



Management Letter

On the Financial Statement Audit of the Liberia Social Safety Net Project (LSSNP)

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
BRS	Bank Reconciliation Statement
CBL	Central Bank of Liberia
CFC	Certified Financial Consultant
CFE	Certified Fraud Examiner
CFIP	Certified Forensic Investigative Professional
CPA	Certified Public Accountant
DSA	Daily Substance Allowance
FS	Financial Statements
GAC	General Auditing Commission
GoL	Government of Liberia
IA	Internal Auditor
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
LRA	Liberia Revenue Authority
LSSNP	Liberia Social Safety Net Project
PFMU	Project Financial Management Unit
PIM	Project Implementation Manual
PPC	Public Procurement and Concessions Act
PIU	Project Implementation Unit
SPA	Senior Project Accountant

December 31 2021

Hon. Williametta E. Saydee-Tarr
Minister
Ministry of Gender, Children and Social Protection
Republic of Liberia

Dear Hon. Tarr:

Re: Management Letter on the Financial Statement Audit of the Liberia Social Safety Net Project for the Fiscal Period Ended June 30, 2021.

The Financial Statements of the Liberia Social Safety Net Project (LSSNP) 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 LSSNP 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 Social Safety Net Project (LSSNP) 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 Unremitted Taxes

Observation

1.1.1.1 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”.

1.1.1.2 During the conduct of the audit, it was observed that the LSSNP Management withheld the total amount of US\$3,492.87 as withholding taxes from service providers without evidence that the amount was remitted to the LRA. **See table 1 below for details:**

Table 1: Unremitted taxes withheld

Date	Description	Amount US\$
1/31/2021	Unpaid Tax Reversed	-325.33
1/31/2021	Unpaid Tax Reversed	-94.00
1/31/2021	Unpaid Tax Reversed	-114.84
1/31/2021	Unpaid Tax Reversed	-600.00
1/31/2021	Unpaid Tax Reversed	-41.70
1/31/2021	Unpaid Tax Reversed	-527.00
1/31/2021	Unpaid Tax Reversed	-500.00
1/31/2021	Unpaid Tax Reversed	-150.00
1/31/2021	Unpaid Tax Reversed	-150.00
1/31/2021	Unpaid Tax Reversed	-40.00
1/31/2021	Unpaid Tax Reversed	-40.00
1/31/2021	Unpaid Tax Reversed	-40.00
1/31/2021	Unpaid Tax Reversed	-30.00
1/31/2021	Unpaid Tax Reversed	-300.00
1/31/2021	Unpaid Tax Reversed	-50.00
1/31/2021	Unpaid Tax Reversed	-50.00
1/31/2021	Unpaid Tax Reversed	-200.00
1/31/2021	Unpaid Tax Reversed	-120.00
1/31/2021	Unpaid Tax Reversed	-40.00
1/31/2021	Unpaid Tax Reversed	-40.00
1/31/2021	Unpaid Tax Reversed	-40.00
Total		3,492.87

Risk

- 1.1.1.3 Failure to remit taxes withheld, could deny GoL of much needed tax revenue.
- 1.1.1.4 Management 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.
- 1.1.1.5 Non remittance of withholding taxes may lead to overstatement of the cash book and subsequently the financial statements.

Recommendation

- 1.1.1.6 Management 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.
- 1.1.1.7 Management 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

- 1.1.1.8 *PFMU has worked and continues 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 Collectorates 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.*
- 1.1.1.9 *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

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

1.1.2 Unpresented Checks

Observation

- 1.1.2.1 Section 6 paragraph 6.5.1 of the PFMU Financial Procedure Manuel 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."
- 1.1.2.2 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”.

- 1.1.2.3 During the conduct of the audit, it was observed that the LSSNP Management did not write back in the project’s cash book nineteen (19) checks in the total amount of US\$19,654.57. These checks have been outstanding beyond the period of six (6) months. **See table 2 and 3 below for details.**

Table 2: Checks outstanding for more than six (6) months

Date	Description	# of Months O/S	Amt. US\$
	LSSN PROJECT (ECO-1) Account		
30-Jun-20	General Revenue Account	12 months	2,583.32
30-Jun-20	General Revenue Account	12 months	203.00
7-July-20	General Revenue Account	12 months	98.00
7-July-20	General Revenue Account	12 months	605.00
	Sub total		3,489.32

