



Management Letter

On the Financial Statement Audit of the National Road Fund (NRF)

For Fiscal Year Ended June 30, 2019



Promoting Accountability of Public Resources

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

Monrovia, Liberia
December 2021

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March 11, 2022

Mr. Boniface D. Satu
Fund Manager
National Road Fund (NRF)
Monrovia, Liberia

**MANAGEMENT LETTER: FINANCIAL STATEMENT AUDIT OF THE NATIONAL ROAD FUND
PERFORMED FOR THE YEAR ENDED JUNE 30, 2019.**

Dear Hon. Satu:

The financial statements of the National Road Fund (NRF) are subject to audit by the Auditor-General (AG) in line with Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014.

INTRODUCTION

The audit of the NRF for the year ended June 30, 2019 has been completed and the purpose of this letter is to bring to your attention the findings that were revealed during 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 the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation and reporting is achieved.

This audit 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.

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 maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Management of NRF. Our responsibility is to express our opinion on the Financial Statements for the year ended June 30, 2019.

The audit findings which were identified during the course of the audit are included below.

APPRECIATION

We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the NRF during the audit.

*Management Letter on the Financial Statement Audit of the
National Road Fund (NRF)
For Fiscal Year Ended June 30, 2019*

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

Sincerely,



Hon. P. Garswa Jackson, ACCA, CFIP, CFC
Auditor General-RL

ACRONYMS USED

Acronym	Meaning
AG	Auditor General
ACCA	Association of Chartered Certified Accountant
CFC	Certified Forensic Investigation Practitioner
CFIP	Certified Financial Consultant
IMSC	Inter-Ministerial Steering Committee
CBL	Central Bank of Liberia
CD	Compatible Disc
COSO	Commission on Sponsoring Organization
DOC	Document
FM	Fund Manager
GAC	General Auditing Commission
GOL	Government of Liberia
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
LD	Liberian Dollar
MFDP	Ministry of Finance and Development Planning
NCB	National Competitive Bidding
NRF	National Road Fund
LPRC	Liberia Petroleum Refining Company
LRA	Liberia Revenue Authority
PI	Petroleum Importers
PFM	Public Finance Management
PPC Act	Public Procurement and Concessions Act
PV	Payment Voucher
RFQ	Request for Quotation
TOR	Term of Reference
USD	United States Dollar

1. DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial Issues

1.1.1 Unremitted Fuel Levy Fees

Observation

- 1.1.1.1 Section 6.1(a-d) requires that Monies collected for the Road Fund shall be used for:
- a. Routine and periodic maintenance of roads, bridges and directly associated facilities
 - b. Emergency works (to a maximum of 7% of annual expenditure on road maintenance by the Fund)
 - c. Costs directly associated with the running of the Office of the Road Fund (to a maximum of 1.5% of annual expenditure on road maintenance by the Fund in pursuit of its responsibilities identified in this Act), and
 - d. Rehabilitation and improvement work including paving of roads to a maximum of 40% of its annual revenues only through servicing of loans approved by Government.
- 1.1.1.2 During the fiscal period under audit, we observed that the LRA collected the total amount of US\$25,947,820.00 for fuel levy fees. We further observed that out of the amount, the Government through MFDP transferred the total amount of US\$16,046,217.00 to the NRF as actual allotment thus leaving a variance of US\$9,901,603.00 unremitted. See table #1 below for details:

Table #1: Unremitted Fuel Levy Fees

Fiscal Period: 2018/2019	USD Quarterly Collection per LRA Records (A)	LRD Quarterly Collection per LRA Records (B)	CBL Exchange rate at end of last month in the quarter (C)	USD Equivalent D= (B/C)	Total Collection USD E= (A+D)	Actual Allotment per NRF Financial statements (F)	Variance US\$ G= (E-F)
1st Quarter	52,150.00	733,530,003.00	155.27	4,724,222.342	4,776,372		
2nd Quarter	472,549.00	990,166,070.00	156.61	6,322,495.818	6,795,045		
3rd Quarter	647,109.00	1,079,144,612.00	164.01	6,579,748.869	7,226,858		
4th Quarter	910,712.00	1,218,444,190.00	195.30	6,238,833.538	7,149,546		
Total	2,082,519.00	4,021,284,876.00		2,3865,300.57	25,947,820.00	16,046,217.00	9,901,603.00

Risk

- 1.1.1.3 The failure to fully remit collection on fuel levy fees could undermine the achievement of the NRF objectives.
- 1.1.1.4 The completeness and accuracy of revenue from fuel levy fees may significantly be misstated.

Recommendation

- 1.1.1.5 The Government through the Ministry of Finance and Development Planning should ensure that fuel levy fees collected for road works is remitted in full.

Management's Response

- 1.1.1.6 *The NRF Management acknowledges and accept this recommendation. In fiscal year 2018/2019 the Liberia Revenue Authority (LRA) collected US\$25,947,820.00 why US\$16,046,217.00 of this amount the Ministry of Public Works remitted US\$146,691 as financial support to the NRF for the first quarter of 2018 and balance US\$15,899,526 was remitted by the Ministry of Finance and Development Planning (MFD) to the National Road Fund Escrow Accounts at the CBL. The outstanding balance of US\$9,901,603.00 was recorded in the NRF Financial Statement/ books as due from the MFD (GoL). The NRF also informed the MFD regarding the outstanding.*

Auditor General's Position

- 1.1.1.7 We acknowledge Management's acceptance of our finding and recommendation. We will make follow up on the remittance of the outstanding US\$9,901,603.00 into the NRF escrow in subsequent audit of the NRF. Going forward, the MFD Management should initiate an automated revenue distribution system where fuel levy fees due to road fund is remitted during receipt of revenue consistent with Section 6.1(a-d) of the Road Fund Act.

1.1.2 Fuel Levy Fees Account

Observation

- 1.1.2.1 Section 2.1, of the National Road Fund Act of Liberia 2016, requires that "All funds of the NRF shall be held in the Fund Account from which disbursement shall be made solely for the purpose of financing the approved Annual Road Maintenance Expenditure Program and directly related costs as hereby required in this Act."
- 1.1.2.2 Furthermore, Section 5.5. Annex V §5 (e)(i) of the Millennium Challenge Account (MCA)-Liberia Report 2021, requires that "Conditions Precedent to each Disbursement of MCC Funding for the Matching Road Maintenance Fund Sub-Activity, the Government will have provided evidence, in form and substance satisfactory to MCC that at least 90% of the total road user charges collected for the purpose of the NRF are duly deposited to a bank account established for the purposes of the collection and disbursement of funds on behalf of the NRF (the "NRF Account") as per an agreed transfer schedule between the Minister of Finance and Development Planning and the National Road Fund Manager."

- 1.1.2.3 We observed that fuel levy fees collected by LRA totalling US\$25,947,820.00 was deposited into the Government of Liberia (GOL) Consolidated Account at the Central Bank of Liberia, instead of the NRF Fund Escrow Account held at the CBL.

Risk

- 1.1.2.4 Adequate reconciliation and accounting of fuel levy fees may be compromised and fund could be directed to other usage.
- 1.1.2.5 The Millennium Challenge Account (MCA)-Liberia 'Conditions' for the Matching Road Maintenance Fund may not be achieved.

Recommendation

- 1.1.2.6 Fuel levy fees collect by LRA should be deposited in the NRF Account directly for the timely implementation of the fund objectives, and to facilitate adequate reconciliation and accounting.

