

Central Bank of Liberia (CBL)

**Report to Management
31 December 2024**

19 May 2025

The Board of Governors
Central Bank of Liberia
Monrovia, Liberia

Attention: The Executive Governor

Dear Sir,

Management letter of Central Bank of Liberia for the year ended 31 December 2024

We have completed the audit of the Central Bank of Liberia (CBL), which we conducted in accordance with International Standards on Auditing (“ISAs”). Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatements but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit is conducted to enable us to form and express an opinion on the financial statements that have been prepared by management with the oversight of the Board of Governors. The audit of the financial statements does not relieve management or the Board of Governors of their responsibilities.

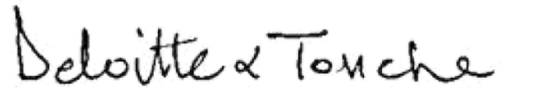
However, in accordance with our normal practice, we write to draw your attention to certain matters which we identified during our audit of the financial statements of the Central Bank of Liberia for the year ended 31 December 2024. Those issues are set below.

Management responses have been provided through the coordination of the management of the Bank.

We would like to thank the management and staff of the Bank for their assistance and cooperation during the audit.

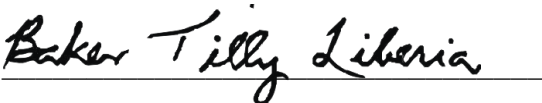
We would be pleased to provide any clarification that you may require on the issues raised in this report.

Yours faithfully,



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1 Current year accounting and audit issues

Observation
<p>1.1 Legal and accounting consideration on liquidity support to SIBLL</p> <p>Section 37(1) of CBL Act 1999 as amended and restated in October 2020 states that “In exceptional circumstances, the Central Bank may grant liquidity support to a bank-financial institution in Liberian Dollars, pursuant to its lender-of-last resort function, on such terms and conditions as the Central Bank determines, against penalty interest rates, subject to collateral, and for periods not exceeding (91) business days that may be renewed following an explicit decision by the Central Bank for another period not exceeding (91) business days.</p> <p>The Central Bank shall provide such liquidity support taking into account supervisory information and on the basis of a program specifying the remedial measures that the concerned bank shall be required to take, provided, however, that no such commitment shall be made by the Central Bank, unless the bank-financial institution, in the opinion of the Central Bank, is solvent, viable based on an assessment of its future financial condition and can provide adequate collateral to support the liquidity support, and the request for liquidity support is based on the need to improve liquidity...”</p> <p>The Board of Governors in resolution BR-02/2024 approved US\$8.0 million Liquidity Assistance (“LA”) to Sapelle International Bank Liberia Limited (SIBLL). The board resolution did not state the repayment period, the collateral, the penalty interest rate as required per Section 37(1) of CBL Act 1999 as amended and restated in October 2020.</p> <p>From our audit of the current treatment of the transaction for the year ended 31 December 2024, we noted the amount of US\$8million extended to SIBLL had been expensed in the profit and loss account.</p>
Impact
<p>The lack of clarity on the nature of the liquidity support, may bring about ambiguity on the specifics of the accounting treatment and possible tax implication therefore.</p>
Recommendation
<p>Management should state clearly what the Liquidity Support is for and the conditions as required by the CBL Act 1999 as amended and restated in October 2020.</p>
Management response
<p>Observation noted. However, we confirm that Resolution No. BR-02/2024 allowed the Executive Management to provide the \$8 million in liquidity support, \$2 million for paying off old debts and helping the bank with clearing, and \$6 million to cover the SIBLL overdraft. The resolution further mandated that no new loans be issued until all Emergency Liquidity Assistance (ELA) obligations are fully settled. Additionally, the bank was granted a six-month period to secure additional funding, with a requirement to submit weekly progress reports on fund-sourcing efforts and other measures aimed at stabilizing the bank’s financial condition. The Central Bank of Liberia (CBL) is also tasked with conducting an audit of the legacy loans to assess recoverability, with all recovered amounts to be remitted to the CBL.</p>

Observation

1.2 Non-adherence to conditions precedent in liquidity assistance to SIBLL

We note that the Central Bank extended assistance to the SIBLL in two tranches of US\$8million and US\$2million respectively. Conditions precedent on the Board approval for the assistance were noted to be as follows in May 2024.

- SIBLL to sign a release evidencing closure of the Central Bank obligations on legacy matters associated with the Purchase & Assumption Agreement signed by GN Bank.
- SIBLL to sign a MOU with WESUA/NASSCORP to avoid excessive pressure on the bank relating to their liabilities.
- CBL to perform the legacy loan audit to assess recoverability.
- SIBLL had a six-month window to bring additional funds.

None of the condition's precedent to the extension of the assistance had been performed as at the balance sheet date.

Impact

The lack of a release agreement by SIBLL may indicate the continued existence of contingent liabilities for the Central Bank in relation to the original Purchase and Assumption Agreement executed during the purchase of First International Bank by Group Nduom in 2016.

Recommendation

Management must ensure the conditions precedent are strictly adhered to protect the bank's assets from future liabilities. Additionally, steps must be taken to ensure mechanisms considered relevant to make the SIBLL robust for the Liberian economy are strictly implemented and communicated to the Board of Governors.

There must be compliance with Section 37(4) of the CBL Act 2020, through the Central Bank effective monitoring to ensure conditions to remedy the assisted banks are properly implemented.

Management response

We note the observation. However, Management is not sure if the conditions indicated were all conditions precedent. Group Nduom did not purchase FIBank. In fact, there was no contract between Group Nduom and FIBank. The CBL seized FIBank, went into agreement with Group Nduom to takeover some assets and liabilities of the seized FIBank. As part of the agreement, CBL issued a new banking license to GNBank. GNBank decided on the assets and liabilities to takeover. There are two legal opinions, one from an independent law firm and another from the Ministry of Justice that clearly state that CBL has no obligations, whatsoever, to SIBLL under the P & A Agreement. Given these opinions, the matter of the release agreement is considered moot.

Observation

1.3 Contravention of CBL Act 2020 – Section 37

Section 37(1) of CBL Act 1999 as amended and restated in October 2020 states that “In exceptional circumstances, the Central Bank may grant liquidity support to a bank-financial institution in Liberian Dollars, pursuant to its lender-of-last resort function, on such terms and conditions as the Central Bank determines, against penalty interest rates, subject to collateral, and for periods not exceeding (91) business days that may be renewed following an explicit decision by the Central Bank for another period not exceeding (91) business days”

The Board of Governors in resolution BR-02/2024 approved US\$2.0 million Emergency Liquidity Assistance (ELA) to Sapelle International Bank Liberia Limited (SIBLL). This Liquidity Assistance was for a period from 27th May 2024 to 27th November 2024, a period of six months.

The requirements per section 37(1) above was violated in giving the Liquidity assistance for the period of six but not 91 business day before renewing it for another 91 business days.

Impact

The legality of the Liquidity Assistance given to SIBLL can be challenged, resulting in possible disputes among interested parties.

