

CENTRAL BANK OF LIBERIA

FACTUAL FINDINGS REPORT

**REVIEW OF THE MONETARY DATA REPORTING PACKAGE
BASED ON THE BANK'S BALANCE SHEET AS AT DECEMBER 31, 2008 AND INCOME
STATEMENT FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2008**

PRICEWATERHOUSECOOPERS 

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

February 11, 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
DECEMBER 31, 2008 AND INCOME STATEMENT FOR THE SIX MONTHS PERIOD
ENDED DECEMBER 31, 2008**

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

- (i) Monetary Data Reporting Package (MDRP) reported to the International Monetary Fund (IMF) by the Bank, that is based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008; 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, ceiling on the Bank's expenditure, 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) between the Liberian authorities and the IMF under the Poverty Reduction and Growth Facility (PRGF) arrangement as at December 31, 2008;
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.

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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

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*Our responsibilities and the objectives, procedures and natural limitations of the audit are explained in our letter of engagement dated **July 24, 2008**.*

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.

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Executive summary

We have substantially completed the agreed upon procedures relating to the MDRP of the Bank for the period ended December 31, 2008. There were no restrictions on the scope of our audit procedures. However, the confirmation responses for circularised assets and liabilities included in the new 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 audit procedures work performed during the period under review.

1. Data reported to the IMF by the Bank, under the PRGF supported program, is consistent with the definitions of the Technical Memorandum of Understanding (TMU) as agreed between the Liberian authorities and the IMF.
 2. The Bank has made significant strides in achieving all the quantitative benchmarks established under the PRGF program for reserves accumulation, ceilings on expenditure, and budget balance in the face of the current global financial crises showing excesses in reserve accumulation and deficits in ceiling on expenditure and the budget balance/floor. The ceiling on expenditure was raised by the IMF upon the Central Bank's request. The Bank had a budget surplus of US\$0.077 million for the year ended December 31, 2008.
- 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 December 31, 2008

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

- (i) Exclusion of some assets and liabilities from the net foreign exchange position.
- (ii) 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).
- (iii) Confirmation responses not received from commercial banks and government agencies for balances of some assets and liabilities circularised.
- (iv) Capturing of checks from the permanent payment centres not done on a timely basis. This is because there is no real time computerized system that connects the rural payment centres with the main office. In addition, the basic infrastructure of the country such as its transportation and communication system is yet to be restored.
- (v) Policies and regulations of the Bank's foreign exchange and reserve management operations has been signed by members of the audit committee and adopted by the Board.
- (vi) Existence of a back log of unchecked notes due to inadequate counterfeit detectors.

Executive summary (continued)

B) Detailed Procedures as at December 31, 2008 (continued)

Data reporting of the Bank's Expenditures

(vii) Actual expenditures for the last two quarters ended December 31, 2008 were below the benchmarks/ceilings set under the program based on the original budget.

Data reporting of the Bank's Budget Balance

(viii) The cumulative budget balances for the two quarters ended December 31, 2008 were below the benchmarks/floor established under the program.

Data reporting of Arrears of the Bank

(ix) Outstanding staff leave was not included in the MDRP but was recorded in the general ledger.

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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 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.

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.

Description	July 08	August 08	September 08	October 08	November 08	December 08
	US\$' million	US\$' million	US\$' million	US\$' million	US\$' million	US\$' million
Actual net foreign reserve position as at June 30, 2008	42.4					
Budget balance (Floor)	(1.31)	0.23	(0.64)	0.07	0.26	0.28
Agreed benchmark	41.3	42.6	43.9	45.2	46.3	47.5
Net foreign reserve position	43.6	45.2	47.0	47.9	49.2	49.5
Excess	2.3	2.6	3.1	2.7	2.9	2.0

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

The actual net foreign exchange position was higher than the agreed performance benchmarks for each of the months during the review period.

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). Half yearly, the budget is revised based on circumstances prevailing at that time. The budget is also approved by the Board of Governors.

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) plus capital expenditures (cash basis) to arrive at the net surplus / deficit.

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

The tables below sets out how the Bank performed with regard to the benchmarks (ceiling on expenditures and floor on the budget balance) for the six month period ended December 31, 2008.

A. Performance based on the original budget and the TMU

Description	July 2008	August 2008	September 2008	3rd quarter totals	October 2008	November 2008	December 2008	4th quarter totals
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Ceilings on expenditure	471	467	465	1,403	462	564	541	1,567
Actual expenditure	537	451	457	1,445	710	661	2,092	3,463
Variance	(66)	16	8	(42)	(248)	(97)	(1,551)	(1,896)

Review of the Bank's budget performance report submitted to the IMF is done on a quarterly basis. From the table above, the Bank is above both its third and fourth quarters' expenditure ceilings by approximately US\$ 0.042 million and US\$1.9 million respectively. The Bank also exceeded its year-to-date budget ceiling by approximately US\$ 0.8million.

B. Performance based on the revised budget

Description	July 2008	August 2008	September 2008	3rd quarter totals	October 2008	November 2008	December 2008	4th quarter totals
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Ceilings on expenditure	1,313	614	423	2,350	616	484	627	1,727
Actual expenditure	537	451	457	1,445	710	661	2,092	3,463
Variance	776	163	(34)	905	(94)	(177)	(1,465)	(1,736)

Based on the revised budget, the Bank was below the budget ceiling for the third quarter and the year-to-date by approximately US\$ 0.91million and US\$ 0.32million respectively but however, was above the budget ceiling for the fourth quarter by approximately US\$ 1.7million.

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

The table below shows analysis of the Bank's performance based on the Budget balance/Floor.

