



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



On the Financial Statement Audit of the Public Sector Modernization Project (PSMP) P143064 :(IDA 53590 & TFA1263)

For the period July 1, 2020 to June 30, 2021

December 2021

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

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ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
ACCA	Association of Chartered Certified Accountant
AFP	Audit Focal Person
AG	Auditor General
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Professional
COSO	Committee of Sponsoring Organization
FSs	Financial Statements
GOL	Government of Liberia
HRBF	Health Result Based Financing
PSMP	Public Sector Modernization Project
IAU	Internal Audit Unit
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFRs	Interim Financial Reports
INTOSAI	International Organization of Supreme Audit Institutions
IPSASs	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
CSA	Civil Services Agency
OFM	Office of Financial Management
POC	Project Oversight Committee
PCO	Project Coordination Office
PIM	Project Implementation Manual
QPR	Quarterly Progress Report
SOE	Statement of Expenditures
ToR	Term of Reference

December 31, 2021

Hon. James Thompson
Acting Director General
Civil Service Agency
Carey Street
Monrovia, Liberia

Dear Hon. Thompson:

RE: AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENT AUDIT OF THE PUBLIC SECTOR MODERNIZATION PROJECT (PSMP)

Opinion

We have audited the accompanying financial statements of the Public Sector Modernization Project (PSMP) for the fiscal period ended June 30, 2021 financed through (P143064: IDA 53590 & TFA1263) which comprise the statements of Receipts and Payments, Statement of Comparison of Budget and Actual Amounts and a Summary of significant Accounting Policies and other explanatory information.

In our opinion, the accompanying financial statements (P143064: IDA 53590 & TFA1263) 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 Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS Cash Basis, 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.

In preparing the financial statements, management is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

The PSMP Management is responsible for overseeing the Project's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

Monrovia, Liberia

December 31, 2021

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

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<i>In United States Dollars</i>	Notes	2021 June	2020 June	Cummulative
Receipt				
IDA Grant	4	3,864,602	35,048	9,451,903
Toptal Receipt		<u>3,864,602</u>	<u>35,048</u>	<u>9,451,903</u>
Payment				
Improve Pay Management	5	23,847	2,255	26,103
Strenthened Payroll Management	6	35,710	135,880	171,590
Improved Performance	7	20,571	3,723	24,294
Program/Project Management	8	500,844	153,864	654,708
Total Payments		<u>580,973</u>	<u>295,722</u>	<u>876,695</u>
Excess of receipts over payments (payments over receipts)		3,283,629	(260,673)	3,022,955
Fund Balance as at beginning		<u>169,547</u>	<u>430,220</u>	430,220
Cummulative fund balance		<u>3,453,175</u>	<u>169,547</u>	<u>3,453,175</u>

The notes found on page 9-14 are integral part of these financial statements

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

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<i>In United States Dollars</i>	Notes	2021 June	2020 June
A Fund Balance			
Balance of Project Fund		169,547	430,220
Add: Total Receipts during the period		<u>3,864,602</u>	<u>35,048</u>
Total Fund available for operations		4,034,148	465,269
Less: Total Payments during the period		<u>580,973</u>	<u>295,722</u>
Balance of project fund at the end of the year		3,453,175	169,547
B Cash Status:			
Cash at Bank		3,453,175	169,547
Total Cash on hand and in bank			
Difference between A and B		<u><u>-</u></u>	<u><u>0</u></u>

The notes found on page 9-14 are integral part of these financial statements

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

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Ananalysis of Variance


Activities Within Components	Project Allocation	Budget	Actual	Variance	% of Variance
		US\$	US\$	US\$	
Component 1: Improve Pay Management	3,180,000	249,609	23,847	225,762	90.45
Component 2: Strenthened Payroll Management	3,050,000	252,216	35,710	216,506	85.84
Component 3: Improved Performance	3,380,000	214,063	20,571	193,492	90.39
Component 4: Program/Project Management	1,100,000	1,194,648	500,844	693,804	58.08
Grand Total	10,710,000	1,910,536	580,973	1,329,563	69.59

