

CENTRAL BANK OF LIBERIA

FACTUAL FINDINGS REPORT

**REVIEW OF THE MONETARY DATA REPORTING PACKAGE
BASED ON THE BANK'S BALANCE SHEET AS AT JUNE 30, 2009 AND INCOME
STATEMENT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009.**

PRICEWATERHOUSECOOPERS 

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

September 9, 2009

Dear Sirs

REPORT OF FACTUAL FINDINGS ON THE REVIEW OF THE MONETARY DATA REPORTING PACKAGE BASED ON THE BANK'S BALANCE SHEET AS AT JUNE 30, 2009 AND INCOME STATEMENT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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 June 30, 2009 and income statement for the six months period ended June 30, 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 April 15, 2009 between the Liberian authorities and the IMF under the Poverty Reduction and Growth Facility (PRGF) arrangement as at June 30, 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
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.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

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

On behalf of PricewaterhouseCoopers (Ghana) Limited
Charles Egan
Director

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Index		Page
	Executive summary	1 - 3
Section 1	Commentary and analysis on the net international reserves and the Bank's budget implementation	4 - 6
Section 2	Commentary and analysis on the internal control framework	7
Section 3	Detailed agreed upon procedures conducted for the engagement	8 - 13
Section 4	Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data.	14 - 37
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.	38 - 46
Section 6	IT review on the MDRP.	47 - 57
Section 7	Summary of adjustments	58 - 59

Appendices

- A: Status of January to December 2008 fact findings
- B: Outstanding deposit confirmation balances

*Our responsibilities and the objectives, procedures and natural limitations of the audit are explained in our letter of engagement dated **August 21, 2009**.*

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 risks in the two entities or 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 June 30, 2009**

Executive summary

We have completed the agreed upon procedures relating to the MDRP of the Bank for the period ended June 30, 2009. There were no restrictions on the scope of our review procedures.

We obtained a revised TMU dated April 15, 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.

B) Detailed Procedures as at June 30, 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.

- (i) Exclusion of some assets and liabilities from the net foreign exchange position. Management has agreed to include the stale manager's checks in the MDRP report from August 2009. (Page 15)*
- (ii) Transactions not included in the net foreign exchange position computation. Amount due to distress banks for the months of January and February 2009 were excluded but subsequently captured from March 2009 to June 2009. Amount due to staff was also excluded from January 2009 to April 2009 in the reports. This was however corrected in the May 2009 and June 2009 reports. Management has agreed to include the Mano River operating account balance in the MDRP report from August 2009. (Page 16)*
- (iii) Manager's checks amounting to USD 743,131 was back valued in June 2009 instead of the transaction recorded in July 2009. The problem will be resolved in the August 2009 MDRP report. However, the back valued transaction had no impact on the net foreign exchange position of the Central Bank. (Page 18)*
- (iv) Differences between net foreign exchange position per the MDRP and the General ledger. The Net effect on the foreign exchange reserve position was zero (Page 19)*

Executive summary (continued)

B) Detailed Procedures as at June 30, 2009 (continued)

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

- (v) *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 disclosure checklists to review the statutory financial statements to ensure compliance with IFRS. We will review the October 2009 financial statements during our interim audit in November 2009 to ensure they are compliant with IFRS. (Page 20)*
- (vi) *Confirmation responses not received from CBL's corresponding banks, commercials banks and government agencies for balances of some assets and liabilities circularised. Alternative test were performed. There were no exceptions noted. (Pages 21, 22 and 25)*
- (vii) *Differences between the cash count and general ledger cash balances amounting to USD395.49. (Pages 23 and 24)*

Data reporting of the Bank's Expenditures

- (viii) *Stationery and supplies expenditure reported was understated by USD21,501. However, the amount has been corrected in the August 2009 MDRP report. (Pages 26 and 27)*
- (ix) *Credit balances noted in the detailed monthly expense schedule due to mispostings, misallocations and misclassifications. These lapses were corrected in the June 2009 MDRP report. (Pages 28, 29 and 30)*
- (x) *Expenditure reported in January and March 2009 was understated by USD25, 880. This was corrected in the June 2009 MDRP report. (Page 31)*
- (xi) *Expenditure not recorded in the appropriate period amounting to USD1, 974. Going forward management has put in place a process of capturing petty cash expenses in their appropriate periods regardless of the date of replenishment. (Page 32)*

Data reporting of the Bank's Budget Balance

- (xii) *Income reported for March 2009 was overstated by USD11, 250. This was corrected in the July 2009 MDRP report. (Pages 33 and 34)*
- (xiii) *Inclusion of partial payment on the GOL long term loan as income amounting to USD1, 203,261, which according to the Bank was based on the Board's decision. (Page 34)*

Data reporting of Arrears of the Bank

- (xiv) *Undisclosed commitment amounting to USD\$186,130 though a provision has been made. The amount has been captured in the August 2009 MDRP report. (Page 36)*

Executive summary (continued)

C) Review of Internal Controls over the Bank's Financial Transactions

- (xv) *Fraudulent transfer of the USD1.17million. Management has re-evaluated and strengthened controls over its banking process. (Page 38)*
- (xvi) *Access rights to the reserve vault not updated. Updated access rights documentation has been prepared awaiting approval. (Page 39)*
- (xvii) *Existence of a back log of unchecked notes due to inadequate counterfeit detectors and lack of staff. The Bank is in the process of acquiring counting machines that will handle large volumes of notes counting and sorting and will also have the capability to detect counterfeits notes. (Page 40)*

D) IT reviews

- (xviii) *Segregation of duties between the development functions and the administrative function. Procedures are being put in place by the department to ensure effective segregation. (Page 50)*
- (xix) *Frequency of off-site backup is not adequate. Aside the daily internal back-ups taken, management is taking steps to have its off-site back ups taken more frequently than the current monthly back-ups. (Page 51)*
- (xx) *Update of critical and security patches on servers is not done timely. Procedures are being put in place to have this done on a timely basis. (Page 52)*
- (xxi) *Antivirus has not been installed on SWIFT server. This is being pursued with the service providers. (Page 53)*
- (xxii) *Default user ID is not disabled. Management Information Systems department (MIS). Procedures is being put in place to ensure that all accounts that are not in use will be immediately deleted or have their passwords changed before end of September 2009. (Page 54)*
- (xxiii) *Administrator account is not set to expire. The System Administrator's password has now been set to have an expiry date. (Page 55)*
- (xxiv) *Document and update of IT polices. A review process has commenced and will be completed before the end of September 2009. (Page 56)*
- (xxv) *Internal audit department not adequately equipped to carry out Systems Audit. Management have put in place measures to recruit an IT expert in the department to carry out such reviews. (Page 57)*

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 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 liquid reserves, 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 which 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

Description	As at March 31 2009	As at June 30 2009
	USD'million	USD'million
Actual net foreign reserve position	55.9	58.2
Floor with CBL's net foreign exchange position (revised)	52.3	54.2
Surplus	3.6	4.0

The Bank's net foreign exchange reserve position for the period ended March 31, 2009 and June 30, 2009 were above the set floor per the revised TMU dated April 15, 2009.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 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 June 30, 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 June 30, 2009.

