

MANAGEMENT LETTER



On the LIBERIA ACCELERATED ELECTRICITY EXPANSION PROJECT-ADDITIONAL FUNDING (LACEEP-AF)

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

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ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
ACCA	Association of Chartered Certified Accountants
AFP	Audit Focal Person
AG	Auditor General
CA	Credit Agreement
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant
COSO	Committee of Sponsoring Organization
DMA	Deputy Minister for Administration
FSs	Financial Statements
GAC	General Auditing Commission
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
LACEEP-AF	Liberia Accelerated Electricity Expansion Project-Additional Funding
OAG	Office of the Auditor General
PA	Payment Advice
PAD	Project Appraisal Document
PFM	Public Financial Management
PIM	Project Implementation Manual
PMT	Project Management Team
PIU	Project Implementation Unit
us\$	United States Dollars
TOR	Term of Reference
WB	World Bank

December 30, 2021

Mr. Paschal Buckley
Chief Executive Officer (CEO)
Liberia Accelerated Electricity Expansion Project (LACEEP)
Liberia Electricity Corporation (LEC)
Monrovia, Liberia

Dear Mr. Buckley:

**MANAGEMENT LETTER ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA
ACCELERATED ELECTRICITY EXPANSION PROJECT-ADDITIONAL FUNDING (LACEEP-
AF) FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The Audit of the Liberia Accelerated Electricity Expansion Project (LACEEP-AF), 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 Liberia Accelerated Electricity Expansion Project (LACEEP-AF), 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 Liberia Accelerated Electricity Expansion Project-Additional Financing (LACEEP-AF) 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 Liberia Accelerated Electricity Expansion Project(LACEEP-AF) 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 Transactions without Narratives

Observation

- 1.1.1.1 Regulation O.24 of the PFM Act of 2005 'Checking of Records', states "(1) A Head of Government Agency shall ensure that his accounts are properly maintained and are correct at all times.
- 1.1.1.2 (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".
- 1.1.1.3 During the audit it was observed that twenty-six (26) debit transactions totaling US\$74,663.52 and nine (9) credit transactions totaling US\$581,977.11 were recorded in the cashbook without adequate narratives. **See tables 1 and 2 below.**

Table 1 – Debit Transactions without narratives

No.	Date	Voucher number	Amount (US\$)
1	7/21/2020	PJEx00000243	5,737.50
2	7/21/2020	PJEx00000244	5,700.00
3	7/21/2020	PJEx00000245	630.00
4	7/21/2020	PJEx00000246	1,890.00
5	7/23/2020	PJEx00000270	4,550.00
6	7/31/2020	GLv00003601	2,939.02
7	8/31/2020	PJEx00000321	4,550.00
8	8/31/2020	PJEx00000322	5,737.50
9	8/31/2020	PJEx00000323	5,700.00
10	8/31/2020	PJEx00000325	986.00
11	8/31/2020	PJEx00000330	2,340.00
12	8/31/2020	GLv00003800	54.00
13	9/29/2020	PJEx00000339	690.00
14	9/29/2020	PJEx00000348	4,550.00
15	9/29/2020	PJEx00000349	5,737.50
16	9/29/2020	PJEx00000350	5,700.00
17	9/29/2020	PJEx00000351	630.00
18	9/29/2020	PJEx00000352	2,340.00
19	9/30/2020	GLv00004007	90.00
20	11/26/2020	PJEx00000475	300.00
21	11/30/2020	GLv00004346	1,980.00
22	11/30/2020	GLv00004485	198.00
23	12/31/2020	GLv00004575	5,700.00
25	12/31/2020	GLv00004577	5,700.00
26	12/31/2020	GLv00004634	234.00
Total			74,663.52

Table 2 –Credit transactions without narratives			
No.	Date	Voucher number	Amount (US\$)
1	7/13/2020	GLv00003565	175,068.00
2	8/31/2020	GLv00003767	986.00
3	10/31/2020	GLv00004322	397,953.11
4	11/30/2020	GLv00004348	1,275.00
5	11/30/2020	GLv00004349	3,960.00
6	11/30/2020	GLv00004350	1,035.00
7	11/30/2020	GLv00004351	900.00
8	11/30/2020	GLv00004487	500.00
9	12/22/2020	GLv00004585	300.00
			581.977.11

Risk

- 1.1.1.4 Significant transactions without detailed descriptions or narratives may facilitate fraudulent transactions especially if the preparer intends to conceal the nature of the expenditure.

