

Management Letter

On the Financial Statements Audit of Liberia Learning Foundations (LLF) Project

For the Period July 1, 2021 to December 31, 2022



Promoting Accountability of Public Resources

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

Monrovia, Liberia
June, 2023

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Acronyms/Abbreviations

Acronyms/Abbreviations	Meaning
ACCA	Association of Chartered Certified Accountants
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant
DLI	Disbursement Link Indicators
DA	Designated Account
ESDC	Education Sector Development Committee
EEP	Eligible Expenditure Program
FAR	Fixed Asset Register
FASB	Financial Accounting Standards Board
PFM	Project Financial Management Manual
GAC	General Auditing Commission
LLF	Liberia Learning Foundations (LLF) Project
GOL	Government of Liberia
IA	Internal Audit
IAS	International Accounting Standards
IFR	Interim Financial Report
IFRS	International Financial Reporting Standards
IPSA	International Public Sector Accounting Framework
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institutions
ISAs	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
MFD	Ministry of Finance and Development Planning
MOE	Ministry of Education
NGOs	Non-governmental Organizations
PFM	Public Financial Management
PFMU	Public Financial Management Unit
PDT	Project Delivery Team
PPCC	Public Procurement and Concession Commission
PRC	Procurement Review Committee
PIM	Project Implementation Manual
PIU	Project Implementation Unit (Same as PDT)
SMT	Senior Management Team
SMC	School Management Committee
SOE	Statement of Expenditure
US\$	United States Dollar
WB	World Bank



*Management Letter on the Financial Statements Audit
of Liberia Learning Foundations Project (LLFP)
For the Period July 1, 2021 to December 31, 2022*

Prof. D. Ansu Sonii, Sr.

Minister of Education

Liberia Learning Foundations Project (LLFP)

Ministry of Education

Ministerial

Complex

Monrovia,

Liberia

June 28, 2023

Dear Hon. Sonii:

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS AUDIT OF THE LIBERIA LEARNING FOUNDATIONS PROJECT (LLF) FOR THE PERIOD JULY 1, 2021 TO DECEMBER 31, 2022.

The Financial Statements of the Liberia Learning Foundations Project (LLF) were subject to audit by the Auditor General in terms of Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Engagement Terms of Reference. The Financial Audit was performed for the period July 1, 2021 to December 31, 2022.

INTRODUCTION

The audit of the Liberia Learning Foundations Project (LLF) for the period July 1, 2021 to December 31, 2022 is being completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

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 and reporting is achieved.

An audit involves:

- 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 Financial Statement presentation.

An audit also includes 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.

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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 Liberia Learning Foundations Project (LLF) Management. Our responsibility is to express our opinion on these Financial Statements.

Key Personnel of the Project

During the period under audit, the following key persons managed the affairs of the LLFP Project

Name	Position	Tenure
Prof. D. Ansu Sonii, Sr	Minister	2018- Present
Joe Gbasakollie	Project Coordinator	2018- Present
Sadacious Varney	Finance Officer	2020 - Present
Omarue Toure	Procurement Specialist	2022 - Present

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 Liberia Learning Foundations Project (LLF) 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 No Explanation of Material Variances.

Observation

1.1.1.1 Paragraph 1.7.8 of the Revised Cash Basis IPSAS (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:

1.1.1.2 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.

1.1.1.3 During the audit, we observed that Management did not include explanatory notes to the financial statements on material variances between the budget and actual amounts. **See Table 1 below for details:**

Table 1: Non-explanation of Material Variances

Activities Within Components	Project Allocation	Annual	Actual Expenditure	Variance
Improving access to Early Childhood Education (ECE) in targeted counties	3,140,000.00	2,076,164.00	348,508.00	1,727,656.00
Achieving better learning through equity, efficiency and accountability	1,770,000.00	920,000.00	700,000.00	220,000.00
Strengthening project management and sector support and coordination	90,000.00	533,992.00	520,991.00	13,001.00
Total	5,000,000	3,530,156	1,569,499	1,960,657

Risk

1.1.1.4 Failure to include explanation for material variances between budgetary and actual amounts in the financial statements may deny users of the financial statements the information needed to make informed decision.

1.1.1.5 Fair presentation and full disclosure may be impaired.

Recommendation

1.1.1.6 Management should ensure that full and adequate disclosures are made for material variance(s) between the budget and actual amounts.

Management's Response

1.1.1.7 *This was earlier communicated and subsequently resolved in the revised financial statement. Please see Exhibit I*

Auditor General's Position

1.1.1.8 We acknowledge Management's acceptance of our findings and recommendations and subsequent adjustment of the financial statements.