Performance of CBL based on the revised TMU dated April 15 2009 and Reported cash-balance budget

Description	As at March 31 2009	As at June 30 2009 (unadjusted)	As at June 30 2009 (adjusted- Refer to section 7)
	USD'million	USD'million	USD'million
Total income	1.66	4.56	3.34
Total expenses (recurrent/capital or non-recurrent)	(2.79)	(4.24)	(4.26)
Net (deficit)/ surplus	(1.13)	0.32	(0.92)
Floor on CBL's cash-based budget balance	(1.40)	(1.00)	(1.00)

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

Actual performance against budget

Description	As at March 31 2009	As at June 30 2009 (unadjusted)	As at June 30 2009 (adjusted – Refer to section 7)
	USD'million	USD'million	USD'million
Total income	1.66	4.56	3.34
Budget	1.62	4.47	4.47
Variance - favourable/(adverse)	0.04	0.09	(1.13)
Total expenses	2.79	4.24	4.26
Budget	2.74	5.08	5.08
Variance – favourable	0.05	0.84	0.82

Pre-adjustments analysis

The bank achieved a favourable variance of USD0.04million and USD0.05million against budgeted income and expenditure respectively for the period ended March 31, 2009. At June 30, 2009 total income was USD0.09million above budget with expenses being USD0.84million below budget.

Post adjustments analysis

Though a favourable expenditure variance was recorded for the period ended June 30, 2009 post adjustments, adjusted actual income fell below set budget by USD1.13million. In spite of the adjustment made, the floors as per the TMU revised on April 15, 2009 were not breached as tabulated above.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

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 except for the control lapse surrounding the fraudulent transfer of funds amounting to USD1.17million from CBL.

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.

However, lapses in the internal controls over some financial transactions were found, although personnel in charge of these transactions are aware of the procedures and controls expected.
Refer to section 5 (review of internal controls over the Bank's transactions)

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 3: Detailed agreed upon procedures conducted for the engagement

Below are the agreed upon procedures based on the engagement letter dated **August 21, 2009**

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 June 30, 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 June 30, 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,¹ 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 April 15, 2009.

¹ 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.
 - 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 April 15, 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 April 15, 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 April 15, 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.
 - 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.
 - 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 June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 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 June 30, 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. **There was no exception noted.***

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

The MDRP submitted to the IMF for the six months period ended June 30, 2009 was reviewed by the Assistant Director of Research and policy section and Director of Research. The document was approved by the Officer of the Bank at the time of reporting (Director of Research). We sighted documentary evidence of the reviews and approval.

3. For the six months period ended June 30, 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)**

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009

Data reporting of the Bank's Net Foreign Exchange Position

1. We obtained a copy of the revised TMU dated April 15 2009 under the PRGF and reviewed the definitions of the Net Foreign Exchange Position of the Bank.

Fact finding

The following were excluded from the Net foreign exchange position computation

- 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.*

The table below shows outstanding balance on the accounts for the six months period ended June 30 2009.

Description	January	February	March	April	May	June
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Stale Manager's checks	6,049.06	7,309.60	7,619.06	7,619.09	19,382.93	19,132.93

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 comments

The point regarding item i) is well noted. Beginning August 2009, stale Manager Check will be included in the MDRP.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009 (continued)

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

1. We obtained a copy of the revised TMU dated April 15 2009 under the PRGF and reviewed the definitions of the Net Foreign Exchange Position of the Bank. (continued)

Fact finding

The following were excluded in the net foreign reserve position computation (continued).

- ii) Amount due to distress banks for the months of January and February 2009 amounting to USD74, 001.81 and USD76, 106.91 respectively, were excluded from the net foreign exchange position report. This was however corrected from March 2009 to June 2009 reports.
- iii) Amount due to staff in respect of employee loans were excluded from the net foreign exchange position report for the months ended January 2009 to April 2009. This was however corrected in the May 2009 and June 2009 reports.

The table below shows the balances for these months;

Account description	January	February	March	April
	USD	USD	USD	USD
Employees' Loans-General	258,212.39	251,531.72	258,221.23	291,243.72

- iv) Amount due to Mano River from January 2009 to June 2009 was eliminated from the net foreign exchange position computation. The balances on the account for the six months period ended June 30 2009 are as follows;

Account description	January	February	March	April	May	June
	USD	USD	USD	USD	USD	USD
Mano River Union Operating Account	117,017.50	55,724.64	15,554.51	8,595.70	7,249.65	6,142.35

Recommendation

We propose an inclusion of the balances in the MDRP for the six months period ended June 30 2009.

Management comment

The point regarding item (iv) is well noted. Beginning August 2009, this item will be included in the MDRP.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued)

Detailed Procedures as at June 30, 2009(continued)

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

1. We obtained a copy of the revised TMU dated April 15 2009 under the PRGF and reviewed the definitions of the Net Foreign Exchange Position of the Bank. (continued)

v) *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.*

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.

The table below shows the breakdown of the amount in contention,

Description	January	February	March	April	May	June
	USD	USD	USD	USD	USD	USD
<i>Fed Reserve bank</i>	<i>3,475.40</i>	<i>3,475.40</i>	<i>3,475.40</i>	<i>3,475.40</i>	<i>3,475.40</i>	<i>3,475.40</i>
<i>Dormant Foreign banks</i>	<i>288.29</i>	<i>288.29</i>	<i>288.29</i>	<i>288.29</i>	<i>288.29</i>	<i>288.29</i>
<i>United Bank</i>	<i>360.12</i>	<i>360.12</i>	<i>360.12</i>	<i>360.12</i>	<i>360.12</i>	<i>360.12</i>
Total balances	4,123.81	4,123.81	4,123.81	4,123.81	4,123.81	4,123.81

Recommendation

The additional provision made should be excluded, since the assets had already been eliminated from the net foreign exchange position.

Management comment

The point is well noted. The additional provisions have been removed as at August 2009.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 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 January 1, 2009 to June 30 2009. There were no exceptions noted.

Fact finding

Manager's check back valued

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.

Implication

Balances with banks abroad and manager's checks for the period ended June 30, 2009 may have been misstated.

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 comments

We note and acknowledge the error of back valuing the manager's check #0028874 in the amount of US\$743,131.00 for tonnage payment received through FRBNY. However, the result of the back value increased both assets and liabilities, thereby causing no impact on net foreign exchange position.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 2009 (continued)

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

3. We agreed assets and liabilities included in the calculation to the general ledger from January 1, 2009 to June 30, 2009 and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package.

Fact finding

Differences between net foreign exchange position per the MDRP and the general ledger

We noted differences between the general ledger and the net foreign exchange position (NFRP) as shown below.

	Commercial Bank's reserve account	Commercial Bank's Current account	Net effect on NFRP
	USD'million	USD'million	
<i>General ledger balance as at June 30 , 2009</i>	44.9	5.5	-
<i>NFRP</i>	44.2	6.2	-
Difference	(0.7)	0.7	-

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.

Recommendation

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.

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.

Management comment

The adjustments to commercial banks reserves and current accounts have been done. Notwithstanding, this kind of problem could arise again because Supervision Department normally obtains and reconciles information from the Commercial banks around the 10th of the following month before sending the information to Banking Department for posting. By this time the accounts for the previous months have already been prepared.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 2009 (continued)

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

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 disclosure checklists to review the statutory financial statements to ensure compliance with IFRS. We will be reviewing the October 2009 financial statements to ensure they are in 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 April 15, 2009. **Refer to fact finding under section 1 (pages 15, 16 and 17).**
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 58 and 59).**
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 21 and appendix B page 66 - 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 April 15 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 1 (pages 15, 16 and 17)**

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 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:
- a) Verifying existence of cash held at the Central Bank's vaults;
 - 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
 - d) Reviewing third party confirmation for identification of encumbered, collateralized, pledged assets and off-balance sheet items.