Recommendation

- 1.1.1.5 The Management of LACEEP-AF should provide narratives of all transactions processed in its cashbook to facilitate full disclosure of class of transactions and account balances reported in the financial statements.

Management's Response

- 1.1.1.6 *Recommendation noted. Management will take due note of this recommendation and act accordingly going forward.*

Auditor General's Position

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

1.2 Presentation of Statement of Comparison of Budget and Actual Amount

Observation

- 1.2.1.1 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.

1.2.1.2 During the audit, it was observed that the computation of the percentage variance in the Statement of Comparison of Budget and Actual Amount appears to be inaccurate. The percentage variances as calculated by LACEEP-AF Management were based on the actual amounts rather than the variance. **See table 3 below.**

Table 3: Percentage Variance Calculation

	Final Budget (A)	Actual (B)	Budget Variance C=(A-B)	% Variance D=A/B	% Variance E=(A- B)/A by GAC
Cash Inflows					
IDA World Bank Funds	15,938,205.73	6,832,578.15	9,105,627.58	43%	57%
Balance brought forward	20,222.89	20,222.89	0.00	0%	-
Total Receipts	15,958,248.62	6,852,801.04	9,105,627.58	43%	57%
Cash Outflows					
Extension of Electricity Transmission & Distribution Systems	8,982,102.63	4,363,334.37	4,618,768.36	49%	51%
Electrification of the Monrovia- Bomi-Cape Mount Corridor	3,518,212.33	1,506,906.22	2,011,306.11	43%	57%
P1rogram management including Audit and Supervision	874,936.80	847,712.45	27,224.35	97%	3%
Support for the strengthening of LEC's commercial capacity	2,562,953.98	116,056.50	2,446,897.48	5%	95%
Total Expenditure	15,938,205.73	6,834,009.44	9,104,196.29	43%	57%

Risk

1.2.1.3 Inaccurate percentage variances may suggest that the financial statements are misstated.

Recommendation

1.2.1.4 The Management of LACEEP-AF should restate the corrected percentage variances in the statement of comparison of budget and actual amounts.

Management's Response

1.2.1.5 *The essence of the Statement of Budget & Actual comparison is to measure our actual performance relative to our target.*

1.2.1.6 *The Statement of Budget and Actual Comparison submitted to the auditor indicates "Actual Results-Percentage of Final Budget". The percentage calculation is based on the actual versus budget, not variance versus budget. **See screenshot below.***

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
FOR THE LACEEP-AF
FOR THE PERIOD ENDED JUNE 30, 2021
(CLASSIFICATION OF PAYMENTS BY FUNCTIONS)**

ACCOUNT TITLE/DESCRIPTION	Actual	Final Budget	Difference: Final	Actual Result
	Amount	Amount	Budget and Actual	Percentage of Final Budget
	US \$	US \$	US \$	%
CASH INFLOWS				
IDA World Bank Funds	6,832,578.15	15,938,205.73	9,105,627.58	43%
Balance B/F	20,222.89	20,222.89	-	0%
Other receipts	-	-	-	0%
Total Receipts	6,852,801.04	15,958,428.62	9,105,627.58	43%
CASH OUTFLOWS				
Extension of Electricity Transmission and Distribution Systems	4,363,334.27	8,982,102.63	4,618,768.36	49%
Electrification of the Monrovia-Bomi-Grand Cape Mount Corridor	1,506,906.22	3,518,212.33	2,011,306.11	43%
Project Management Including Audit & Supervision	847,712.45	874,936.80	27,224.35	97%
Support for the Strengthening of LEC's Commercial Capacity	116,056.50	2,562,953.98	2,446,897.48	5%
Total Expenditure	6,834,009.44	15,938,205.73	9,104,196.29	43%
NET CASH FLOWS	18,791.60	20,222.89	1,431.29	

** Actual amounts encompass both cash and third party commitments*

Auditor General's Position

- 1.2.1.7 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 finding and recommendation.

