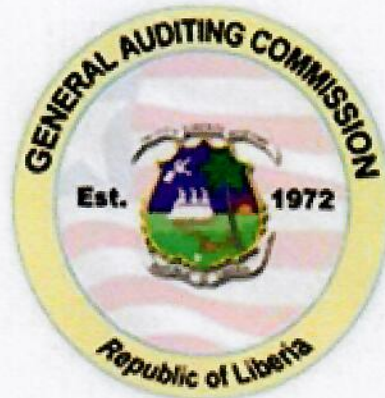




Management Letter

On the Audit of the Mano River Union Road Development & Transport Facilitation Programme (MRU-RDTFP-2) Financial Statements

For the period ended 31 December 2022



Promoting Accountability of Public Resources

Monrovia, Liberia
June 2023

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

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*Management Letter on the Financial Statement Audit of
the Mano River Union Road Development & Transport Facilitation Programme MRU/RDTFP-2
for the Period ended July 1, 2021 to December 31, 2022*

Acronyms

Acronyms/Abbreviations/Symbol	Meaning
A/C#	Account Number
AG	Auditor General
MRU/RDTFP	Mano River Union Road Development & Transport Facilitation Programme
CRSG	China Railway Seventh Group
CHICO	China Henan International Cooperation Group Co. LTD
CGMA	Certified Global Management Accountant
CPA	Certified Public Accountant
FAR	Fixed Asset Register
FS	Financial Statements
FY	Fiscal Year
GAC	General Auditing Commission
GOL	Government of Liberia
IPSAS	International Public Sector Accounting Standards
ISSIAs	International Standards of Supreme Audit Institutions
ML	Management Letter
MPW	Ministry of Public Work
NCB	National Competitive Bidding
OFM	Office of Financial Management
PFM	Public Financial Management
PPCA	Public Procurement & Concession Commission Act
PPCC	Public Procurement & Concession Commission
PV#	Payment Voucher Number
RFQ	Request for quotation
TOR	Term of Reference
US\$	United state Dollars

*Management Letter on the Financial Statement Audit of
the Mano River Union Road Development & Transport Facilitation Programme MRU/RDFTP-2
for the Period ended July 1, 2021 to December 31, 2022*

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

June 30, 2023

Dear Hon. Coker-Collins:

RE: Draft Management Letter on the Financial Statements Audit of the Mano River Union Road Development & Transport Facilitation Programme (MRU-RDFTP-2) for the period July 1, 2021 to December 31, 2022

The Financial Statements of the Mano River Union Road Development & Transport Facilitation Programme (MRU-RDFTP-2) for the period July 1, 2021 to December 31, 2022 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 General Auditing Commission (GAC) Act of 2014 as well as the Engagement Term of Reference.

Introduction

The Audit of the MRU/RDFTP-Phase 2 Management for the period July 1, 2021 to December 31, 2022 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.

An audit also 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 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.

*Management Letter on the Financial Statement Audit of
the Mano River Union Road Development & Transport Facilitation Programme MRU/RDTFP-2
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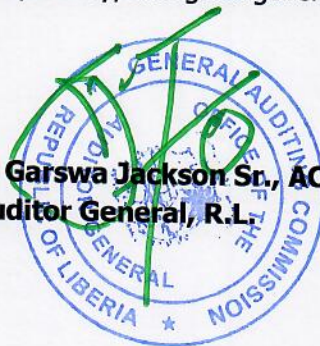
The financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the MRU-RDTFP Management. Our responsibility is to express our opinion on these financial statements.

APPRECIATION

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

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

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



Monrovia, Liberia
June 2022

1 DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial-Related Issues

1.1.1 Financial Statements not Consistent with Approved Format

Observation

1.1.1.1 Section 3.3.2 of the Financial Procedure Manual of the Project Financial Management Unit (PFMU) states "the Cash Basis International Public Sector Accounting Standards (IPSAS) shall be adopted in the preparation of Project's / Program's Financial Statements.

1.1.1.2 In addition, Appendix 3 of the Financial Procedure Manual of the PFMU requires the Financial Statement to be prepared in line with the format as illustrated.

1.1.1.3 During the audit, we observed that financial statements prepared by PFMU for MRU-2 Road Project were not prepared in line with the required format in the financial Manual of the Project Financial Management Unit (PFMU), neither as required by appendix 3 in the manual. The components detailed in the required format differs from the component of transactions recorded on the face of the financial statements. **See Exhibit 1a for details.**

1.1.1.4 Additionally, components outlined in the project work plan were not reflected in the Financial Statements presented for audit, thus making comparability and understandability of financial information difficult. **See Exhibit 1b** (copy of work plan).

Risk

1.1.1.5 Comparability, understandability, reconciliation, fair presentation, and full disclosure of the financial statements may be impaired.

Recommendation

1.1.1.6 The Management should provide substantive justification why the required format as detailed in the project financial manual was not utilized.

1.1.1.7 Going forward, Management should ensure that financial statements are prepared consistent with the project Financial Procedure Manual of 2018.

Management's Response

1.1.1.8 *Please see the revised Financial Statement. See Exhibit I*

Auditor General's Position

1.1.1.9 We acknowledge Management's acceptance of our findings, recommendation and subsequent adjustment of the financial statements.

1.1.2 Variance between Ledger and Financial Statements

Observation

- 1.1.2.1 Regulation A.3 of the PFM Act of 2009 as amended and restated 2019 states that" (1) 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.
- 1.1.2.2 During the audit, we observed that the amount reported in the general ledger for the expenditure "Provision of Material and Logistics Support to Executing Agency" amounted to US\$ 378,140.59. However, the amount reported in the financial statements and notes to the financial statements for the same expenditure amounted to US\$391,086.00 resulting into a variance of US\$12,945.41.

Risk

- 1.1.2.3 Expenditures and subsequently the financial statements may be misstated.
- 1.1.2.4 Management may not account for all transactions of the entity.

