate immediate payment of taxes. Therefore, had the Management instituted payment of withholding taxes using tax forms, all outstanding payments should have been cleared.
- 1.1.1.13 Section 1.2.2 of the cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the entity. Financial statements prepared under the cash basis IPSAS provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein. Notes to the financial statement may provide additional information about liabilities, such as payable and borrowing, and some non-cash assets, such as receivables, investment and property, plant and equipment.
- 1.1.1.14 Regulation I.16.(1and2) of the PFM Act of 2009; states that:
- At the close of business of the last working day of each month or financial year, whichever is applicable, the accounts shall be balanced off.
 - (2) The receipts and payments that belong to a period or a financial year other than the reporting period or financial year, shall be shown in the accounts and the details shall be given in the notes to the accounts.
- 1.1.1.15 The outstanding payments of withholding taxes at the end of the period, for which the cashbook was initially credited, has resulted into the understatement of the cashbook and not balancing with the bank. The outstanding withholding tax payments should therefore be disclosed in the financial statements as a commitment. Therefore, we maintain our findings and recommendations.

1.1.2 Non remittance of Vendor's withholding Taxes

Observation

- 1.1.2.1 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".

1.1.2.2 During the conduct of the audit, it was observed that the Liberia COVID-19 Emergency Response Project Management withheld the total amount of US\$45,802.90 as withholding taxes from vendors and staff without evidence that the amount was remitted to the LRA.
See table 2 below for details:

Table 2: Taxes withheld from vendors

Date	Payee	Description	Amount US\$
5/8/20	General Revenue Account	Tax deducted from Bittar Construction Company for the re-habitation and upgrade of the Jordanian Hospital.	3,220.70
13/07/20	Progress Printing Press	Tax deduction for the delivery of high-quality materials for EPI Surveillance, coordination	258.00
7/7/20	Kingdom Business Inc.	Tax deduction of 30% for the rehabilitation of 14 military Hospital	1,003.78
3/8/20	General Revenue Account	Tax deducted from Kingdom Business Inc. for 80% of work executed for the rehabilitation of 14 Military Hospital	1,740.45
15/09/20	General Revenue Account	Tax deduction from Kingdom Business Inc. for 100% of work executed for the 14 Military Hospital	1,610.69
Sept/10/20	Bittar Construction Company	Tax deduction for 95.44% of work executed for the rehabilitation work	2,410.35
22/10/20	Hammer Inc.	Tax deduction for the delivery of materials to prevent water from entering newly constructed tarpaulin tank.	25
10/11/20	Insurance Company of Africa	Payment as tax Payment as premium for the period	1,059.27
3/8/20	Kingdom Business Inc.	Tax deduction of 80% for work executed after deduction of advance payment and 5% retention for the rehabilitation of 14 Military Hospital as per attached	1,740.45
15/09/20	Mutual Benefits Assurance Company	Tax deduction as premium for a year insurance coverage including stickers for 74 units of motor bikes belonging to COVID-19 emergence response	542.12
17/09/20	Activa International Insurance Liberia Ltd.	Tax deduction as premium for a year insurance coverage including strikers for 46 units of motor bikes belonging to COVID-19 emergence response	273.24

Management Letter ~~the~~ Financial ~~Statement~~
 Audit of the Liberia COVID-19 Emergency Response Project
 for the Period July 1, 2020 to June 30, 2021

Date	Payee	Description	Amount US\$
10/11/20	Bittar Construction Company	Tax deduction for 100% of work executed for the habitation and upgrade of the Jordanian Hospital.	384.42
18/12/20	Kingdom Business Inc.	Tax deduction representing retention after completion of the defect liability period for the rehabilitation of 14 military Hospital	229.23
29/03/21	Frank K. Cooper	Tax deduction for consultancy fees for the month of March 2021	300
12/4/21	Dekontee O. Saytarkon	Tax deduction as staff consultancy fees for the month of March 2021	300

