RURAL AND RENEWABLE ENERGY AGENCY

Post Audit Memorandum/Management Letter
For the year ended 30 June 2017
The Baker Tilly International Mission Statement

To operate a network whose members deliver, with integrity and objectivity, superior independent audit, accounting, tax and financial services to clients through global resources and relationships.

Baker Tilly Values

1. We lead by example.

2. We deliver a quality service with an emphasis on integrity.

3. We are open and honest in all communications.

4. We act ethically.

5. We foster teamwork and collaboration with other Baker Tilly member firms.

6. We maintain a supportive environment in which our individuals can flourish.
Rural and Renewable Energy Agency-Lighting Lives in Liberia
Post Audit Memorandum
For the twelve months ended June 30, 2017

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Our ref: Financial Statement Audit for the year ended 30 June 2017

Dear Sir,

REPORT TO MANAGEMENT

Following the completion of our audit of the Financial Statements of Rural and Renewable Energy Agency-Lighting Lives in Liberia Project for the year ended 30 June 2017, we present in this report the issues that came to our attention, which we believe require management’s attention.

These matters have been set out in a manner that briefly summarizes the issues, the risk to which the Institution may be exposed and a proposed recommendation for consideration by management. These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity had come to our attention during our audit tests, we would of course, inform you immediately.

This report has been prepared for the sole use of the directors of Rural and Renewable Energy Agency and must not be shown to third parties without our prior consent. No responsibilities are accepted by Baker Tilly Liberia towards any party acting or refraining from action as a result of this report.

In line with our policy of providing value added services to our clients’ business/operations, we have also sought to include our comments on certain business issues, which we hope Rural and Renewable Energy Agency will find constructive. The information provided among others cover issues relating to:

- Grant
- Refund Income
- Stock

A system of grading the management report observations on the operation and accounting issues has been used as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade1:</td>
<td>Observations that are particularly significant and the involvement of management may be required for their resolution.</td>
</tr>
</tbody>
</table>

Partners: G. Fonderson (Executive Chairman), Arthur Fumbe (Partner)
An independent member of Baker Tilly International
Grade 2: Are those which may have a significant impact on the control environment.

Grade 3: Are less significant than grades 1 and 2, but nevertheless merit attention.

We would be grateful if you could enter the Institution's comments against each point under the "Management Comment" column of the memorandum and return it to us in due course.

Finally, we would like to express our thanks to all members of the entity's staff who assisted us in carrying out our work.

Yours faithfully,

For: BAKER TILLY LIBERIA LIMITED
(Certified Public Accountants)

Arthur W.B. Fumbah, CA, CPA, FCTG, FFTA
Audit Partner
September 25, 2017
1. DIRECT PAYMENTS

1.1 Grants through Direct Payments to Suppliers.

Observation

Considering how vital the provision of sufficient and appropriate information on donors' funds is key to world peace and development, it is prudent to disclose all funds (direct and indirect payments, cash or kind) received by an entity for the implementation of project(s) in the period under review in compliance with best accounting practice.

We observed during the audit that the management did not disclose direct payments made by the World Bank to suppliers for the benefit of the project during the period.

Implication:

There is the risk of omission of transactions that may give rise to misstatements in the project financial statements for the period under review.

Recommendation

We recommend that Management ensures all transactions (direct and indirect payments, cash or kind) received and expended by the entity for the implementation of project(s) in the period under review are properly disclosed in compliance with best accounting practice.

Management's Comment

All documentations for direct payment were presented to you for review. Direct payments are recorded and accounted for through the World Bank client connection system. The direct payment amounts are not recorded in our financial report since we are only accounting for funds transferred into our designated account.
3. Summary of follow-ups points noted in prior audit
The table below summarizes prior year audit observations and auditor’s comments on the implementation of recommendations and improvement on those controls weaknesses.

<table>
<thead>
<tr>
<th>Issues Points noted during prior audit</th>
<th>Current status</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limitation of Accounting Software</td>
<td>Y</td>
<td>This issue has been resolved, from our review of the current trial balance and Financial Statements we noticed that management was able to produce a consolidated trial balance for the period under audit.</td>
</tr>
<tr>
<td>- During the prior year audit we observed that the accounting software (Quick Books) was unable to generate full (12 months) ledger balances and trial balance.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. No evidence of cash count</td>
<td>Y</td>
<td>Resolved. From our review of cash and cash equivalents, it was evidenced that management carried on petty cash count as at June 30, 2017</td>
</tr>
<tr>
<td>- During the period of the prior year audit, it was observed that management did not carry on petty count for the period ended.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Segregation of Duties:</td>
<td>Y</td>
<td>Resolved</td>
</tr>
<tr>
<td>- During the period of the prior year audit, it was noticed that management did not observe separation in the execution of three transaction.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. No Withholding Taxes on Security Services:</td>
<td>Y</td>
<td>Resolved: From the review of the tax payment receipt (295246) date April 24, 2017 provided for the withholding tax payment for EXSECON</td>
</tr>
<tr>
<td>- During the review of the prior year management account, it was noticed that management did not withhold taxes on payments made to security services for seven months, amounting to US$18,725.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Weaknesses of Internal Controls Over Fixed Assets:</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>- During the prior year audit, it was observed that fixed assets codes were disclosed in the register and the register was not also adjusted of asset(s) acquired during the period.</td>
<td></td>
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