



## Management Letter

### Financial Statements on the Audit of the Liberia Urban Resilience Project (LURP)

*For the period ended March 1, 2022, to February 28, 2023.*



**Promoting Accountability of Public Resources**

**Monrovia, Liberia**  
June 2023

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

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**Acronym & Meaning**

	<b>Meaning</b>
ACCA	Association of Certified Chartered Accountant
AG	Auditor General
CFC	Certified Financial Consultant
CFE	Certified Fraud Examiner
CBL	Central Bank of Liberia
COBIT	Control Objectives for Information and Related Technology
COSO	Committee of Sponsoring Organization of the Treadway Commission
CGMA	Chartered Global Management Accountant
CPA	Certified Public Accountant
FY	Fiscal Year
GAC	General Auditing Commission
GoL	Government of Liberia
IAD	Internal Audit Department
IFMIS	Integrated Financial Management Information System
IPSAS	International Public Sector Accounting Standard
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
LD	Liberian Dollars
LURP	Liberia Urban Resilience Project
MFPD	Ministry of Finance Planning and Development
PFMU	Project Financial Management Unit
PMU	Project Management Unit
PIM	Project Implementation Manual
USD	United States Dollars
FCCA	Fellow Member of the Association of Chartered Certified Accountants



June 30, 2023

**Hon. Ruth Coker-Collins**

Minister  
Ministry of Public Works  
Lynch Street  
Monrovia, Liberia

Dear Hon. Collins:

**RE: Management Letter on Financial Statements Audit of the Liberia Urban Resilience Project (LURP) for the Period March 1, 2022, to February 28, 2023.**

The financial statements of the Liberia Urban Resilience Project (LURP) are subject to audit by the Auditor-General in accordance with Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Term of Reference of the Project Financing Agreement.

**Introduction**

The audit of the financial statements of the Liberia Urban Resilience Project (LURP) for the special period March 1, 2022 to February 28, 2023 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 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 also included 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 apply 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.



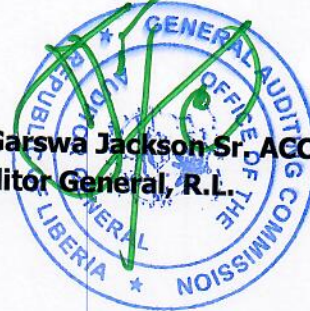
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Thank you as we strive to promote accountability, transparency, and good governance across the Government of Liberia.

**Appreciation**

We would like to express our appreciation for the courtesy accorded and assistance rendered by the staff of the Liberia Urban Resilience Project (LURP) Unit of the Ministry of Public Works (MPW) during the audit.

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



**Monrovia, Liberia**  
June 2023

## **1 DETAILED FINDINGS AND RECOMMENDATIONS**

### **1.1 Financial Issues**

#### **1.1.1 Signing Date of the Financial Statements Not Specified**

##### **Observation**

1.1.1.1 Paragraph 1.4.5. of the IPSAS Cash basis reporting framework states "An entity shall disclose the date when the financial statements were authorized for issue and who gave the authorization. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact.

1.1.1.2 Regulation I.11. of the Amended and Restated PFM Act, 2019 states -Annual Government Agency Accounts, states "(1) There shall be prepared by the head of government agency or an administrator or head of any Government agency and transmitted to the, the Minister and the Comptroller-General in respect of the year, accounts covering all Public Funds under his control. The accounts shall be submitted within a period of two months after the end of each fiscal year, or such other period as the Legislature may by resolution appoint and shall include statements and documents to be specified in the International Public Sector Accounting Standards as adopted by the Government of Liberia.

1.1.1.3 During the audit, we observed that the financial statements co-signed by the Director of Donor Fund did not specify the actual date the financial statements were prepared and signed.

##### **Risk**

1.1.1.4 Management may be non-compliant with Paragraph 1.4.5. of the IPSAS Cash basis of reporting.

1.1.1.5 Untimely presentation and approval of financial statements may impair accountability and decision making. The completeness and accuracy of the financial statements may also be impaired.

##### **Recommendation**

1.1.1.6 Management should adjust the financial statements to include the dates of preparation and approval of the financial statements adjacent to the signatures of the authorizers.

1.1.1.7 Going forward, Management should include the dates of preparation and approval of the financial statements adjacent to the signatures of the preparer and authorizer.

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

1.1.2 *This was earlier communicated and was also resolved in the revised financial statements.*



**Auditor General's Position**

**1.1.3** We acknowledge Management acceptance of our finding, recommendations and subsequent adjustment of the financial statements.

**1.1.4 No Explanation for Material Variance**

**Observation**

**1.1.4.1** Part 1.7.8 of the Revised Cash Basis IPSAS (November 2017) provides that an entity that makes publicly available its approved budget(s) shall present a comparison of the budget amount for which it is held publicly accountable and actual amounts either as a separate additional financial statement of an additional budget columns in the statement of cash receipts and payments. The comparison of budget and actual amount shall present separately for each level of legislative oversight:

- By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and cross-reference to those documents is made in the notes.

**1.1.4.2** During the audit, we observed that the Project Financial Statements include a Statement of Comparison of Budget and Actual amounts which shows material variances. However, the statement did not include notes for the explanation of the material variances.

**Risk**

**1.1.4.3** Failure to include notes or explanations for material variances between budgetary and actual amounts in the financial statements may impair informed decision-making by users of the financial statements.

**1.1.4.4** Full disclosure and fair presentation of the financial statements may be impaired.

**Recommendation**

**1.1.4.5** Management should ensure that full and adequate disclosures are made for material variance(s) between the budget and actual amounts consistent with Part 1.7.8 of the Revised Cash Basis IPSAS (November 2017).

**Management's Response**

**1.1.4.6** *This was earlier communicated and was also resolved in the revised financial statements.*

**Auditor General's Position**

**1.1.4.7** We acknowledge Management acceptance of our finding, recommendations and subsequent adjustment of the financial statements.