Fact finding

Bank confirmations not received

- 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.***

Account names	Account number	Amount circularised as at June 30, 2009
Foreign banks		Amount in USD
Credit Suisse Account	02-111-43002-000	753,873.35
CBL Time Deposit with Credit Suisse	02-115-00703-008	1,000,000.00
Bank for International Settlement	02-111-43003-000	24,362,807.15
Federal Reserve Bank	02-111-43000-900	110,436,012.60

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 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)

*We received responses from the entire Bank confirmation letters sent out with respect to the balances as at December 31, 2008 for the statutory audit. **There were no exceptions noted.***

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 June 30, 2009

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 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)

Fact finding

Differences between the cash count and general ledger cash balances

We noted differences between the general ledger and the cash count certificates as at June 30, 2009 amounting to USD395.49. The table below shows an analysis of the difference per location.

Description	General ledger balance as at June 30, 2009	Cash count certificates as at June 30, 2009	Overages/ (Shortages)
	USD	USD	USD
<i>Kakata Payment Center</i>	132,713.29	132,879.33	166.04
<i>Voinjama Payment Center</i>	100,610.95	100,590.17	(20.78)
<i>Buchanan Payment Center</i>	59,811.71	59,819.13	7.42
<i>Zwedru Payment Center</i>	47,739.19	47,401.86	(337.33)
<i>Greenville Payment Center</i>	37,002.00	37,000.30	(1.70)
<i>Ganta Payment Center</i>	36,000.00	36,000.86	0.86
<i>Fishtown Payment Center</i>	35,000.00	35,000.31	0.31
<i>Gbarnga Payment Center</i>	32,368.85	32,363.46	(5.39)
<i>Cestos Payment Center</i>	26,000.00	26,000.71	0.71
<i>Harper Payment Center</i>	25,999.99	26,000.44	0.45
<i>Tubmanburg Payment Center</i>	18,210.76	18,216.59	5.83
<i>Barclayville Payment Center</i>	17,000.00	17,000.41	0.41
<i>Bopolu Payment Center</i>	15,000.00	15,000.64	0.64
<i>Sinje Payment Center</i>	14,000.00	14,000.18	0.18
<i>Operational Cash - Teller #29</i>	125.00	0	(125.00)
<i>Operational Cash - Teller #7</i>	75.14	0	(75.14)
<i>Imprest Fund-Adm-General</i>	3.00	0	(3.00)
<i>Operational Cash - Teller #12</i>	10.00	0	(10.00)
Total			(395.49)

Implication

Cash balances disclosed in the MDRP has been misstated.

Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 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)

Management comment

The shortage and overage for the below operational teller number 29, 7 and 12 were corrected and posted in July 2009. Overages and shortages for payment centres will be passed in the MDRP for September 2009.

10. We obtained a detailed list of reserve liabilities and ensured that the composition is in accordance with the revised TMU dated April 15 2009. ***The exception noted relates to the exclusion of certain liabilities as detailed in the summary of adjustments – See Section 7 (page 58).***

Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 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.

Fact finding

The exception noted relates to the exclusion of certain liabilities as indicated under section 1 on pages 15, 16 and 17.

The following deposit confirmation responses are outstanding. Refer to Appendix B.

We have not received responses from all the Deposit confirmations letters sent out with respect to the balances at June 30, 2009 for the MDRP assignment. Alternative tests were performed on these balances. ***There were no exceptions noted based on alternative tests performed.***

We received responses on the deposit confirmation letters circularized for balances at December 31 2008. Alternative tests were performed for confirmations not received. No exceptions were noted.

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. ***No exceptions were noted.***

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 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 April 15 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 6 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.

Fact finding

Stationery and supplies account balance reported was understated by USD21, 501.

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.

Implication:

The balance for stationery and supplies expense for the six months period ended 30 June 2009 has been misstated.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 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)

Recommendation

The error should be corrected and reported.

Management comment

In February, 2009 the stationery and supplies inventory of 2008 in the amount of US\$62,497.92 was expensed. In March, 2009 Internal Audit revalued the same 2008 inventory and recommended a reduction in the amount by US\$21,501.15. The recommendation was implemented.

However, in determining the actual final consolidated stationery and supplies amount at June 30, 2009, the US\$62,497.92 was deducted from the June 30, 2009 debit balance of US\$91,940.57 for stationery and supplies.

But the adjustment of US\$21,501.15 was not added back due to calculation error which resulted into US\$21,501.00 difference between ledger balance and the amount reported in the Income and Expenses Statement at June 30, 2009. The adjustment for the difference of US\$21,501.00 has been made in August 2009 Income and Expense Statement (cash basis) report.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 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.

Credit balances noted 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 June 30 2009. Our follow up from the officer responsible provided us with the following explanations.

Month	Description of account	Credit balance (US\$)	Explanation provided
<i>Recurrent expenditure</i>			
<i>February 2009</i>	<i>Provident Fund contribution</i>	<i>8,108</i>	<i>This credit balance relates to provident fund contribution by CBL recorded in January 2009 and reversed in February 2009. This reversal is due to the fact that provident fund contribution by both CBL and staffs are only credited to a liability account. Therefore, it is not considered as cash out flow. It is only considered cash outflow when payment is made to a staff either on resignation or termination of services.</i>
<i>March 2009</i>	<i>Currency expense – General</i>	<i>48</i>	<i>Being refund of an unused amount paid out for the transportation to rural towns/villages Liberia.</i>
<i>April 2009</i>	<i>Bankmaster and Swift service charges</i>	<i>1,274</i>	<i>Being reversal of a double entry that was passed in February 2009.</i>
<i>June 2009</i>	<i>Housing allowance</i>	<i>7,618</i>	<i>This relates to an excess amount in respect of housing allowance refunded by the Deputy Governor upon resignation.</i>
<i>June 2009</i>	<i>Rent and accommodation</i>	<i>30</i>	<i>This is an error of transposition where the rent amount was overstated by US\$30 as it was recorded as US\$2,461.00 instead of US\$2,431.00 in March 2009</i>
<i>June 2009</i>	<i>Stationery and supplies</i>	<i>4,368</i>	<i>This was an adjustment passed to correct payments that were recorded on the cash expenditure schedule but was subsequently not paid. The adjustment was passed to reverse such payments.</i>

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 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.

Credit balances noted in the detailed monthly expense schedule (continued)

Month	Description of account	Credit balance (US\$)	Explanation provided
Recurrent expenditure			
June 2009	Rural bank encashment	119,617	<i>This was a reversal to comply with a recommendation by Internal audit that 'dumping all expenses into 'rural banking account' irrespective of the nature and classification of the cost contravenes IAS 1, '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.'</i>
Capital expenditure			
June 2009	Furniture, fittings and fixtures	777	<i>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.</i>
June 2009	Software for financial reporting and training	2,200	<i>This relates to a correction of classification error where a payment relating to Personal computers was incorrectly captured in this account in April 2009.</i>

Implication

Monthly recurrent and capital expenditure balances reported has been misstated.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009 (continued)

Data reporting of the Bank's Expenditures (continued)

Credit balances noted in the detailed monthly expense schedule (continued)

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 comment

These lapses were all corrected in due course. We therefore disagree with the wrong impression being given here that recurrent and capital balances may be misstated. Companies / organizations everywhere reverse entries everyday. That action in itself cannot mean that account balances may be misstated.

