



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



On the Audit of the Procurement Process of the Liberia Electricity Corporation

For the Fiscal period ended June 30, 2012.

April 2017

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Introduction / Background

The Liberia Electricity Corporation (LEC) was created by an Act of Legislature approved in 1973. The objective of the Liberia Electricity Corporation is to act for and on behalf of the Government of the Republic Liberia by engaging in the development, generation and transmission of electrical energy, the manufacture, construction and installation of electrical equipment and devices related thereto, and the distribution and sale of said electrical energy and related equipment and devices, to cities, towns, and the public in general for heating, lighting, and power purposes and for the carrying on of all business incidental thereto.

Additionally, to establish and maintain electrical power stations, offices and/or Agencies within and everywhere inside Liberia and to exercise any or all of its corporate powers and rights in Liberia and in any other foreign country or countries.

The procurement for goods, works, and services are paramount to a successful implementation of its mandate. The procurement processes should be conducted in accordance with provisions of the Public Procurement Concession (PPC) Act of 2005 as amended and restated in 2010.

Compliance Audit Report

A compliance audit of the Liberia Electricity Corporation for the Procurement of Goods, Works and Services for the fiscal period ended June 30, 2012 was conducted in accordance with the provision of the General Auditing Commission (GAC) Act of 2014 which mandates the Auditor General to conduct compliance audit in line with ISSA 4000/4100, 4200 INTOSAI's International Standards for compliance Audit. These standards require that we comply with ethical requirements, as well as plan and perform the audit to obtain reasonable assurance that all aspects of procurement related activities undertaken by the LEC Management were in accordance with relevant laws and regulations.

The role and responsibilities of responsible party and the Auditor

Responsible party

The Management and implementation of the budget in terms of procurement of goods, works and services in compliance with the Public Procurement Concession (PPC) Act of 2005 as amended and restated in 2010 are the responsibilities of the Management of LEC.

Auditor

To express a conclusion on whether the Management of the Liberia Electricity Corporation procurement of goods, work and services are in compliance with the PPC Act of 2005 as amended and restated in 2010. The audit was conducted in accordance with ISSA 4000/4100, 4200 INTOSAI's International Standards for compliance Audit. These standards require that we comply with ethical requirements, as well as plan and perform the audit to obtain reasonable assurance that all aspects of procurement related activities undertaken by the Management of LEC were in accordance with relevant laws and regulations.

Subject Matter

The subject matter of the compliance audit involves one focus:

Procurement of Goods, Works and Services

The procurement of goods, works and services such as equipment, Vehicle, technical consultancy, Agro fuel and lubricant as well as installations of electrical appliances were inclusive.

During the period under audit the amount of US\$ 15,999,062.91 was disbursed for the procurement of goods, works and services.

Audit Objective and Scope

The objective of the audit is to determine whether the procurement of goods, works and services were conducted in adherence to the laws governing such procurement. The audit was conducted with the objective of expressing a conclusion on the procurement process leading to the awarding of contracts and payments as well as compliance with applicable laws and regulations.

The scope of the audit covers projects and developmental programs financed in the fiscal period July 1, 2011 to June 30, 2012.

Audit Criteria

The following criteria were used:

- Section 40 (1 - 5) of the Public Procurement and Concession (PPC) Act of 2005 as amended and restated in 2010
- Section 26 (1) of the PPC Act of 2005 as amended and restated in 2010
- Section 48 (1) of the PPC Act of 2005 as amended and restated in 2010
- Section 54(1-4) of the PPC Act of 2005 as amended and restated in 2010
- Section 29 (5J to K) of the PPC Act of 2005 as amended and restated in 2010

Methodology

The audit team obtained 80% of total cost of the procurement of goods, works and services after which we confirmed whether they were in compliance with the PPC Act of 2005 as amended and restated in 2010.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 4000/4100, 4200 INTOSAI's International Standards for compliance audit. These standards require that we plan and perform the audit to obtain reasonable assurance that the records on the transactions of procurement of goods, works and services are free of material misstatements.

The audit criteria were applied to the procurement sample selected. The findings were documented and given to Management for comments. On the basis of the findings, the conclusion was made on whether the LEC complied with the various provisions of the PPC Act of 2005 as amended and restated in 2010.

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Procurement Committee

1.1.1 Section 26 (1) of the PPC Act of 2005 as amended and restated in 2010 requires that every procuring entity to establish a Procurement Committee to which this Act applies.

1.1.2 During the conduct of the audit, there was no evidence that the LEC Management did establish a procurement committee as required by the PPC Act of 2005 as amended and restated in 2010 to have adequate oversight on procurement related activities.