1.3 Lack of Information about the Entity

Observation

- 1.3.1.1 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:
- The domicile and legal form of the entity, and the jurisdiction(s) within which it operates;
 - A description of the nature of the entity's operations and principal activities;
 - A reference to the relevant legislation governing the entity's operations, if any; and
 - 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.

- 1.3.1.2 During the audit, it was observed the LACEEP-AF Management did not include adequate information about the entity or the project in the financial statements to enable users identify the nature of the entity's operations and gain an understanding of the legislative and institutional environment within which it operates.

Risk

- 1.3.1.3 The report could be short of qualitative information to adequately inform the decision making of the financial statement users.

Recommendation

- 1.3.1.4 To be in full compliance with IPSAS Cash Basis of Accounting, the Management of LACEEP-AF should consider providing information to financial statement users in accordance with the IPSAS Cash basis financial reporting framework to enable users identify the nature of the

entity's operations and gain an understanding of the legislative and institutional environment within which it operates.

Management's Response

- 1.3.1.5 *Recommendation is well noted.* Please find narrative attached. (Attachment #1)

Auditor General's Position

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

1.4 Withholding Taxes

Observation

- 1.4.1.1 IPSAS Cash basis section 1.3.14 states 'Line items, headings and sub-totals shall be presented in the statement of cash receipts and payments when such presentation is necessary to present fairly the entity's cash receipts, cash payments and cash balances.
- 1.4.1.2 During the conduct of the audit it was observed that taxes withheld on goods and services and paid during the period amounted to US\$296,814.26; however, the amount was not disclosed as a separate caption in the notes to the financial statements.
- 1.4.1.3 We further observed that several payments to the General Revenue Account lack descriptions, clarity and consistency in presentation **See table 4.**

Table 4 – Taxes Paid During the Period but Not Disclosed

Date	Voucher	Payment reference	Bank amount
7/21/2020	PJEx00000247	General Revenue Acc	-3,933.68
7/21/2020	PJEx00000249	General Revenue Acc	-1,941.18
8/31/2020	PJEx00000319	General Revenue Acc	-100.00
8/31/2020	PJEx00000331	General Revenue Acc	-3,983.68
9/29/2020	PJEx00000344	General Revenue Acc	-3,983.68
10/28/2020	PJEx00000413	General Revenue Account	-2,237.73
11/26/2020	PJEx00000460	General Revenue Account	-4,028.68
12/2/2020	PJEx00000500	Revenue Account	-81,408.52
12/15/2020	PJEx00000498	General Revenue Account	-81,915.80
12/21/2020	PJEx00000528	General Revenue Account	-4,028.68
12/22/2020	PJEx00000499	General Revenue Account	-80,487.47
1/7/2021	PJEx00000496	To record 10% withholding tax on audit fees	-1,200.00
2/26/2021	PJEx00000637	To record payment of withholding taxes on staff Jan 2021Sal	-4,028.68
3/8/2021	PJEx00000644	To record payment of withholding taxes on H Johnson Sal	-1,155.00
3/8/2021	PJEx00000645	To record payment of withholding taxes on staff Feb 2021Sal	-4,028.00
3/29/2021	PJEx00000672	To record payment of withholding tax for March 2021	-4,028.68
4/27/2021	PJEx00000834	To record pmt of withholding tax for WBank staff	-4,028.68

Date	Voucher	Payment reference	Bank amount
5/31/2021	PJEx00000863	To record pmt of personal income tax for May 2021	-5,136.71
6/30/2021	PJEx00000916	To record payment of withholding tax for Jun 2021	-5,159.41
Total			-296,814.26

Risk

- 1.4.1.4 Lack of full disclosure of such information in the financial statements undermines the fair presentation of the entity's financial statement.