C. Performance based on the original budget and the TMU

Description	July 2008	Aug 2008	Sept 2008	3rd quarter totals	Oct 2008	Nov 2008	Dec 2008	4th quarter totals
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Total revenue (A)	850	695	734	2,275	655	593	811	2,059
Total expenditure (B)	537	451	457	1,445	710	661	2,092	3,463
Actual balance (A-B)	311	244	275	830	(55)	(68)	(1,281)	(1,404)
Budget balance/ Floor	270	325	268	863	279	169	200	648
Variance	41	(81)	7	(33)	(334)	(237)	(1,481)	(2,052)

The Bank was below the benchmarks for the budget balance/floor for both third and fourth quarters by approximately US\$ 0.033million and US\$ 2.1million respectively.

D. Performance based on the revised budget

Description	July 2008	Aug 2008	Sept 2008	3rd quarter totals	Oct 2008	Nov 2008	Dec 2008	4th quarter totals
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Total revenue (A)	850	695	734	2,275	655	593	811	2,059
Total expenditure (B)	537	451	457	1,445	710	661	2,092	3,463
Actual balance (A-B)	311	244	275	830	(55)	(68)	(1,281)	(1,404)
Budget balance/ Floor	(625)	124	256	(245)	72	195	61	328
Variance	936	120	19	1,075	(127)	(263)	(1,342)	(1,732)

Based on the revised budget, the Bank was below the benchmarks for the budget balance/floor for the fourth quarter of the year by approximately US\$ 1.7million but was however above the budget floor for the third quarter by approximately US\$1.1 million.

Section 2: Commentary and analysis on the internal control framework

Key internal controls established over financial reporting at the Bank were generally assessed to be designed and operating effectively. There is adequate segregation of duties and top management involvement.

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

However, lapses in the internal controls over documentation of some financial transactions were found, although personnel in charge of these transactions are aware of the procedures and controls expected.

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Section 3: Detailed agreed upon procedures conducted for the engagement

Below are the agreed upon procedures based on the engagement letter dated July 24, 2008.

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

1. Document the processes and key internal controls in place at the Bank over the reporting of monetary program data to the IMF.
2. For the December 31, 2008 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 month period ending December 31, 2008, 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,¹and
 - 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.

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 month 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.
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 month 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.
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 Bank's 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.
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 month 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.

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Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008, 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.

We noted that the MDRP sent to the IMF is reviewed by the Assistant Director of Research for mathematical accuracy and completeness and also liaises with the Finance and Bank Supervision Departments to ensure the accuracy and completeness of the report for every month. After the review, the Assistant Director submits the report to the Director of Research for review who subsequently submits it to the Deputy Governor and Executive Governor for final review and approval. The Director of Research is then advised to deliver the report to the IMF through their local representative.

2. For the December 31, 2008 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 month period ended December 31, 2008 was reviewed by the Assistant Director of Research and Director of Research and approved by the Deputy Governor before submission to the IMF representative in accordance with the Bank's policies and procedures. We sighted documentary evidence of the reviews and approval.

3. For the six month period ended December 31, 2008, 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. **No exception was noted.**

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Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at December 31, 2008

Data reporting of the Bank's Net Foreign Exchange Position

1. We obtained a copy of the TMU under the PRGF and reviewed the definitions of Net Foreign Exchange Position of the Bank.

Fact finding

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.

Excluded from the gross foreign reserve are:

- 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.*
- ii) Accounts receivable-Various 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.*
- 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.*

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Detailed Procedures at December 31, 2008 (continued)

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

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

Recommendation

Item i) and iii) above must be included in the MDRP for the six month period ended December 31, 2008.

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.

Management comment

The point regarding item i) and iii) is well noted. Beginning January 2009, these items have been included in the MDRP.

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 using the Bank Master Plus software. We tested the mathematical accuracy of the net foreign exchange position reported and agreed the balances to the general ledger from July 1, 2008 to December 31, 2008. **Refer to point 1 above for exceptions noted.***

3. We agreed assets and liabilities included in the calculation to the general ledger from July 1, 2008 to December 31, 2008 and subsidiary accounting ledgers/records. We examined, on a test basis, evidence supporting the amounts and disclosures in the monetary data reporting package. **There were no exceptions noted.**

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Detailed Procedures at December 31, 2008 (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.

Fact finding

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).

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.

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.

The key IFRS's that impact the operations of the Bank for the years ended December 31, 2007 and December 31, 2008 are:

- *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*

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Detailed Procedures as at December 31, 2008 (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 (continued).

The IFRS's that were not complied with in the preparation of the financial statements for the year ended December 31, 2007 are:

- *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 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.*

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.

The IFRS adjustments have been passed into the general ledger.

Management comment

We are on course and will be in full compliance for the year ended December 31, 2008. In terms of the data used in computing the Net Foreign Exchange Position, non-compliance of any of the above standards do not have any impact because no valuations/adjustments are required. The adjustments passed in the general ledger have no effect on the MDRP.

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. **Refer to fact finding under number 1 (page 15).**
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**

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Detailed Procedures as at December 31, 2008 (continued)

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

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:
 - Bank balances confirmation responses. Refer to page number 20 for the list of corresponding bank accounts.
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 TMU. 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 (page 15).**
9. We verified the existence of all items included in gross foreign reserve assets by:
 - a) Verifying existence of cash held at the Central Bank's vaults;
 - b) Sending direct confirmations for all assets held at 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;
 - d) Reviewing third party confirmation for identification of encumbered, collateralized, pledged assets and off-balance sheet items;

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Detailed Procedures as at December 31, 2008 (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

- i) *There were no exceptions noted on the existence of cash held at the Bank’s vault.*
- ii) *Confirmation responses were received on assets circularized except the following. 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 December 31, 2008
Foreign Banks		Amount in USD
<i>Bank for International Settlement</i>	<i>02-111-43003-000</i>	<i>24,350,954.15</i>
<i>Credit Suisse Account</i>	<i>02-111-43002-000</i>	<i>182,115.84</i>
<i>Credit Suisse Time Deposit</i>	<i>02-115-00703-008</i>	<i>1,000,000.00</i>
<i>Federal Reserve Bank</i>	<i>02-111-43000-900</i>	<i>98,213,249.42</i>

We received responses from all the Bank confirmations letters sent out with respect to the balances at the end of June 30, 2008 for the MDRP assignment and during the interim audit work for the balances at September 30, 2008.