Central Bank of Liberia
 Facts Findings Report
 Review of the Monetary Data Reporting Package
 for the Six Months Period Ended June 30, 2009

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009 (continued)

Data reporting of the Bank's Expenditures (continued)

Fact finding

Expenditure reported in January and March 2009 understated

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.

Account balance	Period of transaction	Liberian Dollar balance	L\$ translated to USD using the exchange rate: L\$63: US\$1	US Dollar balance	Total expected expense balance as in USD	Balance reported to the IMF in USD	Difference in USD
Rural bank encashment	January 2009	1,165,491	18,500	123	18,623	123	18,500
Stationery and supplies	March 2009	19,845	315	11,498	11,813	4,433	7,380
Total							25,880

Implication

Expenditure account balances has been misstated.

Recommendation

Reports submitted to the IMF should be thoroughly reviewed by a senior official.

Management comment

Misposting or misclassifications determined are corrected promptly so as to determine that account balances reported are not misstated.

Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 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.

Fact finding

Expenditure not recorded in the appropriate period.

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.

Implication

The expense was not recorded in the correct accounting period, and expenses for the six (6) months period ended June 30, 2009 may have been misstated.

Recommendation

Management should ensure that the amount is recorded in the correct accounting period.

Management comment

The reason for some petty cash replenishment not being carried out in the month the expenses occurred is due to the policy on petty cash replenishment. The policy states "fund is replenished in good time or before it is depleted below US\$1,000.00 or the Liberian dollar equivalent". However, going forward petty cash expenditure will be charged to the appropriate accounting period regardless of the date of replenishment.

18. We assessed the accounting framework used and any significant estimates made by management. **Refer to section 4 (page 20) 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 April 15, 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 58 and 59).**

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009 reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at June 30, 2009 (continued)

Data reporting of the Bank's Expenditures (continued)

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

Data reporting of the Bank's Budget Balance

22. We obtained a copy of the revised TMU dated April 15 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.

Fact finding

Income reported for March 2009 overstated

We noted from our review that commission on importation of notes reported for the month of March 2009 was overstated by USD11, 250 due to a double posting of ticket # 21502 dated March 17, 2009. This was however corrected on July 10, 2009 and reflected in the July 2009 MDRP report.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009 (continued)

Data reporting of the Bank's Budget Balance (continued)

22. 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. (continued)

Implication

The MDRP report for March 2009 was overstated.

Management comments

Error corrected as stated.

Fact finding

Inclusion of partial payment on the GOL long term loan as income.

We noted that an amount of USD1,203,261 out of the USD3,609,778.99, in respect of recoveries on the USD245,400,046.92 GOL long term loan in March 2009 had been captured as income in the cash based income and expenditure for the six months period ended June 30, 2009.

Recommendation

This is not an income and hence should be excluded as such.

Management comments

We are aware that the amount is not an income in an accounting concept. However, it was decided by the Board that the US\$3.6 million be used mainly for capital expenditure. Henceforth, beginning April 2009 there has been a monthly allocation of US400, 000, which is captured on the income side of the budget. The decision was taken due to the impact of low interest rate on our placements abroad as a result of the impact of the global financial economic crisis.

Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009 (continued)

Data reporting of the Bank's Budget Balance (continued)

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 26, 27, 32, 33, and 34).**
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. **Refer to section 4 (page 32) under Data reporting of the Bank's expenditure.**
26. We assessed the accounting framework used and any significant estimates made by management. **Refer to section 4 (page 20) 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 April 15, 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 58 and 59).**
29. We obtained a copy of the PRGF TMU and reviewed the reporting requirements on arrears of the Bank. **There were no exceptions noted.**
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 June 30, 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.**

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009 (continued)

Data reporting of Arrears of the Bank

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.

Fact finding

Undisclosed commitment amounting to USD186, 130

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.

Management comment

The bill cost will be reported in the MDRP for August 2009.

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. ***Refer to fact finding on page 32.***

34. We assessed the accounting framework used and any significant estimates made by management. ***Refer to section 4 (page 20) 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 April 15, 2009. ***No exception was noted.***

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 58 and 59).***

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Section 4: Factual findings based on the Bank's balance sheet as at June 30, 2009 and income statement for the six months period ended June 30, 2009, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at June 30, 2009 (continued)

Data reporting of Arrears of the Bank (continued)

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:

- 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.***

Fact finding

Contracts not renewed

During our review of contracts, we noted that the underlisted third parties had contracts with CBL which had expired as at December 31, 2008.

1. *Protectco Security Company*
2. *Aries Security Service*
3. *Fahnmas Security Service*

Implication

Services and payments are being rendered however the rights and obligations of both parties have not been clearly stated. In the event of a dispute, CBL has nothing to fall on to back its position.

Recommendation

Management should ensure that these contracts are renewed on a timely basis.

Management comments

Contracts for the three security firms are being processed. Notarisation of these contracts will be done before the end of September 2009. The delay in processing the contracts was due to disagreement on some contracts provision which have been resolved.

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.

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.

Fact finding

Fraudulent transfer of USD1.17million

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.

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.

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.

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.

Management comments

Procedures in the banking department have been re-evaluated and strengthened. Monitoring of compliance with established and agreed procedures is being carried out more vigilantly.

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)

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. (continued)

Fact finding

Controls surrounding the reserve vault

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.

In addition, the comptroller who has been reassigned to the banking department still maintains the rights to the combination 2 Left B.

The comptroller is now part of the banking department and should not have access to the combination 2 Left B.

Recommendation

Management should review the controls surrounding the reserve vault.

Management comments

Since the check scandal and suspension of a number of officers in the banking department, the reserve vault combination assignment has not been adjusted accordingly in terms of the number of staff having access to the vault for control purposes. However, the principle of dual control still applies as no one staff from either Finance or Banking departments can access the reserve vault. Moreover, CCTV and security presence also ensures the security of access to the vault.

Additionally, the Comptroller who is now supervising the Banking Department has no access to 'Combination 2 left B' as it belongs solely to the Finance Department.

On the issue of the documentation, a revised list for the reserve vault combination has been submitted to the Executive Governor for approval.

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)

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. (continued)

Fact finding

Existence of a back log of unchecked notes due to inadequate counterfeit detectors and lack of staff.

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.

Recommendation

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.

Management comments

The Bank is in the process of acquiring counting machines that will handle large volumes of notes counting and sorting and will also have the capability to detect counterfeit notes.

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)

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

(b) 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.

- c) *No operational deficiencies were 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 (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) *Refer to point 15 - 17 above. (See pages 26- 32)*
- (b) *Refer to point 15 - 17 above. (See pages 26 -32)*
- (c) *Refer to point 15 - 17 above. (See pages 26 - 32)*

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.

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 self 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) Examined 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 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)

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) Refer to point 15 - 17 above. (See pages 26- 32)

(b) Refer to point 15 - 17 above. (See pages 26 - 32)

(c) No unusual transactions were noted.

