

MANAGEMENT LETTER



On the Cote de Ivory-Liberia-Sierra Leone-Guinea (CLSG-RE)

For the period ended June 30, 2021



Promoting Accountability of Public Resources

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

Monrovia, Liberia
December 2021

Table of Contents

1	DETAILED FINDINGS AND RECOMMENDATIONS	6
1.1	Financial Issues.....	6
1.1.1	Presentation of comparison of Budget and Actual Amounts	6
1.1.2	Unapproved Payment	7
1.1.3	Accounting Policies and Explanatory Notes	8
1.1.4	Signing date of the Financial Statements not specify	9
1.1.5	Lack of Information about the Entity	10
1.2	Prior year Audit Issues	11

ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
AFP	Audit Focal Person
AG	Auditor General
CA	Credit Agreement
ACCA	Association of Chartered Certified Accountants
COSO	Committee of Sponsoring Organization
DMA	Deputy Minister for Administration
FSs	Financial Statements
GOL	Government of Liberia
IBRD	International Bank for Reconstruction And Development
IDA	International Development Association
IFRs	Interim Financial Reports
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
CLSG-RE	Cote d' Ivoire-Liberia-Sierra Leone-Guinea-Rural Electrification (CLSG-RE)
PA	Payment Advice
PAD	Project Appraisal Document
PFM	Public Financial Management
PIM	Project Implementation Manual
PMT	Project Management Team
TOR	Term of Reference
WB	World Bank
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant

December 30, 2021

Mr. Paschal Buckley
Chief Executive Officer (CEO)
Cote d' Ivoire-Liberia-Sierra Leone-Guinea-Rural Electrification (CLSG-RE)
Liberia Electricity Corporation (LEC)
Monrovia, Liberia

Dear Mr. Buckley:

**MANAGEMENT LETTER ON THE FINANCIALS STATEMENT AUDIT OF THE COTE
D'IVOIRE-LIBERIA-SIERRA LEONE-GUINEA -RURAL ELECTRIFICATION (CLSG-RE) FOR
THE FISCAL PERIOD ENDED JUNE 30, 2021.**

The Audit of the Cote d' Ivory, Liberia, Sierra Leone and Guinea -Rural Electrification (CLSG-RE) Financial Statements for the fiscal year ended June 30, 2021 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 GAC Act of 2014, and the Audit Engagement Terms of Reference (ToR).

INTRODUCTION

The audit of the Cote d' Ivory, Liberia, Sierra Leone and Guinea -Rural Electrification (CLSG-RE), for the period ended June 30, 2021 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.

SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that we plan and perform the audit so as to obtain reasonable assurance that, in all material respects, the Cote d' Ivory, Liberia, Sierra Leone and Guinea -Rural Electrification (CLSG-RE) Financial Statements are presented fairly.

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.

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

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 Cote d' Ivory, Liberia, Sierra Leone and Guinea -Rural Electrification (CLSG-RE) during the audit.



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

**Monrovia, Liberia
December 2021**

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Presentation of comparison of Budget and Actual Amounts

Observation

1.1.1.1 Paragraph 1.7.8 of the IPSAS reporting framework standard states that "An entity that makes publicly available its approved budget(s) shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additionally financial statement or as additional budget columns in the statement of cash receipts and payments currently presented in accordance with the standards. The comparison of budget and actual amounts shall present 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 of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes".

1.1.1.2 During the audit, it was observed that the computation of the percentage variance in the Statement of Comparison of Budget and Actual Amounts appears to be inaccurate. The percentage variance as calculated by CLSG Management was based on the actual amounts rather than the difference. **Please see table 1 below for details.**

Table 1percentage variance computation

ACCOUNT TITLE /DESCRIPTION	Approved Budget	Actual	Difference: Final Budget and Actual	Percentage Variance by GAC	Percentage Variance by CLSG
	US\$	US\$	US\$	%	%
Cash Inflow					
ADB Funds	5,792,650.00	3,471,816.30	2,320,833.70	40%	0%
Other Receipts	0.00	0.00	0.00	0%	0%
Total Receipts	5,792,650.00	3,471,816.30	2,320,833.70	40%	0%
Cash Outflows					
Service	911,360.00	148,773.38	762,586.62	84%	16%
Works	4,785,290.00	3,190,193.80	1,595,096.20	33%	67%
Goods	0	0	0	0%	0%
Operational costs	96,000.00	114,660.36	-18,660.36	-19%	119%
Total Expenditure	5,792,650.00	3,453,627.54	2,339,022.46	40%	60%
Net Cashflows	74,960.72	93,149.48	-18,188.76	-24%	0%

Risk

- 1.1.1.3 The incorrect calculation of percentage variances may suggest that the financial statements are misstated.

