**Management Letter**

# On the Audit of the Financial Statements of the Cote D'Voire, Liberia, Sierra Leone, Guinea-Rural Electrification (CLSG-RE) Project

*For the period July 1, 202021 to December 31, 2022*

**Promoting Accountability of Public Resources**


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


**Monrovia, Liberia**
June 2023

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## ACRONYMS USED

| Acronyms/Abbreviations/Symbol | Meaning |
|---|---|
| ACCA | Association of Certified Chartered Accountants |
| AFP | Audit Focal Person |
| ABD | African Development Bank |
| AG | Auditor General |
| AM | Aide Memoir |
| CA | Credit Agreement |
| CFC | Certified Financial Consultant |
| CFE | Certified Forensic Examiner |
| CFIP | Certified Forensic Investigation Professional |
| CPA | Certified Public Accountant |
| FA | Financing Agreement |
| FCCA | Fellow Member of the Association Chartered Certified Accountants |
| FM | Financial Manual |
| FS | 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 |
| ISSAIs | International Standards of Supreme Audit Institutions |
| LEC | Liberia Electricity Corporation |
| CLSG-RE | Cote D'Voire, Liberia, Sierra Leone, Guinea-Rural Electrification (CLSG-RE) Project |
| LRA | Liberia Revenue Authority |
| PA | Payment Advice |
| PAD | Project Appraisal Document |
| PFM | Public Financial Management |
| PIM | Project Implementation Manual |
| PMT | Project Management Team |
| PPC Act | Public Procurement Concession Act |
| RL | Republic of Liberia |
| ToR | Term of Reference |
| ADB | African Development Bank |

Mr. Monnie R. Captan
Chief Executive Officer (CEO)
Liberia Electricity Corporation (LEC)
Water Side
Monrovia, Liberia

June 30, 2023

Dear Mr. Captan:

**RE: MANAGEMENT LETTER ON THE FINANCIAL STATEMENTS AUDIT OF THE COTE D'VOIRE, LIBERIA, SIERRA LEONE, GUINEA-RURAL ELECTRIFICATION (CLSG-RE) PROJECT FOR THE PERIOD JULY 1, 2021 TO DECEMBER 31, 2022.**

The Financial Statements of the Cote D'Voire, Liberia, Sierra Leone, Guinea-Rural Electrification (CLSG-RE) Project for the year ended December 31, 2022 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 General Auditing Commission (GAC) Act of 2014, and the Audit Engagement Terms of Reference (ToR).

## INTRODUCTION

The audit of the Cote D'Voire, Liberia, Sierra Leone, Guinea-Rural Electrification (CLSG-RE) Project, for the period ended December 31, 2022 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.

The Project financial statements are prepared in line with the requirements of the International Public Sector Accounting Standards (IPSAS), Cash Basis accounting as adopted by the Government of Liberia in 2009 and World Bank reporting requirements.

## SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) as promulgated by International Organization of Supreme Audit Institutions (INTOSAI), the International Public Sector Accounting Standards (IPSAS) Cash basis and the World Bank reporting requirements. These standards require that we plan and perform the audit so as to obtain reasonable assurance whether the Cote D'Voire, Liberia, Sierra Leone, Guinea-Rural Electrification (CLSG-RE) Project financial statements and related records are free of material misstatements due to errors or fraud and whether they comply with ethical requirements.

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.

The audit will also contain 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.

Thank you as we strive to promote accountability, transparency and good governance across the Government of Liberia.

**APPRECIATION**

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Cote D'Voire, Liberia, Sierra Leone, Guinea-Rural Electrification (CLSG-RE) Project.

Sincerely,

GENERAL AUDITING OFFICE OF THE AUDITOR GENERAL COMMISSION REPUBLIC OF LIBERIA

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

**June 2023**

# 1 DETAILED FINDINGS AND RECOMMENDATIONS

## 1.1 Financial Matter

### 1.1.1 No Supporting General Ledger

**Observation**

1.1.1.1 Regulation A.3- Duty to Keep Proper Records and Books of Accounts- of the PFM Act of 2009 as amended 2019 states: "(1) Any public officer concerned with the conduct of financial matters of the Government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor General, the Comptroller General , the relevant internal auditor or any officers authorized by them, by the Minister.