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 no currency issued from the Reserve Vault to the Operational Vault during the six months period ended June 30, 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 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)

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 June 30, 2009**

Section 6: IT review of the MDRP

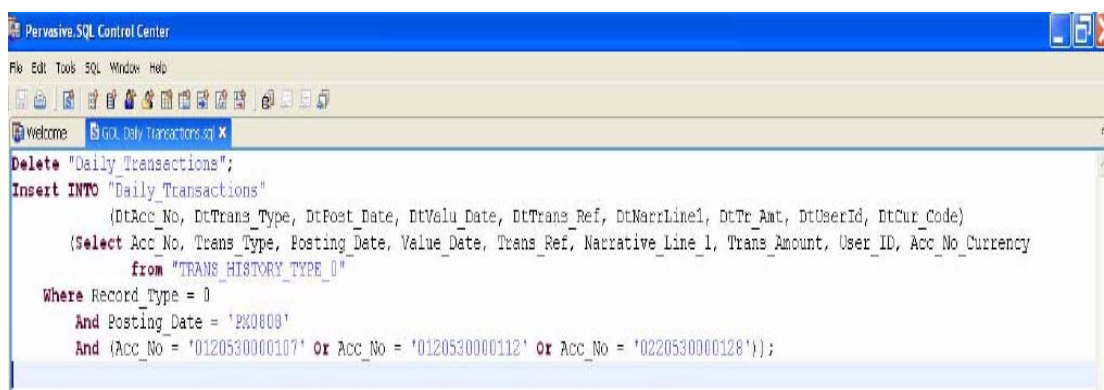
Background

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 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.