Recommendation

There is the need for broader and wider consultation with legal experts on the scope of the central bank’s activities on matters that can significantly impact the operations of the bank.

Management response

Observation acknowledged. However, Management, in collaboration with the Board of Governors, has established a Credit Committee tasked with monitoring, assessing, and validating the liquidity and financial challenges faced by financial institutions. The committee is mandated to ensure the bank’s full compliance with the provisions of the Act.

Observation

1.4 Overdrawn government operations account

We noted that the Government of Liberia (GOL) had overdrawn its GOL operational account 0220550000163 by US\$ 1,738,431 as at year end. Further investigation on the T24 bank statement indicated that from 24 December 2024 to 22 January 2025, the account balance had been overdrawn on several days.

Impact

The appearance of an extension of credit in a period of International Monetary Fund (IMF) extended credit facility (ECF) and other interventions may not be fiscally prudent and it may prevent access to additional funding from the IMF for budget support.

Recommendation

Management must ensure all government accounts are adequately funded and regularised with formal documentation of terms and conditions.

The configuration of the T24 Banking software must prevent transactions from putting GOL accounts into overdrawn status without the explicit approval of executive management and the Board of Governors.

Management response

Observation noted. However, we clarify that the amount identified as an overdraft represents interest payments on the Government of Liberia (GOL) consolidated loan, which are mandatory monthly obligations. As part of internal controls established by Management, the T24 system requires prior authorization before any account is overdrawn. In this case, the interest payments are system-generated and processed automatically, rather than being the result of manual overdraft actions by individuals.

Observation

1.5 Appointment of non-executive governors

Section 13 (1) of the CBL Act 2020 stipulates that within 60 days upon the exit of non-executive governors, the appointment of a new non-executive governors should be finalized. We note that the current Board of Governors has 3 non-executive governors who have been acting since 1 August 2024 and have not been officially commissioned by the Liberian Senate.

Impact

The commissioned non-executive governors may have breached the requirements of Section 13(1) of CBL Act 2020 amended and restated.

There are benefits (i.e., retirement benefits etc.) that accrue to non-executive governors that acting governors may not be entitled to receive in accordance with the existing laws and regulations.

Recommendation

Management must bring the matter to the attention of the relevant authorities to ensure full compliance and adherence to the requirements of the CBL Act 2020 (Amended and restated).

Management response

Observation noted. Management acknowledges the issue and, going forward, will engage the appropriate authorities to ensure the formal commissioning process of non-executive governors is conducted promptly, in full compliance with the provisions of the CBL Act.

Observation

1.6 Lack of collateral on facilities to commercial banks

Section 48 (1)(b) of the CBL Act 2020 stipulates that Central Bank shall not “make unsecured advances, whether by loan or overdrafts. The bank extended Agric loans to Afriland Bank and stimulus/mortgage loans to Liberian Bank for Development and Investment (“LBDI”). We note that the facility with LBDI was extended in 2024 fully repayment by the borrower upon maturity.

However, there is no evidence of compliance with the requirements of Section 48(1)(b) that all loans extended must be secured to protect the interest of the Central Bank.

Impact

The requirements of Section 48(1)(b) of CBL Act 2020 amended and restated may have been breached.

There is the risk of financial losses in extending facilities to commercial banks, unsecured.

Recommendation

Management must bring the matter to the attention of the relevant authorities to ensure full compliance and adherence to the requirements of the CBL Act 2020 (Amended and restated). There must be adequate collateral in the form and substance governed by Section 48(1)(d) among others.

Management response

Observation noted. However, Management has proactively addressed this concern by engaging the two institutions last year and issuing an official directive requiring all banks to submit collateral documentation for their facilities by March 31, 2025. In compliance, both institutions have submitted the required collateral, which is currently under review by the CBL’s Credit Committee.

Observation

1.7 Report to the Senate and House Joint Committees

Per section 4 (3) of the CBL Act 2020, CBL is required to report to the Senate and House Joint Committees on Banking and Currency twice yearly (February and July).

There is no evidence of such compliance.

Impact

The requirements of the main governing CBL Act 2020 amended and restated have been breached.

Recommendation

Management must ensure full compliance and adherence to the requirements of the CBL Act 2020 (Amended and restated).

Management response

Observation noted. Management is taking steps to ensure that future reports are submitted in a timely manner, in accordance with Section 4(3) of the CBL Act of 2020. We will engage the relevant departments and implement measures to ensure consistent compliance going forward.

Observation

1.8 Aged manager's check not transferred to stale check listing

The Banking Department operating manual requires all manager's checks (i.e., USD - 02-267-00854-200 and LRD) to that are over six months must be transferred to the stale check listing during the reconciliation of the bank's obligations. Additional protocols are noted around the approval of stale checks back into manager checks to ensure fraud risk are mitigated.

Our evaluation of the year end listing of manager's checks identified some checks above six months have been properly accounted for in accordance with the Banking operating guidelines.

Examples are highlighted below.

Date	Reference	Amount (US\$)
9-May-24	86603	112.00
9-May-24	86607	506.00
9-May-24	86606	5,586.00
15-May-24	MC00086609	410.00
10-Jun-24	86690	400.00
10-Jun-24	86689	356.50
10-Jun-24	86688	500.00
12-Jun-24	86698	46.30
12-Jun-24	86699	141.73
14-Jun-24	86708	1,338.00

Impact

There is risk around the continued existence of stale checks on the manager's check listing.

Recommendation

Management must ensure that as part of the reconciliation unit control around manager's check, aged checks over six months are identified, and requisite approval obtained for the necessary accounting entries to be posted to the stale check's listing.

Management response

Observation noted. Management confirms that aged checks are consistently reclassified as stale dated. The Compliance Department has reviewed and validated the reconciliation report, recommending the transfer of the referenced manager's checks. Following this validation, both the Compliance and Banking Departments have received approval to transfer all aged, stale-dated manager's checks to the appropriate stale dated accounts.

Observation

1.9 Difference on AFREXIM PAPSS account

We noted that difference between the general ledger amount and the direct confirmation response from Africa Export Import Bank on the Central Bank PAPSS account balance

Account code	Description	Amount per Ledger (US\$)	Confirmed Balance (US\$)	Difference (US\$)
211143000701	African Export Import Bank PAPSS	500,000	371,822	(128,178)

Impact

There is the risk of material misstatement in reported balances in the balances sheet.

Recommendation

Management must demonstrate a comprehensive reconciliation of the PAPSS account balance on regular basis.

Management response

Observation noted. However, management has formed a team that includes members from the banking, payment systems, management information systems & technology, and finance departments to reconcile all PAPSS accounts. This team has successfully reconciled all the PAPSS accounts and posted all the necessary transactions that were inadvertently not posted from the SWIFT statements. All PAPSS accounts have been regularized, reflecting their correct balances.

Observation

1.10 Running balances on cash teller accounts

There are some teller accounts on the GP/T24 which do not reconcile to zero as at yearend. Further investigation revealed that these are Teller accounts with IT challenges that have been escalated to the Management Information System Department (MISD) and the Risk and Compliance Department but remain unresolved.

