

**CENTRAL BANK OF LIBERIA**

**FACTUAL FINDINGS REPORT**

**REVIEW OF THE MONETARY DATA REPORTING PACKAGE  
BASED ON THE BANK'S BALANCE SHEET AS AT DECEMBER 31, 2009 AND INCOME  
STATEMENT FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2009.**

**PRICEWATERHOUSECOOPERS** 

The Board of Governors  
Central Bank of Liberia  
Corner Warren and Carey Streets  
Monrovia, Liberia

May 26, 2010

Dear Sirs

**REPORT OF FACTUAL FINDINGS ON THE REVIEW OF THE MONETARY DATA  
REPORTING PACKAGE BASED ON THE BANK'S BALANCE SHEET AS AT  
DECEMBER 31, 2009 AND INCOME STATEMENT FOR THE SIX MONTHS PERIOD  
ENDED DECEMBER 31, 2009.**

We have performed the agreed upon procedures established with the Central Bank of Liberia ('the Bank') and enumerated in section 3 of this report with respect to the audit engagement conducted on:

- (i) Monetary Data Reporting Package (MDRP) reported to the International Monetary Fund (IMF) by the Bank, that is based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009; and
- (ii) The design, implementation and maintenance of the internal control framework relevant to the execution of financial transactions in the Bank.

**Objectives**

The primary objectives of this audit engagement are to:

1. Ascertain that the level of net international reserves, floor on the Bank's budget balance, and ceiling on payments arrears are reported in a manner that is consistent with that defined in the Technical Memorandum of Understanding (TMU) dated February 27, 2008 and revised on December 2, 2009<sup>1</sup> between the Liberian authorities and the IMF under the Poverty Reduction and Growth Facility (PRGF) arrangement as at December 31, 2009;
2. Compare the data reported by the Bank with those independently verified above, in accordance with the definitions in the TMU, and quantify and report any differences observed;
3. Assess the design and effectiveness of the Bank's internal control framework for all financial transactions undertaken by the Bank (i.e., a gap analysis), and determine whether the Bank complies with its existing framework in day-to-day financial operations; and

---

<sup>1</sup> This report supersedes an earlier report dated April 23, 2010 which was based on the Technical Memorandum of Understanding (TMU) dated February 27, 2008 and revised on April 15, 2009.

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

4. Prepare a long form report that details the factual findings: on (i) the net international reserves and the Bank's budget implementation; and (ii) the framework of internal controls over financial transactions of the Bank.

**Scope of work done**

Our engagement was conducted in accordance with the International Standard on Related Services- ISRS 4400 applicable to agreed upon procedures engagements. The objective of an agreed-upon procedures engagement is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. This standard requires that we comply with ethical requirements and plan and perform our work and report the facts noted based on the agreed upon procedures. Our work relates to only the elements, accounts, items or financial and non-financial information specified in the agreed upon procedures and does not extend to the entity's financial statements taken as a whole. The detailed agreed upon procedures are under section 3 of this report.

An agreed-upon procedures engagement is not intended to provide a conclusion that provides a level of assurance. Instead, the user assesses the procedures and findings and draws his or her own conclusions.

**Limitation on the distribution of the report of factual findings**

This report has been prepared for use by the Bank and to help address the objectives (as stated above) for which this assignment is undertaken. It should therefore not be made available to a third party without our prior written consent. We will not be liable for any damage that may arise for using the report for purposes other than those agreed upon and the distribution of the report to third parties.

Finally, we wish to express our gratitude to the management and staff of the Bank for the co-operation extended to our staff during the review process.

Should you have any queries or need further clarification regarding the points raised in this report, please do not hesitate to contact us.

Yours faithfully  
For and on behalf of PricewaterhouseCoopers (Ghana) Limited

Charles Egan  
Assurance Director

**Central Bank of Liberia**  
**Facts Findings Report**  
**Review of the Monetary Data Reporting Package**  
**for the Six Months Period Ended December 31, 2009**

---

<b>Index</b>		<b>Page</b>
	Executive summary	1 - 2
Section 1	Commentary and analysis on the net international reserves and the Bank's budget implementation	3 - 5
Section 2	Commentary and analysis on the internal control framework	6
Section 3	Detailed agreed upon procedures conducted for the engagement	7 - 12
Section 4	Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data.	13 - 31
Section 5	Findings and recommendations on the internal control framework relevant to the execution of financial transactions at the Bank, including documenting all exceptions or transactions of an unusual nature.	32 - 37
Section 6	IT review on the MDRP.	38 - 40
Section 7	Summary of adjustments	41 - 42

### **Appendices**

- A:           Recomputation of net foreign reserve position for August 2009.
- B:           Certain assets and liabilities were excluded from the net foreign exchange position computation
- C:           Outstanding deposit confirmation balances
- D:           Status of January to June 2009 fact findings

*Our responsibilities and the objectives, procedures and natural limitations of the audit are explained in our letter of engagement dated **March 4, 2010**.*

*The matters raised in this and other reports that will flow from the review are only those which have come to our attention arising from or relevant to our review that we believe need to be brought to your attention. They are not a comprehensive record of all the issues arising, and in particular we cannot be held responsible for reporting all internal control weaknesses. This report has been prepared solely for your use and should not be made available to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Executive summary**

We have completed the agreed upon procedures relating to the MDRP of the Bank for the period ended December 31, 2009. There were no restrictions on the scope of our review procedures.

We obtained a revised TMU dated December 2, 2009, disclosing new quantitative performance criteria and indicative targets under the Poverty Reduction and Growth Facility.

The confirmation responses for circularised assets and liabilities included in the net foreign reserve position remain outstanding. **Refer to section 4 under Data reporting of the Bank's Net Foreign Exchange Position.**

Below is a summary of the results of the agreed upon procedures work performed during the period under review.

The Bank has made significant strides in achieving all the quantitative benchmarks established under the PRGF program for reserves accumulation, and budget balance in the face of the current global financial crises by showing excesses in reserve accumulation and operating above the cash-based budget balance floor set in the TMU.

**A) Review of the Bank's Processes and Controls over Reporting of International Reserves Program Data to the IMF, and Financial Transactions.**

There were documented processes and controls over the reporting of the MDRP to IMF. We evaluated and tested key controls in place over the reporting of the MDRP to IMF.

- i) *The MDRP for the month of July 2009, was reviewed and approved by the Assistant Director of Research instead of the Director of Research and Deputy Governor. (page 13)*

**B) Detailed Procedures as at December 31, 2009**

The following fact findings were noted during the review, and the details have been provided in the respective referenced pages.

**Data reporting of the Bank's Net Foreign Exchange Position.**

- ii) *Certain assets and liabilities were excluded from the net foreign exchange position computation. However, an adjustment for the misstatement will not result in the net foreign exchange position going below the projected floor per the TMU. (page14)*
- iii) *Dormant liabilities excluded from the net foreign exchange position computation. (page 15)*
- iv) *Difference of USD200,000 between the MDRP report and the expected balance as shown in appendix A. This was corrected in the subsequent month report (pages 16 and 43)*
- v) *Transactions relating to September 2009 were back valued to July 2009 in the Federal Reserve Bank New York cash book, showing a difference of US\$97,526 between the general ledger for the month of July 2009 and cash balances reported in the MDRP report. ( pages 17 and 18)*

Executive summary (continued)

**B) Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position. (continued)**

- vi) *Bank confirmation not received. (page 19)*
- vii) *Differences between the cash count and general ledger cash balances.(page 20)*
- viii) *Government of Liberia (GOL) demand deposit balance misstated, but corrected in September 2009 MDRP report.(page 21)*
- ix) *Deposits confirmation not received.(page 22)*

**Data reporting of the Bank's Expenditures.**

- x) *Expenditure reported in July, August and December 2009 misstated.(pages 24 and 25)*
- xi) *Credit balances in the detailed monthly expense schedule not disclosed. (page 26)*

**Data reporting of Arrears of the Bank**

- xii) *Technical Memorandum of understanding (TMU) payments arrears ceiling not disclosed in the MDRP report. (page 30)*

**C) Summary of adjustments ( Section 7 page 41 and 42)**

**D) Appendix**

- xiii) *Recomputation for the net foreign reserve position for the month of August 2009. (page 43)*
- xiv) *Certain assets and liabilities were excluded from the MDRP report for the following months.(page 44)*
- xv) *Outstanding deposit confirmation balances(page 45)*
- xvi) *Status of January 2009 to June 2009 fact findings (pages 46 - 54)*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 1: Commentary and analysis on the net international reserves and the Bank's budget implementation**

The Bank's net foreign exchange position as per the TMU under the PRGF is defined as the difference between:

- (a) the Bank's gross foreign reserves including Special Drawing Rights (SDR) holdings, as currently defined in the monthly monetary survey; and
- (b) the sum of its gross foreign liquid liabilities and liquid liabilities denominated in U.S. dollars, as currently defined in the monthly monetary survey.

We observed that the definition for key terms used in the computation of the Bank's net foreign exchange position such as the gross foreign liquid reserves and gross foreign liquid liabilities are consistent with the Technical Memorandum of Understanding (TMU) and the Monthly Monetary Survey as agreed between the Liberian authorities and IMF. CBL's net foreign exchange position is defined in the TMU while the gross foreign liquid reserves and gross foreign liabilities are defined in the Monthly Monetary Survey.

The table below shows how the Bank performed with regards to its actual net foreign reserve position for the period under review compared to the agreed performance targets set for the period under review.

**Net foreign exchange reserve position**

<b>Description</b>	<b>As at September 30, 2009</b>	<b>As at December 31, 2009</b>
	<b>USD'million</b>	<b>USD'million</b>
Actual net foreign reserve position(adjusted)	59.8	268.3
Floor with CBL's net foreign exchange position (revised)	57.1	248.4
<b>Surplus</b>	<b>2.7</b>	<b>19.9</b>

The Bank's net foreign exchange reserve position for the period ended September 30, 2009 and December 31, 2009 were above the set floor per the revised TMU dated December 2, 2009.

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 1: Commentary and analysis on the net international reserves and the Bank's budget implementation (continued)**

There is good coordination between the Finance and Research Departments in generating the numbers that feed into the calculations.

The Bank presents to the IMF at the beginning of each fiscal year, cash-based balanced budget of revenues and expenditures (both recurrent and capital).

The Bank is required to submit to the IMF on a monthly basis as part of the MDRP, a summary statement of revenues and expenditures (both recurrent and capital) on cash basis. The statement is prepared both for the month of reporting and on a cumulative basis (year to date), both in Liberian Dollars and in US Dollars. The statement shows also the budgeted balances both for the month of reporting and on a cumulative basis (year to date).

The variance between the budgeted amount and the actual balances is used to monitor the performance criteria agreed between IMF and the Bank.

Operational result (surplus or deficit) is derived as the difference between total revenue and total recurrent expenditure (both on the cash basis). The net surplus/ deficit is the operating results less capital expenditures (cash basis).

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 1: Commentary and analysis on the net international reserves and the Bank's budget implementation (continued)**

The tables below set out how the Bank performed with regard to the benchmarks (floor on CBL's cash-based budget balance and Budget balance/Floor) for the six months period ended December 31, 2009.