Date	Payee	Description	Amount US\$
03/05/21	CICA Motors Liberia Inc.	Tax deduction for servicing of 5 units of Toyota High Top Land Cruiser Vehicles	108.53
12/3/21	CICA Motors Liberia Inc.	Payment as tax deduction for servicing of 5 units of Toyota High Top Land Cruiser Vehicles	104.63
18/05/21	Bitter Construction Company	Tax deduction for retention after defect liability period as per documents attached under the COVID-19 Project	444.01
12/1/21	Accident and Casualty Insurance Company	Tax deduction as premium for insurance coverage including strikers for 8 units of Toyota High Top Land Cruiser Ambulances belonging to COVID-19 emergency response	593.91
15/09/20	Kingdom Business Inc.	Tax deduction of 100% of work executed after deduction of advance payment and 5% retention for the rehabilitation of 14 Military Hospital as per attached	1,610.69
04/08/20	CICA Motors Liberia Inc.	Tax deduction for the delivery of eight units of Toyota Land Cruiser with High top and accessories for use by the COVID-19 as per document attached	7,374.05
	Frank Cooper	Tax for consultancy fees	3,600.00
	Dekontee O. Saytarkon	Tax deduction for consultancy fees	1,387.80
16/07/20	General Rev. A/C	Tax for the delivery of 74 units of Yamaha Bikes with tool kits rain suits and gloves for Surveillance Team	6,201.20
4-Aug-20	General Revenue	CICA Motors tax withheld	4,608.78
14-Dec-20	General Revenue	Gen Rev Account G2	1,906.33
		CICA Motor tax withheld	2,765.27
Total			45,802.90



Risk

- 1.1.2.3 Failure to remit taxes withheld, could deny GoL of much needed tax revenue.
- 1.1.2.4 Management of the Liberia COVID-19 Emergency Response Project may be in noncompliance with Section (905) J. of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay. Please see Section 52 of the Revenue Code of Liberia as reference above.
- 1.1.2.5 Non remittance of withholding taxes may lead to overstatement of the cash book and subsequently the financial statements.

Recommendation

- 1.1.2.6 The Management of the Liberia COVID-19 Emergency Response Project should facilitate full remittance of withholding taxes to the LRA in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.
- 1.1.2.7 The Management of the Liberia COVID-19 Emergency Response Project should adjust the cash book by the total value of the non-remitted withholding taxes and restate the financial statements with the adjusted cash balance.

Management's Response

- 1.1.2.8 *PFMU has worked and continue to engage with the stakeholders regarding the provision of GOL flag receipt as evidence of tax payment. The LRA has indicated that the PFMU is not regarded as one of her Collectorate that can issue flag receipt. The issuance of flag receipts will have to go through various approvals levels and in their wisdom, the PFMU cannot issue a flag receipt for the reasons given above.*
- 1.1.2.9 *Notwithstanding, LRA has encouraged PFMU to ensure that tax payments are made on behalf of consultants and vendors to the General Revenue account via the LRA tax remittance forms which will be captured by their system and the consultant or vendor can later claim their tax credit from the LRA system.*

Auditor General's Position

- 1.1.2.10 The Project Management's response did not adequately address the audit findings. Therefore, we maintain our findings and recommendations.

1.2 Administrative Issues

1.2.1 Fixed Assets Irregularities

Observation

1.2.1.1 Section seven (7) F of the MoH Fixed Assets & Warehouse Management Procedures Manual required that Fixed Assets Register be maintained, updated and the results of the physical count should be used to update the Fixed Asset Register. Differences between actual and recorded assets should be reconciled.

1.2.1.2 During the conduct of the audit, it was observed that the following irregularities were associated with the fixed assets management system of the Liberia COVID-19 Emergency Response Project. **Please see table 3 below for details.**

Table 3: Irregularities associated with project fixed assets

No.	Counties	Assets Description	Cost US\$	Discrepancies
1.	Gbarpolu	Yamaha Moto Bikes	3,400 each	Not verified
2.	Grand Cape Mount	Yamaha Moto Bikes	3,400 each	Not verified
3.	Nimba	Yamaha Moto Bikes	3,400 each	Not verified
4.	Rivercess	12 Yamaha Moto Bikes	3,400 each	Not in register
5.	Rivercess	Ambulance-MOH-02-474	58,014	Immobile
6.	Sinoe	10-Yamaha Moto Bikes	3,400 each	Not in register

Risk

1.2.1.3 Assets may be missing, damaged, but their values are still on the book.

1.2.1.4 Fixed assets may be removed from the entity's premises without authorization; converted to personal use or subject to theft.