Account code	Description	FY2024 (US\$)	FY2023 (US\$)
110100708300	Operational Cash Teller # 41	(833)	(824)
110100709903	Operational Cash-Teller#53	(48)	-
210100709901	Operational Cash-Teller#51	2,440	2,440
210100708300	Operational Cash Teller # 41	(724)	(895)
210100708500	Operational Cash Teller # 43	(870)	(1,020)
110100700300	General Teller Cash (NOTES)	10,100	9,893
110100709901	Operational Cash-Teller#51	849	831
110100706300	Operational Cash-Teller#22	(395)	(386)

Impact

There has been a history of fraud by certain tellers in the past and the continued existence of unreconciled balances poses a threat to the accuracy and completeness of the transactions handled by tellers. It will also be difficult to detect whether these unreconciled balances are because of fraudulent activities.

Recommendation

To ensure system integrity, tickets raised by departments for IT challenges encountered must have an escalation protocol in place to ensure strict timelines are complied with. Management should ensure these accounts are reconciled in a timely manner.

Management response

Observation acknowledged. We, however, confirm that management has been working with Temenos (the banking application provider) through the management information system and technology and banking departments to resolve these account issues. Some of these balances are attributed to former or dead tellers who left the bank. Nevertheless, the review and investigation of these shortages have been completed, and a report and recommendation were submitted for management approval for write-off.

Observation

1.11 Non-adjustment of cash vault balances after physical count

As part of the yearend closing requirements, physical counts of all cash held by the Central Bank at the operational vault and payment centers were subjected to comprehensive count observed by the Banking Department, Internal Audit Department, and External Auditors among others. After the verification exercise, the certified quantities per each denomination were signed off by the parties present.

Our follow-up during the audit indicated that the count results had not been accurately adjusted to balances in the vault/payment center balances reported by the Bank.

Account Code	Name	Cash count Date	Currency	Amount counted	TB as at Dec. 31, 2024	Variance
0210000700100	Bk Notes in Vault & Cash. Off.	31-Dec-24	USD	32,803,034	32,808,034	(5,000)
0110000700100	Bk Notes in Vault & Cash. Off.	31-Dec-24	LRD	602,545,965	603,334,426	788,461

Impact

The purpose of having a physical verification of assets is to ensure that the general ledger and the physical units are reconciled.

If differences identified are not investigated and reconciled in a timely, the Central Bank may be exposed to the risk of losses due to asset misappropriation.

Recommendation

Management must ensure that its policies regarding yearend physical count observation at the payment centers and vault are strictly followed to avoid differences being reported to users of the financial statements.

Management response

Observation noted. We, however, clarify that the amount of US\$5,000.00 was approved by former Executive Governor J. Aloysious Tarlue for legal services rendered on behalf of the CBL. Additionally, our records indicate that the amount of LRD 788,460.00 relates to teller shortages attributed to retrenched staff. Management has approved the write-off of this amount.

Observation

1.13 Incomplete employee personnel files (Hires and Exits)

The objectives of the CBL recruitment & selection policy guide are as follow:

- a) Ensure the recruitment and selection process meets the CBL's operational and strategic requirements.
- b) Ensure selections are made on the basis of the candidate's suitability for the position based on a role specific selection criteria.
- c) Ensure a fair and consistent approach is taken throughout the recruitment process.
- d) Ensure equal opportunities in the recruitment process.
- e) Require all applicants to undertake relevant pre-employment vetting and assessments to assess their competency for the available position before a decision on any offer of employment is made.

We observed the employment files was incomplete for the below employees;

1. Evidence of application letter
2. Evidence of interview conducted
3. Approve evaluation & selection report
4. Evidence of employment contract/letter
5. Evidence of Terms of Reference (TOR),
6. Lack of background check report on their files.

Staff ID	Department	Employment date	Application letter sighted?	Evidence of interview conducted?	Contract of employment sighted?	Evidence of background check?
1250	Research	01/04/24	No	No	Yes	No
1253	EG	30/07/24	No	No	No	No
1252	EG	30/07/24	No	No	No	No

Section 18.1 Resignation of the CBL Employee Handbook paragraph 3 states that CBL asks all separating employees to participate in an Exit Interview with the HRM Department prior to leaving the organization. This will provide an opportunity to return access passes, keys and other property of the Bank and to ask any questions the employee may have. The staff's final payment, which is made within ten (10) working days, is contingent upon the staff participating in the Exit Interview.

Furthermore, we observed no evidence of exit interview form completed by six employees that were separated in 2024 was identified.

1. Yancy Benjamin K.
2. Bayouh Alieu
3. Brown Kedrick R.
4. Augustine S. Tailey

Impact

Poor staff management controls may lead to unauthorized hiring, payroll fraud, inefficiencies in workforce planning, and compliance risks, etc.

Furthermore, this may lead to security risk on the bank's resources as evidence of adequate integrity checks are not performed and retained.

Recommendation

Human resource department must ensure employee personnel files have all the requisite information mandated per the existing CBL HR Policies. Additionally, are resources employed must be vetted per procedures to ensure there are no gaps/issues of non-compliance in the talent acquisition process.

Management response

Observation noted. Going forward we will ensure that all exited employees fill in the proper documentation before/after their exit including all personnel-related forms.

Observation

1.14 Discrepancies between the payroll ledger and payroll register

We identified and noted discrepancies between the payroll total permanent staff cost, payroll total contractual services as per the trial balance and the payroll registers.

See detail below analysis of the payroll register and payroll ledger reconciliation.

Permanent staff

Account code	Description	Amount per GL (\$)	Payroll register (\$)	Variance (\$)
0151000001400	Salaries & wages	3,337,353	7,607,131	
0251000001400	Salaries & wages	4,903,031		
	Bonus		587,762	
	Total	8,240,384	8,194,893	45,491

Contract staff

Account code	Description	Amount per GL (\$)	Payroll register (\$)	Variance (\$)
0151000001414	Salaries - contractual services	197,680	286,275	
0251000001414	Salaries - contractual services	101,134		
	Total	298,815	286,275	12,540

Impact

Discrepancies in payroll costs may lead to financial misstatements, unauthorized payments, and potential fraud risks. Additionally, incorrect salary payments could affect employee satisfaction and trust in the organization.

Recommendation

Management should ensure payroll reconciliation is done monthly, reviewed by authorized supervisors, and approved.

Management response

Acknowledged. The variance has been identified as resulting from staff salaries being withheld or excluded from payroll due to administrative actions taken during monthly payroll processing. Going forward, we will implement regular payroll reconciliation, and any salaries impacted under such circumstances will be recorded directly in the expense account and omitted from the payroll register for the respective months in which the actions occurred to ensure accuracy and consistency.

Observation

1.15 Transactions lacking accountability

We observed that several transactions labeled as "court cases facilitation" lacked appropriate supporting documentation. Specifically, there were no specific purposes outlined, relevant case details attached, or adequate records detailing the payments made to the Legal department.

This raises concerns regarding the transparency and accountability of these transactions.