Recommendation

- 1.1.1.4 The Management of CLSG should restate the corrected percentage variances in the statement of comparison of budget and actual amounts.

Management's Response

- 1.1.1.5 *Recommendation accepted. We have done the necessary corrections and now submit the updated the percentage variances in the financial statement. Please see attached. Attachment #1.*

Auditor General's Position

- 1.1.1.6 Management's assertion does not address the issue raised. The essence of budget variance analysis is to compare the percentage or absolute difference between a forecasted budget and the actual cost that occurred. Therefore, we maintain our findings and recommendation.

1.1.2 Unapproved Payment

Observation

- 1.1.2.1 Regulations P.11 (1) of the PFM Act of 2009 requires that a head of government agency may in writing authorize by name officers in his Government Agency or office to sign payment vouchers on his behalf and shall in doing this set the financial limits and other conditions within which this authority shall be exercised and communicate same in writing to the Comptroller-General and the Auditor General.
- 1.1.2.2 During the conduct of the audit, we observed that a payment US\$17,330.00 was made on a payment voucher that was not approved. **See table 2 below for details.**

Table 2: Unapproved Voucher

No	Date	Description	PV#	Amount (\$US)
1	11/25/2020	AFDB PIU staff salary for the month of November 2020	PV#0200	17,330.00
Total				17,330.00

Risk

- 1.1.2.3 Unauthorized transactions may facilitate fraudulent financial practices.

Recommendation

- 1.1.2.4 The CLSG Management should ensure all payment vouchers are approved by the relevant authority.

Management's Response

- 1.1.2.5 *Management has consistently ensured that vouchers are approved by the designated persons. This is an isolated case with a single voucher in the whole year. However, this was an oversight. We will ensure this does not happen in the future.*

Auditor General's Position

- 1.1.2.6 We acknowledge Management's acceptance of our finding and recommendation and subsequent of correction of the financial statements.

1.1.3 Accounting Policies and Explanatory Notes

Observation

- 1.1.3.1 Paragraph 1.3.25- Structure of the Notes, of the IPSAS Cash Basis Accounting, - states "The notes to the financials statements of an entity shall:

- (a) Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events; and
- (b) Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments and cash balances".

- 1.1.3.2 During the audit, a review of the financial statements show that the notes do not include a basis of preparation of the financial statements.

- 1.1.3.3 The schedules to the financial statements do not include write ups to provide additional information that is not otherwise easily captured on the face of the financial statements.

Risk

- 1.1.3.4 The lack of full disclosure to the financial statements may undermine clarity and decision making of the users of the financial statements.

Recommendation

- 1.1.3.5 The Management of CLSG-RE should disclosure the basis of preparation of the financial statements in the notes to the financial statements.

Management's Response

- 1.1.3.6 *Management notes the recommendation; going forward, we will ensure compliance.*

Auditor General's Position

- 1.1.3.7 We acknowledge Management's acceptance of our finding and recommendation. We will make a follow up during subsequent audit.

1.1.4 Signing date of the Financial Statements not specify

Observation

- 1.1.4.1 Paragraph 1.4.5. of the IPSAS Cash basis reporting framework states "An entity shall disclose the date when the financial statements were authorized for issue and who gave the authorization. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact.
- 1.1.4.2 Regulation I.11. of the PFM Act of 2009 -Annual Government Agency Accounts, states "(1) There shall be prepared by the head of government agency or an administrator or head of any Government agency and transmitted to the, the Minister and the Comptroller-General in respect of the year, accounts covering all Public Funds under his control. The accounts shall be submitted within a period of two months after the end of each fiscal year, or such other period as the Legislature may by resolution appoint, and shall include statements and documents to be specified in the International Public Sector Accounting Standards as adopted by the Government of Liberia.
- 1.1.4.3 It was observed during the audit that the financial statements signed by the Chief Financial Officer and the Project Coordinator did not specify the actual date the financial statements were prepared and signed.

Risk

- 1.1.4.4 It is unlikely that financial statements users may want to place reliance on the financial Statements if the issuance date is not specified to establish the cut-off period.

