



Management Letter

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

For Fiscal Year Ended June 30, 2020



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, 2020

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

DRAFT MANAGEMENT LETTER: FINANCIAL STATEMENT AUDIT OF THE NATIONAL ROAD FUND PERFORMED FOR THE YEAR ENDED JUNE 30, 2020.

Dear Mr. 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, 2020 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, 2020.

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, 2020*

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\$27,071,051.54 for fuel levy fees. We further observed that out of the amount, the Government through the MFDP transferred the total amount of US\$12,106,014 to the NRF as actual allotment thus leaving a variance of US\$14,965,034.54 unremitted. **See table #1 below for details:**

Table #1: Unremitted Fuel Levy Fees

Fiscal Period: 2019/2020	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) D= (B/C)	Total Collection USD E=A+D E= (A+D)	Actual Allotment per NRF Financial statements (F)	Variance US\$ G= (E-F)
1st Quarter	638,961.00	1,058,504,545.00	208.08	5,087,007.62	5,725,969		
2nd Quarter	1,156,768.00	1,135,494,735.00	186.93	6,074,438.21	7,231,206		
3rd Quarter	1,536,632.00	1,213,330,734.00	197.12	6,155,289.84	7,691,922		
4th Quarter	2,135,809.00	851,957,213.00	198.77	4,286,145.86	6,421,955		
Total	5,468,170.00	4,259,287,227.00		21,602,881.54	27,071,051.54	12,106,014	14,965,034.54

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 be significantly misstated.

Management

- 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 2019/2020 the Liberia Revenue Authority (LRA) collected US\$27,071,051.54 why US\$12,106,014 was remitted by the Ministry of Finance and Development Planning (MFDP) to the National Road Fund Escrow Accounts at the CBL. The outstanding balance of US\$14,965,034.54 was recorded in the NRF Financial Statement/ books as due from the MDFP (GoL).*

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 amount of US\$14,965,034.54 into the NRF escrow account which is located at the CBL in subsequent audit of the NRF.

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 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 may 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 collected 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. The NRF brought to the attention of the Minister of Finance and the IMSC the issue of all fuel levies be remitted to the NRF accounts not through the Consolidated Accounts to avoid interference with the fund flow and to avoid delay in payments to contractors and suppliers for road related maintenance works. The MCC (MC-AL) made the issue of fund flow as one of the paramount condition precedents. Because of the non-adherence to this condition precedent by the MFDP cause NRF to loss the Matching Fund of \$15,000,000 that was earmarked to the road sector. We hope this audit report will made a resounding demand for the Government of Liberia to see reasons to allow fuel levies and other road user charges collected by the LRA be directly remitted to the NRF Accounts not through the GOL Consolidated Accounts.*

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.

1.1.3 Outstanding Commitment

Observation

- 1.1.3.1 Part 2, Paragraph 1.3.33 of the IPSAS cash basis of accounting as adopted by the Government of Liberia in 2017, encourages the disclosure of additional information in notes to the financial statements. Where such disclosures are made, they will need to be understandable and to satisfy the other qualitative characteristics of financial information.
- 1.1.3.2 Furthermore, the NRF Management reported in note K of the financial statements that commitments and guarantees (IPSAS Cash Basis) - Long term Commitments, including operating and capital commitments arising from non-cancellable contractual or statutory obligations as well as Guarantees made, will be reported as Notes to the Financial Statements.
- 1.1.3.3 During the fiscal period under audit, we observed that the NRF Management did not disclosure in the notes to the financial statements, commitments to contractors totalling US\$6,100,508.38.

Risk

- 1.1.3.4 The non-disclosure of outstanding commitments may deny users the required information needed for financial and economic decision making and the financial statements may not be fairly presented.

Recommendation

- 1.1.3.5 The NRF Management should disclose in the notes to the financial statements, commitments made against the allocated Road Fund balance for the period. This will ensure proper planning for uncommitted fund balance for the period.

Management's Response

- 1.1.3.6 *The NRF Management acknowledges and accept this recommendation. We will make the correction in future report.*

Auditor General's Position

- 1.1.3.7 We acknowledge Management's acceptance of our findings and recommendation. We will make follow up on the implementation of the recommendation in subsequent audit.

1.1.4 Discrepancy in Budgeted Amounts

Observation

- 1.1.4.1 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."
- 1.1.4.2 An analysis between the National Budget and the final Budget presented in the NRF financial statements revealed a variance of US\$763,698.00 for the Authorized allocation/Appropriation account. **See table #3 below for details:**

Table #3: Variance between National Budget and Final Budget per Financial Statements

NO	NRF APPROVED BUDGET PER NATIONAL BUDGET (Authorized allocation/Appropriation) US\$ (A)	NRF FINAL BUDGET PER FINANCIAL STATEMENT (Authorized allocation/Appropriation) US\$ (B)	VARIANCE US\$ C= (A-B)
1	12,869,712.00	12,106,014.00	763,698.00

Risk

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

- 1.1.4.4 The difference between the budget performance report and the financial statements suggests that the financial statements may be misstated.

Recommendation

- 1.1.4.5 The NRF Management should provide justification for the difference.
- 1.1.4.6 Adequate reconciliation should be performed amongst statutory financial reports and reviewed by the NRF Management to facilitate consistency and accuracy in reporting.

Management's Response

- 1.1.4.7 *The NRF Management acknowledges and accept this recommendation. The National Legislatures final budget appropriated for the NRF in fiscal year 2019/2020 was US\$22,300,000 the actual amount received from the Consolidated Accounts to the NRF Escrow Accounts from fuel levies was US\$12,106,014. The amount reference in the GAC auditing findings could be an error and we suggest further scrutiny.*

Auditor General's Position

- 1.1.4.8 We acknowledge the information provided by Management about the variance. Going forward, Management should ensure that all projections for the year are captured in the budget. Furthermore, whenever an unbudgeted funding is received during the accounting period, the amount should be disclosed in an explanatory note to the financial statements.

1.1.5 Unapproved Payments

Observation

- 1.1.5.1 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.
- 1.1.5.2 During the conduct of the audit we observed that payments totalling US\$170,693.79 and LRD\$123,644,698.52 were made on payment vouchers that were not approved or signed by the NRF Manager and the Finance Officer respectively. **See tables #4 (A) and 4 (B) for details:**

Table 4 (A): Unapproved Payments (USD)

No	Date	CK#	Vouchers#	Payee	Description	Amount USD
1	17-Dec-19	00618411		SSF Entrepreneur Inc	25% payment in usd to SSF Entrepreneur Inc as advance payment for the construction of 2.5km of chip seal pavement in Barclayville Grand Kru County under Construction No# MPW-W-0026-19/20 Lot #2 (AMT=323140.87 CBL/MFDP RATE=205.33 75%in Lrd = 242355.67 25% usd=80785.22)	79,169.51
2	17-Dec-19	00618412		West Africa Construction Inc.	25% Payment in USD to west Africa Construction Inc as advance payment for the construction of 2.1km of chip seal pavement in Greenville Sinoe County Contract # MPW-W-0026-19/20 Lot#1 (Amt=373568.48 CBL/MFDP RATE 205.33 25% USD= 93,392.12 75%USD = 280176.36 75% IN LRD 57528612.00)	91,524.28
		Total				\$ 170,693.79

Table #4 (B): Unapproved Payments (LRD)

No	Date	CK#	Vouchers#	Payee	Description	Amount \$LRD
1	18-Jul-19	00000007		CICO	Payment to CICO for works on Junk River Bridge	18,499,030.35
2	17-Dec-19	00164851		SSF Entrepreneur Inc	Payment to SSF ENT. INC as 75% advance for the construction of 2.5km of chi seal pavement in Barclayville Grand Kru County	48,767,628.41

No	Date	CK#	Vouchers#	Payee	Description	Amount \$LRD
3	17-Dec-19	00164852		West Africa Construction Inc.	75% Payment in LRD to west Africa Construction Inc as advance payment for the construction of 2.1km of chip seal pavement in Greenville Sinoe County Contract # MPW-W-0026-19/20 Lot#1 (Amt=373568.48 CBL/MFDP RATE 205.33 25% USD= 93,392.12 75%USD = 280176.36 75% IN LRD 57528612.00)	56,378,039.76
		Total				\$ 123,644,698.52

Risk

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

Recommendation

- 1.1.5.4 The NRF Management should give substantive justification for making payment on vouchers that were not approved.

Management's Response

- 1.1.5.5 *The NRF Management acknowledges and accept this recommendation. The payment vouchers reference in this finding (PV No. 337, PV No. 0497, PV No. 0498, PV No. 0499, PV No. 0500) were all signed by the Finance Officer. It was an oversight that the Manager signature is not affixed to the said payment vouchers due to cumbersome documents on the desk of the Manager. However, these were made within the budget and the approved procurement plan. Signature of the Compliance Officer were also affixed to the said payment vouchers to ensure compliance. See copies attached for reference on appendix 1 to Appendix 5.*

Auditor General's Position

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

1.1.6 NRF Support to National Budget

Observation

- 1.1.6.1 Section 6.1 (a, b, c & d), of the National Road Fund of Liberia Act of 2016, requires that "Monies collected for the Road Fund shall be used for: Routine and periodic maintenance

of roads, bridges and directly associated facilities; emergency works (to a maximum of 7% of annual expenditure on road maintenance by the Fund); 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 rehabilitation and improvement works including paving of roads to a maximum of 40% of its annual revenues only through servicing of loans approved by Government where: The works are applied to roads or bridges previously identified by Government as of strategic importance to the socio-economic development and security of the country and currently deemed to be unmaintainable; The works shall be designed to bring a clearly defined section of road or a bridge into a maintainable state, The loans shall include a provision to maintain the road for a minimum of five years.”