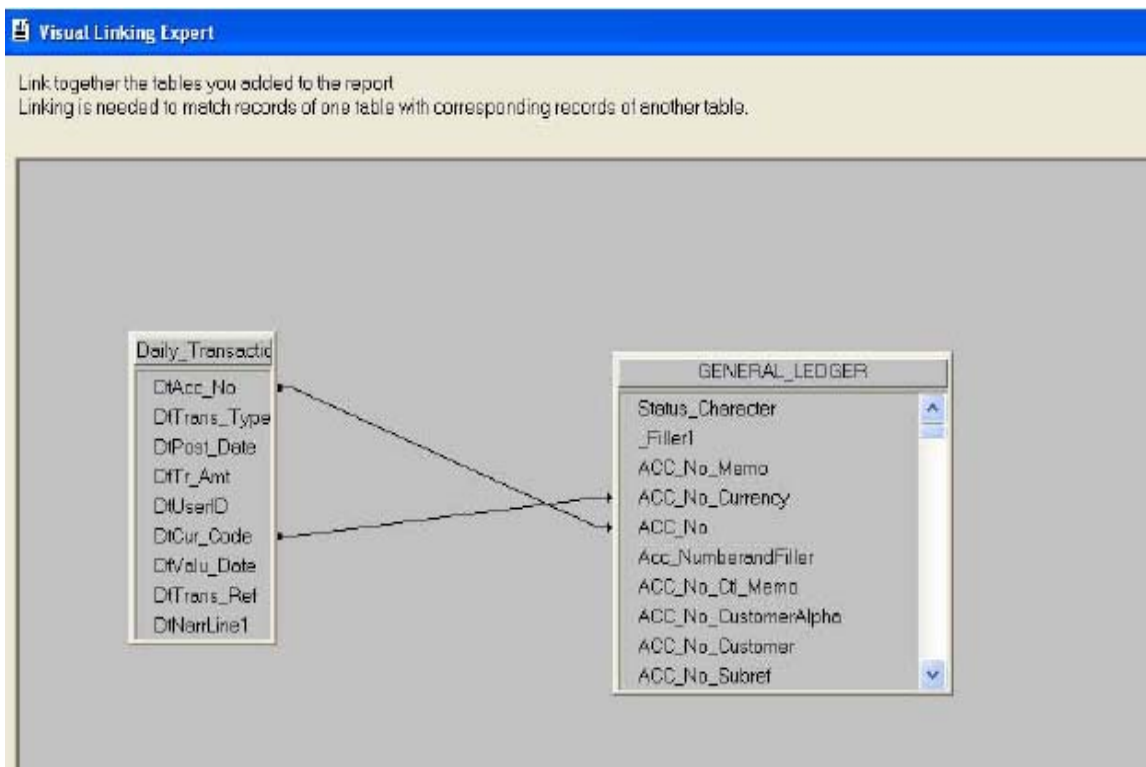
```
Delete "Daily Transactions";
Insert INTO "Daily_Transactions"
(DtAcc_No, DtTrans_Type, DtPost_Date, DtValu_Date, DtTrans_Ref, DtNarrLine1, DtTr_Amt, DtUserId, DtCur_Code)
(Select Acc_No, Trans_Type, Posting_Date, Value_Date, Trans_Ref, Narrative_Line_1, Trans_Amount, User_ID, Acc_No_Currency
from "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, 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 June 30, 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.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

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 January to June 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;

Exceptions noted

Our review identified certain areas where we believe IT management and control could be improved. We set out below the principal findings arising from our work, together with management's comments. Our findings have been graded as high, medium or low with the following meanings:

Priority	
High	Recommendations addressing significant weaknesses, which should be addressed by the bank as soon as possible.
Medium	Recommendations addressing weaknesses in controls that we consider to be important, but where there are other compensating controls. We recommend that these weaknesses be addressed in the next six to twelve months.
Low	Recommendations addressing situations that do not reflect good practice and may lead to minor breaches of controls. They also include suggestions for improvements for situations not directly affecting internal controls.

This report contains our findings from the work done and our recommendations. These have been structured by risk domain and classified in order of priority for action by management.

Section 6: IT review of the MDRP (continued)

6.1 Segregation of duties between the development functions and the administrative function

Rating: High

Observation

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.

Implication

The IT systems duties are incompatible with normal operations duties. Inadequate segregation of duty controls increases the risk of unauthorised or inappropriate transactions being processed. This could lead to severe financial damage to the Central Bank.

Recommendation

The situation should be rectified immediately. Development and Administrative responsibilities should not be vested in the same person.

Management comment

Inadequacy of manpower is largely responsible for staff members undertaking multiple roles. But we also like to note that the Database Administrator does not have access to the production environment. Management has recently augmented the staff strength of the IT section and can assure that this will be immediately handled. However, as mentioned in our discussions the bank is in the process of securing a third-party solution to this problem where operations and technical management will be appropriately separated.

Section 6: IT review of the MDRP (continued)

6.2 Frequency of off-site backup is not adequate

Rating: High

Observation

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.

Implication

The Central Bank may not be able to resume operations within a reasonable time following a disaster incident due to loss of data. The Central Bank could lose up to a month's data should any of the applications crash before the months backup is taken.

Recommendation

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: <http://technet.microsoft.com/en-us/library/bb727010.aspx>)

Management comment

Aside the daily internal back-ups taken, management is taking steps to have its off-site back ups taken more frequently than the current monthly back-ups.

Section 6: IT review of the MDRP (continued)

6.3 Update of critical and security patches on servers is not done timely

Rating: Medium

Observation

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 27 October 2008. Subsequent to Hot Fix ID: KB958687, there has been other hot fixes and patches issued by Microsoft.

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.

The most current versions of the operating system contain processing and security enhancements.

Implication

If the version of the operating system is not current, there is an increased risk that an unauthorised user may be able to exploit weakness in the operating system.

Recommendation

The latest Microsoft Service Packs and appropriate hot fixes should be installed and properly configured.

Management comment

Procedures are being put in place to have this done on a timely basis.

Section 6: IT review of the MDRP (continued)

6.4 Antivirus has not been installed on SWIFT server

Rating: Medium

Observation

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.

Implication

There is a risk of data loss and the server performing poorly. Virus infected media such as backup media or flash drives could be used to transmit viruses and infest the server putting Central Bank of Liberia's (CBL) information at risk.

Recommendation

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.

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.

Management comment

The issue with Anti-virus being installed on the SWIFT server will be referred to AEG – Lebanon, the SWIFT recommended service bureau currently managing our link with SWIFT headquarters. All other issues mentioned are noted and are currently being reviewed. Recommendations will be sent to Management before end of September 2009 for appropriate action.

Section 6: IT review of the MDRP (continued)

6.5 Default user ID is not disabled

Rating: Medium

Observation

The following default user ID SUPPORT_388945a0 installed automatically when the systems were first installed is still on Montserado Server.

Implication

Default IDs are well known in the public domain, so they tend to be one of the areas that external hackers will probe first. Failure to take precautions against the use of default IDs may leave the organisation exposed to unauthorised access through these accounts. This is particularly important if the default accounts in question have sensitive access rights.

Recommendation

The accounts should be disabled or deleted if they are not in use or have their passwords changed.

Management comment

Noted. MIS will ensure that all accounts that are not in use will be immediately deleted or have their passwords changed before end of September 2009.

Section 6: IT review of the MDRP (continued)

6.6 Administrator account is not set to expire

Rating: Medium

Observation

System administrator passwords for the various operating systems (including the domain controller server) are set never to expire.

Implication

System administrator accounts if breached increases the risk of unauthorised access to resources and disclosure of confidential information.

Recommendation

System administrator passwords should be set up to expire to expire as all other user passwords in line with the company security policy.

Management comment

Noted. The System Administrator's password is now set to have an expiry date.

Section 6: IT review of the MDRP (continued)

6.7 Documentation and update of IT policies

Rating: Medium

Observation

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.

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.

Implication

Without a formal change procedure document, it may be difficult to keep track of all changes to systems and applications. Changes may also be done without proper approval and inadequate UAT may be conducted. This could lead to disruption of business operations, and system manipulation that can lead to fraud.

In the event of a disaster, CBL's operations can be severely disrupted and it could take a longer than necessary time to resume business operations. Recovery might not meet the expectation of all stakeholders of CBL.

Recommendation

An IT Change policy and procedure should be developed, documented and approved by management, and all employees should be made aware of its existence.

The disaster recovery plan should be developed, updated and tested regularly. Critical sections of the test results should be documented.

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.

Management comment

Noted. MIS is now reviewing and updating the policy. Necessary changes will be effected before end of September 2009.

Section 6: IT review of the MDRP (continued)

6.9 IT Audit Function not equipped to carry out Systems Audit

Rating: Medium

Observation

Internal Audit does not have the capability to carry out the review of the IT Controls and Environment, Application Controls design and operating effectiveness.

Implication

Internal Audit may not be able to identify weaknesses in the IT controls and environment of the Central Bank. The Central Bank may also not be equipped to effectively assess the compliance of the Commercial Banks to the Central Bank's Regulations.

Recommendation

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.

Management comment

Internal Audit is in the process of recruiting an IT assistant who has the requisite skills to carry out system audit.

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 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 them to management's attention for them to be reflected in the calculations in accordance with the definitions in the TMU.

