

MANAGEMENT LETTER



On the LIBERIA ACCELERATED ELECTRICITY EXPANSION PROJECT-ORIGINAL (LACEEP-ORG)

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 Statement of Comparison of Budget and Actual Amount	6
1.1.2	Transactions without Narratives.....	7
1.1.3	Lack of Information about the Entity	8
1.1.4	Accounting Policies and Explanatory Notes	9
1.1.5	Signing Date of the Financial Statements Not Specified	10
1.2	Field Visitation	11
1.2.1	Fire Alarm and Smoke Detectors	11
1.3	Prior year Audit Issues	13
	ANNEXURE	14

ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
AFP	Audit Focal Person
AG	Auditor General
CA	Credit Agreement
COSO	Committee of Sponsoring Organization
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant
GAC	General Auditing Commission
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
LACEEP	Liberia Accelerated Electricity Expansion Project(LACEEP)
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

December 30, 2021

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

Dear Mr. Buckley:

**MANAGEMENT LETTER ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA
ACCELERATED ELECTRICITY EXPANSION PROJECT-ORIGINAL (LACEEP-Org) FOR THE
FISCAL PERIOD JUNE 30, 2021.**

The Audit of the Liberia Accelerated Electricity Expansion Project-Original (LACEEP), 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-Original(LACEEP-Org), 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-Original (LACEEP-Org) 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.

*Management Letter on the Financial Statement Audit of the
Liberia Accelerated Electricity Expansion Project-Original (LACEEP-ORG)
For the Period ended June 30, 2021.*

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-Original (LACEEP) 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 Statement of Comparison of Budget and Actual Amount

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 variances in the Statement of Comparison of Budget and Actual Amount appears to be inaccurate.

1.1.1.3 The percentage variance as calculated by LACEEP-Original Management was based on the actual amounts rather than the variance. **Please see table 1 below for details.**

Table 1 Percentage Variance Computation

Account Title /Description	Actual Amount	Final Budget	Difference: Final Budget and Actual	Percentage Variance by GAC	Percentage Variance by LACEEP
	US\$	US\$	US\$	%	%
Cash Inflow					
IDA World Bank Funds	1,158,086.25	1,120,754.02	-37,332.23	-.03	1.03
Balance B/F-LEC	139,903.43	139,903.43	0	0	0
Balance B/F-MLME	0	0	0	0	0
Total Receipts	1,297,989.68	1,260,657.45	-37,332.23	-.03	1.03
Cash Outflows					
Extension of Electricity and Distribution	899,036.81	908,372.02	9,335.21	.01	0.99

Account Title /Description	Actual Amount	Final Budget	Difference: Final Budget and Actual	Percentage Variance by GAC	Percentage Variance by LACEEP
Rehabilitation of Off-loading, transport, and HFO storage facilities	0	0	0	0	0
Technical Assistance to strength MLME's capacity	0	0	0	0	0
Operational costs for LEC's Project Management Team	247,581.20	212,382.00	-35,199.20	-0.17	1.17
Total Expenditure	1,146,618.01	1,120,754.02	-25,863.99	-0.02	0
Net Cash flows	151,371.67	139,903.43	-11,468.24		

Risk

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

Recommendation

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

Management's Response

- 1.1.1.6 *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

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

1.1.2 Transactions without Narratives

Observation

- 1.1.2.1 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.
- 1.1.2.2 (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".

- 1.1.2.3 During the audit, we noted credit transactions totaling US\$18,956.78 and debit transactions amounting to US\$16,471.22 were without proper narratives in the cashbook of LACEEP-Org. **See Annex 1 for details.**

Risk

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

Recommendation

- 1.1.2.5 The Management of LACEEP-Org 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

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

Auditor General's Position

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

1.1.3 Lack of Information about the Entity

Observation

- 1.1.3.1 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:

- 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.