**Performance of CBL based on the revised TMU dated December 2, 2009 and Reported cash-balance budget**

Description	As at September 30, 2009	As at December 31, 2009 (unadjusted)	As at December 31, 2009 (adjusted- Refer to section 7)
	USD'million	USD'million	USD'million
Total income	7.46	10.56	10.56
Total expenses	(6.68)	(10.48)	(10.49)
<b>Net surplus</b>	<b>0.78</b>	<b>0.08</b>	<b>0.07</b>
<b>Floor on cash-based budget balance</b>	<b>(0.40)</b>	<b>0.00</b>	<b>0.00</b>

The bank operated above its cash based-budget balance set floor for the periods ended September 30 2009 and December 31 2009.

**Actual performance against budget**

Description	As at September 30, 2009	As at December 31, 2009 (unadjusted)	As at December 31, 2009 (adjusted- Refer to section 7)
	USD'million	USD'million	USD'million
Total income	7.46	10.56	10.56
Budget income	7.42	10.28	10.28
<b>Variance – favourable</b>	<b>0.04</b>	<b>0.28</b>	<b>0.28</b>
Total expenses	6.68	10.48	10.49
Budget expenses	7.92	10.28	10.28
<b>Variance –favourable/(adverse)</b>	<b>1.24</b>	<b>(0.20)</b>	<b>(0.21)</b>

***Pre-adjustments analysis***

The bank achieved a favourable variance of USD0.04million and USD1.24million against budgeted income and expenditure respectively for the period ended September 30, 2009.

For the six months period ended December 31, 2009, the bank achieved a net favourable income of USD0.28 million. However, the net expenses showed an adverse effect of USD0.20 million.

The excess income enabled the Bank to incur additional expenditure of US\$0.2million which was duly approved.

***Post adjustments analysis***

The bank recorded an adverse expenditure variance of USD0.21million for the period ended December 31, 2009. However, the bank's cash based balance as defined in the TMU revised on December 2, 2009 were not breached as tabulated above.

**Section 2: Commentary and analysis on the internal control framework**

Key internal controls established over financial reporting at the Bank were generally assessed to be designed and operating effectively.

There is adequate segregation of duties and top management involvement.

The tone at the top and the general control environment is quite strong. Objectives are set in the form of fiscal budgets approved prior to the beginning of that year. Distinct risk assessment is done at the point in evaluating these objectives (the budgets) and throughout the year in the form of authorisation and reviews of the financial transactions entered into by the Bank. ***Refer to section 5 (review of internal controls over the Bank's financial transactions)***

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 3: Detailed agreed upon procedures conducted for the engagement**

Below are the agreed upon procedures based on the engagement letter dated **March 4, 2010**

**Review of the Bank's Processes and Controls over Reporting of International Reserves Program Data to the IMF, and Financial Transactions.**

1. Document the processes and key internal controls in place at the Bank over the reporting of monetary program data to the IMF.
2. For the December 31, 2009 monetary program data reported to the IMF, perform the following work:
  - (a) Determine whether the key controls established by the Bank over the reporting of monetary program data to the IMF were followed; and
  - (b) Observe whether the data reported has been reviewed and approved by an authorized person in accordance with the Bank's policies and procedures.
3. For the six months period ended December 31, 2009, perform the following work in respect of the Bank's financial controls:
  - (a) Review and assess the design of the internal control framework for financial transactions of the Bank; <sup>2</sup>and
  - (b) Evaluate the effectiveness and compliance with existing internal controls for all types of financial transactions of the Bank.

**Data reporting of the Bank's Net Foreign Exchange Position**

1. Obtain a copy of the PRGF TMU and review the definitions of Net Foreign Exchange Position of the Bank.
2. Obtain a list of gross international reserve assets and all reserve liabilities and test mathematical accuracy of the net foreign exchange position. Obtain audit evidence about the accuracy and completeness of information produced by the accounting and management information systems.
3. Agree assets and liabilities included in the calculation to the general ledger and subsidiary accounting ledgers/records. Examine, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.
4. Assess the accounting framework used and any significant estimates made by management.
5. Ensure that the monetary data compiled and reported to the IMF is compliant with the program definitions set out in the TMU dated February 27, 2008 and revised on December 2, 2009.

---

<sup>2</sup> For the purposes of this review, 'financial transactions' at the CBL include, but are not limited to, foreign exchange dealing and investment operations, government Banking, inter-Bank clearing and settlements, currency in circulation, CBL procurements and administrative expenditures.

**Section 3: Detailed agreed upon procedures conducted for the engagement (continued)**

**Data Reporting of the Bank's Net Foreign Exchange Position (continued)**

6. Ensure that all audit adjustments resulting from these agreed-upon procedures have been reported to the IMF.
7. Review off-balance sheet items such as commitments, guarantees, and pledges to ensure that they are properly accounted and reflected in the compilation of the monetary data.
8. Obtain a detailed list of gross foreign reserves and ensure that the composition of the gross foreign reserves is in accordance with the TMU. Ensure that gross foreign reserves include only those assets that are in the direct, effective control of the Bank and are readily available for use. Items that should not be a part of gross foreign reserves include, but are not limited to, capital subscriptions in international institutions, assets in non-convertible currencies, and encumbered, collateralized or pledged assets.
9. Verify the existence of all items included in gross foreign reserve assets:
  - (a) Verify existence of cash and gold held at the Central Bank's vaults;
  - (b) Send direct confirmations for all assets held at third parties. These include, but are not limited to, Bank deposits held abroad, gold, SDR holdings, and the IMF reserve tranche position. Requests for confirmations should include an inquiry regarding existence of collateralized, pledged or otherwise encumbered assets. The auditor should report all balances that could not be confirmed;
  - (c) Verify the completeness of encumbered and collateralized assets to be excluded from gross foreign reserves and any off-balance sheet items that impact international reserves;
  - (d) Review third party confirmation for identification of encumbered, collateralized, pledged assets and off-balance sheet items; and
  - (e) Obtain a representation letter from the Bank management regarding completeness and accuracy of collateralized or otherwise encumbered assets and that all off-balance sheet commitments were disclosed to the auditor.
10. Obtain a detailed list of reserve liabilities and ensure that the composition is in accordance with the TMU.
11. Verify the completeness of reserve liabilities:
  - (a) Send direct confirmations for all foreign currency denominated liabilities; and
  - (b) Perform alternative procedures to verify completeness of balances for which direct confirmations have not been received.

**Section 3: Detailed agreed upon procedures conducted for the engagement (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

12. Ensure that foreign currency guarantees, contingencies and commitments, including commitments to sell foreign exchange from derivative or other contracts, are included in reserve liabilities. Procedures should include, but should not be limited to, obtaining a representation letter from management regarding completeness of disclosure of all foreign currency denominated contingencies and commitments.
13. Document the key internal controls in place at the Bank over foreign exchange and reserve management operations. Document the types of transactions entered into by the Bank in the six months period preceding the relevant test date. For a sample of foreign exchange and reserve management transactions undertaken by the Bank in the period, perform the following work:
  - a) Determine whether the key controls established by the Bank for entering into and approving transactions were followed;
  - b) Determine whether the transactions entered into were of a type permitted by the Bank's rules and regulations;
  - c) Observe whether transactions are signed and approved by an authorized person in accordance with the Bank's policies and procedures; and
  - d) Describe and comment upon any unexpected or unusual operations or transactions.

**Data reporting of the Bank's Expenditures**

14. Obtain a copy of the PRGF TMU and review the reporting requirements for reporting the Bank's expenditures, which is the sum of recurrent expenditures and capital expenditures.
15. Obtain a list of all expenditures and test mathematical accuracy of the Bank's reported expenditures. Obtain audit evidence about the accuracy and completeness of information produced by the accounting and management information systems.
16. Agree expenditures reported to the IMF with the Bank's general ledger and subsidiary accounting ledgers/records. Examine, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.
17. Perform cut-off testing to ensure that all expenses are properly accounted and reflected in the compilation of the monetary data.
18. Assess the accounting framework used and any significant estimates made by management.
19. Ensure that the monetary data compiled and reported to the IMF is compliant with the requirements set out in the TMU dated February 27, 2008 and revised on December 2, 2009.
20. Ensure that all audit adjustments resulting from these agreed-upon procedures have been reported to the IMF.

**Section 3: Detailed agreed upon procedures conducted for the engagement (continued)**

**Data reporting of the Bank's Expenditures (continued)**

21. Document the key internal controls in place at the Bank over monitoring their expenditures. Document the types of transactions entered into by the Bank in the six months period preceding the relevant test date. For a sample of expenditures undertaken by the Bank in the period, perform the following work:
  - a) Determine whether the key controls established by the Bank for entering into and approving transactions were followed;
  - b) Determine whether the transactions entered into were of a type permitted by the Bank's rules and regulations;
  - c) Observe whether transactions are signed and approved by an authorized person in accordance with the Bank's policies and procedures; and
  - d) Describe and comment upon any unexpected or unusual operations or transactions.

**Data reporting of the Bank's Budget Balance**

22. Obtain a copy of the PRGF TMU and review the reporting requirements for reporting the Bank's budget balance, which is defined as the difference between total revenues (on a cash basis), total expenditure outlays on a cash basis.
23. Obtain a list of all revenues and expenses (recognized on a cash basis) and test mathematical accuracy of the Bank's reported revenues. Obtain audit evidence about the accuracy and completeness of information produced by the accounting and management information systems.
24. Agree revenues and expenses reported to the IMF with the Bank's general ledger and subsidiary accounting ledgers/records. Examine, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.
25. Perform cut-off testing to ensure that all revenues and expenses are properly accounted and reflected in the compilation of the monetary data.
26. Assess the accounting framework used and any significant estimates made by management.
27. Ensure that the monetary data compiled and reported to the IMF is compliant with the requirements set out in the TMU dated February 27, 2008 and revised on December 2, 2009.
28. Ensure that all audit adjustments resulting from these agreed-upon procedures have been reported to the IMF.

**Section 3: Detailed agreed upon procedures conducted for the engagement (continued)**

**Data reporting of Arrears of the Bank**

29. Obtain a copy of the PRGF TMU and review the reporting requirements for reporting any arrears of the Bank.
30. Obtain a list of all Banks' commitments due. For the purpose of this review, the Bank's commitments due include all expenditure for which goods and services have been delivered but have not been paid for. Perform sufficient audit procedures to ensure that the listing of commitments due is complete, including a review of the Bank's payments made subsequent to the test date reporting period. Obtain audit evidence about the accuracy and completeness of information produced by the accounting and management information systems. Procedures should also include, but should not be limited to, obtaining a representation letter from management regarding completeness of disclosure of all commitments.
31. Test the mathematical accuracy of the list of commitments.
32. Agree the list of commitments due and corresponding payments with the Bank's general ledger and subsidiary accounting ledgers/records. Examine, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.
33. Perform cut-off testing to ensure that all commitments and payments are properly accounted and reflected in the compilation of the monetary data.
34. Assess the accounting framework used and any significant estimates made by management.
35. Ensure that the monetary data compiled and reported to the IMF is compliant with the requirements set out in the TMU dated February 27, 2008 and revised on December 2, 2009.
36. Ensure that all audit adjustments resulting from these agreed-upon procedures have been reported to the IMF.
37. Document the key internal controls in place at the Bank over monitoring their commitments. Document the types of transactions entered into by the Bank in the six months period preceding the relevant test date. For a sample of commitments, perform the following work:
  - a) Determine whether the key controls established by the Bank for entering into and approving transactions were followed;
  - b) Determine whether the transactions entered into were of a type permitted by the Bank's rules and regulations;
  - c) Observe whether transactions are signed and approved by an authorized person in accordance with the Bank's policies and procedures; and
  - d) Describe and comment upon any unexpected or unusual operations or transactions.

