



Management Letter

On the Audit of the Financial Statements of the Liberia Electricity Sector Strengthening Access Project (LESSAP)

For the period January 1, 2023 to December 31, 2023



Promoting Accountability of Public Resources

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

Monrovia, Liberia
June 2024

Table of Contents

1	DETAILED FINDINGS AND RECOMMENDATIONS	6
1.1	Financial Matters	6
1.1.1	Non-Explanation for Material Budget Variances	6
1.1.2	Refund / Retirement Due from Ministry of Mines and Energy (MME)	8
1.1.3	Third-Party Payments Made to Employees	9
1.1.4	Undisclosed Cash Receipts	11
1.1.5	Non-Utilization of Project Funding	12
1.1.6	Failure to Fully Withhold and Remit Taxes	14
1.2	Control and Administrative Issues	16
1.2.1	Accounting System Irregularities	16
1.2.2	Planned Assets Mapping Survey Not Executed	17
1.2.3	Payment made on Invalid Tax Clearance and Business Registration	19
1.2.4	Required Number of Quotation not Solicited	20
1.2.5	Irregularities Associated with the Management of the Project Assets	21
1.3	Prior Year Audit Issues	24
	ANNEXURES	25

ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
AFP	Audit Focal Person
AG	Auditor General
AM	Aide Memoir
CEO	Chief Executive Officer
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Professional
FA	Financing Agreement
FCCA	Fellow Member of the Association of Chartered Certified Accountants
FM	Financial Manual
FS	Financial Statements
GOL	Government of Liberia
IDA	International Development Association
IFRs	Interim Financial Reports
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
LEC	Liberia Electricity Corporation
LESSAP	Liberia Electricity Sector Strengthening Access Project
MCC	Millennium Compact Challenge
MME	Ministry of Mines and Energy
PA	Payment Advice
PAD	Project Appraisal Document
PFM	Public Financial Management
PIM	Project Implementation Manual
PMT	Project Management Team
PPC	Public Procurement Concession
RL	Republic of Liberia
TF	Trust Fund
ToR	Term of Reference
WB	World Bank

June 27, 2024

Mr. Monnie R. Captan
Chief Executive Officer (CEO)
Liberia Electricity Corporation (LEC)
Water Side
Monrovia, Liberia

Dear Mr. Captan:

**RE: MANAGEMENT LETTER ON THE FINANCIAL STATEMENTS AUDIT OF THE LIBERIA
ELECTRICITY SECTOR STRENGTHENING ACCESS PROJECT (LESSAP) FOR THE PERIOD
JANUARY 1, 2023 TO DECEMBER 31, 2023**

The Financial Statements of the Liberia Electricity Sector Strengthening Access Project (LESSAP) for the fiscal year ended December 31, 2023 are subject to audit by the Auditor General (AG) consistent with the Auditor General's mandate as provided for under section 2.1.3 of the General Auditing Commission (GAC) Act of 2014, and the Audit Engagement Terms of Reference (ToR).

INTRODUCTION

The audit of the Liberia Electricity Sector Strengthening Access Project (LESSAP), for the period ended December 31, 2023 has been completed and the purpose of this letter is to bring to your attention the findings that were revealed during the course of the audit.

The Project financial statements are prepared in line with the requirements of the International Public Sector Accounting Standards (IPSAS), Cash Basis accounting and the World Bank reporting requirements.

SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) as promulgated by International Organization of Supreme Audit Institutions (INTOSAI), the International Public Sector Accounting Standards (IPSAS) Cash basis and the World Bank reporting requirements. These standards require that we plan and perform the audit so as to obtain reasonable assurance whether the Liberia Electricity Sector Strengthening Access Project (LESSAP) financial statements and related records are free of material misstatements due to errors or fraud and whether they comply with ethical requirements.

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 statements' presentation.

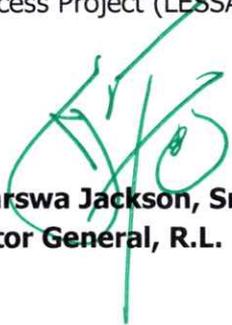
The audit will also contain an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.

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

The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Project Management Team. Our responsibility is to express an opinion on these financial statements.

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Liberia Electricity Sector Strengthening Access Project (LESSAP).