There were no exceptions noted.

Management comment

Management is following up on the confirmation responses from the above Banks for the year ended December 31, 2008.

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Detailed Procedures at December 31, 2008 (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

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.

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
<i>Kakata Payment Centre</i>	148,118.00	75,671.00	72,447.00
<i>Gbarnga Payment Centre</i>	90,133.00	51,468.00	38,665.00
<i>Zwedru Payment Centre</i>	60,194.00	43,118.00	17,076.00
<i>Voinjama Payment Centre</i>	60,594.00	46,956.51	13,637.49
<i>Tubmanburg Payment Centre</i>	35,785.00	16,049.00	19,736.00
<i>Buchanan Payment Centre</i>	38,453.00	21,933.00	16,520.00
<i>Bopolu Payment Centre</i>	63,000.00	59,352.00	3,648.00
<i>Fishtown Payment Centre</i>	82,000.00	64,612.00	17,388.00
<i>Cestos Payment Centre</i>	82,000.00	78,090.00	3,910.00
<i>Greenville Payment Centre</i>	108,000.00	102,116.00	5,884.00
<i>Harper Payment Centre</i>	81,000.00	64,371.00	16,629.00
<i>Ganta Payment Centre</i>	114,400.00	89,083.00	25,317.00
Total	963,677.00	712,819.51	250,857.49

Management comment

The balances in these accounts are not updated automatically because there is no real time computerized system that connects the rural payment centres with the main office. In addition, the basic infrastructure of the country such as its transportation and communication system is yet to be restored. However, the difference is temporary and the impact on the net foreign exchange position is nil because the assets and liabilities are overstated by the same amount.

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Detailed Procedures as at December 31, 2008 (continued)

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

10. We obtained a detailed list of reserve liabilities and ensured that the composition is in accordance with the TMU. **The exception noted relates to the exclusion of certain liabilities as detailed in the summary of adjustments – See Section 7.**
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 item 1 on page 15.

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

We received responses from all the Deposit confirmations letters sent out with respect to the balances at June 30, 2008 for the MDRP assignment except for the GOL account 2.

We are yet to receive confirmation responses for the audit work carried out for the period ended September 30, 2008.

Management comment

Management is following up on the circularized confirmation responses from Banks and government agencies. Usually, getting the confirmations from the government agencies takes 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 exception was noted**

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Detailed Procedures at December 31, 2008 (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 month 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**

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Detailed Procedures as at December 31, 2008 (continued)

Data reporting of the Bank's Expenditures

14. We obtained a copy of the TMU 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 pages 5 and 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

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.

Management comment

Point is noted. The report that was initially submitted to the IMF was understated by US\$2,055. The analysis of the difference reveals the following:

*Office expense-----US\$53
Operating expense-----US\$1,613
Travel expense-----US\$389*

However, the updated report was submitted to the auditor.

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Detailed Procedures as at December 31, 2008 (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.

Fact finding:

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.

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:

Board Expenses	Per IMF report	Per GL	Variance
	US\$	US\$	US\$
<i>Directors' Remuneration</i>	100,439	137,061	36,622
<i>Other Board Expenses</i>	57,510	19,733	(37,777)
<i>Board Entertainment</i>	-	1,156	1,156
Subtotal	157,949	157,949	-

Recommendation:

Management should ensure consistent classification between the sub-ledger and the MDRP.

Management comments

The point is well noted. Going forward all transactions; that are classified as Board Entertainment in the General ledger will be charged to Other Board Expenses. The US\$810 local training expense which was inadvertently excluded has now been included in the cash expenditure report.

17. We performed cut-off testing to ensure that all expenses are properly accounted and reflected in the compilation of the MDRP. **No exception was noted.**

18. We assessed the accounting framework used and any significant estimates made by management. **Refer to number 4 (pages 17 & 18) under Data reporting of the Bank's Net foreign exchange position.**

Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at December 31, 2008 (continued)

Data reporting of the Bank's Expenditures (continued)

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. **No exception was 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.**

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 month 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.

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Detailed Procedures as at December 31, 2008 (continued)

Data reporting of the Bank's Expenditures (continued)

Fact finding

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, even though payment was approved and signed by the Budget Officer.

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/1111/11/2008	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

Recommendation

Management must ensure that budget officer approves all requisitions by signing before they are processed for payment by the GSS.

Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures as at December 31, 2008 (continued)

Data reporting of the Bank's Expenditures (continued)

Management comment

Point noted. In addition to the budget officer signing on all payment requisitions, a memorandum was circulated to all departments/sections reminding them that at no time should any payment requisition be processed without the approval of the Budget Officer.

Data reporting of the Bank's Budget Balance

22. We obtained a copy of the TMU 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

We noted that there were a number of differences between the revenue and expenditure items on cash basis compared to those in the general ledger as at December 31, 2008.

The other income-(fine) balance was overstated by US\$ 950 and expense balance understated by US\$ 2,055.

Management comments

Point is noted. The income account reported to the IMF is correct. However, after the submission of the MDRP, the account was reviewed thoroughly but mistakenly overstated by US\$950 before submitting to the auditor.

With regards to the differences of US\$2,055, refer to our comments on page 24.

Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at December 31, 2008 (continued)

Data reporting of the Bank's Budget Balance

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 number 23 above.**
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. **There were no exceptions noted.**
26. We assessed the accounting framework used and any significant estimates made by management. **Refer to number 4 (pages 17 &18) 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. **There were no exceptions 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.**

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Detailed Procedures at December 31, 2008 (continued)

Data reporting of Arrears of the Bank

29. We obtained a copy of the PRGF TMU and reviewed the reporting requirements on arrears of the Bank. **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 December 31, 2008.

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.

Fact finding

We reviewed the arrears report as at December 31, 2008 and noted that an amount of US\$28,110 had been reported as an outstanding commitment in respect of Rural Banking Encashment. However when traced to the journal voucher, it was noted that the amount had been overstated as the commitment should have been reported in Liberian dollars.

