



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



**On the Financial Statement Audit of the Public
Financial Management Reforms for Institutional
Strengthening Project (PFMRISP) P165000:
Grant No. IDA D5060**

For the Fiscal Period 2020/2021

December 2021

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

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December 31, 2021

Hon. Samuel D. Tweah, Jr.
Minister
Ministry of Finance and Development Planning
Corner of Broad and Mechlin Streets
Monrovia, Liberia

**Ref: AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENT AUDIT OF THE
PUBLIC FINANCIAL MANAGEMENT REFORMS FOR INSTITUTIONAL
STRENGTHENING PROJECT (PFMRISP)**

Opinion

We have audited the accompanying financial statements of the Public Financial Management Reforms for Institutional Strengthening Project (PFMRISP) financed by the World Bank PFMRISP: P165000: Grant No. IDA D5060 for the fiscal period ended June 30, 2021, which comprise 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 Statements of Grant No. IDA D5060 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 other 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 (ISSAI). 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 Statement of Receipts and Payments

Management is responsible for the preparation and fair presentation of the Statement of Receipts and Payments 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 Statement of Receipt and Payment that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on Statement of Receipts and Payments based on our audit. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI) and the World Bank Guidelines. Those standards and the applicable World Bank guidelines required that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement of Receipts and Payments are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Receipts and Payments. The procedures selected depends on the auditor's judgment, including the assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Statement of Receipts and Payments in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Statement of Receipts and Payments.



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

Monrovia, Liberia

December 2021

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

In United States Dollars		FY 2020 July 2021 June	FY 2019 November 2020 June
	Notes		
Receipt			
IDA Grant	4	7,433,533	2,891,325
Total Receipt		<u>7,433,533</u>	<u>2,891,325</u>
Payments			
Enhancement of Systems for Domestic Resource Mobilization	5	1,107,512	205,207
Revenue Mobilization & Administration	6	1,238,418	573,571
Program Governance Project Management	7	458,463	225,899
Delivery Systems in Health and Education	8	353,145	31,850
Project Management & Just-in-Time Resources	9	596,348	233,954
Total Payments		<u>3,753,886</u>	<u>1,270,481</u>
Excess of receipts over payments (payments over receipts)		3,679,647	1,620,844
Fund balance as at beginning		<u>1,538,401</u>	<u>-</u>
Cumulative fund balance		<u>5,218,048</u>	<u>1,620,844</u>

Note: Total expenditures for the fiscal year is reduced by **US\$219,202.84** which represents GAC components under the project and total expenditures for the previous fiscal year is reduced by **US\$82,443.54** which represented GAC component under the project, hence reducing fund balance brought forward and closing balances.

The notes on pages 8 to 15 are integral part of these project financial reports.

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

In United States Dollars

	Notes	FY 2020 July 2021 June	FY 2019 November 2020 June
A. FUND BALANCE			
Balance of Project Fund		1,538,501	-
Add: Total Receipts during the period	10	7,433,533	2,891,325
Total fund available for operations		<u>8,971,934</u>	<u>2,891,325</u>
Less: Total payments during the period	11	3,753,886	1,270,481
Balance of project funds at the end of the year		<u>5,218,048</u>	<u>1,620,844</u>
B. CASH STATUS:			
Cash at bank		45,218,048	1,620,844
Total cash on hand and in bank		<u>5,218,048</u>	<u>1,620,844</u>
Difference between A and B		<u>-</u>	<u>-</u>

Note: Total expenditures for the fiscal year is reduced by **US\$219,202.84** which represents GAC components under the project and total expenditures for the previous fiscal year is reduced by **US\$82,443.54** which represented GAC component under the project, hence reducing fund balance brought forward and closing balances.

The notes on pages 8 to 15 are integral part of these project financial reports.

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

In United States Dollars


Activities within components	Note	Project Allocation	Budget	Actual Expectation	Variance
Enhancement of Systems for Domestic Resource Mobilization	12	7,790,000	2,880,750	1,107,512	1,773,238
Stabilizing and Strengthening Financial Controls and Performance	12	4,185,000	2,980,500	1,238,418	1,742,082
Improved Oversight and Public Sector Capacity	12	2,620,000	1,037,000	458,463	578,537
Improving Upstream and Downstream PFM Service Delivery Systems in Health and Education Program Management & Just-in-Time Resource		4,300,000	552,950	353,145	199,805
		2,090,000	442,000	596,348	154,348
Grand Total		20,985,000	7,893,200	3,753,886	4,139,314

The notes on pages 8 to 15 are integral part of these project financial reports.