Recommendation

- 1.1.2.5 Management should account for the variance noted between the general ledger and the financial statements.
- 1.1.2.6 Management should perform a reconciliation between the general ledger and the financial statements. Variances identified should be investigated and adjusted where applicable in a timely manner.
- 1.1.2.7 An automated control should be established such that transactions (along with supporting documents) posted by a junior staff must be reviewed and approved by senior personnel before the transactions appear in the general ledger. Going forward, an automated linkage should be created between the general ledger, trial balance and the financial statements to facilitate completeness and accuracy of the financial statements.

Management's Response

- 1.1.2.8 *Please see the revised Financial Statement. See Exhibit I & II*

Auditor General's Position

- 1.1.2.9 We acknowledge Management's acceptance of our findings, recommendation and subsequent adjustment of the financial statements.

1.2 Compliance Issues

1.2.1 Lack of Signing Date of the Financial Statements

Observation

1.2.1.1 Paragraph 1.4.5. of the IPSAS Cash basis reporting framework states "An entity shall disclose the date when the financial statements were authorized for issue and who gave the authorization. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact.

1.2.1.2 Regulation I.11. of the PFM Act of 2009 -Annual Government Agency Accounts, states "(1) There shall be prepared by the head of government agency or an administrator or head of any Government agency and transmitted to the, the Minister and the Comptroller-General in respect of the year, accounts covering all Public Funds under his control. The accounts shall be submitted within a period of two months after the end of each fiscal year, or such other period as the Legislature may by resolution appoint and shall include statements and documents to be specified in the International Public Sector Accounting Standards as adopted by the Government of Liberia.

1.2.1.3 During the audit, we observed that Management did not indicate the date of approval on the financial statements. As the result of the omission of approval dates on the financial statements, we could not ascertain the timely preparation of the financial statements.

Risk

1.2.1.4 Management may be non-compliant with Regulation I.11. of the PFM Act of 2009 as amended and restated in 2019.

1.2.1.5 Untimely presentation and approval of the financial statements may impair accountability and decision-making. The completeness and accuracy of the financial statements may also be impaired.

Recommendation

1.2.1.6 Management should adjust the financial statements to include the date of approval adjacent to the signatures of the authorizers.

Management's Response

1.2.1.7 *Please see the revised Financial Statement. See Exhibit I*

Auditor General's Position

1.2.1.8 We acknowledge Management's acceptance of our findings, recommendation and subsequent adjustment of the financial statements.

1.2.2 Inconsistent Comparable Figures in the Financial Statements

1.2.2.1 Paragraph 1.4.19 of the IPSAS Cash Basis of Accounting states, "When the presentation or classification of items required to be disclosed in the financial statements amended, comparative amounts shall be reclassified, unless it is impracticable to do so, to ensure

comparability with the current period, and the nature, amount of, and reason for any reclassification shall be disclosed.

1.2.2.2 Paragraph 1.4.1 of the IPSAS Cash Basis of Accounting states, "The general-purpose financial statements shall be presented at least annually. When in exceptional circumstances, an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

- The reason(s) for a period other than one year being used; and
- The fact that comparative amounts may not be comparable"

1.2.2.3 During the audit, we observed that the comparable amounts in the financial statements were not consistent. There were three (3) fiscal periods reported in the project financial statements. Two prior period figures for fifteen and six months respectively (March 2020 to June 2021 and July 2021 to December 2021) while the current year figures were for twelve (12) months (January to December 2022).

1.2.2.4 Management did not also disclose in the notes to the financial statements the reason why comparable prior year figures were inconsistent.

Risk

1.2.2.5 Management may be non-compliant with Paragraph 1.4.19 of the IPSAS Cash Basis of Accounting.

1.2.2.6 Fair presentation and full disclosure may be impaired.

Recommendation

1.2.2.7 Management should adjust the financial statements and disclose in the notes to the financial statements why it was impractical to present comparable figures, as the project had activities for only six (6) months in the immediate prior year.

Management's Response

1.2.2.8 *Please see the revised Financial Statement. See Exhibit I*

Auditor General's Position

1.2.2.9 We acknowledge Management's acceptance of our findings, recommendation and subsequent adjustment of the financial statements.

1.2.3 Irregularities Associated with Fixed Assets

Observation

1.2.3.1 Regulations V.4 (2) of the PFM Act of 2009 and revised in 2019 states that, "The master inventory shall record under each category of item:

1.2.3.2 Section 9.4(v) of the Financial Procedure Manual (FPM) of 2018 states "A summary of fixed assets shall be extracted from the FAR and form part of the project management

report and financial statements as required.

- the date and other details of the voucher or other document on which the items were received or issued;
- their serial numbers where appropriate; and
- their distribution to individual locations and the total quantity held.”

1.2.3.3 During the audit, we observed the following irregularities associated with the Fixed Assets Management System:

- There was no evidence of a fixed assets register at MRU-2 LOT I.
- There was no evidence of periodic physical verification of assets by Management
- There was no evidence of the movement of assets form.
- There was no history of disposal of assets.
- Fixed assets within a given vicinity were not clearly displayed in an asset log, as required by the PFM Act of 2009.
- Some fixed assets of the project were not coded.
- Fixed assets for the period were not disclosed in the notes to the financial statements as required by the project financial manual.

Risk

1.2.3.4 Assets may be damaged or impaired but their values are still on the books.

1.2.3.5 Fixed assets may be removed from the entity's premises without authorization, misappropriated, or subjected to personal use or theft.

1.2.3.6 The lack of an asset movement log could make it difficult to keep track of assigned or transferred assets, which may lead to misuse, loss or theft of assets without being noticed.

1.2.3.7 Failure to properly account for fixed assets may lead to theft and misapplication of equipment/materials. This may result in the non-achievement of the project's objectives.

1.2.3.8 Fixed Assets not coded may be susceptible to theft or diverted to personal use.

Recommendation

1.2.3.9 Management should develop and operationalize a fixed asset register, and set fixed assets value to be recorded, developed, and maintained.

1.2.3.10 Management should ensure that the fixed assets register is updated to reflect the following; description, source of purchase, date of purchase, class, code, assignee, location, condition, original cost, depreciation expense, accumulated depreciation and net book value of the asset.