Description	As at June 30 2009
	USD
Net foreign exchange position per the MDRP	58,234,268.26
Adjustments:	
CBL's liquid foreign assets	
Provision for doubtful bank balances	4,123.00
Liabilities to government	
State managers checks	(19,132.93)
Amount due to Mano River Operational Account	(6,142.35)
Adjusted Net foreign exchange position	<u>58,213,115.98</u>

Refer to Section 4 under Data reporting of the Bank's Net foreign exchange position for further clarification (pages 15 - 17).

Central Bank of Liberia
 Facts Findings Report
 Review of the Monetary Data Reporting Package
 for the Six Months Period Ended June 30, 2009

Section 7: Summary of adjustments (continued)

Income and expenditure on a cash basis adjusted

Description	As at June 30, 2009
	USD
Total Income per MDRP	4,558,664
Adjustments:	
Overstatement of commission on importation	(11,250)
Partial payment in GOL long term captured as income	(1,203,261)
Adjusted income	3,344,153
Total Expenses per MDRP	(2,858,158)
Adjustments:	
Understatement of stationery expenditure	(21,501)
Petty cash expenditure	(1,974)
Adjusted expenditure	(2,881,633)
Adjusted operational surplus	462,520
Capital & Other expenditure	(1,376,454)
Adjusted net deficit	(913,934)

Refer to Section 4 under Data reporting of the Bank's Net foreign exchange position for further clarification (pages 26,27,32,33 and34).

Commitments adjusted June 30, 2009

Description	As at June 30, 2009
	USD
Adjustments for:	
Liability payable to the Estate of Sarah King Howard not recognised in the MDRP report for March 2009.	186,130
The Bank's reported commitments adjusted	186,130

Refer to Section 4 under Data reporting of the Bank's Net foreign exchange position for further clarification (page 36)

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Appendix A: Status of July 2008 to December 2008 fact findings

Issue	Recommendation	Status
Data reporting of the Bank's Net Foreign Exchange Position		
<p>1. Fact finding</p> <p>We observed that the definition for key terms used in the computation of the bank's net foreign exchange position such as gross foreign liquid reserves and gross foreign liquid liabilities is consistent with the Technical Memorandum of Understanding (TMU) and the Monthly Monetary Survey as agreed between the Liberian authorities and the 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.</p> <p>Excluded from the gross foreign reserve are:</p> <p>i) An amount of US\$ 262,271.07 described as "Employees Loans-General" was excluded from the Due to Staff accounts. This represents loans granted to staff of the Bank and are expected to be recovered over a period of time. Control, risk and reward associated with this balance is related to the Bank. This balance should therefore be included as assets of the Bank.</p> <p>ii) Accounts receivable-Varioues of US\$ 19,760, Monthly Service charge receivable of US\$ 58, A/R Miscellaneous of US\$ 190, Accounts receivable-Banks of US\$ 4,358, Accounts receivable-other of US\$ 40 , BCCI current account of US\$ 1,256 and Accounts receivable FCO of US\$ 1,205,915 in the general ledger were excluded from the other current accounts in the MDRP. Management explained that these balances were doubtful and were to be derecognized.</p> <p>iii) Mano River Union Operating Account of US\$ 182,907, Pre-reactivation Account NHSB of US\$ 1,913, Security Deposit-Remittances of US\$ 2,000, Association of foreign exchange bureau of US\$ 99, staff salaries of US\$ 95,735, LUBI in liquidation of US\$ 7,336, Lubi collection account of US\$ 60,655, NSSWC 3% employers' contribution of US\$ 36, Stale checks payable of US\$ 27,783, Stale checks payable-Banks of US\$ 544, and Stale managers' checks payable of US\$ 6,049 in the general ledger were excluded from the MDRP.</p>	<p>Item i) and iii) above must be included in the MDRP for the six months period ended December 31, 2008.</p> <p>With respect to item ii) above, these assets are not in the direct, effective control of the Bank and are not readily available for use as defined in the Technical Memorandum of Understanding (TMU). Management must make full provision for these assets in the general ledger.</p>	<p>Items i) and iii) are now implemented.</p>

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Issue	Recommendation	Status
Data reporting of the Bank's Net Foreign Exchange Position		
<p>2.Fact finding</p> <p>The Board of Governors of the Central Bank of Liberia passed a resolution in 2006 to fully adopt the International Financial Reporting Standards (IFRS) as the accounting framework under which to report the financial statements for the year ended December 31, 2008 (year of first time adoption).</p> <p>In preparation for the first time adoption of the IFRS in the financial statements for the year ended December 31, 2008, the Bank decided, as part of its transitional arrangements, to adopt some new accounting policies, consistent with IFRS in the preparation of the financial statements for the year ended December 31, 2007.</p> <p>The Bank is on course to be fully compliant with all the relevant IFRS's that impact the operations of the Bank for the year ended December 31, 2008.</p> <p>The key IFRS's that impact the operations of the Bank for the years ended December 31, 2007 and December 31, 2008 are:</p> <ul style="list-style-type: none"> • IFRS 1 First time adoption • IFRS 7 Financial Instruments: Disclosures (effective 1 January 2007) • IAS 1 (Revised) Presentation of the financial statements and capital and other disclosures • IAS 7 Cash flow statements • IAS 8 Accounting policies, changes in accounting estimates and errors • IAS 16 Property, plant and equipment • IAS 17 Leases • IAS 18 Revenue • IAS 19 Employee benefits • IAS 21 The effects of changes in foreign exchange rates • IAS 24 Related party disclosures • IAS 32 Financial Instruments: Presentation • IAS 36 Impairment of assets • IAS 37 Provisions, contingent liabilities and contingent assets • IAS 38 Intangible assets • IAS 39 Financial Instruments: recognition and measurement • IAS 40 Investment property <p>The IFRS's that were not complied with in the preparation of the financial statements for the year ended December 31, 2007 are:</p> <ul style="list-style-type: none"> • IFRS 1 First time adoption, • IFRS 7 Financial Instruments: Disclosures (effective 1 January 2007), • IAS 1 (Revised) Presentation of the financial statements and capital and other disclosures, 		<p>The Central Bank's financial statements for the year ended December 31, 2008 was in compliance with International Financial Reporting Standards. We used the appropriate disclosure checklists to review the statutory financial statements to ensure compliance with IFRS.</p>

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

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<ul style="list-style-type: none"> • IAS 8 Accounting policies, changes in accounting estimates and errors, • IAS 19 Employee benefits, • IAS 36 Impairment of assets, • IAS 39 Financial Instruments: recognition and measurement, and • IAS 40 Investment property. <p>The Bank has since trained selected staff from the Finance and Internal Audit departments to spearhead the adoption and full compliance to the IFRS. Significant progress has been made in rectifying the deficiencies noted by the external auditors in the December 31, 2007 financial statements leading to the preparation of a model set of IFRS financial statements dated September 30, 2008 which the external auditors have currently reviewed. The external auditors are of the view that the Bank is on course to be fully compliant with IFRS for the year ended December 31, 2008 after their initial review.</p> <p>The IFRS adjustments have been passed into the general ledger</p>																																																		
<p>3. Fact finding</p> <p>We however noted that check payments at permanent payment centres are not captured in the general ledger on a timely basis because of the remoteness of the payment centres. It takes about a month for the entries to be passed in the general ledger. Management explained there is no real time computerized system that connects the rural payment centres with the main office. The effect is that net foreign assets and net foreign liabilities may be overstated.</p>		Implemented																																																