Recommendation

- 1.4.1.5 The Management of LACEEP-AF should provide full disclosure about taxes withheld and paid so as to facilitate comprehensive information and presentation about cash payments.

Management's Response

- 1.4.1.6 *Recommendation accepted. Management will ensure full compliance in subsequent transactions, going forward.*

Auditor General's Position

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

1.5 Accounting Policies and Explanatory Notes

Observation

- 1.5.1.1 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.
- 1.5.1.2 During the audit, a review of the financial statements shows that the notes do not include a basis of preparation of the financial statements.
- 1.5.1.3 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

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

Recommendation

- 1.5.1.5 The Management of LACEEP-AF should disclosure the basis of preparation of the financial statements in the notes to the financial statements.

Management's Response

- 1.5.1.6 *Recommendation noted. Going forward, management will endeavor to provide basis of preparing the financial statement and disclose same in the notes to the financial statements.*

Auditor General's Position

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

1.6 Signing Date of the Financial Statements not Specified

Criteria

- 1.6.1.1 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.

- 1.6.1.2 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.

Observation

- 1.6.1.3 It was observed during the audit that the financial statements signed by the Chief Financial Officer and the Project Coordinator did not t specify the actual date the document was prepared and signed.

Risk

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

Recommendation

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

Management's Response

- 1.6.1.6 *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.*
- 1.6.1.7 *Going forward, we will ensure the signed financials are dated by the authorities, before submission for audit.*

Auditor General's Position

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

1.7 Field Visitation

1.7.1 Component 1 Extension of Electricity Transmission and Distribution System

Observation

- 1.7.1.1 Section 3.2 of the Project Implementation Manual (PIM) captioned New Project (Additional Facility) states "The proposed AF would enhance the impact of the LACEEP by scaling up the activities to connect new residential, commercial, and industrial users and strengthen the capacity of LEC. This will be done through the addition of activities under component 1 on transmission and distribution and component 3 on strengthening of sector institutional capacity. The AF will provide institutional capacity building support to LEC to complement the institutional support to MME provided in the LACEEP. Under component 3, LEC will improve its operational and financial performance and long-term sustainability by: (i) Strengthening its operational and commercial capacity to serve a larger and broader base of customers; (ii) Building local management capacity at the medium and top levels to ensure the sustainability; and (iii) Improving its commercial performance, a first step to strengthening the financial viability of the utility. It will do so through the financing of technical assistance to build local and regional capacity in the utility, and through the incorporation of modern management systems to improve efficiency, transparency, and accountability in all business areas. The table below summarizes the components under the additional facility: Table 3: Components under Additional Facility Components Sub-Components Estimated Cost (USD Million) 1 Extension of electricity transmission and distribution systems 1 A. Electrification of Greater Monrovia (North-West). Cape Mount Corridor. 53.0 1. B Electrification of the Monrovia-Bomi-Grand. 1.C Project Management. 3 Support for the expansion of supply options and for the strengthening of the sector's institutional capacity 3.A Incorporation by LEC of modern management information systems. 7.0 3. B Technical assistance to LEC. TOTAL COST 60.
- 1.7.1.2 We observed the planting of poles;(8mm and 11mm poles) substantial number of poles had been erected along the Brewerville-Bomi corridor. However, the Bomi-Cape Mount corridor

poles erection had not progressed much. Given the target completion of the project, we raised concerns about the slow pace of the work along the Bomi-Cape Mount corridor reference to poles erection and lines stringing, the contractor, Wilkins Ltd., informed us that a consignment of poles is expected to arrive in February 2022 from Ghana.

Risk

- 1.7.1.3 Project objectives may not be achieved in the absence of effective project implementation and coordination.
- 1.7.1.4 The absence of effective monitoring and evaluation of project deliverables may deny the achievement of value for money during the execution of the project.

Recommendation

- 1.7.1.5 Management should ensure that the project deliverables are implemented in line with the project work plan.
- 1.7.1.6 Management should ensure that proper coordination, monitoring and evaluation of the project are implemented periodically during the execution of the project.

