Management Letter

On the Financial Statements Audit of the Cote D'Ivoire, Liberia, Sierra Leone and Guinea Rural Electrification (CLSG-RE) Project

For the period ended December 31, 2025

Promoting Accountability of Public Resources

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

Monrovia, Liberia
June 2026

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Acronyms/Abbreviations/Symbols

Acronyms/Abbreviations/Symbol	Meaning
ADB	African Development Bank
AFP	Audit Focal Person
AG	Auditor General
AM	Aide Memoir
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Professional
CLSG-RE	Cote d'Ivoire, Liberia, Sierra Leone and Guinea-Rural Electrification
FA	Financing Agreement
FCCA	Fellow Member of the Association of Chartered Certified Accountants
FM	Financial Manual
FS	Financial Statements
GAC	General Auditing Commission
GOL	Government of Liberia
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
LRA	Liberia Revenue Authority
PA	Payment Advice
PAD	Project Appraisal Document
PFM	Public Financial Management
PIM	Project Implementation Manual
PMT	Project Management Team
PPC Act	Public Procurement Concession Act
RL	Republic of Liberia
ToR	Term of Reference

June 28, 2026

Mr. Mohammed Sheriff
Chief Executive Officer (CEO)
Liberia Electricity Corporation (LEC)
Waterside, Monrovia, Liberia

Dear Mr. Sheriff:

RE: Management Letter on the Financial Statements Audit of the Cote d'Ivoire, Liberia, Sierra Leone and Guinea Rural Electrification (CLSG-RE) Project for the Fiscal Year Ended December 31, 2025.

The Financial Statements of the Cote d'Ivoire, Liberia, Sierra Leone and Guinea Rural Electrification (CLSG-RE) Project for the fiscal year ended December 31, 2025 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 Cote d'Ivoire, Liberia, Sierra Leone and Guinea Rural Electrification (CLSG-RE) Project for the period ended December 31, 2025 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 financial statements are prepared in line with the requirements of the International Public Sector Accounting Standards (IPSAS), Cash Basis Accounting.

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 Cote d'Ivoire, Liberia, Sierra Leone and Guinea Rural Electrification (CLSG-RE) Project 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 Management of CLSG-RE. Our responsibility is to express an opinion on these financial statements.

The audit findings which were identified during the course of the audit are included below. It would be appreciated, if you were to comment on or provide your responses to these findings.

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Cote d'Ivoire, Liberia, Sierra Leone and Guinea Rural Electrification (CLSG-RE) Project

Key Management Personnel

Name	Position	Tenure
Hon. Mohammed M. Sherif –	Managing Director / CEO	2025-present
Eric Augustine Fredericks –	Deputy Managing Director/ Administration	2025-present
Mohammed L. Sow –	Deputy Managing Director/ Technical Services	2025-present
Thomas Z. Gonkerwon –	Deputy Managing Director/ Operations	2024-present
Adam S. Sherif-	Chief Financial Officer (CFO)	2020-present
Moses E. Farley	Executive Director / Projects	2023-present
Henry Kimber	Project Manager	2017-present
Wilbert Bryant	Project Accountant	2017-present

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

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

GENERAL AUDITING COMMISSION
OFFICE OF THE
AUDITOR GENERAL
REPUBLIC OF LIBERIA

Monrovia, Liberia
June 2026

1. DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Reporting

1.1.1 Overstated Cash Payments

Criteria

1.1.1.1 Regulation 71 of the PFM Act of 2023 states "The Liberia Revenue Authority or a head of government agency shall ensure that his accounts are properly maintained and are correct at all times."

1.1.1.2 Section 1.3.27 of IPSAS Cash Basis of Accounting requires that "financial statements shall present information that is:

- (a) Understandable;
- (b) Relevant to the decision-making and accountability needs of users;
- (c) A faithful representation of the cash receipts, cash payments and cash balances of the entity and the other information disclosed in the financial statement in that it is:
  (i) Complete; (ii) Neutral and (iii) Free from material error;

Observation

1.1.1.3 During the audit, we observed that total expenditure was overstated by US$1,001.00, leading to an understated closing cash balance of US$1,000.00. **See tables 1 and 2 below for details.**

Table 1- Overstated Cash Payments

Total Cash Payment per draft financial statements US$ A	Total Cash Payment per Draft Financial Statements Recalculated by Auditors US$ B	Variance in Total Cash Payments US$ C=(A-B)
600,291.00	599,290.00	1,001.00

Table 2- Understated Closing Cash Balance

Closing Cash Balance per Draft Financial Statements US$ A	Closing Cash Balance per Draft Financial Statements Recalculated by Auditors US$ A	Variance in Total Cash Payments US$ C=(A-B)
107,071.00	108,071.00	1,000.00

Risk

1.1.1.4 The completeness and accuracy of the financial statements may not be assured; therefore, the financial statements may be misstated.

1.1.1.5 A misstated financial statement may facilitate fraudulent financial reporting and mislead the users of the financial statements.

1.1.1.6 Management may not account for all its transactions. Fair presentation and full disclosure of the financial statements may be impaired.

Recommendation

1.1.1.7 Management should account for the variance between total expenditures reported in the financial statements and total expenditures recomputed by the GAC catalogued in table 1 above, as part of Management's response to this Management Letter. Subsequently, Management should adjust the financial statements accordingly.

1.1.1.8 Going forward, 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 also, an automated linkage should be created among the general ledger, trial balance, and the financial statements to facilitate completeness and accuracy of the financial statements.