1.2.3.11 Management should conduct periodic fixed assets count and /or verification to determine the current condition and location of the assets. Evidence of physical verification should be adequately documented and filed to facilitate future review.



- 1.2.3.12 The Fixed Assets Register should be updated periodically to reflect all entity's assets.
- 1.2.3.13 Fixed assets within a particular vicinity should be clearly displayed as required by the PFM Act.
- 1.2.3.14 A movement of Asset Form should be filled and authorized before assets are moved from one location to another. The Fixed Asset Register should be updated to reflect the change in the location of asset.
- 1.2.3.15 Fixed assets for the period should be disclosed in the notes to the financial statements as required by the project financial manual.
- 1.2.3.16 Management should initiate/enforce a systematic fixed assets coding system to ensure all fixed assets are uniquely identified. This control will facilitate efficient and effective periodic fixed asset verification exercises. Discrepancies in coding identified during verification should be updated in a timely manner.

Management's Response

- 1.2.3.17 *The PIU takes note of the Management's concerns on the Fixed Assets Register. The PIU assures the GAC that Project Assets in the field have never been captured by the PIU as reported in the status of the previous audit's implementation recommendation. This is the first time it has been flagged out. However, management (the Project Implementation Unit) will create a database to begin tracking all Fixed Assets procured by both the Consultant and Contractor under each project and have these Fixed Assets coded as it is done with the PIU's Fixed Assets Registrar. A routine Fixed Assets Registrar (FAR) verification will be done by the PIU as recommended by the Audit in the future. Also, kindly note the Fixed Assets for MRU II Lot I (Fish Town to Kelipo) are yet to be procured. The assets are expected in the country within the next two months.*

Auditor General's Position

- 1.2.3.18 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.2.4 Bank Reconciliation Irregularities

Observation

- 1.2.4.1 Section 6.5.1 of the PFMU Financial Procedures Manual of 2018 "states that all Cash Books shall be reconciled monthly to the bank statements within 10 working days of the month end. Differences arising there from shall be investigated and resolved promptly. Un-presented Checks will be written back in the Project's books of accounts one month after the negotiable period of six (6) months has elapsed.
- 1.2.4.2 During the audit, we observed that Management periodically did not review and approve the bank reconciliation statements in a timely manner. **See table 2 below.**

Table 2. Delay in Review and Approval of Bank Reconciliation

Month	Preparation Date	Revision Date	Approval Date
August 2021	September 24, 2021	September 26, 2021	September 26, 2021
September 2021	October 14, 2021	October 15, 2021	October 15, 2021
October 2021	December 13, 2021	December 13, 2021	December 13, 2021
November 2021	December 13, 2021	December 13, 2021	December 13, 2021

Risk

- 1.2.4.3 Delay in preparation, review, and approval of bank reconciliation statements may lead to untimely detection of errors, omissions, and fraud.

Recommendation

- 1.2.4.4 Management should ensure that monthly bank reconciliation statements are reviewed and approved in a timely manner. Irregularities identified during revision should also be adjusted and resolved timely.

Management's Response

- 1.2.4.5 *We disagree with the auditor's assertion even from the date mentioned of preparation of these Bank Reconciliation statements are exactly in compliance with the PFMU Financial procedure manual which state that Bank reconciliation statements are to be prepared in 10 working days and not 10 calendar days.*

Auditor General's Position

- 1.2.4.6 We reviewed the documents subsequently submitted by Management, after our audit execution. Therefore, we have adjusted our findings to two (2) months that the bank reconciliation statements were not periodically review and approved in a timely manner.

See adjusted table below:

Table 2. Delay in Review and Approval of Bank Reconciliation

Month	Preparation Date	Revision Date	Approval Date
August 2021	September 24, 2021	September 26, 2021	September 26, 2021
October 2021	December 13, 2021	December 13, 2021	December 13, 2021

- 1.2.4.7 We therefore maintain our recommendation

1.2.5 Petty cash irregularities

Observation

- 1.2.5.1 Count 7.14.4 of the PFMU Financial Procedures Manual states that "Each request for petty cash payments will be forwarded to the Project / Program Manager or his deputy for approval. The approval should be passed to the cashier for necessary action. At the PFMU, petty cash requests shall be forwarded to the SPA for approval".
- 1.2.5.2 Also, count 7.14.5 states that "The cashier will ensure that the petty cash so disbursed are adequately/appropriately documented. Petty Cash Vouchers (Appendix 16) will be filed immediately after replenishment".

1.2.5.3 During the audit, we observed that payments for petty cash amounting to US\$1,030.00 and LR\$ 2,550.00 was made to various vendors in the periods July 1 to December 31, 2021, and January 1 to December 31, 2022, respectively without evidence of requests from the end-users. **See Annexure 1 for details.**

1.2.5.4 In addition, we also observed that petty cash disbursements were made without evidence of a voucher system being used.

Risk

1.2.5.5 The absence of petty cash requests from end-users may lead to the processing of illegitimate petty cash expenditures.

1.2.5.6 The disbursements of petty cash without the use of petty cash voucher system may impair reconciliation, replenishment, and accountability of petty cash transactions.

Recommendation

1.2.5.7 The Management of PIU should ensure that all petty cash disbursements are requested for by the end-users before disbursements are made.

1.2.5.8 The Management of PIU should ensure that all petty cash payments are facilitated through the processing of petty cash vouchers to aid the adequate tracking of all payments.