1.1.1.2 During the audit, we observed that Management did not provide a detail ledger for expenditure amounting to US$368,035.28 as reported in the financial statements.

**Risk**

1.1.1.3 The accuracy and completeness of the expenditure report may not be assured.

**Recommendation**

1.1.1.4 Management should ensure that detail general ledgers are maintained to support figures disclosed in the financial statements.

**Management's Response**

1.1.1.5 *This recommendation is noted.*

**Auditor General's Position**

1.1.1.6 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.1.2 Variance between the Financial Statements and Cashbook Amounts.

**Observation**

1.1.2.1 Regulation O.24. of the PFM Act of 2010 amended 2019 states "(1) A Head of Government Agency shall ensure that his accounts are properly maintained and are correct at all times. (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".

1.1.2.2 During the audit, we observed the following variances between amounts reported in the financial statements and the cashbook as recalculated by the auditor. **See table 1 below.**

**Table 1: Variances between Financial Statements and Cashbook Amounts**

| Item | Financial Statement Amount US$ (A) | Recalculated Cashbook Amount US$ (B) | Variances per Recalculated Cashbook US$ C=(A-B) |
|---|---|---|---|
| Total Payments | 368,035.28 | 341,918.4 | 26,116.88) |
| Closing Cash Balance | 25,338.2 | 51,455.08 | (26,116.88) |

**Risk**

1.1.2.3 Total expenditure and subsequently the financial statements may be misstated.

**Recommendation**

1.1.2.4 Management should provide explanation with supporting documentations for the variance between the cashbook and the financial statements.

1.1.2.5 Management should adjust the financial statements to include all transactions in the cashbook.

1.1.2.6 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Going forward, an automated linkage should be created between the general ledger, trial balance and the financial statements to facilitate completeness and accuracy of the financial statements.

**Management's Response**

1.1.2.7 *Noted. The Financial Statement has been adjusted with the Cashbook amounts accordingly.*

**Auditor General's Position**

1.1.2.8 We acknowledge Management's acceptance of our findings, recommendations and subsequent adjustment of the financial statements.

### 1.1.3 No Explanation for Material Budget Variances

**Observation**

1.1.3.1 Part 1.7.8 of the revised IPSAS Cash Basis Accounting Framework (November 2017) provides that an entity that makes publicly available its approved budget(s) shall present a comparison of the budget amount for which it is held publicly accountable and actual amounts either as a separate additional financial statement of an additional budget columns in the statement of cash receipts and payments. The comparison of budget and actual amount shall present separately for each level of legislative oversight:

1.1.3.2 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 cross reference to those documents is made in the notes.

1.1.3.3 During the audit, we observed that Management did not provide explanatory notes to the financial statements for material variances between budget and actual amounts. **See table 2 below.**

1.1.3.4 During the audit, we also observed that percentage variances were incorrectly calculated, thus giving inaccurate percentages of budget variance amounts. **See recalculated percentage variances in table 2 below.**

**Table 2: Unexplained Material Budget Variances**

| Item | Final Budget US$ A | Actual Amount US$ B | Budget Variance US$ C=(A-B) | Recalculated Budget Variance US$ D=(A-B) | Incorrect % Variance E=C/A | Recalculated % Variance F=(D/A) |
|---|---|---|---|---|---|---|
| AFDB Funds Direct Payments | 5,792,650.00 | 300,224.00 | - | 5,492,426.00 | 0% | 95% |
| Balance B/F | 74,960.72 | 93,149.48 | - | -18,188.76 | 0% | 24% |
| Other Receipts | | (3,190,193.80) | (3,190,193.80) | (3,190,193.80) | 0% | -200% |
| Service | 911,360.00 | 148,313.00 | 763,047.00 | 763,047.00 | 16% | 84% |
| Works | 4,785,290.99 | (3,190,193.80) | 7,975,484.79 | 7,975,484.79 | -67% | 167% |
| Goods | - | - | - | - | | |
| Operating Cost | 96,000.00 | 219,722.28 | (123,722.28) | (123,722.28) | 229% | 129% |

**Risk**

1.1.3.5 Fair presentation and full disclosures may be impaired.

1.1.3.6 Failure to include notes or explanation for material variance between budgetary and actual amounts in the financial statements may deny users of the financial statements information needed to make informed decisions.