Recommendation

- 1.1.4.5 The date of preparation of the financial statements should be provided adjacent to the signatures of the authorizers.

Management's Response

- 1.1.4.6 *The Fiscal Year ended June 30, 2021. We prepared the Financial Statements and were signed on August 20, 2021. However, following our phone conversation with the Deputy Auditor General for Administration, we were advised that the audit engagement would be preceded by a meeting with the Auditor General, and that we will be notified after the meeting which was held in September. Based on the request from GAC, we submitted the Financial Statements for audit on September 28, 2021.*
- 1.1.4.7 *Going forward, we will ensure the signed financials are dated by the authorities, before submission for audit.*

Auditor General's Position

- 1.1.4.8 We acknowledge Management's acceptance of our finding and recommendation. We will follow up during subsequent audit.

1.1.5 Lack of Information about the Entity

1.1.5.1 **Observation** Paragraph 1.4.7 of the IPSAS Cash Basis reporting framework standard states that "An entity should disclose the following in the notes to the financial statements if not disclosed elsewhere in information published with the financial statements:

- a) The domicile and legal form of the entity, and the jurisdiction(s) within which it operates;
- b) A description of the nature of the entity's operations and principal activities;
- c) A reference to the relevant legislation governing the entity's operations, if any; and
- d) The significant entities or sectors of government that are presented in the financial statements, and changes in the significant entities or sectors that comprise the reporting entity and were presented in the previous periods financial statements.

1.1.5.2 During the audit, it was observed the CLSG Management did not include adequate information about the entity or the project in notes to the financial statements to enable users identify the nature of activities of the entity's operations such as:

- The entity's legal form
- The entity's principal activities
- The Act or legislation governing the entity's operations

Risk

1.1.5.3 The lack of full disclosure of information may impair the decision making of users of the financial statements due to lack of pertinent understanding of the entity's operations.

Recommendation

1.1.5.4 The management of CLSG should provide full disclosure on the nature of the entity's activities as required by the standards.

Management's Response

1.1.5.5 *We have provided explanation notes in the project overview in response to ML 1.1.5. Please the attachment for copy (Attachment #2). Meanwhile, the nature of operation and source of our authority are enshrined in the Project Documents-Project Appraisal Report and Financing Agreement which are already in your possession.*

Auditor General's Position

1.1.5.6 We acknowledge Management's acceptance of our finding and recommendation and the subsequent adjustment of the financial statements.

1.2 Prior year Audit Issues

Cote D'Ivoire Liberia Sierra Leone Guinea (CLSG)

Prior year (2019/2020) Audit Findings and Recommendations Implementation Status

No.	ML Reference	Finding	Recommendation	Implementation Status
1	1.1.1 Improper Recording	1.1.1.2 During the audit it was observed that transactions totaling US\$35,782.00 were recorded in the ledger without narratives.	1.1.1.4 The Management of CLSG should provide appropriate narratives for entries recorded in the ledger account.	Unresolved
2	1.1.2 Withholding taxes	1.1.2.3 During the conduct of the audit, it was observed that a contractor was paid US\$126,163.78 for services rendered to the project for twelve (12) months without evidence that income taxes were withheld.	1.1.2.6 The Management of CLSG-RE should provide substantive justification backed by documentary evidence for not withholding taxes as required. 1.2.1.7 Going forward, the Management of CLSG should ensure required taxes are withheld and remitted to LRA in keeping with the Revenue Code of Liberia.	Resolved. Finding is mitigated by provision of Section 905 f (a) of the Amended Revenue Code of Liberia Act of 2000 Republic of Liberia
3	1.1.2 Withholding taxes	1.1.2.4 It was also observed during the audit that payments totaling US\$52,700.00 were paid as top up allowances to staff serving in the Project Implementation Unit (PIU) per approval of the African Development Bank Liberia Country Office. However there was no evidence that taxes were withheld on these payments.	1.1.2.6 The Management of CLSG-RE should provide substantive justification backed by documentary evidence for not withholding taxes as required. 1.1.2.7 Going forward, the Management of CLSG should ensure required taxes are withheld and remitted to LRA in keeping with the Revenue Code of Liberia.	Resolved. Finding is mitigated by provision of Section 905 f (a) of the Amended Revenue Code of Liberia Act of 2000 Republic of Liberia