1.1.6.2 Additionally, Section 6.3 (a & e), of the National Road Fund of Liberia Act of 2016, requires that “The approved Annual Road Maintenance Expenditure Program shall include: The amount of monies, which shall be paid directly to the Fund by virtue of an appropriation of the National Legislature, grants, and donations as regards projects or programs, for which expenditure has been assigned from the Fund; The estimated amount to be expended in respect of each project or program based upon measured outputs or milestones as appropriate to the form of contract used for the works.”

1.1.6.3 During the fiscal period under audit, we observed that the Government withheld the total amount of US\$7,000,000.00 from the petroleum levy fees collection as NRF support to the National Budget.

Risk

1.1.6.4 The program objectives of the NRF will not be met when fund intended for roads works are used purposes that are not in line with the Road Fund Act.

Recommendation

1.1.6.5 The NRF Management should provide substantive justification backed by documentary evidence for the budget support.

Management’s Response

1.1.6.6 *The Ministry of Finance and Development Planning (MFDP) wrote a communication to the Inter-Ministerial Steering Committee (IMSC) of the NRF to approve the amount of US\$7,000,000 from the fuel levies collected by the LRA to be withheld by the MFDP as the NRF support to the National Budget to assist the Government fund the Government payroll in the period under review. **See appendix 6***

Auditor General’s Position

1.1.6.7 We acknowledge the additional information provided by Management. However, the IMSC decision is a violation of Section 6.1 (a) of the National Road Fund of Liberia Act of 2016 which requires that the road fund be used for road works and the operations of the NRA.

1.1.6.8 Going forward, IMSC members and the Fiscal Authority at the MFDP should avoid using the road fund for purposes not intended.

1.1.7 Recruitment of Consultants

Observation

1.1.7.1 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.

1.1.7.2 During the conduct of the audit, we observed that the NRF Management made total payment of US\$6,125.00 to a consultant Firm that was not competitively recruited. **See Table #5 below for details:**

Table #5: Consultant firm not competitively recruited

No	Date	CK#	Vouchers#	Payee	Description	Amount \$USD
1	4-Jul-19	00583853	326	Media Hub	Payment for media consultancy (Comm. Strategy, Articles, Newsletters & Public relations to Media Hub Inc.	\$ 2,450.00
2	29-Aug-19	00583871	177	Media Hub	Paid to media Hub Liberia for media coverage for NRF in Buchanan	\$ 3,601.50
		Total				\$6,125.00

Risk

1.1.7.3 The non-competitive recruitment of consultants could be a violation of the PPC Act, and value for money may not be achieved.

Recommendation

1.1.7.4 The NRF Management should provide substantive justification for the un-competitive recruitments.

Management's Response

1.1.7.5 *The NRF Management acknowledges and accept this recommendation. The NRF Management selected Media Hub Inc. because it had rendered voluntary media related services for NRF for the period of three months. Because of the non-monetary services, it had rendered this prompted the Management to select Media Hub. However, going forward we will adhere to the GAC recommendation to this finding. This will not be repeated in subsequent period.*

Auditor General's Position

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

1.1.8 Recruitment of Security Firm

Observation

1.1.8.1 Section 53 (1) of the PPC Act states 'that the request for quotations method may be used for the procurement of goods, works and services in situations where the procurement is for readily available commercially standard goods, not specially manufactured to the particular specifications of the Procuring Entity and the estimated contract price does not exceed the applicable Threshold;'

1.1.8.2 Additionally, Section 54. (1, 2 & 4) of the PPC Act states that Quotations shall be requested for in writing from as many Bidders as practicable, but from at least three (3) bidders.

1.1.8.3 During the conduct of the audit, we observed that the NRF Management made total payment of US\$3,993.60 to a security firm that was not competitively recruited. **See Table #6 below for details.**

Table#6: Security Firm not competitively recruited

N o.	Date	Entity	Description	Check No.	Voucher No.	Amount USD
1	4/15/2020	SODJATT security guard service	Payment for security services rendered the NRF for the month march 2020	00673763	0667	798.72
2	4/15/2020	SODJATT security guard service	Payment for security services rendered the NRF for the month April 2020	00673764	0688	798.72
3	1/2/2020	SODJATT security guard service	Payment to Sodjatt Guard for the provision of eight (8) security officer for the office of the NRF	00608425	0421	798.72
4	6/29/2020	SODJATT security guard service	Payment for the provision of security guard service for the month of june 2020 rendered to the NRF office by SODJATT Guard Security service	00665604	0715	798.72

N o.	Date	Entity	Description	Check No.	Voucher No.	Amount USD
5	6/29/2020	SODJATT security guard service	Payment for the provision of service for the month of May 2020 rendered to the office by SODJATT Guard Security servic	00665603	0714	798.72
Total						3,993.60

Risk

- 1.1.8.4 The non-competitive recruitment of consultants could be a violation of the PPC Act, and value for money may not be achieved.

Recommendation

- 1.1.8.5 The NRF Management should provide substantive justification for the un-competitive recruitments.

Management's Response

- 1.1.8.6 *The NRF Management acknowledges and accept this recommendation. The NRF Office was previously housed at the MFDP when it moves to its new office at the Payne Avenue there no budgetary allocation for private security to protect the office. Sodjatt Security voluntarily provided full man power to protect NRF office for the period of one year, this was the cause that led the NRF Management to select the said Security Firm under an agreement that when the budgetary allocation is made it will reciprocate the gesture.*

Auditor General's Position

- 1.1.8.7 We acknowledge Management's acceptance of our finding and recommendation. However, the rendering of voluntary service by Sodjatt Security does not exclude the firm from being part of a competitive hiring process. Going forward, Management should ensure that Section 53 (1) of the PPC Act is adhere to for the hiring of individuals and business organizations that render services to the NRF.

1.1.9 Receivables Due from Petroleum Importers

Observation

- 1.1.9.1 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.
- 1.1.9.2 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.”

1.1.9.3 During the period under audit we observed a net variance of (US\$6,164,455.01) between the receivables reported in the financial statements and the amount confirmed by petroleum importers that responded to our inquiry. **See table #6 below for details**

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

Table #7: Variances on Receivables due from Petroleum Importers

#	Name of importers	Amount previously owed (USD) A	Amount paid (USD) equivalent B	Balance due per NRF FS C=(A-B)	Balance due per Petroleum Importer Record D	Variances (D-C) E
1	Conex Petroleum Services	8,540,760	413,963	8,126,797	4,976,827.99	3,149,969.01
2	Petro Trade	1,087,347		1,087,347	0	1,087,347
3	MOTC	1,736,894		1,736,894	0	1,736,894
4	NP Liberia	190,245		190,245	0	190,245
TOTAL		11,555,246	413,963	11,141,283	4,976,827.99	6,164,455.01

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

#	Name of importers	Amount previously owed (USD)	Amount paid (USD) equivalent	Balance due per NRF FS	Balance due per Petroleum Importer Record
1	Srimex Oil and Gas Company	4,808,524	55,395	4,753,129	Did not respond
2	Kailondo Petroleum	167,271		167,271	Did not respond
3	Aminata & Sons	2,804,030		2,804,030	Did not respond
4	Nexium Petroleum	488,260		488,260	Did not respond
5	West Oil Investment	2,858,565		2,858,565	Did not respond
TOTAL		11,126,650	55,395	11,071,255	

Risk

1.1.9.5 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.

1.1.9.6 The significant inconsistency reported for the receivables and balances suggest that the financial statements may be significantly misstated.

- 1.1.9.7 The failure by some petroleum importers to respond to audit inquiry could deny users information needed for financial and economic decision making.

Recommendation

- 1.1.9.8 The NRF Management should provide documentary evidence to substantiate the receivable balances in the financial statements.
- 1.1.9.9 The NRF 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 consignment of petroleum.
- 1.1.9.10 The Management of NRF should establish a policy that include period for follow ups and action taken at each phase of the system of operatizing the penalty for non-payment.
- 1.1.9.11 In addition, the NRF Management should establish a monitoring/enforcement mechanism to ensure our recommendations are immediately implemented.

Management's Response

- 1.1.9.12 *The list bearing the names and balances of fuel levies owed by petroleum importers to the NRF was previously submitted to the NRF by the Liberia Revenue Authority (LRA). The NRF also conducted confirmation of those balances but to no avail the importers responses did not meet our expectation. However, in July 2021 the LRA resubmitted a detail list with the confirmed balances amounting to 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 7 with listing of importer debt balances.*

Auditor General's Position

- 1.1.9.13 The GAC does not expect the NRF management to perform functions dedicated to the Liberia Revenue Authority (LRA). Furthermore, Management did not address the issue raised. The variance mentioned in the observation relates to the period under audit and not recent list submitted by the LRA. We therefore maintain our findings and recommendations. In addition, Management is in breach of financial discipline in line with Regulation 20 of the PFM Act of 2009.