1.1.3.7 Financial statements may be misstated thereby misleading the users of the financial statements.

**Recommendation**

1.1.3.8 Management should facilitate full and adequate disclosures in the notes to the financial statements consistent with Paragraph 1.7.8 of the 2017 revised Cash Basis IPSAS.

1.1.3.9 Management should provide explanation for reporting inaccurate variance percentages in the Statement of Comparison of Budget and Actual Amounts.

1.1.3.10 Management should adjust the financial statements to ensure that the correct variance percentages are reported in the Statement of Comparison of Budget and Actual Amounts.

1.1.3.11 Going forward, Management should ensure that financial statements prepare by junior personnel is reviewed and approved by senior personnel with relevant qualification and experience.

**Management's Response**

1.1.3.12 *This has been done in the revised Financial Statements.*

**Auditor General's Position**

1.1.3.13 We acknowledge Management's acceptance of our findings, recommendations and subsequent adjustment of the financial statements.

### 1.1.4 Lack of Detailed Schedule for Payments

**Observation**

1.1.4.1 Section 1.3.8 IPSAS of 2017 states requires that notes to the financial statements include narrative description or more detailed schedules or analyses of amounts shown on the face of the financial statements, as well as additional information. They include information required and encourage to be disclosed by this Standard, and can include other disclosures considered necessary to achieve a fair presentation and enhance accountability".

1.1.4.2 During the audit, we observed that the financial statements did not contain detailed schedules for the disaggregation of project management cost totaling US$ 219,722.28.

**Risk**

1.1.4.3 Fair presentation and full disclosures may be impaired.

1.1.4.4 Failure to include in the notes to the financial statements detail schedules for amount reported in the face of the financial statements may deny users of the financial statements information needed to make informed decisions.

**Recommendation**

1.1.4.5 Management should facilitate full and adequate disclosures in the notes to the financial statements consistent with Paragraph 1.3.8 of the 2017 revised IPSAS Cash Basis.

1.1.4.6 Management should adjust the financial statements to include detailed schedule of amounts in the face of the financial statements in notes to the financial statements.

**Management's Response**

1.1.4.7 *This has been done in the revised Financial Statements*

**Auditor General's Position**

1.1.4.8 We acknowledge Management's acceptance of our findings, recommendations and subsequent adjustment of the financial statements.

### 1.1.5 Undisclosed Reporting Period

**Observation**

1.1.5.1 Paragraph 1.4.1 of the 2017 revised Cash Basis IPSAS requires that general purpose financial statements shall be presented at least annually. When, in exceptional circumstances, an entity's reporting date changes and the annual financial statements are prepared for a period longer or shorter than one year, an entity shall disclose in addition to the period covered by the financial statements:

a) the reason(s) for period other than one year being used; and
b) the fact that comparative amounts may not be comparable

1.1.5.2 During the audit, we observed that the financial statements were prepared for a period other than one year without explanatory notes for the reasons(s) thereto.

1.1.5.3 Additionally, we observed that Management did not disclose that the amounts for prior and current periods figures may not be comparable due to the change in the reporting period.

**Risk**

1.1.5.4 Comparability, understandability, reconciliation and decision making of users of the financial statements may be impaired.

1.1.5.5 Fair presentation and full disclosure may be impaired.

**Recommendation**

1.1.5.6 Management should facilitate full and adequate disclosures in the notes to the financial statements consistent with Paragraph 1.4.1 of the 2017 revised Cash Basis IPSAS

**Management's Response**

1.1.5.7 *This has been done and the reporting period has been fully disclosed in the Financials.*

**Auditor General's Position**

1.1.5.8 We acknowledge Management's acceptance of our findings, recommendations and subsequent adjustment of the financial statements.