### **1.1.5 Payment Without Adequate Supporting Documents**

#### **Observation**

- 1.1.5.1 Regulations P.9 (1) and (2) of the PFM Act of 2009 as amended and restated in 2019 states (1) "All disbursements or payments of public money shall be properly supported by pre-numbered payment vouchers. (2) Payments except for statutory transfers and debt service shall be supported by invoices, bills, and other documents in addition to the payment vouchers".
- 1.1.5.2 Additionally, Section 13.4.1 to 13.4.4 of the Financial Procedures Manual of the Project Financial Management unit (PFMU) of February 2020 states that "The implementing agency should first issue Request for Quotation (RFQ) to at most 6 six reputable suppliers. The RFQ should include specifications of items needed and the latest time delivery should be made. On receipt of quotations, evaluation of suppliers' quotes is done by a committee comprising of, at least, three persons including one person from the section which raised the purchase requisition, and the procurement officer. An Evaluation Report is issued recommending the most responsive bidder and the reasons in clear terms for the selection. The Evaluation Report is approved by the Project/Program Manager/ Coordinator and LPO is issued to the successful bidder by the Procurement officer. The approved LPO shall be attached to the payment request when authorizing the PFMU to make payment to the selected bidder.
- 1.1.5.3 During the audit, we observed that Management facilitated payments amounting to US\$76,574.67 without evidence of request for quotations (RFQ), evaluation of supplier quotes, vouchers, invoices, goods received notes, etc to substantiate the legitimacy of transactions. **See Table 1 below for details.**



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**Table 1: Payment without evidence of adequate supporting documents**

No.	Date	Name	Expenditure description	Voucher # / Drop Down #	Amount:US\$	Comment
1	3/6/2022	Searchlight Communication Inc.	Payment for publishing of vacancies of Ten (10) position Five (5) times for the Project Management Unit Staff	MIDP/2022/010	4,900.00	No evidence of request for Quotations, Evaluation of Suppliers' Quotes and Purchase order (PO)
2	8/6/2022	Liberia Media & Marketing Service	Payment for publishing of vacancies of Ten (10) position Five (5) times for the Project Management Unit Staff	MIDP/2022/011	4,800.00	No evidence of a request for Quotations, Evaluation of Suppliers' Quotes, a Purchase order (PO), valid tax clearance and business registration certificate
3	19/07/2022	Spark Group of Companies	Payment for the printing of 130 copies of the Financing Agreement of the Liberia Urban Resilience Project (LURP)	MIDP/2022/017	873.60	No evidence of a request for Quotations and Purchase order (PO)
4	5/8/2022	Smart Office Solutions	Payment for the purchase and supply of office equipment for office use as per the attached document under the Liberia Urban Resilience Project (LURP)	MIDP/2022/019	3,626.00	No evidence of Purchase order (PO) and scratch card utilization report
5	25/08/2022	Corona Hotel and Reality Corporation	Payment for hall rental breakfast, lunch, and one round of water in session during the shortlist for the Project Management Unit Staff	MIDP/2022/021	3,755.82	No evidence of a request for Quotations and Purchase order (PO)
6	March 30, 2022	Nathaniel I. Kollie	REF : J60ECTR220840387 NAPS ELECTRONIC TRANSFER 2203250FPQJM:RTGS FUND TRANSFER LOW,PFMU MFDP,,2203230CGI0V: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA	002	5,760.00	No evidence of the Evaluation Report and Completion Certificate/Contract Completion Form (CCF).
7	22/03/2022	Godwin K. Senagah	REF : J60ECTR221181009 NAPS ELECTRONIC TRANSFER 2204280G13VX: 2204260CS3L6,20 PERCENT CONSUL ,G.K. SENAGAH 2ND 20 PERCENT CONSUL FEES,BOOK TRANSFER	001	6,390.00	No evidence of an Evaluation Rep and Completion of the Certificate/Contract Completion Form (CCF).
8	26/04/2022	Nathaniel I. Kollie	REF: J60ECTR221190021 NAPS ELECTRONIC TRANSFER 2204290G183G: RTGS FUND TRANSFER LOW LIMIT, PFMU MFDP,, 2204260CS80G: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA	005	5,760.00	No evidence of an Evaluation Report and Completion of a Certificate/Contract Completion Form (CCF).
9	14/06/2022	Godwin K. Senagah	REF : J60ECTR221720051 NAPS ELECTRONIC TRANSFER 2206210GLA55:2206140DES 5L,CONSUL FEES FR 30%,G. SENAGAH CONSUL FEES FR 30 PERCENT	013	9,585.00	No evidence of Evaluation Report and Completion of Certificate/Contract Completion Form (CCF).





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No.	Date	Name	Expenditure description	Voucher # / Drop Down #	Amount:US\$	Comment
10	14/06/2022	Nathaniel I. Kollie	PMT,BOOK TRANSFER FCY,GODWIN KOJO SE: TRN IFO POOLSTN-IFT- OMNI BO MIDP-PPA  REF : J60ECTR221720050 NAPS ELECTRONIC TRANSFER 2206210GLA56:RTGS FUND TRANSFER LOW,PFMU MFDP,,2206140DES6K: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA  REF : J60ECTR222480087 NAPS ELECTRONIC TRANSFER 2209050HO1HF: 2209010E6EHF, FINAL CONSUL FEES,G. SENAGAH FINAL CONSUL FEES, BOOK TRANSFER FCY, GODWIN KOJO SENAGAH: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	015	8,829.00	No evidence of an Evaluation Report and Completion a of Certificate/Contract Completion Form (CCF).
11	31/08/2022	Godwin K. Senagah	REF : J60ECTR222480087 NAPS ELECTRONIC TRANSFER 2209050HO1HF: 2209010E6EHF, FINAL CONSUL FEES,G. SENAGAH FINAL CONSUL FEES, BOOK TRANSFER FCY, GODWIN KOJO SENAGAH: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	024	9,585.00	No evidence of an Evaluation Rep and Completion of a Certificate/Contract Completion Form (CCF).
12	31/08/2022	Nathaniel I. Kollie	REF : J60ECTR222490507 NAPS ELECTRONIC TRANSFER 2209060HO408:RTGS FUND TRANSFER LOW,PFMU MFDP,,2209010E6EG8: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA	022	8,820.00	No evidence of an Evaluation Report and Completion of a Certificate/Contract Completion Form (CCF).
13	5/5/2022	James J. Reynolds	Payment for pre-financing activities related to the preparation of documents for the Liberia Urban Resilience Project (LURP)	MIDP/2022/009	473.25	No evidence of a request for quotations and delivery note
14	N/A	Mondaymah Catering Service Liberia Revenue Authority	Payment for catering services (lunch with 2 rounds of water and soft drink) for the interview Panel during the interview for the Project Management Unit Staff  REF : J60ECTR221190243 NAPS ELECTRONIC TRANSFER 2204290G1PX1:2204260CS8	MIDP/2022/027	2,160.00	No evidence of a payment Voucher and other supporting documents
15	4/29/2022	Liberia Revenue Authority	45,710,G. K. SENAGAH TAX,500110122,APRIL, LRA PAYMENT FCY, ,WITHHOLDING: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	008/J60EC TR221 19024 3	710.00	No evidence of authorization