1.1.10 Receivable Due from LPRC

Observation

- 1.1.10.1 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.

1.1.10.2 During the period under audit, we observed that the NRF Management recorded in the financial statements, the total amount of US\$4,817,365.00 as receivable due from the Liberia Petroleum Refinery Company (LPRC). We further observed that the LPRC Management confirmed to the GAC that the Entity does not owe the National Road Fund. **See tables #9 for details.**

Table #9: Inconsistency-LPRC Due

	Name of entities	Balance due per NRF FS US\$ (A)	Balance due per LPRC Confirmation US\$ (B)	Variances C=(A-B)
	Liberia Petroleum Refining Company (LPRC)	4,817,365	0	4,817,365
	Total	4,817,365		4,817,365

Risk

1.1.10.3 The inconsistency amounts reported between the financial statements and the LPRC Confirmation could undermine the integrity of financial statements.

Recommendation

1.1.10.4 The Management of NRF should provide substantive justification backed by documentary evidence that LPRC owe the National Road Fund the amount of US\$5,217,365.00.

1.1.10.5 The Management of NRF 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.

1.1.10.6 The Management of NRF should establish a policy that include period for follow ups and action taken at each phase of the system of operationalizing the penalty for non-payment.

Management's Response

1.1.10.7 *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 8A and B.***

Auditor General's Position

1.1.10.8 We acknowledge the information provided in **Appendix 8A & B.** Going forward, the NRF Management should work along with the IMSC and LRA Management for the timely collection of the receivables due from the LPRC.

1.1.11 Non-Application of Penalty on Delay Payments

Observation

- 1.1.11.1 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."
- 1.1.11.2 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)."
- 1.1.11.3 During the conduct of the audit, we observed on page 11 of the Financial Statements huge debts due from importers to the National Road Fund of Liberia in the amount of **US\$22,212,538** without any measure by the NRF Management for application of penalties to persons who refuse/delay payment of the road user chargers. **See Table #10 below for details.**

Table 10: Due from Petroleum Importers

#	Name of importers	Amount previously owed (USD)	Amount paid (USD) equivalent	Balance due
1	Conex Petroleum Services	8,540,760	413,963	8,126,797
2	Srimex Oil and Gas Company	4,808,524	55,395	4,753,129
3	Kailondo Petroleum	167,271		167,271
4	Petro Trade	1,087,347		1,087,347
5	Aminata & Sons	2,804,030		2,804,030
6	MOTC	1,736,894		1,736,894
7	Nexium Petroleum	488,260		488,260
8	West Oil Investment	2,858,565		2,858,565
9	NP Liberia	190,245		190,245
TOTAL		22,681,901	469,358	22,212,538

Risk

- 1.1.11.4 The NRF program objectives will not be achieved when funds due the Entity are not paid timely.
- 1.1.11.5 Failure to activate the penalty clause for untimely payment of levy may encourage continuous untimely payment.

Recommendation

- 1.1.11.6 The NRF's Management should ensure that the overdue amounts are collected including the required associated penalties.
- 1.1.11.7 Going forward, untimely payment of fuel levy fees 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

- 1.1.11.8 *The NRF Management acknowledges and accept this recommendation. The NRF is not involve with the lifting and collection of fuel levies from the petroleum importers it is only the LRA, LPRC and importers that are involved with said transactions. Henceforth it is impossible for the NRF to measure penalties against delinquent importers. NRF is in conversation with the National Legislatures to schedule a meeting with the LRA, MFPD, LPRC and petroleum importers for the settlement of the debt. The actual owed to the NRF is US\$ US\$20,339,056.12. In accordance to Section 5.24(h, j &K) of the Road Fund the Legislatures to ensure that penalties be imposed to the delinquent importers as recommended by the GAC audit report. **See appendix 7 for reference.***

Auditor General's Position

- 1.1.11.9 We acknowledge Management's acceptance of our finding and recommendation. However, the NRA Management should collaborate with the Ministry of Justice and other relevant GoL authorities to institute penalties on importers that delay the payment of fuel levy fees. We will make follow-up on the implementation of the recommendation in subsequent audit.

1.2 Administrative Issues

1.2.1 High Cost of UBA LOAN

Observation

- 1.2.1.1 Regulations A. 15 (1) of the PFM Act of 2009, requires 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."
- 1.2.1.2 It was observed from the loan amortization schedule, that the NRF Management will pay the total amount of US\$780,115. 74 in interest and upfront charges on a four-years, 7% US\$3,500,000.00 UBA Loan for road works. The interest and associated charges appear to be high for the loan principal. **See table # 11 below for details:**

Table #11: Interest and Associated cost for the UBA US\$3,500,000.00 loan

NO	Description	Amount US\$
1.	Processing Fee	35,000.00
2.	Management Fee	35,000.00
3.	Total Interest over the Loan's life	710,115.74
Total		780,115.74

Risk

- 1.2.1.3 The high interest and associated cost may deny the achievement of the NRF objectives as resources could be directed towards servicing loan.

Recommendation

- 1.2.1.4 The NRF management should provide justification for acquiring a Loan that carries a very high cost.

Management's Response

- 1.2.1.5 *The upfront total interest of US\$780,115.74 was paid to the UBALL due to the urgency of loan. The \$780K is comprised of processing and Management fees. The rehabilitation of the Marshall Road was included in the ARMEP and it was necessary to start the process before the rainy reasons begun and the contractor SSF Inc. had already commence with the work.*

Auditor General's Position

- 1.2.1.6 Obtaining loan that attracts significant interest for road work that will not be completed within the value of the loan undermine the achievement of value for money. Going forward, Management should conduct a comprehensive cost benefit analysis for obtaining future loans. The options of obtaining a loan should be considered under the following conditions: the completion of phase(es) of work, attraction of additional funding, bridge financing, or approved emergency road works.

1.2.2 Discrepancy on UBA Loan Amortization Schedule

Observation

- 1.2.2.1 Regulations 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."
- 1.2.2.2 We observed during the re-computation of the UBA Loan amortization schedule that the NRF Management will incur US\$40,740.81 above the total payment on principal and interest of the loan. **See table#12 below for details:**

Table #12: Amortization schedule per GAC calculation

No.	Due Dates	Principal and Interest US\$ (A)	Interest US\$@9% per annual (B)	Total principal US\$ (C)	Running Balance US\$ (D)	Total Payment per UBA Amortization schedule Calculation US\$ (E)	Variance US\$ F= (E-C)
0	2-Aug-19				3,500,000.00		
1	2-Nov-19	218,750.00	79,397.50	139,352.50	3,281,250.00		
2	2-Feb-20	218,750.00	74,435.16	144,314.84	3,062,500.00		
3	2-May-20	218,750.00	69,472.81	149,277.19	2,843,750.00		
4	2-Aug-20	218,750.00	64,510.47	154,239.53	2,625,000.00		
5	2-Nov-20	218,750.00	59,548.13	159,201.88	2,406,250.00		
6	2-Feb-21	218,750.00	54,585.78	164,164.22	2,187,500.00		
7	2-May-21	218,750.00	49,623.44	169,126.56	1,968,750.00		
8	2-Aug-21	218,750.00	44,661.09	174,088.91	1,750,000.00		
9	2-Nov-21	218,750.00	39,698.75	179,051.25	1,531,250.00		
10	2-Feb-22	218,750.00	34,736.41	184,013.59	1,312,500.00		
11	2-May-22	218,750.00	29,774.06	188,975.94	1,093,750.00		
12	2-Aug-22	218,750.00	24,811.72	193,938.28	875,000.00		
13	2-Nov-22	218,750.00	19,849.38	198,900.63	656,250.00		
14	2-Feb-23	218,750.00	14,887.03	203,862.97	437,500.00		
15	2-May-23	218,750.00	9,924.69	208,825.31	218,750.00		
16	2-Aug-23	218,750.00	4,962.34	213,787.66	0.00		
	Total	3,500,000.00	669,375.00	4,169,375.00		4,210,115.81	40,740.81

Risk

- 1.2.2.3 Overpayment on the loan could deny NRF the resources needed to achieve its program objectives.

Recommendation

- 1.2.2.4 The management should ensure that repayment of loan is reflective of actual principal and interest.
- 1.2.2.5 The Management and the UBA Management should carry out immediate reconciliation to derive actual interest payment.
- 1.2.2.6 Excess amount over interest paid should be adjusted for subsequent interest payments.

Management's Response

- 1.2.2.7 *The NRF Management acknowledges and accept this recommendation. The amortization prepared by the GAC was submitted to the UBALL to address the GAC audit findings of the said difference. The NRF also re-computed and derived the same results as the GAC.*

Auditor General's Position

- 1.2.2.8 We acknowledge Management's acceptance of our finding and recommendation. We will make follow up in subsequent audit.

1.2.3 Annual Employment Contract

Observation

- 1.2.3.1 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."
- 1.2.3.2 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."
- 1.2.3.3 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.