1.2.5.9 Evidence of petty cash records should be adequately documented and filed to facilitate future review.

Management's Response

1.2.5.10 *The PIU acknowledges that the queries raised are accurate and the PIU has taken note that moving forward end-users request forms will be provided to end users to account for the usage of petty cash in line with audit recommendation.*

1.2.5.11 *The PIU wishes to state that the issue regarding the lack of vouchers on certain payments was brought to the attention of the PIU by the PFMU. The PIU has adhered to the PFMU recommendation by attaching payment vouchers to all subsequent petty cash payments as reflected in box files provided to the GAC. On the issues of reconciliation, the PIU has had no variance as the PFMU has conducted a proper review of all Petty cash replenishment requests and provided the PIU with a specific template to capture all Petty expenditures.*

Auditor General's Position

1.2.5.12 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.2.6 Non-preparation of Interim Financial Report

Observation

1.2.6.1 Section 10.2 of the Financial Procedure Manual (FPM) of 2018 states "Interim Financial Reports must include a statement showing: -

- Sources and uses of funds for the project/program both cumulatively and for the period covered by the said report.
- Uses of funds by project/program activity for the period under review.
- Designated Project / Program Account reconciliation statements
- Summary of SOEs for the period
- An un-audited consolidated financial statement,
- Projected/Forecasted sources & uses of funds for the project for the six-month period following the period covered by the said report
- Category disbursement status to the reporting period end.

1.2.6.2 During the audit, there was no evidence that the Unit Manager of the implementing unit prepared Interim Financial Reports as required by Section 10.2 of the Financial Procedure Manual (FPM) of 2018.

Risk

1.2.6.3 The absence of the IFR may impair the timely preparation and submission of the annual financial statements.

1.2.6.4 Management may not account for all activities of the project.

Recommendation

1.2.6.5 Management should provide justification for not preparing Interim Financial Report for the periods under audit. Going forward, Management should ensure that Interim Financial Report are prepared on a quarterly basis consistent with Section 10.2 of the Financial Procedure Manual (FPM) of 2018.

Management's Response

1.2.6.6 *IFR for reporting purpose have become mandatory by the AfDB. We take note of the auditor's recommendation and will ensure compliance*

Auditor General's Position

1.2.6.7 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.2.7 Delays in Resettlement Action Plan Payment (RAP)

Observation

1.2.7.1 The Government of Liberia and China Henan International Cooperation Group Co. LTD (CHICO) entered into an agreed contract on August 3, 2021 for the construction of Road Pavement of the Mano River Union Road Development & Transport Facilitation Program

(MRU/RDTFP) Phase II: Paving of Fishtown to Kelipo (20km) for the period of three (3) years ending July 23, 2024.

1.2.7.2 During the audit, a review of the monthly progress report of December 2022, revealed that the delay in the RAP Payment at KM 16+ 000 to KM 20+840 is causing setbacks in the construction activities of the road project.

1.2.7.3 Additionally, it was revealed that the non-payment of RAP to beneficiaries may cause the initial agreed-upon design to be altered in the re-alignment process of the road.

Risk

1.2.7.4 Failure to compensate affected persons (PAPs) may impair the timely execution of the road construction project.

1.2.7.5 Failure to disburse RAP payment may lead to change in road design and additional fixed costs for re-designing of road.

Recommendation

1.2.7.6 Management should ensure the timely payment of RAP to facilitate the continuation of the road project.

Management's Response

1.2.7.7 *The government through the Ministry of Public Works is fully aware of the risks the delay in RAP payments poses to these projects.. The delays in Government compensating Project Affected Persons (PAPs) for the MRU 2 Lot I (Fish Town to Kelipo) were mainly due to the many financial constraints faced by the Government. Notwithstanding, the Government of Liberia has recently conducted an additional exercise (payment) that covered RAP payment for PAPs within the remaining section of the corridor (Km 16 + 000 to Km 20+840).*

1.2.7.8 *Kindly note that the current (June 2023) RAP payment made by the Government brings the RAP payment to 92% completion within the project corridor. It is expected that within the next two months, the remaining 8% of the RAP payment will be completed*

Auditor General's Position

1.2.7.9 Management's assertions are not supported by documentary evidence. Further, the percentage payment and payment period mentioned in Management's response are not within the scope of our audit.

1.2.7.10 Therefore, we maintain our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.2.8 Delayed in the Completion of Road Work.

Observation

1.2.8.1 Section 41 (1) (a) to (c) of the Amended and Restated Public Procurement and Concessions (PPC) Act of 2010 states that "The Procuring Entity shall be responsible for the administration and monitoring of contracts entered into by the Entity. The contract administration functions shall include at least the following:

- Ensuring that the contractor complies with the specifications and terms of the contract;
- Ensuring that the contract is being performed on schedule;
- Ensuring that, payments made to the contractors are in accordance with the terms of the contract."

1.2.8.2 The Government of Liberia and China Railway Seventh Group (CRSG) entered into an agreed contract on November 2019 for the construction of Road Pavement of the Mano River Union Road Development & Transport Facilitation Program (MRU/RDTFP) Phase II: Paving of Sanniquellie to Loguatu (47.1 KM) for the period of three (3) years ending November 1, 2023.

1.2.8.3 During the audit, we observed that key project deliverables such as completion of bridges, etc. for the construction of the Sanniquellie to Loguatu road (47.1KM) were completed up to 53.35%. The approved schedule for task completed for the period under review was estimated at 92%. Management was therefore unable to complete approved project activities. **See Exhibit 1 for details.**

Risk

1.2.8.4 Untimely achievement of project deliverables may lead to additional expenditure (fixed costs) of the project.

1.2.8.5 Project objectives may not be achieved in the absence of effective project implementation and coordination.

1.2.8.6 The absence of effective monitoring and evaluation during the project may impair the achievement of value for money and the implementation of project deliverables.

Recommendation

1.2.8.7 Management should ensure that deliverables are implemented in line with project work plan.

1.2.8.8 Management should facilitate adequate coordination, monitoring and evaluation of project activities to ensure project deliverables are implemented in a timely manner.

1.2.8.9 Management should liaise with relevant authorities of the AfDB to facilitate timely disbursement of project funds consistent with approved payment schedules and budgets.

