



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



**On the Financial Statement Audit
of the Liberia Forest Sector
Project (LFSP)**

Grant No. TF A2427

For the year ended June 30, 2021

December 2021

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

Table of Contents

Opinion.....	3
Basis for Opinion.....	3
Management’s Responsibility.....	4
Auditor General’s Responsibility.....	4
LFSP Financial Statement for the Period Ended June 30, 2021.....	5
STATEMENT OF RECEIPTS AND PAYMENTS.....	6
STATEMENT OF FUND BALANCEAND CASH STATUS.....	7
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021.....	8
STATEMENT OF FINANCIAL POSITION.....	9
NOTES TO THE FINANCIAL STATEMENTS.....	12

Management Letter



December 30, 2021

Hon. C. Mike Doryen
Managing Director
Forestry development Authority (FDA)
Wein Town
Montserrado County, Liberia

Dear Hon. Doryen:

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA FOREST SECTOR PROJECT (LFSP) FOR THE FISCAL PERIOD ENDED JUNE 30, 2021

We have audited the financial statements (Grant No. TF A2427) of the Liberia Forest Sector Project (LFSP), which comprise the statement of Cash Receipt and Payments for the period ended 30 June 2021, the Statement of Comparison Budget and Actual Amounts and a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the accompanying financial statements (Grant No. A2427) present fairly, in all material respects, the Statement of Receipts and Payments as at June 30, 2021, Statement of Comparison of Budget and Actual Amounts and a summary of other accounting policies and explanatory notes for the fiscal period then ended in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting

Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the World Bank guideline and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


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

Monrovia, Liberia

December 2021

LFSP Financial Statement for the Period Ended June 30, 2021

STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDED JUNE 30, 2021

2

<i>In United States Dollars</i>	Notes	2021 June	2020 June	Cumulative
Receipt				
IDA Grant	4	5,747,818	5,919,323	21,038,763
Toptal Receipt		5,747,818	5,919,323	21,038,763
Payment				
Strengthened Regulatory And Institutional Arrangements For Implementation of REDD)	5	910,668	1,479,693	4,894,512
Strengthened Management of Targeted Forest Landscapes	6	3,062,879	3,462,457	10,930,607
Forest Monitoring Information System	7	511,243	602,516	1,953,446
Project Management, Monitoring, and Communication	8	687,119	650,969	2,023,546
Total Payments		5,171,909	6,195,634	19,802,111
Excess of receipts over payments (payments over receipts)		575,909	(276,311)	299,598
Fund Balance as at beginning		660,794	937,105	937,105
Fund balance		1,236,703	660,794	1,236,703

NB: activities and amount highlighted are reclassified

The notes on pages 10 to 14 are integral part of these project financial reports

**STATEMENT OF FUND BALANCE AND CASH STATUS
 FOR THE PERIOD ENDED JUNE 30, 2021**

3

<i>In United States Dollars</i>	Notes	2021 June	2020 June
A Fund Balance			
Balance of Project Fund		660,794	937,105
Add: Total Receipts during the period		5,747,818	5,919,323
Total Fund available for operations		6,408,612	6,856,428
Less: Total Payments during the period		5,171,909	6,195,634
Balance of project fund at the end of the year		<u>1,236,703</u>	<u>660,794</u>
B Cash Status:			
Cash at Bank		<u>1,236,703</u>	<u>660,794</u>
Total Cash on hand and in bank		<u>1,236,703</u>	<u>660,794</u>
Difference between A and B		<u>-</u>	<u>-</u>

The notes on pages 10 to 14 are integral part of these project financial reports

4

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Activities Within Components	Note	Project Allocation US\$	Annual Expenditure US\$	Actual Expenditure US\$	Variance US\$
Strengthened Regulatory And Institutional Arrangements For Implementation of REDD)	11	8,000,000	3,939,385	910,668	3,028,717
Strengthened Management of Targeted Forest Landscapes Forest Monitoring Information System	11	23,800,000	8,104,349	3,062,879	5,041,470
Project Management, Monitoring, and Communication	11	2,300,000	665,470	511,243	154,227
Total		<u>36,700,000</u>	<u>13,562,030</u>	<u>5,171,909</u>	<u>8,390,121</u>

