



## Management Letter

### On The Audit of the Mano River Union Road Development and Transportation Facility Programme (MRU/RDTFP) Financial Statements

*For the Period July 1, 2020 to June 30, 2021*



**Promoting Accountability of Public Resources**

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

**Monrovia, Liberia**  
December 2021

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### **Acronyms/Abbreviations/Symbols**

<b>Acronyms/Abbreviations/Symbol</b>	<b>Meaning</b>
A/C#	Account Number
AG	Auditor General
MRU/RDTFP	Mano River Union Road Development and Transportation Facility Programme
CHICO	China Henan International Cooperation Group Co. LTD
EoT	extension of Time
ACCA	Association of Chartered Certified Accountants
CFIP	Certified Forensic Investigation Professional
CFC	Certified Financial Consultant
FY	Fiscal Year
GAC	General Auditing Commission
GOL	Government of Liberia
ISSAIs	International Standards of Supreme Audit Institutions
FS	Financial Statement
PFM Act	Public Finance Management Act
US\$	United States Dollar
PFMU	Project Financial Management Unit
PIM	Project Implementation Manual
FAR	Fixed Asset Register
DSA	Daily Subsistence Allowance
BoQ	Bill of Quantity
MPW	Ministry of Public Works

*Management Letter on the Financial Statement Audit of the  
Mano River Union Road Development and Transportation Facility Programme (MRU/RDTFP)  
for the period July 1, 2020 to June 30, 2021*

Hon. Ruth Coker-Collins  
Acting Minister  
Ministry of Public Works  
South Lynch Street  
Monrovia, Liberia

December 30, 2021

Dear Hon. Coker-Collins:

The financial statements of the Mano River Union Road Development and Transportation Facility Programme (MRU/RDTFP) for the period July 1, 2019 to June 30, 2020 are subject to audit by the Auditor General consistent with the Auditor General's mandate as provided for under Section 2.1.3 of the GAC Act of 2014 as well as the engagement Terms of Reference.

### **Introduction**

The Audit of the MRU/RDTFP Management for the period July 1, 2020 to June 30, 2021 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 is achieved in the annual financial statements.

An audit includes:

- Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements;
- Assessment of the accounting principles used and significant estimates made by management; and
- Evaluation of the overall financial statement presentation.

The audit will also include 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 and are applicable to financial matters.

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 financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Accounting Officer. Our responsibility is to express our opinion on these financial statements.

*Management Letter on the Financial Statement Audit of the  
Mano River Union Road Development and Transportation Facility Programme (MRU/RDTFP)  
for the period July 1, 2020 to June 30, 2021*

**Appreciation**

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



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

**Monrovia, Liberia**

December 2021

## 1 DETAILED FINDINGS AND RECOMMENDATIONS

### 1.1 Compliance Issues

#### 1.1.1 Uncompleted Contract Deliverables (Karloken to Fish Town Road; 80km)

##### Observation

- 1.1.1.1 The Government of Liberia and China Henan International Cooperation Group Co. LTD (CHICO) entered into a contract agreement on 28 December 2016 for the construction of AC Road Pavement of the Mano River Union Road Development & Transport Facilitation Program (MRU/RDTFP) phase II: Paving of Karloken to fish Town (80km) for a period of three (3) years ending April 2, 2020.
- 1.1.1.2 It was observed during our field verification and review of the engineer's reports that key project deliverables such as the construction of the wearing course (final layer of the asphalt pavement), guide rail, traffic signs and line markings for the construction of the Karloken to Fish Town road (80km) were not achieved by the contractor. **See photo below for details.**



**GAC photo: A partial view of the 80 km road - Karloken to Fishtown**

- 1.1.1.3 It was further observed from a review of the engineer's report that the total length of wearing course (final course of asphalt) laid up to end of June 2021 is about 10.246km out of the required 80km. **See photo below for details.**



**GAC Photo: partial view of the 10.246km out of 80km of wearing course completed by the contractor**

### **Risk**

- 1.1.1.4 Project objectives may not be achieved in the absence of effective project implementation and coordination.
- 1.1.1.5 The absence of effective monitoring and evaluation of project deliverables may deny the achievement of value for money during the execution of the project.

### **Recommendation**

- 1.1.1.1 Management should ensure that the project deliverables are implemented in line with the project work plan.
- 1.1.1.2 Management should ensure that proper coordination, monitoring and evaluation of the project are implemented periodically during the execution of the project.