Table 3: Checks outstanding for more than six (6) months

Date	Description	Months O/S	Amt. US\$
Operational Account at GT-Bank			
Jul. 16, 2020	General Revenue Account	11 Months	46.00
Jul. 17, 2020	General Revenue Account	11 Months	80.00
Jul. 21, 2020	General Revenue Account	11 Months	816.04
Aug. 18, 2020	Nerisa Soln Inc. Tax	10 Months	1,136.25
Sept. 07, 2020	General Revenue Account	9 Months	1,910.00
Sept. 15, 2020	General Revenue Account	9 Months	850.00
Oct. 08, 2020	General Revenue Account	8 Months	730.00
Oct. 13, 2020	General Revenue Account	8 Months	150.00
Oct. 13, 2020	General Revenue Account	8 Months	650.00
Oct. 13, 2020	General Revenue Account	8 Months	1,610.00
Nov. 04, 2020	General Revenue Account	7 Months	5,186.00
Nov. 10, 2020	General Revenue Account	7 Months	1,090.00
Nov. 10, 2020	General Revenue Account	7 Months	1,620.00
Nov. 17, 2020	General Revenue Account	7 Months	120.96
Nov. 23, 2020	General Revenue Account	7 Months	170.00
	Sub total		16,165.25
	Grand total		19,654.57

Risk

- 1.1.2.4 Outstanding checks for over six months may lead to understatement of the cash book and the financial statements.
- 1.1.2.5 Preparation of checks for withholding taxes which are not subsequently remitted to the LRA may deny GoL of much needed tax revenue.

Recommendation

- 1.1.2.6 Management should ensure that all checks written for payment of withholding taxes should be deposited in the General Revenue Account in a timely manner.
- 1.1.2.7 Management 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.**
- 1.1.2.8 Management should adjust the cash book by the total value of the unrepresented checks and restate the financial statements with the adjusted cash balance.

Management's Response

- 1.1.2.9 *Kindly note that a Tax Form is used to facilitate payment of taxes to GOL instead of Check as purported by 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.*
- 1.1.2.10 *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

- 1.1.2.11 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.
- 1.1.2.12 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.

1.1.2.13 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.

1.1.2.14 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.

1.1.3 Status of Project Implementation

Observation

1.1.3.1 With support from the International Development Association (IDA), the Liberia Social Safety Nets (LSSN)-project's Grant Agreement was approved on April 28, 2016 with the main purpose of providing income support to about 10,000 extremely poor and food insecure households in Liberia.

1.1.3.2 During the conduct of the audit, it was observed that the project activities has not been implemented according to schedule under the Social Cash Transfer Component. As a result of delayed activities, the project annual approved budget shows a significant variance between approved budget and actual expenditures incurred for the implementation of the Social Cash Transfer. **See table 4 below:**

Table 4: status of project implementation

#	Approved budget	Actual Expenditure	Variance	% Variance
1	5,775,800	843,062.00	4,932,738	85%

1.1.3.3 Additionally, review of the project monitoring and evaluation report highlighted total beneficiaries of three thousand four hundred and fifty-one (3,451). The project amendment document also shows that the project closing date is extended to June 30, 2022.

Risk

1.1.3.4 Project objectives may not be achieved in the absence of effective project implementation and coordination.

1.1.3.5 The absence of effective monitoring and evaluation of project deliverables may deny the achievement of value for money during the execution of the project.

Recommendation

1.1.3.6 Management should ensure that the project deliverables are implemented in line with the project work plan.

- 1.1.3.7 Management of the LSSNP should ensure that proper coordination, monitoring and evaluation of the Project are implemented periodically during the execution of the project.

Management's Response

Delays due to restructuring of the Project Budget

- 1.1.3.8 *With the additional 8 Million financing from the FCDO, the LSSNP and the World Bank proceeded to restructure the project budget capturing the primary scope of activities the FCDO had earmarked for this Covid-19 emergency funds. This brought about a sudden modification to the Financing Agreement and operational plans of the project, thereby incorporating new payment schemes and social interventions that were targeted at household in the Montserrado areas.*

Delays Attributed to Social Cash Transfer Activities

- 1.1.3.9 *Activities implementation during the fiscal year were mainly affected by the transition from physical cash payment (service provider carrying cash into the field to pay beneficiaries) to mobile money payments. This required procurement to hire a new vendor, facilitate the registration of sim cards, and procurement of phones for beneficiary households which delayed the Quarter 3rd and 4th payments by shifting the planned timelines that were projected in the Annual Work Plan for execution.*