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No.	Date	Name	Expenditure description	Voucher # / Drop Down #	Amount:US\$	Comment
16	6/9/2022	Liberia Revenue Authority	REF : J60ECTR221600546 NAPS ELECTRONIC TRANSFER 2206090GIM10:2206080DCY9 R,100,SEARCHLIGHT COMM TAX,500032038,JUNE,LRA PAYMENT FCY,,PRESUMPTIVE: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	J60EC TR221 60054 6	100.00	No evidence of authorization
17	6/9/2022	Liberia Revenue Authority	REF : J60ECTR221600042 NAPS ELECTRONIC TRANSFER 2206090GIM11:2206080DCV C9,200,LIB. MEDIA TAX, 500028882,JUNE,LRA PAYMENT FCY,,PRESUMPTIVE: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	J60EC TR221 60004 2	200.00	No evidence of authorization
18	10/7/2022	TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	REF: J60ECTR222800114 NAPS ELECTRONIC TRANSFER 2210070ID201: 2210040ELBIA, REFUND,,OW N ACCOUNT TRANSFER,P FMU MFDP: TRN IFO POOLSTN-IFT- OMNI BO MIDP-PPA	J60EC TR222 80011 4	247.00	No evidence of authorization and other supporting documents
<b>Total</b>					<b>76,574.67</b>	





**Risk**

- 1.1.5.4 The validity, occurrence and accuracy of payments may not be assured. This may lead to misappropriation of the entity's funds.
- 1.1.5.5 Management may override the procurement processes by completing disbursement without utilizing the required procurement methods/processes.

**Recommendation**

- 1.1.5.6 Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations.
- 1.1.5.7 Evidence of supporting documents should be adequately documented and filed to facilitate future review.
- 1.1.5.8 Management should develop & operationalize the automated document management system.

**Management's Response**

- 1.1.5.9 *All the aforementioned payments were made with all the requisite supporting documents. In the event that the auditor did not see a supporting document, it was either as a result of an inadvertent omission during the compilation of these documents for submission to the auditor by our support staff or oversight by the auditor who received them but included them in the Management letter, which is mostly the situation in this case. Again, we are resubmitting these documents for the Auditor's reference. Please see attached Exhibit II.*

**Auditor General's Position**

- 1.1.5.10 Management's assertions are not supported by adequate documentation. The documents submitted in Exhibit II are unrelated to the transactions without supporting documents as indicated in Table 1 of our finding.
- 1.1.5.11 Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

**1.1.6 Irregularities Associated with Bank Reconciliations**

**Observation**

- 1.1.6.1 Regulation R3 of the PFM Act of 2009 as amended and restated in 2019 states: "The balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month, and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof."
- 1.1.6.2 Section 7.1.1 (e & f) of the Financial Procedure Manual, Project Financial Management Unit of February 2020 states that "The bank statements entries will be compared monthly with the cash book entries. Any differences discovered will promptly be taken up. The cash book



shall be reconciled with the bank statements monthly and the bank reconciliation statements shall be reviewed and verified by the Project Internal Auditor and approved by the PFMU Manager or Senior Project Accountant”.

- 1.1.6.3 During the audit, we observed that monthly bank reconciliation statements prepared by the PFMU did not show the names and titles of the preparer, reviewer, and approver on the monthly bank reconciliation statements. **See Table 2 for details.**

**Table-2: Bank Reconciliation Statements**

No.	Bank	Account Title	Account No.	Period for preparation of bank reconciliation statement without name and position
1	Eco Bank Liberia Limited	MIDP-PPA Account	6101845892-USD	March-December, 2022

**Risk**

- 1.1.6.4 The lack of the title of the preparer, reviewer, and approver of bank reconciliation statements may not reveal the level of experience and seniority of the preparer, reviewer, and approver.

**Recommendation**

- 1.1.6.5 Management should indicate the names and titles of the preparer, reviewer, and approver of the bank reconciliation statements in line with the PFMU Financial Procedure Manual and PFM Regulation.
- 1.1.6.6 Management should facilitate segregation of duty in the preparation of bank reconciliation statements. The position of the preparer and reviewer should be documented on the face of the bank reconciliation statements.

**Management’s Response**

- 1.1.6.7 *According to the PFMU Financial Procedures Manual, Bank Reconciliation Statements are prepared by Assistant Project Accountants, Reviewed by Project Internal Auditors, and Approved by either the PFMU Manager/Director or Senior Project Accountant/Deputy Director.*
- 1.1.6.8 *Please find the sections below:  
6.5.3 The PFMU Manager shall ensure that all reconciliation differences are properly and promptly investigated with a view to regularizing them. To this end, all Bank Reconciliation statements prepared by the APA shall be reviewed by the Internal Auditor and approved by the Unit Head or Senior Project Accountant.*



- 1.1.6.9 7.1.1 (f) *The cash books shall be reconciled with the bank statements monthly and the bank reconciliation statements shall be reviewed and verified by the Project Internal Auditor and approved by the PFMU Manager or Senior Project Accountant;*
- 1.1.6.10 *The PFMU is in full compliance with sections 6.5.3 and 7.1.1(f) of the Financial Procedures Manual. From the foregoing, anyone, including GAC, reviewing Bank Reconciliation Statements (BRSs) from PFMU should know that BRSs 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. Moreover, GAC was provided signature specimens of Groups Accountants, Internal Auditors, Unit Head / Director – PFMU, and Senior Project Accountant / Deputy Director – PFMU in relation to Payment voucher processing. The same signature specimen applies to Bank Reconciliation Statements.*

**Auditor General's Position**

- 1.1.7 Management's assertion did not adequately address the issues raised. Going forward, Management should ensure that the titles of the preparer, reviewer and approver are displayed on the Bank Reconciliation Statements. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

**1.1.8 Non-remittance of Withholding Taxes on Consulting Services**

**Observation**

- 1.1.8.1 Section 7.4.1 of the Project Implementation Manual of the Liberia Urban Resilience Project (LURP)/ Monrovia Integrated Development Project (MIDP), updated February 2022 states that "For expenses related to the LURP, except indicated in the project agreement as inclusive of taxes if indicated as such, taxes will be deducted as follows:
- Taxes relating to local businesses fall into three categories; small, medium, and large. Currently, large businesses will attract a presumptive tax of 2%, and small and medium is 4% for businesses that do not provide services. Those local businesses that provide services and local consultants are taxed 10% on their remunerations. Foreign consultants, contractors, and businesses will be taxed 15% of their total fees.
- 1.1.8.2 Section 905 (j) of the Revenue Code 2000 amended 2011 states that, "Within 10 days after the last day of a month, a payor described in (a) is required to remit to the tax authorities the total amount required to be withheld during that month. Each remittance of tax under this section must be accompanied by a statement specifying the name and address of each resident to whom payment was made, the type and amount of each payment, and the amount of tax withheld (and, if the Minister requests, underlying documentation in accordance with Section 55, including contracts). The place for remittance is the payor's filing location (designated in Section 50)."



