



Management Letter

ON THE AUDIT OF THE LIBERIA RURAL RENEWABLE ACCESS PROJECT (LIRENAP)

For the year ended December 31, 2023



Promoting Accountability of Public Resources

Monrovia, Liberia
June 2024

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

Table of Contents

1	DETAILED FINDINGS AND RECOMMENDATIONS	6
1.1	Financial Issues	6
1.1.1	Failure to Withhold and Remit Taxes	6
1.1.2	Non-disclosure of Schedule of Commitments (Withholding Tax).....	7
1.1.3	Spending in Excess of Approved Budgeted – Project Fund.....	12
1.2	Internal Controls Issues	14
1.2.1	No Risk Assessment Policy and Process Report.....	14
1.2.2	Lack of an Audit Committee.....	15
1.2.3	Irregularities Associated with the Management of the Project Assets.....	16
1.3	Field Verification Issue	17
1.3.1	Delay in the Completion of the Kaiha Hydropower Plant project.....	17
	Prior year Audit Issues. This has been resolved. Kindly revert to tax withheld and paid above.	20



Acronyms/ Abbreviations

Acronyms/ Abbreviations	Meaning
AG	Auditor General
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Professional
FA	Financing Agreement
FAR	Fixed Asset Register
FCCA	Fellow Member of the Association of Chartered Certified Accountants
GAC	General Auditing Commission
GOL	Government of Liberia
IFR	Interim Financial Report
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit In situations
LIRENAP	Liberia Renewable Energy Access Project
LRA	Liberia Revenue Authority
LR\$	Liberian Dollar
RREA	Rural Renewable Energy Agency
PAR	Project Appraisal Report
PFM	Public Finance Management
PAP	Project Affected Person
PPC	Public Procurement and Concession Commission
RAP	Resettlement Action Plan
ToR	Terms of Reference
US\$	United States Dollar
PAPs	Project Affected Persons

June 27, 2024

Hon. Samuel Nagbe
Executive Director
Rural Renewable Energy Agency (RREA)
Newport Street
Monrovia Liberia

Dear Hon. Nagbe:

RE: MANAGEMENT LETTER ON THE FINANCIAL STATEMENTS AUDIT OF THE RURAL AND RENEWABLE ENERGY AGENCY (RREA) WITH PROJECT NAMED THE LIBERIA RENEWABLE ENERGY ACCESS PROJECT (LIRENAP) FOR THE YEAR ENDED DECEMBER 31, 2023

The audit of the financial statements of the Rural and Renewable Energy Agency (RREA) with project named the Liberia Renewable Energy Access Project (LIRENAP) for the year ended December 31, 2023, was commissioned by the Auditor-General (AG) under AG's mandate as provided for in Section 2.1.3 of the GAC Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

INTRODUCTION

The audit of the Rural and Renewable Energy Agency (RREA) with project named the Liberia Renewable Energy Access Project (LIRENAP) year ended December 31, 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 (ISSAI). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statement presentation.

The audit will also include an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/ or weaknesses that were not identified.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

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

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 extended and assistance rendered by the staff of the project during the audit.


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

**Monrovia, Liberia
June 2024**



1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Failure to Withhold and Remit Taxes

Criteria

- 1.1.1.1 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", and (m) stipulates "a person who has a withholding obligation under this section and fails to withhold and remit the amount of tax required to be withheld is subject to Section 52 penalty for late payment and failure to pay".
- 1.1.1.2 Section 91. (a) of the revised Revenue Code of 2011 states that; A person required under the provisions of this Code or regulations hereunder to withhold, collect, segregate, account for, or pay over any tax or other revenues of the Republic and who knowingly fails to do so commits a misdemeanor. Upon conviction, in addition to any other sanctions that may be provided by law, the person is subject to a fine of not more than \$50,000.00, imprisonment for not more than one year, or both.