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

Monrovia, Liberia
June 2024



1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Matters

1.1.1 Non-Explanation for Material Budget Variances

Criteria

- 1.1.1.1 Paragraph 1.7.8 of the Cash basis IPSAS states "Subject to the requirements of paragraph 1.7.17 1.7.17 states that "an entity that makes publicly available its approved budget(s) shall present A comparison of the budgets for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the statement of cash receipts and payments currently presented in accordance with this standard.
- 1.1.1.2 The comparison of the budget and actual amounts shall be presented separately for each level of legislative oversight:
- (a) The original and final budget amounts
 - (b) The actual amounts on a comparable basis; and
 - (c) By way of note disclosure, an explanation for material differences for the budget for which the entity is held publicly accountable and actual amounts, unless such amount is included in other separate public documents issued in conjunction with the financial statements and cross reference to those documents is made in the notes".
- 1.1.1.3 Section 4.5 of the Financial Management Manual of the Liberia Electricity Corporation (LEC) 2019 states, "on a quarterly basis, budgeted figures shall be compared with actual figures and the root cause of significant differences shall be determined. The determination of the cause of differences shall assist the Project Management Team to rectify adverse variances or avoid their re-occurrence.
- 1.1.1.4 Budget variance analysis shall ensure that project implementation is on track and project objectives shall be accomplished within the project implementation period. Furthermore, Budget Variance Analysis shall help in identifying:
- i. Cost overruns; and
 - ii. Implementation delays by contractors and suppliers

Observation

- 1.1.1.5 During the audit, we observed that Management did not include explanatory notes for material variances between budget and actual amounts in the notes to the financial statements. **See table 1 below.**



Table 1: Non-Explanation for Material Budget Variances

ITEM	FINAL BUDGET A	ACTUAL AMOUNT B	BUDGET VARIANCE C=(A-B)	% UTILISATION	GAC % BUDGET VARIANCE Calculation	BUDGET VARIANCE EXPLANATION
Rehabilitation and expansion of Electricity infrastructural and system and Access Expansion	9,958,512	8,099,614	1,858,898	81.3%	18.7%	The Scada system(2.2m) and Customer Mapping that were envisaged to be contracted during the year , did not occur.
Electrification of Health and Households in off Grid Rural Areas	3,380,499	1,282,485	2,098,014	37.9%	62.1%	Most of the Health facilities were not electrified during this period accounting for 45% of the 2023 Budget. Street lighting contract was not made in the year as planned. Also, the contract for the supply and installation of the diesel generator plant, were not all paid in 2023. The contract is still ongoing.
Technical Assistance for Institutional Reform, Capacity building of sector Institutions and Implementation support to LEC	2,497,150	2,087,206	409,944	83.6%	16.4%	Some consultants' contracts were discontinued during the year and most recruitment were not made in time to utilize the budget that was planned for the year. Some activities also did not kick- off planned during the year.
Emergency sustainable Generation	3,600,000	0	3,600,000	0.0%	100.0%	Management did not utilize this amount as there were plans to reallocate funds within the project to use some of the funds in Component 4 to allocate to

ITEM	FINAL BUDGET A	ACTUAL AMOUNT B	BUDGET VARIANCE C=(A-B)	% UTILISATION	GAC % BUDGET VARIANCE Calculation	BUDGET VARIANCE EXPLANATION
						component 1 on the SCADA. This has now been done and therefore the remaining funds would be used for Component 4 operations.

Risk

- 1.1.1.6 Failure to include notes or explanation for material variances between budgetary amounts and actual amounts in the financial statements may deny users of the financial statements' information needed to make informed decisions.
- 1.1.1.7 Fair presentation and full disclosure may be impaired.

Recommendation

- 1.1.1.8 Management should adjust the financial statements to include in the notes to the financial statements, explanation for material variances. The adjusted financial statements should be submitted to the Office of the Auditor General as part of Management's response to this Management Letter.
- 1.1.1.9 Going forward, 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

- 1.1.1.10 *See explanation on table provided above and the adjusted financial statement has been submitted.*

Auditor General's Position

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

1.1.2 Refund / Retirement Due from Ministry of Mines and Energy (MME)

Criteria

- 1.1.2.1 Rule 18 of the Approved Travel Ordinance of 2016/2017 states "In case relevant receipts are not submitted along with the Travel Settlement Form as indicated in Annexure II, then the entire amount drawn as advance on account of incidental expenses shall be refunded to the Government immediately.
- 1.1.2.2 Part C (P3) of the Financing Agreement requires the strengthening of the capacity of (a) the Ministry of Mines and Energy (MME) to establish a sustainable energy department for

sector planning and oversight, including monitoring and evaluation of energy sector activities; and (b) the newly established regulatory agency for preparation of the required regulatory and monitoring instruments, including provision of training to the relevant technical staff of the MME and the regulatory agency.

Observation

1.1.2.3 During the audit, we observed that the Minister of Mines and Energy (MME) received an amount of US\$6,756.00 to attend the 58th session of the United Nations framework Convention. However, the program did not materialize due to the non-issuance of a travel visa.