**Section 3: Detailed agreed upon procedures conducted for the engagement (continued)**

**Review of Internal Controls over the Bank's Financial Transactions**

38. Financial transactions at the Bank include, but are not limited to, foreign exchange dealing and investment operations, government banking, inter-bank clearing and settlements, currency circulation, the Bank's procurements and administrative expenditures.
39. Evaluate the design of the internal control framework relevant to the execution of financial transactions of the Bank:
  - a) Review the Bank's documented and approved policies and procedures regulating the initiation, verification, authorization, settlement and recording of financial transactions undertaken by the Bank;
  - b) Document the existing key internal controls in place at the Bank relating to all types of financial transactions being executed, including the business processes embedded in the related financial IT system; and
  - c) Undertake a "gap" analysis and identify differences between the Bank's policies and procedures, and internal controls in place and those expected in central Banking operation similar to that of the Bank and propose recommendations for improvement.
40. Evaluate the implementation and maintenance of the internal control framework relevant to the execution of financial transactions of the Bank:
  - a) Assess whether the control system is operating as intended and that staff understand the specific requirements for their work area;
  - b) Perform substantive testing on a sample of at least 30 executed transactions covering all types of financial transactions mentioned above in paragraph 38 to assess:
    - i) compliance with the Bank's policies and procedures;
    - ii) sufficiency of internal controls over proper initiation, verification, authorization, settlement and recording of transactions; and
    - iii) risks of errors or omissions.
  - c) Perform a review of large and unusual transactions covering all types of financial transactions. Document the circumstances regarding any exceptions to the Bank's control framework and any excessive or unusual transactions.
  - d) Examine the periodical controls in place at the relevant departments for the monitoring of the relating general ledger control accounts and suspense accounts.

This testing and review should also have regard to work that may be carried out in terms of the procedures for data reporting as described in preceding sections.

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data.**

**Review of the Bank's Processes and Controls over Reporting of International Reserves Program Data to the IMF, and Financial Transactions.**

1. We documented the processes and key internal controls in place at the Bank over the reporting of monetary program data to the IMF.

*The MDRP sent to the IMF is reviewed by the Assistant Director of Research for mathematical accuracy and completeness, after the data used for the report have been reviewed by the various departmental heads where the data was generated.*

*After the review, the Assistant Director submits the report to the Director of Research for review who subsequently submits it to the Deputy Governor or Executive Governor for final review and approval. The Director of Research is then advised to deliver the report to the IMF through their local representative.*

2. For the December 31, 2009 monetary program data reported to the IMF, we performed the following work:

- a) Determined whether the key controls established by the Bank over the reporting of monetary program data to the IMF were followed.

*The key controls established by the Bank over the reporting of MDRP were followed, except for the month of July 2009 as detailed in the fact finding below.*

- b) Observed whether the data reported has been reviewed and approved by an authorized person in accordance with the Bank's policies and procedures.

***Fact finding***

*The MDRP submitted to the IMF for the six months period ended December 31, 2009 was reviewed by the Director of Research and approved by the Deputy Governor except for the month of July 2009, whereby the report was reviewed and approved by the Assistant Director of Research. We sighted documentary evidence of the reviews and approval for the six months period ended December 31, 2009.*

***Management comment***

*In August 2009, there was a vacancy created due to the resignation of the Deputy Governor of the Central Bank of Liberia. Additionally, the Director of Research was also out of the country on official duties. Given that the July 2009 MDRP had to be presented to the IMF before August 20, 2009. Because of the pressing deadline from the IMF, the document was signed on behalf of the Director of Research and Deputy Governor, by the Officer-in Charge of the Research Department.*

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data.**

**Review of the Bank's Processes and Controls over Reporting of International Reserves Program Data to the IMF, and Financial Transactions.**

3. For the six months period ended December 31, 2009, we performed the following work in respect of the Bank's financial controls:
  - a) Reviewed and assessed the design of the internal control framework for financial transactions of the Bank; and
  - b) Evaluated the effectiveness and compliance with existing internal controls for all types of financial transactions of the Bank. ***Refer to section 5 (review of internal controls over the Bank's financial transactions)***

**Detailed Procedures as at December 31, 2009**

**Data reporting of the Bank's Net Foreign Exchange Position**

1. We obtained a copy of the revised TMU dated December 2, 2009 under the PRGF and reviewed the definitions of the Net Foreign Exchange Position of the Bank.
  - i) ***Certain assets and liabilities were excluded from the net foreign exchange position computation***

***Fact finding***

*The following assets and liabilities disclosed in appendix B were excluded from the monthly reports resulting in an overstatement of the net foreign exchange position for the six months under review.*

*However, an adjustment for the misstatement would not result in the net foreign exchange position going below the projected floor per the TMU.*

***Recommendation***

*We propose an inclusion of the amount to reflect the actual net foreign exchange position of the bank as per the requirements of the TMU.*

***Management comment***

*Point is noted. Going forward, these assets and liabilities will be included in the subsequent MDRP report.*

**Central Bank of Liberia**  
**Facts Findings Report**  
**Review of the Monetary Data Reporting Package**  
**for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data.**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

1. We obtained a copy of the revised TMU dated December 2, 2009 under the PRGF and reviewed the definitions of the Net Foreign Exchange Position of the Bank.

**ii) Dormant liability accounts excluded from the net foreign exchange position computation**

**Fact finding**

The following long outstanding liability balances were excluded from the computation of the net foreign reserve position. These accounts were brought forward from the erstwhile National Bank of Liberia.

<b>Descriptions</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
FCIB Current A/c	4,743	4,743	4,743	4,743	4,743	4,743
BCCI Current A/c	(1,256)	(1,256)	(1,256)	(1,256)	(1,256)	(1,256)
MERIDEIN Special R/ship Escrow	6,984	6,984	6,984	6,984	6,984	6,984
BCCI Collection A/c	71,317	71,317	71,317	71,317	71,317	71,317
ROVIA Escrow Account	15,000	15,000	15,000	15,000	15,000	15,000
Union Bank of Switzerland	1,709,405	1,709,405	1,709,405	1,709,405	1,709,405	1,709,405
First Union Bank/N.C	16,529	16,529	16,529	16,529	16,529	16,529
Dormant accounts	1,948,816	1,948,816	1,948,816	1,948,816	1,948,816	1,948,816
<b>Total</b>	<b>3,771,539</b>	<b>3,771,539</b>	<b>3,771,539</b>	<b>3,771,539</b>	<b>3,771,539</b>	<b>3,771,539</b>
<b>Amount in USD'million</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>

**Management comment**

These are long term dormant liabilities with no movement for the past ten years and which management is in the process of writing off to income statement.

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

2. We obtained a list of gross international reserve assets and all reserve liabilities and tested mathematical accuracy of the net foreign exchange position. We obtained audit evidence about the accuracy and completeness of information produced by the accounting and management information systems.

*The balances reported in the net foreign exchange position were extracted from the general ledger. We tested the mathematical accuracy of the net foreign exchange position reported and agreed the balances to the general ledger from July 1, 2009 to December 31 2009.*

**Fact finding**

*In recomputing the net foreign reserve position, for the month of August 2009, we noted a difference of USD200,000 between the MDRP report and the expected balance as shown in appendix A. This was corrected in the subsequent month MDRP report.*

**Management comment**

*As per the final MDRP report for January to June 2009, there were a number of accounts recommended to be included in the report. These recommendations took effect from September 2009. However it was inadvertently included in the August 2009 workbook although the amount was excluded from the computation of Net Liquid Liabilities figure reported in August 2009. This difference has been corrected in the September MDRP report.*

3. We agreed assets and liabilities included in the calculation to the general ledger from July 1, 2009 to December 31, 2009 and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.
4. We assessed the accounting framework used and any significant estimates made by management.

*The Central Bank's financial statements for the year ended December 31, 2008 was in compliance with International Financial Reporting Standards (IFRS). We used the appropriate checklists (Recognition, Measurement, Presentation and Disclosure) to review the statutory financial statements for December 31, 2009 to ensure compliance with IFRS.*

5. We ensured that the monetary data compiled and reported to the IMF is compliant with the program definitions set out in the TMU dated February 27, 2008 and revised on December 2, 2009. **Refer to fact finding under section 4 (pages 14 and 15).**

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

6. We ensured that all audit adjustments resulting from these agreed-upon procedures have been reported to the IMF. **Refer to summary of adjustments. See section 7 (pages 41 and 42).**

7. We have substantially reviewed off-balance sheet items such as commitments, guarantees, and pledges to ensure that they were properly accounted and reflected in the compilation of the monetary data except for the following:

*Outstanding correspondent bank and deposit account balances confirmation responses. Refer to page 19 and appendix C page 45 - the list of deposit confirmation balances, respectively.*

8. We obtained a detailed list of gross foreign reserves and ensured that the composition of the gross foreign reserves is in accordance with the revised TMU dated December 2, 2009. We ensured that gross foreign reserves include only those assets that are in the direct, effective control of the Bank and are readily available for use. **Refer to fact finding under number 4 (pages 14 and 15)**

9. We verified the existence of all items included in gross foreign reserve assets by:

a) Verifying existence of cash held at the Central Bank's vaults;

**Transactions back valued in the Federal Reserve cash book**

**Fact finding**

*Transactions relating to September 2009 were back valued to July 2009, in the Federal Reserve Bank New York cash book, showing a difference of US\$97,526 between the general ledger for the month of July 2009 and cash balance reported in the MDRP report.*

	<b>USD</b>
<b>General ledger balances</b>	110,564,045.33
<b>MDRP balances</b>	110,661,571.33
<b>Differences</b>	<b>97,526.00</b>

**Implication**

*Cash balances reported in July 2009 may be misstated.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

***Transactions back valued in the Federal Reserve cash book (continued)***

9. We verified the existence of all items included in gross foreign reserve assets by:

a) Verifying existence of cash held at the Central Bank's vaults;(continued)

***Transactions back valued in Federal Reserve cash book (continued)***

***Recommendation***

*All back valued transactions should be duly supported and properly authorized in accordance with the Bank's policy to ensure that transactions are reflected in their appropriate periods*

***Management comment***

*The difference was due to posting error (entering the wrong date) by the Banking Department in posting the transaction in question. The entry was not intended to be back valued.*

9. We verified the existence of all items included in gross foreign reserve assets by:  
(continued)

b) Sending direct confirmations for all assets held by third parties which included an inquiry regarding existence of collateralized, pledged or otherwise encumbered assets and reported all balances that could not be confirmed;

c) Verifying the completeness of encumbered and collateralized assets to be excluded from gross foreign reserves and any off-balance sheet items that impact international reserves; and

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

9. We verified the existence of all items included in gross foreign reserve assets by:
- d) Reviewing third party confirmation for identification of encumbered, collateralized, pledged assets and off-balance sheet items.

