



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



**ON THE FINANCIAL STATEMENT AUDIT OF
THE LIBERIA URBAN WATER SUPPLY
PROJECT (LUWSP) (CREDIT NO. 5774-LR;
6384-LR AND GRANT NO. D4870-LR)**

**FOR THE PERIOD January 1, 2022 TO
December 31, 2022**

June 2023

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

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ACRONYMS USED

Acronyms	Meaning
ACCA	Association of Chartered Certified Accountant
AFS	Audited Financial Statements
AG	Auditor General
CFIP	Certified Forensic Investigation Profession
CFC	Chartered Financial Consultant
FAR	Fixed Asset Registry
GAC	General Auditing Commission
GL	General Ledger
GOL	Government of Liberia
IAU	Internal Audit Unit
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
LUWSP	Liberia Urban Water Supply Project
LWSC	Liberia Water and Sewer Corporation
M&E	Monitoring and Evaluation
MD	Managing Director
NRW	Non- revenue Water
PDO	Project Development Objective
PFM	Public Finance Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PIUD	Project Implementation Unit Director
SMT	Senior Management Team
TOR	Terms of Reference



*AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENT
AUDIT OF THE LIBERIA URBAN WATER SUPPLY PROJECT (LUWSP)
FOR THE PERIOD JULY 1, 2021 TO December 31, 2021*

June 30, 2023

Hon. Alphonso Gaye
Managing Director
Liberia Urban Water Supply Project (LUWSP)
Monrovia, Liberia

Dear Hon. Gaye:

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENT AUDIT OF LIBERIA URBAN WATER SUPPLY PROJECT (LUWSP) FOR THE PERIOD JULY 1, 2021 TO December 31, 2021.

Unqualified Opinion

We have audited the accompanying financial statements of the Liberia Urban Water Supply (LUWSP) Project for the year ended December 31, 2021. These financial statements comprise the statement of Receipts and Payments, statement of financial performance, statement of financial position for the year then ended, and a summary of significant accounting Policies and other explanatory information.

In our opinion, the accompanying financial statements of LUWSP (Project: (Credit No. 5774-LR; 6384-LR and Grant No. D4870-LR) present fairly in all material respects, the Statement of Receipts and Payments as at December 31, 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 (ISSAIs). 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 Liberia Urban Water Supply (LUWSP) Project 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 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's Responsibility

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



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
June 2023



The Financial Statements as set out on pages 9 to 12 have been prepared in accordance with the provisions of the Public Financial Management Act of 2009 and in compliance with the Cash Basis International Public Sector Accounting Standards (Cash IPSAS), adopted by the Government of Liberia. In accordance with the provisions of the Public Financial Management (PFM) Act of 2009, I am responsible for the control of and accounting for public funds received, held, and expended for and on behalf of the Liberia Urban Water Supply Project implemented by the Liberia Water and Sewer Corporation.

Under the World Bank provisions (Financing Agreement) I am required to submit Annual Financial Statement to external auditors two months after the end of the financial year and Annual Audited Financial Statement to the IDA/ World Bank, six months after the end of the financial year to which it relates. However, the preparation of the annual financial statement has been delegated to the Financial Management Expert of the Liberia Urban Water Supply Project. I am pleased to submit the required Fiscal Year Account of the Liberia Urban Water Supply Project in compliance with the IDA/World Bank provisions and its attendant Regulations. I have provided, and will continue to provide, all the information and explanations as may be required in connection with the financial statements presented therein.

In preparing these Financial Statements, the most appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgment and estimates. To the best of my knowledge and belief, these Financial Statements agree with the books of accounts, which have been properly kept.

I accept responsibility for the integrity of these financial statements, the financial information they contain and their compliance with the IDA/World Bank provisions.



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Pawon Boayue
Project Director

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FEBRUARY 28, 2023
.....

Date



(a) MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Government of Liberia has secured a Credit for the financing of Liberia Urban Water Supply Project from the International Development Association (World Bank) as part of reviving the devastated infrastructure of the country. The objective of the Project is to increase access to piped water supply services in the Project Area in Monrovia and improve the operational efficiency of LWSC.

The Project Implementation Unit (PIU) of the Liberia Water and Sewer Corporation (LWSC) has been established and is responsible for providing accounting, disbursement and reporting services for the World Bank supported LUWSP.

Background of the Project

The Republic of Liberia has received a credit and a grant from IDA to finance the Additional Financing of the Liberia Urban Water Supply Project. The project is part of the Monrovia Water Supply and Sanitation Improvements for the Cities of Harper, Gbarnga and Greenville (the Program). The Program is to be implemented by the Liberia Water and Sewer Corporation (LWSC) in three phases and its goal is to restore water supply service to Monrovia and the three secondary cities of Harper, Gbarnga and Greenville.

