



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,  
2013.*



**April 2017**

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Auditor General, R.L.**

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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 and Concessions (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, 2013 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 LEC were in accordance with the 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 and Concessions (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 the 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\$ 17,121,838.34 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, 2012 to June 30, 2013.

### **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 Management 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.

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.

### 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 the PPC 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 a 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 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\$ 16,734,078.78 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	70,682.70
Fuel Oil – AGO	16,435,296.33
Fuel for Transportation	205,548.50

Description	Amount US\$
Lubricant Solvents	22,551.25
Uniform and Accessories Expense	24,615.00
<b>Total</b>	<b>16,734,078.78</b>

#### 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 ceiling Threshold applicable to national open competitive bidding.

1.4.2 The LEC Management expended the amount of US\$ 376,839.87 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\$
Maintenance of Equipment T&D	931.25
Legal Service	12,787.00
Advertisement, Publications and Promotion	24,243.19
Printing	13,336.85
Personnel Insurance	42,684.00
Consultancy Service	10,006.75
Vehicle Insurance	51,560.40
Maintenance Vehicle/ Spare parts	91,041.78
Auditing Expense	19,500.00
Site Cleaning	11,745.00
Internet Services	77,987.00
Entertainment Expense	21,016.65
<b>Total</b>	<b>376,839.87</b>

#### 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\$ 3,761.63 for the procurement of various goods without adherence to the above provision of the PPC Act of 2005 as amended and restated in 2010. See table 3 below for detail

**Table 3: RFQ Goods**

Description	Amount US\$
Janitorial Material	3,761.63
<b>Total</b>	<b>3,761.63</b>

## 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\$ 7,158.06 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 \$
Maintenance of Office Equipment	220.00
Maintenance of Communication Equipment	2,560.00
Maintenance office equipment	3,453.64
Maintenance Building	924.42
<b>Total</b>	<b>7,158.06</b>

## 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\$ 45,631.65 for procurement of goods and services, outside the Procurement Plan approved by PPCC.. Please table 5 for detail

**Table 5**

Description	Amount US\$
Entertainment Expense	21,016.65
Uniform and Accessories Expense	24,615.00
<b>Total</b>	<b>45,631.65</b>

### 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.

- 1.8.2 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.

- 1.8.3 The Management of LEC expended US\$116,010.26 for procurement of goods and services above the budgetary allotment in the Procurement Plan approved by PPCC. **See table 6 for detail.**

**Table 6**

Description	Procurement Plan Estimates approved by PPCC US\$(A)	Actual Expenditure US\$(B)	Variance US\$ C=(A-B)
Legal Expense	10,000.00	12,787.00	(2,787.00)
Employees ID Cards Exp.	300.00	5,010.00	(4,710.00)
Canteen Expense	6,400.00	12,595.22	(6,195.22)
Hired Vehicles	1,850.00	5,613.93	(3,763.93)
Stationery + Supplies	53,100.00	70,682.72	(17,582.72)
Telephone, Telex, Postage	17,550.00	21,722.00	(4,172.00)
Public relations & Promotion	11,050.00	22,608.19	(11,558.19)
Personnel Insurance	35,000.00	42,684.00	(7,684.00)
Maintenance Vehicle spare parts	76,475.00	91,041.78	(14,566.78)
Insurance Exp. Vehicles	10,000.00	51,560.00	(41,560.00)

<b>Description</b>	<b>Procurement Plan Estimates approved by PPCC US\$(A)</b>	<b>Actual Expenditure US\$(B)</b>	<b>Variance US\$ C=(A-B)</b>
Vehicle license plates	7,000.00	8,006.00	(1,006.00)
Maintenance Exp. Office Building	500.00	924.42	(424.42)
<b>Total</b>			<b>(116,010.26)</b>

### **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**