***Bank confirmations not received***

***Fact finding***

- i) *There were no exceptions noted on the existence of cash held at the Bank's vault.*
- ii) *We are yet to receive confirmation responses on assets circularized. Alternative tests were performed on these balances. **There were no exceptions noted based on alternative tests performed.***

<b><i>Account names</i></b>	<b><i>Account number</i></b>	<b><i>Amount circularised as at December 30, 2009</i></b>
		<b><i>Amount in USD</i></b>
Credit Suisse Account	02-111-43002-000	676,787.05
CBL Time Deposit with Credit Suisse	02-115-00703-008	1,000,000.00
Bank for International Settlement	02-111-43003-000	24,369,494.16

***Management comment***

*Management is following up on the circularized confirmation responses from the Banks. Usually getting confirmation responses from the banks takes some time. However we are taking steps to have the remaining confirmation responses available to the auditors.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

9. We verified the existence of all items included in gross foreign reserve assets by:  
(continued)

***Differences between the cash count and general ledger cash balances***

***Fact finding***

*We noted differences between the general ledger and the cash count report generated from the internal audit department as at December 31, 2009 amounting to a net shortage of USD29,978.04. However, these differences were the result of shortages and timing differences due to delay in posting the checks.*

*The table below shows an analysis of the difference per location.*

<b>Description</b>	<b>General ledger balance as at December 31, 2009</b>	<b>Physical cash report generated by the Internal Audit department as at December 31, 2009</b>	<b>Overages/ (Shortages)</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
<i>Greenville Payment Center</i>	339,989.80	340,414.34	424.54
<i>Zwedru Payment Center</i>	62,333.07	62,122.84	(210.23)
<i>Tubmanburg Payment Center</i>	63,843.98	63,846.16	2.18
<i>Voinjama Payment Center</i>	88,631.46	87,785.91	(845.55)
<i>Gbarnga Payment Center</i>	92,413.82	90,419.78	(1,994.04)
<i>Buchanan Payment Center</i>	341,657.36	314,302.42	(27,354.94)
<b>Total</b>	<b>988,869.49</b>	<b>958,891.45</b>	<b>(29,978.04)</b>

***Implication***

*Cash balances disclosed in the MDRP has been misstated.*

***Management comment***

*These differences are mainly due to delays in processing of checks and posting transactions from the payment centers into Bankmaster (CBL's core banking software). The shortage reported at the Gbarnga payment center has been paid by the teller concerned. Similarly, the reported shortages at Zwedru and Voinjama are currently being collected through salary deductions. Going forward, all overages and shortages resulting from cash counts will be posted in the system without delay.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank’s balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009 reported to IMF and control processes and recommendations on the Bank’s monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank’s Net Foreign Exchange Position (continued)**

10. We obtained a detailed list of reserve liabilities and ensured that the composition is in accordance with the revised TMU dated December 2, 2009. ***The exception noted relates to the exclusion of certain liabilities as detailed in the summary of adjustments – See Section 7 (page 41 and 42).***

11. We verified the completeness of reserve liabilities by:

- a) Sending direct confirmations for all foreign currency denominated liabilities; and
- b) Performing alternative procedures to verify completeness of balances for which direct confirmations have not been received.

***Government of Liberia (GOL) demand deposit balance misstated.***

***Fact finding***

*The Government of Liberia demand deposit balance reported in the MDRP for August 2009 was different from the general ledger balance as shown below.*

<b>Account description</b>	<b>Balance reported in MDRP</b>	<b>General ledger balance</b>	<b>Difference</b>
	<b>USD’ million</b>	<b>USD’ million</b>	<b>USD’ million</b>
<b><i>GOL demand deposits</i></b>	<b>41.4</b>	<b>41.1</b>	<b>0.3</b>

***Implication***

*The GOL demand deposit for August 2009 balance may be misstated.*

***Recommendation***

*The difference should be reviewed.*

***Management comment***

*This was a computation error which was corrected in September 2009.*

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

11. We verified the completeness of reserve liabilities by:

- a) Sending direct confirmations for all foreign currency denominated liabilities, and
- b) Performing alternative procedures to verify completeness of balances for which direct confirmations have not been received

***Deposits confirmation not received***

***Fact finding***

*The following deposit confirmation responses are outstanding. Refer to Appendix C. (page 45)*

*We have not received response from a number of deposit confirmations letters sent out with respect to the balances at December 31, 2009 for the MDRP assignment. Alternative tests were performed for these balances. **There were no exceptions noted based on alternative tests performed.***

***Management comment***

*Management is following up on the circularised confirmation responses from the Government agencies and commercial banks. Usually, getting the confirmations from the Government agencies and Commercial banks take some time. However, we are taking steps to have the remaining confirmation responses available to the auditors.*

12. We ensured that foreign currency guarantees, contingencies and commitments, including commitments to sell foreign exchange from derivative or other contracts, are included in reserve liabilities. Procedures included, obtaining a representation letter from management regarding completeness of disclosure of all foreign currency denominated contingencies and commitments.

*Bank and deposit confirmations received before the date of reporting did not disclose any foreign currency guarantees, contingencies and commitments, including commitments to sell foreign exchange from derivative or other contracts. This has been disclosed in our letter of representation as such. **No exceptions were noted.***

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Net Foreign Exchange Position (continued)**

13. We documented the key internal controls in place at the Bank over foreign exchange and reserve management operations. We documented the types of transactions entered into by the Bank in the six months period preceding the relevant test date. For a sample of foreign exchange and reserve management transactions undertaken by the Bank in the period, we performed the following work:
- a) Determined whether the key controls established by the Bank for entering into and approving transactions were followed; **No exception was noted**
  - b) Determined whether the transactions entered into were of a type permitted by the Bank's rules and regulations; **No exception was noted**
  - c) Observed whether transactions are signed and approved by an authorized person in accordance with the Bank's policies and procedures, and **No exception was noted**
  - e) Described and comment upon any unexpected or unusual operations or transactions. **No exception was noted**

**Data reporting of the Bank's Expenditure**

14. We obtained a copy of the revised TMU dated December 2, 2009 under the PRGF and reviewed the reporting requirements for reporting the Bank's expenditures, which is the sum of recurrent expenditures and capital expenditures. **Refer to page 5 for a summary of the performance table.**
15. We obtained a list of all expenditures and tested mathematical accuracy of the Bank's reported expenditures. We obtained audit evidence about the accuracy and completeness of information produced by the accounting and management information systems.

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of the Bank's Expenditures (continued)**

15. We obtained a list of all expenditures and tested mathematical accuracy of the Bank's reported expenditures. We obtained audit evidence about the accuracy and completeness of information produced by the accounting and management information systems. (continued)
16. We agreed expenditures reported to the IMF with the Bank's general ledger and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.

***Expenditure reported in July, August and December 2009 misstated***

***Fact finding***

*There were differences between the total recurrent and capital expenditures and the MDRP report submitted for the months of July, August and December 2009 as shown in the table below.*

<b>Description</b>	<b>July 2009</b>	<b>August 2009</b>	<b>December 2009</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Recurrent expenditure</b>			
<i>Total expected recurrent expenditure</i>	557,985	437,552	1,375,478
<i>Total recurrent expenditure per MDRP signed report</i>	553,996	449,629	1,366,303
<b>Understated/(overstated)</b>	<b>3,989</b>	<b>(12,077)</b>	<b>9,175</b>
<b>Capital expenditure</b>			
<i>Total expected capital expenditure</i>	20,928		
<i>Total capital expenditure per MDRP signed report</i>	18,726		
<b>Understated</b>	<b>2,202</b>		

***Implication***

*Expenditure account balances may be misstated.*

***Recommendation***

*MDRP reports submitted should be thoroughly reviewed by a senior official.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of the Bank's Expenditures (continued)**

16. We agreed expenditures reported to the IMF with the Bank's general ledger and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package. (continued)

***Expenditure reported in July, August and December 2009 misstated(continued)***

***Management comments***

- ***Recurrent Expenditure***

*The understatement of \$3,989.00 in July 2009 and the overstatement in August 2009 of (\$12,077.00) were corrected in September 2009.*

- ***Capital Expenditure***

*The \$2,202.00 representing value of one (1) Printer was inadvertently omitted from the July 2009 MDRP report but was later discovered and corrected in August 2009.*

- ***December 2009 Difference of \$9,175.00***

*An amount of \$8,930.00 representing Provident Fund deducted from CBL staff for December was erroneously recorded twice. This was later discovered during the final review of our financial statements to the external auditor (PwC). This adjustment was made and the revised statement for December 2009, was submitted to the auditor.*

*The remaining balance of \$245.00 represents various expenses incurred at some of the Rural Banking Payments Centers in December 2009 that were not submitted prior to the finalization and submission of the December 2009 Cash Based Income & Expenditure Report.*

*However, upon receipt of these expenditure reports from the Centers in January 2010, entries were passed and back valued for 2009, thus causing an increase in the recurrent expenditure.*

*This was also included in the final cash based statement submitted to the auditor (PwC).*

*Going forward the Assistant Director of Finance has been mandated to thoroughly review the report before submission to the Research department for compilation.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Expenditures (continued)**

16. We agreed expenditures reported to the IMF with the Bank's general ledger and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package. (continued)

***Credit balances in the detailed monthly expense schedule***

***Fact finding***

*We noted the following credit balances in the detailed monthly expense schedule for the six months period ended December 2009. Our follow up from the officer responsible provided us with the following explanations.*

<b>Month</b>	<b>Expenditure</b>	<b>Amount(US\$)</b>	<b>Management comment</b>
August	Laser Printers	(1,225)	<i>This relates to an expense that was double booked and later reversed in August.</i>
October	International Traveling Expenses	(100)	<i>This relates to the refund of per diem that was unused.</i>
December	Foreign Training Expense	(5,000)	<i>This relates to an expense that was initially booked when the payment requisition was raised in November 2009 but had to be subsequently reversed as the payment was cancelled.</i>
December	R & M Generator	(5,575)	<i>This relates to the correction of classification error where a wrong posting was made between two accounts, generator fuel and R&amp;M generator</i>

***Implication***

*Monthly recurrent and capital expenditure balances reported may be misstated.*

***Recommendation***

*The lapses noted above were corrected in subsequent months in which the issues were noted. The MDRP report should be reviewed thoroughly by a senior official of the Finance Department before its submission to the research department for compilation.*

***Management comments***

*Refer to explanations in schedule above. The Assistant Finance Director has been mandate to review the reports before submitted to the Research department for compilation.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Expenditures (continued)**

17. We performed cut-off testing to ensure that all expenses are properly accounted and reflected in the compilation of the MDRP.
18. We assessed the accounting framework used and any significant estimates made by management. **Refer to section 4 (page 16) under Data reporting of the Bank's Net foreign exchange position.**
19. We ensured that the monetary data compiled and reported to the IMF is compliant with the requirements set out in the TMU dated February 27, 2008 and revised on December 2, 2009. **No exception noted.**
20. We ensured that all audit adjustments resulting from these agreed-upon procedures relating to the Bank's expenditures have been reported to the IMF. **Refer to summary of adjustments. See section 7 (pages 41 and 42).**
21. We documented the key internal controls in place at the Bank over monitoring the Bank's expenditures. We documented the types of transactions entered into by the Bank in the six months period preceding the relevant test date. For a sample of expenditures undertaken by the Bank in the period, we performed the following work:
  - a) Determined whether the key controls established by the Bank for entering into and approving transactions were followed;
  - b) Determined whether the transactions entered into were of a type permitted by the Bank's rules and regulations;
  - c) Observed whether transactions are signed and approved by an authorized person in accordance with the Bank's policies and procedures; and
  - d) Described and commented upon any unexpected or unusual operations or transactions. **There were no exceptions noted**

Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures at December 31, 2009 (continued)**

**Data reporting of the Bank's Budget Balance**

22. We obtained a copy of the revised TMU dated December 2, 2009 under the PRGF and reviewed the reporting requirements for the Bank's budget balance, which is defined as the difference between total revenues (on a cash basis), total expenditure outlays on a cash basis. ***There were no exceptions noted.***
23. We obtained a list of all revenues and expenses (recognized on a cash basis) and tested mathematical accuracy of the Bank's reported revenues. We obtained audit evidence about the accuracy and completeness of information produced by the accounting and management information systems. ***There were no exceptions noted.***
24. We agreed revenues and expenses reported to the IMF with the Bank's general ledger and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package. ***Refer to fact findings under section 4 (pages 24-26)***
25. We performed cut-off testing to ensure that all revenues and expenses are properly accounted and reflected in the compilation of the monetary data. ***No exception noted***
26. We assessed the accounting framework used and any significant estimates made by management. ***Refer to section 4 (page 16) under Data reporting of the Bank's net foreign exchange position.***
27. We ensured that the monetary data compiled and reported to the IMF is compliant with the requirements set out in the TMU dated February 27, 2008 and revised on December 2, 2009. ***No exception noted***
28. We ensured that all audit adjustments resulting from these agreed-upon procedures have been reported to the IMF. ***Refer to summary of adjustments. See section 7 (pages 41 and 42).***

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of Arrears of the Bank**

29. We obtained a copy of the PRGF TMU and reviewed the reporting requirements on arrears of the Bank
30. We obtained a list of all the Bank's commitments due. For the purpose of this review, the commitments due include all expenditure for which goods and services have been delivered but have not been paid for. We performed sufficient audit procedures to ensure that the listing of commitments due is complete, including a review of the Bank's payments made subsequent to December 31, 2009.  
  