Reference Number	Date	Expense Entry Description	Check No.	Amount (USD)
00010192	2/7/2024	Accuracy and Consistency	251500305506	10,000
00010261	3/12/2024	Courts Facilitation Cases	251500305506	20,000
00010263	3/18/2024	Court cases facilitation	251500305506	20,000
EFT7175	2/28/2025	Counteroffer payment-Legal	251500305506	10,000

Impact

The absence of proper documentation makes it difficult to verify the legitimacy and necessity of these expenditures, potentially resulting in unaccounted funds or misappropriation of resources.

Without clear records and justifications for payments related to court case facilitation, there is an increased risk of mismanagement, including the possibility of paying for services or expenses that are not directly related to the CBL's legal obligations.

Inadequate documentation restricts the ability of management to make informed decisions regarding the allocation of legal resources, impacting overall strategic planning and operational effectiveness.

Recommendation

To enhance accountability regarding transactions related to court cases facilitation, the following actions are recommended:

Establish strict documentation procedures that require all payments related to court case facilitation to be accompanied by detailed explanations, specific case references, invoices, and any relevant communications associated with the legal services provided.

Provide training to legal department staff and relevant personnel within the CBL on the importance of documentation and compliance with financial controls to foster a culture of accountability and transparency.

Management response

Management acknowledges the observation and will take the necessary steps to implement a more effective mechanism and system for handling such matters. Going forward, all related payments will be processed through the Bank's legal retainership framework. Additionally, check number 00010261 noted was voided and not paid.

Observation

1.16 Misclassification of employment cost as consultancy services

We observed that an employee was treated as a consultant and classified under professional service fees. This misclassification can lead to discrepancies in payroll reporting, employee benefits, and compliance with labor regulations.

Reference Number	Date	Expense Entry Description	Check No.	Amount (LRD)
EFT5540	7/10/2024	Esther Rufus allowance	151300001903	(116,520)

Impact

Misclassifying an employee as a consultant may violate labor laws and regulations governing employment statuses, potentially resulting in legal repercussions for the bank, including penalties or fines.

This misclassification affects the accurate reporting of payroll expenses and professional service fees in the financial statements, which can lead to misleading financial information for stakeholders.

Recommendation

Establish clear guidelines for distinguishing between employees and consultants, including factors such as control, duration of engagement, and the nature of the work performed. This should include training for HR staff and management to enhance their understanding of these classifications.

Management response

Observation noted. Finance will review the relevant budget lines and make appropriate adjustments to the professional services expense line, which includes monthly stipends for Supervisors at payment hubs across various counties.

Observation

1.17 Late payment of withholding taxes

We noted monthly remittances to Liberia Revenue Authority (“LRA”), evidence of late payment of monthly withholding taxes on salaries. The monthly filings were duly submitted in accordance with regulations, however we identified instances of delayed tax payments.

Section 52(1) of the Revenue Code of Liberia states:

If the delay in payment is for not more than a month, the penalty is 5 percent of the amount of tax shown. For each additional month (or partial month) the delay continues, an additional 5-percent penalty is imposed on the balance, which is sum of —

- (A) The tax shown, plus
- (B) Previously imposed Section 52(a) penalty.

See detail below.

Month	LRA payment date per official receipts	Expected Payment date per LRA tax Law	Number of days late
Mar-24	17-May-24	10-Apr-24	37
Jul-24	04-Sep-24	10-Aug-24	25
Aug-24	04-Oct-24	10-Sep-24	24

Impact

The non-compliance with tax laws and regulations would lead to fines and penalties.

Recommendation

Management should remit taxes withheld on wages and salaries at the due date as required by LRA to avoid paying fines, penalties, or potential closure of its operations.

Management response

Observation noted. Going forward, the Finance Department will ensure that all monthly tax obligations are settled within the required 10-day filing period, in full compliance with applicable regulations.

Observation

1.18 Non-compliance with permitted 25% provident fund withdrawal guidelines

The revised loan policy section 10.0 Miscellaneous provision (provident fund) as reference in the directive issued by management on September 6, 2024 and stated that, in the event where the Provident fund has been pledged as collateral, all obligated amounts shall be deducted/blocked before the request is approved.

The revised loan policy section 10.0 Miscellaneous provision (provident fund) as reference in the directive issued by management on September 6, 2024 stated that, all obligations of the CBL (loans) will be deducted/blocked regardless of whether the obligations (loans) are collateralized by other instruments.

After all obligations are deducted/blocked, the 25% will then be drawdown from the balance and disbursement made to the employee. Obligations include long term, short term, and vehicle loans.

However, we noted noncompliance with the policy by staff who had been paid amounts exceeding the 25% threshold and pledged their provident fund for the period ended 2024.

See details below:

Name of Staff	Date of PF before 25% drawdown	Provident Fund Balance @ Drawdown	Provident Fund Balance @ Drawdown	Total loan before drawdown	Difference b/w PF balance & total loans (H-L)	GL 25% PF Paid	Amount to be paid per policy
Euphemia Swen	19-Aug-24	31-Jul-24	51,951.21	-	51,951.21	(17,332.54)	12,987.80
Christopher Wallace	20-Sep-24	31-Aug-24	32,145.55	61,999.80	(29,854.25)	(10,000.00)	-
E. Weeks	25-Sep-24	31-Aug-24	51,607.25	30,499.48	21,107.77	(12,851.38)	-
Musa Kamara	26-Sep-24	31-Aug-24	169,584.62	100,249.94	69,334.68	(42,396.17)	-
William Jlopleh	26-Sep-24	31-Aug-24	46,488.21	32,333.32	14,154.89	(11,622.05)	-
Voteh Cheyee	04-Oct-24	30-Sep-24	106,211.33	46,499.97	59,711.36	(26,210.27)	14,927.84
Ishmael L. Kweyete	04-Oct-24	30-Sep-24	44,539.33	14,363.61	30,175.72	(11,134.83)	7,543.93
Dio Williams	07-Oct-24	30-Sep-24	44,412.96	34,833.23	9,579.73	(10,346.42)	2,394.93
Barue Morris	09-Oct-24	30-Sep-24	68,651.70	24,400.00	44,251.70	(17,162.93)	11,062.93
Rajie R. Adnan	16-Oct-24	30-Sep-24	68,633.15	40,673.26	27,959.89	(17,158.29)	6,989.97
Jay Brown	17-Oct-24	30-Sep-24	83,692.98	53,999.90	29,693.08	(20,923.24)	7,423.27
Folley H. Ciapha	22-Oct-24	30-Sep-24	46,859.24	14,666.56	32,192.68	(11,714.81)	8,048.17
H.Z. Sarblee	31-Oct-24	30-Sep-24	28,993.34	-	28,993.34	(28,993.34)	7,248.34
S.Y. Tarpeh	06-Nov-24	31-Oct-24	50,395.21	38,550.00	11,845.21	(12,601.22)	2,961.30
Collins W. Teah	11-Dec-24	31/11/2024	107,221.82	70,916.56	36,305.26	(10,000.00)	9,076.32
J. G. Blaywolo	27-Dec-24	31/11/2024	10,540.77	8,670.00	1,870.77	(10,877.89)	467.69
Bouleigh Cooper	30-Dec-24	25-Dec-24	36,425.36	41,098.63	(4,673.27)	(10,000.00)	-

Impact

Non-compliance with provident fund policies may result in conflict of interest, unrecovered loans, and employee dissatisfaction

Recommendation

Management should ensure effective implementation and enforcement of existing policies. The person responsible for the calculation of the provident fund permitted for withdrawal by qualifying staff, must have access to the total loan exposure of employees making such request.