- 1.2.3.4 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 #13 below for details:**

Table #13: List of NRF Contractors that have served beyond the stator period for employment

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
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
12.	Emmanuel K. Dasilvera	21513	Driver	08/01/2018
13.	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
16.	James K. D. Willie	21517	Office Attendant	11/01/2019
17.	Varney Konah	21518	Driver	11/01/2019
18.	Sidiki Youboty	21519	ICT Consultant	11/01/2019
19.	Gabriel Togba	21520	Yard Maintenance	08/03/2020
20.	Danny W. Carter	21521	Monitoring & Eval officer	12/01/2019
21.	Abraham Daniels	21522	Accounts Assistant	04/01/2019

Risk

- 1.2.3.5 Maintaining staff on contracts could deny them protection guaranteed under the Civil Service Standing Order and the Decent Work Act of 2015.

Recommendation

- 1.2.3.6 The Management of NRF 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

- 1.2.3.7 *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

- 1.2.3.8 The NRF as a public entity established by an Act of the National Legislature in 2016, does not require a new legislation to employ staff for the smooth operations of the Fund. It is a

violation of the NRF Act and the Decent Work Act of 2015 to indefinitely maintain individuals that work for the NRF on contracts without the opportunity for full employments. We therefore maintain our finding and recommendation.

1.2.4 Incomplete Assets Register

Observation

1.2.4.1 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".

1.2.4.2 It was observed during the audit that the NRF Management did not maintain a Fixed Assets Register (FAR) to show series number, cost, current condition and disposal history.

Risk

1.2.4.3 In the absence of a comprehensive Fixed Asset Registry, the ownership and the existence of the assets may not be assured.

Recommendation

1.2.4.4 The NRF Management should establish a fixed asset policy that will serve as a guidance for on the Entity's Assets management system.

1.2.4.5 The NRF 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 cost, depreciation, accumulated depreciation, net book value, location, condition and code.

1.2.4.6 The NRF 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

1.2.4.7 *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 appendix 10.***

Auditor General's Position

1.2.4.8 We acknowledge the information provided in **appendix 10**. We have revised our recommendation that going forward, the NRF Management should ensure that information provided in the FAR should include spaces for signatures and dates for the preparer of the FAR and the approving authority.

1.2.5 No Monitoring and Supervision Report

Observation

- 1.2.5.1 Section VII, of the below Contracts requires that "The Ministry of Public Works shall designate a Project Engineer for the duration of the project that shall be responsible for the monitoring and supervision of the project to ensure that the works under this agreement are in conformity with the technical specifications as well as the designs and drawings contained in the Bill of Quantity (BOQ). The Project Engineer shall submit monthly reports to the Assistant Minister for Operations and serve copies to the Office of the Deputy Minister for Technical Services."
- 1.2.5.2 During the conduct of the audit, there was no evidence that the NRF Management prepare monthly monitoring and supervision reports for the road works undertaken by Contractors.
Please see table #14 below for details.

Table #14: Monitoring and Supervision Report

No	Contractors	Description	Contract Amt (\$USD)
1	S.S.F Entrepreneur	Chip Seal Pavement of certain section of Barclayville, Grand Kru County 2.5Km	923,259.63
2	B & SON Transport and Construction Company	Periodic Maintenance of Primary Laterite Roads in Nimba; Zekenpa-Tappita	666,860.25
3	West Africa Construction Incorporated	Chip Seal Pavement of certain section of Greenville, Sinoe County 2.1Km	1,067,338.51
4	SIDANI Group of Holding INC	Rehabilitation of Feeder Road from Palala to Zowieta Town (29.3KM), Bong County	988,280.77
5	MOABEL INC.	Rehabilitation of Feeder Road from King's Farm to Zeawho Town (29.3KM), Margibi County	455,266.80
6	SIDANI Group of Holding INC	Asphalt Payment of Gbarnga Broad Street (1.0KM)	800,000.00.36
7	Desire Construction Company	Periodic Maintenance of Primary Laterite Roads as Lot#2, ITI Bridge to Greenville (130KM)	1,905,218.80
8	JD Construction Company	Periodic Maintenance of Primary Laterite Roads in Margibi; Kakata-Worhn Township, Division#44-10Doll- Firestone/Kakata District Boundary, Darkor-Massaquoi (75.17KM)	680,308.00
9	New Millennium Engineering and Construction Company	Periodic Maintenance of Laterite Roads in Bong County as Lot#2; Garyea-Gbanlata & Kollila-Palala	354,866.06
10	Quality Group of Construction Companies	Bridge Rehabilitation & Maintenance/Spot Improvement Works	230,977.23
	Total		7,272,376.05

Risk

- 1.2.5.3 In the absence of supervision report, value for money may not be achieved.
- 1.2.5.4 The lack of supervision report may deny stakeholders such as the Government, the general public and partners information on level of road works done and financed by the NRF.

Recommendation

- 1.2.5.5 The NRF Management should ensure that a comprehensive evaluation reporting structures is established for all road projects to guarantee value for money before payments for works are made.

Management's Response

- 1.2.5.6 *Technical Monitoring & Supervision reports are prepared by MPW engineers and this is done through a completed portion of work validated by MPW engineers and a payment certificate signed by Deputy Minister of Technical Services and not NRF. The NRF through its statutory responsibility is to provide updated financial reports on the statuses of projects payments accrued against the approved ARMEP by IMSC.*

Auditor General's Position

- 1.2.5.7 Management's assertion is not supported by documentary evidence. We therefore maintain our finding and recommendation.

1.2.6 Roads and Bridges

Incomplete Concrete Side Drains /Buchanan - Fair Ground 1.5 km Road

Observations

- 1.2.6.1 Section 407, (b) of the MPW Technical Specification for Asphalt Roads requires that, "This section covers the construction of concrete channels, open concrete chutes, and line drains at the locations and to the details as shown on the Drawings or as directed by the Engineer. The line drains shall be rectangular or trapezoidal in shape as shown on the drawings. Concreted rectangular line drains shall be constructed in urban areas with reinforced concrete slabs placed at the top to serve as sections of sidewalks as shown on the Drawings. The trapezoidal drains shall be constructed in Towns."
- 1.2.6.2 Furthermore, the BOQ of the contract (Construction of Buchanan Fair Ground 1.5 km), item 4.07, requires that "Provision for the construction of concrete rectangular drain with concrete with 5ft concrete covers as walkway including all formations as directed by the engineer. Dimension: (0.8m depth X 0.75m width X 0.75 depth)"
- 1.2.6.3 During the field verification, we observed that the concrete side drains constructed on both sides of the Fair Ground road corridor were without concrete slabs/covers in keeping with specification, AASHTO and ASTM Standard as adopted by the Ministry of Public Works. **See photo 1a below:**

Photo 1a: Incomplete Concrete Side Drains



GAC Photo 1a showing incomplete concrete side drains that yet to receive concrete slabs/covers on the carriage way of Buchanan Fair Ground

Risk

- 1.2.6.4 The lack of concrete slabs/covers could result to safety hazard for road users.

Recommendation

- 1.2.6.5 The NRF Management should ensure that contractors complete all road works based on specifications of the contract.
- 1.2.6.6 The Management should ensure that concrete slides are placed on all sidewalks per the BOQ of the contract.

Management's Response

- 1.2.6.7 *The NRF Management acknowledges and accept this recommendation. The Buchanan Fairground road is still incomplete and this was also observed during our last field visit. Final payment has not been made for this road, as it is not yet 100% completed. The contractor is aware that all works will be completed before the final payment is made, including the concrete slide drains.*

Auditor General's Position

- 1.2.6.8 We acknowledge Management's acceptance of our recommendation. We will make follow up on the construction of concrete side drains on both sides of the Buchanan - Fair Ground Road in subsequent audit.

Incomplete Concrete Sidewalks - Fair Ground Road

Observations

- 1.2.6.9 Section 408, (a & b) of the MPW Technical Specification for Asphalt Roads, requires that,

“Concrete Curbs-the plain curbs will be installed on high embankments along the edge of the paved shoulders to convey run-off water to chutes for erosion protection. Curb and gutter will be installed between pavement edge and sidewalk in cities. Curb dimensions are as shown on the Drawings. Sidewalks shall be constructed with Grade 25 concrete slabs and or masonry block pavers. The slabs shall be constructed on selected laterite bed compacted to 95% Modified Proctor density and the pavers shall be installed on sand bedding as described below.”

- 1.2.6.10 During the field verification, it was observed that the left-hand side (LHS) concrete sidewalk corridor leaving from Buchanan and entering into Fair Ground was incomplete. We further observed that the concrete curbs installed between pavement edge and sidewalk appear damaged in some areas. See photo 1b below for details:

Photo 1b: Incomplete Concrete Sidewalks





GAC Photo 1b showing incomplete concrete sidewalks and curbs on the carriage way of Buchanan Fair Ground

Risk

- 1.2.6.11 The lack of sidewalk and curbs may cause injury to pedestrians using the road.

Recommendation

- 1.2.6.12 The Management of NRF should ensure that contractors complete all roadworks based on specifications of the contract.
- 1.2.6.13 The NRF Management should ensure that concrete curbs installed between pavement edge and sidewalk are placed on all sidewalks per the BOQ of the contract

Management's Response

- 1.2.6.14 *The NRF Management acknowledges and accept this recommendation. The Buchanan Fairground road is still incomplete and this was also observed during our last field visit. Final payment has not been made for this road, as it is not yet 100% completed. The contractor is aware that all works will be completed before the final payment is made.*

Auditor General's Position

- 1.2.6.15 We acknowledge Management's assertion. We will make a follow up on the implementation of the Fairground road work during subsequent audit.