Delays Attributed to Social Registry Activities

- 1.1.3.10 *Secondly, the outbreak of COVID-19 stalled the Social Registry (SR) processes and plans for capacity building, training and knowledge exchange. The cancelation of international flights, restriction of movements within Liberia and the gathering of people which were considered to be in violation of National Government Health Protocols and Covid19 restrictions meant that the Consultant firm for the SR data collection could not return to Liberia to commence activities as scheduled, new COVID-19 data collection protocol needed to have been instituted in accordance with the World Bank Environmental Safeguards requirements.*
- 1.1.3.11 *However, the data collection firm (ESOKO) arrived in Liberia in late September 2020 after the travel restrictions were lifted in Ghana and which became more flexible in Liberia, to commence the exercises. Data Collection started in Late November 2020 and it is still on-going with a planned re-visit cleanup exercise in the 4 counties (Nimba, Maryland, Bong and Bomi). Given that phase I of the SR data collection is still on-going, phase II could not be started and as well as adding new beneficiaries for the SCT.*
- 1.1.3.12 *In support of the above narrative please see attached the Cleared Annual Work Plan that was shared with the GAC during the course of the audit. (See Exhibit 1 attached: Cleared Annual Work Plan)*

Auditor General's Position

- 1.1.3.13 We acknowledge Management's acceptance of our findings and recommendations. We will make a follow up during subsequent audit.

1.1.4 Fuel Consumption Report/ Log

Observation

- 1.1.4.1 The Fuel Policy for the LSSNP vehicles and generators requires that the fuel usage report for previous quarter be submitted to PFMU for review prior to replenishment.
- 1.1.4.2 Regulations A.3 of the Public Financial Management (PFM) Act of 2009 states" any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister".
- 1.1.4.3 During the conduct of the audit, it was observed that the Project Implementation Unit of the LSSNP made a payment in the total amount of US\$3,920 for one thousand fifty-three (1,053) gallons of fuel for the project generators and operations without evidence of consumption report or replenishment log. **See details in table 5 below:**

Table 5: Payment for fuel without consumption report/log

#	Date	Description	QTY	Amount US\$
1.	July 7, 2020	Pmt. For 1,053 diesel gallons for Data Center and Central office generators	1,053 gallons	3,920.00
Total				3,920

Risk

- 1.1.4.4 Fuel procured may not be based on an actual consumption.
- 1.1.4.5 Management may spend above budgeted allocation and fuel may be subjected to misappropriation or theft.

Recommendation

- 1.1.4.6 Management should maintain a fuel consumption and distribution log to help the entity manage cost and inform future purchase

Management's Response

- 1.1.4.7 *All supporting documents that are associated with payments for fuel and communications are always supported by a consumption report/log. (See Exhibit 2 attached: Fuel Consumption Log)*

Auditor General's Position

- 1.1.4.8 Management provision of documents after our review, does not guarantee Management effective control of document management.

1.1.4.9 Going forward, the Project Management should ensure that requested documents for audit purpose are submitted in a timely manner for review.

1.1.5 Fixed Assets Irregularities

Observation

1.1.5.1 Regulations V.4 (2) of the PFM Act of 2009 required that the master inventory shall record under each category of item:

- the date and other details of the voucher or other document on which the items were received or issued;
- their serial numbers where appropriate; and
- their distribution to individual locations and the total quantity held.”

1.1.5.2 During the conduct of the audit, it was observed that the LSSNP Fixed Asset listing submitted for our review was not updated regularly. Many of the assets were not coded and the costs were also not indicated. Additionally, out of the six (6) used Yamaha Motor bikes at the project office in Monrovia, three (3) on the asset listings could not be verified because we were informed that the bikes were taken to an undisclosed garage for repair in Monrovia. See photo of the three bikes verified and table 6 below for uncoded assets located at regional office.



Table 6: Uncoded assets located in Maryland County

No#	Assets Type	Location	Quantity	Condition
1	Lenovo Laptop	Harper Office in Maryland	Two(2)	Good
2	Techno Tablets Pone	Harper Office in Maryland	Three (3)	Good
3	Five (5) KVA Generator	Harper Office in Maryland	One (1)	Good
4	Office Chairs	Harper Office in Maryland	Six(6)	Good
5	AG Yamaha Motor-Bike	Harper Office in Maryland	Two (2)	Good

Risk

- 1.1.5.3 Assets may be missing, damaged, but their values are still on the book.
- 1.1.5.4 Fixed assets may be removed from the entity's premises without authorization; converted to personal use or subjected to theft.