1.1.8.3 During the audit, we observed no evidence that the LURP Management remitted into GOL designated accounts through the Liberia Revenue Authority (LRA), income taxes of US\$6,111.90. **See table 3 for details.**

**Table 3: Non-remittance of Withholding Taxes on Consulting Services**

No.	Voucher date	Name	Expenditure Description	Voucher #	Amount per voucher	Tax Rate 10% and Amount (GAC Calculation):US\$
1	March 30, 2022	Nathaniel I. Kollie	REF : J60ECTR220840387 NAPS ELECTRONIC TRANSFER 2203250FPQIM:RTGS FUND TRANSFER LOW,PFMU MFDP,,2203230CG10V: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA	002	5,760.00	576.00
2	March 30, 2022	Godwin K. Senagah	REF: J60ECTR220840391 NAPS ELECTRONIC TRANSFER 2203250FPQIZ: 2203220CFVGU,20 PERCENT CONSUL, G.K. SENAGAH 20 PERCENT CONSUL FEES, BOOK TRANSFER FCY, GODWIN KOJO SENAGAH: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	007	6,390.00	639.00
3	22/03/2022	Godwin K. Senagah	REF : J60ECTR221181009 NAPS ELECTRONIC TRANSFER 2204280G13VX: 2204260CS3L6,20 PERCENT CONSUL ,G.K. SENAGAH 2ND 20 PERCENT CONSUL FEES,BOOK TRANSFER	001	6,390.00	639.00
4	26/04/2022	Nathaniel I. Kollie	REF: J60ECTR221190021 NAPS ELECTRONIC TRANSFER 2204290G183G: RTGS FUND TRANSFER LOW LIMIT, PFMU MFDP,, 2204260CS80G: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA	005	5,760.00	576.00
5	14/06/2022	Godwin K. Senagah	REF : J60ECTR221720051 NAPS ELECTRONIC TRANSFER 2206210GLA55:2206140DES 5L, CONSUL FEES FR 30%,G. SENAGAH CONSUL FEES FR 30 PERCENT PMT, BOOK TRANSFER FCY, GODWIN KOJO SE: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	013	9,585.00	958.50



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No.	Voucher date	Name	Expenditure Description	Voucher #	Amount per voucher	Tax Rate 10% and Amount (GAC Calculation):US\$
6	14/06/2022	Nathaniel I. Kollie	REF : J60ECTR221720050 NAPS ELECTRONIC TRANSFER 2206210GLA56:RTGS FUND TRANSFER LOW,PFMU MFDP,,2206140DES6K: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA	015	8,829.00	882.90
7	31/08/2022	Godwin K. Senagah	REF: J60ECTR222480087 NAPS ELECTRONIC TRANSFER 2209050HO1HF: 2209010E6EHF, FINAL CONSUL FEES, G. SENAGAH FINAL CONSUL FEES BOOK TRANSFER FCY,G ODWIN KOJO SENAGAH: TRN IFO POOLSTN-IFT-OMNI BO MIDP-PPA	024	9,585.00	958.50
8	31/08/2022	Nathaniel I. Kollie	REF : J60ECTR222490507 NAPS ELECTRONIC TRANSFER 2209060HO4OB:RTGS FUND TRANSFER LOW,PFMU MFDP,,2209010E6EG8: TRN IFO POOLSTN-RTGS-OMNI BO MIDP-PPA	022	8,820.00	882.00
<b>Total</b>					<b>61,119.00</b>	<b>6,111.90</b>

**Risk**

- 1.1.8.4 Failure to remit taxes withheld may deny GoL of much-needed tax revenue.
- 1.1.8.5 Management may be in noncompliance with Section (905) J of the Revenue Code of Liberia 2000, which may result in penalties for late payment and failure to pay.

**Recommendation**

- 1.1.8.6 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.
- 1.1.8.7 Management should facilitate the full remittance of withholding taxes to the LRA in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.
- 1.1.8.8 Evidence of tax remittances should be adequately documented and filed to facilitate future review.

**Management's Response**

- 1.1.8.9 *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 Collectorate that can issue flag receipts. 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. 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**

- 1.1.8.10 We acknowledge Management acceptance of our finding and recommendations. We will follow-up on the implementation of our recommendation during subsequent audit.

#### **1.1.9 Non-remittance of Withholding Taxes on Goods and Services (GST)**

##### **Observation**

- 1.1.9.1 Section 7.4.1 of the Project Implementation Manual of the Liberia Urban Resilience Project (LURP)/ Monrovia Integrated Development Project (MIDP), updated February 2022 states that "For expenses related to the LURP, except indicated in the project agreement as inclusive of taxes if indicated as such, taxes will be deducted as follows:
- Taxes relating to local businesses falls into three categories; small, medium, and large. Currently, large businesses will attract a presumptive tax of 2,% for small and medium is 4% for businesses that do not provide services. Those local businesses that provide services and local consultants are taxed 10% on their remunerations.
  - Foreign consultants, contractors, and businesses will be taxed 15% of their total fees.
- 1.1.9.2 Section 905 (j) of the Revenue Code 2000 amended 2011 states that, "Within 10 days after the last day of a month, a payor described in (a) is required to remit to the tax authorities the total amount required to be withheld during that month. Each remittance of tax under this section must be accompanied by a statement specifying the name and address of each resident to whom payment was made, the type and amount of each payment, and the amount of tax withheld (and, if the Minister requests, underlying documentation in accordance with Section 55, including contracts). The place for remittance is the payor's filing location (designated in Section 50)."
- 1.1.9.3 During the audit, we observed no evidence that Management remitted to the Government of Liberia Revenue Account the amount of US\$804.61 as withholding taxes for procurement of goods and services. **See Table 4 for details.**



**Table 4: Non-remittance of Withholding Taxes on Goods and Services (GST)**

No.	Voucher date	Name	Expenditure Description	Voucher #	Amount per voucher	Tax Rate 4% and Amount (GAC Calculation): US\$
1	3/6/2022	Searchlight Communication Inc.	Payment for publishing of vacancies of Ten (10) position Five (5) times for the Project Management Unit Staff	MIDP/2022/010	4,900.00	196.00
2	8/6/2022	Liberia Media & Marketing Service	Payment for publishing of vacancies of Ten (10) position Five (5) times for the Project Management Unit Staff	MIDP/2022/011	4,800.00	192.00
3	19/07/2022	Spark Group of Companies	Payment for the printing of 130 copies of Financing Agreement of the Liberia Urban Resilience Project (LURP)	MIDP/2022/017	873.60	34.94
4	5/8/2022	Smart Office Solutions	Payment for the purchase and supply of office equipment for office use as per the attached document under the Liberia Urban Resilience Project (LURP)	MIDP/2022/019	3,626.00	145.04
5	25/08/2022	Corona Hotel and Reality Corporation	Payment for hall rental breakfast, lunch, and one round of water in session during the shortlist for the Project Management Unit Staff	MIDP/2022/021	3,755.82	150.23
6	N/A	Mondaymah Catering Service	Payment for catering services (lunch with 2 rounds of water and soft drink) for the interview Panel during the interview for the Project Management Unit Staff	MIDP/2022/027	2,160.00	86.40
<b>Total</b>					<b>20,115.42</b>	<b>804.61</b>

**Risk**

- 1.1.9.4 Failure to remit taxes withheld may deny GoL of much-needed tax revenue.
- 1.1.9.5 Management may be in noncompliance with Section 905 (J) of the Revenue Code of Liberia 2000, which may result in penalties for late payment and failure to pay.