Observation

- 1.1.1.3 During the audit, we observed that Management did not withhold and remit the total amount of US\$46,787.44 as withholding taxes to the LRA or General Revenue Account for consultancy services. **See table 1 below.**

Table 1: Failure to Withhold and Remit Taxes

No.	Date	Description	Voucher Number	Amount	10% GST Withholding
1	May 11, 2023	Payment for work completed as per interim valuation 009 in accordance with the contract	0005436	\$68,122.53	\$6,812.25
2	Mar. 26, 2023	Payment for works completed as per interim valuation of certified on March 23, 2023 in accordance with the contract	0005347	\$70,970.14	\$7,097.01
3	Feb. 17, 2023	Payment for works completed as per interim valuation of certified on February 17, 2023 in accordance with the contract	0005287	\$141,706.51	\$14,170.65
4	Feb. 13, 2023	Payment for works completed as per interim valuation 06 certified February 7, 2023	0005278	\$48,116.33	\$4,811.63
5	Feb. 27, 2023	Payment against the submission of progress report	0005300	\$13,516.00	\$1,351.60
6	Jan. 30, 2023	Payment for supplies of agricultural	0005250	\$ 78,954.00	\$ 7,895.40



No.	Date	Description	Voucher Number	Amount	10% GST Withholding
		materia			
7	Dec. 18, 2023	Income Tax on salaries paid for December 2023		\$ 23,244.44	\$ 2,324.44
TOTAL				\$444,629.95	\$44,462.98

Risk

- 1.1.1.4 Failure to withhold and remit taxes may deny GoL of much-needed tax revenue.
- 1.1.1.5 Management may be non-compliant with Section (905) J, of the Revenue Code of Liberia 2011 which may result to penalties for late payment and failure to pay.
- 1.1.1.6 Non-remittance of withholding taxes may lead to overstatement of the cashbook and subsequently the financial statements.

Recommendation

- 1.1.1.7 Management should provide substantive justification for not withholding and remitting withholding taxes to the LRA.
- 1.1.1.8 Going forward, 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. Evidence of remittance of withholding taxes including original copies of flag receipts and other relevant supporting records should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.1.9 *All taxes for services rendered during the audit period were withheld and remitted to the Liberia Revenue Authority. Attached are receipts of taxes remitted to Liberia Revenue Authority.*

Auditor General's Position

- 1.1.1.10 We reviewed the documents subsequently submitted by Management, after our audit execution. Therefore, we have adjusted the withholding taxes not remitted to (US\$46,787.44– US\$39,974.94) US\$6,812.50 to be accounted for by Management.
- 1.1.1.11 Going forward, Management should ensure that requested documents for audit purposes are submitted in a timely manner.

1.1.2 Non-disclosure of Schedule of Commitments (Withholding Tax)

Criteria

- 1.1.2.1 Paragraph 1.2.2 of the Revised Cash Basis IPSAS (2017) provides that financial statements prepared under the cash basis should provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash



balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein. Notes to the financial statements may provide additional information about liabilities, such as payables and borrowings, and some non-cash assets, such as receivables, investments and property, plant and equipment.

- 1.1.2.2 Regulation B.26 (3) of the PFM Act of 2009 as amended and restated states "A head of government agency shall furnish the Minister with a schedule of undischarged commitments which may be properly carried forward together with unexpended balances of the previous year's appropriation that are available to finance their discharge".

Observation

- 1.1.2.3 During the audit, we observed that Management withheld taxes for the months of November and December 2023 for subsequent remittance to the LRA; However, Management did not disclose in the notes to the financial statements the schedule of commitments comprising of the tax obligations due for remittance. **See table 3 below.**

Table 2: Non-disclosure of Schedule of Commitments (Withholding Tax)

No.	Date	Description	Voucher Number	Amount US\$	10% GST Withholding US\$
1	May 11, 2023	Payment for work completed as per interim valuation 009 in accordance with the contract	0005436	68,122.53	6,812.25
2	Mar. 26, 2023	Payment for works completed as per interim valuation of certified on March 23, 2023 in accordance with the contract	0005347	70,970.14	7,097.01
3	Feb. 17, 2023	Payment for works completed as per interim valuation of certified on February 17, 2023 in accordance with the contract	0005287	141,706.51	14,170.65
4	Feb. 13, 2023	Payment for works completed as per interim valuation 06 certified February 7, 2023	0005278	48,116.33	4,811.63
5	Feb. 27, 2023	Payment against the submission of progress report	0005300	13,516.00	1,351.60
6	Jan. 30, 2023	Payment for supplies of agricultural material	0005250	78,954.00	7,895.40
7	Dec. 18, 2023	Income Tax on salaries paid for December 2023		\$23,244.44	2,324.44
TOTAL				444, 629.96	44,462.99

Risk

- 1.1.2.4 Fair presentation and full disclosure may be impaired.
- 1.1.2.5 Failure to include the details of commitment schedules in the notes to the financial statements may deny users of the financial statements' information needed to make informed decisions.