1.2 Database and Profile of Suppliers, Consultants and Contractors

1.2.1 Section 29 (5j to k) of the PPC Act of 2005 as amended and restated in 2010 requires the procurement unit to maintain a database of all supplies, contractors and consultants as well as the maintenance of a profile of the past performance of suppliers, contractors and consultants with respect to their performance of contracts awarded under this Act.

1.2.2 During the conduct of the audit, there was no evidence that a database on suppliers, consultants as well as the maintenance of a profile of the past performance of suppliers, contractors and consultants was done by the LEC Management as stipulated in the PPC Act of 2005 as amended and restated in 2010.

1.3 National Open Competitive Bidding (NCB)-Goods

1.3.1 Section 48 (1) of the PPC Act of 2005 as amended and restated in 2010 requires that procurement proceedings in which the Procuring Entity decides that only domestic suppliers or contractors are likely to be interested in submitting bids, the procuring entity shall employ national open competitive bidding procedures for procurements in which the estimated contract price of the procurement does not exceed the ceiling Threshold applicable to national open competitive bidding. Additionally Section 40 (4) of the same PPC Act also requires that procuring entity shall not divide a procurement order into parts or lower the estimated contract price of a procurement order to avoid the application of the procedures for public procurement prescribed in the Act. Such Actions if carried out shall constitute contravention of the Act.

1.3.2 The LEC Management expended the amount of US\$ 15,135,954.18 for the procurement of various goods without adherence to the provision of National Open Competitive Bidding Process as required by the PPC Act of 2005 as amended and restated in 2010. See table 1 below for detail.

Table 1: NCB Goods

Description	Amount US\$
Stationery and Supplies	42,617.43
Fuel Oil – AGO	14,813,817.81
Fuel for Transportation	209,949.04

Description	Amount US\$
Lubricant Solvents	47,660.00
Computer Supplies	21,909.90
Total	15,135,954.18

1.4 National Open Competitive Bidding (NCB) - Service

1.4.1 Section 48 (1) of the PPC Act of 2005 as amended and restated in 2010 requires that procurement proceedings in which the Procuring Entity decides that only domestic suppliers or contractors are likely to be interested in submitting bids, the procuring entity shall employ National Open Competitive Bidding procedures for procurements in which the estimated contract price of the procurement does not exceed the threshold applicable to national open competitive bidding.

1.4.2 The LEC Management expended the amount of US\$ 827,112.51 for the provision of various services without adherence to the above provision of the PPC Act of 2005 as amended and restated in 2010. See table 2 below for detail

Table 2: NCB Service

Description	Amount US \$
Legal Service	12,580.00
Advertisement, Publications and Promotion	24,994.04
Consultancy Service	149,402.83
Vehicle Insurance	26,782.31
Maintenance Vehicle/ Spare parts	71,849.77
Maintenance Equipment/ Spare parts Gen	148,963.39
Maintenance Street Light	13,477.00
Service -Site Clearing	10,302.75
Telephone, Telex and Postage	14,005.02
Auditing Expense	24,956.50
Personnel Insurance	33,117.00
Internet Service	19,934.05
Maintenance Equipment & Spare parts Gen	148,963.39
Maintenance Transmission & Distribution Lines	109,671.40
Entertainment Expense	18,113.06
Total	827,112.51

1.5 Request for Quotation (RFQ) - Goods

1.5.1 Section 54 (1-4) of the PPC Act of 2005 as amended and restated in 2010 requires that quotations be requested in writing from as many bidders as practicable, but from at least three (3) bidders and must be contain a clear statement of the requirements of the Procuring Entity as to quality, quantity, terms and time of delivery, as well as any other special requirements. Bidders shall be given adequate time to prepare and submit their quotations, but each bidder shall be permitted one quotation, which may not be altered

or negotiated, and purchase order may only be placed with the bidder that provided the lowest quotation meeting the delivery and other requirements of the Procuring Entity as stated in the request for quotations.

- 1.5.2 The LEC Management expended the amount of US\$ 5,721.65 for the procurement of various goods without adherence to the above provision of the PPC Act of 2005 as amended and restated in 2010

Table 3: RFQ Goods

Description	Amount US\$
Janitorial Materials	5,721.65
Total	5,721.65

1.6 Request for Quotation (RFQ) - Service

- 1.6.1 Section 54 (1-4) of the PPC Act of 2005 as amended and restated in 2010 requires that quotations be requested in writing from as many bidders as practicable, but from at least three (3) bidders and must be contain a clear statement of the requirements of the Procuring Entity as to quality, quantity, terms and time of delivery, as well as any other special requirements. Bidders shall be given adequate time to prepare and submit their quotations, but each bidder shall be permitted one quotation, which may not be altered or negotiated, and purchase order may only be placed with the bidder that provided the lowest quotation meeting the delivery and other requirements of the Procuring Entity as stated in the request for quotations.

