

MANAGEMENT LETTER

On the Liberia Renewable Energy Access Project (LIRENAP)

PROJECT ID: P149683 and GRANT #: TFA1646

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 Accountant
AFP	Audit Focal Person
AG	Auditor General
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant
COSO	Committee of Sponsoring Organization
CPA	Certified Public Accountant
DMA	Deputy Minister for Administration
FSS	Financial Statements
GAC	General Auditing Commission
GoL	Government of Liberia
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
LIRENAP	Liberia Renewable Energy Access Project
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

Mr. Joseph Tye William
Executive Director
Rural Renewable Energy Agency (RREA)
Monrovia, Liberia

December 28, 2021

Dear Mr. William:

MANAGEMENT LETTER ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA RENEWABLE ENERGY ACCESS PROJECT (LIRENAP) FOR THE YEAR ENDED JUNE 30, 2021.

The Audit of the Liberia Renewable Energy Access Project (LIRENAP) 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 Renewable Energy Access Project (LIRENAP), 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 material respects, the Liberia Renewable Energy Access Project (LIRENAP) 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

*Management Letter on the Financial Statement Audit of the
Liberia Renewable Energy Access Project (LIRENAP)
For the Period ended June 30, 2021.*

regulations are the responsibility of the Project Management Team. Our responsibility is to express an opinion on these financial statements.



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

Monrovia, Liberia
December 2021

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1.1 Payments by third parties on behalf of the entity

Criteria

1.1.1.1 Paragraph 2.1.77 of IPSAS Cash basis Accounting states "When during the reporting period a reporting entity has been formally advised that payments have been made to directly settle its obligation or purchase goods and services for its benefit by third parties, or the entity has otherwise has verified that such payment has been made, the entity is encouraged to disclose in notes to the financial statements:

- (a) Total payments made by such third parties; and
- (b) A sub-classification of the total amount of such payments using a classification basis appropriate to the entity's operation".

Observation

1.1.1.2 During the audit, it was observed that the Management of LIRENAP recorded in its records amounts paid directly to foreign contractors and consultants totaling US\$3,325,803.59. The amounts were neither received nor paid by the entity nor does the entity has any source documents to support receipts and payments of the amount involved. Yet, the amounts were reported in the in the face of the financial statements as amounts controlled by the entity.

See table below.

Date	Payee	Amount (USD)
09/16/2020	Wilkins Engineering Ltd	510,335.58
10/15/2020	ENCO (Private) Limited	1,152,566.22
05/24/2021	Wilkins Engineering Ltd	510,335.57
06/04/2021	ENCO (Private) Limited	1,152,566.22
		3,325,803.59

Risk

1.1.1.3 As a result of presenting third party transactions on the face of the financial statement, the financial statements may be materially misstated.

Recommendation

1.1.1.4 The Management of LIRENAP should adjust the financial statements and disclose third party transactions in the notes to the financial statements as encouraged by the standard.

Management's Response

1.1.1.5 *As recommended by the Auditor, the Financial Statements have been adjusted to disclose third party payments (Direct Payments) separately on the Statement of receipts and payments as required by IPSAS Cash Basis. Moreover, these third-party payments were already disclosed in the notes to the financial statements section 1.(e). The adjusted Financial Statements is herewith attached.*

Auditor General's Position

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

1.2 Filed Visitation

1.2.1 Project Implementation Status

Observation

1.2.1.1 Section 1.18 of the Guidelines Selection and Employment of Consultants of January 2011 revised July 2014 states 'The Borrower is responsible for supervising the consultants' performance and ensuring that they carry out the assignment in accordance with the contract. Without assuming the responsibilities of the Borrower or the consultants, Bank staff shall monitor the quality of the consultants' work as necessary to satisfy themselves that it is being carried out according to appropriate standards and is based on reliable data. As appropriate, the Bank may take part in discussions between the Borrower and consultants and, if necessary, may help the Borrower in addressing issues related to the assignment. If a significant portion of the assignment is being carried out in the consultants' home offices, the Bank may, with the Borrower's agreement, visit these offices to review the consultants work'.

1.2.1.2 During the field verification we observed that the project is still in its mobilization stage. We saw construction works which include accommodation, offices, texting of soil lab, clinic, warehouses, welding shop and the flow gagged line which is responsible to determine the strength of the water to actually decide on where to construct the dam. Moreover, we interviewed the general manager who confirmed that the actual works on the dam will start late December of this year 2021 or January 2022 with a length of nineteen (19) months for completion of the dam.

1.2.1.3 We were informed that the slow pace of work is attributable to the challenge in getting materials on the site due to road conduction at the time and to delays in shipment due to COVID-19. Please see below photo exhibits of ongoing project works in Mbalome village.

Risk

1.2.1.4 Continuous delay in shipping materials coupled with the resurgence of covid-19 could lead to Management not achieving project deliverables timely.

1.2.1.5 Project objectives may not be achieved in the absence of effective project implementation and coordination.

1.2.1.6 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

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

Management's Response

- 1.2.1.9 *Noted. Construction schedule for the hydropower plant has been optimized considering the aforementioned issues. Mainly, materials & equipment shall be mobilized on site during the dry season when roads condition (especially Gbarnga to Voinjamin) is at least favorable for logistical movements. We envisage that the Government of Liberia (via Ministry of Public Works) will periodically maintain the roads (up to Bolahun Junction) during the project period. The project will maintain the 40.5km segment of road from Bolahun Junction to hydropower site (in good condition).*
- 1.2.1.10 *Resurgence of COVID-19 is beyond our control. However, we have prioritized finalizing design and shipping agreement (for main equipment) now, and procuring materials locally where applicable. Besides, we have planned to start major works as soon as possible in Jan 2022. Looking forward, there have already been appreciable progress after the reporting period. Particularly, parameters for Electromechanical (EM) part of the hydropower plant have been finalized (critical path) and committed ship date for EM equipment is Dec 2022. Excavation for core components of the hydropower plant is about 50% complete, engineering of the plant is progressive and ongoing (>40% complete), basic infrastructure progress is beyond 80% complete, etc.*
- 1.2.1.11 *On the other hand, we do like to highlight that the delivery of the main contracts under the project as per agreed time schedule has also been challenged by the establishment of Letter of Credit (LC) by the project in favor of the Contractors. In fact, the LC was never established and the project substituted the same with additional 10% advance payment. This caused delay (up to 9 months) in the effectiveness of the contracts, thus affecting the supply part of the contracts. Correspondingly, the contracts were amended and project extended for 30 months (from June 2021 to Dec 2023). Nevertheless, big light (operations of the hydropower plant) is expected in June 2023 according to schedule.*

Auditor General's Position

- 1.2.1.12 We acknowledge Management's assertions referenced to challenges beyond its control. However, Management should enhance its monitoring and evaluation activities to ensure strategies are employed to meet timely completion of the project.

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