Buchanan to ITI Bridge-Cestos River Cess County Road Project

Observations

- 1.2.6.16 According to Item 2.0 of the BOQs for the Contract between the Ministry of Public Works and Gbehzohn Shipping & Trading Construction, Inc, April 2020, requires under Site Clearance and Earthworks that "General Clearance-perform clearing and grubbing at designated section of the road corridor. All bushes, shrubs, undergrowth, anthills and ants nests, rubbish, debris, and other deleterious matter and all trees exceeding 10m both left from the centerline should be removed. Girth, grub up all stumps and roots including

backfilling of holes. Area of clearance excludes existing road; removal of unsuitable (unstable) material in road bed to any depth as instructed by the Engineer including providing, hauling, deposit, spreading and compaction with approved laterite material."

1.2.6.17 Additionally, Section 1.3 (k & r), of the National Road Fund of Liberia Act of 2016, states that "Maintenance means the preservation of roads, including repair of road surfaces, road sides, structures and road furniture necessary for the safe and efficient utilization of roads. Maintenance does not include Emergency work. Periodic Maintenance means works such as resealing, overlays and re-gravelling or re-shaping undertaken on a planned, periodic basis where the period exceeds more than one year."

1.2.6.18 During the field verification, it was observed that there was no evidence of routine and periodic maintenance works from kilometer 45 km 130 on the Buchanan-Rivercess Road. We further observed that the carriageway of the road has not yet received clearance, grubbing, laterite (proper gravel layer) backfilling and compaction in keeping with specification, AASHTO and ASTM Standard as adopted by the Ministry of Public Works. **See photo 2 below for details:**

Photo 2: Unmaintainable Road



GAC Photos 2 showing road that has not yet received clearing, grubbing, laterite (proper gravel layer) works on Buchanan to ITI Bridge to Cestos City

Risk

1.2.6.19 The lack of periodic maintenance of the road could lead to deterioration and inaccessibility of the road and may result to safety hazard for road users.

Recommendation

1.2.6.20 The NRF Management should ensure that periodic maintenance is budgeted for, scheduled and implemented consistence with the terms and conditions of the contract.

1.2.6.21 The NRF Management should ensure that Contractors complete all roadworks based on specification of the contract.

Management's Response

- 1.2.6.22 *The NRF Management acknowledges and accept this recommendation. However, under the contractual arrangement for said works, 35% of the contract value should have been given to the contractor for mobilization. In this case, up to the time of the GAC site inspection, the advanced payment to Gbezohn had not been fully paid. The contractor did mobilize and worked up to 90 km, precisely ITI junction.*

Auditor General's Position

- 1.2.6.23 We acknowledge the acceptance of our recommendation and the assertion made by the NRF Management. We will make a follow up on the implementation of the routine and periodic maintenance works on the Buchanan-Rivercess Road in subsequent audit.

Maintenance Contract - Rivercess to Sinoe County Road

Observations

- 1.2.6.24 Section 42 (1, 2 & 4) of the PPC Act of 2005 as amended and restated 2010, states that "Price adjustment is not permitted unless provided for in the procurement contract to take into account changes in economic circumstances. If the procurement contract provides for the possibility of price adjustment, it shall stipulate: (a) the conditions, such as increases or decreases in the cost of materials, labor, transportation and energy, in which price adjustment would be permitted; (b) the formulas and indices to be referred to in order to determine whether economic conditions have altered to a significant enough degree to justify a price adjustment and to identify the amount of increase or decrease; (c) the frequency with which price adjustments may be implemented; and (d) procedures to be followed. Any price variation shall be subject to approval by the respective Procurement Committee."
- 1.2.6.25 During the fiscal period under audit we observed that the NRF Management paid the amount of US\$300,000.00 to Desire Construction Company as part payment for the periodic maintenance of the 130 kilometers laterite road between ITI Bridge in Rivercess County and Greenville City, Sinoe County. We further observed that Desire Construction Company carried out maintenance works on the total of 64 kilometers from ITI bridge to Nyanfuah Town with no evidence that the Company completed the remaining 66 kilometers of road.
- 1.2.6.26 In addition, we observed no evidence of price adjustment/ Variation Orders for the 66 kilometers of the road that is not maintained by Desire Construction Company.

Risk

- 1.2.6.27 The Government could be paying substantial resources for road works not undertaken.

Recommendation

- 1.2.6.28 The Management of MPW through the LNRF should provide justification for awarding maintenance contract on a road which large portion is not maintained.

Management's Response

- 1.2.6.29 *The contract is being executed by Desire and it is a performance-based contract. The funds they received was the total value of the executed/completed tasks/works based on the BOQ. See the documents attached to the payment for details. In addition to this, the contract is not yet completed. It is still ongoing and therefore no conclusion can be made now as the works are still being carried out.*

Auditor General's Position

- 1.2.6.30 We acknowledge the NRF Management's assertion. We will make a follow up on the implementation of the periodic maintenance of the 130 kilometers laterite road between ITI Bridge in Rivercess County and Greenville City, Sinoe County in subsequent audit.

Maintenance Deficiency - ITI Bridge to Nyanfuah Town Road

Observation

- 1.2.6.31 The BOQ, Item 2 (1 & 2) of the contract between the MPW and Desire Construction Company, April 2020, requires under Site Clearance and Earthworks that "General Clearance-perform clearing and grubbing at designated section of the road corridor. All bushes, shrubs, undergrowth, anthills and ants nests, rubbish, debris, and other deleterious matter and all trees exceeding 10m both left from the centre line should be remove. Girth, grub up all stumps and roots including backfilling of holes. Area of clearance excludes existing road; removal of unsuitable (unstable) material in road bed to any depth as instructed by the Engineer including providing, hauling, deposit, spreading and compaction with approved laterite material."
- 1.2.6.32 Furthermore, the BOQ, item 3.2 of the contract between the Desire Construction Company and MPW (Periodic maintenance of ITI Bridge to Greenville 130km, Sinoe County Road project), requires that the contractor "provide and install concrete in reinforced concrete pipe of concrete grade C30/20, 1200mm diameter and 75mm thick. Construction head/wind walls and apron; and provide clearance of 5m at both inlet and outlet. Each line should comprise of 10 meter in length. Seek the approval of the Engineer in a case where the culvert exceeds 10 meters."
- 1.2.6.33 During the fiscal period under audit, we observed that the NRF Management paid the amount of US\$300,000.00 to Desire Construction Company as part payment for the periodic maintenance of the laterite road between ITI Bridge and Greenville City, Sinoe County. We further noted that some culverts located at kilometres (3 & 33) on the road between ITI Bridge and Nyanfuah Town, were mostly silted with overgrowth vegetation which appear to block the waterway.
- 1.2.6.34 It also appears that at (8, 44, 49 & 51), the removal of unsuitable materials in road bed for replacement with approved laterite materials, backfilling of holes, and compaction were not achieved in keeping with specification, AASHTO and ASTM Standard as adopted by the Ministry of Public Works. **See photo 3 below for details:**

Photo 3: Improper Backfilling & Compaction



GAC Photos 3 showing improper backfilling, compaction and gabion work on ITI to Greenville Road Project

Photo 5: Unclean culverts



GAC Photos 3 showing blockage of the RCP on ITI Bridge to Greenville 130km, Sinoe County Road project

Risk

- 1.2.6.35 The lack of periodic maintenance of the road could lead to deterioration and inaccessibility of the road and could result to safety hazard for road users.

Recommendation

- 1.2.6.36 The Management of NRF should ensure that periodic maintenance is budgeted for, scheduled and implemented consistence with the terms and conditions of the contract.
- 1.2.6.37 The Management of NRF should ensure that the Contractors complete all roadworks based on specification of the contract.

Management's Response

- 1.2.6.38 *The contract is being executed by Desire and it is a performance-based contract. The funds they received was the total value of the executed/completed tasks/works based on the BOQ. See the documents attached to the payment for details. In addition to this, the contract is not yet completed. It is still ongoing and therefore no conclusion can be made now as the works are still being carried out.*

Auditor General's Position

- 1.2.6.39 We acknowledge the NRF Management's assertion. We will make a follow up on the implementation of the recommendation in subsequent audit.

Sass Town Bridge Rehabilitation Project

Observation

- 1.2.6.40 Section III of the Contract Agreement between the Ministry of Public Works and Quality Group of Construction Companies entered into 24th day of July 2019, requires that "The contractor shall perform the works, and make available all of the materials and equipment required under this contract, which are to be consistent with the plans and specifications for Bridge Rehabilitation/Maintenance/Spot Improvement Works. All labor and materials shall meet, and be in conformity with the Technical Specifications provided for the project. No work shall be considered as acceptable until final examination and approval by the Ministry of Public Works, evidenced by issuance of a Certificate of Completion signed by the Project Engineer.
- 1.2.6.41 During our field inspection, we observed that the NRF Management paid the total amount of US\$80,842.03 which constitutes 35% of contract value to Quality Group of Construction Companies for the rehabilitation of a bridge in Sass Town, Grand Kru County. The Contract period was for eighteen (18) months (July 2019- January 2021).
- 1.2.6.42 We further observed that as at June 30, 2020, the bridge project was five (5) months behind schedule and the Project appears abandoned. **See photo # 4 below**

Photo 4: Abandoned Bridge



GAC Photo 4 showing abandoned bridge in Sass Town, Grand Kru County

Risk

- 1.2.6.43 Construction materials placed on the bridge may corrode and value for money may not be achieved when the project is significantly delayed.
- 1.2.6.44 The Road Fund objectives may not be achieved when road works are delayed beyond contract period.

