

## Management Letter



### On the Financial Statements Audit of the Youth Entrepreneurship & Employment Project (YEPP)

*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 USED

Acronyms/Abbreviations/Symbol	Meaning
ACCA	Association of Chartered Certified Accountants
AFP	Audit Focal Person
AG	Auditor General
CFC	Certified Financial Consultant
CFIP	Certified Financial Investigation Professional
CSC	County Steering Committee
ED	Executive Director
FS	Financial Statements
GoL	Government of Liberia
IFR	Interim Financial Reports
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MOYS	Ministry of Youth and Sport
No.	Number
N/A	Not Applicable
PDO	Project Development Objectives
PFM	Project Financial Manual
POM	Project operational Manual
QPR	Quarterly Progress Report
Qty	Quantity
SOE	Statement of Expenditures
ToR	Term of Reference
USD	United States Dollars
YEEP	Youth Entrepreneurship & Employment Project

December 31, 2021

Hon. Dester Zeogar Wilson  
**Minister**  
Ministry of Youth and Sports  
Monrovia, Liberia

Dear Hon. Wilson:

**RE: DRAFT MANAGEMENT LETTER ON THE FINANCIAL STATEMENT AUDIT OF THE YOUTH ENTREPRENEURSHIP & EMPLOYMENT PROJECT (YEEP) FOR THE PERIOD 1 JULY 2020 TO 30 JUNE 2021.**

The Audit of the Financial Statements of the Youth Entrepreneurship & Employment Project (YEEP) for the period July 1, 2020 to June 30, 2021 was commissioned by the Auditor-General (AG) under AG's mandate as provided for in Section 2.1.3 of the GAC Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

**INTRODUCTION**

The audit of the Youth Entrepreneurship & Employment Project (YEEP) year ended for July 1, 2020 to June 30, 2021 was completed and the purpose of this letter is to bring to your attention the findings that were revealed during 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.

The audit will also include 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 Accounting Officer. Our responsibility is to express our opinion on these financial statements.

The audit findings which were identified during the course of the audit are included below.

### **APPRECIATION**

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Youth Entrepreneurship & Employment Project (YEEP) and other individuals and businesses who contributed to the success of this audit. The audit findings which were identified during the course of the audit are included below.



**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 Non-Remittance of Withholding Taxes

##### Observation

- 1.1.1.1 Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 states "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 Furthermore Section 52(a) of the Revenue Code of Liberia Act of 2000 as amended in 2011 requires a taxpayer to pay the correct tax liability on or before the payment due date. If a taxpayer does not pay by that date (determined with regard to any granted extension of time to make payment) the amount shown as tax liability on the taxpayer's return, a penalty is imposed. If the delay in payment is for not more than a month, the penalty is 5% of the amount of tax shown.
- 1.1.1.3 During the audit, it was observed that the Management of YEEP disbursed US\$34,200.00 in consultancy fees without evidence of withholding and remitting the required taxes to the Liberia Revenue Authority. **See Annexures 1 for details.**

##### Risk

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

##### Recommendation

- 1.1.1.7 The Management of PFMU 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.
- 1.1.1.8 The Management of PFMU 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**

1.1.1.9 *The Youth Entrepreneurship & Employment Project (YEEP) which is an African Development Bank (AfDB) project is Tax Exempt.*

1.1.1.10 *Kindly find extracts of the Revised "ADB AND ADF GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS AND OF THE ADF GENERAL CONDITIONS APPLICABLE TO PROTOCOL OF AGREEMENTS FOR GRANTS" below:*

1.1.1.11 *SECTION 8.01 Taxes (Page 132)*

*(a) The principal of, and service charge, Special Commitment charge, commitment charge and other charges on, the Loan shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Member State which is the Borrower or the Guarantor.*

*(b) The Loan Agreement and the Guarantee Agreement, and any other agreement to which these General Conditions apply, shall be free from any taxes levied by, or in the territory of, the Member State which is the Borrower or the Guarantor on or in connection with, the execution, delivery or registration thereof.*