### 1.1.6 Untimely Submission of Financial Statements

**Observation**

1.1.6.1 Paragraph 1.4.4 of the 2017 revised IPSAS Cash Basis Accounting Standard states "The usefulness of the financial statements are impaired if they are not made available to users in a reasonable period after the reporting date. An entity should be in a possible to issues its financial statements within six months of the reporting date, although a timeframe of no more than three months is strongly encouraged. Ongoing factors such as the complexity of an entity's operations are not sufficient reason for failing to report on a timely basis. More specific deadlines are dealt by legislations and regulations in many jurisdictions.

1.1.6.2 Regulation I.11 of the PFM Act of 2009 amended 2019, 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".

1.1.6.3 During the audit, we observed that Management did not make available the annual financial statements two months after the end of the fiscal period to the Offices of the Auditor General and the Comptroller and Accountant General.

**Risk**

1.1.6.4 Management may be non-compliant with Regulation I.11 of the PFM Act of 2009 amended 2019.

1.1.6.5 Failure to provide financial statements in a timely manner, may impair relevance and usefulness of the financial statements. Stakeholders may not be able to make decisions in a timely manner.

**Recommendation**

1.1.6.6 Management should provide explanation for failing to make available the annual financial statements in accordance with regulations.

1.1.6.7 Going forward, Management should facilitate timely presentation of financial statements to the Offices of the Auditor General and the Comptroller and Accountant General in line with Regulation I.11 of the PFM Act of 2009 as amended and restated 2019.

**Management's Response**

1.1.6.8 *This is noted. The project will ensure the financial statements are submitted in a timely manner going forward.*

**Auditor General's Position**

1.1.6.9 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.1.7 Taxes on Vendor Payments Not Withheld

**Observation**

1.1.7.1 Section 5.2 of the financial manual (FM) states "Internal Audit As part of the system of internal control, project transactions shall be subjected to independent checks by the Internal Audit section of LEC on a regular. Such checks should however not result in delays in processing of transactions. A program shall be drawn to indicate the nature of support the internal audit shall give to the project. In all cases, the objectives of the internal audit unit shall include:

- i. Ensuring a sound control environment throughout the period of project implementation; ii. Assessing risks and providing advice to prevent or minimize them;
- ii. Adding value to the processing of financial transactions;
- iii. Preventing the incidence of fraud;
- iv. Ensuring that statutory requirements are complied with e.g. deduction of withholding taxes;
- v. Ensuring accuracy in the processing of transactions; and vii. Measuring performance".

1.1.7.2 Section 905 of the Liberia Revenue Code of 2000 as amended 2011, Withholding of Tax on Payments to Residents, paragraph (m) Penalties, states "A person who has a withholding obligation under this section and fails to withhold and remit the amount of tax required to be withheld is subject to the Section 52 penalty for late payment and failure to pay. For the purpose of applying the Section 52 penalty to a failure to withhold and remit tax, references in Section 52 to the "payment due date" are to be understood as referring to the remittance due date under this section. A person who fails to provide the tax authorities with a required statement under subsection (l) is subject to a fine of $10,000 for each required statement not provided".

1.1.7.3 During the audit, we observed that Management paid a total of US$219,722.28 for goods, works and services without evidence that taxes were withheld from vendor payments and remitted to the Liberia Revenue Authority (LRA).

**Risk**

1.1.7.4 Failure to withhold and remit taxes, may deny GoL of much needed tax revenue.

1.1.7.5 Management may be noncompliant with Section (905) J. of the Revenue Code of Liberia 2000, which may result in to penalties for late payment and failure to pay.

**Recommendation**

1.1.7.6 Management should provide substantive justification for not withholding taxes on payments for goods and services to contractors and vendors to the LRA.

1.1.7.7 Going forward, Management should withhold all taxes and facilitate full remittance of same to the General Revenue Account in keeping with Section 905 (J) of the Revenue Code of Liberia Act of 2000 as amended in 2011. Evidence of remittance of withholding taxes should be adequately documented and filed to facilitate future review.