- 1.1.3.2 During the audit, it was observed the LACEEP-Org 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

- 1.1.3.3 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

- 1.1.3.4 The management of LACEEP-Org should provide full disclosure on the nature of the entity's activities as required by the standards.

Management's Response

- 1.1.3.5 *We have provided explanation notes in the project overview in response to 1.1.3. Please see the attachment for copy (Attachment #2). Meanwhile, the nature of operation and source of our authority are enshrined in the Project Documents-Project Appraisal Documents and Financing Agreement which are already in your possession.*

Auditor General's Position

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

1.1.4 Accounting Policies and Explanatory Notes

Observation

- 1.1.4.1 Paragraph 1.3.25- Structure of the Notes, of the IPSAS Cash Basis reporting framework standard 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.
- 1.1.4.2 During the audit, a review of the financial statements show that the notes do not include a basis of preparation of the financial statements.
- 1.1.4.3 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

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

Recommendation

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

Management's Response

- 1.1.4.6 *Management will endeavor to provide explanation to descriptions to schedule in the notes to the financial statements.*

Auditor General's Position

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

1.1.5 Signing Date of the Financial Statements Not Specified

Observation

- 1.1.5.1 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.
- 1.1.5.2 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.
- 1.1.5.3 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 document was prepared and signed.

Risk

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

Recommendation

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

Management's Response

- 1.1.5.6 *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.*

1.1.5.7 Going forward, we will ensure the signed financials are dated by the authorities, before submission for audit.

Auditor General's Position

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

1.2 Field Visitation

1.2.1 Fire Alarm and Smoke Detectors

Observation

1.2.1.1 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.

1.2.1.2 During the field visitation, we observed that the LACEEP-ORG projects which covered both the Paynesville substation and Kakata substation with a project area from Paynesville to Weala has been completed commissioned and turned over to the Liberia Electricity Cooperation (LEC) and is fully operational.

1.2.1.3 It was also observed that the Kakata substation, completed and turned over to the LEC does not have fire alarms and smoke detectors installed. **See exhibit below.**



GAC photo: Control Units in Kakata Substation

Risk

1.2.1.4 The lack of security devices such as fire alarm and smoke detectors could lead to fire not being detected in a timely manner.

- 1.2.1.5 This could lead to destruction of the huge investment in these installations.
- 1.2.1.6 In the absence of a suitable industrial fire extinguisher, fire disaster may not be controlled adequately leading to damage of the substation.
- 1.2.1.7 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

- 1.2.1.8 The Management of the project and the LEC should ensure fire hazard security devices are installed in the substation to reduce the risk of fire disaster
- 1.2.1.9 The Project Management should ensure the installation of smoke detectors and fire alarms in these substations to reduce the risk of serious fire hazards.
- 1.2.1.10 Management should ensure that proper coordination, monitoring and evaluation of the project are implemented periodically during the execution of the project

Management's Response

- 1.2.1.11 *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 Response

- 1.2.1.12 We acknowledge management's acceptance of our finding and recommendation. We will follow up during subsequent audit for implementation of the recommendation.

1.3 Prior year Audit Issues

Liberia Accelerated Electricity Expansion Project –Original (LACEEP-Original) Prior year (2019/2020) Audit Findings and Recommendations Implementation Status

No.	Reference	Finding	Recommendation	Status
1	1.1 Field Visit	1.1.1.2 During the conduct of the audit, it was observed that the MBH Power Ltd. the contractor responsible for all the works under the project have not covered the communities fully within its scope. The field visit and interactions with beneficiaries of the electricity power show that there are still gaps in terms of poles erections and network distribution within the communities. For example, the Weine’s Town FDA Community along the landfill Dump site has large gaps. Transformers were installed in some instances in the same community but homes were not powered due to lack of breakers and fuse for the transformer to transmit power to homes of beneficiaries.	1.1.1.7 The Project Management should ensure the contractor, MBH, fills the gaps in the affected communities. 1.1.1.8 The LACEEP Management should also ensure that there is provision during the contract planning stage that accommodates new homes.	Gaps still exists and would not be resolved under current arrangements
2	1.1 Field Visit	1.1.1.3 During the field visitation, it was observed the Paynesville and Kakata substations constructed under the project did not have emergency exits. It was also observed that grass has overtaken some of the substations.	1.1.1.9 The LACEEP Management should ensure that the contractor creates an emergency path for the both substations. 1.1.1.10 The LACEEP Management should also ensure that vicinities of these sites are kept tidy	Unresolved. The substations are still without emergency exits Resolved. The premises are being kept tidy