In addition, we noted that an amount of US\$63,705.73 being the cost of staff annual leave outstanding for 2008 was not included in the arrears report.

Management comment

In relation to the US\$28,110, this error has been corrected. This amount was inadvertently captured under the USD column instead of the Liberian dollar column. Although the amount of US\$63,705.73 was recorded in the general ledger but it was not reported as a commitment. This error has also been corrected.

31. We tested the mathematical accuracy of the list of commitments.

Fact finding

Except for the issue raised in number 30 above, no other exception came to our attention.

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.

Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at December 31, 2008 (continued)

Data reporting of Arrears of the Bank

Fact finding

Except for the issue raised in number 30 above, no other exception came to our attention.

33. We performed cut-off testing to ensure that all commitments and payments are properly accounted and reflected in the compilation of the monetary data. **No exception was noted.**
34. We assessed the accounting framework used and any significant estimates made by management. **Refer to number 4 (pages 17 &18) 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. **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.**
37. We documented the types of transactions entered into by the Bank in the six month 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. Significant contracts reviewed were approved by the Deputy Governor as per the Bank's policies and procedures. **There were no exceptions noted.**
 - d) Described and comment upon any unexpected or unusual operations or transactions.

Section 4: Factual findings based on the Bank's balance sheet as at December 31, 2008 and income statement for the six months period ended December 31, 2008, reported to IMF and control processes and recommendations on the Bank's monetary and budget data (continued).

Detailed Procedures at December 31, 2008 (continued)

Data reporting of Arrears of the Bank (continued)

37. We documented the types of transactions entered into by the Bank in the six month period preceding the relevant test date. For a sample of commitments, we performed the following work (continued)

Fact finding

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.

Management comments

In the wake of the check recycling scandal Management took immediate administrative action by suspending several staff of the Banking Department and reported the incident to the Ministry of Justice for criminal investigation which is still ongoing. The determined loss will be incorporated in the financial statement for the year ended December 31, 2008.

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.
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 includes 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 21 above. (See pages 26 and 27)
- (b) Refer to point 21 above. (See pages 26 and 27)
- (c) Refer to point 21 above. (See pages 26 and 27)

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 Banknotes 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.

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

- (a) Based on 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.

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.

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)

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 their 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 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 21 above. (See pages 26 and 27)
- (b) Refer to point 21 above. (See pages 26 and 27)
- (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)

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) Currencies were issued from the Reserve Vault to the Operational Vault during the 6 month period ended December 31, 2008. We tested the controls surrounding the issuance of currencies from the Reserve Vault to the Operational Vault that occurred on October 24, 2008 and found the controls to be operating effectively.
- (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.

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.

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Section 6: IT review of the MDRP

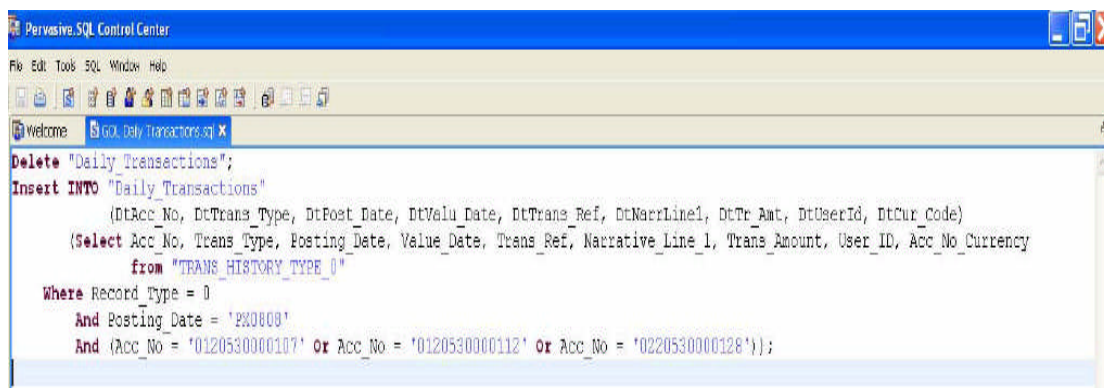
Background

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 shown in the diagram below.