**Management's Response**

1.1.7.8 *The issue of tax deduction under the AfDB projects is still being discussed. Once a decision is reached, appropriate action will be taken.*

**Auditor General's Position**

1.1.7.9 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.1.8 Procurement Irregularities

**Observation**

1.1.8.1 Section 8.5, General Elements of a Public Procurement System for Goods and Work, of the African Development Bank Group Procurement Policy Manual states "For procurement of goods and works, the Bank requires that, the imperatives of VfM are met and the processes used are fair, competitive and transparent. An "Open Competitive Bidding (OCB)" process with wide and free bidding notification, and no restriction on participation of eligible bidders should normally be used. However, depending on the specific situations when reasonably priced offers are optimally obtained through a restricted bidding exercise, the Bank may agree to the use of a "Limited Competitive Bidding (LCB)" process. In exceptional cases where it presents a distinct advantage over other competitive methods, the Bank may agree to the use of a "Direct Procurement (DP)" process. The attributes of the above processes are given below and are further outlined in Annex 2 and the OPM.

1.1.8.2 Section 40 (1) (a-e) of the Amended and Restated PPC Act of 2010 states that 'The procuring Entity shall be responsible for the administration and monitoring of contracts entered into by the Entity. The contract administration functions shall include at least the following:

a. Ensuring that the contractor complies with the specifications and terms of the contract
b. Ensuring that the contract is being performed on schedule
c. Ensuring that payments made to the contractor are in accordance with terms of the contract
d. Determining when a contract has been successfully performed which will entitle the contractor to final payment and
e. In the case of each contract awarded by the procuring Entity, designating a contract administration officer who will have responsibility for the

administration of the contract consistently with the requirements of this Act and the regulations".

1.1.8.3 During the audit, we observed that Management hired the services of various suppliers for the procurement of goods and services without evidence of valid contracts.

**Risk**

1.1.8.4 Vendors may not supply the required quantity, quality and other specifications of goods and services agreed to be supplied and there may be no legal framework to reference for nonperformance.

1.1.8.5 In the absence of a valid contract, dispute arising from services rendered may not be easily adjudicated in a public court of competent jurisdiction.

**Recommendation**

1.1.8.6 Going forward, Management should ensure that procurement processes leading to the hiring of a service provider is duly followed. All contracts subsequently signed should be adequately documented and filed to facilitate future review.

**Management's Response**

1.1.8.7 *The project adheres to stringent AfDB procurement procedures/processes. Every award is supported by a purchase order and or contract, which is available for review.*

**Auditor General's Position**

1.1.8.8 Management's assertion does not adequately address the issues raised. Going forward, Management should ensure that local vendors are competitively selected and commitment is enhanced through signing of contracts and issuance of performance reports. Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendation during subsequent audit.

### 1.1.9 Variance in Total Receipts

**Observation**

1.1.9.1 Regulation O.24. of the PFM Act of 2010 amended 2019 states "(1) A Head of Government Agency shall ensure that his accounts are properly maintained and are correct at all times. (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".

1.1.9.2 During the audit, we observed a total variance of (US$2,403,426.84) in the amount reported for total receipts in the Statement of Cash Receipts and Payments and the Statement of Comparison of Budget and Actual Amounts. **See table below.**

**Table : Variance in Total Receipts**

| Item Description | Amount Per Statement of Cash Receipts and Payment US$ (A) | Amount Per Statement of Comparison of Budget and Actual US$ (B) | Variance US$ C=(A-B) |
|---|---|---|---|
| AFDB Credit | 300,224.00 | 300,224.00 | 0.00 |
| Balance brought forward | 93,149.48 | 93,149.48 | 0.00 |
| Other Receipts | 0.00 | (3,190,193.80) | 3,190,193.80 |
| Total receipts | 393,373.48 | (2,796,820.32) | 3,190,193.80 |

**Risk**

1.1.9.3 Fair presentation and full disclosure may be impaired.

1.1.9.4 Total receipts and subsequently the financial statements may be misstated.

**Recommendation**

1.1.9.5 Management should provide explanation for the variances between the figures reported on the face of the financial statements and the notes to the financial statements.

1.1.9.6 Management should adjust the financial statements and ensure that the figures reported on the face of the financial statements reconcile to the notes to the financial statements.

1.1.9.7 Going forward, Management should ensure that financial statements prepare by junior personnel is reviewed and approved by senior personnel with relevant qualification and experience.