1.1.2 Lack of Signing date of the Financial Statements

Observation

1.1.2.1 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.

1.1.2.2 Regulation I.11. of the PFM Act of 2009 - states that "(1) There shall be prepared by the head of government agency or an administrator or head of any Government agency and transmitted to 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.

1.1.2.3 During the audit, we observed that Management did not indicate the date of approval on the financial statements.

1.1.2.4 As the result of the omission of the approval date on the financial statements we could not ascertain the timely preparation of the financial statements.

Risk

1.1.2.5 Management may be non-compliant with Regulations I.11 of the PFM Acts of 2009 as amended and restated in 2019.

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



Recommendation

- 1.1.2.7 Management should adjust the financial statements to include the date of the approval adjacent to the signature of the authorizers.

Management's Response

- 1.1.2.8 *This was earlier communicated and subsequently addressed in the revised financial statement. Please see Exhibit I*

Auditor General's Position

- 1.1.2.9 We acknowledge Management's acceptance of our findings and recommendations and subsequent adjustment of the financial statements.

1.1.3 Inappropriate disclosure of reporting period

Observation

- 1.1.3.1 Paragraph 1.4.1 of the IPSAS Cash Basis of Accounting states, "the general-purpose financial statements shall be presented at least annually. When in exceptional circumstances, an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose in addition to the period covered by the financial statements:

- The reason(s) for a period other than one year being used; and
- The fact that comparative amounts may not be comparable

- 1.1.3.2 During the audit, we observed that the financial statements were prepared for a period other than one year without explanatory notes for the reason(s) thereto.

- 1.1.3.3 Additionally, we observed that Management did not disclose that the amounts for prior and current periods figures may not be comparable due to the change in the reporting period.

Risk

- 1.1.3.4 Comparability, understandability, reconciliation and decision making of users of the financial statements may be impaired.

- 1.1.3.5 Fair presentation and full disclosure may be impaired.

Recommendation

- 1.1.3.6 Management should facilitate full and adequate disclosures in the notes to the financial statements consistent with Paragraph 1.4.1 of the 2017 revised Cash Basis IPSAS.

Management's Response

- 1.1.3.7 *This was earlier communicated and subsequently resolved in the revised financial statement. Please see Exhibit I*



Auditor General's Position

- 1.1.3.8 We acknowledge Management's acceptance of our findings and recommendations and subsequent adjustment of the financial statements.

1.1.4 Non-Remittances of taxes

Observation

- 1.1.4.1 Section 905(J) of the Revenue Code of Liberia Act of 2000 as amended in 2011 stipulates: "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", (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"
- 1.1.4.2 During the audit, we observed that Management withheld the total amount of US\$10,127.37 as withholding taxes from vendors, service-providers and consultants without evidence of remittance to the LRA. **See Annexure 1 for details:**

Risk

- 1.1.4.3 Failure to remit taxes withheld, may deny GoL of much needed tax revenue.
- 1.1.4.4 Management may be non-compliant with Section (905) J. of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay.
- 1.1.4.5 Non-remittance of withholding taxes may lead to overstatement of the cash book and subsequently the financial statements.

Recommendation

- 1.1.4.6 Management 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 as amended in 2011.
- 1.1.4.7 Evidence of withholding taxes subsequently remitted including copies of original flag receipts and all other relevant supporting records should be adequately documented and filed to facilitate future review.
- 1.1.4.8 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.

Management's Response.

- 1.1.4.9 *PFMU has worked and continue 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 receipt. In spite of the challenges in remitting the relevant taxes, the PFMU continue to do so. However, some of the taxes are not remitted on a real time basis given the challenges encountered in the remittance process.*



- 1.1.4.10 *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. However, during the period under audit, the PFMU withheld taxes and paid 41% of the referenced taxes and the remaining is in process. Kindly find attached evidence for ease of reference. **See Exhibit II***

Auditor General's Position

- 1.1.4.11 Management's assertion did not adequately address the issues raised and is not supported by documentary evidence. As asserted in Management's response, withholding taxes were not remitted in a timely manner. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.5 Lack of Bank Reconciliation Statements

Observation

- 1.1.5.1 Regulation R.3 of the PFM Act of 2009 as 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".

- 1.1.5.2 During the audit, we observed that Management did not prepare bank reconciliations statements for three (3) months (July to September 2021) for the period under audit.

Risk

- 1.1.5.3 Failure to prepare bank reconciliation may lead to untimely detection of errors or omissions and fraud. Management may not be able to fully account for its transactions.

Recommendations

- 1.1.5.4 Management should ensure that monthly bank reconciliation reports are prepared for each operational and designated account established by the entity.