Recommendation

- 1.1.2.6 Management should adjust the financial statements to include the details of commitment schedules in the notes to the financial statements. The adjusted financial statements should be submitted to the Office of the Auditor General as part of Management's response to this Management Letter.
- 1.1.2.7 Going forward, Management should facilitate full and adequate disclosures in the notes to the financial statements consistent with Paragraph 1.3.27 of the 2017 revised IPSAS Cash Basis.

Management's Response

- 1.1.2.8 *Taxes withheld for November & December 2023 were remitted to the Liberia Revenue Authority on January 5, 2024. Please see below revised schedule of taxes withheld and paid.*

Date	Payee	Narrative	Amount
01/09/2023	General Revenue Account	Payment of withholding tax for the month Dec.2022	16,277.43
02/09/2023	General Revenue Account	Payment of withholding tax for the month Jan. 2023	150.00
02/09/2023	General Revenue Account	Payment of withholding tax for the month Jan. 2023	1,855.00
03/14/2023	General Revenue Account	Payment of withholding tax for the month Feb.2023	150.00
03/16/2023	General Revenue Account	Payment for tax for services rendered	43,223.23
03/16/2023	General Revenue Account	Payment for tax for services rendered	12,384.98
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb.2023	569.81
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb.2023	819.81
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb. 2023	319.81
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb. 2023	282.31
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb. 2023	194.81
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb. 2023	494.81
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb. 2023	494.81
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb.2023	494.81
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb.2023	403.56
03/17/2023	General Revenue Account	Payment of withholding tax for the month Feb. 2023	80.00
03/17/2023	General Revenue Account	Payment for tax for Jan..2023	4,646.75

*Management Letter on the Financial Statements Audit
of the Liberia Rural Renewable Access Project (LIRENAP)
for the year ended December 31, 2023*

23	Account		
04/11/2023	General Revenue Account	Payment for tax for March 2023	150.00
05/17/2023	General Revenue Account	Payment for tax for service rendered	745.00
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	571.40
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	821.40
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	321.40
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	283.90
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	196.40
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	496.40
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	496.40
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	496.40
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	405.15
05/29/2023	General Revenue Account	Payment of withholding tax for the month March 2023	80.00
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	571.77
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	821.77
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	321.77
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	284.31
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	196.81
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	496.81
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	496.81
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	496.81
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	405.56
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	571.81
05/29/2023	General Revenue Account	Payment of withholding tax for the month April 2023	150.00
05/29/2023	General Revenue Account	Payment of withholding tax for consultancy	12,384.98

*Management Letter on the Financial Statements Audit
of the Liberia Rural Renewable Access Project (LIRENAP)
for the year ended December 31, 2023*

23	Account		
05/29/2023	General Revenue Account	Payment of withholding tax for consultancy	7,867.29
05/29/2023	General Revenue Account	Payment of withholding tax for consultancy	55,933.89
05/30/2023	General Revenue Account	Payment of withholding tax for the month April 2023	80.00
06/08/2023	General Revenue Account	Payment for tax for May 2023	16,288.01
06/28/2023	General Revenue Account	Payment for tax for June 2023	18,456.56
08/07/2023	General Revenue Account	Payment for tax for July 2023	4,960.75
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	250.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	350.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	150.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	135.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	100.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	220.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	220.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	220.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	250.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	250.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	80.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Sept. 2023	150.00
11/09/2023	General Revenue Account	Payment of withholding tax for August 2023 for staff and consultants	14,443.20
11/09/2023	General Revenue Account	Payment of withholding tax for August 2023 for staff and consultants	82,494.29
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	250.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	350.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	150.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	135.00

23	Account		
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	100.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	220.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	220.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	220.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	250.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	250.00
11/09/2023	General Revenue Account	Payment of withholding tax for the month Oct.2023	80.00
11/09/2023	General Revenue Account	Payment for tax for Oct.2023	150.00
01/05/2024	General Revenue Account	Withholding tax for the month Nov. 2023	2,539.78
01/05/2024	General Revenue Account	Withholding tax for the month Nov. 2023	30,445.62
	Total		343,364.38

The financial statements have also been adjusted accordingly. See exhibit xx

Auditor General's Position

- 1.1.2.9 We reviewed the documents subsequently submitted by Management, after our audit execution. Therefore, we have adjusted the withholding taxes not remitted to (US\$46,787.44– US\$39,974.94) US\$6,812.50 to be disclosed in the notes to the financial statements as commitment.
- 1.1.2.10 The subsequent adjustment to the financial statements to include the outstanding liabilities in the notes to the financial statements is hereby acknowledged.