Recommendation

- 1.1.5.5 Management should ensure that the project fixed assets register is updated to reflect the cost, code, location and condition of the assets.
- 1.1.5.6 Management should account for fixed assets that were not verified during the physical inspection of the project assets
- 1.1.5.7 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the project assets.
- 1.1.5.8 Physical verification activities should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.5.9 *The Project Management Team (PMT) informed the auditors that assets without coding were those newly procured and arranged for the GSA coding in the process when all contractual arrangement with the GSA had been agreed and signed by all parties involved. Secondly, on the issues of the operational motorbikes, the GAC auditors were informed that our field offices in Maryland and Grand Kru were assigned the three (3) bikes for operational use. It is unfortunate the auditors ignored and overlooked our response to this query but again, let it be noted that the bikes are in the field offices and are being used by our county teams to implement project activities in the field and the auditor can verify them at their convenient time.*
- 1.1.5.10 *In addition, the project fixed assets listing was updated in July 2021 immediately the new FMO, Mr Abdulai David Nyei, took over. For almost three days in a row, the assets were physically traced on paper and in the store room in order to certify the requirements on existence, rights and obligation, completion, and valuation. Furthermore, the value of all assets acquired will continue to be reflected on the statements for reporting purposes in line with the rule and principles on the cash basis of accounting, the method adopted by the project financial management team.*

Auditor General's Position

- 1.1.5.11 Management's assertion does not adequately address the audit findings. GAC reported that two (2) Yamaha Motorbikes in Maryland were not coded. Further, the GAC indicated that three (3) used Yamaha Motor Bikes at the project office in Monrovia were not available for physical verification. Therefore, we maintain our findings and recommendations.
- 1.1.5.12 Management should institute an assets movement form to account for the movement of assets from one location to the other. The assets movement form should be appropriately authorized.

Management should also ensure that the movement of assets are subsequently update in the location section of the fixed assets register.

1.1.6 SARA Inc. Contract

Observation

- 1.1.6.1 Section 41 (1) (a) to (c) of the Amended and Restated Public Procurement and Concessions (PPC) Act of 2010 states that "The Procuring Entity shall be responsible for the administration and monitoring of contracts entered into by the Entity. The contract administration functions shall include at least the following:
- a) Ensuring that the contractor complies with the specifications and terms of the contract;
 - b) Ensuring that the contract is being performed on schedule;
 - c) Ensuring that, payments made to the contractors are in accordance with the terms of the contract."
- 1.1.6.2 On November 13th, 2020, The Ministry of Gender, Children and Social Protection awarded a Consultant Services Contract to Southeastern Agriculture and Relief Agency (SARA) Inc represented by its Executive Officer, J. Edward Siassay to support implementation of accompanying measures on home gardens in Maryland and Grand Kru Counties at the total cost of US\$69,835. The contract was scheduled to be completed in one year and payments shall be made in five (5) installments.
- 1.1.6.3 During the conduct of the audit, it was observed that the Management of the LSSNP made two payments totaling US\$24,442.00 to SARA rather than the total contract price of US\$69,983 thus denying the achievement of the project implementation as scheduled.
- 1.1.6.4 Additionally, the beneficiaries complained that the tools and seeds procured were distributed to them during the rainy season which is not ideal for gardening. As a result, most of the crops planted did not yield the desired result. See photos of some gardens below in Maryland County.





Risk

- 1.1.6.5 Failure to adhere to payment terms of the contract may lead to non-achievement of project objectives.
- 1.1.6.6 Project funds may be diverted or misapplied.

Recommendation

- 1.1.6.7 Management should provide material justification for not making payment in line with the contract terms.
- 1.1.6.8 Going forward, all payments should be made consistent with the terms of the contract to expedite the execution of the project objectives.