Recommendation

- 1.2.6.45 The Management of NRF should provide substantive justification for delayed rehabilitation of the Sass Town bridge project.

Management's Response

- 1.2.6.46 *The amount paid was an advance payment of 35% against the contract value. This is standard under the contractual arrangements and the payment was made based on the provision of a bank guarantee and not for works completed. No other payment will be made to the contractor until the works can reach the required level (percentage) for the next payment. The Ministry of Public Works (MPW) is the implementing agency and thus is responsible for determining the level (percentage) of work completed. In the case of non-performance, we will fall back on the bank guarantee.*

Auditor General's Position

- 1.2.6.47 We acknowledge the NRF Management's assertion. We will make a follow up on the implementation of the recommendation in subsequent audit.

Garyea to Gbanlata and Kolila to Palala Road Rehabilitation Project

- 1.2.6.48 Section 3204 of the Ministry of Public Works Feeder Roads Design Manual and Specifications 2016, states that " This Bill Item shall be applied on sections where the road formation requires a reshaping operation to restore the road surface and formation to the required

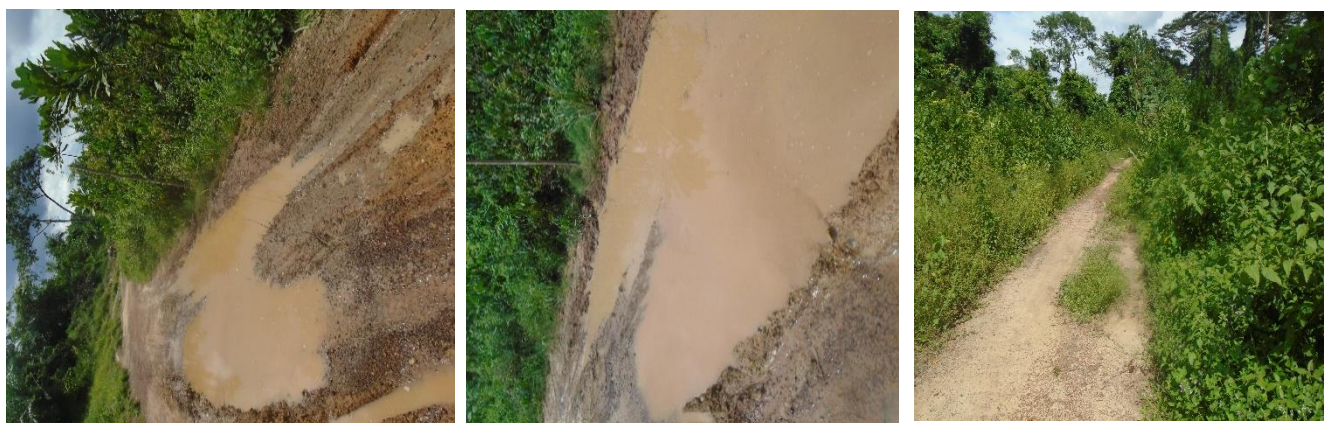
cross falls, levels, lines, grades and smoothness, free of holes, ruts, gullies, ridges and areas likely to retain standing water. The work shall include grading, shaping, watering the existing road as may be required, grading/or regrading of road carriage way to required cross fall (Camber) 7%, shaping of shoulders to required cross fall (where applicable), watering and compaction. Grading and shaping works or activities cover the road formation width including any back slopes in grading and shaping areas as per the drawings or as directed by the Engineer-In-Charge (E-I-C)."

- 1.2.6.49 Also, Section 2.9.4, Item (4.4 & 4.10) of the MPW Technical Specification for Road Maintenance (Laterite Road), states that "provide and install reinforced concrete pipe culvert: 450mm, 600mm, 900mm, 1200mm and 1500mm diameter. Provide, install and backfill RC pipe culvert, complete with all bedding materials, headwalls wing walls and apron slabs. Number and length of pipelines.
- 1.2.6.50 Any special requirements such as removal of existing steel, log, CMP etc pipeline and disposal of surplus materials will be as noted in the BoQ and respective sub-item."
- 1.2.6.51 During the period under audit we observed that the NRF Management paid the total amount of US112,459.82 to the New Millennium Engineering and Construction Company for the periodic maintenance of the Garyea to Gbanlata and Kolila to Palala roads located in Bong County. We further observed during our field inspection that the carriageways of the roads have not yet received clearance, grubbing, laterite (proper gravel layer) backfilling and compaction in keeping with specification, AASHTO and ASTM Standard as adopted by the Ministry of Public Works.
- 1.2.6.52 In addition, we observed that log bridges were used on the Garyea to Gbanlata road instead of Reinforced Concrete Pipes (RCP). **See photo 5ab below for details:**

Photo 5(a & b): Improper Earthwork and Drainage Work



GAC Photo 5a showing improper earthwork and drainage work on the carriage way of Garyea to Gbanlata Road Project



GAC Photo 5b showing improper earthwork and drainage work on the carriage way of Kolila to Palila Road Project

Risk

- 1.2.6.53 Improper earthworks may further damage the road, lead to overflow of water on the carriageway and value for money may not be achieved.
- 1.2.6.54 The lack of periodic maintenance could result to safety hazard for road users.

Recommendation

- 1.2.6.55 Management should ensure that the Contractors complete all roadworks based on specification of the contract.

Management's Response

- 1.2.6.56 *The amount paid was an advance payment of 35% against the contract value. This is standard under the contractual arrangements and the payment was made based on the provision of a bank guarantee and not for works completed. No other payment will be made to the contractor until the completed works can reach the required level (percentage) for the next payment. The Ministry of Public Works (MPW) is the implementing agency and thus is responsible for determining the level (percentage) of work completed. The contract however is still ongoing and more works are being executed.*

Auditor General's Position

- 1.2.6.57 We acknowledge the NRF Management's assertion. We will make a follow up on the implementation of the recommendation in subsequent audit.

1.2.7 Payments without Bill of Quantity (BOQ)

Observation

- 1.2.7.1 Section I (b) of the Contract Agreements between the Ministry of Public Works and the below Contracting Entities requires that "The following documents are expressly agreed to be incorporated by reference and made part of this Agreements: Bill of Quantities (Appendix C)"

- 1.2.7.2 During the fiscal period under audit, we observed that the NRF Management paid the total amount of US\$1,117,607.62 to several construction companies for road works in various parts of the Country without evidence of BOQs which should contain detailed items listing, costs and works to be done. **See table #16 below for details:**

Table #16: No Evidence of -BOQs

No	Contractors	Description	Amt paid \$US
1	S.S.F Entrepreneur	Chip Seal Pavement of certain section of Barclayville, Grand Kru County 2.5Km	323,140.87
2	B & SON Transport and Construction Company	Periodic Maintenance of Primary Laterite Roads in Nimba; Zekenpa-Tappita	75,000.00
3	West Africa Construction Incorporated	Chip Seal Pavement of certain section of Greenville, Sinoe County 2.1Km	373,568.48
4	SIDANI Group of Holding INC	Rehabilitation of Feeder Road from Palala to Zowieta Town (29.3KM), Bong County	345,898.27
Total			1,117,607.62

Risk

- 1.2.7.3 In the absence of BOQs, public resources could be paid to construction companies without evidence of measurement and value for money may not be achieved.

Recommendation

- 1.2.7.4 The Management of NRF should provide substantive justification for making payments in the absence of BOQs.
- 1.2.7.5 The Management of NRF should ensure that all relevant documents catalogued in the contract are made available before disbursements to the contractor. Additionally, before disbursement, a stage- of- completion evaluation should be performed by an experienced engineer, and the report adequately documented to facilitate future review.