### **Management's Response**

- 1.1.1.3 *Due to significant increase in the quantities of some critical items, the Contractor is eligible for Extension of Time according to Clause no. 8.4 of General Conditions of Contract (GCC). It is pointed out that the Contractor is required to give notice of his EOT claim under Sub-clause 20.1.1 of GCC not later than 28 days after the Contractor became aware, or should have become aware, of the event or circumstances. Such a notice was served on March 29, 2020, by the Contractor (**See Exhibit 1 for your reference**). The factors which have necessitated the EOT on this project are:*
  - *Inclement weather conditions*
  - *Bad road condition between Ganta – Zwedru – Fish Town which adversely affected transportation of plant, equipment and construction materials.*
  - *Significant increase in quantities of some critical activities earth works in excavation, sub-base, wearing Course etc.*

1.1.1.4 *These key activities as listed in the management letter are part of the outstanding project activities that are pending the approval of the revised BOQ and Extension of Time. The project has reached to a level where there is no sufficient fund left within the current contract value to be able to complete the remaining project activities without the approval of the revised BOQ. Also, the delay in the approval of the revised BOQ and extension of time has led to the slow implementation of the outstanding project activities. In addition to the 10.246km of wearing course completed during the audit period, there were other major milestones also achieved, which include the completion of subgrade (100%), Sub-base (100%), Base course (100%), Binder course (97%) three bridges (100%) and all circular and box culverts (100%). Notwithstanding as stated, the completion of the wearing is tied to the approval of the revised BOQ.*

#### **Auditor General's Position**

1.1.1.5 We acknowledge Management's assertion that "Also, the delay in the approval of the revised BOQ and extension of time has led to the slow implementation of the outstanding project activities". We will make follow up during subsequent audit.

1.1.1.6 However, we maintain our findings and recommendations.

#### **1.1.2 Unapproved Project Cost and Contract Extension**

##### **Observation**

1.1.2.1 The Government of Liberia and China Henan International Cooperation Group Co. LTD (CHICO) entered into a contract agreement on 28 December 2016 for the construction of AC Road Pavement of the Mano River Union Road Development & Transport Facilitation Program (MRU/RDTFP) phase II: Paving of Karloken to fish Town (80km) for a period of three (3) years ending April 2, 2020.

1.1.2.2 We observed during the conduct of the audit that an Extension of Time (EoT) for the paving of Karloken to Fish Town (80km) road submitted in June 2020 by the supervising engineer to the project financiers (African Development Bank) has not been approved despite the expiration of the contract and uncompleted project deliverables.

1.1.2.3 We noted that the request for the extension of the contract was necessitated by discrepancies noted by the supervising engineer (IMC Worldwide) in the initial road design drawings executed by Comptran, a Ghanaian engineering consultancy company.

1.1.2.4 Accordingly, the discrepancies resulted to an additional cost to the contractor's Bill of Quantity (BoQ) in the amount of US\$23,728,142.33 (Twenty-three million, seven hundred twenty-eight thousand, one hundred forty-three United States Dollars, thirty-three cents).

1.1.2.5 We observed during our field verification of the project site, that no road construction activities were ongoing due to the lack of approval of the Extension of Time (EoT) and revised project cost by the project financiers (African Development Bank).



1.1.2.6 Additionally, a revised workplan developed by the contractor showing the revised completion date of May 31, 2022 is already behind schedule.

1.1.2.7 Consequently, the supervising engineers have left the project site pending the approval of the Extension of Time (EoT).

### **Risk**

1.1.2.8 The lack of approval for the extension of time and the revised project cost could undermine the timely completion of the road construction project.

1.1.2.9 The Government of Liberia could incur substantial financial loss due to the incompleteness of the road project.

### **Recommendation**

1.1.2.10 The project financiers (African Development Bank) should initiate formal discussions with the contractor to timely resolve the contractor's (CHICO) request for extension of time and the submission of its revised project cost.

1.1.2.11 The Government of Liberia and the project financiers (African Development Bank) should ensure professional evaluation of project designs before the commencement of the project.

### **Management's Response**

1.1.2.12 *The Ministry of Public Works continued to engage the Bank through several reminder communications with the latest referenced RCC-DMTS/MPW-RL/0068/'21 and dated February 1, 2021. The draft addendum, which will form part of the final approval, for each consultant and contractor services are currently being prepared by the Client for onward submission to the Bank. The discrepancies in the initial design drawings as stated by the Supervising Engineer led to the formulation of the revised BOQ, which contained an increase in some key activities on the project. The inclusion of additional work activities into the work program is part of the reasons for the request for the extension of time. In order to avoid the repetition of such circumstances in the future, the Ministry has begun including professional liability clause in the Terms of Reference (ToR) for Design Consultants doing designs on behalf of the Ministry. The Ministry of Public Works continued to engage the Bank through several reminder communications with the latest referenced RCC-DMTS/MPW-RL/0068/'21 and dated February 1, 2021 as attached. The Ministry of Public Works continued to engage the Bank through several reminder communications with the latest referenced RCC-DMTS/MPW-RL/0068/'21 and dated February 1, 2021 as attached. The draft addendum, which will form part of the final approval, for each consultant and contractor services are currently being prepared by the Client for onward submission to the Bank. We encourage that the Bank's approval is provided as early as possible once the revised submission of the revised BOQ and extension of time are made.*

1.1.2.13 *The Supervising Engineers left the site due insufficient fund to continue processing the payment of their invoices. The consultant's contract had also expired pending the approval of the extension of time (See Exhibit 2 attached containing communication to the*

**Bank pertaining to the aforementioned issues on the delay in approval of Revised Project Cost estimate and Project Extension of Time).**

**Auditor General's Position**

1.1.2.14 We acknowledge Management's assertion that "The Ministry of Public Works continued to engage the Bank through several reminder communications with the latest referenced RCC-DMTS/MPW-RL/0068/'21 and dated February 1, 2021 as attached. The Ministry of Public Works continued to engage the Bank through several reminder communications with the latest referenced RCC-DMTS/MPW-RL/0068/'21 and dated February 1, 2021 as attached." We will make follow-up during subsequent audit.