Management's Response

- 1.2.8.10 *The contract between the Government of Liberia and China Railway Seventh Group (CRSG) was signed in November 2019; the implementation activities commenced on November 2, 2020; after which there was the global crisis of COVID-19 which drastically slow the pace of implementation to the bare minimum. The project was also confronted with a Price adjustment issue which caused a serious cash flow problem that had a negative effect in reference to the slow pace of implementation of works, but this has been resolved with the approval of the price adjustment in June 2023. It is anticipated that the pace of implementation will be accelerated with this new development of price adjustment approval by the financiers. The African Development Bank has also approved an Extension of Time (EOT) of the overall program from November 2023 to December 2024 to facilitate the full and successful completion of the Sanniquellie to Loguatu (47.1 km) road project.*

Auditor General's Position

- 1.2.8.11 We acknowledge Management's acceptance of our findings and recommendations. We will follow-up on the implementation of our recommendations during subsequent audit.

1.2.9 Lack of Risk Management Policy

Observation

- 1.2.9.1 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's objectives. Obtaining this understanding includes determining how management supports its beliefs about the effectiveness of the internal control system in those areas.
- 1.2.9.2 Section 11.4 of the PFMU Financial Procedures Manual of 2018 states "The project/program management at the implementing agencies and the PFMU should identify potential events that may affect the project/program, and manage the risks, to provide reasonable assurance regarding the achievement of the project/program development objectives.
- 1.2.9.3 During the audit, we observed no evidence that Management has developed a risk management policy to guide internal and external risks that may impair the achievement of the project objectives.
- 1.2.9.4 Additionally, we observed no evidence that Management performed periodic risk assessment of the project activities.

Risk

- 1.2.9.5 In the absence of risk management policy and risk assessment, Management may not be aware of potential risk that may impair the achievement of the project's objectives.
- 1.2.9.6 Potential risk to the entity may not be identified, assessed and mitigated/prevented in a timely manner thereby impairing the achievement of the project's objectives.

Recommendation

- 1.2.9.7 Management should develop, approve, and operationalize a risk management policy to guide internal and external risks that may impair the achievement of the project's objectives.
- 1.2.9.8 Subsequently, Management should conduct risk assessment activities consistent with the approved risk management policy.
- 1.2.9.9 Evidence of approved policy and risk assessment activities should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.9.10 *There is an existing Risk Management and Response Plan to guide internal and external risks that may impair the achievement of the project objectives. The Management has approved the risk management policy and is fully operationalized. Management is always conducting risk assessment activities consistent with the approved risk management policy. Please see the attached exhibit of the Risk Management Policy and Risk Response Plan. **See Exhibit III***

Auditor General's Position

- 1.2.9.11 Management's assertions are not supported by documentary evidence. **Exhibit III** was not provided as asserted in Management's response.
- 1.2.9.12 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.10 Lack of Steering Committee

Observation

- 1.2.10.1 Section 2.8.1 of the Financial Procedures Manual of PFMU states "Each project/program shall have an oversight body to provide overall project/program oversight and policy guidance. The infrastructure projects being implemented through the MPW have a Project Steering Committee for this purpose
- 1.2.10.2 Section 2.8.2. of the Financial Procedures Manual of PFMU states" The PSC will meet quarterly to assess progress, identify weaknesses, prepare and apply remedial strategies as well as make short-term action plans and review progress reports.

- 1.2.10.3 During the audit, there was no evidence that the Steering Committee was functional as a policy-making and oversight body of the MRU-II Project. We obtained no evidence of the following:
- Meeting minutes of the Committee.
 - Steering Committee approval for major decisions taken by Management
 - Steering Committee deliberation on any matter involving the project.

Risk

- 1.2.10.4 The absence of a Steering Committee Meeting minutes/activities reports may impair the strategic oversight activities of the committee.
- 1.2.10.5 Management may implement activities on a discretionary basis.

Recommendation

- 1.2.10.6 Management should liaise with the relevant authorities of the Steering Committee to ensure that the steering committee is made functional.
- 1.2.10.7 The Steering Committee should be made functional evidence of the conduct of periodic meetings, approval of major decisions of Management, deliberation on any matter involving the project, and documentation of meeting minutes and periodic activities reports.
- 1.2.10.8 Evidence of minutes of meetings and periodic activity reports should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.10.9 *Section 2.8.1 of the Financial Procedure Manual of the PFMU does not apply in the case of the African Development Bank projects. The Banks deal with the Ministry of Public Works as the Executing Agency that provides oversight supervision to all of the projects under the Ministry. There is a semi-annual joint mission headed by the Bank that assesses progress, identifies weaknesses, and prepares action points to strengthen further implementation. The Mission ends with the signing of aide memoires that are signed by all parties.*
- 1.2.10.10 *Also, unlike the regular GoL operations, the Project Implementation Unit is governed by the Bank's Procurement Guidelines, and the requisite prior and post approvals are obtained prior to the conclusion of each procurement activity. The Office of the Minister constitutes ad-hoc committees to carry out each procurement activity with the committee providing the Office of the Minister with respective reports per the task of the committee which is in turn reviewed and subsequently submitted to the African Development Bank for No Objection. Hence, there is no statutory Steering Committee for the project. Instead, the committees are set up on a case-by-case basis. See attached aide memoir.*

Auditor General's Position

- 1.2.10.11 Management's assertions are not supported by documentary evidence. The aide memoir was not provided as asserted in Management's response.
- 1.2.10.12 Therefore, we maintain our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.

1.2.11 Lack of Environmental and Social Monitoring Workplan

Observation

- 1.2.11.1 Section 3.1.9 (a) of the consulting service contract signed between the Liberian Government and AIC Progetti/TIS Engineering Construction Consultants for the supervision of the Sanniquellie to Loguatu road project requires that "the consultant shall develop an environmental and social monitoring work plan and form based on the recommended monitoring form in Environmental Protection Agency of Liberia (EPA). The Environmental Monitoring form (EMF) shall be completed and submitted bi-weekly, which shall be appended to the Monthly report with an appropriate section in the monthly and quarterly reports covering environmental and social issues
- 1.2.11.2 During the audit, we observed no evidence of an environmental and social monitoring work plan, to assess compliance with the environmental impact of road construction despite numerous requests to Management.

Risk

- 1.2.11.3 Environmental and Social standards may not be monitored and evaluated leading to potential environmental, social, and/or safety-related hazards
- 1.2.11.4 Management may be non-compliant with Section 3.1.9 (a) of the consulting service contract, which may impair the achievement of the project objectives.