- 1.6.2 The LEC Management expended the amount of US\$ 30,274.57 for the procurement of various services without adherence to the provision of request of quotation as required by the PPC Act of 2005 as amended and restated in 2010. **See table 4 below for detail.**

Table 4: RFQ Service

Description	Amount US\$
Printing	6,420.80
Maintenance Equipment and Spare Parts T&D	7,838.00
Maintenance of Office Equipment	4,878.72
Maintenance Communication Equipment	1,965.00
Maintenance Expense Computer Equipment	2,420.00
Fuel used for Maintenance / D.P –DIF	4,202.50
Hire Vehicle	2,549.55
Total	30,274.57

1.7 Payment made outside the Procurement Plan

- 1.7.1 Section 40 (1-2) of the PPC Act of 2005 as amended and restated in 2010, requires all Procuring Entities to undertake procurement planning, with a view to achieving maximum

value for public expenditure and the other objects of this Act as well as ensuring that for each fiscal year the Procurement Unit shall prepare a draft annual procurement plan for goods, works and services for use by the Procuring Entity in the Procuring Entity's budgeting process. Upon budget approval, the Procurement Unit should prepare an annual procurement plan for goods, works and services in accordance with the Procuring Entity's approved programs and budget and furnish it to the Procurement Committee.

- 1.7.2 The Management of LEC expended US\$ 345,814.39 for procurement of goods and services, outside the Procurement Plan approved by PPCC. **Please table 5 for detail.**

Table 5

Description	Amount US\$
Auditing Expense	24,956.50
Maintenance Expense Computer Equipment	2,420.00
Hire Vehicle	2,549.55
Personnel Insurance	33,117.00
Internet Service	19,934.05
Fuel used for Maintenance / D.P –DIF	4,202.50
Maintenance Equipment & Spare parts Gen	148,963.39
Maintenance Transmission & Distribution Lines	109,671.40
Total	345,814.39

1.8 Spending above the Approved Procurement Plan

- 1.8.1 Section 40 (1-5) of the PPC Act of 2005 as amended and restated in 2010 requires all Procuring Entities to undertake procurement planning, with a view to achieving maximum value for public expenditure and the other objects of this Act. For each fiscal year the Procurement Unit should prepare a draft annual procurement plan for goods, works and services for use by the Procuring Entity in the Procuring Entity's budgeting process. Upon budget approval, the Procurement Unit shall prepare an annual procurement plan for goods, works and services in accordance with the Procuring Entity's approved programs and budget and furnish it to the Procurement Committee. Each Procuring Entity must on a quarterly basis and whenever it becomes necessary, review and update its procurement plans and notify the Commission in writing and the Minister of Finance for any material changes in its plan. An updated procurement plan shall accompany said notice to the Commission.

- 1.8.2 The Management of LEC expended US\$243,280.42 for procurement of goods and services, above budgetary allotment in the Procurement Plan approved by PPCC. Please table 6 for detail

Table 6

Description	Procurement Plan Estimates approved by PPCC US\$(A)	Actual Expenditure US\$ (B)	Variance US\$ (C=A-B)
Stationery + Supplies	32,909.00	42,617.43	(9,708.43)
Entertainment	17,000.00	18,113.06	(1,113.06)
Fuel Oil Expense –AGO	14,647,838.00	14,813,817.81	(165,979.81)
Vehicle Insurance	17,256.00	26,782.31	(9,526.31)
Consultant Service	137,190.00	149,402.83	(12,212.83)
Maintenance Vehicle spare parts	40,833.00	71,849.77	(31,016.77)
Photocopies Expense	780.00	1,301.84	(521.84)
Employee ID Cards	375.00	532.00	(157.00)
Canteen Expense	6,320.00	8,825.87	(2,505.87)
Vehicle License plate	3,000.00	9,936.00	(6,936.00)
Building Maintenance	500.00	600.03	(100.03)
Janitorial Expense	300	770.72	(470.72)
Site Clearing	8,071.00	10,302.75	(2,231.75)
Assessment	400.00	1,200.00	(800)
Total			(243,280.42)

Reply from the audited entity

The LEC Management did not reply to the findings raised in the Management Letter during the course of the audit.

Conclusion

Based on the audit findings, we have concluded that activities relating to the procurement of goods, works, and services were conducted in all material respects, in non-compliance with the Public Procurement and Concession Act of 2005 as amended and restated in 2010.

Recommendation

The LEC Management should be held liable for the breach of the PPC Act of 2005 as amended and restated in 2010.

Appreciation

We should like to express our appreciation for the courtesy accorded and assistance rendered by the staff of the Liberia Electricity Corporation during the audit.

Sincerely,


Yusador S. Gaye, CPA, CGMA
Auditor General, RL