1.1.2.4 However, only US\$4,000.00 was refunded in the year under audit leaving an unrefunded balance of US\$2,756.00.

1.1.2.5 This issue was also disclosed in the quarter three (3) Interim Financial Report.

Risk

1.1.2.6 Failure to fully refund DSA from cancelled trip, may lead to misappropriation of project funds.

1.1.2.7 Expenditure may be misstated in the financial statements.

1.1.2.8 Management may be in violation of GoL Revised Travel Ordinance.

Recommendation

1.1.2.9 Management should facilitate full recovery of the project funds.

1.1.2.10 Going forward, Management should facilitate timely refund of travel advances not utilized consistent with the GoL Travel Ordinance. Evidence of reimbursement of unutilized travel advances should be adequately documented and filed to facilitate future review.

Management's Response

1.1.2.11 *Most of the Amount has been accounted for based on supporting documentation that is available, US\$1,292 is the outstanding balance that is remaining to be accounted for.*

Auditor General's Position

1.1.2.12 We acknowledge Management's acceptance of our finding and recommendation. We also acknowledge Management's assertion of the partial recovery of the project funds from the MME. We will follow up on the implementation of our recommendation during subsequent audit

1.1.3 Third-Party Payments Made to Employees

Criteria



- 1.1.3.1 Regulations B.28 of the PFM Act of 2009 states “A payment shall be made only to the person or persons named on the payment voucher or to their representatives duly and legally authorized in writing to receive the payment”

Observation

- 1.1.3.2 During the audit, we observed that Management made payments amounting to US\$1,978.00 in the name of a project staff of LESSAP for goods and services rather than the vendors, service-providers and direct beneficiaries or legally authorized representatives. **See table 2 below for details.**

Table 2: Third-Party Payments made to Employees

Date	Transaction	Cheque No.	Amount US\$	Payee	Intended Payee /Vendor
12/7/2023	Renewal Paschalina work permit	O488	200.00	Darnuwele W. Kollie	GOL /Ministry of Labor
6/14/2023	Payment to facilitate preparation of work plan	O351	1,568.00	Gbutu Kla Bedell	Caterer and Workshop Attendants
4/3/2023	Payment for processing reentry visa, Paschalina	O300	210.00	Gbutu Kla Bedell	GOL /Ministry of Labor
			1,978.00		

Risk

- 1.1.3.3 Payments to individual for subsequent disbursement to vendors or service providers may facilitate misappropriation of project funds. This practice may also lead to Management override of the procurement processes by completing disbursement without facilitating due procurement processes.
- 1.1.3.4 Payment may not be received by legitimate beneficiaries in the absence of adequate supporting documents.

Recommendation

- 1.1.3.5 Management should ensure that all payments for goods and services procured should be made directly to the legitimate vendors/beneficiaries or their legally authorized representatives through the issuance of checks or transfer to bank accounts.
- 1.1.3.6 Alternatively, Management should utilize the mobile money platform by transferring funds directly to beneficiaries while maintaining the relevant source and supporting documentations.

Management’s Response

- 1.1.3.7 *This is noted going forward. Payments were prepared in the name of the staff because remitting payment to the account of the vendors normally takes time to get the documents of the consultants ready and the consultants were in haste to use his entry visas. Thus, paying by cash was the best option.*



Auditor General's Position

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

1.1.4 Undisclosed Cash Receipts

Criteria

- 1.1.4.1 IPSAS, Revised 2017, Section 1.3.8 states "Notes to the financial statement includes narrative descriptions or more detailed schedules or analyses of amounts shown on the face of the financial statements, as well as additional information. They include information required and encourage to be disclosed by this standard, and can included other disclosures considered necessary to achieve fair presentation and enhance accountability.
- 1.1.4.2 IPSAS Revised 2017, Section 1.3.10 states "Entities that report using the cash basis of accounting frequently collect information on items that are not recognized under cash accounting. Examples of the type of items that may be collected include details of:
- a) Receivables, payables, borrowings, and other liabilities, non-cash assets and accruing revenues and expenses;
 - b) Commitments and contingent liabilities; and
 - c) Performance indicators and the achievements of service delivery objectives

Observation

- 1.1.4.3 During the audit, we observed that Management received the amount of US\$4,000.00 as partial recovery in August 2023 for amount paid to George L. Gontor of the MME as refund of accommodation, DSA and air fare in May of 2023. However, this amount was not recorded in the general ledgers/ cashbook submitted for review.

Risk

- 1.1.4.4 The completeness and accuracy of receipts may not be assured. Therefore, the financial statements may be misstated.
- 1.1.4.5 Management may not account for all of its transactions.

Recommendation

- 1.1.4.6 Management should adjust the cashbook and the financial statements to reflect the cash receipts not initially recorded. The adjusted financial statements should be submitted to the Office of the Auditor General as part of Management's response to this Management Letter.
- 1.1.4.7 Going forward, Management should facilitate full and accurate recording of all transactions to facilitate completeness and accuracy of the financial statements.