Management's Response

- 1.7.1.7 *We are cognizant of the implementation progress and completion schedule of the construction of the Distribution Network in the Bomi-Cape Mount Corridor. While we remain satisfied with the progress of works, we are realistic confirm that the work may not be completed in the contract period. We have initiated discussions to approach the Bank for a No Cost Extension up to April 2022 to allow time for the contractor to complete the work. The contractor encountered delays in receiving materials as a result of Covid-19, which saw restrictions on movements of ships among other things.*

Auditor General's Position

- 1.7.1.8 We acknowledge Management's acceptance of finding. We will follow up on management's acquisition of the 'no cost extension no objection during our subsequent audit

1.7.2 Fire Alarm and Smoke Detectors

Observation

- 1.7.2.1 Section 4.2(i) 'Project Management and Coordinating Unit (PCMU)' of the Project Implementation Manual (PIM) states the 'The Project Management and Coordination Unit shall be responsible for ensuring the prompt and efficient implementation of all project activities, including: Ensuring compliance with environmental and social safeguards.
- 1.7.2.2 During the field visitation of the project, we observed that the LACEEP-AF project has four (4) substations: Stockton Creek Substation, Virginia Substation, LPRC Substation and the Clay Substation. Of the four substations, only one, the LPRC Substation, was completed, commissioned and turned over to LEC while the rest are yet to be completed, energized and commissioned. **See exhibit below.**



GAC photo: Stockton Creek Substation Control room installation in progress

- 1.7.2.3 We also observed during the field visitation that all substations are being built without security devices for fire hazards such as fire alarms and smoke detectors. Additionally, C O 2 fire extinguishers in the substations don not seem to be the industrious fire extinguishers to fight fire in the event there is a wild scale fire in the premises. In response to our inquiry as to why the absence of safeguards, the engineer's asserted that that the initial design of the works did not cover the provision of fire alarms and smoke detectors.

Risk

- 1.7.2.4 The lack of security devices such as fire alarm and smoke detectors could lead to fire not being detected in a timely manner.
- 1.7.2.5 This could lead to destruction of the huge investment in these installations.
- 1.7.2.6 In the absence of a suitable industrial fire extinguisher, fire disaster may not be controlled adequately leading to damage of the substation.
- 1.7.2.7 The absence of effective monitoring and evaluation of project deliverables may deny the achievement of value for money during the execution of the project.

Recommendation

- 1.7.2.8 The Project Management should ensure the installation of smoke detectors and fire alarms in these substations to reduce the risk of serious fire hazards.
- 1.7.2.9 Management should ensure that proper coordination, monitoring and evaluation of the project are implemented periodically during the execution of the project.

Management's Response

- 1.7.2.10 *During the project designs, there was inadvertently, no provision for fire system. Our safety team has drawn our attention to the issue of lack of fire system at the substations. As an immediate plan of action, we have adopted a decision to acquire giant sized fire extinguishers at the various substations while we seek permanent solution.*

Auditor General's Position

1.7.2.11 We acknowledge management's assertion. However, we maintain our finding and recommendation.

1.7.3 Lack of Title Deed for Substations

Observation

1.7.3.1 Section 4.2(i) 'Project Management and Coordinating Unit (PCMU)' of the Project Implementation Manual (PIM) states the 'The Project Management and Coordination Unit shall be responsible for ensuring the prompt and efficient implementation of all project activities, including: Ensuring compliance with environmental and social safeguards.

1.7.3.2 During the field visitation, it was observed that the substations were erected on parcels of lands, to which there was no evidence of ownership in favor of the project or the LEC. **See exhibit below.**



GAC photo: Stockton Creek Substation in the Slaughterhouse Community

Risk

1.7.3.3 The lack of title deeds may lead to future litigations and claims due to land dispute. This may subsequently lead to loss of project assets.

Recommendation

1.7.3.4 The Project Management and the LEC should ensure the title deeds are obtained to guarantee land ownership for substations.