The notes on pages 10 to 14 are integral part of these project financial reports

**STATEMENT OF FINANCIAL POSITION
 AS AT JUNE 30, 2021**

5

<i>In United States Dollars</i>	Notes	2021 June	2020 June
Assets			
Cash and cash equivalent		1,236,703	660,794
Total Assets		<u>1,236,703</u>	<u>660,794</u>
Fund Balance			
Grants		<u>1,236,703</u>	<u>660,794</u>
Accumulated Fund Balance		<u>1,236,703</u>	<u>660,794</u>

 _____ Papin Daniels, Jr. Director, Donor Financed Projects PFMU, MFDP	 _____ Saah A. David, Jr. National REDD + Coordinator - LFSP FDA
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The notes on pages 10 to 14 are integral part of these project financial reports

NOTES TO FINANCIAL STATEMENTS

6

1. Background and Information of the Project

With support from the International Development Association; the Liberia Forest Sector Project (LFSP) - project is to improve management of and increased benefit sharing in targeted forest landscapes in the Republic of Liberia. The World Bank approved the LFSP project on April 27, 2016 with a grant amount of USD 36,700,000.00. The Project consists of the following parts:

Component 1: Strengthened Regulatory and Institutional Arrangements for Implementation of REDD+

Component 2: Strengthened Capacity for Management of Targeted Forest Landscapes

The component is divided into four subcomponents:

- i. 2.1 Improved Land Use Planning
- ii. 2.2 Strengthened Management of Protected Areas of Targeted Forest Landscapes
- iii. 2.3 Community Forestry in Targeted Forest Landscape and
- iv. 2.4 Strengthening the Capacity for Sustainable Agriculture

Component 3: Forest Monitoring Information System

This component finances technical assistance, goods, workshops, and operational costs to support subcomponents:

- i. 3.1 Establishment and operation of a successfully tested and operational national system for Measurement, Reporting and Verification (MRV)
- ii. 3.2 Establishment of an information system for safeguards, as well as capacity building of FDA and other implementing agencies on the use of information systems for safeguards. The capacity building will include activities targeted both at the national level staff as well as at decentralized institutions working in the targeted landscapes.

Component 4: Project Monitoring and Management

Support to FDA's day-to-day project implementation and management including, procurement, financial management, M&E, preparation of annual work plans and organization of audits. The component supports operating costs for the existent FDA REDD+ Implementing Unit as well as the costs for joint quarterly meetings of the implementing agencies. The M&E system to report on the expected project's results, systematizing the project's lessons learned is also supported. This component also supports the implementation of a communication strategy to inform different and diverse stakeholders about the project and its results. Resources will be provided for the management and supervision of the social and environmental safeguards and grievance redress mechanism.

2. Use of Grant Proceeds

The table below sets out the categories of items to be financed out of the grant proceeds, the allocation of the amounts of the grant to each category and the percentage of expenditures for items to be financed in each category:

Amount of	grant allocated expressed in US\$	% of expenditure to be financed
Category		
Strengthened Regulatory & Institutional Arrangements For Implementation of REDD)	8,000,000	100
Strengthened Management of Targeted Forest Landscapes	23,800,000	100
Forest Monitoring Information System	2,300,000	100
Project Management, Monitoring, and Communication	2,600,000	100
Total	36,700,000 =====	

NOTES TO FINANCIAL STATEMENTS (continued)

7

All categories of expenditure shown in these financial statements are fully financed based on the percentage below:

	% of Expenditure
IDA grant	100
Total	<div style="border-top: 1px solid black; display: inline-block; width: 50px;"></div> 100
	=====

3. Significant Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with the Cash Basis International Public Sector Accounting Standards (IPSAS) and in the manner required by the Project Grant Agreement as required by the World Bank's Operating Policies and Procedures and PFMU's Financial Management manual.

Reporting currency

Financial reports have been presented in United States Dollars. Transactions denominated in other currencies are translated into United States Dollars and recorded at the rate of exchange ruling at the date of transactions. Balances denominated in other currencies are translated into United States Dollars at the rate of exchange prevailing on the reporting date.

Grant Receipts

Grant from donors for the LFS project is recognized and reported in the Statement of Receipt and Payment as income when received and held in a bank account called designated income account for transitory purposes. Amounts approved for disbursement are transferred from the designated account into another bank account called the operational account. All payments for the LFS project and activities are made from the designated account.