**Management's Response**

1.1.9.8 *This has been done in the revised Financial Statements.*

**Auditor General's Position**

1.1.9.9 We acknowledge Management's acceptance of our findings, recommendations and subsequent adjustment of the financial statements.

## 1.2 Control and Administrative Issues

### 1.2.1 Non-maintenance of a Tax Register

**Observation**

1.2.1.1 Section 5.12- Internal Control- Withholding Taxes - of the FM requires that in order to minimize or avoid the weaknesses in internal control in respect of withholding taxes, a Tax

Register shall be kept for all tax deductions to ensure proper management and control. The register will ensure that:

i. Taxes withheld from Contractors, Suppliers and Consultants are duly recorded;
ii. Withholding Taxes shall be paid to Tax Authorities within one week following the withholding and appropriate tax receipts obtained as evidence of payment to the Tax Authorities;
iii. here are no omissions, underpayments or overpayments; and
iv. Tax records are filed in an orderly manner to facilitate retrieval when necessary.

1.2.1.2 During the audit, we observed no evidence that Management maintained a Tax Register as required.

**Risk**

1.2.1.3 In the absence of a tax register to track all tax deductions and payments of taxes due to the regulatory authority, adequate withholding and timely payment of taxes may not be assured.

1.2.1.4 Additionally, failure to maintain the tax register, may lead to delay or none payment of taxes as and when due which may result to fines and penalties being imposed on the project funds

**Recommendation**

1.2.1.5 Management should provide explanation for not maintaining a tax register per the entity's financial management policy.

**Management's Response**

1.2.1.6 *Due to the Bank's stands on tax deductions, the project did not maintain Tax register during the course of the reporting. We will develop a tax register once discussions on the tax issues are finalized.*

**Auditor General's Position**

1.2.1.7 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.2.2 Untimely Reconciliation of Bank Account

**Observation**

1.2.2.1 Section 5.10 count vi of the Financial Manual, states "Bank statement shall be obtained from the bank within one week after the end of each month; and count ix and states "Bank reconciliation statements shall be prepared for the bank account within two weeks after the end of each month and shall be signed by the Finance Officer who prepared them".

1.2.2.2 During the audit, we observed that bank statements were not always obtained within one week of after end of month for reconciliation purposes.

1.2.2.3 We further observed during the audit that there was no evidence of dates on the bank reconciliation statements to validate that the statements were prepared within two weeks after end of month.

**Risk**

1.2.2.4 Delay in preparation of bank reconciliation statements may lead to untimely detection of errors or omissions and fraud. Management may not be able to fully account for all its transactions.

1.2.2.5 In the absence of dates of preparation and approval on the bank reconciliation statements, timely preparation may not be assured.

**Recommendation**

1.2.2.6 Management should facilitate timely preparation of monthly bank reconciliation reports for each operational and designated account established by the entity.

1.2.2.7 Management should ensure that the dates of preparation and approval are indicated on the face of the bank reconciliation statements.

**Management's Response**

1.2.2.8 *Management takes this recommendation very seriously and will ensure full compliance, going forward.*

**Auditor General's Position**

1.2.2.9 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.2.3 No Petty Cash Count Report

**Observation**

1.2.3.1 Count vi Section 5.14 of the Project Financial Manual on Internal control- Petty cash, states "The petty cash shall be subjected to a surprise cash count from time to time, not only by auditors, but also by the Financial Management Specialist".

1.2.3.2 During the audit, we observed no evidence of petty cash count during the period.

**Risk**

1.2.3.3 Petty cash may be susceptible to theft or misappropriation.

1.2.3.4 Petty cash balance may not be reflective of actual cash on hand.

**Recommendation**

1.2.3.5 Management should facilitate the periodic conduct of surprise cash count to ensure effective management of petty cash.