Management's Response

1.1.1.9 *We wish to reaffirm that the draft financial statements, as prepared, remain subject to adjusting and non-adjusting events, and any further recommendations from the auditors. However, we confirm that the closing cash balance for the period under audit is not misstated whether due to error or fraud. Kindly see the below screenshots showing the Closing Cash Balance per Cashbook ledger and the bank Statement.*

1.1.1.10 *We kindly request that the auditors provide additional clarity on this query to ensure alignment and mutual understanding.*

Parameters Refresh Export to Microsoft Excel
Balances List

Trial balance

Type to filter | Opening balance

Financial dimension set: Main account set | Display account number segments in separate columns:

Ledger account	Name	Opening balance	Debit	Credit	Closing...	Closing balance
122124	ECOBANK (USD) CASH (EPP)	270,033.99	2,299,918.55	1,655,194.46	0.00	914,758.08
122125	LEC-GT BANK USD A/C	100.00	0.00	0.00	0.00	100.00
122126	AfDB-CLSG-RE Loan Account	191,414.78	502,453.36	586,796.44	0.00	107,071.70

Journal number	Voucher	Date	Description	Year	Type	Curre	Amount	Amount
GLT00644960	GLv0002194	12/29/2025	Entry to record DSA and Incidental for Field Visit	No	Operating	USD	-625.00	-625.00
GLT00644961	GLv0002195	12/29/2025	Entry to record payment of DSA and Incidental Allowance for	No	Operating	USD	-500.00	-500.00
GLT00644962	GLv0002195	12/29/2025	Entry to record payment of DSA and Incidental Allowance for	No	Operating	USD	-875.00	-875.00
GLT00644963	GLv0002195	12/30/2025	Entry to record payment of DSA and Incidental Allowance for	No	Operating	USD	-350.00	-350.00
GLT00644964	GLv0002195	12/30/2025	Entry to record payment of DSA and Incidental Allowance for	No	Operating	USD	-324.75	-324.75
GLT00644965	GLv0002195	12/30/2025	Entry to record payment for project vehicle fuel cards reple	No	Operating	USD	-490.00	-490.00
								107,071.70

Central Bank of Liberia

6 January 2026
13:8:49

19 DEC 25	2163	JOSEPH JONES	19 DEC 25	420.00	0	116,914.40
19 DEC 25	2161	MICHAEL O. ZOLOGON	19 DEC 25	600.00	0	116,314.40
22 DEC 25	2160	CHANNEL LOGISTICS	22 DEC 25	110.00	0	116,204.40
22 DEC 25	2159	CHANNEL LOGISTICS	22 DEC 25	675.00	0	115,529.40
22 DEC 25	2158	UNITED MOTOR COMPANY	22 DEC 25	440.00	0	115,089.40
22 DEC 25	2151	HENRY KIMBER	22 DEC 25	1,800.00	0	113,289.40
23 DEC 25	00002166	P.HINNEH	23 DEC 25	700.00	0	112,589.40
23 DEC 25	00002167	T. P. DAYE	23 DEC 25	875.00	0	111,714.40
23 DEC 25	00002171	A. MAMEY	23 DEC 25	289.00	0	111,425.40
23 DEC 25	00002170	A. MAMEY	23 DEC 25	490.00	0	110,935.40
24 DEC 25	00002169	R.B.W.BROWN	24 DEC 25	700.00	0	110,235.40
29 DEC 25	00002177	E. HAYES	29 DEC 25	625.00	0	109,610.40
29 DEC 25	00002176	E. S. PHILIPS	29 DEC 25	500.00	0	109,110.40
29 DEC 25	00002168	B.S.JALLAH	29 DEC 25	875.00	0	108,235.40
30 DEC 25	00002178	T. MORRIS	30 DEC 25	350.00	0	107,885.40
30 DEC 25	00002179	T. MORRIS	30 DEC 25	324.75	0	107,560.65
30 DEC 25	2172	CONEX ENERGY LIBERIA	30 DEC 25	490.00	0	107,070.65
	Balance at Period End					107,070.65

Opening Balance : 191,414.19

Total Debit : -540,558.61
Total Credit : 456,215.07

Closing Balance : 107,070.65

C B L
S.Y.
DATE 2-1-2026

Auditor's General Position

1.1.1.11 Management's assertion did not adequately address the issues raised. Management did not account for the variance between total expenditures reported in the financial statements and total expenditures recomputed by the GAC catalogued in table 1 above. As a result, the financial statements were not subsequently adjusted to correct the variance. Therefore, we maintain our finding and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.2 Misrepresentation of Budget Variances

Criteria

1.1.2.1 Section 1.3.27 of IPSAS Cash Basis of Accounting requires that "financial statements shall present information that is:

- Understandable;
- Relevant to the decision-making and accountability needs of users;
- A faithful representation of the cash receipts, cash payments and cash balances of the entity and the other information disclosed in the financial statement in that it is:
    - (i) Complete; (ii) Neutral and (iii) Free from material error;

Observation

1.1.2.2 During the audit, we observed that budget variances were inadequately computed resulting into misrepresentation of budget variances disclosed in the financial statements. **See tables 3 and 4 for details.**

Table 3 (a): Presentation of Budget Variances (By Management)