There must be evidence of reviewers confirming withdrawal is determined to be consistent with the requirements of the HR policy of the Central Bank.

Management response

Observation acknowledged. Going forward, the HR Department will ensure total compliance with the Provident Fund Policy.

Observation

1.19 Insufficient documentation for transfer of premises and cash hubs to PPE

We observed that there was no evidence of senior management approval for the transfer of bank premises at Water Street, Cash hubs in River Gee and Voinjama to Property, Plant, and Equipment (PPE).

Additionally, the consultant's verification report related to the transferred PPE were not signed, and there was no documented evidence of verification or compliance checks regarding the transfer of the Voinjama cash hub to property, plant & equipment.

Description	Date acquired	Ledger ref.	Amount (US\$)
Addition of Voinjama cash Hub	27-Sep-24	2024-009 VOINJAMA CASH H-001	148,344.21
Addition of fixed asset	11-Nov-24	2024-011 BLDG 006-001	1,590,162.58
Addition of fixed asset	31-Dec-24	2024-012 BLDG 7-001	1,339,005.00

Impact

The lack of documented management approval and signed verification reports suggests weak internal controls over the capitalization process of PPE. This could raise concerns regarding the proper governance of asset management and could result in misappropriation of assets or misstatements in the financial statements.

Failure to maintain an adequate audit trail for the transfer of assets can complicate any independent review process, potentially resulting in limitations on independent review scope or increased scrutiny from stakeholders and independent reviewers due to insufficient evidence.

Recommendation

There must be proper and complete documentation process on the transfer of capital projects to the bank. Adequate involvement of persons with technical expertise must be involved to ensure projects completed do meet the specification as per contracts executed and contractor duties are properly and wholly discharged.

Management response

Observation noted. We however note that assets capitalization is in accordance with our fixed assets policy. Fixed Assets Accountant is authorized to transfer assets to cost accounts once all capitalization criteria are met. Management approval is obtained during the asset procurement payment, ensuring compliance. Moving forward, we will ensure that consultant verification reports are duly signed prior to the transfer of assets.

Observation

1.20 Budgetary irregularities

We noted that in the approved budget for the year 2024, the expenditure budgeted for legal & court related expenses was US\$ 125,885. However, as at yearend the cost had escalated to US\$ 2.6m.

Further investigation indicated that in the legal settlement of payment for case between Kailondo Petrol VS Global Bank Liberia Limited, the ruling was against Global Bank, now Bloom Bank for an amount of US\$2,452,787.11. The Central Bank of Liberia per the agreement of Bloom Bank acquiring Global Bank provided guarantee in 2023. The Bank fulfilled its obligations by making a down payment of 25% by CBL's manager's check, payable to the sheriff of the court, which was noted to have been cashed at the counters of the bank and receipt issued by the court and not Global/Bloom Bank.

The issue of encashment of significant cheque at the counter is a negative practice and a potential avenue for corruption. The bank as the regulator of the Banking sector must be seen to be encouraging the use of electronic payments platform rather than having such checks cashed at the counter.

Appropriate consultation with legal experts may have informed the bank on the potential crystallization to such significant financial obligation when the guarantee was been given to Bloom Bank.

Impact

The Central Bank's involvement in indemnifying potential financial losses related to Global Bank Liberia exposed it to considerable financial risk, which could threaten its operational stability and ability to fulfil its mandates.

Significantly over-exceeding the budget may cause a breach of the responsibilities under the existing Public Financial Management Act.

The Central Bank may be breaching its duty of promoting digital financial services in the Liberian economy.

Recommendation

Management should regularly seek to improve clarity in communications related to court rulings and enhance public engagement efforts to reinforce the stability and integrity of the banking system both within and outside its domain. It may also be beneficial to collaborate with legal experts and regional central banks to clarify judicial interpretations and central banks operations to ensure adherence in future cases and better decision making.

Implement a proactive risk management strategy by stress-testing financial scenarios that account for indemnity obligations and potential market reactions. This strategy should include contingency plans to mitigate adverse impacts on financial stability.

Management response

We note the observation. We confirm that the payment was duly approved, and the check was issued to the Sheriff of the Court in accordance with the Court's directive. The court insisted on encashment, despite the bank's initial recommendation to deposit the check into an account. In response to concerns regarding large Over The Counter (OTC) transactions, the Bank, in collaboration with the Ministry of Finance and Development Planning (MFDP), has implemented an Over-the-Counter Policy. This policy establishes clear thresholds for check encashments and explicitly prohibits the disbursement of substantial amounts over the counter. Management is also contemplating developing a stress testing framework.

Observation

1.21 Probability of Default (PD) methodology

PD is the probability of whether borrowers will default on their obligations in the future. For assets that are in stage 1, a 12-month PD is required whereas the lifetime PD is required for stage 2 and stage 3 assets. A PD term structure is required to assess the historical PDs over the lifetime of the asset. The Markov Chain Model, Parametric Survival Regression Model, Vasicek Single Factor Model and Pluto Tasche PD Model are some of the methodologies that can be used to generate forward-looking PDs.

According to IFRS 9 Standard, 5.5.3 Subject to paragraphs B5.5.52 Historical information is an important anchor or base from which to measure expected credit losses. However, an entity shall adjust historical data, such as credit loss experience, on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions that did not affect the period on which the historical data is based, and to remove the effects of the conditions in the historical period that are not relevant to the future contractual cash flows. In some cases, the best reasonable and supportable information could be the unadjusted historical information, depending on the nature of the historical information and when it was calculated, compared to circumstances at the reporting date and the characteristics of the financial instrument being considered. Estimates of changes in expected credit losses should reflect, and be directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of credit losses on the financial instrument or in the group of financial instruments and in the magnitude of those changes). An entity shall regularly review the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience.

The bank uses the external ratings approach to determine the Probability of Default for its Expected Credit Loss calibrations. However, the PD rates used are not updated and the bank does not incorporate forward-looking or macro-economic variables to the benchmarked PD estimate to fully capture the impact of changing economic conditions. The bank, for defaulted facilities, does not assume PD of 100% in their ECL estimation.

Impact

The bank's financial statements are not compliant with IFRS 9.

Recommendation

The bank's reliance on the external ratings approach for determining Probability of Default provides a consistent and recognized method for assessing their credit risk. However, the bank should update the PDs rates to the most recent available rates and incorporate forward-looking and macroeconomic variables in the estimation of their ECL.