Recommendation

- 1.2.11.5 Management should ensure that the supervising engineer develops an environmental and social monitoring work plan to monitor and evaluate the environmental and social compliance of the contractor during the execution of the road construction project.
- 1.2.11.6 Management should facilitate bi-weekly assessment of environmental and social compliance consistent with the approved contract terms.
- 1.2.11.7 Evidence of periodic environmental and social reports along with bi-weekly Environmental Monitoring form (EMF) and all other supporting records should be adequately documented and filed to facilitate future review.

Management's Response

- 1.2.11.8 *The Management is currently working with the Consultant in developing an Environmental and Social Monitoring Work Plan for both project corridors.*

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Auditor General's Position

- 1.2.11.9 We acknowledge Management's acceptance of our findings and recommendations. We will follow up on the implementation of our recommendations during subsequent audit.



Status of Implementation of Prior Year Audit Recommendations

Audit Period	Audit Findings	Recommendations	Status of Implementation	Comment	Management Response
July 1, 2019 to June 30, 2021	Delay in Road Construction (Sanniquellie to Loguatu Road Project)	Project management should ensure: (i) timely execution of the road project in accordance with the prescribed time frame layout in the contract document. (ii) proper coordination, monitoring and evaluation of the project are implemented periodically during the execution of the project.	Not Implemented	We observed that the issue is still repeating in the current year audit.	<i>This has actually been due to the covid-19 pandemic restriction on to importation of construction materials not available in Liberia from foreign parts to Liberia and the price adjustment issue which was being evaluated, but has now been approved by the Bank.</i>
July 1, 2019 to June 30, 2021	Delay in Road Construction (Fish Town to Kelipo 20 KM Lot 1)	Management should ensure the immediate financial settlement of projects PAPs under the Resettlement Action Plan of the project to facilitate timely completion of the project.	Not Implemented	We observed that the issue is still repeating in the current year audit.	<i>The RAP was paid between June 12-22, 2023; with only 15 PAPs left to be settled due to reasons of absence, deceased, dissatisfied with the valuation amount amongst others. The 15 PAPS case are currently being addressed.</i>
July 1, 2019 to June 30, 2021	Lack of Environmental and Social Monitoring Workplan	The AG recommended that project management should ensure, the supervising engineer develops a quality assurance manual to guarantee that the construction meets predetermined quality standards established by the project/contractor. He further recommends that project management should develop monitoring and evaluation activities to access the implementation	Not Implemented	We observed that the issue is still repeating in the current year audit.	<i>The Management is currently working with the Consultant in developing an Environmental and Social Monitoring Work Plan</i>

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Audit Period	Audit Findings	Recommendations	Status of Implementation	Comment	Management Response
		of quality assurance procedures.			
July 1, 2019 to June 30, 2021	Outstanding payment for RAP Settlement	The AG recommended that GOL should ensure the immediate financial settlement of projects PAPs under the Resettlement Action Plan of the project to facilitate timely completion of the project.	Not Implemented	We observed that the issue is still repeating in the current year audit.	<i>The RAP payment along the Sanniquellie to Loguatu (47.1Km) road corridor has been completed 100%.</i>
July 1, 2019 to June 30, 2021	RAP Implementation and Monitoring	The Auditor General recommended that project management should ensure, the supervising engineer monitors and reports on the implementation of the RAP consistent with the contract terms.	Not Implemented	We observed that the issue is still repeating in the current year audit.	<i>Since the last audit, the Consulting Engineer's report has always captured RAP implementation and monitoring along the Sanniquellie to Loguatu (47.1Km) reports.</i>
July 1, 2019 to June 30, 2021	Non-adherence to Consulting Engineers' Recommendations by the Contractor	The AG recommended that project management should ensure, the contractor complies with the requirements of the contract terms and that deviation noted be immediately resolved by the contractor.	Not Implemented	We observed that the issue was resolved in the current year audit.	
July 1, 2019 to June 30, 2021	Delays in Mobilization of Construction Equipment	The AG recommended that project management should ensure, the contractor timely deploys and/or mobilizes the required equipment to the project site to facilitate timely execution of the project.	Not Implemented	We observed that the issue was resolved in the current year audit.	
July 1, 2019 to June 30, 2021	Lack of Environmental and Social Monitoring Workplan	It was recommended by the AG that project management should ensure, the supervising engineer develops an environmental and social monitoring work plan to assess the environmental compliance of the contractor in the execution of the road construction	Not Implemented	We observed that the issue is still repeating in the current year audit.	Management responded in the ML

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Audit Period	Audit Findings	Recommendations	Status of Implementation	Comment	Management Response
		projects			
July 1, 2019 to June 30, 2021	Lack of the Consultant's Quality Assurance Manual	The AG recommended that project management should ensure, the supervising engineer develops a quality assurance manual to guarantee that the construction meets predetermined quality standards established by the project/contractor. He further recommends that project management should develop monitoring and evaluation activities to access the implementation of quality assurance procedures.	Completed	We observed that the issue was resolved in the current year audit.	
July 1, 2019 to June 30, 2021	Lack of Foreign Staff Work Permit	It was recommended by the AG that the project management should ensure, foreign staff, obtain work and resident permits in line with the contract terms and avoid loss of revenue due to the nonpayment of taxes. In that regard, the GOL should expedite the issuance of work and/or resident permits for the contractors in line with the terms of the contract.	Completed	We observed that the issue was resolved in the current year audit.	
July 1, 2019 to June 30, 2021	Significant Variance between budget and actual:	The review recommends that going forward, project management should put in place measures to speed up project implementation. The review further recommends that the sector should undertake an onsite mission with specific activities in the mission TOR aimed at addressing all implementation challenges and improving project execution.	Not Implemented	We observed that the issue is still repeating in the current year audit.	Management did not respond to the issue

ANNEXURES

Annexure 1: July 20, 2022 Replenishment Report MRU 2 (001USD21320509429)