**Recommendation**

- 1.1.9.6 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.
- 1.1.9.7 Management should facilitate the full remittance of withholding taxes to the LRA in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.
- 1.1.9.8 Evidence of tax remittances should be adequately documented and filed to facilitate future review.

**Management's Response**

- 1.1.9.9 *PFMU has worked and continues to engage with the stakeholders on this GOL flag receipts (evidence of tax payments) issue for taxes remitted. The LRA indicated that the PFMU is not regarded as one of her Collectorates that can issue flag receipts. In spite of the challenges in remitting the relevant taxes, the PFMU continues to do so. However, some of the taxes are not remitted in real time, given the challenges encountered in the remittance process. Notwithstanding, LRA has encouraged PFMU to ensure that tax payments are made on behalf of consultants and vendors to the General Revenue account either via the LRA tax remittance forms or via the issuance of a manager's checks which will be evidenced/captured by their system and the consultant or vendor can later claim their tax credit from the LRA system.*

**Auditor General's Position**

- 1.1.9.10 We acknowledge Management acceptance of our finding and recommendations. We will follow-up on the implementation of our recommendation during subsequent audit.

**1.1.10 Outstanding Commitment**

**Observation**

- 1.1.10.1 Paragraphs 2.1.24 and 2.1.25 of the Cash Basis IPSAS (2017) require disclosure notes of information about non-cash assets, liabilities, revenues, and expenses of particular programs and activities which are not reported on the face of the statement of cash receipts and payments or other financial statements that might be prepared under the cash basis of accounting. This will enhance accountability and provide information useful for decision-making purposes and, therefore, is encouraged by this Standard.
- 1.1.10.2 Section 7.7.3 of the Project Implementation Manual of the Liberia Urban Resilience Project (LURP)/ Monrovia Integrated Development Project (MIDP), updated February 2022 states that "Accounting records and Financial Statements will be prepared on the cash basis of accounting and under the historical cost convention. Financial transactions will be recognized and recorded on a cash basis. Revenue will be recognized when cash is received at the account hosting bank and notified to the project accounting team and not when legal ownership becomes established. In the same vein project expenditures will be recognized and recorded when payment is made to beneficiaries and not when the liability is created.



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A register of commitments/liabilities shall be maintained to record all payables not recognized as a result of the cash basis of accounting”.

- 1.1.10.3 During the audit, we observed no disclosure in the notes to the financial statements for commitment in the amount of US\$261 indebted to the Consultant, Nathaniel I. Kollie. **See Table 5 for details.**



**Table 5: Outstanding Commitment**

No.	Date	Name	Description	Drop Down #	A. Contract Amount: US\$	B. The payment as per Drop Down/Transaction Detail	C=A-B Variance	D. 10% Tax Deducted on Contract Amount: US\$	E.=C-D Outstanding/ Amount Owed: US\$
1	22/03/2022	Nathaniel I. Kollie	Payment as 20% of the contract for the preparation of the Environmental & Social Management Framework (ESMF)	MIDP/2022/002	32,700.00	5,760.00	26, 540	3,270.00	-
2	26/04/2022	Nathaniel I. Kollie	Payment as 20% of contract for the preparation of the Environmental & Social Management Framework (ESMF)	MIDP/2022/005	-	5,760.00	(5,760)	-	-
3	14/06/2022	Nathaniel I. Kollie	Payment for the preparation of the Environmental & Social Management Framework (ESMF)	MIDP/2022/015	-	8,829.00	(8,829)	-	-
4	31/08/2022	Nathaniel I. Kollie	Payment for the preparation of the Environmental & Social	MIDP/2022/022	-	8,820.00	(8,820)	-	(8,820)





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No.	Date	Name	Description	Drop Down #	A. Contract Amount: US\$	B. The payment as per Drop Down/Transaction Detail	C=A-B Variance	D. 10% Tax Deducted on Contract Amount: US\$	E.=C-D Outstanding/ Amount Owed: US\$
			Management Framework (ESMF)						
				Total	32,700.00	29,169.00	3,531.00	3,270.00	261.00





**Risk**

- 1.1.10.4 The non-disclosure of outstanding commitment may deny users the required information needed for financial and economic decision making and the financial statements may not be fairly presented.

**Recommendation**

- 1.1.10.5 Management should disclose in the notes to the financial statements, commitments made against the service provider for the period. This will ensure proper planning for uncommitted balances for the period.

**Management's Response**

- 1.1.10.6 *The PMU was not in place to ascertain whether this was a commitment, as the amount of US\$261 in relation to the contract value of US\$32,700 resulted from an understatement in the series of disbursements to the consultant. However, the PMU takes note and will have it resolved.*

**Auditor General's Position**

- 1.1.10.7 We acknowledge Management acceptance of our finding, recommendations and subsequent adjustment of the financial statements.