Obtained audit evidence about the accuracy and completeness of information produced by the accounting and management information systems. Procedures included, but were not being limited to, obtaining a representation letter from management regarding completeness of disclosure of all commitments. **No exceptions noted**
31. We tested the mathematical accuracy of the list of commitments. **There were no exceptions noted.**
32. We agreed the list of commitments due and corresponding payments with the Bank's general ledger and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.
33. We performed cut-off testing to ensure that all commitments and payments are properly accounted and reflected in the compilation of the monetary data. **No exception noted.**
34. We assessed the accounting framework used and any significant estimates made by management. **Refer to section 4 (page 16) under Data reporting of the Banks net foreign exchange position.**
35. We ensured that the monetary data compiled and reported to the IMF is compliant with the requirements set out in the TMU dated February 27, 2008 and revised on December 2, 2009.

Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009

---

**Section 4:** Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at December 31, 2009 (continued)

Data reporting of Arrears of the Bank (continued)

**Technical Memorandum of understanding (TMU) payments arrears ceiling not disclosed in the MDRP report**

**Fact finding**

*The Technical Memorandum of understanding (TMU) sets a ceiling of zero on CBL's payments arrears. The payments arrears are calculated as the difference between payments due on commitments from the start of the programme and actual payments made on those commitments. For this purpose, CBL's commitments due includes all expenditure for which goods and services have been delivered but have not been paid for.*

*Based on our review of the MDRP, no separate statement is included in the package which discloses the bank's commitments due as at each reporting date. As at 31 December 2009, the Central bank's total commitment due was US\$31,672.12 but this was not disclosed as payment arrears in the MDRP report.*

**Recommendation**

*All unpaid commitments should be reported as arrears on commitment in the MDRP reports*

**Management comment**

*This amount comprises expenditure estimates that were accrued for at year end relating to swift charges, public service announcements and notes importation cost pending the receipt of the actual bills. Some of these expenditures were paid in January 2010 and the remainder paid in February 2010 upon receipt of the related invoices.*

*Also inclusive in this amount is a payment due for the use of Buchanan Payment Center amounting to US\$ 3,750 and lease payment due to Varsay Sirleaf of US\$ 5,500 for CBL parking lot, which will be written off in April 2010 because there are no claims from the owners apparently due to lack of evidence to substantiate the bank's indebtedness to them. Going forward, all unpaid commitments will be reported as attachments in the MDRP.*

36. We ensured that all audit adjustments resulting from these agreed-upon procedures have been reported to the IMF. **Refer to summary of adjustments. See section 7 (pages 41 and 42).**
37. We documented the types of transactions entered into by the Bank in the six months period preceding the relevant test date. For a sample of commitments, we performed the following work:

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2009 and income statement for the six months period ended December 31, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).**

**Detailed Procedures as at December 31, 2009 (continued)**

**Data reporting of Arrears of the Bank (continued)**

- a) Determined whether the key controls established by the Bank for entering into and approving transactions were followed. ***There were no exceptions noted.***
- b) Determined whether the transactions entered into were of a type permitted by the Bank's rules and regulations. ***There were no exceptions noted.***
- c) Observed whether transactions are signed and approved by an authorized person in accordance with the Bank's policies and procedures. ***There were no exceptions noted.***
- d) Described and commented upon any unexpected or unusual operations or transactions. ***There were no exceptions noted.***

**Section 5: Findings and recommendations on the internal control framework relevant to the execution of financial transactions at the Bank, including documenting all exceptions or transactions of an unusual nature (continued).**

**Review of Internal Controls over the Bank's Financial Transactions**

38. Financial transactions at the Bank include, but are not limited to, foreign exchange dealing and investment operations, government banking, inter-bank clearing and settlements, currency circulation, the Bank's procurements and administrative expenditures. The financial transactions were noted and worked on.
39. The following were performed to evaluate the internal control framework relevant to the execution of financial transactions of the Bank.
- a) We reviewed the Bank's documented and approved policies and procedures regulating the initiation, verification, authorization, settlement and recording of financial transactions undertaken by the Bank;
  - b) We documented the existing key internal controls in place at the Bank relating to all types of financial transactions being executed, including the business processes embedded in the related financial IT system; and
  - c) We undertook a "gap" analysis and identified differences between the Bank's policies and procedures, and internal controls in place and those expected in central Banking operation similar to that of the Bank and proposed recommendations for improvement.

**i) Foreign exchange dealing and investments**

- (a) *The key internal controls over foreign exchange and investments at the Bank include the following;*

*Initiation of foreign exchange and investments which were mainly placements and auctions are done by the Director of Banking and sent to the Deputy Governor for review and authorisation.*

*Authorisation of foreign placements in swift is carried out by the Director of Finance; this is after reviewing all documentations supporting the transaction. Recording of these transactions is subjected to a review by the Comptroller at the Finance Department.*

*Foreign exchange auctions are carried out after an assessment of the Bank's net position by the Finance Department, authorisation for the auction is given by the Deputy Governor after reviewing the assessment. The process is monitored by the head of Banking Section, the internal auditor and an independent member of the Association of Commercial Banks. Recording of auction transactions is reviewed by the Head of Banking section before and after entry into Bank Master Plus.*

- b) *No operational deficiencies were noted.*

**Section 5: Findings and recommendations on the internal control framework relevant the execution of financial transactions at the Bank, including documenting all exceptions or transactions of an unusual nature (continued).**

**Review of Internal Controls over the Bank's Financial Transactions (continued)**

**ii) Government Banking**

(a) *We obtained the operational Manual of the Banking section for our review.*

(b) *All accounts opened by the Government of Liberia (GOL) with the Bank needs an approval from the Deputy Governor.*

*Withdrawals and deposits are authorised by the respective agencies of the government through a requisition addressed to the Deputy Governor. After review, authorisation is given to Banking section for the requested transaction to be effected. A review of the entries is done by the Head of Banking Section.*

*On a daily basis reconciliations are done on all GOL deposits (mainly tax collections) and signed off by the representative from the Ministry of Finance. A monthly reconciliation is also prepared and sent to the Ministry detailing all collections in the period. Bank statements are also sent on a daily basis.*

(c) *No operational deficiencies were noted.*

**iii) The Bank's procurements and administrative expenditures**

(a) *We noted that controls over procurement and administrative expenditure at the Bank were operating as intended. Inquiry with staff involved in the process showed their understanding of the operations.*

(b) *Through testing of 30 selected transactions entered into during the period under review, we noted that controls over verification, authorisation and recording of over administrative expenditures were duly adhered to.*

(c) *Refer to point 16 above. (See pages 24 – 26)*

**iv) Currency circulation**

(a) *Based on our review, the Bank's controls established over currency circulation are reasonably well designed to ensure the proper execution of financial transactions by the Bank.*

(b) *Agreement for the purchase of new notes is approved by the Deputy Governor based on the needs of the Bank. Upon receipt of the notes, the Bank takes delivery and stores them in the reserve vault. The Internal Audit prepares a report upon the receipt of new Bank notes for the perusal and review of the Executive Governor with copies to the Deputy Governor, and other relevant departments. The cost of printing notes is capitalized and amortized over time. Based on need, a formal request signed by the Banking Department and approved by the Deputy Governor is made to the Director of Finance who grants the request and instructs the vault custodian for the opening and entering the vault.*

**Section 5: Findings and recommendations on the internal control framework relevant to the execution of financial transactions at the Bank, including documenting all exceptions or transactions of an unusual nature (continued).**

**Review of Internal Controls over the Bank's Financial Transactions (continued)**

**iv) Currency circulation (continued)**

*Two authorized vault combination (A&B) holders are required to open the reserve vault. Quantities and amounts supplied from the reserve vault are recorded on the operational vault cash Form and signed by the Head of Banking, Audit and Finance. The Finance Department passes the necessary entries to recognise the movement while the reserve vault register is updated. The amount in the reserve vault is counted twice in the year and reconciled to the reserve vault register. **No exception noted.***

c) *No deficiencies were identified through testing.*

**v) Inter-Bank clearing and settlement**

(a) *Based on the review, the Bank's controls established over inter bank clearing and settlement are reasonably well designed to ensure the proper execution of financial transactions by the Bank.*

(b) *Every member of the clearing house opens and maintains separate accounts in Liberian dollars and United States dollars for the purpose of clearing with the Central Bank of Liberia. The account is conducted in credits unless with prior borrowing arrangements with the Central Bank of Liberia. The clearing processes are run on in-house developed software. (COBOL)*

*The COBOL system is able to distribute checks being presented on other Banks and performs mathematical accuracy to determine accuracy of the clearing process. It also generates various reports such as clearing status report which are used for entries in the general ledger after clearing.*

(c) *The current software is not interfaced with the Bank Master Plus. As such postings into the general ledger are done manually. We recommend that an off the shelf software be purchased which will be interfaced with the Bank Master Plus.*

**Management comment**

*The Banking Department is currently reviewing proposals submitted to it by software developers to automate the inter-bank clearing and settlement activities.*

**Section 5: Findings and recommendations on the internal control framework relevant to the execution of financial transactions at the Bank, including documenting all exceptions or transactions of an unusual nature (continued).**

**Review of Internal Controls over the Bank's Financial Transactions (continued)**

40. We evaluated the implementation and maintenance of the internal control framework relevant to the execution of financial transactions of the Bank by:
- (a) Assessing whether the control system is operating as intended and that staff understand the specific requirements for their work area;
  - (b) Performing substantive testing on a sample of at least 30 executed transactions covering all types of financial transactions mentioned above in paragraph 38 to determine:
    - i) compliance with the Bank's policies and procedures;
    - ii) sufficiency of internal controls over proper initiation, verification, authorization, settlement and recording of transactions; and
    - iii) risks of errors or omissions.
  - (c) Performing a review of large and unusual transactions covering all types of financial transactions. Document the circumstances regarding any exceptions to the Bank's control framework and any excessive or unusual transactions.
  - (d) Examining the periodical controls in place at the relevant departments for the monitoring of the relating general ledger control accounts and suspense accounts.

