



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 2021

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

<i>In United States Dollars</i>	Notes	2021 June	2020 June	Cumulative
Receipt				
IDA Grant	4	3,864,602	35,048	9,451,903
Total Receipt		3,864,602	35,048	9,451,903
Payment				
Improve Pay Management	5	23,847	2,255	26,103
Strengthened 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		580,973	295,722	876,695
Excess of receipts over payments (payments over receipts)		3,283,629	(260,673)	3,022,955
Fund Balance as at beginning		169,547	430,220	430,220
Cumulative fund balance		3,453,175	169,547	3,453,175

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		3,864,602	35,048
Total Fund available for operations		4,034,148	465,269
Less: Total Payments during the period		580,973	295,722
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		-	-

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 4

Activities Within Components	Note	Project Allocation	Budget	Actual	Variance	% of Variance
			US\$	US\$	US\$	
Component 1: Improve Pay Management	9	3,180,000	249,609	23,847	225,762	90.45
Component 2: Strengthened Payroll Management	9	3,050,000	252,216	35,710	216,506	85.84
Component 3: Improved Performance	9	3,380,000	214,063	20,571	193,492	90.39
Component 4: Program/Project Management	9	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

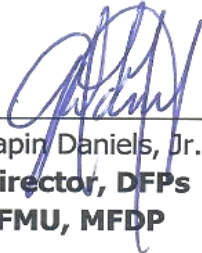
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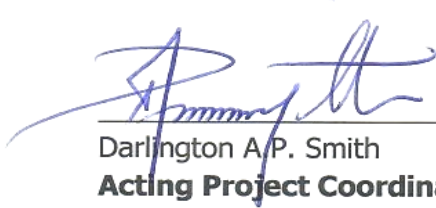
**STATEMENT OF FINANCIAL POSITION
 AS AT JUNE 30, 2021**

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



Papin Daniels, Jr.
**Director, DFPs
 PFMU, MFD**



Darlington A.P. Smith
**Acting Project Coordinator-PSMP
 CSA**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Background and Information of the Project

With supported 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 partner 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\$	% of Expenditure to be financed
Improve Pay Management	3.18	30
Strengthened payroll Management	3.05	28
Improved Performance	3.38	32
Program/ project Management	1.10	10
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 to be financed
USAID	47
IDA grant	19
SIDA	34
Total	<u>100</u>

NOTES TO FINANCIAL STATEMENTS (continual)

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 in other currencies are translated into United States Dollars and recorded at the rate of exchange ruling at the date of the transaction(s). Balances 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 balance

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 taxes. Taxes are withheld on consultants and vendors.

NOTES TO THE FINANCIAL STATEMENTS

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	2021	2020	
<i>In United States Dollars</i>	June	June	Cumulative
Grant			
4			
Grant from PSMP is held in an 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 Strenthened 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
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	1,451,903
Cash paid			
Improve Pay Management	23,847	2,255	26,103

Strengthened 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

9 Variance Analysis

Note: Variances are as 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	2020
	June	June
Total Grant Received	<u>3,864,602</u>	<u>35,048</u>
Total grant income reported	<u>3,864,602</u>	<u>35,048</u>
Amount spent	580,973	295,722
Balance as at beginning	169,547	430,220
Balance as at June 30, 2021	<u>3,453,175</u>	<u>169,547</u>
Closing Balance Consist of:		
02/205/300002/22 (Central Bank of Liberia)	1,283	1,283
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	6,000	-
	<u>3,453,175</u>	<u>169,547</u>