**1.2 Administrative Issues**

**1.2.1 Irregularities Associated with Fixed Assets Management**

**Observation**

- 1.2.1.1 Section 11.14 of the Project Implementation Manual of the Liberia Urban Resilience Project (LURP)/ Monrovia Integrated Development Project (MIDP), Updated February 2022 states that "A comprehensive Fixed Assets Register of all project assets will be maintained by the PMU/PCU. This will include the type of assets, date of purchase, cost of purchase, details on disposal, etc. The fixed assets register shall be regularly updated and physical verification /count of assets will be conducted periodically. All fixed assets of the project must be properly marked for identification purposes".
- 1.2.1.2 Regulation V.1 (2a) of the Amended and Restated PFM Act 2019 states, "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: (a) preventive mechanisms are in place to eliminate theft, losses, wastage, and misuse;"
- 1.2.1.3 During the audit, we observed the following irregularities associated with the Assets Management System:
- There was no evidence of a fixed asset register that contains the cost, code, date of acquisition of the assets as well as the reference of the source document on which the asset was received.
  - Fixed assets were not coded. **See Table 6 for details.**



- There was no evidence of the movement of assets form. However, one of the assets of the project was seen in the Monitoring and Evaluation Division of the Ministry of Public Works which is different from the unit of the LURP. **See Table 6 for details.**
- Fixed Assets within a given vicinity were not displayed as required by the PFM Act.
- An asset could not be seen during the physical verification performed by the GAC Audit Team. **See Table 7 for details.**

**Table 6: Irregularities Associated with Fixed Assets Management**

No:	DESCRIPTION	QUANTITY	SERIAL #	LOCATION	MODEL	CODE	STATUS
1	Dell Inspiron-167620	1	C4B12652-B040-47ff-A29F-21GSF7AA4B2	Procurement Department- LURP	N/A	N/A	GOOD
2	HP PAVILION X360 LAPTOP 2-1 FHD IPS 14 TOUCH	1	BCG1262OKF	Monitoring and Evaluation - Ministry of Public Works	MS Office 2016	N/A	GOOD

**Table 7: Missing Asset**

No	Description	QTY (A)	U/P (B) US\$	Missing Assets to be Verified C=(A*B) US\$
1	HP PAVILION X360 LAPTOP 2-1 FHD IPS 14 TOUCH	1	1,575.00	1,575.00
<b>Total</b>				<b>1,575.00</b>

**Risk**

- 1.2.1.4 Fixed Assets Register may be misstated (Over/understated).
- 1.2.1.5 Assets may be damaged or impaired but their values are still on the books.
- 1.2.1.6 Fixed assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.
- 1.2.1.7 The lack of asset movement log could make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.
- 1.2.1.8 Failure to properly account for fixed assets may lead to theft and misapplication of equipment/materials. This may result in the non-achievement of the project's objectives.
- 1.2.1.9 Fixed Assets not coded may be susceptible to theft or diverted to personal use.
- 1.2.1.10 Also, fixed assets may be exchanged or stolen when not coded.

**Recommendation**

- 1.2.1.11 Management should set assets value to be recorded, developed and maintained.



- 1.2.1.12 Management should develop a fixed assets register to reflect the following columns: description, source of purchase, date of purchase, class, code, assignee, location, condition, original cost, depreciation expense, accumulated depreciation and net book value of the asset.
- 1.2.1.13 The Fixed Assets Register should be updated periodically to reflect all entity's assets.
- 1.2.1.14 Fixed assets within a particular vicinity should be clearly displayed as required by the PFM Act.
- 1.2.1.15 A movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in location of assets.
- 1.2.1.16 Management should initiate/enforce a systematic fixed assets coding system to ensure all fixed assets are uniquely identified. This control will facilitate the efficient and effective periodic fixed asset verification exercises. Discrepancies in coding identified during verification should be updated in a timely manner.
- 1.2.1.17 The Monitoring and Evaluation Division of the Ministry of Public Works should return the laptop (HP PAVILION X360 LAPTOP 2-1 FHD IPS 14 TOUCH) to the LURP with a proper turnover note.

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

- 1.2.1.18 *The PMU upon assuming full control requested a comprehensive turnover note from the activities of the project preparation. Had the PMU received a fully comprehensive report, decisions regarding fixed assets would have been taken. However, the PMU team takes note of these irregularities and promised to elevate the discussion with the Head of the entity to have it resolved.*

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

- 1.2.1.19 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### **1.2.2 Non-Achievement of Project Deliverable**

#### **Observation**

- 1.2.2.1 Section 2.2 of the Project Implementation Manual of the Liberia Urban Resilience Project (LURP)/ Monrovia Integrated Development Project (MIDP), Updated February 2022 states that "The WB-financed Liberia Urban Resilience Project (LURP) is intended to enhance climate resilience and urban living conditions in Liberia and to strengthen institutional capacity for sustainable urban management. Specific outcomes of this project include:
- Outcome 1: Area protected from flooding



- Outcome 2: People benefitting from improved urban infrastructure (sex-disaggregated)
- Outcome 3: Urban management capacity enhanced

1.2.2.2 To meet its development objectives, the LURP will have four components:

**Table 8: LURP four Components**

Component 1	Climate Resilient Infrastructure and Urban Upgrading	US\$30 million
	1.1.Climate Risk Management Infrastructure	US\$25 million
	1.2.Climate Resilient Community and Market Upgrading	US\$5 million
Component 2	Strengthening Integrated Resilient Urban Development Capacity	US\$6 million
	1.1.Resilient Urban Planning and Development Control	US\$3 million
	1.2.Solid Waste Management Operations and Financing	US\$3 million
Component 3	Project Management	US\$4 million
Component 4	Contingent Emergency Response Component	US\$0 million
<b>Total</b>		<b>US\$76.0 million</b>

1.2.2.3 During the audit, we observed that several project activities outlined in the Project Work Plan for LURP have not been implemented as dated in the approved work plan and budget. **See Table 9 for details.**



Table 9: Non-Achievement of Project Deliverable									
Output/ Main Deliverable	Activities Description	Planned Inputs	Unit of Measure	Unit Cost (US\$)/Budgeted PPA	Duration/Quantity	Total Cost USD	Lead Institution/Person	Activity Start Date	
Feasibility and detailed designs for neighborhood upgrading report	Hire a firm to conduct feasibility and detailed designs for neighborhood upgrading	Consultancy services	lumpsum	900,000.00	1	900,000.00	MPW	Apr-22	
Construction supervision services, MIDP project	Hire a firm to supervise works implemented by contractors including project quality control and works management.	Consultancy services	lumpsum	1,250,000.00	1	1,250,000.00	MPW	Jan-23	
ESIA Report & Monitoring (RAP, ESMP, OHSP, LMP, GAP, etc.)	Hire a firm to develop and monitor ESIA including all environmental, safety, gender and social activities on the project.	Consultancy Service	lumpsum	750,000.00	1	750,000.00	MPW	Dec-21	
ESMF Report	Hire Individual Consulting services for the preparation of ESMF document	Consultancy Service	lumpsum	40,000.00	1	40,000.00	MPW	Nov-21	
RPF Report	Individual Consulting services for preparation of ESMF document	Consultancy Service	lumpsum	40,000.00	1	40,000.00	MPW	Nov-21	
Construction of flood resilience infrastructures including drainages, sedimentation ponds, grassing, retaining walls,	Hire a contractor to implement construction designs for the project	Works Contract	Unit Rates	3,000,000.00	1	3,000,000.00	PMU	Jan-23	