1.1.3 Spending in Excess of Approved Budgeted – Project Fund

Criteria

- 1.1.3.1 Regulation A.15 (1) of the PFM Act of 2009 states that "a head of government agency must exercise all reasonable care to prevent and detect unauthorized, irregular, fruitless, and wasteful expenditure, and must for this purpose implement clearly defined business processes, identify risk associated with these processes and institute effective internal control to mitigate these risks.
- 1.1.3.2 Regulation B.24 (1, 2 and 3) of the PFM Act of 2009 as restated in 2019 states: "(1) A head of government agency shall prioritize the Government agency's activities and ensure that related expenditures are within the cash flow plans and budget ceilings or such other ceilings as determined by the Minister".



Observation

- 1.1.3.3 During the audit, we observed that Management expended an excess of US\$10,426.75 of its approved budget for the fiscal period without evidence of a supplementary budget and /or no objection from the Bank. **See table 4 below.**

Table 4: Spending in Excess of Approved Budgeted – Project Fund

Description	Amount US\$
Amount per No Objection	30,000.00
Amount Expended	40,426.75
Variance	10,426.75

Risk

- 1.1.3.4 Management may be non-compliant with Section 24(1-2) of the PFM Act of 2009 as amended and restated 2019.
- 1.1.3.5 Spending in excess of approved budget may lead to discretionary expenditure and misappropriation of project fund. This may impair the achievement of the project’s objectives.
- 1.1.3.6 Facilitating unauthorized excess expenditure may lead to under disbursement of approved budgetary project components.
- 1.1.3.7 Unauthorized excess disbursement over approved annual workplan and budget may lead to misappropriation and misapplication of project funds.

Recommendation

- 1.1.3.8 Management should account for the expenditure in excess of the approved budget limits without evidence of approved supplementary and /or recast budget (no objection) for the period.
- 1.1.3.9 Management should ensure that expenditure is within the approved budget limits at all times and where applicable, supplementary and /or approval for recast budget is acquired. Copies of the necessary documentation should be maintained for administrative and audit purposes.
- 1.1.3.10 Going forward, Management should ensure that a No Objection is obtained for all excess expenditure exceeding amounts in the approved budget before disbursement is initiated. Evidence of approved amendments/No Objections should be adequately documented and filed to facilitate future review.
- 1.1.3.11 Management should perform periodic (at least quarterly) reconciliation between budgeted and actual revenue and expenditure. Gaps identified should be used to govern future revenue collection and disbursement activities. Periodic budget performance reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.1.3.12 *Management acknowledges the findings and recommendations. However, we will recast the budget and going forward, Management will ensure that a No Objection is obtained for all excess expenditure exceeding amounts in the approved budget before disbursement is initiated.*

Auditor General's Position

- 1.1.3.13 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 Internal Controls Issues

1.2.1 No Risk Assessment Policy and Process Report

Criteria

- 1.2.1.1 Paragraph 17 of the Internal Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) indicates that in most cases, the board of head of public entity is ultimately responsible for determining whether management has implemented effective internal control including monitoring. The institution makes this assessment by (a) understanding the risks the organization faces and (b) Gaining an understanding of how senior management manages or mitigates those risk that are meaningful to the organization objectives. Obtaining this understanding includes determining how management supports its beliefs about the effectiveness of the internal control system in those areas.

Observation

- 1.2.1.2 During the audit, we observed no evidence that Management had developed a risk management policy nor performed periodic risk assessment to guide internal and external risks that may impair the achievement of the project's objectives.

Risk

- 1.2.1.3 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.
- 1.2.1.4 Potential risk to the entity may not be identified, assessed and mitigated/prevented in a timely manner thereby leading to the non-achievement of the project's objectives.