ANNEXURE

Annexure 1: Transactions without Narratives

Credit Transactions Without Narrative				Debit Transactions Without Narrative			
No.	Date	Voucher number	Amount	No.	Date	Voucher number	Amount
1	9/30/2020	GLv00004039	1,171.00	1	7/21/2020	PJEx00000237	-121.00
2	11/30/2020	GLv00004345	12,090.78	2	7/30/2020	PJEx00000265	-114.00
3	11/30/2020	GLv00004437	136.00	3	7/30/2020	PJEx00000266	-139.00
4	11/30/2020	GLv00004438	112.00	4	7/30/2020	PJEx00000267	-112.00
5	11/30/2020	GLv00004439	112.00	5	7/30/2020	PJEx00000268	-106.00
6	11/30/2020	GLv00004440	124.00	6	7/31/2020	GLv00003597	-242.70
7	11/30/2020	GLv00004441	124.00	7	8/31/2020	PJEx00000312	-11,210.00
8	11/30/2020	GLv00004442	106.00	8	8/31/2020	PJEx00000314	-114.00
9	11/30/2020	GLv00004443	106.00	9	8/31/2020	PJEx00000315	-130.00
10	11/30/2020	GLv00004445	106.00	10	8/31/2020	PJEx00000316	-106.00
11	11/30/2020	GLv00004446	106.00	11	8/31/2020	PJEx00000326	-1,588.24
12	11/30/2020	GLv00004448	118.00	12	8/31/2020	PJEx00000329	-300.00
13	11/30/2020	GLv00004449	118.00	13	8/31/2020	GLv00003806	-44.00
14	11/30/2020	GLv00004450	115.00	14	9/29/2020	PJEx00000357	-1,171.00
15	11/30/2020	GLv00004451	106.00	15	9/30/2020	GLv00004008	-0.20
16	11/30/2020	GLv00004452	160.00	16	10/2/2020	PJEx00000407	-300.00
17	11/30/2020	GLv00004453	124.00	17	11/30/2020	GLv00004484	-148.00
18	11/30/2020	GLv00004455	160.00	18	12/31/2020	GLv00004618	-380.00
19	11/30/2020	GLv00004456	250.00	19	12/31/2020	GLv00004625	-145.08
20	11/30/2020	GLv00004457	166.00				16,471.22
21	11/30/2020	GLv00004458	124.00				
22	11/30/2020	GLv00004459	187.00				
23	11/30/2020	GLv00004460	109.00				
24	11/30/2020	GLv00004461	328.00				
25	11/30/2020	GLv00004462	106.00				
26	11/30/2020	GLv00004463	145.00				
27	11/30/2020	GLv00004464	126.00				
28	11/30/2020	GLv00004465	124.00				
29	11/30/2020	GLv00004466	124.00				
30	11/30/2020	GLv00004467	153.00				
31	11/30/2020	GLv00004468	134.00				
32	12/31/2020	GLv00004617	380.00				
33	12/31/2020	GLv00004619	105.00				
34	12/31/2020	GLv00004620	121.00				
35	12/31/2020	GLv00004621	114.00				
36	12/31/2020	GLv00004622	166.00				
37	12/31/2020	GLv00004623	800.00				
38			18,956.78				