	JAN-DEC 31, 2025	JAN-DEC 31, 2025		
RECEIPTS	**BUDGET (US$) A**	**ACTUAL (US$) B**	**BUDGET VARIANCE (US$) C=(B-A)**	**VARIANCE (%) C/B**
ADF Loan (Credit)	5,122,866.00	1,608,474.00	-3,514,392.00	69%
Fund Balance -January 1	191,414.00	191,414.00	-	0%
Other Receipts	-	60,357.00	60,357.00	-%
TOTAL RECEIPTS	**5,314,280.00**	**1,860,245.00**	**-3,454,035.00**	**-65%**
PAYMENTS				
Service	140,241.00	125,948.00	14,293.00	10%
Works	4,199,332.00	1,152,884.00	3,046,448.00	73%
Goods	-	-	-	-%
Operating Costs	539,346.00	474,342.00	65,004.00	12%
TOTAL EXPENDITURES	**4,878,919.00**	**1,753,174.00**	**3,125,745.00**	**64%**
NET CASH FLOWS -DEC 31, 2025	**435,360.00**	**107,071.00**	**- 328,290.00**	**-75%**

Table 3 (b): Misrepresentation of Budget Variances (Recalculated by Auditors)

	JAN-DEC 31, 2025	JAN-DEC 31, 2025		
RECEIPTS	**BUDGET (US$) A**	**ACTUAL (US$) B**	**BUDGET VARIANCE (US$) C=(B-A)**	**VARIANCE (%) D=C/B**
ADF Loan (Credit)	5,122,866.00	1,608,474.00	-3,514,392.00	-69%
Fund Balance -January 1	191,414.00	191,414.00	-	0%
Other Receipts	-	60,357.00	60,357.00	
TOTAL RECEIPTS	**5,314,280.00**	**1,860,245.00**	**-3,454,035.00**	**-65%**
PAYMENTS				
Service	140,241.00	125,948.00	- 14,293.00	-10%
Works	4,199,332.00	1,152,884.00	-3,046,448.00	-73%
Goods	-	-	-	
Operating Costs	539,346.00	474,342.00	- 65,004.00	-12%
TOTAL EXPENDITURES	**4,878,919.00**	**1,753,174.00**	**-3,125,745.00**	**-64%**
NET CASH FLOWS -DEC 31, 2025	**435,361.00**	**107,071.00**	**- 328,290.00**	**-75%**

Risk

1.1.2.3 Fair presentation and full disclosure of the financial statements may be impaired.

1.1.2.4 The completeness and accuracy of the financial statements may not be assured; therefore, the financial statements may be misstated. A misstated financial statement may facilitate fraudulent financial reporting and mislead the financial statements users.

Recommendation

1.1.2.5 Management should recompute the budget variances and disclosed in the notes to the financial statements the corrected 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.

1.1.2.6 Going forward, Management should ensure that financial statements are prepared and reviewed by individuals with the relevant qualification, experience, and seniority to ensure the financial statements are reflective of actual project activities and comprehensively and fairly presented.

Management's Response

1.1.2.7 *We confirm that for revenue, we calculate variance as Actual – Budget, and for expenditure, we calculate variance as Budget – Actual. This approach is designed and used to ensure consistency in interpretation:*

- *A positive variance always indicates a favorable outcome (higher revenue or lower expenditure).*
- *A negative variance always indicates an unfavorable outcome (lower revenue or higher expenditure).*

1.1.2.8 *This convention eliminates ambiguity for stakeholders, as the sign of the variance directly communicates whether the result is favorable or unfavorable without requiring additional explanation.*

1.1.2.9 *We acknowledge that alternative formulas exist (e.g., using Actual – Budget for both revenue and expenditure). However, our chosen method aligns with internal reporting standards and enhances clarity in management decision-making.*

1.1.2.10 *We trust this explanation addresses your concern, and we remain available to provide any further clarification.*

Auditor's General Position

1.1.2.11 Management's assertion did not adequately address the issues raised and is non-compliant with Section 1.3.27 of IPSAS Cash Basis of Accounting. Also, Management did not recompute the budget variances and disclose in the notes to the financial statements the corrected variances as requested. Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.3 Variance between Total Receipts per Cashbook and the Financial Statements

Criteria

1.1.3.1 Regulation O.24 of the PFM Act of 2009 amended and restated 2019 states "Head of Government Agency shall ensure that his accounts are properly maintained and are correct at all times. (2) A Head of Government Agency shall, in relation to sub-regulation (1) appoint an officer who shall examine and check daily, all entries in cash books and other books of account, the counterfoils or copies of receipts or original documents to verify the correctness of the transactions."

Observation

1.1.3.2 During the audit, we observed a variance of US$60,357.00 between total receipts per the cashbook and total receipts per the financial statements. Additionally, this amount could not be traced to the project designated bank account.

1.1.3.3 Further, we observed that the amount of US$60,357.00 was reported in the financial statements as funds received from other sources including sale of bids not processed through the project's designated bank account. The funds were also not recorded in the cashbook or ledger accounts. The amount was also included in the project management cost without evidence of supporting documentations. **See table 4 below for details**.

Table 4: Variance in Total Receipts between Cashbook and Financial Statements

Item	Financial Statement US$ A	Cashbook US$ B	Variance US$ C-(A-B)
AfDB Loan - Project Designated Account	455,590.00	455,590.00	0.00
Other Receipts	60,357.00	0.00	60,357.00
Total	515,947.00	455,590.00	**60,357.00**

Risk

1.1.3.4 The completeness and accuracy of revenue and expenditure may not be assured; therefore, the financial statements may be misstated. A misstated financial statement may facilitate fraudulent financial reporting and mislead the users of the financial statements. Management may not account for all its transactions.