Date	Description	Payee	Amount (US\$)	Amount (LD)
27-Apr-22	Fuel/Gasoline	NP Liberia, LTD	30.00	-
27-May-22	Fuel/Gasoline	NP Liberia, LTD	20.00	-
4-May-22	Fuel/Gasoline	Destiny G Enterprise	-	2,550.00
26-Apr-22	Fuel/Gasoline	NP Liberia, LTD	30.00	-
29-Jun-22	Fuel/Gasoline	Destiny G Enterprise	30.00	-
3-May-22	Fuel/Gasoline	NP Liberia, LTD	20.00	-
30-May-22	Fuel/Gasoline	NP Liberia, LTD	15.00	-
21-Jun-22	Fuel/Gasoline	NP Liberia, LTD	20.00	-
25-Apr-22	Light bulb and extension cord	Mohammed & Son Business Center	80.00	-
10-May-22	Fuel/Gasoline	NP Liberia, LTD	20.00	-
No Date	Fuel/Gasoline	Destiny G Enterprise	30.00	-
24-Jun-22	Fuel/Gasoline	NP Liberia, LTD	20.00	-
10-Jun-22	Fuel/Gasoline	NP Liberia, LTD	20.00	-
17-Jun-22	Repair works	Assata Sonoe Business Center	75.00	-
6-Jul-22	Generator repairs	N/A	30.00	-
1-Jan-22	Engine oil	Andico Auto Parts	5.00	-
5-May-22	Paint	Ezone Electronics	35.00	-
5-Jun-22	Purchase of fan	No Name	30.00	-
No Date	Repair works	Dukuly Kanneh	35.00	-
27-Apr-22	Standing fans	Mallah & Son's Business Center	60.00	-
23-Jun-23	Repair of printer	Zenique Inc	80.00	-
12-Apr-22	Generator repairs	Dukuly Kanneh	80.00	-
12-Apr-22	Office provision	Binta & Sons Business Center	200.00	-
12-Apr-22	Printing of car stickers	HITZ Designers	65.00	-
Sub-total:			1,030.00	2,550.00

EXHIBITS

Exhibit 1a: approved Format for Reporting

APPENDIX 3 INTERIM FINANCIAL REPORT (FMR)

Include details per implementing agency and discussion points on project progress for the proje

FMR 1

STATEMENT OF RECEIPTS AND PAYMENTS Totals of Categories

Accounting Period: X/200X To: X/200X

	Current Period USD	Year to Date USD	Cumulativ to Date USD
Opening Bank and Cash Balance:			
Project Bank Account	XXX	XXX	XXX
Project Cash on Hand a/c	xx	xx	xx
	XXX	XXX	XXX
RECEIPTS During the Period			
IDA Funds	XXX	XXX	XXX
Sale of Bid Documents	xx	xx	xx
Total Receipts during Period	XXX	XXX	XXX
Project 3 Current A/c	XXX	XXX	XXX
Works	XXX	XXX	XXX
Consultancy Services	XXX	XXX	XXX
Advance Payments to Contractor/ Consultant	XXX	XXX	XXX
Operating Cost	XXX	XXX	XXX
	XXX	XXX	XXX
Excess of Receipts over Payments	XXX	XXX	XXX
Closing Bank & Cash Balances:			
Petty Cash – Fund 1	XXX	XXX	XXX
Petty Cash – Fund 2	XXX	XXX	XXX



Exhibit 1b: Project work plan

Appendix IV: Annual Work Programme and Budget MRU/RDTFP Phase I (Karloken - Fish Town - 80km)											
Components	Activities	Planned Output	Responsible Party	Timeline July to December 2021						Budget Estimate (US\$)	
				Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Six Months Budget	
Component 1: Civil Works	Contractual & Specified Requirement	Maintenance,	CHICO							\$ 145,638.89	
	Provisional Sum	HIV -Ambulance running cost - Monthly Env. Monitoring									\$ 1,103,832.73
	Prime Coat Application	Construct 588,055.95 m ² of prime coat application									\$ 354,278.00
	Asphalt Binder Construction	Construct 12,545,00.0 m ² of binder course									\$ 5,510,929.33
	Tack Coat	Construct 893,670.70 m ² of Tack Coat									\$ 40,323.50
	Alphalt Wearing Construction	Construct 893,670.70 m ² of wearing course									\$ 1,792,142.86
	U-Drains	Complete 23,279.00 m of drain works									\$ 3,084,753.00
	Concrete Side Walk, Curbs	Complete 23,279.00 m of concrete side walk, kerbs works									\$ 1,652,000.00
	Lay-bys, bus lay byes	Construct 14 nos. of lay-bys/bus lay byes									\$ 800,000.00
	River Gee Bridge	Complete 0.7 nos of River Gee Bridge construction									\$ 390,000.00
	Bridge at Ch 50 + 461	Complete 0.5 nos of Bridge construction									\$ 192,500.00

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Components	Activities	Planned Output	Responsible Party	Timeline July to December 2021						Budget Estimate (US\$)
				Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Six Months Budget
	Bridge at Ch 62 + 586	Complete 0.1 of Bridge construction							\$ 39,500.00	
	Traffic Signs	Complete 446 nos. of traffic signs during the period							\$ 605,808.70	
	W-Section Crash Barriers	Complete 12,000.0 m of crash barriers							\$ 193,434.81	
	Land Scape	Complete 30,000.0 m ² of land scape							\$ 100,000.00	
	Day Works	Complete 107,503 man-day work							\$ 35,847.67	
	Subtotal Component I								\$ 16,040,989.49	
Component 2: Consultancy Services	Civil Works Consultant	Provide contancy services for the supervision of civil works along the Karloken - Fishtown Project	IMC Worldwide in association with Tristar						\$ 262,535.48	
	HIV & AIDS Consultant	First, second & third audit after procurement	PIU						\$ 45,000.00	
	Financial Audit	First and second audit							\$ 30,000.00	