Management's Response

- 1.1.4.8 *The observation is noted. The payment was made in May 2023 and not August 2022. Since the funds disbursed to George L. Gontor were project funds unutilized and deposited back into the account, Management was not of the view to disclose the refunds on the Financial Statement. However, is now been disclosed as suggested.*

Auditor General's Position

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

1.1.5 Non-Utilization of Project Funding

Criteria

- 1.1.5.1 Sections 53 to 56 of the Project Appraisal Document (PAD) on component 2 of the project referenced subcomponent 2 (a) on Electrification of Health Facilities through Stand-alone Solar Systems (US\$2.7 million PHRD, US\$2.5 million ESMAP)
- 1.1.5.2 Section 54 of the PAD states "The solar PV systems financed under this component are expected to provide a range of services (depending on type and size of facility), including (a) lighting priority loads in OPDs, theatres, laboratories, pharmacy/dispensaries, maternities, wards, and staff bungalows (for very remote facilities); (b) compound lighting; and (c) operation of medical and office equipment such as oxygen concentrators, microscopes, centrifuges, computers and photocopiers. The subcomponent may also cover support for vaccine cold chains as it become viable for Liberia. Only energy-efficient lighting and appliances will be supported under the project. The subcomponent would finance the costs of: (a) contract for the supply and installation of the solar PV systems and required electrical appliances (and vaccine cold chain as necessary), and provision of basic operation, maintenance and safety training for health workers; (b) contract for O&M operators for post warranty period of the installed system; and (c) technical assistance (TA) for the procurement of the contracts as well as developing local capacity for repair and maintenance of such systems".

Observation

- 1.1.5.3 During the audit, we observed that a funding source for the project under Trust Fund -TF B5153 had closed as of 29th September 2023 without evidence of a drawdown from the fund to the project's designated account. The targeted funding from this source is US\$2.5 million and is meant to finance component 2 of the project which is the electrification of health centers and households in off-grid rural areas.

Risk

- 1.1.5.4 The Project may forfeit the grant / funding due to non-utilization.
- 1.1.5.5 Project objectives may not be achieved.



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

Recommendation

- 1.1.5.9 Management should provide substantive justification for non-utilization of the fund for the period under audit.
- 1.1.5.10 Going forward, Management should ensure that funds from the Trust Fund -TF B5153 are closed and transferred to the project's designated account (DA).
- 1.1.5.11 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.
- 1.1.5.12 Management should facilitate timely receipt and utilization of project funds consistent with the approved work plans and budget. Also, 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

- 1.1.5.13 a) The funding source was not deemed necessary for usage by the RREA as the activities were still been funded on the TF B5412
 - b) There were not challenges. See comments on (a) above.*
 - c) The TF closing date would be extended and the funding utilized.*
 - d) As the Project is still on-going, there is not need for lesson learned at the is point; the Project Closing date would be extended.*
 - e) The Project/Government would do a letter to the Bank to extend the closing date.*

Auditor General's Position

- 1.1.5.14 Management's assertion did not adequately address the issues raised and was not supported by documentary evidence. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.



1.1.6 Failure to Fully Withhold and Remit Taxes

Criteria

- 1.1.6.1 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".
- 1.1.6.2 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

- 1.1.6.3 During the audit, we observed that Management did not withhold and remit the total amount of US\$22,704.00 as withholding taxes for consultancy services to the LRA. **See Table 3 below.**

Table 3: Failure to Fully Withhold and Remit Taxes

Position / Service Render	Income Type	Amount US\$	Tax Rate	Tax Not Withheld US\$
Financial Management Specialist	Accommodation /Communication Allowance	27,600.00	15%	4,140.00
Procurement Specialist	Accommodation /Communication Allowance	30,000.00	15%	4,500.00
Project Coordinator	Accommodation /Communication Allowance	7,800.00	10%	780.00
Chief Operating Officer	Accommodation /Communication Allowance	33,600.00	15%	5,040.00
Project Technical Coordinator	Accommodation /Communication Allowance	30,000.00	15%	4,500.00
Senior Energy Coordinator	Accommodation /Communication Allowance	24,960.00	15%	3,744.00
Total				22,704.00

- 1.1.6.4 Additionally, we observed during the audit that Management procured goods and services from various vendors and suppliers totaling US\$31,351.02 without evidence that applicable 10% Goods and Service Tax (GST) was withheld and remitted to LRA. **See the table 4**

below:

Table 4: Payment for goods & services for which there were not withholdings

Vendor / Supplier	Goods/services Delivered	Total Payment	GST 10%
Conex Energy Liberia	Supply of fuel	14,467.45	1,446.45
Channel Logistics	Vehicle Repair and Maintenance	3,030.00	303.00
Up Town Garage	Vehicle Repair and Maintenance	1,692.00	169.20
CICA Motors	Vehicle Repair and Maintenance	1,202.69	120.27
United Motors Corp.	Vehicle Repair and Maintenance	1,442.00	144.20
Orange Liberia Ltd.	Internet modern, recharge cards	9,516.88	951.69
Total		31,351.02	3,135.10

Risk

- 1.1.6.5 Failure to remit taxes withheld may deny GoL of much needed tax revenue.
- 1.1.6.6 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.
- 1.1.6.7 Non-remittance of withholding taxes may lead to overstatement of the cashbook and subsequently the financial statements.