Management's Response

- 1.1.2.7 *The NRF Management acknowledges and accept this recommendation. Section 4 of the Public Financial Management Act mandate the LRA and MFDP to transfer the fuel levies collected from petroleum importers to the Consolidated Accounts. Sometime there are delay in transferring or remitting fuel levies from the Consolidated Accounts to the Road Fund Escrow Accounts. All of the fuel levies collected are transfer to the Consolidated Accounts and most time not all of the amount are remitted to the Road Fund Accounts, thereby causing serious financial problem to pay contractors and suppliers, the amount as per the payment request from the Ministry of Public Works.*

Auditor General's Position

- 1.1.2.8 We acknowledge Management's acceptance of our finding and recommendation. We will make follow up on the implementation of the recommendation in subsequent audit. Going forward, the MFDP Management should initiate an automated revenue distribution system where fuel levy due to road fund is remitted to the Road Fund escrow account at CBL. consistent with Section 6.1(a-d) of the Road Fund Act.

1.1.3 Discrepancy in Budgeted Amounts

Observation

- 1.1.3.1 Regulation A.3 (1) of the PFM Act of 2009 states that, "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."

- 1.1.3.2 During the fiscal period under audit, an analysis between the National Budget and the final budget presented in the NRF Budget performance report revealed a variance of (US\$42,938.00). **See table #2 below for details:**

Table # 2: variance between National Budget and Final Budget per Financial Statements

NO	NRF APPROVED BUDGET PER NATIONAL BUDGET US\$ (A)	NRF Budget performance report PER FINANCIAL STATEMENT US\$ (B)	VARIANCE US\$ C = (A-B)
	29,663,236.00	29,706,174.00	(42,938.00)

Risk

- 1.1.3.3 Conflicting budgeted amounts could undermine the integrity of financial information thereby making users of the information to place less reliance on the financial Statements.

Recommendation

- 1.1.3.4 Adequate reconciliation between the fiscal Authority and the NRF Senior Management should be carried out at the end of each fiscal period to facilitate consistency and accuracy in reporting.

Management's Response

- 1.1.3.5 *Variance of US\$42,938 reference in the audit findings are from other receipts US\$40,808 is interest revenue earned from deposits in commercial banks and US\$2,130 is from the sales of bid documents. This amount was unbudgeted figures.*

Auditor General's Position

- 1.1.3.6 We acknowledge the information provided by Management about the variances. Going forward, Management should ensure that all projections for the year are captured in the budget. If the amount received is unanticipated, the source and full amount should be disclosed in an explanatory note to the financial statements.

1.1.4 Non-inclusion of NRF Employees on Fuel Levy Fees collection

Observation

- 1.1.4.1 Section 1 (paragraph 3) of the NRF Act states that" the purpose of this Act is to establish an administrative structure that is capable of undertaking the core functions associated with collecting, managing and disbursing funds to and on behalf of agencies authorized to undertake road and bridge works in Liberia.
- 1.1.4.2 During the conduct of the audit, there was no evidence that employees from the NRF are associated with the collection of fuel charges from petroleum importers.

Risk

- 1.1.4.3 The failure to include personnel of the NRF on the fuel levy fees collection process may lead to the non-collection of full revenue due to the entity.

- 1.1.4.4 The NRF Management will not be able to take corrective action timely in case of error in the fuel levy fees collection process.

Recommendation

- 1.1.4.5 Management should ensure that NRF personnel are included on the fuel levy fees collection processes, particularly monitoring the lifting process and following up on importers payment of arrears.

Management’s Response

- 1.1.4.6 *The NRF Management acknowledges and accept this recommendation. The representation of NRF presence at the fuel and petroleum lifting points along with LRA and LPRC was agreed but unfortunately NRF representatives have not been allowed to participate in those lifting processes by LPRC. This matter was brought to the attention of the Legislatures. The Legislatures promised to schedule a meeting with the LPRC, LRA and NRF to resolve the situation.*

Auditor General’s Position

- 1.1.4.7 We acknowledge Management’s acceptance of our finding and recommendation. We will make follow up during subsequent audit on implementation of the recommendation

1.1.5 Unsupported Payments

Observation

- 1.1.5.1 Regulation A.15 (1) of the PFM Act of 2009 states that “The head of government agency must exercise all reasonable care to prevent and detect unauthorized, irregular, fruitless and wasteful expenditure, and must for this purpose implement clearly defined business processes, identify risk associated with these processes and institute effective internal control to mitigate these risks.
- 1.1.5.2 In addition, Regulation P.9 (2) of the PFM Act of 2009 States that “Payments except for statutory transfers and debt service shall be supported by invoices, bills and other documents in addition to the payment vouchers.”
- 1.1.5.3 It was observed during the conduct of the audit that the NRF Management made payments totalling US\$86,199.77 to various individuals and businesses without evidence of payment vouchers, cash receipts and other supporting documents. **See table #3 below for details.**

Table #3: Unsupported Payments

No	Date	CK#	Payee	Description	Amount US\$
1	13-Aug	573172	Joseta Neufville	Petty cash replenishment	1,000.00
2	27-Aug	00537180	New Democrat	Payment made to New Democrat for job vacancies advertisement at the NRFO.	1,176.00
3	5-Sep	537176	Joseta Neufville	Petty cash replenishment	937.00

No	Date	CK#	Payee	Description	Amount US\$
4	6-Sep	00537197	New Era Publications Ltd	Payment for Jobs Advertisements	1,152.00
5	1-Oct-18	00545463	Joseta Neufville	Payment for petty cash	983.50
6	26-Oct-18	00545466	Joseta Neufville	Payment for NRF petty cash	832.00
7	5-Dec-18	00545483	Felecia Wolo	Represents payment for replenishment of Petty Cash	987.00
8	14-Dec-18	00570927	Boniface D. Satu	Payment for the purchase of MacBook laptop	2,500.00
9	16-Jan-19	00570935	Felecia Wolo	Represents payment for replenishment of Petty Cash	696.75
10	16-Jan-19	00570936	DZIRE Stationery Inc	Represents payment for two desktops, and two laptops for NRF office	5,000.00
11	29-Jan-19	00570939	Joseta S. Neufville	Payment for the purchase of lunch for NRF IMSC sitting	500.00
12	1-Feb-19	00570940	Joseta S. Neufville	Payments for Technical Focal Persons lunch for technical meeting	1,000.00
13	6-Feb-18	00570941	Joseta S. Neufville	Payments for Technical Focal Persons lunch for technical meeting	500.00
14	13-Feb-18	00570944	Felicia Wolo	Replinishment of Petty cash	850.00
15	28-Feb-18	00583804	AMINATA & SONS INC	Payment for 303 gallons of gasoline for NRF vehicles for march 2019	1,000.00
16	5-Mar-18	00583808	Felicia Wolo	Replinishment of Petty cash	577.00
17	1-Apr-19	583813	Felicia Wolo	Being replenishment of petty cash	728.00
18	18-Apr-19	00583829	Felicia Wolo	Being replenishment of petty cash	817.16
19	23-Apr-19	00583830	Michael I. Diggs	Being final payment for legal consultancy for the drafting of NRF Bylaws	1,200.00
20	7-May-19	583837	Felicia Wolo	Being Petty cash replenishment for the month of May 2019	752.00
21	9-Apr-19		ECOBANK	Expert Venture Group of Comp.	7,925.76
22	11-Apr-19		ECOBANK	Road Survey Interns	55,085.60
Total					86,199.77

Risk

- 1.1.5.4 Payments without supporting documentation could cast doubt on the regularity of the transactions and may facilitate the occurrence of fraudulent financial transactions.