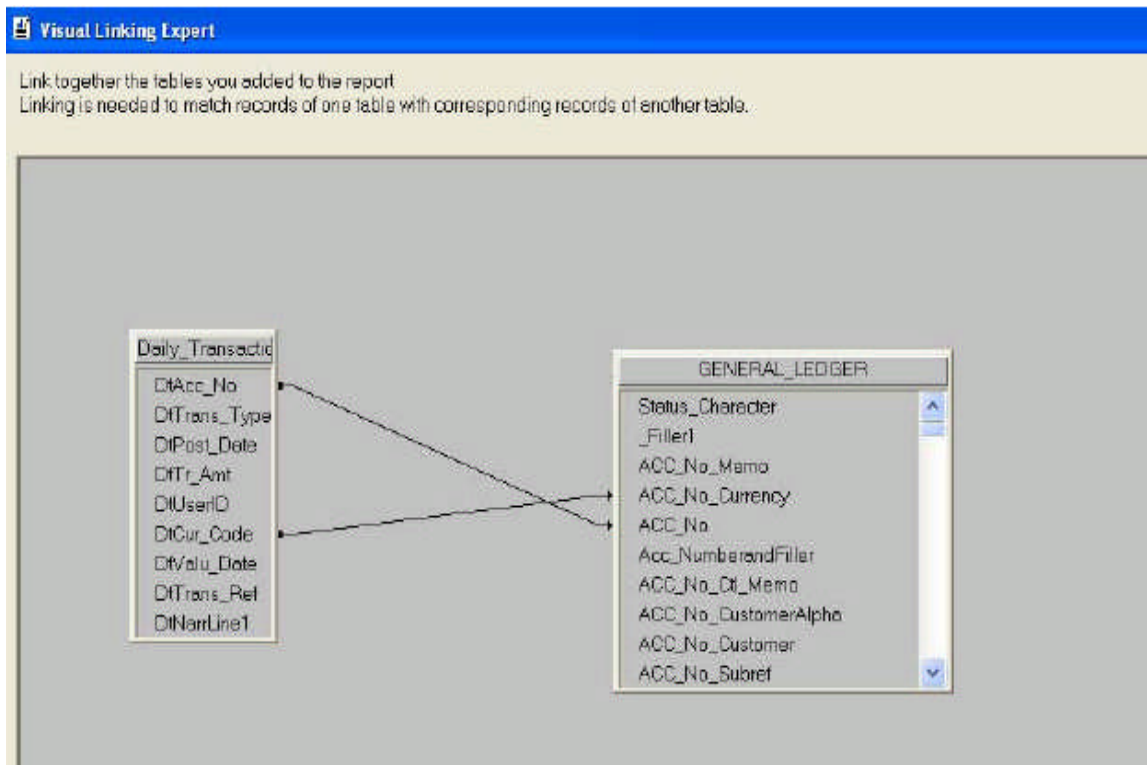
```
Delete "Daily_Transactions";
Insert INTO "Daily_Transactions"
(DtAcc_No, DtTrans_Type, DtPost_Date, DtValu_Date, DtTrans_Ref, DtNarrLine1, DtTr_Amt, DtUserId, DtCur_Code)
(Select Acc_No, Trans_Type, Posting_Date, Value_Date, Trans_Ref, Narrative_Line_1, Trans_Amount, User_ID, Acc_No_Currency
from "TRANS_HISTORY_TYPE_0"
Where Record_Type = 0
And Posting_Date = '200800'
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.

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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.

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Section 6: IT review of the MDRP (continued)

Below is the test performed to determine the 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).

Test performed	Results	Management comment
Obtain and review script used to extract data from database.	We obtained and reviewed the script used by the DBA to extract data from the database. The script follows the standard SQL nomenclature and it's clear in stating what is results are expect after running it.	No comment
Observe the scheduled run of the script in order to perform a walkthrough from the extraction of data from the database to the production of reports by the Finance Department.	We observed the scheduled run of the script by the DBA in extracting the HT and Account Balances data of August 13 2008. This was executed successfully and placed on the E drive on the Libserver3 for the Finance Department.	No comment
Check the security profile of users of the Crystal Reports 8.5 developer edition.	The DBA informed us that the version 8.5 of Crystal Reports does not allow for security profiling and also the Bank is in the process of acquiring Crystal Reports version 11 which has this functionality.	No comment
Obtain the documentation of the procedure used by the finance department in producing financial reports from the database extract.	Obtained the path/steps in downloading History Transactions (HT) from the finance department. This document details the steps to following in converting the downloaded data from the database into various required reports.	No comment
Check the security setup profile of the finance department users on MS Access.	No password has been setup for the users of MS Access within the finance department. Although MS Access has this functionality, it is not being employed by the finance department. This can lead to the unauthorized manipulation of data on the MS Access database within the finance department. Also the lack of passwords by the individual finance department members can lead to a lack of accountability as work produced would not be linked to any particular User ID.	Point is noted. MIS will work along with the Finance Department to set user passwords to ensure security protection to the Ms-access database. Phase I of the exercise has been completed. The final stage of (Phase II) is nearing completion.

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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. Refer to number 5 above.

Description	Amount USD	Amount USD
The Bank's liquid foreign assets		138,965,061
Adjustments for:		
Employee Loans		262,271
The Bank's liquid foreign assets adjusted		<u>139,227,332</u>
The Bank's reported liquid liability to commercial Banks		44,863,987
Adjustment for :		
Mano River Operating account	182,907	
Pre-reactivation Account	1,913	
Association of foreign exchange bureau	99	
Stale checks payable-Banks	544	
Other liabilities		
Security Deposit-Remittances	2,000	
Staff Salaries	95,735	
NSSWC 3% employers' contribution	36	
Stale checks payable	27,783	
Stale managers' check payable	6,049	<u>317,066</u>
Liquid liabilities to Commercial Banks adjusted		<u>45,181,053</u>

Refer to Section 4 under Data reporting of the Bank's Net foreign exchange position for further clarification.

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Section 7: Summary of adjustments (continued)

Income and expenditure on a cash basis adjusted

Description	Amount	Amount
	USD	L\$
The Bank's reported income YTD		9,363,874
Adjustments for:		
Overstatement of other income		950
The Bank's reported income adjusted		<u>9,362,924</u>
The Bank's reported total expenditure YTD		9,383,644
Adjustment for;		
Understatement of local travel	810	
Understatement of expenditure:	<u>2,055</u>	<u>2,865</u>
Reported expenditure adjusted		<u>9,386,509</u>

Commitments adjusted

Description	Amount	Amount
	USD	L\$
The Bank's reported commitments	145,680	8,740,786
Adjustments for:		
Annual leave outstanding	63,706	
Overstatement of rural banking cash encashment net:	<u>(27,641)</u>	<u>1,658,490</u>
The Bank's reported commitments adjusted	<u>181,745</u>	<u>7,082,296</u>

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Appendix A: Status of January to June 2008 fact findings

Issue	Recommendation	Status
Review of the Bank's Processes and Controls over Reporting of International Reserves Program Data to the IMF, and Financial Transactions		
<p>1. Fact finding</p> <p>We could not obtain documentary evidence to confirm the reviews done on the MDRP. However from our inquiry from the Assistant Director and Director of Research Department, it was revealed that the MDRP is reviewed before it is forwarded to the Executive Governor and Deputy Governor for their review and approval.</p> <p>The Deputy Governor confirmed she reviews the report before giving approval for it to be sent to IMF.</p>	<p>The hard copies reviewed by the Director of Research, Deputy Governor and Executive Governor should be signed and filed as evidence of their reviews.</p>	<p>The six-month MDRP report showed evidence of the review by the Senior statistician, Assistant Director and Director of the Research Department as well as the Deputy Governor.</p>
Data reporting of the Bank's Net Foreign Exchange Position		