Management's Response

1.7.3.5 *Except for the Stockton Creek Substation, all of the other substations are constructed on LEC owned lands. These substations are built on existing pre-war substation locations.*

1.7.3.6 For the Stockton Creek Substation, the parcel of land was authorized to the Ministry of Mines & Energy from the Ministry of Agriculture for the authorized use by LEC. Please see letter attached from the Ministry of Agriculture to Ministry Mines & Energy attached.

Auditor General's Position

- 1.7.3.7 We acknowledge receipt of the Ministry of Agriculture letter dated September 17, 2013 referenced RL/MOA/FAC/M-769/'13 granting no objection to the Ministry of Mines and Energy to acquire a portion of its slaughterhouse property at the Stockton Creek for the construction of the substation.
- 1.7.3.8 The authorization by the Ministry of Agriculture to use a portion of its Slaughterhouse property at the Stockton Creek for the erection of the substation is a goodwill gesture that does not translate to legal title. Therefore, the Project Management, through the LEC and the Ministry of Mines and Energy (MME) should consummate the process by acquiring a title deed from the Ministry of Agriculture.
- 1.7.3.9 Additionally, it is advisable that all pre-war substation locations be demarcated and title deeds obtained from the Liberia Land Authority (LLA) to avoid future land disputes and encroachment.

1.8 Prior Year Audit Issues

Liberia Accelerated Electricity Expansion Project-Additional Funding (LACEEP -AF)

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

No.	ML Reference	Finding	Recommendation	Implementation Status
1	1.1.1 Incomplete recordings	1.1.1.2 During the audit it was observed several transactions recorded in the ledger were without narrative descriptions	1.1.1.4 The Management of LACEEP-AF should explain reasons for recording transactions without narrative descriptions.	Unresolved. Findings repeated in current year
2	1.1.3 Disclosure	1.1.1.8 During the audit, it was observed that an Advance Payment Guarantee (APG) made by the Project in the amount of US\$606,964.67 to Shenzhen Farad Electric Co. Ltd., for contract # LEC/LACEEP/DIST/02/2016-LOT 2 to have supplied and installed 22kv and 33kv distribution network and customer connections in Monrovia and Bomi/Grand Cape Mount Counties has since expired in prior year and the contract terminated due to nonperformance by the contractor.	1.1.1.11 The Management of LACEEP should provide reasons while this has not been resolved as well as an update on the status of claims made on the guarantee with supporting documentations.	Resolved. Disclosure was made and financial statement adjusted
3	1.1.3 Disclosure	1.1.1.9 It was further observed that the Project Management has made a claim of US\$506,656.90 from the contractor with an ultimatum to settle no later than Monday, December 15, 2020. It was however observed that the amount of US\$506,656.90 was not disclosed in notes to the financial statements.	1.1.1.12 The Management should disclose the amount in the notes to the financial statements.	Resolved. Disclosure was made and financial statement adjusted Unresolved. Full recovery of amount of Advance payment Guarantee is not resolved. Only \$25,000.00 was recovered and the Project Management continues to pursue the contractor
	1.2 Field Visitation	1.2.1.2 During the audit, it was observed that the MBH Power Ltd, the contractor responsible for all the works under the project have not covered all the communities within its scope of work.	1.2.1.8 The LACEEP Management should ensure that there is provision during the contract planning stage that will accommodate new homes to be built later in the communities.	Partially resolved. Gaps have not been fully resolved as they were not initially provided for in the contract coupled with the

No.	ML Reference	Finding	Recommendation	Implementation Status
		Inspections during the field visit and interactions with beneficiaries of electricity power show that there are still gaps in all the communities in terms of poles erection and network distribution within the communities.		springing up of new homes
	1.2 Field Visitation	1.2.1.3 Additionally, works at the Virginia substation, the Stockton creek substation and works on transmission lines under the project have come to a standstill.		Resolved. Works were resumed and substation is nearing completion
	1.2 Field Visitation	1.2.1.4 Moreover, it was also observed that the four (4) substations constructed under the LACEEP- AF project whose pictorials are presented below do not have emergency exits.	1.2.1.7 The LACEEP Management should ensure that the contractor creates emergency exits for the four (4) substations.	Unresolved.