Recommendations

- 1.1.5.5 Management should provide the payment vouchers and other supporting documents.
- 1.1.5.6 Management should install a computer software for the requisite application of procurement processes and the preparation of supporting documents for all transactions. This will facilitate Management's compliance to relevant public procurement and financial management laws.

Management's Response

- 1.1.5.7 *The NRF Management prepared payment vouchers for the payments reference in the audit findings. Payment vouchers and other supporting documents are attached to all of the payments associated with the said amount. See payment vouchers attached for reference in appendices 2 to 5.*

Auditor General's Position

- 1.1.5.8 We reviewed the additional documents submitted by Management. We have adjusted the transactions without supporting documents to US\$7,925.76 (US\$86,199.77 – US\$78,274.01) to be accounted for by Management. **See revised table#3b below for the unsupported payments**

Revised Table #3b: Unsupported Payments

No	Date	CK#	Payee	Description	Amount US\$
21	9-Apr-19		ECOBANK	Expert Venture Group of Comp.	7,925.76
Total					7,925.76

- 1.1.5.9 Also, Management's provision of documents after the end of audit field work, does not guarantee Management effective control of expenditure liquidation and document management.
- 1.1.5.10 Going forward, Management should ensure that requested documents for audit purpose are submitted in a timely manner for review.

1.1.6 Unsupported Foreign Currency Translation

Observation

- 1.1.6.1 Regulation A.3 of the Public Financial Management Act of 2009 states ` 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 used of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the book of accounts and records of transaction for inspection when called upon to do so by the Auditor- General, the Controller General, the relevant internal auditor. A public officer who fails to keep or to produce any records under this regulation is in a breach of financial discipline as defined in Regulation A.20.

- 1.1.6.2 It was observed, during the audit that the amount of **US\$3,491.00** was recorded as foreign currency translation difference in the financial statements without underlying records such as ledger or journal to support the amount.

Risk

- 1.1.6.3 The lack of ledger or journal to support foreign currency translation difference questions the validity of the information provided and may inhibit the credibility of the financial information.

Recommendation

- 1.1.6.4 Management should provide the supporting ledger and journal to substantiate the foreign currency translation difference recorded.
- 1.1.6.5 All balances in the financial statements should originate from a ledger for which accounting journals were entered into. Evidence of journals and ledgers should be documented for review purposes.
- 1.1.6.6 Management should install a computer software for the requisite application of procurement processes and the preparation of supporting documents for all transactions. This will facilitate Management's compliance to relevant public procurement and financial management laws.

Management's Response

- 1.1.6.7 *The computation and other supporting documents such as daily Central Bank of Liberia exchange rates were documented and the journal and ledger account were updated to reflect the said amount for foreign currency translation difference. The amount reference is in the NRF trail balance that was submitted to the GAC during the audit field work. **See appendix 6:***

Auditor General's Position

- 1.1.6.8 The appendix provided did not address the deficiency noted; information contained in Appendix 6 relates to check payments made through the CBL without out evidence of mathematical computation to prove how NRF Management derived at the foreign currency translation difference reported in the financial statement. Therefore, we maintain our recommendations. Further, Management is in breach of financial discipline in line with Regulation A. 20 of the PFM Act of 2009.

1.1.7 Unapproved Payments

Observation

- 1.1.7.1 Regulations P.11 (1) of the PFM Act of 2009 requires that a head of government agency may in writing authorize by name officers in his Government Agency or office to sign payment vouchers on his behalf and shall in doing this set the financial limits and other conditions within which this authority shall be exercised and communicate same in writing to the Comptroller-General and the Auditor General.

1.1.7.2 During the conduct of the audit we observed that payments totalling US\$208,925.75 were made on payment vouchers that were not approved or signed by the NRF Manager and the Finance Officer or their designees. **See table #4 for details:**

Table #4: Unapproved payment vouchers

No	Date	CK#	Voucher s#	Description	Payee	Amount USD\$
1	26-Jun-19	01148146	322	Payment to Super Petroleum for 1860 gallons of gas for the transport Ministry Road Safety Project	Super Petroleum	1,475.78
2	14-Dec-18	14	31	Payment for Advisory services for the SECRAMP	Ernst & Young LLP	207,450.00
Total						208,925.78

Risk

1.1.7.3 Making payment of public resources without approval could undermine the regularity of the transactions. This practice may facilitate the occurrence of fraudulent financial transactions.

Recommendation

1.1.7.4 Management should give substantive justification for making payments without evidence of approval.

Management's Response

1.1.7.5 *The NRF Management prepared payment vouchers for the payments reference in the audit findings. Payment vouchers and other supporting documents are attached to all of the payments associated with the said amount. See payment vouchers attached for reference in appendices 7 A & B.*

Auditor General's Position

1.1.7.6 Management's assertion is not supported by material evidence. The Payment vouchers subsequently submitted by Management showed no evidence of approval by the Road Fund Manager. Therefore, Management is in breach of financial discipline in line with Regulation A. 20 of the PFM Act of 2009. Going forward, all payment vouchers should be approved by the NRF Manager and Finance officer before disbursements are made.

1.1.8 Overpayment for Goods and Services

Observation

1.1.8.1 Regulation B.30 of PFM Act of 2009 states that "if any expenditure is made in excess of the amounts actually due, the overpayment shall be recovered immediately and paid into government Revenue Account. The officer concerned shall report the circumstances immediately to the head of Government agency or the appropriate authority".

1.1.8.2 We observed from samples of transactional documents such as payment vouchers, contracts and certificates, that the NRF Management made over payments for goods and services totalling **US\$7,483.65. See table #5 below for details.**

Table #5: Overpayment for Goods and Services

NO	DATE	CK#	VOUCHE R	DESCRIPTIO	PAYEE	GROSS AMOUNT PER VOUCHER US\$ (A)	AMOUNT PER INTERNAL PAYMENT CERTIFICATE US\$ (B)	VARIANCE US\$ C = (A-B)
1	3-Apr-19	01148111	142	Payment for 21 pcs of Techno LA7 phones, protector packs and power banks	TDC Business Center	3,822.00	3,669.12	152.88
2	26-Mar-19	67854	201	Payment for routine Road Maintenance for Lot #3	Liberia Renaissance Construction Company Inc	7,883.45	6,306.76	1,576.69
3	26-Mar-19	67855	202	Payment for routine Road Maintenance for Lot #2	Global Tech International Inc.	6,849.30	6,164.37	684.93
4	26-Mar-19	67856	203	Payment for routine Road Maintenance for Lot #4	B. K. Enterprise Inc	11,037.88	8,830.30	2,207.58
5	26-Mar-19	67858	205	Payment for routine Road Maintenance for Lot #1	PAGS Construction Inc	10,758.00	9,251.88	1,506.12
6	25-Apr-19	00067867	259	Second payment for routine road maintenance contract REF: MPW/NC/GIZ/ LOT#2	Global Tech Int'l Inc	13,554.55	12,199.10	1,355.45
Total								7,483.65

Risk

- 1.1.8.3 The overpayment could deprive the entity of needed funds to support other program objectives.