1.1.3.5 Effective review and reconciliation of financial transactions and financial statements may be impaired.

1.1.3.6 Fair presentation and full disclosure of the financial statements may be impaired.

Recommendation

1.1.3.7 Management should account for the variance between total receipts per the cashbook and total receipts per the financial statements catalogued in table 4 above, as part of Management's response to this Management Letter.

1.1.3.8 Management should account for expenditure amounting to US$60,357.00 posted to the project management cost account without evidence of supporting documents, as part of Management's response to this Management Letter.

1.1.3.9 Going forward, Management should perform periodic reconciliation among the bank statements, general ledger, trials balance and the financial statements. Variances identified should be investigated and adjusted where applicable in a timely manner. Evidence of periodic reconciliation reports should be adequately documented and filed to facilitate future review.

1.1.3.10 All periodic financial statements should be prepared and reviewed by personnel with the relevant qualifications, experience and seniority to ensure that the financial statements are adequately prepared including the relevant disclosures as required.

1.1.3.11 Going forward, Management should ensure all transactions are supported by the requisite supporting documents consistent with the financial management regulations. Documentation such as contracts, invoices, goods received notes, job completion certificates, purchase orders, payment vouchers etc. should be prepared and approved for the procurement of goods and services where applicable. All relevant supporting records should be adequately documented and filed to facilitate future review.

1.1.3.12 Additionally, Management should facilitate the operationalization of the electronic document management system by ensuring that all relevant source and supporting documents are scanned, attached to the transaction (in the accounting software for financial transactions), archived and maintained to facilitate future review.

Management's Response

1.1.3.13 *We want to clarify the treatment of the amount of US$60,357 in the Financial Statements. This amount represents a reimbursement from the African Development Bank to the Liberia Electricity Corporation (LEC) on behalf of the Project Implementation Unit (PIU) for salaries and stipends paid by LEC to PIU staff. The reimbursement does not constitute credit to the project's designated account. The amount has been appropriately reported under "Other Credits" in line with the reimbursement method. While the amount was included in the cashbook to reflect full operational expenses of the project, it does not appear as a bank receipt. The financial statements remain accurate and are not misstated, as the transaction does not arise from error, omission, or fraud.*

Auditor's General Position

1.1.3.14 Management's assertion did not adequately address the issues raised. Management did not account for the variance between total receipts per the cashbook and total receipts per the financial statements catalogued in table 4 above as requested. As a result, the cash book and/or the financial statements were not subsequently adjusted.

1.1.3.15 Management also did not account for expenditure amounting to US$60,357.00 posted to the project management cost account through provision of adequate supporting documents as requested.

1.1.3.16 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.4 Cash Payment Transactions without Dollar Values and Payment References

Criteria

1.1.4.1 Section 1.3.27 of IPSAS Cash Basis of Accounting requires that "financial statements shall present information that is:

- (a) Understandable;
- (b) Relevant to the decision-making and accountability needs of users;
- (c) A faithful representation of the cash receipts, cash payments and cash balances of the entity and the other information disclosed in the financial statement in that it is:
  (i) Complete; (ii) Neutral and (iii) Free from material error;

Observation

1.1.4.2 During the audit, we observed that some transactions in the cashbook were without dollar values and payment references. **See Table 6 below details of transactions.**

Table 6: Transactions without Dollar Values and Payment References

Date	Description	Payee
3 Sept 2025	Entry to record payment of salary and top-up allowances to AfDB project staff by LEC	Emmet Hayes et al
9 Oct 2025	Entry to record payment of salary and top-up allowances to AfDB project staff by LEC	Emmet Hayes et al
27 Oct 2025	Entry to record payment of salary and top-up allowances to AfDB project staff by LEC	Emmet Hayes et al
28 Nov 2025	Entry to record payment of salary and top-up allowances to AfDB project staff by LEC	Emmett Hayes et al
22 Dec 2025	Entry to record payment of salary and top-up allowances to AfDB project staff by LEC	Emmett Hayes et al

Risk

1.1.4.3 The completeness and accuracy of the financial statements may not be assured; therefore, the financial statements may be misstated. A misstated financial statement may facilitate fraudulent financial reporting and mislead the users of the financial statements. Management may not account for all its transactions.

1.1.4.4 Effective review and reconciliation of financial transactions and statements may be impaired.

1.1.4.5 Fair presentation and full disclosure of the financial statements may be impaired.

Recommendation

1.1.4.6 Management should update the cashbook to include the dollar values for the transactions comprehensively catalogued in Table 6 above and adjust the financial statements accordingly. 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 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.

1.1.4.8 Management should facilitate routine training on data entry posting and classification of transactions for junior staff.

Management's Response

1.1.4.9 *Liberia Electricity Corporation (LEC) paid the amounts on behalf of the Project Implementation Unit (PIU) for salaries and stipends to PIU staff. LEC was expecting reimbursement of the full amount from the African Development Bank after 31 December 2021. These transactions are adjusting events which were disclosed in the notes to the draft financial statements.*

1.1.4.10 *We have noted the Auditor's comment and adjusted the Financial Statements to reflect the reimbursement received by LEC from AfDB.*

Auditor's General Position

1.1.4.11 We acknowledge Management's acceptance of our findings and recommendations. However, Management did not adjust the financial statements as asserted in Management's response. Therefore, we maintain our finding and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.5 Third-party Payments

Criteria

1.1.5.1 Section 194 (8) of the PFM Regulation of 2020 approved 2023, states, "The Comptroller and Accountant General shall ensure that all government payments are executed, without any exception, only through electronic fund transfer system of the banking system. In exceptional circumstances, mainly for procuring small inventories, cash payments up to US$100 could be authorized".