Recommendation

- 1.2.1.5 Management should develop, approve and operationalize a risk management policy that identifies strategies for mitigating internal and external risks that may impair the achievement of the project's objectives.
- 1.2.1.6 Subsequently, Management should facilitate the conduct of periodic risk assessment and take corrective action for gaps identified.

- 1.2.1.7 Periodic Risk Assessment reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.1.8 *Management acknowledges the findings and recommendations and will work with the Internal Audit Department (IAA) to develop one for the agency.*

Auditor General's Position

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

1.2.2 Lack of an Audit Committee

Criteria

- 1.2.2.1 Regulation K.10 of the PFM Act of 2009 as amended and restated 2019 states that "the head of government agency or government organization shall in consultation with the internal audit governance board establish and maintain an audit committee for the government agency or organization for which he/she is responsible."

- 1.2.2.2 Further, Regulation K.11(1),(a) of the PFM Act of 2009 as amended and restated 2019 states that the Audit Committee of Government Agencies or Organizations shall review internal controls, including the scope of internal audit, internal audit Plans, internal audit findings, and recommend to the head of government agency the appropriate action to be taken.

Observation

- 1.2.2.3 During the audit, we observed no evidence that Management established an audit committee at the Rural and Renewable Energy Agency (RREA), to monitor and address audit matters at the institution as required.

Risk

- 1.2.2.4 Audit issues and lapses identified in the project's internal control system may not be appropriately monitored and addressed due to the lack of audit committee.
- 1.2.2.5 Internal and external audit recommendations may not be monitored and implemented in a timely manner.

Recommendation

- 1.2.2.6 Management should liaise with the relevant authority to establish a functional audit committee. Evidence of periodic meetings minutes and activities reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.2.7 *Please find communication for the establishment of RREA's audit committee.*

Auditor General's Position

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

1.2.3 Irregularities Associated with the Management of the Project Assets

Criteria

1.2.3.1 Regulation V.1 (2a) of the PFM Act 2009 as restated in 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;"

Observations

1.2.3.2 During the audit, we observed the following irregularities associated with the Project Assets Management System:

- The fixed assets register did not contain some relevant columns – depreciation, accumulated depreciation and net book value.
- The fixed assets register was not regularly updated.
- There was no evidence of periodic physical verification of assets by Management
- There was no evidence of movement of assets form.
- Fixed assets within a given vicinity were not displayed as required by the PFM Act.

Risk

1.2.3.3 Fixed Assets Register may be misstated (Over/understated).

1.2.3.4 Assets may be damaged or impaired, but their values are still on the books.

1.2.3.5 Fixed assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.

1.2.3.6 The lack of asset movement log may make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.

1.2.3.7 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.

1.2.3.8 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

1.2.3.9 Also, fixed assets may be exchanged or stolen if not coded.

Recommendation

1.2.3.10 Management should ensure that all fixed assets are recorded and maintained in the fixed asset register consistent with the fixed asset policy.

1.2.3.11 Management should ensure that the fixed assets register is updated to reflect the following;

depreciation expense, accumulated depreciation and net book value of the asset.

- 1.2.3.12 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of physical verification should be adequately documented and filed to facilitate future review.
- 1.2.3.13 The Fixed Assets Register should be updated periodically to reflect all project's assets.
- 1.2.3.14 Fixed assets within a particular vicinity should be clearly displayed as required by the PFM Act.
- 1.2.3.15 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 asset.

Management's Response

- 1.2.3.16 *Fixed Assets for the LIRENAP Project were coded and updated. See attached the fixed assets registry, assets release sheet and record of count.*

Auditor General's Position

- 1.2.3.17 Management's assertion does not adequately address all the issues raised. Therefore, we maintain our recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.3 Field Verification Issue

1.3.1 Delay in the Completion of the Kaiha Hydropower Plant project

Criteria

- 1.3.1.1 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:
- Ensuring that the contractor complies with the specifications and terms of the contract
 - Ensuring that the contract is being performed on schedule
 - Ensuring that, payments made to the contractors are in accordance with the terms of the contract.

Observations

- 1.3.1.2 During the audit, we observed that works at the Kaiha Hydro Power Plant project, under supervision of WAPCO has been halted. **See Exhibit 1 - 3**

Risk

- 1.3.1.3 Untimely achievement of project deliverables may lead to additional expenditure (fixed costs) of the project.
- 1.3.1.4 Project objectives may not be achieved in the absence of effective project implementation and coordination.
- 1.3.1.5 The absence of effective monitoring and evaluation during the project may impair the achievement of value for money and the implementation of project deliverables. Project deliverables may not be achieved up to approved specifications.