Recommendation

- 1.1.8.4 Management should recover the overpayment from the businesses indicated in the above table.

- 1.1.8.5 Going forward, checks should be written for the value of goods or services as reflected on the source documents of the transactions.

Management's Response

- 1.1.8.6 *All payments made to contractors and suppliers are within the respective budget line. In the case of budget line items that are exhausted approval for reallocation is provided by the Minister of MFDP.*

Auditor General's Position

- 1.1.8.7 Management did not adequately address the issue raised. Therefore, we maintain our findings and recommendation. . Further, Management is in breach of financial discipline in line with Regulation A. 20 of the PFM Act of 2009.

1.1.9 Late Performance of Bank Reconciliation

Observation

- 1.1.9.1 The PFM Regulation R.3 sub-regulation 6 requires that the balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof.

- 1.1.9.2 During the audit, we observed that monthly Bank Reconciliations for FY2018/2019 were not perform until 2020.

Risk

- 1.1.9.3 Failure to timely prepare bank reconciliation statements could lead to the non-detection of errors and omissions on the bank statements.

Recommendation

- 1.1.9.4 Management should ensure that all bank reconciliation statements are prepared on a monthly basis, reviewed and approved by the appropriate authority. These statements should be adequately documented and filed to facility future review.

Management's Response

- 1.1.9.5 *The NRF Management acknowledges and accept this recommendation. However, bank reconciliations were done in the fiscal year under review, but were reviewed and signed off in a later date in the same period under review.*

Auditor General's Position

1.1.9.6 We acknowledge Management's acceptance of our finding and recommendation. We will follow up during subsequent audit for implementation of the recommendation.

1.1.10 Non-Application of Penalty on Delay Payments

Observation

1.1.10.1 Section 5.2, 4(h, j & k) of the National Road Fund Act of Liberia 2016, requires that "In the determination of the rates of road user charges, the Inter-Ministerial Steering Committee shall ensure, determine, and establish: The penalties payable in the event of the violation of provisions under this Act in connection with the road user charging system. Applicable measures for persons who are eligible, but refuse to pay the road user charges. Any other provision, which the Office of the Road Fund may deem necessary for the efficient administration of the imposition, payment, or collection of the road user charges or the efficient application of this section."

1.1.10.2 Furthermore, Section 740 (g) of the Revenue Code of Liberia as amended 2011, requires that "An amount due or amount in default under a petroleum agreement is treated as a tax liability under this Code, and is subject to the same procedural requirements (including penalties, fees, and interest)."

1.1.10.3 During the conduct of the audit, we observed on page 11 of the Financial Statements a significant debt due from importers to the National Road Fund of Liberia in the amount of US\$22,234,424 without any measure by the Management of NRF for application of penalties to persons who refuse/delay payment of the road user chargers. **See table #6 below for details.**

Table #6: Due from petroleum importers

#	Name of entities	Amount owed (USD)	Total amount paid	Balance due
1	Conex	8,668,310	763,523	7,904,787
2	Srimex	4,851,721	107,805	4,743,916
3	Mayoubah & Sons	209,636	23,005	186,631
4	Kailondo Petroleum	183,647	9,099	174,548
5	Petro Trade	1,087,347	-	1,087,347
6	Aminata & Sons	2,804,030	-	2,804,030
7	MOTC	1,736,894	-	1,736,894
8	Nexium Petroleum	488,260	-	488,260
9	West Oil Investment	2,858,565	-	2,858,565
10	NP Liberia	726,403	476,958	249,445
TOTAL		23,615,215	1,380,792	22,234,424

Risk

1.1.10.4 The NRF program objectives will not be achieved when funds due the entity are not paid timely.

- 1.1.10.5 Failure to activate the penalty clause for untimely payment of fuel levy may encourage continuous untimely payment.

Recommendation

- 1.1.10.6 Management should ensure that the overdue amounts are collected including the required associated penalties.
- 1.1.10.7 Going forward, untimely payment of levy should be penalized consistent with laws to serve as a deterrent mechanism. Importers with arrears must not be allowed to lift subsequent consignments until previous arrears are settled.

Management's Response

- 1.1.10.8 *The actual amount owed to the NRF Management for fuel levies by petroleum importers based on the recent list submitted by the Liberia Revenue Authority (LRA) is US\$20,339,056.12. We were informed by the LRA that the NRF does not have the fiduciary responsibility by law to collect taxes for Government. Therefore, it will ensure collections from importers. Although the receivables are for the NRF the fiduciary responsibility rest on the LRA. See appendix 8 for reference.*

Auditor General's Position

- 1.1.10.9 Management did not adequately address the issue raised. While it is the fiduciary responsibility of the LRA to collect GOL revenue, the NRF Management is responsible to initiate controls to enhance revenue generation. Therefore, we maintain our findings and recommendations.

1.1.11 Multiple NRF Bank Accounts

Observation

- 1.1.11.1 Regulation R3 (1, 4) of the PFM Act of 2009 requires that when ordering the opening of a bank account for a ministry or a Government Agency, the Comptroller-General under instruction from the Minister, shall communicate to the bank and the head of government agency, the conditions under which the account will be operated. Any public officer who opens or operates any bank account for a Government Agency, which is not authorised by the Comptroller-General is in breach of financial discipline as defined in sub regulation 20(1).
- 1.1.11.2 During the fiscal period under audit we observed that the NRF Management opened and operated twelve (12) bank accounts with the CBL and the various Commercial banks without evidence of authorization or instruction from the Comptroller and Accountant General. We further observed that twelve bank accounts appear large for small Entity like the Road Fund Office.

Risk

- 1.1.11.3 The opening of a Government Agency's bank Accounts without the Comptroller and Accountant General's authorization could be a violation of the PFM Act and may lead to the custodian of fraudulent transactions.

- 1.1.11.4 Operating multiple bank accounts could attract large charges and may reduce cash inflow to the NRF.

Recommendation

- 1.1.11.5 Management should provide the authorization from the Office of the Comptroller and Accountant General for opening the twelve bank accounts.
- 1.1.11.6 Management should reduce the number of bank accounts to a manageable level to avoid large bank charges and for efficient reconciliation and reporting.

Management's Response

- 1.1.11.7 *NRF accounts at the Central Bank of Liberia and commercial banks are signed by the Fund Manager and co-signed by the Comptroller and Accountant General of the Republic of Liberia and authorized by the Minister of Finance and Development Planning (MFDP). The NRF Act authorizes the Fund Manager to open more than one accounts at the commercial banks. All NRF accounts were opened based on the approval of the Minister of Finance and Development Planning. See appendix for reference. See extract from NRF Act below 9 A , B & C:*

Auditor General's Position

- 1.1.11.8 The appendix provided by Management is a communication from the fiscal authority at MFDP which authorized the CBL to open three (3) bank accounts: the Liberia National Road Fund USD account, the Liberia National Road Maintenance USD and LRD accounts). Authorization for the remaining nine (9) accounts maintained by the Management were not provided. We therefore maintain our finding and recommendations. Further, Management is in breach of financial discipline in line with Regulation A. 20 of the PFM Act of 2009.