Observation

1.1.5.2 During the audit, we observed that Resettlement Action Plan payments totaling US$63,020.80 intended for project affected persons (PAP) were paid to the order of a project staff for onward disbursement to targeted beneficiaries. **See table 7 below for details.**

Table 7. Third-party Payments

Date	Description	Reference	Payee	Amount US$
1/21/2025	Entry to record RAP Compensation to PAP's in Nimba and Bong Counties	1724	Julius B. Brown	41,880.50
2/26/2025	Entry to record payment for RAP Compensation along the Bassa and Rivercess counties	1791	Julius B. Brown	13,671.30
4/18/2025	Entry to record payment for the fifth and final RAP compensation to PAP	1879	D Abraham M Joe	7,469.00
Total				**63,020.80**

Risk

1.1.5.3 Paying cash to employees for subsequent disbursement to beneficiaries may facilitate misappropriation of project funds.

1.1.5.4 This practice may also lead to Management override of the procurement processes by completing disbursement without facilitating due procurement processes.

Recommendation

1.1.5.5 All payments for goods and services procured by the project should be made directly to the beneficiaries / vendors or their legally authorized representative(s).

1.1.5.6 Alternatively, Management should utilize the mobile money platform by transferring funds directly to beneficiaries / vendors while maintaining the relevant source and supporting documentations.

Management's Response

1.1.5.7 *The Resettlement Action Plan (RAP) funds are disbursed in small amounts to numerous beneficiaries in remote project-affected areas. Each beneficiary is listed with approved entitlements for payment.*

1.1.5.8 *Most beneficiaries do not have mobile money accounts, and the Central Bank of Liberia does not provide over-the-counter banking services in these locations. As a result,* *electronic fund transfers, as suggested, are not feasible for the PIU. Issuing checks for such small amounts is also impractical, and even if issued, beneficiaries would face significant challenges getting cash due to the absence of banking services in the affected areas.*

1.1.5.9 *Accordingly, the current disbursement method remains the only practical approach to ensure beneficiaries receive their entitlements.*

Auditor's General Position

1.1.5.10 Management's assertion did not adequately address the issues raised and is non-compliant with Section 194 (8) of the PFM Regulation of 2020 approved in 2023. Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.6 Payment of Remunerations by Checks

Criteria

1.1.6.1 Regulation H. 8 (4) of the Public Financial Management Act of 2009 as amended and restated 2019, states that "The Minister shall ensure, to the extent possible, that all government payments are done through a direct deposit system, progressively graduating towards an electronic fund transfer system."

Observation

1.1.6.2 During the audit, we observed that the Project Management paid monthly remunerations / salaries to project staff throughout the year via checks drawn on its designated bank account in contravention of Regulation H. 8 (4) of the Public Financial Management Act of 2009 as amended and restated 2019.

Risk

1.1.6.3 Management may be non-compliant with Regulation H. 8 (4) of the Public Financial Management Act of 2009 as amended and restated 2019.

1.1.6.4 The absence of establishing employees' bank /mobile money accounts may lead to ghost or undeserving staff being compensated. This may also lead to salaries being paid for work not performed.

1.1.6.5 Availability of evidence to corroborate disbursement of salaries to employees may be impaired.

Recommendation

1.1.6.6 Management should facilitate all disbursement of salaries to employees through the direct deposit system to bank or mobile money accounts. The accounts should be opened in the name of the employee to validate the legitimacy of the transactions.

1.1.6.7 Evidence of periodic (monthly) bank/mobile money transfers should be adequately documented and filed to facilitate future review.

Management's Response

1.1.6.8 *The Project's designated account is maintained at the Central Bank of Liberia (CBL). Management understands that CBL banking services are primarily provided to the Government of Liberia and financial institutions, and not as a retail banking platform for maintaining personal accounts for individual project personnel. During the period under audit, Management was therefore unable to process salaries through a direct deposit arrangement from the Project's designated account to individual staff accounts at CBL. Salaries were consequently paid by check while Management continues to explore feasible electronic payment options through the appropriate banking and payment-system.*

Auditor's General Position

1.1.6.9 Management's assertion did not adequately address the issues raised and is non-compliant with Regulation H. 8 (4) of the Public Financial Management Act of 2009 as amended and restated 2019. Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.1.7 Untimely Remittance of Taxes Withheld

Criteria

1.1.7.1 Section 905 (j) of the Liberia Revenue code of 2000 Amended and Published 2011 states "Within 10 days after the last day of a month, a payor described in (a) is required to remit to the tax authorities the total amount required to be withheld during that month. Each remittance of tax under this section must be accompanied by a statement specifying the name and address of each resident to whom a payment was made, the type and amount of each payment, and the amount of tax withheld (and, if the Minister requests, underlying documentation in accordance with Section 55, including contracts). The place for remittance is the payor's filing location (designated in Section 50)."

Observation

1.1.7.2 During the audit, we observed that Management did not remit taxes withheld to the Liberia Revenue Authority in a timely manner in accordance with Section 905 (j) of the Liberia Revenue Code of 2000 Amended and Published 2011. For example, taxes withheld from October 2024 to July 2025 were not remitted until September 1, 2025. **See table below.**

Table xx: Untimely Remittance of Withholding Tax

Date	Description	Reference	Amount	Payee
17/10/2025	Withholding Tax	88156	42,489.49	Liberia Revenue Authority

Risk

1.1.7.3 Untimely remittances of withholding taxes may deny GoL of the much-needed tax revenue.

1.1.7.4 Management may be noncompliant with Section (905) J. of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay. Please see Section 52 of the Revenue Code of Liberia as referenced above.