<p>2. Fact finding</p> <p>We observed that there is no clear definition for the 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. As a result, it is not clear as to what to include or exclude.</p> <p>Our review of the data used in the computation of the net foreign exchange position shows that certain items such as the GOL obligations to the Bank of US\$245.4 million and US\$6.99 million are excluded from assets. Similarly, the long term loan to TRADEVCO of US\$12.67 million and due to foreign financial institution of US\$6.7million was excluded from liabilities.</p> <p>However we were informed that the initial report which was prepared by the IMF staff using the data from the monetary survey, excluded the items mentioned above.</p>	<p>The IMF should confirm these compositions and the current treatments of the Government of Liberia USD loans and the "due to foreign financial institutions" and the "commercial Bank loans – (Tradevco) balances.</p>	<p>We sighted an e-mail correspondence dated September 9, 2008 from IMF clarifying the exclusion of Tradevco loan and liabilities to all foreign financial institutions from the MDRP.</p>

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<p>2. Fact finding (continued)</p> <p>Secondly, included in the gross foreign reserve are:</p> <ul style="list-style-type: none"> iv) An amount of USD 3,475 described as "dormant foreign Banks balance". The Bank currently has no details on this balance which were originated from the former National Bank of Liberia (NBL). Control, risk and reward associated with this balance cannot be related to the Bank. The balances are not readily available for use. This balance will therefore not qualify as assets of the Bank and should be excluded. v) An amount of USD 288 described as "Federal Reserve Block Asset Account" represents transfer made by the African Development Bank in favor of a past government official who is currently on the UN sanction list. This amount was blocked by the Office of Foreign Assets Control of the Federal Reserve Bank of New York. The balance is not readily available for use and will not qualify as an asset and should be excluded. vi) An amount of USD 360 described as "United Bank Account". This account is inactive and the Bank currently does not have any details on the account. The balance is not readily available for use and will not qualify as an asset and should be excluded. <p>An amount of USD 4,358 which has been described as "accrued interest receivable". We could not obtain any details on this balance and should therefore be excluded from the assets.</p>		
<p>3. 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 ending December 31, 2008 (year of first time reporting).</p>		<p>Refer to pages 17 & 18.</p>

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<p>3. Fact finding (continued)</p> <p>In preparation for the first time adoption of the IFRS in the financial statements for the year ending 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 and the period ended June 30, 2008.</p>																										
<p>4. Fact finding</p> <p>We noted that checks payments at permanent payment centres are not captured in the general ledger on a timely basis. These result in growing balances reported in the general ledger as funds at the centres compared to the actual most recent funds transferred.</p> <table border="1" data-bbox="108 878 858 1496"> <thead> <tr> <th><i>Permanent payment centres</i></th> <th><i>General Ledger balance as at June 30, 2008</i></th> <th><i>Transfer made to the centre in June 2008</i></th> </tr> <tr> <td></td> <th><i>USD</i></th> <th><i>USD</i></th> </tr> </thead> <tbody> <tr> <td><i>Kakata Payment Centre</i></td> <td><i>84,281</i></td> <td><i>60,000</i></td> </tr> <tr> <td><i>Gbarnga Payment Centre</i></td> <td><i>122,963</i></td> <td><i>20,000</i></td> </tr> <tr> <td><i>Zwedru Payment Centre</i></td> <td><i>78,272</i></td> <td><i>20,000</i></td> </tr> <tr> <td><i>Voinjama Payment Centre</i></td> <td><i>131,857</i></td> <td><i>20,000</i></td> </tr> <tr> <td><i>Trumansburg Payment Centre</i></td> <td><i>48,686</i></td> <td><i>29,500</i></td> </tr> <tr> <td><i>Buchanan Payment Centre</i></td> <td><i>119,535</i></td> <td><i>20,000</i></td> </tr> </tbody> </table>	<i>Permanent payment centres</i>	<i>General Ledger balance as at June 30, 2008</i>	<i>Transfer made to the centre in June 2008</i>		<i>USD</i>	<i>USD</i>	<i>Kakata Payment Centre</i>	<i>84,281</i>	<i>60,000</i>	<i>Gbarnga Payment Centre</i>	<i>122,963</i>	<i>20,000</i>	<i>Zwedru Payment Centre</i>	<i>78,272</i>	<i>20,000</i>	<i>Voinjama Payment Centre</i>	<i>131,857</i>	<i>20,000</i>	<i>Trumansburg Payment Centre</i>	<i>48,686</i>	<i>29,500</i>	<i>Buchanan Payment Centre</i>	<i>119,535</i>	<i>20,000</i>		<p>Refer to number 9 (page 21)</p>
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<p>5. Fact finding</p> <p>There were no board approved regulations that guide the Bank's foreign exchange transactions and reserve management operations for the period under review.</p> <p>A proposed comprehensive policy on the activities (foreign exchange and reserve management operations) has been submitted to the board for review and approval will be approved in the next board of governors meeting.</p>	<p>The policy should be approved by the board and implemented.</p> <p>Secondly, additional currency counters with automatic detectors should be purchased.</p>	<p>The document was approved by the Board on October 7, 2008</p>																								

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<p>5. Fact finding(continued)</p> <p>The Bank's foreign exchange and reserve management operations during the period under review, which were mainly placements with other Banks and foreign exchange auctions, will have suffice as permitted by the Bank's rules and regulations had the proposed policy been approved for the period under review.</p> <p>All foreign exchange and reserve management transactions are subject to authorization by the Deputy Governor. Our test on 30 samples did not reveal any exception.</p> <p>Our observation of the vault operations revealed the following issues:</p> <ul style="list-style-type: none"> i) There were a number of back logs of unchecked notes, which was as a result of inadequate currency counters, lack of currency counters with automatic detectors, and continuous receipt of deposits due to daily shortfalls at the Clearing House. This increases the risk of misstating cash (notes & coins) balances which are part of the foreign currency reserves; and ii) The tags of cash checked easily falls off with minimal force. This increases the risk of unauthorized tag swaps. 		