Table 9: Non-Achievement of Project Deliverable									
Output/ Main Deliverable	Activities Description	Planned Inputs	Unit of Measure	Unit Cost (US\$)/Budgeted PPA	Duration/ Quantity	Total Cost USD	Lead Institution/ Person	Activity Start Date	
etc. in Omega Community									
Construction of flood resilience infrastructures including drainages, sedimentation ponds, grassing, retaining walls, etc. in Bushrod Island	Hire a contractor to implement construction designs for the project	Works Contract	Unit Rates	4,500,000.00	1	4,500,000.00	PMU	Jan-23	
Rehabilitation and upgrade of urban drainage facilities including flood control mechanisms in Urban Communities (Soniwen & Waterside Communities)	Hire a contractor to implement construction designs for the project	Works Contract	Unit Rates	4,000,000.00	1	4,000,000.00	PMU	Jan-23	
Construction of flood resilience infrastructures including drainages, sedimentation ponds, grassing, retaining walls, etc. in GSA Road, Zayzay Community, Duport Road	Hire a contractor to implement construction designs for the project	Works Contract	Unit Rates	3,500,000.00	1	3,500,000.00	PMU	Jan-23	





Table 9: Non-Achievement of Project Deliverable									
Output/ Main Deliverable	Activities Description	Planned Inputs	Unit of Measure	Unit Cost (US\$)/Budgeted PPA	Duration/ Quantity	Total Cost USD	Lead Institution/ Person	Activity Start Date	
External & internal training for project stakeholders	Training & capacity building for local municipal authorities and GOL institutions involved with land use and spatial planning; review and updating of land use data and development control regulations	Short-Term Training (Internal & External)	LumpSum	200,000.00	1	200,000.00	PMU	Jan-23	
External & internal training for project stakeholders	Training & capacity building for local municipal authorities and GOL Institutions involve with environmental and social management of the project	Short-Term Training (Internal & External)	LumpSum	200,000.00	1	200,000.00	PMU	Jan-23	
Internal training and capacity development support for project communities	Training on management and maintenance of facilities as well as community engagement activities	Community Base training and capacity development	LumpSum	200,000.00	1	200,000.00	PMU	Jan-23	
External & internal training for project stakeholders	Technical training for project stakeholders	Short-Term Training (Internal & External)	LumpSum	150,000.00	1	150,000.00	PMU	Jan-23	
Purchase of Vehicle	Purchase of 2 vehicles, Registration, and Insurance of the Vehicles	Goods	number	48,000.00	2	96,000.00	MPW	Jan-22	
Office equipment	Purchase of Laptops, Printer, Copies, and desktop for the use of PMU staffers (including ICT setup)	Goods	lumpsum	15,000.00	1	15,000.00	MPW	Dec-21	
Office furniture	Furniture (Desk, Semi-executive chairs, regular chairs)	Goods	lumpsum	10,000.00	1	10,000.00	MPW	Dec-21	





**Table 9: Non-Achievement of Project Deliverable**

Output/ Main Deliverable	Activities Description	Planned Inputs	Unit of Measure	Unit Cost (US\$)/Budgeted PPA	Duration/ Quantity	Total Cost USD	Lead Institution/ Person	Activity Start Date
Salaries	salaries for Project support coordination	Salaries	monthly	39,200.00		940,800.00	PMU	
Specialist to provide short-term support services to PMU	Technical support to the PMU		Lumpsum	300,000.00	1	300,000.00		Jan-22
Project Launch & Visibility	Banner, Venue, food and refreshment and other related expenses	Banner, Venue, food and refreshment and other related expenses	Lumpsum	25,000.00	1	25,000.00		Dec-22
Project Management Operating Costs	Annual cost of running PMU	Operations of PMU	Yearly	105,750.00	1	105,750.00		Jan-22





**Risk**

- 1.2.2.4 Project objectives may not be achieved in the absence of effective project implementation and coordination.
- 1.2.2.5 The absence of effective monitoring and evaluation of project deliverables may deny the achievement of value for money during the execution of the project.
- 1.2.2.6 Delays in the achievement of project deliverables may result in additional expenditures (fixed cost etc) of the project.

**Recommendation**

- 1.2.2.7 Management should ensure that the project deliverables are implemented in line with the project work plan.
- 1.2.2.8 Management should ensure that proper coordination, monitoring, and evaluation of the Project are implemented periodically during the execution of the project.

**Management's Response**

- 1.2.2.9 *The total project cost is US\$40 million (Forty Million) instead of US\$76 Million (Seventy-Six Million) as indicated in Table 8 of the audit report. I think it was an error. However, the PMU came into place in February 2023 due to some delays beyond the PMU's control. Activities had been projected to have commenced earlier with an installed PMU, but due to the delays, those projected activities couldn't be implemented as indicated in the work plan. The PMU is now in place and those activities will eventually be implemented.*

**Auditor General's Position**

- 1.2.2.10 We acknowledge Management's assertion relative to the total cost of the project and acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

**1.2.3 Non-implementation of Internal Audit Recommendations**

**Observation**

- 1.2.3.1 Section 7.12 (Paragraph 3) of the Project Implementation Manual of the Liberia Urban Resilience Project (LURP)/ Monrovia Integrated Development Project (MIDP), Updated February 2022 states that "The PFMU internal audit section prepares and conducts internal audit reports on the affairs of the project activities during the period under review and submit same to the Bank and Afd for LURP and MIDP respectively. The PFMU internal audit shall do spot checks on project sites and inform management of the project progress and issues that need management attention to be addressed or resolved. These spot checks shall be funded by the project as and when the need arise from the Internal Audit Unit of PFMU".



- 1.2.3.2 During the audit, we observed that the Internal Auditor conducted an audit on the affairs of the project activities of LURP and submitted the report to the PFMU, World Bank, and the LURP-PPA/MPW dated November 14, 2022. However, we observed no evidence that Management responded and implemented the necessary recommendations.

**Risk**

- 1.2.3.3 Effective systems, controls, and compliance with laws and regulations may not be instituted.
- 1.2.3.4 Failure of Management to respond and implement the internal audit recommendation may result in Management overriding the internal controls, and compliance with laws and regulations.
- 1.2.3.5 Potential risks that may impair the operations of the project may not be mitigated in a timely manner.

**Recommendation**

- 1.2.3.6 Management should ensure that the Internal Audit Report is considered key and recommendations are implemented effectively and efficiently.
- 1.2.3.7 Timelines for implementation of internal audit recommendations should be agreed with Management. The Internal Audit Section and Management should ensure that internal audit recommendations are implemented in line with agreed timelines.