1.1.12 Receivables Due from Petroleum Importers

Observation

- 1.1.12.1 PFM Regulations O.1(Paragraph 3) of the PFM Act of 2009 states that" A head of government agency shall ensure that all persons liable to pay revenue are informed of bills, demand notes and other appropriate notices, of debts which are due and that adequate measures are taken to obtain payment.
- 1.1.12.2 Furthermore Regulations O.21 (Paragraph 1-3) of the PFM Act of 2009 States that" Government Agency revenue collectors shall keep records of moneys collected in such form as the Comptroller-General may determine and for such periods consistent with the provisions of Regulation 12. The records shall show the persons from whom revenue is due, description of liability, the amount payable, the date, location, receipt number and amount of the collections made. The records shall, wherever possible, be self-balancing and shall be reconciled with the cash collections monthly."
- 1.1.12.3 During the period under audit, we observed a net variance of (US\$4,623,251.41) between the receivables reported in the financial statements and the amount confirmed by petroleum importers that responded to our inquiry. **See table #5 below for details**

1.1.12.4 We further observed that several petroleum importers that owed the NRF per the financial statements did not respond to our confirmation letters. **See tables #7 and #8 for details**

Table #7: Receivables due from Petroleum Importers

S/N #	Name of entities	Amount owed per financial statements (USD) A	Total amount paid per financial statements B	Balance due per financial statements C=(A-B)	Balance due per Importers Records D	Variance (USD\$) E=(D-C)
1	Conex	8,668,310	763,523	7,904,787	6,113,111.66	(1,791,675.34)
2	Petro Trade	1,087,347	-	1,087,347	00.00	(1,087,347.00)
3	MOTC	1,736,894	-	1,736,894	00.00	(1,736,894.00)
4	NP Liberia	726,403	476,958	249,445	242,109.93	(7,335.07)
TOTAL		12,218,954	1,240,481	10,978,473	6,355,221.59	(4,623,251.41)

Table #8: Importers that failed to respond to GAC Confirmation Letters

S/N #	Name of entities	Amount owed (USD)	Total amount paid	Balance due per NRF FS	Balance due per Petroleum Importers
1	Srimex	4,851,721	107,805	4,743,916	No respond
2	Mayoubah & Sons	209,636	23,005	186,631	No respond
3	Kailondo Petroleum	183,647	9,099	174,548	No respond
4	Aminata & Sons	2,804,030	-	2,804,030	No respond
5	Nexium Petroleum	488,260	-	488,260	No respond
6	West Oil Investment	2,858,565	-	2,858,565	No respond
TOTAL		11,395,859	139,909	11,255,950	

Risk

- 1.1.12.5 The inconsistency amounts reported between the financial statements and the importers could undermine the integrity of the financial information provided thereby making users of the information to place less reliance on the financial Statements.
- 1.1.12.6 The significant inconsistency reported for receivables balances suggest that the financial statements may be misstated.
- 1.1.12.7 The failure by some petroleum importers to respond to audit inquiry could deny users information needed for financial and economic decision making.

Recommendation

- 1.1.12.8 Management should provide documentary evidence to substantiate the receivable balances in the financial statements.
- 1.1.12.9 Management should work along with the Liberia Revenue Authority to immediately establish a comprehensive payment plan to facilitate full liquidation of receivables to NRF. Importers who are not compliance with the approved payment plan must not be allowed to lift subsequent consignments of petroleum.

1.1.12.10 Management should establish a policy that include follow-up and action taken at each phase of the system of operationalizing the penalty for non-payment.

1.1.12.11 In addition, the NRF Management should establish a monitoring/enforcement mechanism to ensure our recommendations are immediately implemented.

Management's Response

1.1.12.12 *The actual owed to the NRF Management for fuel levies by petroleum importers based on the recent list submitted by the Liberia Revenue Authority (LRA) is US\$20,339,056.12. We were informed by the LRA that the NRF does not have the fiduciary responsibility by law to collected taxes for Government. Therefore, it will ensure collections from importers. Although the receivables are for the NRF the fiduciary responsibility rest on the LRA.*

Auditor General's Position

1.1.12.13 Management did not adequately address the issue raised. While it is the fiduciary responsibility of the LRA to collect GOL revenue, the NRF Management is responsible to initiate controls to enhance revenue generation. Therefore, we maintain our findings and recommendations.

1.1.13 Receivable Due from LPRC

Observation

1.1.13.1 PFM Regulations C.8 (Paragraph 2) of the PFM Act of 2009, states that" a head of agency or spending unit shall have overall responsibility and accountability for the collection and receipt of all revenues or the financial administration of the monies voted by Legislature for, or applied by statute to, the services under the control of his or her ministry or agency.

1.1.13.2 During the period under audit, we observed that the NRF Management recorded in the financial statements, the total amount of US\$5,217,365.00 as receivables due from the Liberia Petroleum Refinery Company (LPRC). We further observed that the LPRC Management confirmed to the GAC that it does not owe the National Road Fund. **See table#9 below for details:**

Table #9: Inconsistency-LPRC Due

	Name of Entity	Balance due per NRF FS US\$ (A)	Balance due per LPRC Confirmation US\$ (B)	Variances US\$ C=(A-B)
	Liberia Petroleum Refining Company (LPRC)	5,217,365	00.00	5,217,365
Total		5,217,365	00.00	5,217,365

Risk

- 1.1.13.3 The inconsistencies in amounts reported between the financial statements and the LPRC could undermine the integrity of the financial information provided thereby making users of the information to place less reliance on the financial Statements.
- 1.1.13.4 Significant inconsistency reported for the receivables balances suggest that the financial statements may be misstated.

Recommendation

- 1.1.13.5 Management should provide substantive justification backed by documentary evidence that LPRC owes the National Road Fund the amount of US\$5,217,365.00.
- 1.1.13.6 Management should work along with the Management of the Liberia Revenue Authority to immediately establish a comprehensive payment plan to facilitate full liquidation of receivables due the NRF.
- 1.1.13.7 Management should establish a policy that include period for follow-ups, action taken at each phase of non-payment including penalties.

Management's Response

- 1.1.13.8 *The MFDP in 2016 ordered the LPRC through a communication to withhold fuel levies from petroleum importers and deposit said amount into the Consolidated Accounts at the CBL. This happened before the operationalization of the NRF in 2016 to 2017. The amount withheld by the LPRC was not deposited into the Consolidated Accounts total amount withheld by the LPRC was \$5,826,829.51 and the LPRC through an MOU told the NRF to withhold US\$100,000 on its USD Five cents until the amount is paid. To date NRF has withheld US\$400,000. This amount was used to finance the ARMEP. The US\$5,217,365 was provided to the NRF from a communication LRA/DKS-DCGT/jfd/6-265/19 sent to the MD of the LPRC. **See copy attached for reference Appendix 10 A & B.***

Auditor General's Position

- 1.1.13.9 We acknowledge the information provided in **Appendix 10 A & B** in which the LRA informed the LPRC Management about the amount due the NRF. Going forward, a more comprehensive receivable management system should be established by the NRF management. This should include NRF obtaining source documents for receivables, automated linkage of NRF financial management system to the LRA (revenue) bidding system, real time recording of payments toward receivables and routine confirmation of receivables.

1.1.14 Uncompetative Recruitment of Consultants

Observation

- 1.1.14.1 Section 68 (1) of the PPC Act of 2005 amended and restated in 2010 States that for the purposes of procuring the services of a consultant, the procuring Entity shall prepare a shortlist of, generally, three (3) to six (6) consulting firms as determined by subsections

(2) and (3) of this Section and, to the greatest extent feasible, comprising consultants of the same category and similar capacity and business objectives.