Data reporting of the Bank's Expenditures		
<p>6. Fact finding</p> <p>Although the Bank achieved all the benchmarks established under the PRGF program as stated above, the following few exceptions were noted:</p> <p>Accuracy Total cash expenditure reported under International travelling in the MDRP was overstated by USD3,750 in the month of February 2008. This was however reversed in the June 2008 report. Also total cash expenditure in respect of advertising cost was overstated by LD13,500 and LD50, 325 in the month of February 2008 and April 2008 respectively. These were however reversed in the June 2008 report.</p>	<p>Management should put in place month end procedures on capturing transactions, have them documented and ensure that they are adhered to.</p>	<p>Implemented</p>

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<p>6. Fact finding (continued)</p> <p>Completeness</p> <p>The following cash transactions were not captured in the cash spreadsheet in their appropriate periods;</p> <table border="1" data-bbox="86 539 884 904"> <thead> <tr> <th>Type of expenditure</th> <th>Description</th> <th>Check #</th> <th>Amount (USD/LD)</th> <th>Period of payment</th> <th>Period of recording in cash spreadsheet</th> </tr> </thead> <tbody> <tr> <td>Recurrent</td> <td>Int. travel</td> <td>13893</td> <td>USD 952</td> <td>May 2008</td> <td>June 2008</td> </tr> <tr> <td>Recurrent</td> <td>Vehicle Fuel</td> <td>Petty cash</td> <td>LD 32,075</td> <td>April 2008</td> <td>June 2008</td> </tr> <tr> <td>Recurrent</td> <td>Advertising</td> <td>013844</td> <td>USD 300</td> <td>April 2008</td> <td>June 2008</td> </tr> </tbody> </table> <p>These errors resulted from the fact that, the Bank keeps a separate spread sheet from its general ledger (accrual basis capturing) to track all cash expenditures reported to IMF. In addition, there are no binding month end procedures on capturing transactions relating to a particular month.</p>	Type of expenditure	Description	Check #	Amount (USD/LD)	Period of payment	Period of recording in cash spreadsheet	Recurrent	Int. travel	13893	USD 952	May 2008	June 2008	Recurrent	Vehicle Fuel	Petty cash	LD 32,075	April 2008	June 2008	Recurrent	Advertising	013844	USD 300	April 2008	June 2008		
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Recurrent	Advertising	013844	USD 300	April 2008	June 2008																					
<p>7. Fact finding</p> <p>The Bank adopted a procedural manual on June 11, 2008 to administer its requisitions, payments and recording process. Modalities for full implementation of the controls in the manual were completed in July 2008. Hence an effective assessment of the operating effectiveness of the controls can be done during subsequent reviews.</p> <p>Prior to the adoption of the new manual which includes controls such as serial numbering of purchase requisitions for easy tracking and the issuance of goods received notes to evidence receipt of items purchased, controls over the Bank's expenditures from initiation to payment of transactions were found to be operating effectively. These include an acknowledgement by the budget officer through the signing off; of all procedures before purchase orders are raised. This is to ascertain whether the items in question have been budgeted for.</p>	<p>The approval process should be incorporated in the Bank's payroll documentation.</p>	<p>Implemented</p>																								

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<p>7. Fact finding(continued)</p> <p>Purchase orders and requisition for payments needs an approval from the Deputy Governor and special advisor to the Executive Governor after the budget officer has attested that the expenses in question have been budgeted for as stated above.</p> <p>Checks issued for payments must be signed by two signatories from the Bank's authorized signatories list dated 16 July 2007 (amended in March 2008).</p> <p>We noted from our review of the payroll documentation of the Bank that, the approval process over the initiation, authorization and recording of payroll cost and staff loans were not being comprehensively captured in the documentation.</p>		
Data reporting of the Bank's Budget Balance		
<p>8. Fact finding</p> <p>We noted that there were a number of differences between the revenue and expenditure items on cash basis compared to those in the general ledger as at June 30, 2008. Differences relate to accruals in December 2007, but received or paid in January 2008 and accruals made in June 2008. The cash based balances were thus accurately reflected.</p> <p>In addition, we also noted that there are no binding month end procedures on capturing transactions relating to a particular month. As a result, few back dated transactions were not captured in the months incurred.</p>	<p>Management should put in place month end procedures on capturing transactions, have them documented and ensure that they are adhered to.</p>	<p>Implemented</p>
Data reporting of Arrears of the Bank		
<p>9. Fact finding</p> <p>We obtained and reviewed significant contracts entered into by the Bank for the supply of goods and services. We did not identify any arrears on the contracts reviewed except for the following:</p> <p>i) Our review on payments for contracts entered into by the Bank, we noted certain payments to Libra Sanitation for sanitation services carried out during the months of April, May and June 2008 was made on commitment basis but were not reported to IMF as arrears in the month in which the services were rendered.</p>	<p>All unpaid commitments should be reported as arrears on commitment in the MDRP.</p>	<p>Implemented</p>

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9. Fact finding (continued)