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Components	Activities	Planned Output	Responsible Party	Timeline July to December 2021						Budget Estimate (US\$)
				Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Six Months Budget
	Technical and Road Safety Audit	Completion of first two stages of technical and first stage of road safety								
	M&E Consultancy	First M & E Audit								
	Women Training									\$ 120,000.00
	Subtotal Component II									\$ 457,535.48
Component 3: Project Management	Office Running Cost: (US\$ 350 per mon. for 6 mons.)									\$ 2,100.00
	Office Supplies & Stationeries									\$ 2,100.00
	Internet subscription (US\$ 250 X 6)									\$ -
	Office Equipment Maintenance: US\$ 200 per mon. for 6 mons.									\$ 1,200.00
	Vehicle Insurance & Registration/year (2750/veh)									\$ 8,250.00
	Fuel Allowance: 3 gals./per veh/day which is 90 gals/ veh/									\$ 4,680.00

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Appendix IV: Annual Work Programme and Budget MRU/RDTFP Phase I (Karloken - Fish Town - 80km)										
Components	Activities	Planned Output	Responsible Party	Timeline July to December 2021						Budget Estimate (US\$)
				Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Six Months Budget
	month									
	Vehicle Maintenance: US\$ 300 per veh/mon for 3 veh. for 6 mon									\$ 5,400.00
	Perdiem - Programme Coordinator, Project Engineer, M & E, Environmentalist, MPW Experts, PFMU, Aid Management Unit & drivers .									\$ 11,000.00
	Long distance fuel @ 100 gals/veh.									\$ 2,400.00
	Miscellaneous Expanse									\$ 1,800.00
	Subtotal Component III									\$ 38,930.00
nt 4: Road	Ministry of Public Works Reform Activity (MRU/RDTFP)									

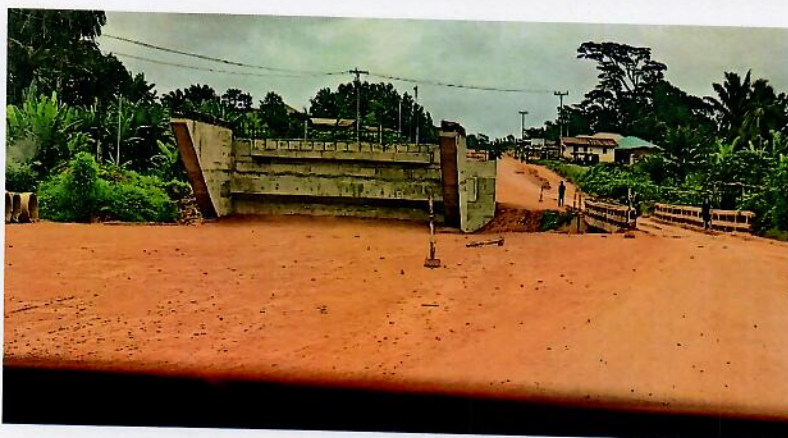
Appendix IV: Annual Work Programme and Budget MRU/RDTFP Phase I (Karloken - Fish Town - 80km)										
Components	Activities	Planned Output	Responsible Party	Timeline July to December 2021						Budget Estimate (US\$)
				Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Six Months Budget
	Annual Road Transport Sector Review, Planning & Validation Forum	Setting up/establishment for validation Team & Facilitators. Procure Workshop materials, facilities & Logistics, Transportation & Rental and Publishing & Printing of Workshop Reports and Actions Plans	Programme & Planning Bureau/MPW							\$ 60,000.00
	Stakeholder's Consultation the Establishment of Road Agency	Procure Workshop Materials, Facilities & Logistics and Publishing & Printing of Workshop Reports								\$ 25,000.00
	Developing Digital Urban Road Network Plan	Establishment of Data Collection team & training; procurement of Data collection logistics and Data collection and reporting								\$ 20,000.00
	Information and Document Storage Facility	Refurbish Document & Archive room; Procure Storage Logistics and Procure Online storage space for long term								\$ 9,000.00

Appendix IV: Annual Work Programme and Budget MRU/RDTFP Phase I (Karloken - Fish Town - 80km)										
Components	Activities	Planned Output	Responsible Party	Timeline July to December 2021						Budget Estimate (US\$)
				Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Six Months Budget
		storage activities								
	Support to Sector Planning & Coordination Office	Provide adequate logistics support including vehicle to enhance Coordination Office activities.							\$ 55,000.00	
Subtotal									\$ 169,000.00	
National Road Fund of Liberia			National Road Fund of Liberia							
	Round Table Discussion on Road Sector (Stakeholders) Media & Workshops								\$ 25,000.00	
	Recruitment of Legal Consultant								\$ 54,000.00	
	Recruitment of IT Technician								\$ 36,000.00	
	Legal Consultant								\$ 36,000.00	
Subtotal									\$ 151,000.00	
Ministry of Transport Individual Road Sector Reform Activity (MRU/RDTFP)			Ministry of Transport							
	Road Safety Awareness & Sensitization and TOT Workshop within Five Counties	Personnel (DSA, Accommodation and Feeling)							\$ 26,400.00	
		Vehicles Rental							\$ 21,780.00	
		Materials for						\$		

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Components	Activities	Planned Output	Responsible Party	Timeline July to December 2021						Budget Estimate (US\$)
				Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Six Months Budget
(Maryland, River Gee, Sinoe, Grand Gedeh and Nimba)	Printing									157,150.00
	COVID-19 Prevention Materials									\$ 31,650.00
	Road Safety Radio Messages									\$ 8,670.00
	Stakeholder's Road Safety Awareness Workshops									\$ 53,496.00
	Refreshment and Intertainment for five counties									\$ 13,070.00
	Other Direct Cost									\$ 13,250.00
	Contingency									\$ 16,262.05
	Road Safety Specialist	Tow Truck to be used to remove broken-down vehicles								
Subtotal									\$ 356,728.05	
Subtotal Component IV									\$ 676,728.05	
Total For All Components									\$ 17,214,183.02	

Exhibit 2: For road construction work phase II



*Management Letter on the Financial Statement audit of
the Ministry of Finance and Development planning
for the fiscal year ended June 30, 2017*