<table border="1"> <thead> <tr> <th data-bbox="124 1375 507 1576">Permanent payment centres</th> <th data-bbox="507 1375 724 1576">General Ledger balance as at December 31, 2008</th> <th data-bbox="724 1375 986 1576">Audited (by the internal auditor)cash count balances as at December 2008</th> <th data-bbox="986 1375 1273 1576">Differences</th> </tr> <tr> <td></td> <td data-bbox="507 1576 724 1606">USD</td> <td data-bbox="724 1576 986 1606">USD</td> <td data-bbox="986 1576 1273 1606">USD</td> </tr> </thead> <tbody> <tr> <td data-bbox="124 1606 507 1635">Kakata Payment Centre</td> <td data-bbox="507 1606 724 1635">148,118.00</td> <td data-bbox="724 1606 986 1635">75,671.00</td> <td data-bbox="986 1606 1273 1635">72,447.00</td> </tr> <tr> <td data-bbox="124 1635 507 1664">Gbarnga Payment Centre</td> <td data-bbox="507 1635 724 1664">90,133.00</td> <td data-bbox="724 1635 986 1664">51,468.00</td> <td data-bbox="986 1635 1273 1664">38,665.00</td> </tr> <tr> <td data-bbox="124 1664 507 1693">Zwedru Payment Centre</td> <td data-bbox="507 1664 724 1693">60,194.00</td> <td data-bbox="724 1664 986 1693">43,118.00</td> <td data-bbox="986 1664 1273 1693">17,076.00</td> </tr> <tr> <td data-bbox="124 1693 507 1722">Voinjama Payment Centre</td> <td data-bbox="507 1693 724 1722">60,594.00</td> <td data-bbox="724 1693 986 1722">46,956.51</td> <td data-bbox="986 1693 1273 1722">13,637.49</td> </tr> <tr> <td data-bbox="124 1722 507 1751">Tubmanburg Payment Centre</td> <td data-bbox="507 1722 724 1751">35,785.00</td> <td data-bbox="724 1722 986 1751">16,049.00</td> <td data-bbox="986 1722 1273 1751">19,736.00</td> </tr> <tr> <td data-bbox="124 1751 507 1780">Buchanan Payment Centre</td> <td data-bbox="507 1751 724 1780">38,453.00</td> <td data-bbox="724 1751 986 1780">21,933.00</td> <td data-bbox="986 1751 1273 1780">16,520.00</td> </tr> <tr> <td data-bbox="124 1780 507 1809">Bopolu Payment Centre</td> <td data-bbox="507 1780 724 1809">63,000.00</td> <td data-bbox="724 1780 986 1809">59,352.00</td> <td data-bbox="986 1780 1273 1809">3,648.00</td> </tr> <tr> <td data-bbox="124 1809 507 1839">Fishtown Payment Centre</td> <td data-bbox="507 1809 724 1839">82,000.00</td> <td data-bbox="724 1809 986 1839">64,612.00</td> <td data-bbox="986 1809 1273 1839">17,388.00</td> </tr> <tr> <td data-bbox="124 1839 507 1868">Cestos Payment Centre</td> <td data-bbox="507 1839 724 1868">82,000.00</td> <td data-bbox="724 1839 986 1868">78,090.00</td> <td data-bbox="986 1839 1273 1868">3,910.00</td> </tr> <tr> <td data-bbox="124 1868 507 1897">Greenville Payment Centre</td> <td data-bbox="507 1868 724 1897">108,000.00</td> <td data-bbox="724 1868 986 1897">102,116.00</td> <td data-bbox="986 1868 1273 1897">5,884.00</td> </tr> </tbody> </table>	Permanent payment centres	General Ledger balance as at December 31, 2008	Audited (by the internal auditor)cash count balances as at December 2008	Differences		USD	USD	USD	Kakata Payment Centre	148,118.00	75,671.00	72,447.00	Gbarnga Payment Centre	90,133.00	51,468.00	38,665.00	Zwedru Payment Centre	60,194.00	43,118.00	17,076.00	Voinjama Payment Centre	60,594.00	46,956.51	13,637.49	Tubmanburg Payment Centre	35,785.00	16,049.00	19,736.00	Buchanan Payment Centre	38,453.00	21,933.00	16,520.00	Bopolu Payment Centre	63,000.00	59,352.00	3,648.00	Fishtown Payment Centre	82,000.00	64,612.00	17,388.00	Cestos Payment Centre	82,000.00	78,090.00	3,910.00	Greenville Payment Centre	108,000.00	102,116.00	5,884.00		
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**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Issue				Recommendation		Status																								
Data reporting of the Bank's Net Foreign Exchange Position																														
	Harper Payment Centre	81,000.00	64,371.00		16,629.00																									
	Ganta Payment Centre	114,400.00	89,083.00		25,317.00																									
	Total	963,677.00	712,819.51		250,857.49																									
Data Reporting of the Bank's Expenditure																														
4. Fact finding						Implemented																								
<p>We noted a difference of US\$ 2,055 between the total expenditure reported to the IMF for the month of December 2008 and total expenditure made available to us for our review.</p>																														
5. Fact finding:						Implemented																								
<p>In agreeing the expenditure reported to the IMF with the Bank's general ledger, we noted that an amount of US\$810 being local training expense in October 2008 had not been reported on the cash expenditure report.</p> <p>We also noted a difference in the amounts reported in the subsidiary account balances under Board expenses as per the IMF report and the Bank's general ledger. Though the total as per the account balance remains the same between the two reports, the classification in the sub-ledger is not consistent with that of the MDRP. See table below:</p>				<p>Management should ensure consistent classification between the sub-ledger and the MDRP</p>																										
<table border="1"> <thead> <tr> <th>Board Expenses</th> <th>Per IMF report</th> <th>Per GL</th> <th>Variance</th> </tr> <tr> <td></td> <th>US\$</th> <th>US\$</th> <th>US\$</th> </tr> </thead> <tbody> <tr> <td>Directors' Remuneration</td> <td>100,439</td> <td>137,061</td> <td>36,622</td> </tr> <tr> <td>Other Board Expenses</td> <td>57,510</td> <td>19,733</td> <td>(37,777)</td> </tr> <tr> <td>Board Entertainment</td> <td>-</td> <td>1,156</td> <td>1,156</td> </tr> <tr> <td>Subtotal</td> <td>157,949</td> <td>157,949</td> <td>-</td> </tr> </tbody> </table>				Board Expenses	Per IMF report	Per GL	Variance		US\$	US\$	US\$	Directors' Remuneration	100,439	137,061	36,622	Other Board Expenses	57,510	19,733	(37,777)	Board Entertainment	-	1,156	1,156	Subtotal	157,949	157,949	-			
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Subtotal	157,949	157,949	-																											
6. Fact finding						Implemented																								
<p>As per the Bank's procedures, the General Service Section (GSS) shall seek confirmation from the budget unit of finance department, the availability of budgetary resource before it can proceed to process a requisition. This is evidenced by the budgetary officer's signature on the requisition. From our samples selected, we did not sight the Budget Officer's signature on the requisition form, eventhough payment was approved and signed by the Budget Officer.</p>				<p>Management must ensure that budget officer approves all requisitions by signing before they are processed for payment by the GSS.</p>																										

**Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009**

Issue				Recommendation	Status
Data reporting of the Bank's Net Foreign Exchange Position					
Payment requisition number	Date	Item	Amount (US\$)		
PPUR/GSS/711/09/2008	September 1, 2008	1 Dell Vault internet security appliance and one client server license fee for use by MIS	23,985		
PPUR/MIS/717/2008	December 15, 2008	1 Microsoft back end server supplied to CBL	1,800		
PPUR/GSS/954/09/2008	September 12, 2008	Servicing and purchase of additional fire extinguisher for CBL	1,949		
PPUR/GSS/986/11/2008	November 14, 2008	Metal and painting materials to rehabilitate the existing fence around the entire bank building	3,045		
PPUR/GSS/990/11/2008	November 18, 2008	Materials and transport cost to partition office space in the Research department.	2,011		
PPUR/LS/111/11/2008	November 4, 2008	Materials and workmanship to fix 3 bookshelves with cupboards and one bulletin board for the use of the Office of the Advisor to Research Department, Legal section and Micro-Finance.	1,300		
PPUR/BD/530/11/2008	November 28, 2008	Materials to rehabilitate and construct wooden cupboards for tellers of CBL	1,855		

Central Bank of Liberia
 Facts Findings Report
 Review of the Monetary Data Reporting Package
 for the Six Months Period Ended June 30, 2009

Issue	Recommendation	Status
Data reporting of the Bank's Net Foreign Exchange Position		
Data reporting of Arrears of the Bank		
<p>8. Fact finding</p> <p>The Bank and the Ministry of Finance were victims of a fraud perpetuated by staff from both institutions working in collusion. The fraud involved cashing of invalid checks. The estimate of the magnitude of the fraud is still under investigation. The Bank is of the view that, the responsibility rests on both the Ministry of Finance and the Bank.</p>		<p><i>Procedures in the banking department have been re-evaluated and strengthened. Monitoring of compliance with established and agreed procedures is being carried out more vigilantly.</i></p> <p><i>In addition, the CBL management with the assistance of the Special Advisor to the Executive Governor has established a committee to re-structure the Banking department.</i></p> <p><i>The committee is currently concluding the revision of the Operational manual of the Banking department which includes the revised structure of the department.</i></p>

Central Bank of Liberia
Facts Findings Report
Review of the Monetary Data Reporting Package
for the Six Months Period Ended June 30, 2009

Appendix B: Outstanding deposit confirmation balances

Account Description	USD
Commercial banks reserve deposits	
IBLL Reserve Requirement	5,284,000.00
FIB (LIB.)LTD. Reserve Requirement	331,000.00
GBLL Reserve Requirement	2,094,000.00
ECOBANK Reserve Requirement	26,671,000.00
UBA Reserve Requirement	1,484,000.00
GTB (LIB) Ltd Reserve Requirement	100,000.00
Access Bank Reserve Requirement	71,000.00
LBDI Reserve Requirement	10,588,000.00
Commercial banks current acct. deposits	
GTB(LIB) Ltd Current A/C	271,758.34
Access Bank Current A/C	183,973.26
UBA Current Account	662,133.95
IBLL Current Account	29,452.24
LBDI Current Account	1,288,313.73
ECOBANK Current Account	1,790,779.55
GBLL Current Account	1,312,388.68
FIB (LIBERIA) LTD.Current A/C	352,198.55
Other demand deposits	
Ecowas community Levy A/C	7,941,162.39
GOL demand deposits	
Liberia Telecommunications Authority	614,137.16
GOL General Account# 2	4,690,217.42
GOL General Account #3	31,601,619.23