Management response

Observation noted. However, the variance identified between the CBL's assessment and Deloitte's findings has been addressed, with all necessary adjustments posted to the ledger. To strengthen compliance with IFRS 9 and ensure accurate application of Probability of Default (PD) assessments, Management will implement regular IFRS training for staff to enhance their understanding of the relevant standards.

Observation

1.22 Loss Given Default (LGD) methodology

In calibrating portfolio LGDs, there is a need to consider the recoveries from the portfolios and that value should be reflected in estimating the amount of exposure likely to be lost due to the default. [IFRS 9 B5.5.55].

In the estimation of the LGD, the bank relies on external industry recovery data to determine its LGD. However, in the LGD calibration, the bank uses a flat rate of 54% for all facilities, which does not align with the approach they adopted as the counter parties operate in different industries, hence not justifiable.

Impact

The bank's financial statements are not compliant with IFRS 9 which may result in material misstatement in the determined expected credit losses on the various exposures.

Recommendation

The LGD calibration is not consistent with the approach adopted. However, we recommend that the bank consider estimating the LGD based on the industry of the facilities counter party.

Management response

Observation noted. We note the variance identified between the CBL's assessment and Deloitte's findings has been addressed, with all necessary adjustments posted to the ledger. To strengthen compliance with IFRS 9 and ensure accurate application of Probability of Default (PD) assessments, Management will implement regular IFRS training for staff to enhance their understanding of the relevant standards.

Observation

1.23 Exposure at Default (EAD) methodology

The EAD parameter aims to predict the balance at which an account goes into default. The main factor to consider when modeling EAD is the historical payment behavior of loan segments or payment rundown for loans that have defaulted in the past. An entity should consider the terms of payment, tenure of exposure and the point in time at which default is expected or occurs when estimating EAD.

For performing accounts, the entity needs to consider the projected cashflows till the estimated default point, the time over which ECL needs to be estimated, nature of the payment terms, residual maturity and whereas for defaulted accounts EAD is the total outstanding balances at the point of default.

We observed that, the bank in assessing its EAD for ECL calibrations, includes prepaid exposures which falls outside the scope of impairment. These prepaid exposures were omitted in our independent assessment. The impact of this misstatement amounts to an ECL release of LRD 5,544,090.

Impact

The Bank should have an EAD term structure where the default balance is estimated for each period of the facility at the point in time where default is expected.

Recommendation

Management to recalibrate its EAD by excluding all prepayments to manage the risk of any misstatement on EAD.

Management response

Observation noted. We note the variance identified between the CBL's assessment and Deloitte's findings has been addressed, with all necessary adjustments posted to the ledger. To strengthen compliance with IFRS 9 and ensure accurate application of Probability of Default (PD) assessments, Management will implement regular IFRS training for staff to enhance their understanding of the relevant standards.

Observation

1.24 ECL Model documentation

Model documentation is an essential component in ensuring transparency and consistency in the application of credit risk models, for ECL calculation.

We observed from our review that, the bank's does not have a model documentation describing the processes, procedures, and assumptions adopted in calibrating their ECL.

Impact

The lack of a comprehensive ECL model documentation may result in potential errors in the impairment assessment by different assigned resources at different periods.

Recommendation

The bank must ensure that the ECL model documentation is kept up to date and it reflects the assumptions and procedures applied in the model.

Management response

Noted. Management is committed to enhancing staff capacity in IFRS. Regular training sessions will be provided to staff to deepen their understanding of the standards. Additionally, the Finance Department will collaborate with Deloitte to finalize and document the Expected Credit Loss (ECL) Model by the end of May 2025.

Observation

1.25 Settlement of GBL's inappropriate disbursement

Our review of the Central Bank decision to assume liability for the US\$2,452,787.11 payment to Oakwood, because of the Liberia Anti-corruption Commission (LACC) Kailondo Petroleum Inc. Court case against Global Bank Liberia Limited, has raised several concerns regarding the Central Bank's budgeting process, public financial management, and compliance with its own regulations.

Observation 1: Inadequate Budgeting Process

The CBL's decision to assume liability for the US\$2,452,787.11 payment was not adequately budgeted for, despite the guarantee being given in 2023. The 2024 budget only allocated \$125,885 for legal expenses, which has been significantly overrun. This lack of proper budgeting and financial planning has resulted in a substantial deviation from the original budget.

Observation 2: Inconsistent Payment Process

The CBL's payment process for the Oakwood liability was inconsistent, with the first 25% payment being made through a manager's check, while subsequent payments were reimbursed to Global/Bloom Bank, which dealt directly with the court. This inconsistency raises questions about the CBL's decision-making process and its compliance with its own regulations.

Observation 3: Non-Compliance with CBL Regulations

The CBL's decision to assume liability for the Oakwood payment and its subsequent payment process may be inconsistent with its own regulations, specifically Part IV Section 10 (2) (b) and Section 37 of the amendment and Restatement Act of the Central Bank of Liberia. This lack of compliance may undermine the CBL's ability to fulfil its mandate and maintain its credibility.

Impact

The inadequate budgeting process has resulted in a significant financial burden on the CBL, which may impact its ability to fulfill its lender-of-last-resort function and maintain financial stability. Furthermore, this lack of planning and oversight may undermine the CBL's credibility and reputation.

The inconsistent payment process may have resulted in unnecessary complexity and potential risks, including the possibility of misallocating funds or failing to comply with regulatory requirements. Furthermore, this inconsistency may undermine the CBL's ability to manage its finances effectively and maintain its reputation.

The non-compliance with CBL regulations may result in a loss of public trust and confidence in the institution, as well as potential legal and regulatory consequences. Furthermore, this lack of compliance may undermine the CBL's ability to manage its finances effectively and maintain its reputation.

Recommendation

To address this concern, we recommend that the CBL:

- Review and revise its budgeting process to ensure that all potential liabilities and expenses are adequately accounted for.
- Implement a more robust financial planning and management framework to prevent similar deviations from the budget in the future.
- Ensure that all future guarantees and commitments are properly evaluated and budgeted for.
- Review and standardize its payment processes to ensure consistency and compliance with regulatory requirements.
- Ensure that all future payments are made in a transparent and accountable manner,
- Conduct a thorough review of its regulations and ensure that all decisions and actions are compliant with its own rules and guidelines.
- Ensure that all future decisions and actions are properly evaluated and approved, with consideration of the potential risks and consequences.
- Consider seeking external legal review to ensure that the CBL's actions are compliant with its own regulations and relevant laws and regulations.

Management response

Observation noted. Management, in coordination with the Board of Governors, will ensure that the Compliance Department reviews and validates all guarantees in collaboration with the relevant departments, and in consultation with the Legal Department and the Bank's legal retainer. Appropriate budgetary actions will be taken accordingly.

Observation

1.26 No evidence for quotation, invoice, delivery/service performance report

We noticed that certain procurement activities conducted by the Central Bank lacked evidence of the vendor selection been competitive in a bidding process. Specifically, procurement transactions were found without appropriate invoices, delivery confirmations, and service reports, failing to adhere to established procurement policies.

