

MANAGEMENT LETTER



On the Liberia Energy Efficiency Access Project (LEEAP)

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	Transactions without Narratives.....	6
1.1.2	Presentation of Comparison of Budget and Actual Amounts.....	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	Prior Year Audit Issues	12

ACRONYMS USED

Acronyms/Abbreviations/Symbol	Meaning
ACCA	Association of Chartered Certified Accountants
AFP	Audit Focal Person
AG	Auditor General
CA	Credit Agreement
CFC	Certified Financial Consultant
CFIP	Certified Forensic Investigation Professional
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
LEEAP	Liberia Energy Efficiency Access Project (LEEAP)
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
TOR	Term of Reference
WB	World Bank

December 30, 2021

Mr. Paschal Buckley
Chief Executive Officer (CEO)
Liberia Energy Efficiency Access Project (LEEAP)
Liberia Electricity Corporation (LEC)
Monrovia, Liberia

Dear Mr. Buckley:

MANAGEMENT LETTER ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA ENERGY EFFICIENCY ACCESS PROJECT (LEEAP) FOR THE FISCAL PERIOD ENDED JUNE 30, 2021.

The Audit of the Liberia Energy Efficiency Access Project (LEEAP), 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 Energy Efficiency Access Project (LEEAP), 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 Energy Efficiency Access Project (LEEAP) financial statements and related records 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 involves 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.

*Management Letter on the financial Statement Audit
of the Liberia Energy Efficiency Access Project (LEEAP)
For the Period ended June 30, 2021.*

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 Energy Efficiency Access Project (LEEAP) 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 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 sixteen (16) debit transactions totaling US\$45,698.71 were recorded in the cashbook without adequate narratives. **See tables 1 below.**

Table 1 – Debit Transactions without narratives

No.	Date	Voucher number	AmountUS\$
1	10/28/2020	PJEx00000422	8,330.00
2	10/28/2020	PJEx00000423	500.00
3	11/25/2020	PJEx00000487	8,330.00
4	11/25/2020	PJEx00000488	500.00
5	10/28/2020	PJEx00000426	475.00
6	10/30/2020	PJEx00000419	468.00
7	11/25/2020	PJEx00000487	8,330.00
8	11/25/2020	PJEx00000488	500.00
9	11/25/2020	PJEx00000489	80.00
10	12/10/2020	PJEx00000503	750.00
11	12/10/2020	PJEx00000504	700.00
12	12/10/2020	PJEx00000511	7,200.00
13	12/17/2020	PJEx00000501	130.00
14	12/17/2020	PJEx00000506	575.71
15	12/17/2020	PJEx00000522	8,330.00
16	12/17/2020	PJEx00000523	500.00
Total			45,698.71

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 LEEAP 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 Management accepts the findings and recommendation and will ensure all transactions in the accounting records, including the cashbook have full narratives going forward.

Auditor General's Position

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

1.1.2 Presentation of Comparison of Budget and Actual Amounts

Observation

1.1.2.1 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.

1.1.2.2 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. The percentage variance as calculated by LEEAP Management was based on the actual amounts rather than the variance. **Please see table 1 below.**

Table 1. Showing 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					
AfDB Funds -Direct Payments	25,103,144.70	10,488,481.39	14,614,663.31	139%	58%
Balance brought forward	113,688.59	113,688.59	0.00	0%	-
Total Receipts	25,216,883.29	10,602,169.98	14,614,663.31	0%	58%
Cash Outflows					
Service	1,048,075.41	563,609.31	485,466.10	54%	46%
Works	22,130,600.73	9,866,685.58	12,263,915.15	45%	55%
Goods	125,983.96	0.00	125,983.96	0%	100%
Training	1,401,024.60	30,515.81	1,370,508.79	2%	98%
Operating Cost	396,460.00	54,985.76	341,474.24	14%	56%
Total Expenditure	25,103,144.70	10,515,796.46	14,587,348.24	42%	58%

Risk

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

Recommendation

1.1.2.4 The Management of LEEAP should restate the corrected percentage variances in the statement of comparison of budget and actual amounts.