- 1.1.5.5 Monthly bank reconciliation statements should be prepared and approved by staff with the relevant qualification, experience and seniority.

- 1.1.5.6 Monthly bank reconciliation reports should be adequately documented and filed to facilitate future review.

Management's Response.

- 1.1.5.7 *The project became effective on July 13, 2021 but no funds were received in the Designated Account (DA) until October 2021. As such there was nothing to prepare reconciliation for between July and September 2021.*

Auditor General's Position.

1.1.5.8 Management's assertion did not adequately address the issues raised. Bank reconciliation statements should be prepared monthly even for inactive accounts to ensure that illegitimate transactions including bank errors (erroneous debits and credits) and incorrect bank charges are not posted to the bank statements. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.1.6 Delay in Project Implementation

Observation

1.1.6.1 Section 41 (1) (a) to (c) of the Amended and Restated Public Procurement and Concessions (PPC) Act of 2010 states that "The Procuring Entity shall be responsible for the administration and monitoring of contracts entered into by the Entity. The contract administration functions shall include at least the following:

- a) Ensuring that the contractor complies with the specifications and terms of the contract;
- b) Ensuring that the contract is being performed on schedule;
- c) Ensuring that, payments made to the contractors are in accordance with the terms of the contract."

1.1.6.2 Also, Section 4.1.1 states that, Delays in payments to contracted vendors create bottlenecks to project implementation.

1.1.6.3 During the audit, we observed that Management delayed in the implementation of projects as specified in the Project Implementation Manual (PIM). **See table 2 for details.**

Table 2. Delay in Project Implementation

Project (School)	Start date	End date	Location	Comment
Yarkpah Town Pub. Sch.	January 2023	August 2023	Central Rivercess	The project was on window level during site visit in May 2023
Conference Town Pub. Sch.	January 2023	August 2023	Grand Kru	The project was on window level during site visit in May 2023
Gboloken Pub. Sch.	January 2023	August 2023	Gboloken, Maryland	The elevation work was on during site visit in May 2023
Dejaylah	January 2023	August 2023	Dejaylah Town, Sinoe	The project was on window level during site visit in May 2023
Borrobo, Rock Town Pub. Sch.	January 2023	August 2023	Maryland	The project was on foundation level during site visit in May 2023



Risk

- 1.1.6.4 Failure to start construction project on schedule may lead to non-achievement of the project's objectives.
- 1.1.6.5 The absence of effective monitoring and evaluation of project deliverables may deny the achievement of value for money during the execution of the project.
- 1.1.6.6 Delay in the achievement of the project deliverables may result into additional (fixed costs) of the project.

Recommendation

- 1.1.6.7 Management should provide substantive justifications why the construction project did not commence in October, 2022 as enshrined in the contract agreement.
- 1.1.6.8 Management should ensure that proper coordination, monitoring and evaluation of the project are implemented periodically during the execution of the project.

Management's Response

- 1.1.6.9 *Most of the activities planned for the audit period were contingent on procurement actions, which were delayed at different levels. For example, delays in the hiring of contractors for actual civil works and delays in the procurement of ECE teaching and learning materials. However, all the procurement activities are on track, and project implementation is expected to go on as planned. The project disbursement, currently at 67.7 percent, is expected to increase substantially in the next quarter. Also, the project is expected to be successfully completed by its closing date of December 31, 2023.*

Auditor General's Position

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

1.1.7 Delay in Contractor's Payment

Observation

- 1.1.7.1 Section 5.8 of the Liberia Learning Foundation Project Implementation Manual states that; The project will also use the report-based disbursement method which will also be used for accessing funds into the designated account for project implementation. Grant proceeds will flow from the World Bank to a Designated US Dollar account to be opened at commercial bank in Liberia and managed by the PFMU for the LLF Project. Payments will be made for eligible project expenses from the Designated US Dollar account. The report-based disbursement method (Interim Financial Reports) will be used as a basis for the withdrawal of all grant proceeds. Supporting documentation will be retained by the implementing agencies for review by the World Bank missions and external auditors. For a period of four months after the closing date, disbursement for expenses incurred prior to the closing date will be allowed.



1.1.7.2 During the audit, we observed that Management delayed in the disbursement of funds to contractors.

Risk

1.1.7.3 Efficient execution of project deliverables may be impaired due to delay in payment of vendors

1.1.7.4 Project funds may be diverted or misapplied.

Recommendation

1.1.7.5 Management should provide substantive justification for not making payment to contractors in line with the payment terms.