The notes found on page 9-14 are integral part of these financial statements


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

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<i>In United States Dollars</i>	Notes	2021 June	2020 June
Assets			
Cash and cash equivalent		<u>3,453,175</u>	<u>169,547</u>
Total Assets		3,453,175	169,547
Fund Balance			
Grants		<u>3,453,175</u>	<u>169,547</u>
Accumulated Fund Balance		<u><u>3,453,175</u></u>	<u><u>169,547</u></u>



 Papin Daniels
 Director, DFPs
 PFMU, MFDP



 Darlington A.P. Smith
 Acting Project Coordinator-PSMI
 CSA

The notes found on page 9-14 are integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

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1. Background and Information of the Project

With support from the International Development Association, AID-US Agency for International Development (USAID), SIDA-Sweden: Swedish Intl. Dev. Cooperation Agency (Sida); the PSM-Project is to improve pay and performance management in participating ministries, and strengthen payroll management in the civil service in Liberia. The project has four components. The PSM Project was approved by the World Bank on February 10, 2014 and other Partners with a grant amount of USD 10.71 Million. The aim of the project is:

- i. Improved Pay Management
- ii. Strengthened Payroll Management
- iii. Improved Performance
- iv. Program/Project Management

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:

Category	Amount of grant allocated expressed in US\$ million	% of expenditure to be financed
Improved Pay Management	3.18	30
Strengthened Payroll Management	3.05	28
Improved Performance	3.38	32
Program/Project Management	<u>1.10</u>	<u>10</u>
Total	<u>10.71</u>	<u>100</u>

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

	% of Expenditure
USAID	47
IDA grant	19
SIDA	34
Total	<u>100</u>
	=====

NOTES TO FINANCIAL STATEMENTS *(continued)*

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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/Loan Receipts

Grant/Loan from donors for the PSM 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 disbursement purposes. All payments for the PSM 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

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 (continued)

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<i>In United States Dollars</i>	2021 June	2020 June	Cumulative
4 Grant			
Grant from PSMP is held in a deferred income account when received and are only recognized in the Project's income statement when utilized.			
Grant Receipt			
PSMP/MFDP/006-IDA 53590	684,602	35,048	3,142,024
IDA 53590	-	35,048	(500,000)
PSMP/MFDP/001-TF A1263	-	(35,048)	3,629,879
TF A1263 - DLI	3,180,000	-	3,180,000
	3,864,602	35,048	9,451,903
5 Improve Pay Management			
Develop CS Pay Strategy	-	-	-
Comparative remunera survey	-	-	-
Civil Servants mapped-grades	-	-	-
Trg-Grading Job Eval & Class	15,000	-	15,000
CS aware of pay reforms	8,847	2,255	11,103
Strengthening Pension Unit	-	-	-
	23,847	2,255	26,103
6 Strengthened Payroll Management			
CSA & MAC HR Office Employees	35,710	54,605	90,316
MACs est post defined in HRMIS	-	891	891
Complete OneEmployee, One-File	-	-	-
HRMIS-Biometrics Decentralizat	-	-	-
Produce Biometric ID Cards	-	-	-
HRMIS Directorate Office Supp	-	-	-
IT Infrastructure Upgrade&Supp	-	80,383	80,383
	35,710	135,880	171,590
7 Improved Performance			
Org design model & methodology	8,799	-	8,799
Org diagnoses carried out MACs	-	38	38
Rvsl org Structure 10 MACs-GC	-	-	-
Armed mandate & func of MACs	-	-	-
Heads of Depmts& Divisions Trg	-	2,255	2,255
Perf Mgt Trg rolled out in MAC	11,772	1,430	13,202
	20,571	3,723	24,294

NOTES TO THE FINANCIAL STATEMENTS (continued)