Variance explanation can be found on Note 12.

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

In United States Dollars	Notes	FY June 2021	FY June 2020
Assets			
Cash and Cash Equivalent		<u>5,218,048</u>	<u>1,620,844</u>
Total Assets		<u>5,218,048</u>	<u>1,620,844</u>
Fund Balance			
Grants		<u>5,218,048</u>	<u>1,620,844</u>
Accumulated Fund Balance		<u>5,218,048</u>	<u>1,620,844</u>



 Papin Daniels, Jr., CPA, CA
Director, Donor Financed Projects
PFMU, MFDP



 Vee Musa Fofana
Project Manager – PMU
MFDP

The notes on pages 8 to 15 are integral part of these project financial reports.

NOTES TO THE FINANCIAL STATEMENTS

1. Background and Information of the Project

With support from the World Bank; the Public Financial Management Reforms for Institutional Strengthening -project is geared towards improving domestic revenue mobilization systems, and strengthen financial control and accountability in public finances. The PFMRIS project was approved by the World Bank on September 15, 2019, with a grant amount of USD 19 Million. The aim of the project is

- i. To design to improve taxpayer service and compliance to mobilize sufficient resources for the delivery of public services
- ii. To design to finance the introduction of the IFMIS (including the Civil Service Module (CSM) in approximately 35 of the remaining 57 Ministries and Agencies 12, as well as stabilize and strengthen IFMIS implementation across MACs. It will also finance the integration of IFMIS and other IT systems, including the coverage of the Government's PFM systems and control for effective fiscal and financial accounting to allow for timely and accurate financial reporting.
- iii. Will boost internal and external oversight by strengthening core accountability and integrity institutions, as well as providing support for the ability of civil society to participate in evidence- based policy discussions.
- iv. To reduce the extent of existing core PFM-related bottlenecks within the chosen sectors that significant impede the goal of improved service delivery systems, a necessary pre-condition toward improving Liberia's human capital. The selected agencies-Ministry of Health (MoH) and Ministry of Education (MoE)-lack the administrative capacity to set realistic targets, evaluate results, and make use of performance assessments in their resource allocations and management decisions. The component will support strengthened coordination between various programs being implemented in the two sectors, including approaches and funding mechanisms. The component will help to streamline service delivery processes, avoid duplication, and prevent the increase of changes of corruption. It will also address the need to focus on key processes necessary to establish a planning and budgeting system that creates incentive to focus on and contribute to the improvement of service delivery outcomes
- v. To ensure the effective, proper management, and results-driven implementations of the project, as well as to provide the just-in0time interventions that may arise.

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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Category	Amount of grant allocated Expressed in US\$	% of Expenditure to be financed
Enhancing Domestic Revenue Mobilization Source and Systems	7,000,000	100
Stabilizing and Strengthening Performance of Financial Controls and Systems	3,200,000	100
Improving Public-Sector Capacity for Enhanced Oversight and Accountability	2,620,000	100
Improving Upstream and Downstream PFM Systems in Selected Sectors	4,300,000	100
Project Management	<u>1,880,000</u>	100
Total	<u>19,000,000</u>	

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

	% of Expenditure
IDA	100
Total	<u>100</u>

Tax

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

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

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 the donors for the PFMRISP project is recognized and reported in the Statement of Receipt and payment as income when received and held in a bank account called deferred income account for transitory purposes.

Amounts approved for disbursement are transferred from the deferred account in to another bank account called the designated account. All payments for the PFMRISP project and activities are made from the designated account.

Cash and bank balances

Cash consist of cash in hand and balance at bank.