Our assessments of internal control framework over financial transactions of the Bank are:

**i) Foreign exchange dealing and investments**

- (a) *We noted that controls over foreign exchange dealings and investments at the Bank were operating as intended. Inquiry with staff involved in the process showed their understanding of the operations.*
- (b) *Through testing of 30 selected transactions entered into during the period under review, we noted that controls over verification, authorisation and recording of foreign exchange dealing and investment transactions were duly adhered to.*
- (c) *No unusual transactions were noted.*

**ii) Government Banking**

- (a) *We noted that controls over government banking at the Bank were operating as intended. Inquiry with staff involved in the process showed their understanding of the operations.*

**Section 5: Findings and recommendations on the internal control framework relevant the execution of financial transactions at the Bank, including documenting all exceptions or transactions of an unusual nature (continued).**

**Review of Internal Controls over the Bank's Financial Transactions (continued)**

**ii) Government Banking (continued)**

*(b) Through testing of 30 selected transactions entered into during the period under review, we noted that controls over verification, authorisation and recording of governmental Banking transactions were duly adhered to.*

*(c) No unusual transactions were noted.*

**iii) The Bank's procurements and administrative expenditures**

*(a) We noted that controls established over procurement and administrative expenditure at the Bank were operating effectively. Inquiry with staff involved in the process showed their understanding of the operations.*

*(b) Through testing of 30 selected transactions entered into during the period under review, we noted that controls over verification, authorisation and recording of over administrative expenditures were duly adhered to.*

*(c) Refer to point 16 above. (See pages 24- 26)*

**iv) Currency circulation**

*(a) We noted that controls established over currency in circulation were operating effectively and that staff understood the requirements of their work area.*

*(b) There was currency issued from the Reserve Vault to the Operational Vault in December 2009.*

*(c) No unusual transactions were noted.*

**v) Inter-Bank Clearing and Settlement**

*(a) We noted that controls established over Inter-bank settlement and clearing were operating effectively and that staff understood the requirements of their work areas.*

*(b) We observed real time the process of inter-bank clearing and settlement and did not identify any exception.*

*(c) No unusual transactions were noted.*

**Section 5: Findings and recommendations on the internal control framework relevant the execution of financial transactions at the Bank, including documenting all exceptions or transactions of an unusual nature (continued).**

**Review of Internal Controls over the Bank's Financial Transactions (continued)**

**v) Inter-Bank Clearing and Settlement (continued)**

**Control accounts**

*Significant control accounts at the Bank includes Manager's check and Official check accounts. Manager's checks are Bank drafts issued on the Bank for mainly taxes collected by the Bank on behalf of GOL, while Official checks are checks drawn to pay vendors and suppliers of the Bank.*

*These accounts are monitored on a daily basis and reconciled and reviewed on a monthly basis.*

*No operational deficiencies' were noted from our control testing.*

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 6: IT review of the MDRP**

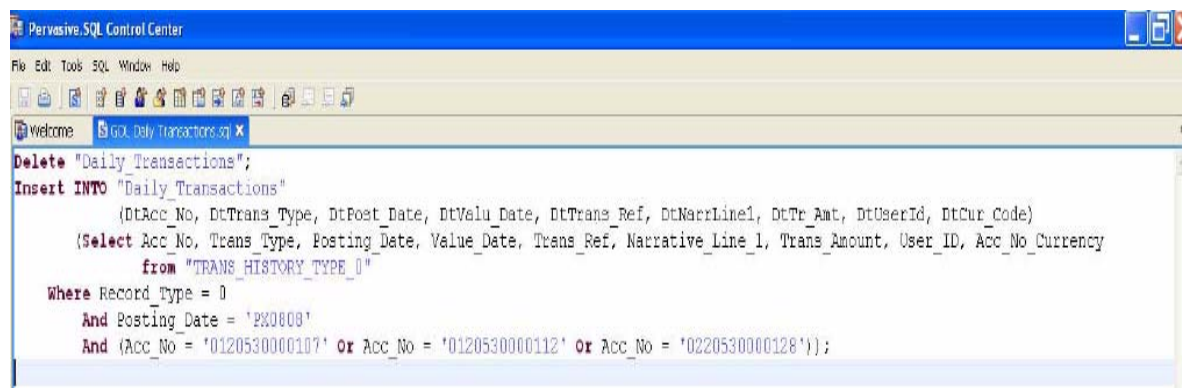
**Background**

Following the request from the Bank to undertake a review of the Bank's MDRP to the IMF, PwC undertook a review of the process the Bank employs in extracting financial data from the Pervasive SQL 9.5 Server, which is the database for the Banking application, BankMaster 6 (BM6).

The Bank implemented an upgrade of the Banking software, BM6 to BM+. This led to the upgrade of the Banking software database from Pervasive SQL 200i to Pervasive SQL 9.5 Server. The Bank installed Crystal Reports 8.5 developer edition on its financial database due to the functionality of the Pervasive SQL 9.5 Server.

The Management Information Systems Section (MISS) of the Bank uses this tool, the Crystal Reports 8.5 developer edition to extract the relevant financial data from the database using a script developed by the Database Administrator (DBA).

The script is showed in the diagram below.



```
Delete "Daily_Transactions";
Insert INTO "Daily_Transactions"
(DtAcc_No, DtTrans_Type, DtPost_Date, DtValu_Date, DtTrans_Ref, DtNarrLine1, DtTr_Amt, DtUserId, DtCur_Code)
(Select Acc_No, Trans_Type, Posting_Date, Value_Date, Trans_Ref, Narrative_Line_1, Trans_Amount, User_ID, Acc_No_Currency
from "TRANS_HISTORY_TYPE_0"
Where Record_Type = 0
And Posting_Date = '200808'
And (Acc_No = '0120530000107' Or Acc_No = '0120530000112' Or Acc_No = '0220530000128'));
```

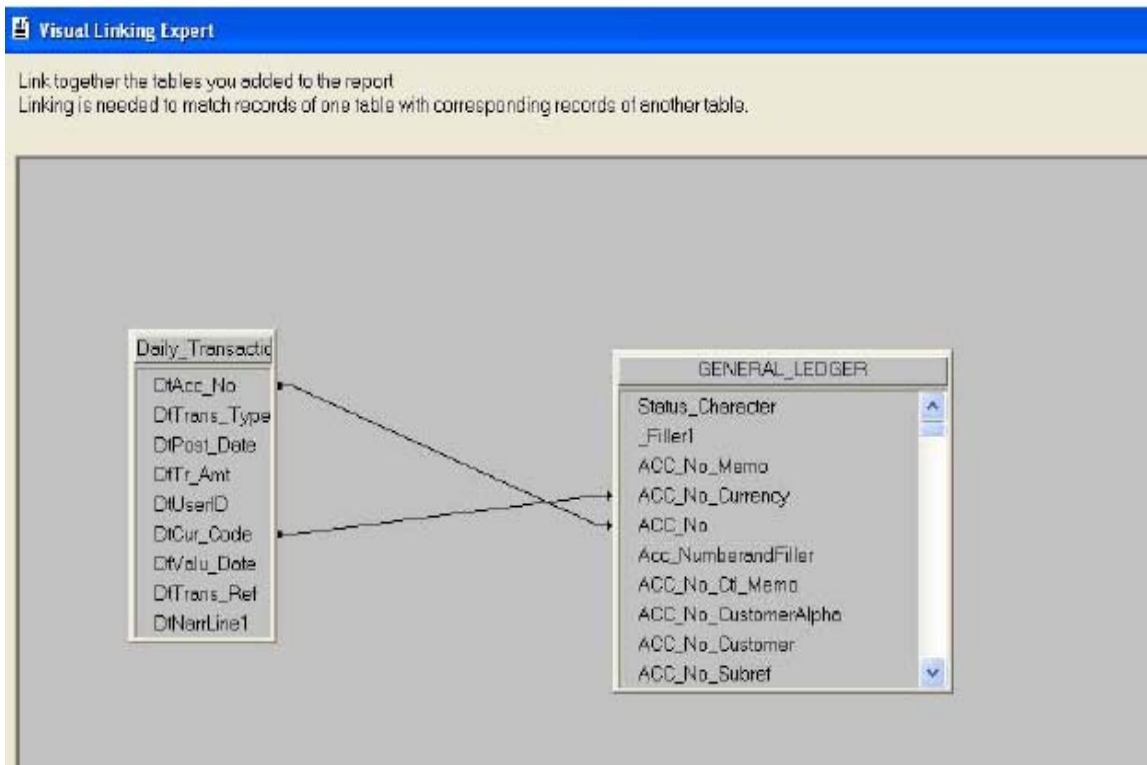
The script basically interacts with the database and instructs the database to produce a daily transaction extract from the account number, transaction type, and date of posting the transaction, the value date, description and reference of the transaction as well as the amount involved.

This information is then converted into a format which can be used by the Finance Department in producing their various reports. To achieve this, a relational table has been defined in the Crystal Reports 8.5 developer edition, linking the fields in the extracted data to fields in the MS Access database used by the Finance department in producing their reports. This is shown below.

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 6: IT review of the MDRP (continued)**



The extracted table is then saved in the MS Access format and placed in the E drive of the Libserver3 on the Bank's Local Area Network (LAN). The reports extracted on a daily basis for the Finance Department are:

1. The Historical Transactions (HT) of the pervious day; and
2. All Account Balances on BM+.

The Finance Department picks this information to produce their daily, weekly, monthly and yearly reports.

**Section 6: IT review of the MDRP (continued)**

**Introduction and Background**

The agreed upon procedure on the Monetary Data Reporting Package (MDRP) of the Central Bank of Liberia (CBL) for the period June to December 2009 involved the review of selected IT controls and a number of business processes of CBL. The review was done with a focus on identifying the bank's risk exposure in line with financial reporting and reviewing controls in place to address the risks.

The result of our work has been documented in the form of a detailed prioritised list of observations, risk exposure and our recommendations. A summary of these findings is included below.

**Approach**

In conducting our review, we applied our standard methodology, which encompasses the evaluation of the general computer environment as well as the business applications. We interviewed the following persons:

- Database Administrator;
- Network Administrator;
- Swift Operator; and
- Internal Auditor.

We also performed some tests covering the following areas:

- Access to programs and data;
- Backup, Disaster Recovery, Business Continuity Planning;
- Physical security of processing environment; and
- Application Controls;

**No exceptions noted**

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

---

**Section 7: Summary of adjustments**

During our review, we noted the following adjustments to the Net Foreign Exchange Position and income and expenditure on a cash basis of the Bank disclosed as part of the MDRP, we wish to bring these to management's attention for them to be reflected in the calculations in accordance with the definitions in the TMU.

<b>Description</b>	<b>As at December 31, 2009</b>
	<b>USD</b>
<b>Net foreign exchange position per the MDRP</b>	268,926,549.86
<b>Adjustments:</b>	
<b>CBL's liquid foreign assets</b>	
Various account receivables	20,841
<b>Liabilities to government</b>	
Amounts due to various institutions	(630,181)
<b>Adjusted net foreign exchange position(refer to page 3)</b>	<b>268,317,209.86</b>

Refer to Section 4 (page 14) under Data reporting of the Bank's Net foreign exchange position.