Recommendation

- 1.1.6.8 Management should provide substantive justification for not fully withholding and remitting withholding taxes to the LRA.
- 1.1.6.9 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

- 1.1.6.10 *The amount used as accommodation allowance per consultant above is incorrect. Additionally, on the rental agreement that the consultants have, there is a clause in their respective rental agreement which state, "It is hereby mutually agreed and understood by the Parties hereto that the LESSOR shall be responsible to pay all real-estate rated taxes on the demised premises to the Government of Liberia without any charge or reference to the LESSEE". Therefore, deducting taxes on the rental allowance would result to a double taxation to the project.*

Auditor General's Position

- 1.1.6.11 Management's assertion that: "the amount used as accommodation allowance per consultant is incorrect" was not supported by documentary evidence.

- 1.1.6.12 Additionally, per the Section 91. (a) of the revised Revenue Code of 2011, the Project Management is the withholding agent charged with the responsibility of withholding and remitting taxes. Accordingly, Management should liaise with their Legal Counsel and the lessor to facilitate an adjustment to the contract to enable Management's full compliance to the Revenue Code.
- 1.1.6.13 Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.2 Control and Administrative Issues

1.2.1 Accounting System Irregularities

Criteria

- 1.2.1.1 All spending entities which are beneficiary of donor funding not channeled through the budget shall (b) fully disclose to the Minister and the Minister of Planning and Economic Affairs, all information related to donor funding not channeled through the national budget, using the Government's Chart of Accounts and Budget Classification to classify expenditures and revenues.
- 1.2.1.2 Regulation A.3- Duty to Keep Proper Records and Books of Accounts- of the PFM Act of 2009As amended 2019 states: "(1) Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor General, the Comptroller General, the relevant internal auditor or any officers authorized by them, by the Minister.

Observation

- 1.2.1.3 During the audit, we observed the following irregularities associated with the project financial management systems:
- There was no evidence that the project maintained a chart of accounts to serve as a guide in the classifying, posting and summarizing of transactions recorded in the cashbook;
 - There was no evidence that the project maintained general ledger accounts to ensure completeness of posting and proper classification of transactions; and
 - There was no evidence of a trial balance to facilitate the completeness and accuracy of posting of transactions recorded in the cashbook and to aid in the preparation of the financial statements.

Risk



1.2.1.4 The completeness and accuracy of revenue and expenditures may not be assured. Therefore, the financial statements may be misstated.

1.2.1.5 Management may not fully account for the activities of the project.

Recommendation

1.2.1.6 Management should establish and maintain a chart of accounts with appropriate account codes.

1.2.1.7 Management should procure and operationalize a functional accounting software to record all financial transactions of the project.

1.2.1.8 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Going forward, an automated linkage should be created between the general ledger, trial balance and the financial statements to facilitate completeness and accuracy of the financial statements.

Management's Response

1.2.1.9 *This is noted. Management is currently working to ensure an Accounting system is in place to address the observations noted above. The service provider has already been contacted to include the project as part of LEC accounting system.*

Auditor General's Position

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

1.2.2 Planned Assets Mapping Survey Not Executed

Criteria

1.2.2.1 Subcomponent 1(b), paragraph 47 of the PAD, Revenue Protection Program, states "Asset and Customers Mapping Survey (US\$1.2 million equivalent): LEC does not have Accurate information on the point of sale of electricity because the customer database is inaccurate and outdated.

1.2.2.2 Some of the customer addresses in the database are incorrect because meters are moved around without control. This situation is making it difficult for LEC to utilize the LACEEP Financed Integrated Management System (IMS) to effectively manage client arrears and non-Technical losses. It also undermines the reliable operation of the Outage Management System (OMS) module of the IMS.

1.2.2.3 A Network and customer mapping exercise was supported by MCC to address the identified challenges. However, the exercise did not cover the full network. The subcomponent would finance the mapping of the remaining network, which is estimated to



involve about 650km of High-Voltage (HV), MV and LV network of existing and ongoing projects, 2,500 distribution transformers, and 110,000 customer connections among others.

Observation

- 1.2.2.4 During the audit, we observed that the implementation of the Assets and Customer Mapping Survey under the Revenue Protection Program had not been implemented in accordance with plan.
- 1.2.2.5 Additionally, we observed no evidence of disclosure for the non-execution in the notes to the financial statements.