1.2.3.6 Variances identified during cash count should be investigated and resolved in a timely manner.

1.2.3.7 Evidence of periodic cash counts should be adequately documented and filed to facilitate future review.

**Management's Response**

1.2.3.8 *To Management's knowledge, this was not an exercise that was brought to our attention during the desk review. However, there is a report available for cash count conducted (Will attached for review).*

**Auditor General's Position**

1.2.3.9 Management's assertion was not supported by documentary evidence. We did not receive the cash count report as asserted in Management's response. Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

### 1.2.4 Irregularities Associated with Fixed Asset Management

**Observation**

1.2.4.1 Regulations V.4 (2) of the PFM Act of 2009 and revised in 2019 states that, "The master inventory shall record under each category of item:

- the date and other details of the voucher or other document on which the items were received or issued;
- their serial numbers where appropriate; and
- their distribution to individual locations and the total quantity held."

1.2.4.2 During the audit, we observed the following irregularities associated with the Fixed Assets Management System:

- There was no evidence of a fixed assets management policy.
- The fixed assets register did not contain all the relevant columns, e.g.: Date of purchased, Depreciation, Accumulated depreciation, Assets condition etc.
- The fixed assets register was not regularly updated.
- There was no evidence of periodic physical verification of assets by Management
- There was no evidence of movement of assets form.
- Some of the fixed Asset of the entity were not coded.

**Risk**

1.2.4.3 Fixed Assets Register may be misstated (Over/understated).

1.2.4.4 Assets may be damaged or impaired but their values are still on the books.

1.2.4.5 Fixed assets may be removed from the entity's premises without authorization, misappropriated, subjected to personal use or theft.

1.2.4.6 The lack of asset movement log could make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.

1.2.4.7 Failure to properly account for fixed assets may lead to theft and misapplication of equipment/materials. This may result in the non-achievement of the entity's objectives.

1.2.4.8 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

**Recommendation**

1.2.4.9 Management should develop, approve and operationalize a fixed asset management policy to regulate fixed assets activities of the entity. As part of the policy, Management should set assets value to be recorded, developed and maintained.

1.2.4.10 Management should ensure that the fixed assets register is updated to reflect the following; description, source of purchase, date of purchase, class, code, assignee, location, condition, original cost, depreciation expense, accumulated depreciation and net book value of the asset.

1.2.4.11 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of physical verification should be adequately documented and filed to facilitate future review.

1.2.4.12 The Fixed Assets Register should be updated periodically to reflect all the entity's assets.

1.2.4.13 Fixed assets within a particular vicinity should be clearly displayed as required by the PFM Act.

1.2.4.14 A Movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in location of asset.

**Management's Response**

1.2.4.15 *This is noted. The project will update the fixed assets register accordingly.*

**Auditor General's Position**

1.2.4.16 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

## 1.3 Prior Year Issues

**Liberia Energy Efficiency Access Project (CLSG)**
**Prior year (FYE June 30, 2021) Audit Findings and Recommendations Implementation Status**

| No. | Reference | Finding | Recommendation | Status of implementation |
|---|---|---|---|---|
| 1 | 1.1.1 Presentation of comparison of Budget and Actual Amounts | 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 | 1.1.1.4 The Management of CLSG should restate the corrected percentage variances in the statement of comparison of budget and actual amounts | Resolved |
| 2 | 1.1.2 Presentation of Comparison of Budget and Actual Amounts | 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 CLSG Management was based on the actual amounts rather than the variance. | 1.1.2.4 The Management of LEEAP should restate the corrected percentage variances in the statement of comparison of budget and actual amounts | Resolved. |
| 3 | 1.1.2 Unapproved Payment | 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. | 1.1.2.4 The CLSG Management should ensure all payment vouchers are approved by the relevant authority. | Resolved |
| 4 | 1.1.3 Accounting Policies and Explanatory Note | 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.<br><br>1.1.3.3 The schedules to the financial statements do not include write ups to provide | 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. | Resolved |

| No. | Reference | Finding | Recommendation | Status of implementation |
|---|---|---|---|---|
| | | additional information that is not otherwise easily captured on the face of the financial statements. | | |
| 5 | 1.1.4<br>Signing date of the Financial Statements not specify | 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 | 1.1.4.5 The date of preparation of the financial statements should be provided adjacent to the signatures of the authorizers. | Resolved |
| 6 | 1.1.5<br>Lack of Information about the Entity | 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 | 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. | Partly resolved |