Management's Response

- 1.2.7.6 *Management acknowledged the recommendation. The BOQs are usually attached to payment requests, there is a high possibility that the BOQs might have fallen off the above payments during the process of moving the documents from the MPW to NRF and then to MFDP or between the offices at the MFDP. However, the total value of the works is not only recorded in the BOQ, it is also in the contract, withdrawal Application and the payment request. The contract in addition to having the total value of the works also has the payment schedule. Going forward, more attention will be given to the movement of documents.*

Auditor General's Position

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

1.2.8 Inaccessible Feeder Roads

Observation

- 1.2.8.1 Section 3204 of the Ministry of Public Works Feeder Roads Design Manual and Specifications 2016, states that " This Bill Item shall be applied on sections where the road formation requires a reshaping operation to restore the road surface and formation to the required cross falls, levels, lines, grades and smoothness, free of holes, ruts, gullies, ridges and areas likely to retain standing water. The work shall include grading, shaping, watering the existing road as may be required, grading/or regrading of road carriage way to required cross fall (Camber) 7%, shaping of shoulders to required cross fall (where applicable), watering and compaction. Grading and shaping works or activities cover the road formation width including any back slopes in grading and shaping areas as per the drawings or as directed by the Engineer-In-Charge (E-I-C)."
- 1.2.8.2 During the fiscal period under audit, we observed that the NRF Management paid the total amount of US271,459.82 to three companies respectively for periodic maintenance of feeder roads. We further observed that large portion of the roads appear inaccessible as the carriageways were not graded. **See table #17 below for details.**

Table #17: Inaccessible Kilometers

No	Contractors	Description of Work	Kilometers of Road (A)	Total Contract Value (\$USD) (B)	Accessible/ Inspected Kilometers ©	Inaccessible/ Uninspected Kilometers D= (A-C)	Contract Value per KM E=(B/A)	Amount Paid during fiscal period US\$
1	New Millennium Engineering & Construction Company	Periodic maintenance of the following laterite roads in Bong County: Garyea - Gbanlata and Kolila – Palila	37	354,866.06	10	27	9,590.97	121,459.82
2	JD Construction Company	Periodic Maintenance of Laterite Feeder Roads in Margibi County: Kakata - Worhn Township, Division # 44 - 10 Doll - Firestone /Kakata Dist Boundary, Darkor – Massaquoi	75.17	680,308.00	11	64.17	9,050.26	75,000.00
3	B & Son Transport and Construction Company	Periodic Maintenance of Primary Road in Nimba County:Zekenpa – Tappita	69	666,860.25	12	57	9,664.64	75,000.00
Total								\$271,459.82

Risk

- 1.2.8.3 Payments could be made for road works not done which may undermine the achievement of the NRF objectives.

Recommendations

- 1.2.8.4 The NRF management should ensure that before disbursement, a stage- of- completion evaluation should be performed by an experienced engineer, and the report adequately documented to facilitate future review.

Management's Response

- 1.2.8.5 *The amounts paid were advance payments. This is standard under the contractual arrangements and the payments were made based on the provision of bank guarantees and not for works completed. No other payment will be made to the contractors until the completed works can reach the required level (percentage) for their next payments. The Ministry of Public Works (MPW) is the implementing agency and thus is responsible for determining the level (percentage) of work completed. The contracts however are still ongoing and the contractors are expected to execute the works as required by the BOQ and standards specification.*

Auditor General's Position

- 1.2.8.6 We acknowledge the NRF Management's assertion. We will make a follow up on the implementation of the recommendation in subsequent audit.

1.2.9 Non Erection of Signboards

Observation

- 1.2.9.1 Section 127 (Paragraph C) of the Ministry of Public Works Technical Specification for Asphalt Roads, states that" the Contractor shall provide and erect a sign board at the main entrances to the site and at the site camp, where directed by the Engineer. The boards, with suitable inscription, shall include the name of the project, the name of the Employer, the name of the Financing Institution, the name of the consultant and the name of the Contractor etc. The boards approx.3.30 m x 3.20 size, shall be approved by the Engineer, before erection."
- 1.2.9.2 During the field verification, it was observed that the below contractors started work without erecting signboards at the beginning and end of the road as required by the Technical Specification for Asphalt Roads. We further noted that there was no traffic signs on the road to guide road users. **see table #18 below for details.**

Table #18: Signboards

No	Work Executing Entity	Description of Contract	Total Value of Contract (USD\$)
1	West Africa Construction Inc	Construction of 2.1 KM of chip seal urban pavement in Greenville, Sinoe County	\$ 1,067,338.51
2	SSF Entrepreneur	Construction 2.5 KM of chip seal urban pavement in Barclayville, Grand Kru County	\$ 923,259.63
3	SIDANI Group Holding	Construction of Gbarnga Broad Street (1 km)	\$ 800,000.00
4	New Millennium Engineering & Construction Company	Periodic maintenance of the following laterite roads in Bong County: Garyea - Gbanlata and Kolila - Palila (37km)	\$ 354,866.06
	Total		\$ 3,145,464.20

Risk

- 1.2.9.3 The lack of signboards/traffic signs for on roads could lead to the followings:
- Road users or dwellers along the road corridor may not be informed of the special regulations applying on a section of a road;
 - Drivers/motorists may not be warned of potentially hazardous road conditions or take the necessary precautionary measures before arriving at the hazardous sections.

Recommendation

- 1.2.9.4 The NRF Management should provide substantive justification for contractors not erecting signboard on roads contracted to them.

Management's Response

- 1.2.9.5 *Recommendation acknowledged the recommendation. NRF takes SERIOUS note of this concern and hope to work with the implementing agency (MPW) to replicate Section 127 (Paragraph C) across all ongoing roads construction in the country. Measures have already been put in place to ensure that all new works have the required signboards.*

Auditor General's Position

- 1.2.9.6 We acknowledge Management's acceptance of our findings. We will make follow up on the implementation of the recommendation in subsequent audit.

1.2.10 Non-Application of Chip Seals Pavement

Observation

- 1.2.10.1 Section 1.27 and 12.24 of the Ministry of Public Works Standard Specification for Roads 2011, states that "Seal-The application of one or more layers of bituminous binder with or without layers of crushed stone or sand in successive layers on the carriageway, shoulders

or on any other compacted layer on which movement of traffic takes place; Single Seals- this section covers the supplying and furnishing of all materials for the repair of existing surfaces and for the construction of new single seal. Note: Seals materials and general requirements shall apply to this section.”

1.2.10.2 Additionally, Section 12.28 & 12.29 of the Ministry of Public Works Standard Specification for Roads 2011, states that “Double Seals- this Section covers the supplying and furnishing of materials for the construction of a bituminous double seal. The seal shall be constructed using either 19.0mm aggregate of 13.2mm plus 6.7mm aggregate, whichever is shown in the Schedule of Quantities. Note: Seals materials and general requirements shall apply to this section.”

1.2.10.3 During the fiscal period under audit, the NRF Management paid the total amount of US\$696,709.35 to two companies for the placement of chip-seals pavement on selected streets in Barclayville, Grand Kru County and Greenville, Sinoe County respectively. We further observed that there was no evidence that the companies placed in the chip-seals pavement. **See table #19 and Photo #6 below for details:**

Table #19: Chip Seals Pavement

No.	CONTRACTORS	Contract Location	Date of Contract	Contract Value US\$	Actual Amount Paid	Percentage of Payment
1	SSF Entrepreneur	Construction 2.5 KM of chip seal urban pavement in Barclayville, Grand Kru County	20/11/2019	923,259.63	323,140.87	35%
2.	West Africa Construction Inc	Construction of 2.1 KM of chip seal urban pavement in Greenville, Sinoe County	20/11/2019	1,067,338.51	373,568.48	35%
Total				1,990,598.14	696,709.35	

Photo #6: Non-Application of Chip Seals Pavement



GAC Photos 6 showing Non-Application of Chip Seals Pavement in Greenville Barclayville cities respectively

Risk

- 1.2.10.4 Payments could be made for road works not done which may undermine the achievement of the NRF objectives.
- 1.2.10.5 The non-application of Chip seal pavement on the carriageway may increase dust pollution, create deep ruts or potholes which undermines the achievement of the NRF objectives.

Recommendations

- 1.2.10.6 The NRF's Management should provide justification for making payments for road work not done per specification.

Management's Response

- 1.2.10.7 *The amounts paid were for advanced payments, clearing, earth works, drainage structures*

and other preparatory works. Application of the chip seal is the last step in completing the works. This has not been done; therefore, it has not been paid for. The Ministry of Public Works (MPW) is the implementing agency and thus is responsible for determining the level (percentage) of work completed and requesting payment for same. The contract however is still ongoing and more works are still being executed.

Auditor General's Position

1.2.10.8 We acknowledge the NRF Management's assertion. We will make follow up on the implementation of the recommendation in subsequent audit.

1.2.11 Maintenance of Zekepa – Tappita Road Project in Nimba County

Observation

1.2.11.1 Section 4100 of the Ministry of Public Works Feeder Roads Design Manual and Specification 2016, the contractor requires "Removal of existing timber bridge/corrugated metal pipe (CMP) and clearing bush and vegetation from the proposed location etc. all complete."

1.2.11.2 Section 4400 of the Ministry of Public Works Feeder Roads Design Manual and Specification 2016, requires the contractor to "Supply and install reinforced Concrete Pipe Culvert (RCP) diameter 600mm, 900mm, 1200mm and 1500mm."

1.2.11.3 During the field verification, we observed that there was no evidence that the existing corrugated metal pipes (CMP) were excavated and removed as required by the BOQ for the periodic maintenance of the Zekepa to Tappita Road corridor which is contracted to B & Son Transport and Construction Company. **See photo 7 below.**

Photo 7: Corrugated Metal Pipe (CMP)



GAC Photos 7 showing CMPs on the carriageway of Zekepa to Tappita Road in Nimba County

Risk

- 1.2.11.4 The failure to remove corrugated metal pipes for replacement with Reinforced Concrete Pipe (RCP) culverts could undermine the durability and safety of the road and the achievement of the NRF objectives may not be achieved.

Recommendation

- 1.2.11.5 The Management of NRF should ensure that the Contractors complete all roadworks based on specification of the contract accordingly; the CMP should be replaced with RCP culverts.