1.1.7.5 Untimely remittances of withholding taxes may lead to an overstatement of the cash book and subsequently the financial statements.

Recommendation

1.1.7.6 Going forward, Management should remit all withholding taxes within 10 days after the end of the previous month consistent with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011.

1.1.7.7 Evidence of remittance including original copies of flag receipts and other supporting records should be adequately documented and filed to facilitate future review.

Management's Response

1.1.7.8 *This observation is noted. Going forward, the PIU will ensure that all applicable taxes are withheld and remitted in a timely manner, in line with the recommendations provided.*

Auditor's General Position

1.1.7.9 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 Field Verification Issues

1.2.1 Project Implementation Irregularities

Criteria

1.2.1.1 According to the Project Implementation Manual, Project Financial Manual, and the Project Development Objective CLSG: The project implementation objective is that the project seeks to facilitate sustainable energy trade between the participating countries and help establish a dynamic electric power market in the subregion. A sub-component called the CLSG Rural Electrification seeks to improve electricity access, electrify communities located within 33 km along the CLSG 225 kV Transmission line and supply electricity to residences, schools, health centers and businesses. This will facilitate the increased volume of energy trade, reduction in the cost of energy production, reduction in outages (reliability of supply), job creations, etc.

1.2.1.2 Excerpts of the CLSG January 2025 documentary report prepared by 1 Media House asserts, "with Nimba's mix of mining, agriculture, and trade activity, the arrival of grid power is expected to generate widespread benefits. Electricity will support small industries, enhance productivity for market center, and improve service delivery in schools, health posts, and border towns. Many communities highlighted opportunities for cold storage, welding shops, grain mill, ICT Hubs, and evening commerce once connections are completed. As one of the largest counties included in the CLSG rollout, Nimba will account for a significant portion of the 24,000 planned household connections, making the ongoing installation of poles, transformers, and distribution lines a crucial step toward long-term energy security for the region".

Observation

1.2.1.3 During the audit, we observed that two very large communities within the Yekepa area, namely: Riverview Community and Area J, were without connections. Riverview Community which has major micro, small and medium Sized-Enterprises (MSMEs) was observed to have only 33kv high tension lines installed in the area, leaving the community without medium voltage (mv) lines and poles in readiness for connections to the grid when feasible. Notably, it was observed that the only supplier of poultry products and other animal meet supplier in the Yekepa arear located in Riverview Community could not access electricity and may not be able to access electricity like many other MSMEs due to the lack of these important electrical infrastructures. See exhibit 3.

1.2.1.4 Additionally, we observed that unlike the Riverview Community which were seen with high tension 33kv lines only, the Area J Community had no poles erected in anticipation of the installation of high tension to deliver power in the community in the future.

1.2.1.5 We also observed the following abnormalities in some of the project corridors: high tension lines were installed on poles planted far apart from one another, some connections to homes were made on faulty meters, some communities had either no mv lines, no lv lines, no transformer and meters. **See table 8 for details.**

Table 8. Project Implementation Irregularities

No	Counties	Affected Corridors	Affected Town	Problem Observed
1	Nimba	Ganta----Yekepa	Gampa	Faulty Meters
2	Nimba	Ganta----Yekepa	Yekepa city	Fault Meters
3	Nimba	Ganta----Yekepa	Makinton	Poles planted far apart from each other
4	Nimba	Ganta----Yekepa	Riverview Community	No Transformer No low-voltage line (LV) No Meter
5	Nimba	Ganta----Saclepea	Lao Gblellie	Poles planted far apart from each other
		Ganta----Saclepea	Lao Zao	Poles planted far apart from each other
6	Nimba	Ganta----Saclepea	Duo	Mv lines cut off on three poles span

Risk

1.2.1.6 Project deliverables (POs) may not be achieved up to approved specifications. This may lead to non-achievement of project objectives and misappropriation of project funds.

1.2.1.7 Local production and commerce may not be enhanced; thus, leading to little or no job creations to reduce poverty in the local economy as intended.

1.2.1.8 Lines stringed on far apart poles may dwindled during heavy wind and power lines may come into contact, leading to feedback that may cause power outage and / or destruction of the infrastructure.

1.2.1.9 Faulty meters may lead customers to make direct connections to their homes leading to power theft.

Recommendation

1.2.1.10 Management should provide substantive justification why project deliverables were not fully achieved in the named communities in the CLSG-RE Nimba County corridor.

1.2.1.11 Management should immediately alert the contractor about the current defects associated with electrical infrastructures catalogued in our findings above and ensure that repairs and restoration of those infrastructures at affected areas are implemented in a timely manner to ensure that value for money and project objectives are achieved.

1.2.1.12 Management should ensure that the construction engineer, MBH, installs medium voltage (MV) and low voltage (LV) power lines in the affected Riverview and Area J communities to facilitate the connection of homes, businesses and public facilities (health facilities and schools) by Jungle Energy Power (JEP).

1.2.1.13 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.

1.2.1.14 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.

1.2.1.15 Evidence of approved work plans, contracts and periodic monitoring and evaluation reports should be adequately documented and filed to facilitate future review.