*(c) The immunities, exemptions and privileges from taxation referred to in this Section 8.01 and in Article 49 of the Fund Agreement shall ensure to and be for the sole benefit of the Fund and shall therefore not be the basis for a claim to or request for similar entitlement by a consultant, contractor or other third party engaged by the Borrower or Guarantor in connection with the Project.*

1.1.1.12 *Also Section 11.02 (Page 132)*

*(a) The principal, service charge and other charges on the Loan shall be paid without any deduction and shall be exempt from any taxes imposed under the legislation of the Borrower or the Guarantor in its territory.*

*(b) The Loan Agreement and the Guarantee Agreement shall be exempt from any taxes imposed under the legislation of the Borrower or the Guarantor in its territory in connection with the signature, issue, delivery or registration of such documents.*

### **Auditor General's Position**

1.1.1.13 According to ARTICLE VIII, Section 8.01(C) of the General Conditions Applicable to the African Development Bank Loan Agreements and Guarantee Agreements " The immunities, exemptions and privileges from taxation referred to in this Section 8.01 and in Article 57 of the Bank Agreement shall enure to and be for the sole benefit of the Bank and shall therefore not be the basis for a claim to or request for similar entitlement by a consultant, contractor or other third party engaged by the Borrower or Guarantor in connection with the Project." Therefore, we maintain our finding and recommendation.

### **1.1.2 Non-Disclosure of Government Contribution**

#### **Observation**

1.1.2.1 Page 10, attachment II ,Paragraph 2, of the Letter of Agreement fund for African Private

sector Assistance (FAPA) state's that "The project will cost an estimated two million four hundred United states dollars (USD2,400,000) jointly funded by the Transition Support Facility (TSF) for an amount of one million three hundred thousand united states dollars (1,300,000,000); the fund for African Private Sector Assistance (FAPA) for an amount of one million United States Dollars (USD1,000,000.00 ) and the Government of Liberia will make an in-kind contribution equivalent to an amount of hundred thousand united states dollars (USD 100,000.00).

- 1.1.2.2 During the conduct of the audit it was observed that the YEEP's Management did not disclose the Government of Liberia's (in-kind) contribution in its financial statements.

**Risk**

- 1.1.2.3 Failure to disclose the Government of Liberia in-kind contribution in the financial statements may deny users of the financial statements the information needed to make informed decision.

**Recommendation**

- 1.1.2.4 The Project Management should ensure that full and adequate disclosure of the Government of Liberia in kind contribution in its financial statements.

**Management's Response**

- 1.1.2.5 *We acknowledge the observation and will ensure that the in-kind contribution (office space, electricity, etc) will be disclosed going forward.*

**Auditor General's Position**

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

**1.2 ADMINISTRATIVE RELATED**

**1.2.1 Non-Technical Advisory Board**

**Observation**

- 1.2.1.1 Section 2.6 Paragraph 4 of the FAPA Project/Liberia Technical Assistance project Document requires the setting up of a steering committee comprising other government ministries and the setting up of a technical advisory board to work with stakeholders to assist in ensuring that the risk associated with the project components are anticipated and dealt with through the consultations in Steering and technical advisory board.

- 1.2.1.2 During the audit, it observed that the Management of YEEP did not establish a Technical Advisory Board to assist in ensuring that risks associated with the project components are managed and mitigated through consultations.

**Risk**

- 1.2.1.3 In the absence of a Technical Advisory Board, the project strategic oversight activities of the committee may not be assured.



1.2.1.4 Project risks may not be identified managed and or mitigated in a timely manner.

#### **Recommendation**

1.2.1.5 The Management of YEEP should conduct periodic meetings of the Technical Advisory Board to ensure that the function and objectives are achieved.

1.2.1.6 Minutes of meetings and strategic activities of the committee should be adequately documented and filed to facilitate future review.

1.2.1.7 Management should establish a comprehensive monitoring and evaluation reporting structure to ensure risks are managed and deliverables are achieved in a timely manner.