1.1.14.2 During the conduct of the audit, we observed that the NRF Management made total payment of US\$17,464.50 to several consultants that were not competitively recruited.

1.1.14.3 We further observed that the consultancy contract between the NRF Management and Jeremiah T. Kpelewah was not signed by the National Road Fund Manager. **See Table #10 below for details:**

Table #10: Consultants not competitively recruited

No	Date	CK#	Vouchers#	Payee	Description	Amount \$USD
1	14-Dec-18	00570924	24	Charles M. Ferguson	Payment for Accounting consultancy rendered to NRF in May & June 2015	4,050.00
2	29-Mar-19	101	207	Pearl Banks-Williams	Payment for Technical Consultancy	1,800.00
3	1-Apr-19	583814	207	Pearl Banks-Williams	Payment for Technical /HR consultancy for March 2019	1,800.00
4	23-May-19	583841	271	Pearl-Banks Williams	Consultancy fees to Pearl for the month of May-19	1,800.00
5	31-May-19	583844	280	Jeremiah T. Kpelewah	Payment for procurement services to NRF for the period March 2019 to May 2019	2,614.50
6	6-Jun-19	583845	281	Jeremiah T. Kpelewah	Payment for procurement services to NRF for the period August 2018 to October 2018	3,600.00
7	25-Jun-19	583850	321	Pearl-Banks Williams	Payment for HR consultancy for the month of June 2019	1,800.00
Total						17,464.50

Risk

1.1.14.4 The non-competitive recruitment of consultants could be a violation of the PPC Act, and deny the achievement of value for money.

Recommendation

1.1.14.5 All service contract implemented during the year should be part of an approved budget, procurement plan and subsequently approved by the PPCC.

1.1.14.6 In addition, Management should adhere to the competitive hiring process for all services hired during the year.

Management's Response

1.1.14.7 *The NRF Management acknowledges and accept this recommendation. The consultant reference in the audit findings were all qualified and they had voluntarily served the NRF for more than three months during the inception of the NRF in 2018 at that time the NRF*

had funding challenge and was difficult to pay anyone for service. All contracts or agreements for suppliers and consultant were all signed by both the suppliers, contractors and NRF Management. **See appendix 11.**

Auditor General's Position

- 1.1.14.8 We acknowledge Management's acceptance of our finding and recommendation. We will make follow up on the implementation of the recommendation in subsequent audit. However, Management is in breach of financial discipline in line with Regulation A. 20 of the PFM Act of 2009.

1.2 Administrative Issues

1.2.1 Annual Employment Contract

Observation

- 1.2.1.1 Section 4.5 (1 & 2b) of the National Road Fund of Liberia Act of 2016, requires that "The National Road Fund Manager may in consultation with the IMSC and subject to the approval of the Minister of Finance and Development Planning, appoint such person or persons as staff as he or she deems fit for the proper discharge of the functions of the Fund and its Office. Any appointment in terms of this section: Shall be subject to a contract of employment that shall state clearly the levels of performance required of the employee as the basis for annual performance evaluations to be undertaken."
- 1.2.1.2 Also, Chapter 1.2 (a & b) of the Liberia Decent Works Act of 2015, states that "The purposes of this Act are to: a) Promote the attainment of decent work in Liberia, by establishing a regulatory environment which facilitates: i) continuing and further creation of quality employment; ii) the ability of all to exercise their rights at work; iii) a measure of social protection; and iv) participation in institutions and processes of social dialogue. b) Ensure respect for, and the protection and fulfilment of fundamental rights at work in Liberia, including fundamental rights that are protected by the Constitution of Liberia."
- 1.2.1.3 Furthermore, Section 13.1 (C) of the Decent Work Act of 2015 requires that a contract of employment may require that an employee serve a probationary period, provided that it shall not be more than three months.
- 1.2.1.4 During the conduct of the audit, we observed that staffs working for the NRF are all contractors even though they have served the Entity beyond the statutory period allowed for full time employment. **See table #11 below for details.**

Table #11: List of NRF Contractors that have served beyond the statutory period

No	NAME	ID NUMBER	POSITION	ENTRY DATE
1.	Charles M. Ferguson	21502	Finance Officer	07/02/2018
2.	Joseta S. Neufville	21503	Administrative Officer	05/01/2018
3.	Prince A. Nimrod	21504	Program Officer	09/01/2018
4.	John Tokpa	21505	Compliance Officer	11/01/2018
5.	Pearl Banks-Williams	21506	HR Specialist	02/01/2019

No	NAME	ID NUMBER	POSITION	ENTRY DATE
6.	Kemo K. Sambola Jr.	21507	Snr. Accountant I	08/01/2018
7.	Moses Henah Borlay	21508	Snr. Accountant II	10/01/2018
8.	Felicia Y. Wolo	21509	Administrative Assistant	10/01/2018
9.	Johnita T. Gabbidon	21510	Executive assistant	09/01/2018
10	Tracy Kromah	21511	Procurement	10/01/2018
11.	Dorathy Comehn	21512	Operations Assistant	04/01/2019
13.	Emmanuel K. Dasilvera	21513	Driver	08/01/2018
14.	F. George Paye	21514	Driver	10/01/2018
14.	Emmanuel S. Freeman	21515	Office Attendant	07/01/2018
15.	Siaka J. Dunor	21516	Accounts Assistant	10/01/2018

Risk

- 1.2.1.5 In the absence of a competitive process, staff without the requisite qualification and experience may be hired.
- 1.2.1.6 Maintaining staff on contracts could deny them protection guaranteed under the Civil Service Standing Order and the Decent Work Act of 2015.

Recommendation

- 1.2.1.7 Management should ensure that staff who have passed the probationary period be fully employed so that their rights as guaranteed under the Civil Service Standing Order and the Decent Work Act of 2015 can be upheld.

Management's Response

- 1.2.1.8 *Section 4.5 (c) Mandate that employees of the National Road Fund of Liberia shall be subject to a contract of employment that shall state clearly the levels of performance required of the employee as the basis of for the annual performance evaluations to be undertaken. However, the NRF Management is currently in the process of amending the NRF Act to the National Legislatures to give full autonomy to the NRF. When this is fully achieved employee status from contract will change to permanent. See below an extract from the NRF Act.*

Auditor General's Position

- 1.2.1.9 We acknowledge Management's assertion. However, Chapter 13. 1 (b) of the Decent Work Act states that "the contract of employment may be for employment that is full time, part time or casual and requires that the employee serves a probationary period that shall not be more than three months". The staffs at the National Road Fund who have served minimum of three months have met the requirement for full time employment. Therefore, we maintain our recommendation.

1.2.2 Incomplete Assets Register

Observation

- 1.2.2.1 Regulation V.1 (2) of the PFM Act of 2009 states that "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that:(a) preventive mechanisms are

in place to eliminate theft, losses, wastage and misuse; And (b) inventory levels are at an optimum and economical level”.

- 1.2.2.2 It was observed during the audit that the NRF Management did not maintain a comprehensive Fixed Assets Register (FAR) to show series number, cost, current condition and disposal history of the Entity’s fixed and fleet assets.

Risk

- 1.2.2.3 In the absence of a comprehensive Fixed Asset Registry, the completeness, existence and accuracy of assets may not be assured.

Recommendation

- 1.2.2.4 Management should establish a fixed asset policy that will serve as a guidance on the Entity’s assets management system.