Management's Response

1.2.1.16 *Management did not respond to this audit finding.*

Auditor's General Position

1.2.1.17 In the absence of a response by Management, we maintain our findings and recommendations.

1.2.2 Lack of Maintenance of Electrical Lines within Connected Corridors

Criteria

1.2.2.1 Pages 70, 71 of the Project Implementation Manual (PIM) of September 2019, on Project Monitoring and Evaluation requires the following:

- The monitoring and evaluation of the progress of the project implementation shall be the responsibility of the PCMU that has been set up within LEC. A monitoring and evaluation expert shall be recruited for the purpose of ensuring a proper monitoring of the projects. The PCMU Coordinator shall collect and analyse the result framework indicators and prepare reports for the projects.

- The Project Coordination and Management Unit shall monitor and evaluate the project progress and prepare periodic progress reports on a timely basis. These reports shall be prepared in accordance with Section 5.2 of the Project Appraisal Document.

- The quarterly progress reports should be prepared and used as a tool for monitoring, controlling and managing the project. These timely reports of the project will allow the AfDB and the Liberia Electricity Corporation and any other stakeholders to monitor the progress of the project. The quarterly reports should capture essential progress of the project and delivered to the stakeholders in a timely manner during the reporting period.

Observation

1.2.2.2 During the audit, we observed that the following corridors were out of electricity due to damaged cables and insulators at the tapping point, despite the project still being within its warranty period. **See table 9 and pictures below for details. See also, exhibit 1**

Table 9: Lack of Maintenance of Electrical Lines within Connected Corridors

No	County	Affected Corridors	Problem observed	Comment
1	Grand Bassa	Compound 3	Underground cable burned and insulator damaged	Was off during time of inspection
2	Bong County	Zowinta Corridor	Underground cable burned and insulator damaged	Was off during time of inspection

Risk

1.2.2.3 Project deliverables (POs) may not be achieved up to approved specifications. This may lead to non-achievement of project objectives and misappropriation of project funds.

1.2.2.4 Project deliverables may not be implemented within the approved timelines. This may lead to increased overhead costs and non-achievement of project objectives.

1.2.2.5 Payments may be made for services not performed and value for money may be impaired.

1.2.2.6 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

1.2.2.7 Management should immediately alert the contractor about the current defects associated with damaged cables and insulators at the tapping points catalogued in our findings above and ensure that repairs and restoration of electricity at affected areas are implemented in a timely manner to ensure that value for money and project objectives are achieved.

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1.2.2.8 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 deliverable 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.

1.2.2.9 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.

1.2.2.10 Evidence of approved work plans, contracts and periodic monitoring and evaluation reports should be adequately documented and filed to facilitate future review.

Management's Response

1.2.2.11 *Management did not respond to this audit finding.*

Auditor's General Position

1.2.2.12 In the absence of a response by Management, we maintain our findings and recommendations.

1.3 Prior Year Audit Recommendations Implementation Status				
REFERENCE	**Issue**	**Finding**	**Recommendation**	**IMPLIMENTATION STATUS**
1.2.4.3	No Evidence of Fourth Quarterly Financial Report	During the audit, we observed that Management did not make available the fourth quarter interim financial report for audit purposes. As a result, we could not validate the completeness and accuracy of revenue and expenditure for the fourth quarter as required.	Management should submit to the Office of the Auditor General approved copy of the fourth quarter interim financial report not made available for audit purposes. The approved copy of the fourth quarter interim financial report should be submitted as part of Management's response to this Management Letter	Not implemented
1.3.1.3	Cash Management - No Evidence of Petty Cash Liquidation Reports	During the audit, we observed that petty cash liquidation reports for the months of January, February, March, April, June, July, October and December 2024, were not presented for audit purposes.	Management should submit to the Office of the Auditor General copies of monthly petty cash liquidation reports not made available for audit purposes, as part of Management's response to this Management Letter.	Not implemented
1.4.1.3	Expenditure Management -	During the audit, we observed the following	Management should develop,	Not implemented

1.3 Prior Year Audit Recommendations Implementation Status				
REFERENCE	**Issue**	**Finding**	**Recommendation**	**IMPLIMENTATION STATUS**
	Irregularities Associated with Fuel Management	irregularities associated with fuel management: • No evidence of an approved fuel management policy • No evidence of generators and vehicles fuel consumption logs presented for audit purposes.	approve and operationalize a policy on fuel distribution, consumption, purchase and ensure that proper records are maintained.	
		Management should maintain fuel consumption and distribution logs for generators and vehicles to aid the entity manage cost and inform future purchase.		Not implemented
		Evidence of approved fuel policy and all other fuel procurement, consumption and distribution records should be adequately documented and filed to facilitate future review.		Not implemented
1.5.1.5	Fixed Assets Management - Irregularities Associated with Fixed Asset Management	During the audit, we observed the following irregularities associated with the project fixed assets management system: • The fixed assets register did not contain all the relevant columns • The fixed assets register was not regularly updated, • Several of the project's fixed assets were not coded. See table 3 in the report for details. • There was no evidence of movement of assets form, • There was no evidence of periodic physical verification of fixed	Management should account for fixed assets not made available for audit purposes comprehensively cataloged in table in the report.	Not implemented

1.3 Prior Year Audit Recommendations Implementation Status				
REFERENCE	**Issue**	**Finding**	**Recommendation**	**IMPLIMENTATION STATUS**
		assets, • Some fixed assets were not seen/verified during our physical verification exercise. See table 3 in the report for details. • Other than motor vehicles which are statutorily required to be ensured annually, there was no evidence that other project assets were ensured against theft, fire and flood. • There was no evidence of the display of assets held in a particular location.		
			Management should ensure that the fixed assets register is updated to reflect the following; description, class, code, location, condition, cost, depreciation expense, accumulated depreciation and net book value of the asset.	Not implemented
			Management should initiate/enforce a systematic fixed assets coding system to ensure all fixed assets are uniquely	Not implemented