Management's Response

- 1.1.6.9 *The PMT are obliged to follow the terms of contract by ensuring that each milestone and deliverable enshrined therein must be achieved and delivered before a payment is released. Having said that, the total value of the SARA contract sums up to \$ 69,835.00; of this amount, there were at least five milestones that SARA was committed to deliver.*

- 1.1.6.10 *In the process leading to this GAC audit finding, SARA had already delivered on two of the milestones which they were paid for. The other milestones in line with the contractual terms had not been achieved therefore SARA could not be paid until they were delivered. Now, in the process of delivering on all the milestones covid-19 hit and stalled the overall project operations, so we had to extend the SARA contract for more than a year as was previously planned.*
- 1.1.6.11 *An addendum for a no cost extension was made and signed by all parties which allow SARA to continue her operations until Dec 2021. To conclude, SARA has now submitted all outstanding deliverables for payments. The deliverable is reviewed by the contract managers in Person of Madam Vaiba Flomo and cleared by the National Coordinator for payment. This extension however, exceeded the period under audit therefore, the GAC cannot make a reasonable argument on the performance of SARA Inc outside of the scope of their audit.*
- 1.1.6.12 *Payment request for both the third and fourth milestones are now with the PFMU for settlement. Attached is the SARA contract along with other service contract maintenance at PMU currently. (See Exhibit 3 attached: SARA Contract)*

Auditor General's Position

- 1.1.6.13 We acknowledge Management's acceptance of our finding and recommendations. We will make a follow up during subsequent audit. However, the addendum to the SARA Contract was not submitted by management as asserted in its response. It is important to note that Management's provision of documents after the audit fieldwork, does not guarantee effective control of document management. Therefore, we maintain our findings and recommendations.

1.1.7 Untimely replenishment (SCT)

Observation

- 1.1.7.1 Section C of the contract between Lone Star GSM and LSSNP Management for the provision of mobile money phones and ancillary services required that, the Management of the LSSNP should maintain sufficient liquidity to respond to withdrawal request from all beneficiaries of the Social Cash Transfer.
- 1.1.7.2 During our field visit in November 2021, it was observed from Post Distribution Monitoring Report, coupled with meetings held with field staff and some beneficiaries in Maryland County that mobile money agents ran out of cash at several payment points.
- 1.1.7.3 This resulted to beneficiaries queuing in long lines for protracted period.

Risk

- 1.1.7.4 Inadequate funds during cash out events may lead to beneficiaries incurring additional costs. This may also deny the achievement of the project's objectives.

Recommendation

- 1.1.7.5 Management should ensure that adequate funding is available to service the beneficiaries at the cash transfer payment points.
- 1.1.7.6 Management should monitor cash balances at various payment points to facilitate timely replenishment of fund balance.

Management's Response

- 1.1.7.7 *It is very unfortunate that the GAC would choose to ignore the evidence and supporting documentation provided in response to the annual audit. We had earlier submitted to the GAC and went further to explain the process of SCT liquidation. A copy of the reconciled World Bank cleared third and fourth quarter reports were shared with the Auditor Prince Konneh and Ballah Barclay for admittance but unfortunately, they both choose to raise a false alarm on the issue of liquidation. Had it not been that we liquidated the third and fourth quarter SCT payments, we would not have been given the bank's authorization to go about executing the fifth and sixth payment.*
- 1.1.7.8 *The process of developing the payroll, verifying the beneficiaries per ID and phone numbers etc, and sending the payroll for the bank approval were processes explained to the GAC, but they chose to overlook our response. (See Exhibit 5 attached: Approved Excel file containing the 3rd & 4th beneficiary payments).*

Auditor General's Position

- 1.1.7.9 Management's assertion does not address the delay and challenges experienced by beneficiaries during cash out periods. The GAC did not indicate that payments of Social Cash Transfer were not made to beneficiaries, as asserted by management. We therefore maintain our findings and recommendations.

1.1.8 Social Protection Technical Committee (SPTC) Meeting Minutes

Observation

- 1.1.8.1 Page 8 Section C of the LSSNP Financing Agreement required that, the SPTC oversee policy dialogue at the national level; conduct periodic progress reviews to ensure adherence to project operational guidelines; ensure inter-ministerial and inter-agency coordination and cooperation; raise awareness of the SP program; approve social protection program plans, budgets and implementation progress reports and source funding.
- 1.1.8.2 Doing the conduct of the audit, it was observed that the Management of the LSSNP provided no evidence of Meetings' Minutes for the Social Protection Technical Committee (SPTC) covering the period under audit.

Risk

- 1.1.8.3 The absence of a Social Protection Technical Committee Meeting minutes may cast doubt over the strategic oversight activities of the committee.