- 1.2.2.5 Management should develop a comprehensive Fixed Asset Register and record all assets acquired or donated to the Institution and ensure that it is regularly updated to reflect adjustments. The register should include columns for description of asset, year of acquisition, class of asset, cost, depreciation, accumulated depreciation, net book value, location, condition and code.

- 1.2.2.6 Management should carry out periodic physical verification of assets to ensure that the Entity’s assets are available and in conditions for use.

Management’s Response

- 1.2.2.7 *The NRF has always maintain a fixed asset register with assets acquired by the entity and the ones donated. We have not completed with the updating of the FAR. See FAR attached for reference in appendix 12:*

Auditor General’s Position

- 1.2.2.8 We acknowledge Management’s subsequent provision of the Fixed Asset Register displaced in **appendix 12**. However, Management provision of documents after our review, does not guarantee effective control of document management. Going forward Management should ensure that requested documents for audit purpose are submitted in a timely manner for review. Additionally, information provided in the FAR should include spaces for year of acquisition, class of asset, date, and signatures for the preparer of the FAR and the approving authority.

1.3 Governance Issues

1.3.1 Unapproved Policy Documents

Observations

- 1.3.1.1 DS5 of CoBit 4.1 requires that “the need to maintain the integrity of information and protect IT assets requires a security management process, this process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures.

Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

- 1.3.1.2 We observed during the period under audit that some policy documents presented by the NRF Management such as Human Resource Policy Manual, Procurement Manual, ICT Work Plan, ICT Maintenance Plan were not approved.

Risk

- 1.3.1.3 Working with unapproved policy documents may become difficult to enforce when said document is challenged before management and in the court of law.

Recommendation

- 1.3.1.4 Management should ensure that all policy documents are approved to avoid future legal challenge.

Management's Response

- 1.3.1.5 *The NRF Manager signed all of the Standard and Operating Procedures (SOPs) mentioned in the audit findings after a validation review was conducted by a Certified Public Accounting Firm, Parker and Company and a World Bank Consultant Keith Conway from the United Kingdom. The IMSC approved all of the Standard and Operating Procedures (SOPs) in a meeting held by the IMSC the new organization chart was also approved by the IMSC. **See minutes attached for reference 13.***

Auditor General's Position

- 1.3.1.6 Management did not provide copies of the approved policy documents as asserted. We therefore, maintain our finding and recommendation.

1.3.2 No Quarterly and Annual Reports

Observation

- 1.3.2.1 Section 3.7 (P1) of the National Road Fund Act states that " Within two months after the end of each fiscal year, the Minister of Finance and Development Planning shall, submit an annual report to the Inter-Ministerial Steering Group, on the activities of the Fund, including the activities of the Office of the Road Fund during the previous year. The report shall contain:
- a) Particulars of projects and programs relating to the management of the road user charging system.
 - b) A report of its achievements in relation to its performance agreement and business plan and recommendations for improvement in the succeeding year
 - c) An independently audited statement of the accounts of the Fund
 - d) Such other matters as the President of Liberia may deem necessary.

1.3.2.2 Additionally, PFM Regulations M.10. (P1) states that 'Within one month after the end of the previous fiscal quarter financial statements covering the previous quarter shall be prepared by each State-Owned Enterprise and transmitted to the Auditor-General, the Minister, the Sector Minister, the Bureau of State Enterprises, and the Comptroller-General in respect of each quarter.

1.3.2.3 During the conduct of the audit, we observed that there was no evidence that the Minister of Finance and Development Planning prepared and submitted to the IMSC quarterly and annual reports on the operations of the Fund and the activities of the Office of the Road Fund.

Risk

1.3.2.4 In the absence of quarterly and annual reports, the Government and stakeholders may not obtain adequate information on the Road Fund operations for decision making.

1.3.2.5 The absence of a quarterly and annual reports, may result to non-compliance with the PFM Regulation and impair transparency and accounting of road funds.

Recommendation

1.3.2.6 Management should provide the Minister's quarterly and annual reports.

Management's Response

1.3.2.7 *An annual comprehensive report of the activities of the NRF Management is submitted to the Inter-Ministerial Steering Commitment (IMSC) on behalf of the Minister of Finance and Development. The report comprises the following, financing of the annual road maintenance expenditure program prepared by the Ministry of Public Works and authorized agencies and submitted to the NRF for the IMSC approval. The report is also comprised of the implementation of the following activities relating to road works for the period under review:*

- ✓ *rehabilitation and upgrade,*
- ✓ *periodic and routine maintenance,*
- ✓ *emergency works,*
- ✓ *program support (road safety)*
- ✓ *payments of resettlement action plan for project affected persons,*
- ✓ *payment of bank loans,*
- ✓ *fuel levies collections,*
- ✓ *financing of the administrative running cost of the Road Fund Office, financial statements, etc*

Auditor General's Position

1.3.2.8 Copies of the annual comprehensive report on the activities of the NRF as asserted by Management were not provided. Furthermore, the NRF Act requires the Minister of Finance and Development Planning to prepare **quarterly reports** on the Road Fund activities. These reports were requested but were not provided during the audit for validation. We therefore maintain our findings and recommendation.

1.3.3 No Organizational Chart

Observation

- 1.3.3.1 The Commission on Sponsoring Organization (COSO) of the Treadway Commission Framework requires board's oversight responsibilities including providing advice and direction to management, constructively challenging management, approving policies and transactions, and monitoring management's activities. Consequently, the board of directors is an important element of internal control. The board and senior management establish the tone for the organization concerning the importance of internal control and the expected standards of conduct across the entity
- 1.3.3.2 It was observed during the audit that the NRF Management did not have an approved organization chart to depict approved hierarchical structure/chain of command of the entity and line of reporting.

Risk

- 1.3.3.3 The concepts of segregation of duties and check and balance may not be achieved which could affect the daily operations of the entity.

Recommendation

- 1.3.3.4 Management should develop an organizational chart best fit for the NRA. Such chart should be reviewed and approved to serve as an authoritative instrument showing the hierarchical structure of the entity, depicting clear lines of authority and responsibilities.
- 1.3.3.5 Management should ensure that the created organogram is made operational.

Management's Response

- 1.3.3.6 *A new organization chart was developed and approved by the Inter-Ministerial Steering Committee (IMSC). The IMSC approved the said organization chart in a minute from a meeting held by the IMSC. The organization chart was prepared from the re-engineering process that was conducted by a consultant. **See minute attached Appendix 13 for reference.***

Auditor General's Position

- 1.3.3.7 Copies of the approved NRF Organizational Chart were not provided for audit validation. Therefore, we maintain our recommendation.

1.3.4 No Established Audit Committee

Observation

- 1.3.4.1 Regulations K.10 of the PFM Act of 2009 requires head of government agency or government organisation to in consultation with the Internal Audit Governance Board establish and maintain an audit committee for the government agency or organisation for which he/she is responsible.

1.3.4.2 During our audit, we observed that there was no evidence of audit committee established at the NRF.

Risk

1.3.4.3 The failure by the NRF Management to establish a functional Audit Committee may prevent Management from taking timely corrective action on deficiencies identified by the Internal Audit Unit and the recommendations of the General Auditing Commission.

Recommendation

1.3.4.4 Management should establish a functional Audit Committee as part of the Governance structures. This will enable Management to evaluate and ensure that internal controls are operating effectively and the recommendations of external auditors are implemented.