Our findings have been summarized in the table below;

Month payable	Period in which payment was made to the contractor	Month captured into the expenditure's books	Amount in USD	Reported as commitment
April	2 May 2008	May 2008	400	No
May	4 June 2008	June 2008	400	No
June	7 July 2008	July 2008	400	No

- ii) In reviewing the rent agreement signed by Varsey Sirleaf and the Bank, we noted that the duration of the lease from May 1, 2003 to April 30, 2008 had expired. The Bank was to pay an advance of US\$3,000 by July 2008, for the period May 1, 2008 to April 30, 2013 but was not reported as arrears.

The Bank does not have any contract in place for Protective Security Service and A.D. Meah Maintenance in respect of the provision of security service at the Bank and maintenance service rendered to the entire Bank building even though the Bank has engaged their service for over six months and have not renewed their contract since the expiration of the initial contract.

In addition, there are no internal controls in place at the Bank over monitoring the Bank's commitments.

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Appendix B: Deposit confirmation balances

Account number	Account Description	USD
215600778806	Special Suspense Account	3,614,812.24
215600778802	Suspense - Domestic Banking	90.00
220530000114	National Trans.Leg.Assembly	258.00
220530000115	GOL - NCDDRR	2,237.13
220530000118	Lib Procurement Reforms Grant	141,569.98
220530000120	Gol/Special Rice Fund	496,275.82
220530000122	Governance Reform Comm./ ADB fund	3.62
220530000123	Governance Commission - SSR	139.50
220530000125	Governance Reform Commission	2,800.52
220530000126	Ministry of Finance operating	8,606.03
220530000128	GOL General Account# 2	5,068,424.01
220530000134	GOL /Liberia Marine Protect(LMPRS)	100.00
220530000135	GOL General Account #3	13,228,913.77
220630000201	Breau Of Immg.Natrual.Opr.A/C	389.07
220630000202	BIN Special Fund	2,572.30
220630000401	Ministry of Labour Operation. A/C	11,609.98
220630000501	CNDRA Operational Account	88.41
220630000701	Ministry of Justice Operation. A/C	71,003.03
220630000703	Nigeria-Liberia Security Fund	177,169.51
220630000704	Ministry of Justice Special Operation Account	219.00
220630000705	Women Friendly & Court	4,060.00
220630000801	Ministry of Health & Social Welfare Operation	303,972.40
220630000802	Ministry of Health & Social Welfare - GAVI	300,259.26
220630000903	Ministry of LM & Energy Spec. A/C	135,838.12
220630000904	MLM&E Operational Funds	13,565.59
220630001002	MPEA Project Operational	866.90
220630001003	Econat Operational Funds	398,614.07
220630001004	National Centre of Lib.Civil Service	218.00
220630001501	MOFA/Foreign Service Institute	91.63
220630001503	Min. of Foreign Affairs Operation.	-34.32
220630001601	General Service Agency Operational /C	7,759.06
220630001702	Min. of Commerce Operation.	8,376.99
220630001902	Ministry.of Information Operation. A/C	138.30
220630001903	MICAT/ Kendeja Relocation Project	20,310.10
220630002001	Min. of Transport Operational	50.00
220630002002	MINISTRY OF TRANSPORT OPR. A/C	39.60
220630002003	Bureau of Civil Aviation	25,598.64
220630002301	Ministry of Agriculture/Bamboo Processing	26,703.68
220630002401	Liberia National Police Operation.	19,315.34
220630002402	National Polio. Train. Academic Operation	1,401.12
220630002700	NATIONAL ELECTIONS COMMISSION	357,419.54
220630002701	Nat'l Elections Comm.-Project	121,997.43
220630002800	MINISTRY OF STATE. OPR.FUNDS	52,024.95
220630002804	Special Security Service Operation.	9,225.39
220630002805	Liberia Reconstruction & Dev.	6,149.37
220630002810	SPECIAL PROJ./MIN. OF STATE	345.60

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Account number	Account Description	USD
220630003001	Gender & Development General A/C	17,902.05
220630003100	Min. of Post & Tel. Com. Operation.	2,894.76
220630003300	Min. of Public Works	383,791.58
220630003301	Ministry.of Public Works Special Prom.	78,082.54
220630003400	Ministry of Agriculture Special Project	609.70
220630003401	MOA Agricultural Credit A/C	4,413.93
220630003500	MTA Operating A/C	338.38
220630003600	The Judiciary Operation. A/C	1,049,626.75
220630003601	Judiciary/ Opinions of the S.Court	3,815.00
220630003700	Liberia Natl.Fire Serv.Opr.A/C	3,987.68
220630003800	Ministry of National Security	9,206.21
220630004000	Group of 77 Disabled	53.52
220630004100	General Auditing Operation. A/C	104.00
220630004200	Ministry of National Defence Operation	134,137.05
220630004600	Ministry of Youth & Sports Operation .a/c	18,431.73
220630004700	Nat'l Bureau of Investigation Operation A/C	2,388.27
220630005101	LWSC Operational A/C #2	196,202.49
220630005700	Min. of Internal Affairs Operation.	77,584.24
220630005701	County Development Project	5,222.85
220630006000	National Security Agency	3,917.84
220630006100	MRD/PROJECT OPERATION A/C	1,232.20
220630006201	Institute For French Studies	673.72
220630006203	National Comm. On Higher Edu	142.53
220630006205	Ministry of Education Operation	33,115.70
220630006300	Bureau of the Budget Operation. A/c	1,189.17
220630006500	John F. Kennedy med. Centre a/c	129,699.21
220630006600	Drug Enforcement Agency	681.17
220630006800	Expanded Program on Immigration. (EPI	132,401.13
220630007000	Special Exe.Com.on Elect(SECE)	467.50
220630007200	Judiciary UNMIL (QIP) Construction.	12.60
220630007201	Judiciary Special Operation. A/C	143,478.22
220630009001	Office of the Vice President O	1,616.14
220630009100	Civil Service Agency Operation. A/C	3,367.33
220630009200	Liberia Employment Action Progam	850.00
220630009301	The House of Rep.Opr.a/c	244.75
220630009400	Liberia Telecommunications Authority	699,737.12
220630009600	Nat'l Bureau of Veteran Affair	47,693.50
220630009700	Liberia Anti- Corruption Comm.	17,061.23
220630004900	Bureau of Mari Affairs Operation a/c	102,007.42
220630005300	LTC Corp Operational A/C	202,411.57
220630005602	Pub. Procurement & Concession Comm.	63,513.27
221930000301	NSSWC Current Account	720,438.65
221930007100	Liberia Electricity Corp. Escrow A/	218.00