Risk

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

Recommendation

- 1.2.2.9 Management should assess the current status of the work performed, the contractor's capacity to complete the Assets and Customer Mapping Survey and update the Office of the Auditor General as part of Management's response to this Management Letter.
- 1.2.2.10 Going forward, Management should develop, approve 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.
- 1.2.2.11 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

- 1.2.2.12 *This is part of Component 1 (funds that has been reallocated to fund gaps in the distribution network contracts) . Hence, it's on hold. The bank and LEC are working on the reallocation paper. The plan is to fund it under LESSAP 2 which is already under preparation.*

Auditor General's Position



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

1.2.3 Payment made on Invalid Tax Clearance and Business Registration

Criteria

1.2.3.1 Part V Section 62 (2) of the Public Procurement and Concession (PPC) Act of 2005 amended and restated in 2010 states that "Bids which are not complete, not signed, not accompanied by a bid security in the prescribed form, if one is required, or not accompanied by essential supporting documents such as business registration certificates, business licenses and tax receipts, or are substantially non-responsive to the technical specifications or contract conditions or other critical requirements in the bidding documents, shall be rejected and excluded from further evaluation and comparison".

1.2.3.2 Regulations P.9 (2) of the Public Finance Management (PFM) Act of 2009 states "payments except for statutory transfers and debt service shall be supported by invoices, bills and other documents in addition to the payment vouchers".

Observation

1.2.3.3 During the audit, we observed that Management authorized payments amounting to US\$31,009.76, without evidence of valid tax clearance and Business Registration Certificates. **See annexure 1 for details.**

Risk

1.2.3.4 Management's failure to obtain valid Tax Clearance & Business Registration Certificates from vendors may deny Government of the needed tax revenues.

1.2.3.5 Management may be non-compliant with Part V Section 62 (2) of the Public Procurement and Concession (PPC) Act of 2005 as amended and restated in 2010.

1.2.3.6 In the absence of valid business registration and tax clearance certificates, payment may be made to illegitimate vendors leading to loss of much needed tax revenue.

Recommendation

1.2.3.7 Management should ensure that for all transactions involving procurement of goods and services, valid Tax Clearance and Business Registration Certificates are obtained as required by Part U.9. (4) of the Public Financial Management (PFM) Regulation of 2010 and Part V Section 62 (2) of the Public Procurement and Concession (PPC) Act of 2005 as amended and restated in 2010.

1.2.3.8 Evidence of valid business registration and tax clearance certificates should be adequately documented and filed to facilitate future review.

Management's Response



- 1.2.3.9 *This is noted. We shall endeavor to have ensure all vendors are tax compliant.*
- 1.2.3.10 *Management takes seriously the observation and will initiate discussions with the service providers to ascertain their compliance to the tax regulation.*

Auditor General's Position

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

1.2.4 Required Number of Quotation not Solicited

Criteria

- 1.2.4.1 Section 54 (P1& 2) of the PPC Act states that "Quotations shall be requested in writing from as many bidders as practicable, but from at least three (3) bidders. The request shall contain a clear statement of the requirements of the Procuring Entity as to quality, quantity, terms and time of delivery, as well as any other special requirements".

Observation

- 1.2.4.2 During the audit, we observed that payments amounting to US\$31,009.76 were made to acquire the services of various vendors to provide maintenance services for vehicles, publications of information for the project and the acquisition of fuel; however, the required number of quotations were not seen attached. See Annexure 1 for details.

Risk

- 1.2.4.3 Management may be non-compliant with the required procurement method.
- 1.2.4.4 In the non-usage of the required procurement method, value for money may be impaired.

Recommendation

- 1.2.4.5 Management should facilitate full compliance with the required procurement standards for all transactions. Management should obtain valid tax clearance and business registration certificates for all vendors before processing payments.

Management's Response

- 1.2.4.6 *The vehicles being maintained are still under warranty from the Supplier. A new framework contract is now place for All PIU vehicles that are no longer under warranty.*
- 1.2.4.7 *Publications are done to newspapers with wide readership by LEC on behalf of PIU. Generally, the rates for half page or full-page publication are the same across the newspapers.*
- 1.2.4.8 *All the expenses detailed above are operational; therefore, there was no need to obtain three quotation, as the prices are consistent all over. E.g. Fuel, scratch cards etc.*



Auditor General's Position

- 1.2.4.9 Management's assertion did not adequately address the issues raised and is not backed by the relevant procurement and financial management laws and regulations. Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.5 Irregularities Associated with the Management of the Project Assets

Criteria

- 1.2.5.1 PFM Regulations V.4 (P1-4) states that "Furniture and equipment issued for Government quarters or offices or vehicle and other fixed asset shall be brought on a master inventory of the Government Agency. The master inventory shall record under each category of item: (a) the date and other details of the voucher or other document on which the items were received or issued; (b) their serial numbers where appropriate; and (c) their distribution to individual locations and the total quantity held.
- 1.2.5.2 In respect of each individual location, there shall be made two copies of the inventory showing all items held at the location; one copy of the inventory shall be kept with the master inventory and the other copy at the location.
- 1.2.5.3 The dates and other details of all receipts and issues of items to or from the location shall be recorded on both copies of the inventory as they occur. (5) The initial entries and all other entries made later on both copies of the inventory shall be validated by the signature of the officer having the use of the items, or where there is more than one officer, the most senior of them".