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

Section 7: Summary of adjustments (continued)

Income and expenditure on a cash basis adjusted

Description	As at December 31, 2009 USD
<b>Total Income per MDRP</b>	<b>10,562,844</b>
<b>Adjustments:</b>	-
<b>Adjusted income</b>	<b>10,562,844</b>
<b>Total Expenses per MDRP</b>	<b>(6,874,682)</b>
<b>Adjustments:</b>	
Understatement of wages and salaries	(9,175)
<b>Adjusted expenditure</b>	<b>(6,883,857)</b>
<b>Adjusted operational surplus</b>	<b>3,678,987</b>
Capital & Other expenditure	(3,607,676)
<b>Adjusted net surplus(refer to page 5)</b>	<b><u>71,311</u></b>

Refer to Section 4 under Data reporting of the Bank's Expenditure for further clarification (pages 24, 25, and 26).

Payments arrears adjusted December 31, 2009

Description	As at December 31, 2009 USD
Adjustments for:	
Various expenses payable	31,672.12
<b>The Bank's reported payments arrears adjusted</b>	<b><u>31,672.12</u></b>

Refer to Section 4 under Data reporting of the Arrears of the Bank for further clarification (page 30)

Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009

Appendix A: Recomputation for the net foreign reserve position for the month of August 2009

	Formula	August 2009 MDRP USD\$'million
<b>CBL's liquid foreign assets (=gross foreign reserves)</b>	<b>A</b>	<b>159.00</b>
<i>US\$ Notes &amp; Coins</i>		24.30
<i>Banksnotes in Transit B/W Banks</i>		-
<i>Balances with Banks Abroad</i>		134.70
<b>Net liquid liabilities to government</b>	<b>B</b>	<b>50.30</b>
Liabilities to government		50.30
<i>GOL demand deposits</i>		41.40
Other demand deposits in USD		8.30
Other time deposits in USD		-
<i>Manager's Checks in USD</i>		0.30
<i>Official Checks in USD</i>		-
<b>Other liabilities</b>	<b>amount excluded</b>	<b>0.20</b>
<b>Assets (due from government)</b>		-
<i>Advances to GOL in USD</i>		-
<i>Claims on public corporations (USD)</i>		-
<b>Net liquid liabilities to commercial banks</b>	<b>C=D-E</b>	<b>50.10</b>
<b>Liabilities to commercial banks</b>	<b>D</b>	54.30
<i>Commercial banks reserve deposits</i>		46.40
<i>Commercial banks current acct. deposits</i>		6.60
<b>Other Current Account</b>		1.20
<i>O/W: IB-Recapitalization Fund</i>		-
<i>GBLL-Recapitalization Fund</i>		-
<i>FIB Paid -up Capital</i>		-
<i>GBLL Paid-Up Capital T/D a/c</i>		-
Liabilities to Selected Distressed Banks		0.10
<i>Mutilated notes in process</i>		-
<i>Remittance in Transit</i>		-
<i>Due to Staff-PF</i>		0.40
<b>Selected Deposits</b>		
<i>LBDI Special Deposit</i>		-
<i>Association of Foreign Exchange Bureaux</i>		-
<i>NSSWC Current Account</i>		0.80
<b>Assets (due from commercial banks)</b>	<b>E</b>	<b>4.20</b>
Due from Domestic Banks in USD		2.70
Clearing account in US\$		1.50
Advances to Domestic Banks		-
<b>Expected Net foreign Reserve position</b>	<b>F=A-B-C</b>	<b>58.60</b>
MDRP reported balance		58.90
<b>Overstatement</b>		<b>(0.30)</b>

Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009

Appendix B: Certain assets and liabilities were excluded from the net foreign exchange position computation:

Description	July	August	September	October	November	December
	USD	USD	USD	USD	USD	USD
A/REC Various	(19,760)	(19,760)	(21,002)	(19,760)	(19,760)	(13,860)
A/R Miscellaneous Staff	(2,511)	(2,511)	(2,097)	(1,890)	(1,890)	(1,890)
A/REC-Other	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)
A/C Receivable - Zwedru	(75)	(75)	(75)	(75)	(75)	(75)
Gateway Suspense	17,631	-	-	-	1,094	-
Suspense Account #2	(10,000)	-	-	-	-	-
<b>Total assets</b>	<b>(19,732)</b>	<b>(27,363)</b>	<b>(28,191)</b>	<b>(26,741)</b>	<b>(25,647)</b>	<b>(20,841)</b>
LUBI Current Acc	13	-	-	-	-	-
Rovia Loan Collection Acc	5,818	5,818	5,818	7,118	7,118	7,118
Tradevco (In Liquidation) Payout	120,405	120,405	120,405	120,405	120,405	115,405
WAMA/WACH-Budget Contribution	290,578	290,578	290,578	290,578	507,658	507,658
WAIFEM- Budget Contribution	100,000	100,000	100,000	100,000	394,258	-
<b>Total liabilities</b>	<b>516,814</b>	<b>516,801</b>	<b>516,801</b>	<b>518,101</b>	<b>1,029,439</b>	<b>630,181</b>
Differences (Impact)	497,082	489,438	488,610	491,360	1,003,792	609,340
<b>Difference in USD millions</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>1.0</b>	<b>0.6</b>
Current net foreign position (USD' million)	59.1	58.6	60.3	59.7	60.6	65.4
Expected position (USD' million)	58.6	58.2	59.8	60.0	59.6	64.8
Expected position (USD' million)	58.6	58.2	59.8	60.0	59.6	64.8
Floor Per TMU revised(USD' million)	54.2	54.2	57.1	57.1	57.1	59.7
<b>Understatement (USD' million)</b>	<b>4.4</b>	<b>4.0</b>	<b>2.7</b>	<b>2.9</b>	<b>2.5</b>	<b>5.1</b>

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

---

**Appendix C: Outstanding deposit confirmation balances**

Account Description	Balance circularized as at December 31, 2009
<b>Commercial banks reserve deposits</b>	<b>USD</b>
FIB (LIB.)LTD. Reserve Requirement	331,000.00
ECOBANK Reserve Requirement	26,671,000.00
Access Bank Reserve Requirement	71,000.00
<b>Commercial banks current account-deposits</b>	
Access Bank Current A/C	183,973.26
ECOBANK Current Account	1,790,779.55
FIB (LIBERIA) Limited Current A/C	352,198.55
<b>Other demand deposits</b>	
Ecowas community Levy A/C	7,941,162.39
<b>GOL demand deposits</b>	
Liberia Jobs and Opportunities Fund	296,000.00
Liberia Reconstruction & Development	232,746.74
Nat'l Elections Comm.-Project	223,972.74
Ministry of Health & Social W - GAVI	206,696.03
Ministry of Labour Operation A/C	180,483.94
Ministry of Health & Social Welfare Operation	87,817.50
NATIONAL ELECTIONS COMMISSION	74,414.18

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

Appendix D: Status of January 2009 to June 2009 fact findings

Issue	Recommendation	Status
<b>Data reporting of the Bank's Net Foreign Exchange Position</b>		
<p><b>1.Transaction excluded in the net foreign reserve position computation</b></p> <p><i>Stale manager's checks were excluded from the monthly reports resulting in an overstatement of the net foreign exchange position for the six months under review. However an adjustment for the misstatement would not result in the net foreign exchange position going below the projected floor per the TMU.</i></p>	<p><i>We propose an inclusion of the amount to reflect the actual net foreign exchange position of the bank as per the requirements of the TMU.</i></p>	<p><i>Implemented</i></p>
<p><b>2.Transaction excluded in the net foreign reserve position computation</b></p> <p><i>Amount due to Mano River from January 2009 to June 2009 was eliminated from the net foreign exchange position computation.</i></p>	<p><i>We propose an inclusion of the balances in the MDRP for the six months period ended June 30 2009.</i></p>	<p><i>Resolved.</i></p> <p><i>However refer to pages 14 and 15.</i></p>
<p><b>3.Transaction excluded in the net foreign reserve position computation</b></p> <p><i>An amount of USD4, 123.81 was mistakenly deducted from the total amount due from banks abroad for the six months period under review. The amount represented provision against deposits with three financial institutions whose recoverability were deemed to be remote.</i></p> <p><i>However the assets on which these provisions were being made had already been eliminated from the detailed listing prior to the deduction of an additional provision, resulting in the understatement of the net foreign exchange position of the bank for the 6 months under review by USD4, 123.81.</i></p>	<p><i>The additional provision made should be excluded, since the assets had already been eliminated from the net foreign exchange position</i></p>	<p><i>Resolved.</i></p> <p><i>However refer to pages 16 and appendix A: page 43.</i></p>
<p><b>4.Manager's check back valued</b></p> <p><i>Manager's check with reference number 0028874 and dated July 6, 2009 amounting to USD743,131 raised to the Government of Liberia in respect of tonnage taxes had been back valued to June 30, 2009 although the funds was credited to CBL's Federal Reserve Bank account on July 1, 2009.</i></p>	<p><i>All back valued transactions should be duly supported and properly authorized in accordance with the Bank's policy to ensure that transactions are reflected in their appropriate periods.</i></p>	<p><i>Implemented</i></p>

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

Issue	Recommendation	Status															
<b>Data reporting of the Bank's Net Foreign Exchange Position</b>																	
<p><b>5. Differences between net foreign exchange position per the MDRP and the general ledger</b></p> <p>We noted differences between the general ledger and the net foreign exchange position (NFRP) as shown below.</p>	<p>The Bank's cut-off date for back valuing transactions should be rigorously applied. After the cut-off date the system should not allow back valuing of transactions.</p>	<p>Implemented.</p>															
<table border="1"> <thead> <tr> <th data-bbox="193 573 469 712"></th> <th data-bbox="469 573 711 712"><b>Commercial Bank's reserve account</b></th> <th data-bbox="711 573 935 712"><b>Commercial Bank's Current account</b></th> </tr> <tr> <th data-bbox="193 712 469 770"></th> <th data-bbox="469 712 711 770"><b>USD'million</b></th> <th data-bbox="711 712 935 770"><b>USD'million</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="193 770 469 875">General ledger balance as at June 30 , 2009</td> <td data-bbox="469 770 711 875">44.9</td> <td data-bbox="711 770 935 875">5.5</td> </tr> <tr> <td data-bbox="193 875 469 943">NFRP</td> <td data-bbox="469 875 711 943">44.2</td> <td data-bbox="711 875 935 943">6.2</td> </tr> <tr> <td data-bbox="193 943 469 1014"><b>Difference</b></td> <td data-bbox="469 943 711 1014"><b>(0.7)</b></td> <td data-bbox="711 943 935 1014"><b>0.7</b></td> </tr> </tbody> </table>		<b>Commercial Bank's reserve account</b>	<b>Commercial Bank's Current account</b>		<b>USD'million</b>	<b>USD'million</b>	General ledger balance as at June 30 , 2009	44.9	5.5	NFRP	44.2	6.2	<b>Difference</b>	<b>(0.7)</b>	<b>0.7</b>	<p><b>Net effect on NFRP</b></p> <p>In addition, data for the NFRP should be extracted after the time line for back valuing or posting of transactions for a particular period has been closed.</p>	
	<b>Commercial Bank's reserve account</b>	<b>Commercial Bank's Current account</b>															
	<b>USD'million</b>	<b>USD'million</b>															
General ledger balance as at June 30 , 2009	44.9	5.5															
NFRP	44.2	6.2															
<b>Difference</b>	<b>(0.7)</b>	<b>0.7</b>															
<p>The difference was as a result of back valuing of transfers made in May 2009 from the current account to the reserve accounts of Ecobank Liberia Limited and International Bank Liberia Limited to regularize the reserve requirements of both banks for the month ended April 2009. The net effect on the net foreign exchange position is however zero.</p>																	
<p><b>6.Differences between the cash count and general ledger cash balances</b></p> <p>We noted differences between the general ledger and the cash count certificates as at June 30, 2009 amounting to USD395.49.</p>		<p>Resolved</p> <p>However, refer to page 20.</p>															
<b>Data Reporting of the Bank's Expenditure</b>																	
<p><b>7. Stationery and supplies account balance reported was understated by USD21, 501.</b></p> <p>We noted that in reporting the balance for stationery and supplies for the six (6) month period ended June 30 2009, an amount of US\$21,501 was inadvertently not reported due to a mathematical miscalculation.</p>	<p>The error should be corrected and reported</p>	<p>Implemented</p>															