1.3 Prior Year Audit Recommendations Implementation Status				
REFERENCE	**Issue**	**Finding**	**Recommendation**	**IMPLIMENTATION STATUS**
			identified. This control will facilitate the efficient and effective periodic fixed asset verification exercises. Discrepancies in coding identified during verification should be updated in a timely manner.	
			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.	Not implemented
			Fixed Assets within a particular vicinity should be clearly displayed as required by the PFM Act.	Not implemented

1.3 Prior Year Audit Recommendations Implementation Status				
REFERENCE	**Issue**	**Finding**	**Recommendation**	**IMPLIMENTATION STATUS**
			A movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in location of assets.	Not implemented
			Management should ensure that all project assets are ensured against theft, fire and/or flood; naming the project as beneficiary.	Not implemented
1.7.1.2	Field Verification Issues - Delay in Project Implementation	During the field verification, we observed that project activities under CLSG have not been fully implemented in accordance with approved work plan. We observed no evidence that the following activities were completed in the Blamiye to Belah corridor in Bong County: • No LV, MV, Stringing • No Distribution transformers • No service distribution line and customer connections to	Management should provide substantive justification why project deliverables have not been implemented consistent with approved timelines.	Not implemented

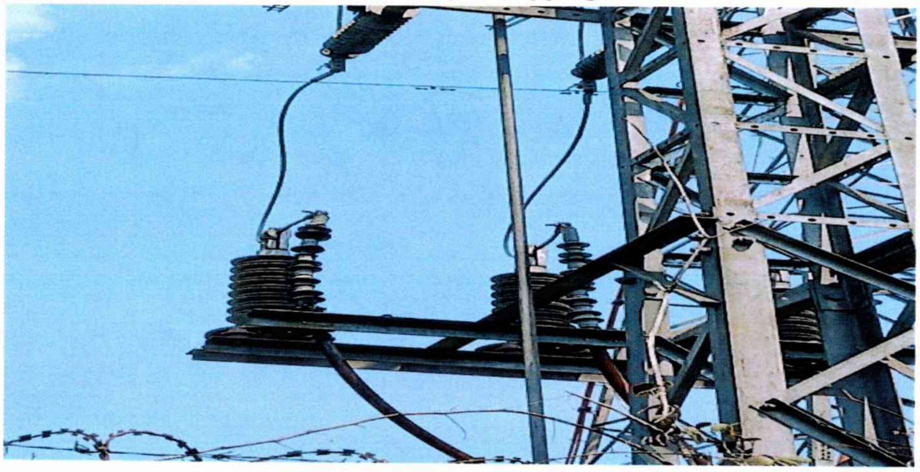
1.3 Prior Year Audit Recommendations Implementation Status				
REFERENCE	**Issue**	**Finding**	**Recommendation**	**IMPLIMENTATION STATUS**
		homes, • No deployment of energy lighting of streetlights installed • No LVDB Fencing, • No LV, MV poles installation in some project area in term of Zone. See Annexure 1 for details of zoning listing and Exhibits 1 in the report.		
			Management should assess the current status of the work performed, the contractor's capacity to complete the connection of homes and public facilities to the power grid and update the Office of the Auditor General as part of Management's response to this Management Letter.	Not implemented
			Going forward, Management should develop, approve and operationalize a work plan to facilitate the smooth implementation of service for all contractors.	Not implemented

1.3 Prior Year Audit Recommendations Implementation Status				
REFERENCE	**Issue**	**Finding**	**Recommendation**	**IMPLIMENTATION STATUS**
			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.	
			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.	Not implemented

EXHIBITS

Exhibit 1 - Riverview Community (Yekepa) without MV and LV Lines

Exhibit 2- Damaged Tapping Points



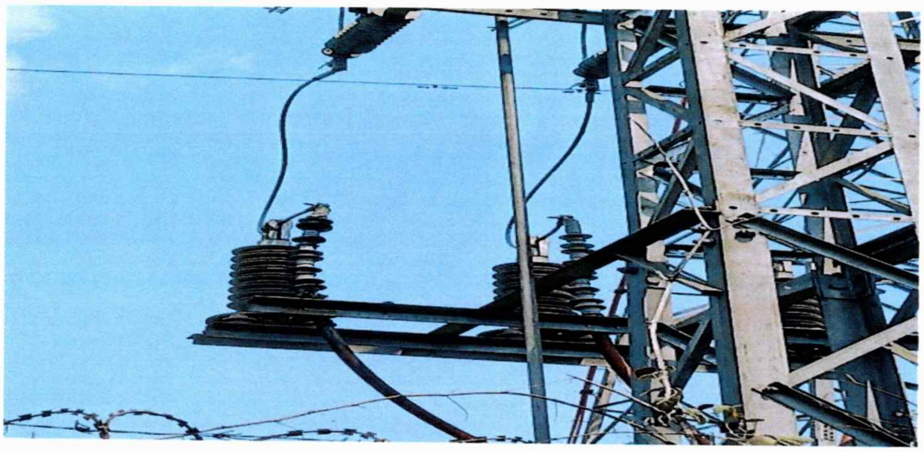


Exhibit 4 – Faulty Meters

Exhibit 5- Poles planted far apart