#### **Management's Response**

1.2.1.8 *The observation is well noted. During the period under review, the Non – Technical Advisory Board set up was hampered by delays in the appointment of personnel in positions that are supposed to form part of the Board. Currently, appointments have been made in most of these positions as such we will ensure that the Board is up and running early 2022.*

#### **Auditor General's Position**

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

### **1.2.2 Non-Meeting Minutes of Project Steering Committee**

#### **Observation**

1.2.2.1 Section 3.4.1 of the African Development Fund Transition Support Facility (TSF Pillar Iii) and The Fund for African Private Sector Assistance state's "A monitoring and evaluation framework will be developed, which will also integrate fragility-sensitive aspects of results and measurement elements and indicators. Guidance and technical comments will be provided by the OPSD, ORTS, OSHD and Departments. The monitoring and evaluation plan will identify data that needs to be collected. Developing the plan will be guided by the project logical framework. The project will closely be monitored by the project steering committee in quarterly meetings or special meetings when the need arises. The Bank will also closely monitor the project through reports and supervision missions, which will include bi-annual project reviews and a project mid-term review. Financial audits and a project evaluation at the end of the project will be conducted by external independent consultants paid out of FAPA resources."

1.2.2.2 During the audit, the Management of YEEP did not provide quarterly Steering Committee meeting minutes.

#### **Risk**

1.2.2.3 The absence of the Steering Committee Meeting minutes may cast doubt over the strategic oversight activities of the committee.

### **Recommendations**

- 1.2.2.4 The Management of YEEP should conduct periodic meetings of the Steering Committee to ensure that the functions and objectives of the committee are achieved.
- 1.2.2.5 Minutes for meeting and strategic activities of the Steering Committee should be adequately documented and filed to facilitates future review.

### **Management's Response**

- 1.2.2.6 *We note this observation. However, the Youth Sector Steering Committee is chaired by the Vice President of the Republic of Liberia and Co-chaired by the Minister of Youth and Sports. The Committee only met once during the audit period due to COVID-19 pandemic restrictions.*

### **Auditor General's Position**

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

## Annexures

### ANNEXURE 1: WITHHOLDING TAXES

Transaction Date	Transaction Reference	Description	Description	Base Amount US\$
8/31/2020	2021/009	Salary for Aug 2020	Other Administration costs	900.00
8/31/2020	2021/009	Salary for Aug 2020	Other Administration costs	2,150.00
8/31/2020	2021/009	Salary for Aug 2020	Other Administration costs	2,150.00
8/31/2020	2021/009	Salary for Aug 2020	Other Administration costs	500.00
11/27/2020	2021/023	Yeestaffs sal fr Oct,Nov	Other Administration costs	1,800.00
11/27/2020	2021/023	Yeestaffs sal fr Oct,Nov	Other Administration costs	4,300.00
11/27/2020	2021/023	Yeestaffs sal fr Oct,Nov	Other Administration costs	4,300.00
11/27/2020	2021/023	Yeestaffs sal fr Oct,Nov	Other Administration costs	1,000.00
12/14/2020	2021/024	Staff Salary Dec, 2020	Other Administration costs	500.00
12/14/2020	2021/024	Staff Salary Dec, 2020	Other Administration costs	2,150.00
12/14/2020	2021/024	Staff Salary Dec, 2020	Other Administration costs	2,150.00
12/14/2020	2021/024	Staff Salary Dec, 2020	Other Administration costs	900.00
7/22/2020	2021/001	Sal fr July Dahnu	Other Administration costs	2,150.00
7/22/2020	2021/001	Sal fr July Fabio	Other Administration costs	2,150.00
7/22/2020	2021/001	Sal fr July Jesse Bengu	Other Administration costs	500.00
7/22/2020	2021/001	Sal fr July Sharon	Other Administration costs	900.00
9/22/2020	2021/002	Salaries fr Sept ,2020	Other Administration costs	500.00
9/22/2020	2021/002	Salaries fr Sept,2020	Other Administration costs	2,150.00
9/22/2020	2021/002	Salaries fr Sept,2020	Other Administration costs	2,150.00
9/22/2020	2021/002	Salaries fr Sept,2020	Other Administration costs	900.00
<b>TOTAL</b>				<b>34,200.00</b>