1.1.7.6 Going forward, Management should ensure that payments are made consistent with the contract terms.

Management's Response

1.1.7.7 *We acknowledge that there was a time lapse between the time of disbursement with the contractors for the construction works. There were several factors responsible for these delays. One such reason was the delay coming from the contractors in providing the Bank guarantees for advance payment and performance security as required by the World Bank procurement process. Another reason for the delay was the standstill period for the award of contracts. The processes leading to contract signature require at least 28 days. During the preparation of the bid documents, some of these issues were not anticipated. However, the implementation of the project and contractors' payments are going on as planned.*

Auditor General's Position

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



Annexure

Annexure #1: Non-Remittances of Taxes

Date	Voucher No.	Vendor	Description	Gross	Tax (US\$)
9/14/22	081	New Democrat Corporation	Payment for publication of REOI for school construction.	2,800.00	280.00
9/14/22	082	Liberia Media & Marketing Services Inc.	Payment for publication of REOI for school construction.	1,200.00	120.00
9/21/22	080	Planet PC Office Equipment & Furniture	Payment for the provision of assorted office stationeries for the PIU.	3,427.00	137.08
2/8/22	034	Dzire Stationery Inc,	Payment for the supply and delivery of assorted office materials for call center.	9,257.50	370.00
12/20/22	130	Planet PC Liberia Inc.	Payment for the provision of 1500pcs of play base instruction aids material and	36,000.00	720.00
11/8/22	116	Lion Stationery	Being supplies of assorted stationeries	2,249.75	44.99
12/2/22	119	Jilux General Merchandise	Being supplies of assorted stationeries for the nationwide rollout for the grievance redness.	1,750.00	35.00
1/24/22	025	Office Zone Inc.	Being supply and delivery of stationery for the accelerated learning program	41,499.50	1,659.98
1/21/22	024	Smart Office Solutions Inc.	Being supply and delivery of ICT equipment under the LLF Project.	1,585.00	31.70
12/29/22	134	Augustine Furniture Center	Being payment for the provision of 50pcs of suggestion box for the nationwide rollout for grievance redness mechanism.	2,250.00	45.00
4/27/22	52	NP Liberia Limited	Payment for the supply of 300 gallons of fuel for monitoring visit to support the MOE school	1,800.00	36.00



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Date	Voucher No.	Vendor	Description	Gross	Tax (US\$)
			national inspection.		
5/9/22	056	Planet PC Office Equipment & Furniture	Being payment for the supply and delivery of assorted office stationeries for the PIU	3,000.00	300.00
6/21/22	065A	United Office Supplies & Equipment	Being supplies of assorted stationeries for AE division.	1,218.00	48.72
12/2/22	120	K. Kartik Stationery Station	Representing the supplies of one dell inspiron laptop for national procurement specialist.	1,495.00	29.90
10/20/21	001	Musu's Corporation	Being catering services for the development of the 6 months LLFP work plan.	1,520.00	152.00
10/6/22	084	The Crowne Hotel	Payment for the provision of catering services and hall rental for twenty-one days bid evaluation for the building construction of ECE classrooms.	9,504.00	950.00
8/15/22	072	Liberia Media & Marketing Services Inc.	Payment for publication of the printing of students' workshop book and teachers guide for the accelerated learning program.	2,400.00	96.00
11/28/22	115	Silver Heart Bar & Restaurant	Being payment for the provision of catering services and conference hall for the TWG and PDT last working session for the last quarter.	2,180.00	218.00
5/20/22	059	Executive Parking Services Inc.	Payment for vehicle rental services for the ALP TOT of master's trainer in Zwedru.	4,800.00	480.00
10/3/22	088	Graceland International Inc.	Payment for the printing of 81 title book for the accelerated learning program.	10,125.00	1,012.50



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Date	Voucher No.	Vendor	Description	Gross	Tax (US\$)
2/18/22	041	Victor Printing Services	Payments for the printing and supplies of 21 branded vests for project staff.	1,365.00	136.50
2/18/22	040	Sassouk Shopping Center	Payment for the supply and delivery of communication cards for the use of the PDT.	750.00	15.00
2/23/22	042	Liberia Media & Marketing Services	Payment for expression of interest for 18 sites LLF schools' supervisors under component 3.	800.00	80.00
8/15/22	073	Liberia Media & Marketing Services	Payment for publication of national procurement specialist for REIO.	1,000.00	40.00
12/8/22	123	Metropolitan Services Inc.	Representing the provision of vehicle rental services for the ECE distribution teaching materials in six counties.	23,900.00	2,390.00
6/21/22	064A	United Logistic Company	Being vehicle rental services for Bomi, Grand Kru and Maryland for the DPE team for the surveying of the 18, ECE classrooms.	6,990.00	699.00
Total				17 4,865.75	US\$10,127.37