**Management's Response**

- 1.2.3.8 *The current PMU team was not in place during this period. However, we will address all these recommendations subsequently.*

**Auditor General's Position**

- 1.2.3.9 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

**1.2.4 No Risk Assessment Process**

**Observation**

- 1.2.4.1 Section 7.12 (Paragraph 2) of the Project Implementation Manual of the Liberia Urban Resilience Project (LURP)/ Monrovia Integrated Development Project (MIDP), Updated February 2022 states that "PFMU Internal Audit Section that will undertake the risk-based internal audit methodology and will submit the internal audit reports 45 days after the quarters ended March and September of each year for both the LURP and MIDP projects. In addition, PFMU shall conduct an enterprise risk assessment of the Project and the PFMU on an annual basis".



- 1.2.4.2 During the audit, we observed no evidence of a risk management policy and risk assessment to guide internal and external risks that may impair the achievement of the project's objectives.

**Risk**

- 1.2.4.3 The absence of a risk management policy/risk assessment exercise may lead to management not being aware of potential risks that may impair the achievement of the project's objectives.

**Recommendation**

- 1.2.4.4 Management should establish a risk management policy that identifies strategies for mitigating internal and external risks that may impair the achievement of the project's objectives.
- 1.2.4.5 Subsequently, Management should facilitate the conduct of periodic risk assessments and take corrective action for gaps identified.
- 1.2.4.6 Risk assessment reports should be adequately documented and filed to facilitate future review.

**Management's Response**

- 1.2.4.7 The Risk Management Report and policy were given to all auditors during the inception of the audit. We are again resubmitting the project's risk assessment for your reference. Please see attached Exhibit III.

**Auditor General's Position**

- 1.2.4.8 We acknowledge Management subsequent submission of the risk assessment report after our audit execution. However, the risk management policy that should regulate the conduct of periodic risk assessment was not provided.

**1.2.5 Lack of Approved IT Policies and Procedures**

**Observation**

- 1.2.5.1 DSS05 of COBIT 2019 -Managed Security Services- requires management to protect enterprise information, maintain the level of information security risk acceptable to the enterprise in accordance with the security policy, should establish and maintain information security roles and access privileges and perform security monitoring.
- 1.2.5.2 During the audit, we observed no evidence that the PFMU had developed key IT-related policies such as:
- Approved IT Security Policy
  - Change Management Policy



**Risk**

- 1.2.5.3 Failure to develop and operationalize policies that will protect and maintain enterprise information may lead to security threats and vulnerabilities.
- 1.2.5.4 IT systems and controls may be instituted and implemented on a discretionary basis.
- 1.2.5.5 Failure to develop and operationalize a change management policy may lead to unauthorized and untested changes made to the production environment that may cause disruptions to the business and instability to the information system.
- 1.2.5.6 The absence of an approved change management policy, may lead to resistance to change, lack of awareness or desire to support change, lack of stakeholders' commitment, etc.

**Recommendation**

- 1.2.5.7 Management should develop, approve and operationalize appropriate IT Security policies and standard operating procedures to safeguard information assets (application, database, and other IT infrastructure) and ensure consistency in the application of the policies across the entire PFMU.
- 1.2.5.8 Management should develop, approve and operationalize a Change Management policy to mitigate unauthorized and untested changes made to the production environment. Change management for information system environments, application functionality, and business processes should be proactively managed to achieve process integrity, expedite the learning curve and build capacity.
- 1.2.5.9 Additionally, changes made to the system should be properly tracked, tested by appropriate personnel, and adequately reviewed for approvals before being moved to production. All activities should be documented and appropriately maintained.

**Management's Response**

- 1.2.5.10 *The PFMU uses the IT Policies and procedures of the Ministry of Finance and Development Planning; and, thus, we do not have our own standalone IT policy and procedures. Please reference your permanent file as the IT policy for the Ministry of Finance and Development Planning has been submitted to your teams at GAC for other projects.*

**Auditor General's Position**

- 1.2.5.11 Management's assertions are not supported by adequate documentation. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

**1.2.6 Audit Field Visitation**

**Observation**

- 1.2.6.1 Paragraph 4 of the Environmental and Social Management Framework (ESMF) of April 15, 2022 states that "The LURP project has four components. Component 1 of the project will



support comprehensive upgrading, flood risk management, and improved service delivery in prioritized areas of Greater Monrovia. Investments in drainage infrastructure that improve the connectivity of drainage networks are prioritized to reduce climate and flood risk. This component will finance (i) feasibility and design, (ii) consultations, (iii) environmental and social framework (ESF) studies, and instruments, (iv) compensation payments for resettlement, (v) works, (vi) supervision, and (vii) servicing and maintenance contracts. A waiver for IDA payment of resettlement compensation will be proposed, based on a desk-based estimation of the compensation costs, in the absence of design footprint and site-specific Resettlement Plans (RPs)“.

- 1.2.6.2 During the audit, we visited the Central Monrovia – Soniwein Drainage System (MCC), Duala Market (MCC) Drainage System, Southeastern Paynesville - Du-Port Road Area (PCC) Drainage System and Omega Market Area (PCC) Drainage System, to confirm the feasibility study conducted by consultants of the LURP.
- 1.2.6.3 We also observed that these drainages are filled with dirt and plastic waste. **Below are exhibits.**

**EXHIBIT 1:** GAC’s audit team site confirmation of the feasibility study conducted by consultants of the LURP: Central Monrovia– Soniwein Drainage System (MCC).



**EXHIBIT 2:** GAC’s audit team site confirmation of the feasibility study conducted by consultants of LURP: Duala Market (MCC), Drainage System.





**EXHIBIT 3:** GAC's audit team site confirmation of the feasibility study conducted by consultants of LURP: Southeastern Paynesville, Du-Port Road Area (PCC), Drainage System.





**EXHIBIT 4:** GAC's audit team site confirmation of the feasibility study conducted by consultants of LURP: Omega Market Area (PCC), Drainage System.



**Risk**

- 1.2.6.4 Poorly maintained drainage systems and poor waste management practices can adversely affect the environment leading to flooding, erosion, pollution and other environmental and health hazards.

**Recommendation**

- 1.2.6.5 Management should liaise with the affected communities to develop long-term sustainable solution plans.
- 1.2.6.6 Timelines for implementation of development plans should be agreed upon with communities. Management and the leadership of the affected communities should ensure that the development plans are implemented in line with agreed timelines. Involving the communities is key to having long-term impacts from such projects.

**Management's Response**

- 1.2.6.7 *These are concerns not only for the PMU, but the nation. The maintenance of drainages in and around Monrovia is of serious concern to the nation. This is one of the reasons why this project came into being. Studies have been conducted, and plans are underway to maintain and establish sustainable infrastructures relating to the drainages in and around Monrovia.*

**Auditor General's Position**

- 1.2.6.8 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.