Management's Response

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

1.1.2.6 *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 screen shot below.***

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
FOR THE LEEAP
FOR THE PERIODS ENDED JUNE 30, 2021
(CLASSIFICATION OF PAYMENTS BY FUNCTIONS)

ACCOUNT TITLE/DESCRIPTION	Approved Budget US \$	Actual US \$	Difference: Final Budget and Actual US \$	Actual Result Percentage of Approved Budget %
CASH INFLOWS				
AFDB Funds-Direct Payments	25,103,144.70	10,488,481.39	14,614,663.31	139%
Balance B/F	113,688.59	113,688.59	-	0%
Other receipts	-	-	-	0%
Total Receipts	25,216,833.29	10,602,169.98	14,614,663.31	0%
CASH OUTFLOWS				
Service	1,049,075.41	563,609.31	485,466.10	54%
Works	22,130,600.73	9,866,685.58	12,263,915.15	45%
Goods	125,983.96	-	125,983.96	0%
Training	1,401,024.60	30,515.81	1,370,508.79	2%
Operating Cost	396,460.00	54,985.76	341,474.24	14%
Total Expenditure	25,103,144.70	10,515,796.46	14,587,348.24	42%
	-	-	-	

Auditor General's Position

1.1.2.7 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 occurred. Therefore, we maintain our finding and recommendation.

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:

- 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.

1.1.3.2 During the audit, it was observed the Management of LEEAP 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 LEEAP 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 Audit finding No. 1.1.3. Please see the attachment (1). 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

1.1.3.6 We acknowledge Management's acceptance of our findings and recommendation and the subsequent adjustment 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 IPDAS 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".

1.1.4.2 During the audit, it was observed that the notes to the financial statements did 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 disclosures may undermine the clarity and decision making of users of the financial statements.

Recommendation

- 1.1.4.5 The management of LEEAP should disclose the basis of preparation of the financial statements in the notes to the financial statement.

Management's Response

- 1.1.4.6 *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

- 1.1.4.7 We acknowledge Management's acceptance of our finding and recommendation. We will make 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 financial statements were prepared and signed.

Risk

- 1.1.5.4 It is unlikely the financial statements users may place reliance on the financial statements if the issuance date is not specified.

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 findings and recommendation. We will follow up during subsequent audit.

1.2 Prior Year Audit Issues

Liberia Energy Efficiency and Access Project (LEEAP) Prior year (2019/2020) Audit Findings and Recommendations Implementation Status

No.	Reference	Finding	Recommendation	Status of implementation
1	1.1.1 Withholding taxes	1.1.1.3 During the conduct of the audit, it was observed that a contractor was paid a total amount of US\$58,310.00 without evidence that the required income taxes were withheld	1.1.1.5 The Management of LEEAP should pay to LRA the required tax.	Resolved. Finding is mitigated by provision of Section 905 f (a) of the Amended Revenue Code of Liberia Act of 2000 Republic of Liberia
2	1.2.1 Field Visit	1.2.1.2 It was observed that construction activities including substations in Schefflin and RIA are in progress without evidence that Environmental and Social Management Plan and the Resettlement Action Plan prepared by ECOGREEN in 2014 for the proposed transmission line for Monrovia Consolidation, RIA Corridor, distribution network and substation in RIA had been complied with	12.1.5 The LEEAP Management should follow through to ensure Environmental and Social Impact Assessment (ESIA) requirements are complied with	Resolved
3	1.2.1.3 Field visit	During the conduct of the audit, it was observed that structures in the right away marked for demolition to give way for the erection of towers and stringing of transmission lines are yet to be removed due to delay in making payments to property owners.	1.2.1.6 The Management of LEEAP should liaise with GoL to ensure RAPs are paid to affected persons in the right away where structures are marked for demolition to avoid any potential delay in the project implementation	Not resolved. GoL has not made good the payment. However, there has been provision in current year budget to allocate for the amounts