Recommendation

- 1.1.8.4 Management should conduct periodic meeting of the Social Protection Technical Committee to ensure that the functions and objectives are achieved.
- 1.1.8.5 Minutes for meeting held should be clearly documented and filed to facilitate future review.

Management's Response

- 1.1.8.6 *All the SPTC meeting minutes were shared with the Auditors during the conduct of the audit but we are appalled that they are being requested again. Notwithstanding, we are again resubmitting them for the Auditor's reference. (See Exhibit 6 attached: SPTC Meeting Minutes).*

Auditor General's Position

- 1.1.8.7 Management did not submit the Technical Committee Meeting minutes as asserted in its response. It is important to note that Management's provision of documents after the audit field work, does not guarantee effective control of document management. Therefore, we maintain our findings and recommendations.

1.1.9 Mutilated Liberian Dollars Note

Observation

- 1.1.9.1 According to the project grant agreement, the main objective of the Liberia Social Safety Nets (LSSN)-project is to establish the key building blocks of a basic National Social Safety Net Delivery System and provide income support to households who are both extremely poor and food insecure in the Republic of Liberia.
- 1.1.9.2 During our field visit in Maryland and Grand Kru Counties, it was observed that several Social Cash Transfer Beneficiaries complained that most of the bank notes disbursed to them were mutilated. The indicated that bank notes could not be accepted in the local markets for exchange of goods and services.
- 1.1.9.3 Additionally, some beneficiaries explained that money exchangers requested high value of mutilated Liberian Dollars in exchange for lower value clean bank notes.

Risk

- 1.1.9.4 Disbursing mutilated notes to beneficiaries may undermine the achievement of the project's objectives.

Recommendation

- 1.1.9.5 Management should ensure that cash disbursing agents disbursed un mutilated funds to beneficiaries.

Management's Response

- 1.1.9.6 *We acknowledge the Auditor's recommendation; however, this issue can only be resolved at the national level. The Auditor should be aware that there are several legacy Liberian dollars notes currently in circulation as issued by the Central Bank of Liberia (CBL) which are all legal tender from various periods, most of which are mutilated. This issue is a national issue and as new denominations are printed and circulated by the CBL; this issue will be resolved.*

Auditor General's Position

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

1.1.10 Bank Reconciliation Report Observation

- 1.1.10.1 Section 6.5 (3) of the PFMU Financial Manual delegates the preparation and review responsibilities to the Assistant Project Accountant (APA) and the Internal Auditor respectively.
- 1.1.10.2 During the conduct of the audit, it was observed that monthly bank reconciliation reports prepared by the PFMU did not show the titles of the preparer, reviewer and approver on the monthly bank reconciliation statements for the period under review.

Risk

- 1.1.10.3 The lack of 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

- 1.1.10.4 The Management 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

- 1.1.10.5 *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.*
- 1.1.10.6 *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

- 1.1.10.7 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.

LSSN PROJECT AUDIT 2020/2021
2 STATUS OF PRIOR YEAR (2019/2020) RECOMMENDATIONS

No.	Findings	Observation	Recommendation	Status of Prior Year Audit Recommendations
1.	1.1.1 Bank Errors	1.1.3 During the conduct of the audit, it was observed that the LSSNP Bank Reconciliation Statement for its CBL Account covering the month of June 2020 shows ten (10) added bank error on the face of the reconciliation statement dated from April 1, 2020 in the total amount of US\$35,494.40. There was no evidence that the Project Management made contact with the bank to rectify the errors in a timely manner.	1.1.1.5 The LSSNP Management should ensure that errors by the bank are promptly rectified	Implemented
2.	1.1.2 Cash Transfer Payment Identification Cards	1.1.2.2 During the conduct of the audit, it was observed that the Management of the LSSNP made several payments to Social Cash Transfer beneficiaries during the first and second quarters without evidence of beneficiary's photos on the payment Identification cards to identify the actual beneficiaries.	1.1.2.4 Management of the LSSNP should ensure that beneficiaries of the Social Cash Transfer have evidence of photos on their Identification Cards.	Implemented
3.	1.1.5 Bank Reconciliation Report	1.1.5.2 During the conduct of the audit, it was observed that monthly bank reconciliation Reports prepared by the PFMU did not show the titles of the preparer, reviewer and approver on the monthly bank reconciliation statements for the period under review.	1.1.5.4 The Management of the Project should ensure that positions or titles of the staffers responsible to prepare, review and approve the monthly bank reconciliation are displayed on the reconciliation statements.	Not implemented