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<i>In United States Dollars</i>	2021 June	2020 June	Cummulative
8 Program/Project Management			
Workshop/Retreat/Forum	-	-	-
General Operations	500,844	103,620	604,464
Program Implementation Support	-	-	-
Office-Capacity support	-	20,893	20,893
Tech Supp Imple agencies/LIPA	-	-	-
Tech Supp Imple agencies/GC	-	-	-
Consultancy	-	29,350	29,350
PFMU SERVICES	-	-	-
DLI Payment	-	-	-
	500,844	153,864	654,708
Cash receipts through grant and other Sources			
IDA grant	3,864,602	35,048	9,451,903
Cash paid			
Improve Pay Management	23,847	2,255	26,103
Strenthened Payroll Management	35,710	135,880	171,590
Improved Performance	20,571	3,723	24,294
Program/Project Management	500,844	153,864	654,708
Total Payments	580,973	295,722	876,695

NOTES TO THE FINANCIAL STATEMENTS (continued)

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Analysis of Variance

Activities Within Components	Project Allocation	Annual US\$	Actual Expenditure US\$	Variance US\$
Component 1: Improve Pay Management				
Develop CS Pay Strategy	93,255	-	-	-
Comparative remunera survey	111,906	-	-	-
Civil Servants mapped-grades	503,578	20,000	-	20,000
Trg-Grading Job Eval & Class	186,510	165,000	15,000	150,000
CS aware of pay reforms	261,114	64,609	8,847	55,762
Strengthening Pension Unit	2,023,636	-	-	-
Sub-Total	3,180,000	249,609	23,847	225,762
Component 2: Strengthened Payroll Management				
CSA & MAC HR Office Employees	39,069	38,391	35,710	2,681
MACs est post defined in HRMIS	49,937	-	-	-
Complete OneEmployee, One-File	221,040	-	-	-
HRMIS-Biometrics Decentralizat	786,015	-	-	-
Produce Biometric ID Cards	710,257	-	-	-
HRMIS Directorate Office Supp	342,039	-	-	-
IT Infrastructure Upgrade&Supp	901,643	213,825	-	213,825
Sub-Total	3,050,000	252,216	35,710	216,506
Component 3: Improved Performance				
Org design model & methodology	442,951	-	8,799	(8,799)
Org diagnoses carried out MACs	235,485	-	-	-
Rvsl org Structure 10 MACs-GC	285,345	-	-	-
Armed mandate & func of MACs	327,340	32,505	-	32,505
Heads of Depmts& Divisions Trg	1,408,530	43,599	-	43,599
Perf Mgt Trg rolled out in MAC	680,349	137,959	11,772	126,187
Sub-Total	3,380,000	214,063	20,571	193,492
Component 4: Program/Project Management				
Workshop/Retreat/Forum	132,488	43,896	-	43,896
General Operations	308,514	56,609	500,844	(444,235)
Program Implementation Support	161,091	90,250	-	90,250
Office-Capacity support	-	20,893	-	20,893
Tech Supp Imple agencies/LIPA	127,243	-	-	-
Tech Supp Imple agencies/GC	99,605	-	-	-
Consultancy	260,168	120,000	-	120,000
PFMU SERVICES	10,891	15,000	-	15,000
DLI	-	848,000	-	848,000
Sub-Total	1,100,000	1,194,648	500,844	693,804
Grand Total	10,710,000	1,910,536	580,973	1,329,563

Note: Variances are as a the result of project office not implementing all the activities budgeted for.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PROJECT DESIGNATED ACCOUNT STATEMENT

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Account Number: 1502021698
Account Type: Current Account
Depository Bank: Central Bank of Liberia
Address: Ashmun Street
Monrovia, Liberia

Account Number: 6101682042 &
Account Type: Current Account
Depository Bank: Eco Bank Liberia Ltd.
Address: 11th Street, Sinkor

Currency: United States Dollar

	2021 June	2020 June
Total Grant Received	<u>3,864,602</u>	<u>35,048</u>
Total grant income reported	3,864,602	35,048
Amount spent	580,973	295,722
Balance as at beginning	<u>169,547</u>	<u>430,220</u>
Balance as at June 30, 2021	<u>3,453,175</u>	<u>169,547</u>
Closing Balance Consist of:		
6101682042 (Eco Bank)	281,958	164,264
6101682042 (Eco Bank) - DLI	3,163,698	-
Cash on Hand-Petty Cash	236	4,000
Escrow Establishment-EcoBank	<u>6,000</u>	<u>-</u>
	<u>3,453,175</u>	<u>169,547</u>