Management's Response

- 1.2.11.6 *The amount paid was a portion of advance payment. It is standard under the contractual arrangements and the advance payment made was based on the provision of bank guarantees and not for works completed. No other payment will be made to the contractors until the completed works can reach the required level (percentage) for their next payments. The Ministry of Public Works (MPW) is the implementing agency and thus is responsible for determining the level (percentage) of work completed. The contract however is still ongoing and more works are still being executed.*

Auditor General's Position

- 1.2.11.7 We acknowledge Management's assertion. We will make follow up on the placement of reinforced concrete pipe culvert0 on the road in subsequent audit.

1.2.12 Incomplete Concrete Side Drains on Gbarnga Broad Street

Observations

- 1.2.12.1 Section 407, (b) of the MPW Technical Specification for Asphalt Roads requires that, "This section covers the construction of concrete channels, open concrete chutes, and line drains at the locations and to the details as shown on the Drawings or as directed by the Engineer. The line drains shall be rectangular or trapezoidal in shape as shown on the drawings. Concreted rectangular line drains shall be constructed in urban areas with reinforced concrete slabs placed at the top to serve as sections of sidewalks as shown on the Drawings. The trapezoidal drains shall be constructed in Towns."
- 1.2.12.2 Also, according to the BOQ of the contract (Gbarnga Broad Street 1.0 km), item 4.05, requires that "Provision for the construction of concrete rectangular drain with concrete covers C-20 as walkway including all formations as directed by the engineer. Dimension: (0.8m depth X 0.75m width X 0.75 depth)"
- 1.2.12.3 During the fiscal period under audit, we observed that the NRF Management made part payment of US2,816,000.00 to SIDANI Group Holding for the construction of several roads including the 1.0 Km Gbarnga Broad Street. We further observed during our field verification that the Concrete Side Drains constructed on both sides of the Gbarnga Broad Street corridor have not received concrete slabs/covers in keeping with BOQs, Specification, AASHTO and ASTM Standard as adopted by the Ministry of Public Works. **See photo 8 below:**

Photo 8: Incomplete Concrete Side Drains



GAC Photo 8 showing incomplete concrete side drains that yet to receive concrete slabs/covers on the Gbarnga Broad Street.

Risk

- 1.2.12.4 The opened side drains that are yet to receive concrete slabs/covers could result to serious environmental safety hazard for road users.
- 1.2.12.5 The Government could be paying substantial resources for road works not undertaken.

Recommendation

- 1.2.12.6 The Management of the MPW through the LNRF should provide justification for awarding maintenance contract on a road which large portion is maintained by a third company.
- 1.2.12.7 The NRF Management should ensure that before disbursement, a stage- of- completion evaluation should be performed by an experienced engineer, and the report adequately documented to facilitate future review.

Management's Response

- 1.2.12.8 *Management acknowledged the recommendation. The Gbarnga Broad Street is still incomplete and this was also observed during our last field visit. Final payment has not been made for this road, as it is not yet 100% completed.*

Auditor General's Position

- 1.2.12.9 We acknowledged Management's acceptance of our findings. We will make a follow up on the street in subsequent audit.

1.3 Governance Issues

1.3.1 Unapproved Policies and Procedures

Observation

- 1.3.1.1 The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal control framework on control activities states that "Institutions deploy control activities through policies that establish what is expected and procedures that put policies into action". Policies and procedures are established and implemented to help ensure that risk responses are effectively carried out within an entity.
- 1.3.1.2 We observed during the conduct of the audit that policy documents developed to govern the financial and technical operations of NRF were not approved and /or authorized by the Management and IMSC.
- 1.3.1.3 We noted that the below documents were still in draft stage awaiting IMSC and the NRF Management's approval:
- Organizational Chart
 - Strategic and Operational Plans
 - Human Resource policy Manual,
 - procurement manual,
 - ICT Work Plan,
 - ICT Maintenance Plan

Risk

- 1.3.1.4 The strategic goals and objectives of the Management may not be achieved in the absence of approved policy documents to govern the entity.
- 1.3.1.5 Adequate systems and controls may not be achieved due to the lack of approved policies and procedures.
- 1.3.1.6 Working with unapproved policy documents could become difficult to enforce when said document is challenged before management and in the court of law.

Recommendation

- 1.3.1.7 Management should conclude, approve and operationalize the draft Polices to ensure the effective governance of the entity, and avoid future legal challenge.

Management's Response

- 1.3.1.8 *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 appendix 11 attached for reference.*

Auditor General's Position

- 1.3.1.9 The additional information provided in appendix 11 relates to an outline of the governance of the National Road Fund which was discussed in the IMSC meeting of January 18, 2018. In the meeting the IMCS described the main features of the NRF Standard Operational Procedural and an MOU between the NRF and MPW managements. Furthermore, the NRF management did not present any hard copies of the documents mentioned in the observation with signatures of the approving authorities such as the Road Fund Manager and a representative of the IMSC. 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:
- Particulars of projects and programs relating to the management of the road user charging system.
 - A report of its achievements in relation to its performance agreement and business plan and recommendations for improvement in the succeeding year
 - An independently audited statement of the accounts of the Fund
 - 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 Fund, and the activities of the Office of the Road Fund.

Risk

- 1.3.2.4 In the absence of a quarterly and annual report the Government and stakeholders will not obtain adequate information on the fund for decision making.

Recommendation

- 1.3.2.5 The NRF Management should provide the Minister's quarterly and annual reports.

Management's Response

- 1.3.2.6 *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

- 1.3.2.7 Management's assertion is not supported by fact. Management should have provided copies of the reports prepared by the Minister on the operations of the Fund as required by Section 3.7 (P1) of the National Road Fund Act. In the absence of reports from the Minister, we 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 absence of an approved organizational chart could lead to confusion in the delegation of duties, authority and responsibilities.

Recommendation

- 1.3.3.4 The NRF Management should develop an organizational chart best fit for the NRF. Such chart should be reviewed and approved to serve as an authoritative instrument showing the hierarchal structure of the entity depicting clear line of authority and responsibility.

Management's Response

- 1.3.3.5 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 11.**

Auditor General's Position

- 1.3.3.6 Management's assertion is not supported by facts. Management did not provide copy of the approved organization chart for audit validation. We therefore 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 functioning Audit Committee may prevent Management from taking timely corrective action on deficiencies identified by the Internal Audit Unit.

Recommendations

- 1.3.4.4 The NRF Management should establish a functioning Audit Committee as part of the Governance structures. This will enable Management to evaluate and ensure that internal controls are operating effectively.

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 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 recommendation. We will make a follow up on the establishment of the audit committee in subsequent audit.

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 active procurement committee exist.

Risk

- 1.3.5.3 In the absence of an active procurement committee, the Entity's procurement processes could be discretionary.

Recommendation

- 1.3.5.4 The NRF Management should procurement committee's meeting minutes and attending records.

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 appendix 12 A & B attached.*

Auditor General's Position

- 1.3.5.6 Management's assertion is not supported by material facts. The NRF Management did not provide the committee's meeting minutes as evidence that the Committee was active during the period under audit. We therefore 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.

Risk

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

Recommendation

- 1.3.6.3 The NRF 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.

Management's Response

- 1.3.6.4 *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

- 1.3.6.5 Management's assertion is not supported by material facts. Management did not submit to the GAC, copy of the Internal Audit reports submitted through the Internal Audit Agency. We therefore maintain our recommendation and finding.

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

Observation

- 1.3.7.1 Section 1 (paragraph 3) 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.
- 1.3.7.2 During the conduct of the audit, we observed that there was no evidence of NRF employee presence with the collection of fuel charges from petroleum importers.

Risk

- 1.3.7.3 There could be a lack of full disclosure of fuel collected which the NRF will not be in the position to fully address.

Recommendation

- 1.3.7.4 Management should associate with the collection by sending representation/agent to where the fuel is lifted.

Management's Response

- 1.3.7.5 *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

- 1.3.7.6 We acknowledge Management's acceptance of our findings. We will make follow up on the implementation of the recommendation in subsequent audit.

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 and or carries on a risk assessment 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 The NRF Management should put in place a 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 and framework will be developed.*

Auditor General's Position

- 1.4.1.6 We acknowledge Management's acceptance of our findings. We will make follow up on the implementation of the recommendation in subsequent audit.

1.4.2 Non-Maintenance of Proper Personnel files

Observation

- 1.4.2.1 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.

- 1.4.2.2 It was observed during the conduct of the audit that that the NRF Management did not maintain essential personnel records in several personnel files such as Letter of Applications for one employee, no interview panel report for 18 staff, no proof of academic credential for 4 staff, Police Clearance and no Performance evaluations done

Risk

- 1.4.2.3 The failure to maintain essential personnel records could lead to management inability to manage or regulate the activities of its personnel effectively.

Recommendation

- 1.4.2.4 The NRF Management should ensure that employees' files are updated to contain essential documents such as Letter of Applications, interview panel report, proof of academic credential, Police Clearance and Performance evaluations etc, to reflect their position at the entity.

Management's Response

- 1.4.2.5 *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

- 1.4.2.6 We acknowledge Management's acceptance of our findings. We will make follow up on the implementation of the recommendation in subsequent audit.