Observation

- 1.2.5.4 During the audit, we observed the following irregularities associated with the project assets management system:
- There was no evidence of a fixed assets management policy.
 - The fixed assets register did not contain some relevant columns such as acquisition date, depreciation, accumulated depreciation, net book value and condition etc.
 - The fixed asset register was not regularly updated.
 - There was no evidence of periodic physical verification of fixed assets.
 - Additionally, we observed four vehicles were transferred from LACEEP to LESSAP without being registered in the fixed assets register. **See Table B below and Annexure 2 for details.**



TABLE B - Vehicles Transferred to LESSAP from LACEEP but not Recorded in FAR

Vehicles from LACEEP to LESSAP but not in the register		
	FROM	TO
LEC LACEEP AF MV-006	LACEEP	LESSAP
LEC LACEEP MV-004	LACEEP	LESSAP
LEC LACEEP MV-005	LACEEP	LESSAP
LEC LACEEP MV-007	LACEEP	LESSAP

Risk

- 1.2.5.5 Fixed Assets Register may be misstated (Over/understated).
- 1.2.5.6 Assets may be damaged or impaired, but their values are still on the books.
- 1.2.5.7 Fixed assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.
- 1.2.5.8 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.

Recommendations

- 1.2.5.9 Management should develop, approve and operationalize a fixed assets management policy to regulate fixed assets activities of the project.
- 1.2.5.10 Management should ensure that all assets value is recorded and maintained in the register consistent with the fixed assets policy.
- 1.2.5.11 Management should ensure that the fixed assets register is updated to reflect the following; 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.
- 1.2.5.12 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.
- 1.2.5.13 The Fixed Assets Register should be updated periodically to reflect all project's assets.
- 1.2.5.14 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

- 1.2.5.15 *The observation is noted. We would like to respond as per the following;*



- 1.2.5.16 *The LESSAP project is piggy banking on the Financial Management of the previous LACEEP Project in which there is an Asset Management Policy/Internal Control – Fixed Asset Management that the project is using.*
- 1.2.5.17 *Since the Project is using Cash basis of Accounting, a Memorandum Register is maintained. There is no need for depreciation of the asset or accumulated depreciated. However, there was an acquisition date/Receipt on the Fixed Asset Register(please confirm from the IFR 5).*
- 1.2.5.18 *Physical verification is normally carried out. But we shall ensure to retain evidence of subsequent verification going forward.*
- 1.2.5.19 *This is noted. All fixed Assets were registered. We shall endeavor to continue registering all the fixed asset in the register going forward.*

Auditor General's Position

- 1.2.5.20 We acknowledge Management's assertion relative to the use of the IPSAS Cash Basis Financial Reporting Framework, thereby limiting the need for depreciation, accumulated depreciation and net book value disclosures. However, the IPSAS Cash Basis Financial Reporting Framework was approved by the Government of Liberia for subsequent adoption and transition to the IPSAS Accrual. To facilitate the efficient roll-out as planned, the disclosures of depreciation, accumulated depreciation and net book value are required and thereby encouraged.
- 1.2.5.21 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.



1.3 Prior Year Audit Issues

No.	Reference	Audit Finding	Recommendation	Status
1	1.2.1 Lack of Detailed Ledgers	1.2.1.2 During the audit, we observed that Management did not keep summary ledger accounts and subsequently did not prepare a trial balance.	1.2.1.6 Management should procure and operationalize a functional accounting software or upgrade the existing accounting software to record all financial transactions of the entity.	unresolved



ANNEXURES

Annexure 1: Required Number of Quotation not Solicited

NO	PV DATE	PV DESCRIPTION	AMT (USD)	PAYEE	MISSING DOCUMENTS
1	JUNE 20,2023	Maintenance services rendered on Toyota Hilux with plate A-538	635	Channel Logistics	No three quotes, no maintenance contract
2	MAY 3,2023	Maintenance services rendered on World Bank Project vehicle with plate A541/072	450	Up Town Garage	No three quotes, no maintenance contract
3	MAY 3,2023	Maintenance services rendered on World Bank Project vehicle with plate A6216	177	United Motor Company	No three quotes, no maintenance contract
4	May 10,2023	Maintenance services rendered on World Bank Project vehicle with plate A536/068	650	Channel Logistics	No three quotes, no maintenance contract
5	May 19,2023	Payment for the purchase of fuel	1,381.00	CONEX Energy	No three quotes, no service contract
6	May 29,2023	Payment for the publication of REOI-Consultancy services for the preparation of RAP	3,600	Liberian Observer Corporation	No three quotes, no service contract
7	May 29,2023	Payment for the publication of REOI-Consultancy services for the preparation of RAP	3,000.00	New Era Publication, Ltd	No three quotes, no service contract
8	May 29,2023	Payment for the publication of REOI-Consultancy services for the preparation of RAP	2,800.00	Liberia Media & Marketing services Incorporated	No three quotes, no service contract
9	June 1,2023	Maintenance services rendered on Toyota Hilux with plate A-541	915.00	Channel Logistics	No three quotes, no maintenance contract
10	JUNE 20,2023	Payment to recharge fuel cards to be used by the project vehicles	1,361.08	CONEX Energy Liberia	No three quotes, no contract,
11	JULY 18,2023	Payment for the publication of consultancy services for project	1,150.00	Liberia Media & Marketing services Incorporated	No three quotes, no service contract
12	JULY 18,2023	Payment for the publication of consultancy services for the project	900.00	Liberian Observer Corporation	No three quotes, no service contract
13	JULY 18,2023	Payment for the publication of consultancy services for the project	750.00	New Era Publication, Ltd	No three quotes, no service contract