Cash and bank balances

Cash consist of cash in hand and balance at bank.

Recognition of expenditure (capital and revenue)

All expenditures are expensed whether they are revenue or capital in nature and income is recognized when funds are received from the World Bank.

Tax

The project is 100 percent inclusive of tax. Taxes are withheld on consultants and vendors.

NOTES TO THE FINANCIAL STATEMENTS

<i>In United States Dollars</i>		2021 June	2020 June	Cumulative
4	Grant Receipt			
	IDA Credit TF A2427	5,451,847	5,574,202	19,210,242
	IDA Credit TF A2427 - Direct Payment	295,971	345,122	1,828,521
		5,747,818	5,919,323	21,038,763
5	Strengthened Regulatory And Institutional Arrangements For Implementation of REDD)			
	Strengthened Capacity in Institutions	910,668	1,131,945	4,538,435
	Legal Reform	-	347,747	356,077
		910,668	1,479,693	4,894,512
6	Strengthened Management of Targeted Forest Landscapes			
	Improved Land Use Planning	120,263	-	132,076
	Strength Mgt of Protected Areas of Targeted Forest Landscapes	1,490,535	1,975,167	5,626,727
	Support to Community Forestry In Targeted Forest Landscape	935,231	1,269,682	2,784,438
	Strength Capacity for Sustainable Agriculture	516,850	217,608	2,387,366
		3,062,879	3,462,457	10,930,607
7	Forest Monitoring Information System			
	Forest Monitoring Information System	479,998	540,234	1,859,919
	Development of an Information System for Safeguards	31,245	62,281.93	93,527
		511,243	602,516	1,953,446
8	Project Management, Monitoring, and Communication			
	Project Management, Monitoring, and Communication	687,119	650,969	2,023,546
		687,119	650,969	2,023,546
9	Cash receipts through grant and other Sources			
	IDA grant	5,747,818	5,919,323	21,038,763

Cash paid

10

Strengthened Regulatory And Institutional Arrangements For Implementation of REDD)	910,668	1,479,693	4,894,512
Strengthened Management of Targeted Forest Landscapes	3,062,879	<u>3,462,457</u>	<u>10,930,607</u>
Forest Monitoring Information System	511,243	<u>602,516</u>	<u>1,953,446</u>
Project Management, Monitoring, and Communication	687,119	<u>650,969</u>	<u>2,023,546</u>
Total Payments	<u>5,171,909</u>	<u>6,195,634</u>	<u>19,802,111</u>

11 Variance Explanation

Bad Road Condition during the rainy season (2) COVID-19 (3) Delay in finalizing the selection of firms to implement the cluster approach.

On-Going implementation of consultancy that exceeded the budgeted amount for the quarter. Disengagement of two Project Specialist

NOTES TO THE FINANCIAL STATEMENTS (continued)

10

PROJECT DESIGNATED ACCOUNT STATEMENT

Account Number: 1602002948/0011202350901/0011202449801
0011202350501/0011202350701/0011202654501
0011202350301

Account Type: Current Account

Depository Bank (s): Central Bank of Liberia & SI Bank

Address: Ashmun, Broad & Johnson Streets
Monrovia, Liberia

Currency: United States Dollar

	2021 June	2020 June
Total Grant Received	5,747,818	5,919,323
Total grant income reported	5,747,818	5,919,323
Amount spent	5,171,909	6,195,634
Balance as at beginning	660,794	937,105
Balance as at June 30, 2021	1,236,703	660,794
Closing Balance Consist of:		
Central Bank of Liberia	350,121	412,422
Operational a/c 1_GNB - FDA	225,919	(190,463)
Operational a/c 2_GNB - MoA	430,174	60,315
Operational a/c 3_GNB - EPA	87,799	58,361
Operational a/c 4_GNB - LISGIS	13,751	38,276
Operational a/c 4_GNB - LLA	99,202	102,107
Operational a/c 4_GNB - MME	6,452	156,775
Cash on Hand-Petty Cash - FDA	1,484	2,000
Cash on Hand-Petty Cash - EPA	930	1,000
Cash on Hand-Petty Cash - MOA	871	-
Advance : FDA Region I	5,000	5,000
Advance : FDA Region II	5,000	5,000
Advance : FDA Region III	5,000	5,000
Advance : FDA Region IV	5,000	5,000
	1,236,703	660,794