Presently, less than three percent of Liberians benefit from piped water. Even in Monrovia, an estimated 80 percent of the population relies on point sources such as hand-dug wells which may be 'improved' in a technical sense but are unsuitable in the dense urban environment. A 2011 water quality study in Monrovia found the majority of 'improved' wells to be contaminated and unsafe to drink from (UHL and Associates, 2011). In Monrovia, only 4 million gallons per day (mgd) of water are currently produced, of which 1 million are billed, supplying only about 6,000 active accounts.

Increasing access to piped, treated water is an urgent public health requirement. The Government of Liberia's post-Ebola Economic Stabilization and Recovery Plan (ESRP) has emphasized the "urgent need to address the structural deficiencies in the service delivery systems in the water and sanitation sector that the [Ebola] epidemic highlighted". The project will reduce exposure to unsafe drinking water and hygiene for close to fifty-thousand Liberians. This is expected to reduce poverty and boost shared prosperity by reducing health-related costs (direct on treatments and indirect through missed work), as well as reduce negative impacts associated with lower school attendance due to water and hygiene-related burdens.

Financial Performance

The budget of US\$7,913,339.18 was approved by the World Bank to execute activities for the Period January 1, 2022 to December 31, 2022. The amount of US\$6,423,924.57 was appropriated to Component 1 for infrastructure improvements while US\$1,489,414.61 was appropriated to Component 2 for capacity building to the Liberia Water and Sewer Corporation. Below is the budget versus actuals result by the project component with sub-activities for the reporting period:



Budget vs Actual by project component
-FY-2022 (January 1, 2022 to December 31, 2022)

	Budgeted	Actuals	(\$) Diff.	(%) Diff.
(COMPONENT 1-Infrastructure improvements)				
1.1 Rehabilitation and extension of Monrovia piped water distribution system (Construction of a ground reservoir and connecting it to the existing water distribution network and Express Lines from Fish Market to Newport Street booster station)	6,134,831.63	5,670,578.81	464,252.82	8%
1.2 (Feasibility studies, detailed engineering designs, supervision and associated rehabilitation works for 36' main waterline)	289,092.94	283,493.42	5,599.52	2%
Total (COMPONENT 1-Infrastructure improvements)	6,423,924.57	5,954,072.23	469,852.34	7.3%
2.0 (COMPONENT 2- Capacity Building to the LWSC)				
2.1 (Capacity Building to LWSC)	748,398.50	531,129.88	217,268.62	29%
2.3 (Project Implementation Unit)	741,016.11	686,434.85	54,581.26	7.3%
Total (COMPONENT 2- Capacity Building-LWSC)	1,489,414.61	1,217,564.73	271,849.88	18.2%
TOTAL	7,913,339.18	7,171,636.96	741,702.22	9.3%

Component 1 has an unspent balance of 7.3%. This is because the supervision consultant did not submit the invoices for work done between October and December 2022 to be processed for payment. However, the invoices were submitted in January 2023

Component 2 has an unspent balance of 18.2%. This was also because of the below reasons

Activity 2.1.7

LWSC was not able to fully utilize the training plan approved by the bank in 2022.

Activity 2.1.2

For improved customer care service, the consultant did not submit the third and fourth milestone payment during the period of the audit. The invoices were submitted, processed and paid in January 2023.

To comply with the reporting framework, the budget and actual expenditures were reclassified into economic classification of the Government of Liberia. Actuals paid for Compensation of Project Staff amounted to US\$375,659.99. US\$420,199.48 for the Use of Goods and Services, and US\$6,375,777.49 on Non-Financial Assets.

The Project paid US\$4,158,568.93 from its bank account on budgetary activities while the World Bank also made direct payments toward budget activities in the amount of US\$3,013,444.03.



Constraints

There are few constraints to mention which is associated with the overall efficiency to the Project. One of the key is the delay from the Internal Audit review at LWSC head office; the Project may need an assigned Internal Auditor at the Project Office.



LWSC - LUWSP FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

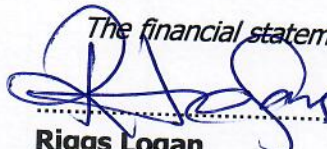


LIBERIA URBAN WATER SUPPLY PROJECT (LUWSP)
STATEMENT OF CASH RECEIPTS AND PAYMENTS
 FOR THE FISCAL YEAR ENDED December 31, 2022