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

Issue				Recommendation	Status
<b>Data Reporting of the Bank's Expenditure</b>					
<b>8. Credit balances noted in the detailed monthly expense schedule</b>				<p>The lapses noted above were corrected in subsequent months in which the issues were noted. The MDRP report should be reviewed thoroughly by a senior official of the finance department before its submission to the Research department for the IAS compilation.</p>	Implemented
<b>Month</b>	<b>Description of account</b>	<b>Credit balance (US\$)</b>	<b>Explanation provided</b>		
<b>Recurrent expenditure</b>					
June 2009	Rural bank encashment	119,617	This was a reversal to be reviewed with a recommendation by a senior Internal audit that 'dumping of expenses into 'rural account' irrespective of the nature and classification cost contravenes 'Presentation of Financial Statements''. IAS 1 requires that 'each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.'		
<b>Capital expenditure</b>					
June 2009	Furniture, fittings and fixtures	777	This relates to an expense that was initially booked when the payment requisition was raised in March 2009 but had to be subsequently reversed as the payment was eventually cancelled.		
June 2009	Software for financial reporting and training	2,200	This relates to a correction of classification error where a payment relating to Personal computers was incorrectly captured in this account in April 2009.		
<b>9. Expenditure reported in January and March 2009 understated</b>				<p>Reports submitted to the IMF should be thoroughly reviewed by a senior official.</p>	Implemented
<p>The total expected expenditure for the months of January and March 2009 differed from the balance reported in the MDRP for January and March 2009 by USD 25,880. However, these adjustments were corrected in the June 2009 MDRP.</p>					

**Central Bank of Liberia**  
**Facts Findings Report**  
**Review of the Monetary Data Reporting Package**  
**for the Six Months Period Ended December 31, 2009**

Issue	Recommendation	Status
<b>Data Reporting of the Bank's Expenditure</b>		
<p><b>10. Expenditure not recorded in the appropriate period.</b></p> <p><i>During our test on cut-off on the reporting of expenditure, we noted that a petty cash replenishment Journal Voucher relating to June 2009 had been recorded in the month of July 2009, amounting to US\$ 1,974 as expenses incurred from previous months. From our review of the policy on petty cash replenishment, we noted that the policy does not mention the reporting time of these expenses incurred, in cases where the petty cash is not replenished at the time of reporting on the MDRP</i></p>	<p><i>Management should ensure that the amount is recorded in the correct accounting period.</i></p>	<p><i>Implemented</i></p>
<b>Data reporting of the Bank's Budget Balance</b>		
<p><b>11. Undisclosed commitment amounting to USD186,130</b></p> <p><i>Our review of the solicitor's confirmation responses to pending legal cases revealed that the Central Bank was sued for an amount of USD200, 000 by Estate of Sarah King Howard. The bill of cost against the defendant given in March 2009, amounted to USD186, 130. An amount of USD141, 000 out of the bill cost was accrued in the general ledger as at June 2009. The bill cost did not reflect in the MDRP as at June 2009.</i></p>		<p><i>Resolved</i></p> <p><i>However refer to page 30.</i></p>
<p><b>12. Contracts not renewed</b></p> <p><i>During our review of contracts, we noted that the underlisted third parties had contracts with CBL which had expired as at December 31, 2008.</i></p> <ol style="list-style-type: none"> <li>1. <i>Aries Security Service</i></li> <li>2. <i>Fahnmas Security Service</i></li> </ol>	<p><i>Management should ensure that these contracts are renewed on a timely basis</i></p>	<p><i>Outstanding.</i></p>

**Central Bank of Liberia  
Facts Findings Report  
Review of the Monetary Data Reporting Package  
for the Six Months Period Ended December 31, 2009**

Issue	Recommendation	Status
<p><b>Review of Internal Controls over the Bank's Financial Transactions</b></p> <p><b>13.Fraudulent transfer of USD1.17million</b></p> <p><i>The Central Bank and the Ministry of Finance (MoF) were victims of a fraud perpetrated in May 2009. The fraud involved the transfer of USD1.17million from CBL into a private account at Ecobank Liberia based on purported letters from the Ministry of State for Presidential Affairs and Ministry of Finance. The transfer was aborted after the Governor had noticed a number of abnormalities on the transfer documents.</i></p> <p><i>The fraudster was able to withdraw USD2, 000 from the said amount before instructions was given to Ecobank Liberia to close the account. However, the remainder of the funds has been recovered. Ecobank's current account in the books of the Central Bank was credited.</i></p> <p><i>The Banking department responsible for the transfer of funds did not follow the control procedures and did not perform a due diligence on the document, resulting in a control lapse on the part of a number of staff from the banking department.</i></p> <p><i>This incident led to the resignation of the Deputy Governor and the suspension of three staff of the Central Bank who are under investigation by the law enforcement authorities.</i></p>		<p><i>Controls have been strengthened and strict compliance to the controls has been enforced.</i></p>
<p><b>14.Controls surrounding the reserve vault</b></p> <p><i>In documenting the controls surrounding the reserve vault, we noted that only one staff from the banking department had the rights to the combination 1 Right A instead of a minimum of three staff.</i></p> <p><i>In addition, the comptroller who has been reassigned to the banking department still maintains the rights to the combination 2 Left B.</i></p> <p><i>The comptroller is now part of the banking department and should not have access to the combination 2 Left B.</i></p>	<p><i>Management should review the controls surrounding the reserve vault</i></p>	<p><i>Implemented</i></p>

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

Issue	Recommendation	Status
<p><b>Review of Internal Controls over the Bank's Financial Transactions</b></p>		
<p><b>15. Existence of a back log of unchecked notes due to inadequate counterfeit detectors and lack of staff.</b></p> <p><i>There were a number of back logs of unchecked notes during our observation of cash in the vault. This was as a result of inadequate currency counters with automatic detectors and staff to assist the Clearing House.</i></p>	<p><i>Management should ensure that notes received from the commercial banks are counted on a timely basis to reflect the actual amount credited into the commercial banks accounts</i></p>	<p><i>Implemented</i></p>
<p><b>Information Technology issues</b></p>		
<p><b>16. Segregation of duties between the development functions and the administrative function</b></p> <p><i>We noted that the Database Administrator who is the developer of the Clearing applications also had access to the production environment, development environment, and test environment of the Clearing application.</i></p>	<p><i>The situation should be rectified immediately. Development and Administrative responsibilities should not be vested in the same person.</i></p>	<p><i>Implemented</i></p>
<p><b>17. Frequency of off-site backup is not adequate</b></p> <p><i>Backup on the Swift application, Bankmaster Application and clearing application are taken monthly. In case of a disaster CBL may not be able to recover its operations on time.</i></p>	<p><i>Industry good practice requires that the frequency at which you back up data files and safely store them should reflect the frequency at which existing files are modified or new files are added. If daily changes or additions are occurring, we recommend you maintain a daily backup schedule. (Source: <a href="http://technet.microsoft.com/en-us/library/bb727010.aspx">http://technet.microsoft.com/en-us/library/bb727010.aspx</a>)</i></p>	<p><i>Implemented</i></p>

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

Issue	Recommendation	Status
<b>Information Technology issues(continued)</b>		
<p><b>18. Update of critical and security patches on servers is not done timely</b></p> <p><i>Though the Montserado server is running the Windows Server 2003 Service Pack 2, the latest security patch running on the server is hot fix ID: KB958687 which was issued on October 27, 2008. Subsequent to Hot Fix ID: KB958687, there has been other hot fixes and patches issued by Microsoft.</i></p> <p><i>The SWIFT server is running Windows Server 2003 Service Pack 1. Subsequent to Service Pack 1, Service Pack 2 and other hot fixes have been issued by Microsoft.</i></p> <p><i>The most current versions of the operating system contain processing and security enhancements.</i></p>	<p><i>The latest Microsoft Service Packs and appropriate hot fixes should be installed and properly configured.</i></p>	<p><i>Implemented</i></p>
<p><b>19. Antivirus has not been installed on SWIFT server</b></p> <p><i>There is no antivirus running on the SWIFT server. The SWIFT server has a very critical application SWIFT Alliance Access running on it and it supports the operations of the Central Bank, Commercial Bank and the government</i></p>	<p><i>Antivirus software should be installed on the server. The use of USB or Shared drives should be discouraged where possible. Staff using the server should be educated on IT security.</i></p> <p><i>Preventative and detective control measures should be established by management with respect to computer viruses. CBL should ensure that the latest patches have been downloaded and all servers and PCs updated regularly</i></p>	<p><i>Resolved.</i></p>

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

Issue	Recommendation	Status
<b>Information Technology issues(continued)</b>		
<p><b>20. Default user ID is not disabled</b></p> <p>The following default user ID SUPPORT_388945a0 installed automatically when the systems were first installed is still on Montserado Server</p>	<p>The accounts should be disabled or deleted if they are not in use or have their passwords changed</p>	<p>Resolved.</p>
<p><b>21. Administrator account is not set to expire</b></p> <p>System administrator passwords for the various operating systems (including the domain controller server) are set never to expire.</p>	<p>System administrator passwords should be set up to expire to expire as all other user passwords in line with the company security policy</p>	<p>Resolved.</p>
<p><b>22. Documentation and update of IT policies</b></p> <p>There is no documented program change Management procedure and policy document. There is also no formal documentation of program changes performed or user acceptance tests (UAT) Conducted for Infrastructure change and patch updates.</p> <p>The Disaster Recovery plan is not in place. There is no control in place to track review of the policy and plan. There is no evidence of approval of the policy and plan.</p>	<p>And IT Change policy and procedure should be developed, documented and approved by management, and all employees should be made aware of its existence.</p> <p>The disaster recovery plan should be developed, updated and tested regularly. Critical sections of the test results should be documented.</p> <p>Internal control must review all program changes to the IT environment and controls regularly as well as Disaster Recovery Tests to ensure that they are in line with management's expectation.</p>	<p>On going</p>

Central Bank of Liberia  
 Facts Findings Report  
 Review of the Monetary Data Reporting Package  
 for the Six Months Period Ended December 31, 2009

---

Issue	Recommendation	Status
<b>Information Technology issues(continued)</b>		
<p><b>23. IT Audit Function not equipped to carry out Systems Audit</b></p> <p><i>Internal Audit does not have the capability to carry out the review of the IT Controls and Environment, Application Controls design and operating effectiveness.</i></p>	<p><i>The Internal audit function should be trained and equipped to be able to audit information Technology Controls and environment of the Central Bank. The Central Bank's internal audit team should be equipped to be able to carry out compliance of banking regulation by the Commercial Banks</i></p>	<p><i>Resolved.</i></p>