Management's Response

1.3.4.5 *The NRF Management acknowledges and accept this recommendation. The NRF Management will suggest to the IMSC to establish an audit committee that will be responsible to address all audit and governance relating issues of the NRF.*

Auditor General's Position

1.3.4.6 We acknowledge Management's acceptance of our finding and recommendation. We will make follow up during subsequent audit for implementation of the recommendation.

1.3.5 No Procurement Committee Minutes

Observation

1.3.5.1 Section 28 (P1) of the PPC Act states that "A Procurement Committee shall meet as and when required to review a bid or perform related functions but shall in any event meet at least once every quarter.

1.3.5.2 During the period under audit we observed that the NRF Management did not provide Procurement Committee's minutes and attendance records as evidence that an functional procurement committee exist.

Risk

1.3.5.3 In the absence of an functional procurement committee, the entity's procurement processes could be discretionary.

Recommendation

1.3.5.4 Management should document and appropriately file procurement committee's meeting minutes and attendance records to provide assurance about the existence of a procurement committee.

Management's Response

1.3.5.5 *NRF Management has always maintain a Procurement Committee that is active and it carries out function to ensure best practices and /or compliance to the Public*

Procurement Concession Committee (PPCC). The committee is chaired by the NRF Manager and the Membership include Finance Officer, Administrative Officer, Compliance Officer and the staff in charge of procurement. See attached Appendix 14 for reference.

Auditor General's Position

- 1.3.5.6 Management's assertion is not supported by material facts. Management did not provide procurement committee meeting minutes and attendance records as proof of a functional committee. In the absence of the Committee meeting minutes and attendance records, we maintain our findings and recommendation.

1.3.6 No Internal Audit Unit

Observation

- 1.3.6.1 Regulation J3 of the PFM Act of 2003 requires that the Internal audit units shall carry out internal audit of its institution and shall submit reports on the internal audit it carries out in accordance with section 38 (3) and (4) of the Public Finance Management Act 2009.
- 1.3.6.2 We observed that there was no evidence that the NRF Management established and operated with an Internal Audit Unit.

Risk

- 1.3.6.3 The absence of an Internal Audit Unit could deny assurance that risks are appropriately identified and mitigated.

Recommendation

- 1.3.6.4 Management should establish a functional Internal Audit Unit to provide independent assurance on the effectiveness of the Entity's risk management, governance and internal control processes.
- 1.3.6.5 Alternatively, Management should contact the Internal Audit Agency to manage its internal audit function.

Management's Response

- 1.3.6.6 *From the inception of NRF operationalization it has maintain a Compliance Unit. In 2020 the Internal Audit Agency seconded two internal auditors to the NRF and they conduct quarterly internal audits and they are supervised by the Internal Audit Agency. All of the audit reports are submitted to the NRF through the Internal Audit Agency. The Internal Auditor seconded to the NRF serves at the Internal Audit Unit of the NRF which objective is to add value to the operations and activities of the NRF.*

Auditor General's Position

- 1.3.6.7 Management's assertion is not supported by material evidence. An active Internal Audit Unit is evidenced by the Unit's activities such as performing reviews of internal controls, performing risk assessment and producing reports on these activates. Copies of the internal audit reports as well as information on risk assessment undertaken by the IAA

Auditors were not provided during the audit. We therefore maintain our finding and recommendation.

1.4 Internal Control

1.4.1 No Risk Management Policy and Report

Observation

1.4.1.1 Paragraph 17 of the Internal Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) indicates that in most cases, the board of head of public entity is ultimately responsible for determining whether management has implemented effective internal control including monitoring. The institution makes this assessment by (a) understanding the risks the organization faces and (b) Gaining an understanding of how senior management manages or mitigates those risk that are meaningful to the organization objectives. Obtaining this understanding includes determining how management supports its beliefs about the effectiveness of the internal control system in those areas.

1.4.1.2 It was observed during the audit that there was no evidence that the NRF Management has developed a risk management policy to guide internal and external risks that could impact the achievement of the institution's objectives.

Risk

1.4.1.3 The absence of a risk management policy could lead to management not being aware of potential risks that may affect the operations of the Institution.

Recommendation

1.4.1.4 Management should adopt, approve, and operationalized the risk management policy to guide internal and external risks that could impact the achievement of the institution's objectives.

Management's Response

1.4.1.5 *The NRF Management acknowledges and accept this recommendation. Though the NRF has a risk management function which has been carried out by the Compliance Officer, a risk management policy will be developed.*

Auditor General's Position

1.4.1.6 We acknowledge Management's acceptance of our finding and recommendation. We will make follow up during subsequent audit for implementation of the recommendation.

1.4.2 No Disaster Recovery Plan

Observation

1.4.2.1 According to COSO Internal Control Framework on Control Environment, the Management of an entity should develop a documented Disaster Recovery Plan to provide procedures to

be followed in the event of a disaster. The plan would mitigate the loss of transaction data and information. The purpose of the plan is to minimize the effects of service interruption of the operations by:

- Specifying procedures to be followed in the event of a disaster or specific situation, especially measures to be put in place to minimize the effects of disasters;
- Assigning responsibilities to various staff members involved in the implementation of the plan;
- Specifying procedures for the restoration of normal service following a disaster.

1.4.2.2 We observed during the period under audit that there was no evidence that the NRF Management had a disaster recovery plan to help recover transaction data and information and to ensure business continuity in the event of disaster.

Risk

1.4.2.3 The failure to establish a disaster recovery plan may result in the complete loss of transaction data and information in the case where a negative event may occur.

Recommendation

1.4.2.4 Management should develop a disaster recovery plan to help mitigate the risk of loss of transaction data and information in the event of a negative occurrence.

Management's Response

1.4.2.5 *The NRF Management acknowledges and accept this recommendation. The NRF Management will develop a business continuity management and disaster recovery plan to help recover transaction data and information and to ensure business continuity in the event of a disaster.*

Auditor General's Position

1.4.2.6 We acknowledge Management's acceptance of our finding and recommendation. We will make follow up during subsequent audit for implementation of the recommendation.

1.4.3 Non-Maintenance of Proper Personnel files

Observation

1.4.3.1 According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls Framework, management should interpret the regulations and procedures and develop into its own human resources policies and procedures. The human resource policy should regulate matters such as orientation, training, promotions, and compensation. This policy also explains the minimum qualification and experience criteria for recruiting skilled and competent staff, training and continuous development of employees, skills retention and monitoring of the competency of staff in place to ensure that skilled and competent staff is retained and assessed.

1.4.3.2 It was observed during the conduct of the audit that that the NRF Management did not maintain essential personnel records for some staff members:

- Letter of Applications
- Interview panel reports
- Proof of academic credential
- Police Clearance
- Performance evaluations report

Risk

1.4.3.3 The failure to maintain essential personnel records could lead to Management's inability to manage or regulate the activities of its personnel effectively.

Recommendation

1.4.3.4 Management should ensure that employees' files are updated to contain essential documents such as letter of applications, interview panel reports, proof of academic credentials, police clearance and performance evaluations reports.

Management's Response

1.4.3.5 *The NRF Management acknowledges and accept this recommendation. The NRF Administration and Human Resources Department are currently working on and updating all personnel files to ensure personnel files are complete with all of the required documents and information, not limited to the above.*

Auditor General's Position

1.4.3.6 We acknowledge Management's acceptance of our finding and recommendation. We will follow up during subsequent audit for implementation of the recommendation.