1.1.2.15 However, we maintain our findings and recommendations.

**1.1.3 Non-Compliance to Road Pavement Requirement**

**Observation**

1.1.3.1 Section 11.0 of the contract agreement signed between GOL and CHICO states that "In the case of pavements, the contractor shall, when required by the Engineer, furnish samples taken from the completed Works at any point indicated by the Engineer and shall immediately replace the areas so removed with materials and construction to conform to the specifications and to the line and grade of the immediate surrounding pavement surface. No additional compensation will be allowed for furnishing such samples and replacing the areas with new material as described above."

1.1.3.2 Additionally, section 12.0 of the contract further states that "All materials used in the Works shall be new and of the types and qualities specified and shall be reviewed by the engineer. They shall comply with the requirements, unless modified herein, of the current amended editions, at the date of invitation to Tender, of the specifications and standards which maybe quoted."

1.1.3.3 It was observed during a review of the engineer's report that the contractor did not comply with the pavement thickness requirement for the construction of the Karloken to Fish Town road (80km).

1.1.3.4 We noted from the engineer's assessment that the thickness of the paver blocks was found to be in the range of 70mm instead of the specified thickness of 80mm. **See photo below.**



**GAC Photo: Partial view of the asphalt pavement on the 80km road – Karloken to Fishtown**

- 1.1.3.5 The engineer report further noted that despite non-compliance by the contractor, the pavement was not remodified in line with the required specifications (80mm of thickness).
- 1.1.3.6 Further analysis of the engineer report indicates significant deformation and cracking of the binder course (aggregate bound with bitumen between the foundation and the wearing course of an asphalt pavement) at various locations of the road stretching at a length of 2.394km.

#### **Risk**

- 1.1.3.7 Non-compliance to pavement requirements undermines the quality of the road construction and compromise value for money.

#### **Recommendation**

- 1.1.3.8 The Government of Liberia and the project financiers (African Development Bank) should ensure that the contractor complies with the required pavement specifications to of the road construction project.
- 1.1.3.9 The Government of Liberia and the project financiers (African Development Bank) should ensure that proper coordination, monitoring and evaluation of the project are implemented periodically during the execution of the project.
- 1.1.3.10 The Government of Liberia and the project financiers (African Development Bank) should ensure that discrepancies identified should be adjusted to suit the required specifications.

#### **Management's Response**

- 1.1.3.11 *Payments have always been withheld from the Contractor whenever there are non-compliance issues noticed in the pavement requirements. Payments were withheld for the*

early defect noticed in the pavement during the previous audit period. As indicated in the attachment, all sections with early defects were identified and repair works carried out before any payment was done (See Exhibit 4 and 5 attached). A meeting was held with the Contractor, Consultant and PIU on September 23, 2020, where these decisions were reached and since started being implemented (See Exhibit 3 attached). As was done in the case of sections with less thicknesses in the base course, where the thickness for the binder course was increased to account for the loss in the thickness for the base course, similar measure will be applied during the construction of the wearing course, where the thickness for the wearing course will be increased to account for the loss in thickness for the binder course at the identified sections. The photo placed in the Management Letter does not depict a paver block, kindly remove or replace the photo. The paver blocks will be used for the construction of the pedestrian sidewalks. Though the thickness is less than what is indicated in the project specifications, the 70mm still falls within the allowable range for the thickness of paver blocks intended for pedestrian walkways. Since there has been no pavement done on this item, the contractor will be asked to provide a reduce rate to accommodate the reduction in thickness. Payments have always been withheld from the Contractor whenever there are non-compliance issues noticed in the payment requirements. Payments were withheld for the early defect noticed in the pavement during the previous audit period. As indicated in the below attachments, all sections with early defects were identified and repair works carried out before any payment was done. A meeting was held with the Contractor, Consultant and PIU on September 23, 2020, where these decisions were reached and since started being implemented. As was done in the case of sections with less thicknesses in the base course, where the thickness for the binder course was increased to account for the loss in the thickness for the base course, similar measure will be applied during the construction of the wearing course, where the thickness for the wearing course will be increased to account for the loss in thickness for the binder course at the identified sections. **(See Exhibit 4 and 5 attached).**

#### **Auditor General's Position**

- 1.1.3.12 We acknowledge Management's assertion that "early defects were identified and repair works carried out before any payment was done. A meeting was held with the Contractor, Consultant and PIU on September 23, 2020, where these decisions were reached and since started being implemented." We will make follow-up on during subsequent audit.
- 1.1.3.13 However, we maintain our findings and recommendations.