	Note	FY-22		FY(Jul.-Dec.21)	
		Receipts/(Paym ents) Controlled by LUWSP	Direct Payments by World Bank	Receipts/(Payments) Controlled by LUWSP	Direct Payments by World Bank
		US\$	US\$	US\$	US\$
RECEIPTS					
External Assistance (World Bank)	3	3,213,512.83	4,158,568.93	827,984.01	3,477,395.68
Other Sources		-	-	-	-
Total Receipts		3,213,512.83	4,158,568.93	827,984.01	3,477,395.68
PAYMENTS					
Compensation of Employees	4	375,659.99	-	175,420.00	-
Use of Goods and Services	5	420,199.48	-	334,207.70	-
Non-Financial Asset	6	2,217,208.56	4,158,568.93	534,154.14	3,477,395.68
Other Payments	7	-	-	-	-
Total Payments		3,013,068.03	4,158,568.93	1,043,781.84	3,477,395.68
Increase/(Decrease) in Cash		200,444.80	-	-215,797.83	-
Cash Balances – Dec. 31, 2021		186,301.47	-	402,099.30	-
Increase/(Decrease) in Cash		200,444.80	-	-215,797.83	-
Cash Balances – Dec. 31, 2022	2	386,746.27	-	186,301.47	-

The accompanying notes are an integral part of the financial statements.

The financial statements on page 14 to 18 were approved and signed by Project Management.



Riggs Logan
 Financial Management Expert

.....
 Date 

Pawon Boayue
 Project Director

.....
FEBRUARY 28, 2023

 Date



LIBERIA URBAN WATER SUPPLY PROJECT (LUWSP)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022
 Budget Approved on the Cash Basis (By GOL Economic Classification)

Note 8

ACCOUNT TITLE/DESCRIPTION	Final Budget US \$	Actual Amount US \$	Origin al Budge t US \$	Difference: Final Budget and Actual US \$	Percen tage Varianc e %
CASH INFLOWS					
External Assistance	7,913,339.18	7,372,081.76		541,,257.42	7%
Other Sources	-	-		-	-
Total Receipts	7,913,339.18	7,372,081.76		541,,257.42	7%
CASH OUTFLOWS					
Compensation of Employees	421,577.19	375,659.99		45,917.20	10.89%
Use of Goods and Services	748,398.51	420,199.48		328,199.03	43.85%
Non-Financial Asset	6,743,363.48	6,375,777.49		367,585.99	5.45%
Other Payments	-	-		-	-
Total Payments	7,913,339.18	7,171,636.96		741,702.22	9.37%
NET CASH FLOWS	-	200,444.80		-200,444.80	

The financial statements on page 14 to 18 were approved and signed by Project Management.



LIBERIA URBAN WATER SUPPLY PROJECT (LUWSP)
STATEMENT OF CASH POSITION

AS AT DECEMBER 31, 2021

<u>Cash/ Bank Account Details</u>	<i>Currency Held In</i>	<i>Notes</i>	<i>As at December 31, 2022</i>	<i>As at December 31, 2021</i>	<i>Change in Cash Balances</i>
Bank Accounts		2			
LBDI – LUWSP Operations Account	USD		189,627.62	85,539.19	104,088.43
CBL Designated Account	USD		142,180.04	33,401.55	108,778.49
LBDI Designated Account	USD		54,938.61	67,321.08	-12,382.47
Petty Cash	USD		0.00	39.65	-39.65
Total Cash in Banks			386,746.27	186,301.47	200,444.80

The financial statements on page 14 to 18 were approved and signed by Project Management.



NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

These are the specific principles, bases, conventions, rules and practices adopted by the Government of the Republic of Liberia and in compliance with the IDA/World Bank provisions and its attendant Regulations in preparing and presenting the financial statements.

The accounting policies have been applied consistently throughout the period.

a. Basis of Reporting

The financial statements have been prepared in accordance with Cash Basis International Public Sector Accounting Standards (Cash Basis IPSAS) adopted by the Government of Liberia.

b. Reporting Entity

The Government of Liberia has secured a Credit for the financing of Liberia Urban Water Supply Project from the International Development Association (World Bank) as part of reviving the devastated infrastructure of the country. The objective of the Project is to increase access to piped water supply services in the Project Area in Monrovia and improve the operational efficiency of LWSC. The project was signed in April 27, 2016 and became effective on April 12, 2017.

The main beneficiaries of this project will be the residents of neighbourhoods in Monrovia selected by the project who will be benefiting in the form of new connections, more hours of water supply, and fewer interruptions in water service delivery, closer proximity of the water supply or a combination of these.

The principal address of the reporting entity is Liberia Water and Sewer Corporation Project Implementation Unit, Barclay Avenue, Fiana, Monrovia.

c. Reporting Currency

The presentation currency is the United States Dollars (US Dollars).

2. Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in banks and petty cash amounts held in office. Cash included in the Statement of Receipts and payments comprise the following amounts:

Cash in Bank	FY 2022	(Jul. – Dec. 21)
Petty Cash in Office	386,746.27	186,261.82
	0.00	39.60
Total Cash and Bank Balances	<u>386,746.27</u>	<u>186,301.47</u>

3. External Assistance

The Government of Liberia has received external assistance by securing a credit from the World Bank to increase access to piped water supply services in the in Monrovia and improve the operational efficiency of LWSC.