Recommendation

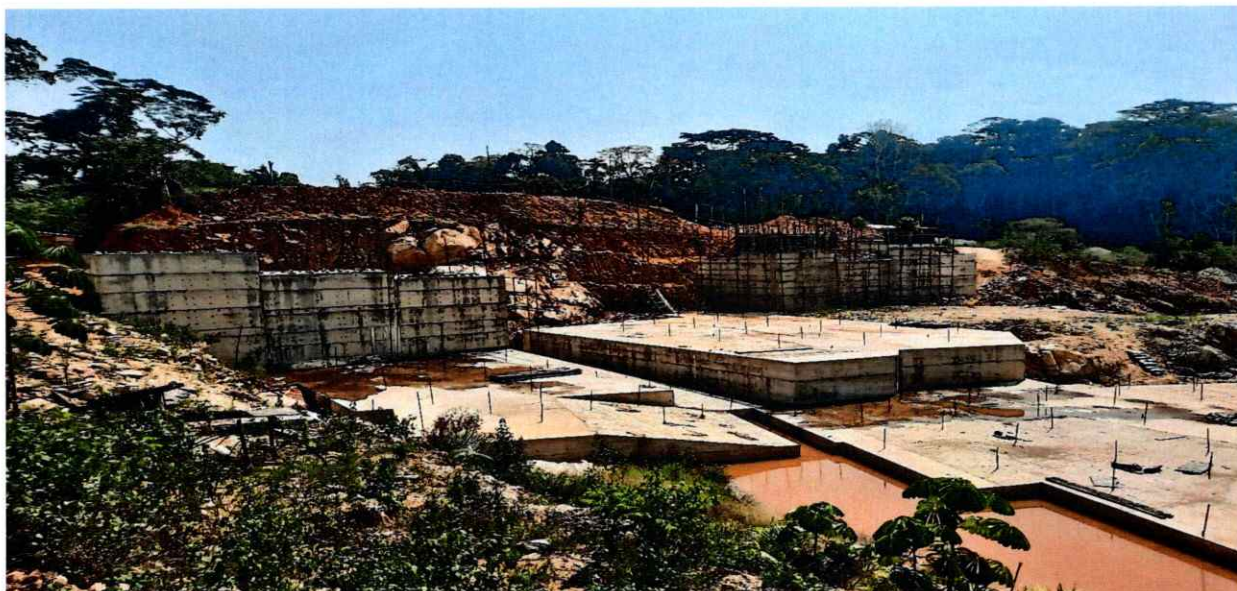
- 1.3.1.6 Management should assess the current status of the work performed, the contractor's capacity to complete the construction of the Hydropower Plant and update the Office of the Auditor General as part of Management's response to this Management Letter.
- 1.3.1.7 Going forward, Management should develop, approved and operationalize a work plan to facilitate the smooth implementation of service for all contractors. The work plan should comprehensively catalog phases of deliverables and corresponding payments required to implement each phase of approved deliverables. The work plan should be discussed and agreed with the contractors and included as supplementary documentation to the approved contracts.
- 1.3.1.8 Management should facilitate periodic monitoring and evaluation of project activities to ensure that services paid for are performed in a timely manner consistent with approved work plans and contracts.

Management's Response

- 1.3.1.9 *The project has already assessed the contract progress as per its regular supervision missions and the Supervision Engineer's notification. Refer to our last slow progress alert to the Contractor. Moreover, the halt of the hydropower plant work is due to expiration of the contract (no extension envisaged), the RREA's stop order, the considerable additional amount to complete the hydropower plant – US\$ 6mil, and the agreed extended time of the project – to June 30, 2024. The development of the hydropower plant may not be developed under the project; however, this decision could be reversed based on the outcome of an optimization study for the mini-grid generation options being sanctioned by the GoL and the choice of GoL to continue the development of the hydropower plant.*

Auditor General's Position

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



GAC Picture 1: Construction work at the Kaiha Hydro project in Kolahun, Lofa County at a standstill



GAC Picture 2: Construction work at the Kaiha Hydro project in Lofa County



GAC Picture 3: Over view of Kaiha Hydro project in Lofa County