*Management Letter on the Financial Statements Audit of the
Liberia Electricity Sector Strengthening Access Project (LESSAP)
for the Fiscal Year ended 31, 2023*

NO	PV DATE	PV DESCRIPTION	AMT (USD)	PAYEE	MISSING DOCUMENTS
14	February 14,2023	Newspaper advert for the position of financial management specialist and request for bids for plant supply installation supply and delivery of meters	3,300.00	Front Page Africa	No three quotes, no service contract
15	February 16,2023	Newspaper advert for the position of financial management specialist and request for bids for plant supply installation supply and delivery of meters	2,950.00	The News	No three quotes, no service contract
16	February 14,2023	Newspaper advert for bid Request for supply and delivery of meters	1,600.00	Daily Observer	No three quotes, no service contract
17	February 14,2023	Newspaper advert for the position of financial management specialist, monitoring, evaluation expert and request for bids for supply and delivery	3,650.00	The News	No three quotes, no service contract
18	January 26,2023	Payment to recharge fuel cards 68/100	1,740.68	CONEX Energy Liberia	No three quotes, no contract
Total			31,009.76		



ANNEXURE 2 - Fixed Asset Management Irregularities

Liberia Electricity Corporation							
P173416: Liberia Electricity Sector Strengthening and Access Project (LESSAP)							
Interim Financial Report							
Quarter Ended December 31st, 2023							
							IFR 5
Schedule of Fixed Assets							Page 7
Date of Receipt	Asset Type	Asset Description	Asset Value/Cost US\$	Asset Identification Number	Asset Location	Assignee	Source of Funding
May 4th 2022	Vehicle	Land cruiser Jeep	41,500.00	WB-LEC-LESSAP	Bushrod	Project Office	IDA7850
May 4th 2022	Vehicle	Land cruiser Jeep	41,500.00	WB-LEC-LESSAP	Bushrod	Project Office	IDA7850
May 4th 2022	Vehicle	Land cruiser Jeep	41,500.00	WB-LEC-LESSAP	Bushrod	Project Office	IDA7850
May 4th 2022	Vehicle	Land cruiser Jeep	41,500.00	WB-LEC-LESSAP	Bushrod	Project Office	IDA7850
May 4th 2022	Vehicle	Land cruiser Jeep	41,500.00	WB-LEC-LESSAP	Bushrod	Project Office	IDA7850
	Vehicle	Land cruiser Pickup	43,500.00	WB-LEC-LESSAP	Bushrod	Bushrod FBBU	IDA7850
	Vehicle	Land cruiser Pickup	43,500.00	WB-LEC-LESSAP	Kru Town sub.	Kru FBBU	IDA7850
	Vehicle	Land cruiser Pickup	43,500.00	WB-LEC-LESSAP	Capitol sub.	Capital FBBU	IDA7850
	Vehicle	Land cruiser Pickup	43,500.00	WB-LEC-LESSAP	Paynesville sub.	Paynes. FBBU	IDA7850
	Vehicle	Land cruiser Pickup	43,500.00	WB-LEC-LESSAP	Kakata sub.	Kakata FBBU	IDA7850
Sep 4th 2023	Meters	Single Phase	4,656,521.45	6430460 - 2511689	Installed - 21,731	Various Households	IDA 68500
		Single Phase			Pending Installation - 1,589	LEC Meter Store	
		Single Phase			Pending Allocation - 675	LEC Meter Store	
		Single Phase			In Stock - 76005	LEC Container Depo	
			76005				
		Three Phase	437,990.65	1322400 - 2570133	Installed - 118	Various Households	
		Three Phase			Pending Installation - 14	LEC Meter Store	
		Three Phase			Pending Allocation - 48	LEC Meter Store	
		Three Phase			In Stock - 4,820	LEC Container Depo	
					4820		
TOTAL FIXED ASSETS			5,519,512.10				