The total receipts from the loan for the period under audit is US\$7,372,081.76 Total received in the bank accounts of the LUWSP and Direct Payment Contribution from World Bank was U\$3,213,512.83 and US\$4,158,568.93 respectively.

4. Compensation of Employees

The project made payments from its bank accounts to core and support staff. Analysis of the payments by activity code and GOL classification is presented below.

<i>Project Activity Code</i>	CODING <i>GOL Economic Classification</i>	WORLD BANK COMPONENT AFFECTED		
		<i>Component 1</i>	<i>Component 2</i>	<i>TOTAL</i>
2.3.1.1	211101			
2.3.1.2	211101		60,555.56	60,555.56
2.3.1.3	211101		36,333.33	36,333.33
2.3.1.4	211101		36,333.33	36,333.33
2.3.1.5	211101		39,361.11	39,361.11
2.3.1.6	211101		27,475.00	27,475.00
2.3.1.7	211101		35,161.11	35,161.11
2.3.2.1	211102		32,700.00	32,700.00
2.3.2.2	211102		6,868.56	6,868.56
2.3.2.3	211102		3,600.00	3,600.00
2.3.2.4	211102		35,344.26	35,344.26
2.3.2.5	211102		6,350.00	6,350.00
2.3.2.7	211102		6,055.50	6,055.50
2.3.2.8	211102		9,577.78	9,577.78
2.3.2.9	211102		18,166.67	18,166.67
2.3.2.9	211102		13,300.00	13,300.00
			8,477.78	8,477.78
			375,659.99	375,659.99

5. Use of Good & Services

The project incurred cost on recurring activities such as fuel, office supplies, Insurance and other related repairs and maintenance. Below is an analysis by of payments by activity code and GOL classification.

Project Activity Code	CODING		WORLD BANK COMPONENT AFFECTED		
	GOL Economic Classification		Component 1	Component 2	TOTAL
2.3.5.03		221203		39,845.00	39,845.00
2.3.5.04		221401		35,905.00	35,905.00
2.3.5.15		221402		12,819.50	12,819.50
2.1.5		221501		16,129.74	16,129.74
2.3.5.06		221502		33,093.85	33,093.85
2.3.5.16		221503		2,300.00	2,300.00
2.3.5.17		221504		3,320.00	3,320.00
2.3.5.13		221602		47,552.00	47,552.00
2.3.5.10		221603		886.00	886.00
2.3.5.14		221606		6,033.35	6,033.35
2.3.4.02		221703		6,400.00	6,400.00
2.1.3		221704		74,014.00	74,014.00
2.3.4.05		221909		39,025.60	39,025.60
2.3.5.09		222108		2,400.00	2,400.00
2.3.5.11		222116		38,449.56	38,449.56
2.3.5.02		222125		37,650.95	37,650.95
2.3.4.01		223106		24,374.93	24,374.93
Total				420,199.48	420,199.48

6. Property, Plant, & Equipment

Civil works including all cost incurred on construction of plants, water drainages, and related consultancies are summarized under PPE.

Project Activity Code	CODING		WORLD BANK COMPONENT AFFECTED		
	GOL Economic Classification		Component 1	Component 2	TOTAL
1.1.2		230003		294,549.78	294,549.78
1.1.6		230003		20,557.68	20,557.68
1.1.6		230003		3,671.94	3,671.94
1.1.6		230003		3,908.92	3,908.92
1.1.2		230003	1,292,800.17		1,292,800.17
2.1.2		230003		15,580.00	15,580.00
2.1.2		230003		1,111.76	1,111.76
1.1.6		230003		29,685.59	29,685.59
1.1.2		230003	275,797.37		275,797.37
1.1.2		230003		155,136.02	155,136.02
1.1.6		230003		31,427.98	31,427.98
1.1.2		230003	241,686.44		241,686.44
1.1.6		230003		4,266.70	4,266.70
1.2.2		230003		101,940.00	101,940.00
1.2.2		230003		14,452.94	14,452.94
1.1.2		230003	909,844.99		909,844.99
1.1.2		230003		303,281.66	303,281.66

7. Other Payments

There were no other payments incurred outside the budgetary activities of the project.

8. Comparison of Budget Amounts versus Actuals

Since the project is activities based, please refer to Management Discussion and Analysis budget versus actuals by project components on page 6. The budget created by economic classification is a reorganization of activities to compare budget versus actuals as required by IPSAS.

9. Authorization Date

The financial statements were authorized for issue on February 28, 2023 by Pawon Boayue, Project Director.