Recommendation

1.2.1.5 The Management of the Liberia COVID-19 Emergency Response Project should ensure that the project fixed assets register is updated to reflect the cost, code, location and condition of the assets.

1.2.1.6 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the project assets.

1.2.1.7 The result of the physical verification exercise should be documented and filed to facilitate future review.

1.2.1.8 Management should account for fixed assets that were not verified during the physical inspection of the project assets.

Management's Response

1.2.1.9 *The assignees/Surveillance Officers of several of these assets have vehemently denied ever coming across GAC or been summoned by GAC to produce any asset. This finding was shared in the chatroom of all the Surveillance Officers and they are incensed by GAC claims. It must be noted that the Surveillance Officers are not based in the capital cities of those counties but rather the districts. This means that for GAC to make such claims, they must have gone to those individual districts and summoned the assignees/Surveillance Officers.*

1.2.1.10 *It must be noted that we (PFMU and the PIU) conducted a Fixed Assets verification exercise across the country and was able to confirm and have information on all of the fixed assets. This was done by simply informing the assignees/Surveillance Officers about our verification exercise and meeting them at agreed points. We insist that the assets are there to be verified.*

Auditor General's Position

1.2.1.11 Management's assertion does not adequately address the audit findings. Therefore, we maintain our findings and recommendations.

1.2.1 Bank Reconciliation

Observation

1.2.1.12 Section 6.5 (3) of the PFMU Financial Procedural Manual delegates the preparation and review responsibilities to the Assistant Project Accountant (APA) and the Internal Auditor respectively.

1.2.1.13 During the conduct of the audit, it was observed that monthly bank reconciliation statements prepared by the PFMU did not show the titles of the preparer, reviewer and approver on the monthly bank reconciliation statements.

Risk

1.2.1.14 The lack of the title of the preparer, reviewer, and the person responsible for approval of bank reconciliation statement could make it difficult to determine their level of experience and seniority of the preparer, reviewer and approver.

Recommendation

1.2.1.15 The Management of the Liberia COVID-19 Emergency Response Project should indicate the titles of the preparer, reviewer and approver of the bank reconciliation statement in line with the PFMU Financial Procedure Manual.

Management's Response

- 1.2.1.16 *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.*
- 1.2.1.17 *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

- 1.2.1.18 Management's assertion does not address the issue raised. Going forward, management should ensure that the titles of the preparer, reviewer and approver are displayed on the Bank Reconciliation Statements.

**COVID-19 PROJECT AUDIT 2020/2021
 STATUS OF PRIOR YEAR (2019/2020) RECOMMENDATIONS**

No.	Finding	Observation	Recommendation	Status of Prior year Audit Recommendations
1	1.1.1 Unremitted taxes from vendors	1.1.1.2 During the conduct of the audit, it was observed that the Liberia COVID-19 Emergency Project Management withheld the total amount of US\$14,629.67 as taxes from vendors without evidence that the amount was remitted to the LRA.	1.1.1.7 the PFMU Management should ensure that withholding taxes are paid within ten days after the last day of the month as stipulated by the 2011 Amended Revenue Code of Liberia. All Flag Receipts should also be obtained and filed for future reference.	Implemented
2	1.2.1 Bank Reconciliation	1.2.1.2 During the conduct of the audit, it was observed that monthly bank reconciliation statements prepared by the PFMU did not show the titles of the preparer, reviewer and approval on the monthly bank reconciliation statements.	1.2.1.4 The Management of the PFMU should ensure that positions or titles of the staffers responsible to prepare, review and approve the monthly bank reconciliation are displayed on the reconciliation statement	Not implemented