NOTES TO THE FINANCIAL STATEMENTS (continued)

<i>In United States Dollars</i>	FY July 2020 June 2021	Adjusted Audited Balance June 2020	Adjustment	FY July 2019 June 2020	Cumulative
4. Grant Receipt					8,849,558
IDA D5060	5,958,533	2,891,025	-	2,891,025	
IDA D5060-Direct Payment	-	-	-	-	-
IDA D5060					
IDA TF B3178	1,475,000	-	-	-	1,475,000
Sale of bids	-	300	-	300	300
	<u>7,433,533</u>	<u>2,891,325</u>	<u>-</u>	<u>-</u>	<u>10,324,858</u>
5. Enhancement of Systems for Domestic Resource Mobilization					
Improve Tax Policy	113,256	-	-	-	113,256
Capacity Development and strengthening the Tax Administration					
Technological Basis of	994,257	205,207	(16,241)	221,448	1,199,463
	<u>1,107,512</u>	<u>205,207</u>	<u>(16,241)</u>	<u>221,448</u>	<u>1,312,719</u>
6. Stabilizing and Strengthening Financial Controls and Performance					
IFMIS Improvement & Rollout Supper	930,640	544,482	1,414	542,868	1,474,922
Enhancing the Budget Framework	255,482		(56)	56	255,482
Preparing for Modernization of Procurement Systems in the Public Sector	31,400	14,883	14,883	-	46,283-
Open Data	20,895	14,406	-	14,406	35,301
	<u>1,238,418</u>	<u>573,571</u>	<u>16,241</u>	<u>557,330</u>	<u>1,811,989</u>

7. Improved Oversight and Public-Sector Capacity

Improving parliamentary, Internal and external Oversight
Effectiveness

338,670	89,500	-	89,500	729,816
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Institutional Capacity Building

119,793	136,399	-	136,399	256,192
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458,463	225,899	-	225,899	986,008
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NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States Dollars

FY 2019
November
2020 June
Cumulative

8. Improving Upstream and Downstream PFM Service Delivery Systems in Health and Education

Strengthening Foundations for Improved PFM Systems in the Health and Educations Sectors	353,145	31,850	-	31,850	384,995
Improving PFM Systems in the Health and Education Sectors	-	-	-	-	-
	353,145	31,850		- 31,850	384,995.44

9. Project Management & Just-in-Time Resource

Project Management and Establishment of the PMU	596,348	233,954	-	233,954	830,302
Unallocated (Just-in-Time Resources)	-	-	-	-	-
	596,348	233,954		- 233,954	830,302

10. Cash receipts through grant and other Sources

IDA grant	7,433,533	2,891,325	-	2,891,325	10,324,858
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11. Cash paid

Enhancement of Systems for Domestic Resource Mobilization	1,107,512	205,207	(16,241)	221,448	1,312,719
Stabilizing and Strengthening Financial Controls and Performance	1,238,418	573,571	16,241	557,330	1,811,989
Improved Oversight and Public –Sector Capacity	458,463	225,899	-	225,899	986,008
Improving Upstream and Downstream PFM Service Delivery Systems in Health and Education	353,145	31,850	-	31,850	384,995
Project Management & Just-in-Time Resources	596,348	233,954	-	233,954	830,302
Total Payment	3,753,886	1,270,481	-	1,270,481	5,326,013

Note: Total expenditures for the fiscal year is reduced by **US\$219,202.84** which represents GAC components under the project and total expenditures for the previous fiscal year is reduced by **US\$82,443.54** which represented GAC component under the project, hence reducing fund balance brought forward and closing balances.

12. Variance Explanation

Variances are due to the fact that the activities were not fully disbursed due to changes that were going in the PIU and slowed disbursements. Most of the activities are in the implementation stage and have not been delivered to allowed the project to effect payments.

NOTES TO THE FINANCIAL STATEMENTS (Continue)

PROJECT DESIGNATED ACCOUNT STATEMENT

Account Number: 6101665222

Account Type: Current Account

Depository Bank: Ecobank Bank Liberia Ltd.

Address: 11th Street, Sinkor
Monrovia, Liberia

Currency: United States Dollars

	<i>In United States Dollars</i>	<i>In United States Dollars</i>
	June 2021	2019 November 2020 June
Total Grant received	<u>7,433,533</u>	<u>2,891,325</u>
Total grant income reported	7,433,533	2,891,325
Amount spent	3,753,886	1,270,481
Balance as at beginning	<u>1,538,401</u>	<u>-</u>
Balance as at June 30, 2019	<u>5,218,048</u>	<u>1,620,844</u>
Closing Balance Consist of:		
Petty Cash – PMU	391	2,000
Petty Cash – RCU	-	-
Petty Cash – IFMIS	-	-
IDA Designated a/c – Ecobank	3,920,524	1,536,401
IDA DLI a/c – Ecobank	<u>1,077,930</u>	<u>-</u>
	<u>4,998,845</u>	<u>1,538,401</u>