See example below:

Reference Number	Date	Expense Entry Description	Act #:	Currency	Amount
RCT02254	3/4/2024	Purchases	251200001600	USD	(52,910)
RCT02345	7/3/2024	Purchases	251200001600	USD	(50,710)
EFT4930	2/1/2024	Pmt. to Aries Security Service	151600306504	LRD	(3,006,424)
EFT4936	2/1/2024	Pmt. to Pilot Security Consult	151600306504	LRD	(1,236,820)
EFT5286	5/3/2024	Sunset Guard Service Pmt.	151600306504	LRD	(77,969)
					(4,424,833)

Impact

The implications for deviation include but not limited to:

The absence of a competitive bidding process may lead to perceptions of favouritism, improvidence, extravagance, or lack of transparency, which can erode stakeholder confidence in the CBL's procurement practices.

Noncompliance with procurement protocols increases the risk of financial mismanagement and could expose the CBL to overpayment for goods and services or the procurement of substandard products.

Public confidence in the Central bank's procurement practices may be impacted negatively.

Failure to follow competitive bidding practices may not only violate the CBL's internal regulations but could also contravene local laws regarding public sector procurement, potentially leading to legal repercussions.

Lack of thorough evaluation and competition in procurement may result in an inefficient allocation of resources, ultimately affecting operational effectiveness and value for money.

Recommendation

Management must ensure strict compliance with the Procurement Policy and Procedures prescribed by the board of governors.

Establish Monitoring Controls to provide periodic reports to senior management and the Board on procurement activities, highlighting compliance levels and any deviations from established policies to facilitate informed decision-making.

Management response

Observation noted. However, our review of the transactions confirms the presence of supporting documentation, including quotations, invoices, and delivery or service performance reports. These documents are referenced accordingly. Additionally, the CBL's compliance framework includes monitoring controls to ensure adherence to established procedures.

Observation

1.27 Insufficient Monitoring of CSR Initiatives

We observed that management did not adequately monitor its Corporate Social Responsibility (CSR) initiatives to ensure they aligned with the institution's objectives. Additionally, there were instances where CSR payments were made to lawmakers and individuals, thus creating conflict of interest and concerns as to how were tracked directly contribute to the CBL's CSR goals.

See examples below:

Reference Number	Date	Expense Entry Description	Act #:		Amount	Comments
00003988	2/22/2024	CBL Contribution	151600306531	LRD	(947,734)	Lawmaker
EFT5005	2/27/2024	CBL Contribution.	151600306531	LRD	(949,000)	To clinic construction with no estimates or blueprint attached

Impact

The lack of oversight in CSR initiatives, particularly in making payments to lawmakers or individuals, can lead to public scrutiny and damage to the CBL's reputation, undermining trust in the institution's commitment to ethical practices and community welfare.

Recommendation

Develop a comprehensive framework for monitoring and evaluating CSR initiatives. This framework should include specific criteria for assessing the alignment of projects with the CBL's objectives and measurable outcomes for their effectiveness.

Management response

Observation noted. Management will review and revise the CSR policy to reflect monitoring and evaluation before the end of second quarter 2025.

Observation

1.28 Inconsistency in Cash Stock Reference Numbers

We observed that the reference numbers for cash stock recorded in fiscal year 2023 differ from the reference numbers of cash issued in early 2024, though the bank employs the First-In-First-Out (FIFO) method for the issuance of cash stock.

Impact

The discrepancy in reference numbers may indicate a lack of proper tracking and reconciliation procedures for cash stock entries, which could lead to potential errors in cash inventory records and influence the accuracy of financial reporting.

Inconsistent record-keeping and reference tracking can cause confusion regarding cash stock levels and issuance timelines, impacting the efficiency of cash management operations and increasing the risk of stockouts or excess inventory.

Recommendation

Management must initiate a thorough reconciliation of cash stock records from FY2023 to the records of cash issued in early 2024. Investigate discrepancies to identify underlying causes and ensure that all entries accurately reflect actual cash movements.

Establish standardized documentation practices to ensure that all cash stock transactions are recorded consistently, with unique reference numbers that are easily traceable over time.

Management response

Acknowledged. We however note that the difference in reference numbers between the 2022 and 2024 cash stock is due to the vendor's labeling of the boxes. The bank uses the FIFO method for cash issuance and retains the vendor-assigned reference numbers without alteration. In 2022, the vendor labeled coin boxes with denominations ranging from 1 to 3,120. A new consignment received on September 21, 2024, was labeled 1 to 5,460. On December 16, 2024, 125 boxes were issued to replenish the operational vault—six from the 2022 batch (ref#3115-3120) and 119 from the 2024 batch (ref#1-119), in line with FIFO.

Observation

1.29 Irregularities in fixed asset in-transit

We noted the following accounting and processing of fixed assets in transit during the year.

1. Many transactions involving fixed assets in transit were serviced through checks rather than direct bank transfers. This increases the risk of loss, theft, or misplacement of funds, and may also lead to delays in the payment process.
2. Certain transactions were recorded at the net amount, instead of the gross amount. This may result in inaccurate accounting records, as the net amount may not reflect the true cost of the asset.

See sample below:

Date	Ref.	Description	Transaction amount (US\$)	Invoice amount (US\$)	Difference (US\$)
31-Dec-24	Correct Journal Entry 4974084	To move the cost of the Solar	(37,485.00)	38,250.00	765.00
31-Dec-24	Correct Journal Entry 4974102	Move the cost of IT equipment	(1,309.77)	1,350.00	40.23
31-Dec-24	Correct Journal Entry 4974104	Move the cost of One Silent Ge	(3,504.00)	3,650.00	146.00
			(42,298.77)	43,250.00	951.23

3. Our review also revealed that the fixed assets in transit account includes items that have been transferred to fixed assets during the year. This raises concerns about the timeliness and accuracy of the asset recognition and depreciation process. **See sample below:**

Date	Ref.	Description	Transaction amount (US\$)
31-Dec-24	0296495	Move cost of renovation of Wat	(8,543.00)
31-Dec-24	00296496	Move the cost of renovation of	(8,543.00)
31-Dec-24	0296490	Move the cost of renovation	(94,957.30)
31-Dec-24	Correct Journal Entry 4974107	Move 800KVA Generator to FIT	(268,600.00)
			(380,643.30)

Our review of the fixed asset in-transit ledger revealed certain unusual transactions recorded during the period. Furthermore, our sample of fixed assets in transit, valuing US\$1,064,313.37, showed that all of these items were acquired between January 1, 2024, and July 31, 2024, but were all posted to the ledger on December 31, 2024, through journal entries. . **See sample below:**

Date	Ref.	Description	Transaction amount
31-Dec-24	Correct Journal Entry 4974123	Move the cost of Rivergee Cash	(52,231.10)
31-Dec-24	0296494	Move the cost of Bank Notes de	(84,167.76)
31-Dec-24	Correct Journal Entry 4974082	To move the cost of disintegrate	(26,850.00)
			(163,248.86)

Impact

The use of checks to process transactions involving fixed assets in transit, recording of transactions at the net amount, rather than the gross amount and inclusion of items that have been transferred to fixed assets in the fixed assets in transit account may lead to:

- Increased risk of loss or misplacement of funds
- Delays in the payment process
- Inaccurate accounting records
- Incomplete or inaccurate fixed asset records
- Incorrect depreciation calculations
- Inaccurate asset recognition and depreciation
- Incomplete or inaccurate fixed asset records

Recommendation

To address these issues, we recommend that the Bank:

- Implement a policy to use direct bank transfers for all transactions involving fixed assets in transit, rather than checks, to reduce the risk of loss or misplacement of funds.
- Ensure that all transactions are recorded at the gross amount, including any applicable taxes, fees, or other deductions, to maintain accurate accounting records and financial reporting.
- Conduct a thorough review of the fixed assets in transit account to ensure that all items have been properly accounted for and transferred to the fixed asset account in a timely manner.
- Consider implementing internal controls, such as review and approval procedures, to ensure that all transactions involving fixed assets transferred from the in-transit account are properly authorized and recorded.
- Investigate the unusual and all transactions recorded in the fixed asset in-transit ledger using journal entries and ensure that they are properly authorized and accounted for.

Management response

Observation noted. However, we note the following:

1. Use of Checks for Transactions: During the review period, checks issued under the Currency Changeover Program were payable directly to vendors, deposited into their commercial bank accounts, and cleared through the CBL Clearing House.
2. Recording of Net vs. Gross Amounts: The variance between transaction and invoice amounts is due to taxes withheld, which were mistakenly omitted from the original journal entries. Adjustments have now been made to reflect gross amounts in the accounting records going forward.
3. Timeliness of Capitalization: Asset capitalization is carried out upon verification and validation of supporting documents by the fixed asset accountant. Assets are recorded once validations are complete. Going forward, we will closely monitor and review all documentation for assets listed on the fixed asset in-transit schedule.
4. Unusual Items: Items referenced in the fixed assets in transit accounts are all related costs of PPE, which are supported by valid documentation that was presented for review. Assets are moved to their respective cost accounts and included in the FAR.

Observation

1.30 Unreconciled board expenses

We were unable to appropriately review the board expenses due to management's inability to provide comprehensive schedules that reconciled with the board expenses recorded in the relevant ledgers during the period.

Despite our requests, management was unable to provide detailed and accurate information to support the board expenses.

Act code	Description	BTL's	Mangt.'s schedule	TM	Variance
0151100001500	Board Fees & Retirement Benefi		215,355.02		(215,355.02)
0151100001503	Other Board Expenses	605,064.85	163,083.16		441,981.69
0151100001504	Board Severance Benefit	137,566.67	-		137,566.67
0251100001500	Board Fees & Retirement Benefi	84,722.22	168,430.45		(83,708.23)
0251100001503	Other Board Expenses		113,147.40		(113,147.40)
0251100001504	Board Severance Benefit		441,121.90		
		827,353.74	1,101,137.93		167,337.71

Impact

The inability to review and verify the board expenses may result in:

- Inaccurate financial reporting, as the board expenses may not be correctly accounted for
- Lack of transparency and accountability in the use of Central Bank's resources
- Potential misallocation or misuse of the Bank's resources
- Inability to identify and address any potential issues or inefficiencies in the board's operations
- Risk of non-compliance with regulatory requirements and industry standards

Recommendation

To address this observation, we recommend that management:

- Establish a robust system for tracking and recording board expenses, including a comprehensive and detailed ledger account.
- Develop and implement a process for preparing and reviewing comprehensive schedules that reconcile with the board expenses recorded in the ledgers.
- Ensure that all board expenses are properly documented and supported by receipts, invoices, and other relevant documentation.
- Provide regular and timely information to the auditor and other stakeholders to facilitate the review and verification of board expenses.
- Consider implementing internal controls, such as approval and authorization procedures, to ensure that board expenses are properly approved and accounted for.

Management response

Observation noted. We however note all supporting documents for board expenses are available. We notice that only soft copies of Excel files related to regular board meetings were used to analyze all board meeting payments. These files excluded other board activities, leading to discrepancies. Going forward, we will ensure that comprehensive schedules and detailed documentation are provided to support accurate reconciliation of all board expenses.

Observation

1.31 Inaccurate fixed asset carrying amount

We identified a variance of US\$121,503.44 in the carrying amount of property, plant, and equipment (PPE) reported by management and the carrying amount calculated by the auditors. Additionally, we noted an immaterial variance in the depreciation charge reported by management and the depreciation calculated by us.

CA - depreciable assets

Description	Audit Expected	CBL'	\$ Change
Building	33,082,237.98	33,167,813.49	-85,575.51
Elevator	255,338.89	256,933.35	-1,594.46
FFF	106,305.46	107,322.54	-1,017.08
Equipment	285,180.38	291,593.94	-6,413.56
Generating Equipment	260,341.67	281,698.61	-21,356.94
Motor Vehicle	539,249.31	544,795.19	-5,545.88
	<u>34,528,653.68</u>	<u>34,650,157.12</u>	<u>-121,503.44</u>
Annual charge			
Building	745,254.39	744,895.10	359.29
Elevator	16,400.00	16,400.00	-
FFF	37,494.84	37,111.80	383.04
Equipment	256,956.99	253,560.85	3,396.14
Generating Equipment	125,835.07	132,318.52	-6,483.45
Motor Vehicle	273,554.04	268,442.49	5,111.55
	<u>1,455,495.33</u>	<u>1,452,728.76</u>	<u>2,766.57</u>

Impact

The material variance in the carrying amount of PPE may result in:

- Inaccurate financial reporting, as the carrying amount of PPE may not be properly reflected in the financial statements.
- Misstatement of financial statements, including the balance sheet and income statement.
- Management's inability to make informed decisions about asset management and maintenance.

Recommendation

To address this observation, we recommend that management:

- Investigate and reconcile the variance of US\$121,503.44 in the carrying amount of PPE to ensure that the financial records are accurate and complete.
- Review and update the PPE accounting records to ensure that all assets are properly recorded, valued, and depreciated.

Management response

We acknowledge the variance. However, we affirm that the depreciation of fixed assets is fully automated through Microsoft Dynamics GP, which applies the Mid-Month (1st) Averaging Convention in line with the Bank's accounting policy. This system-driven process ensures consistency and eliminates manual intervention. The noted differences in carrying amounts and depreciation charges are being reviewed. These variances may result from timing differences in asset capitalization or retirement dates as interpreted by the system. However, we will reconcile the figures and ensure alignment with audit expectations.

Observation

1.32 Long outstanding and ambiguous accounts receivable

We note that accounts receivable consists of long outstanding balances as at yearend.

Observation 1: Unauthorized Encashment of Checks

We observed that the account "Miscellaneous Staff" (account number 0213900787010) has an unauthorized encashment of checks totalling US\$27,371.39, with no movement since December 31, 2020. This suggests that the checks were cashed without proper authorization by staff, and the amount has been outstanding for over three years.

Observation 2: Nondetailed Brought Forward Balance

We noted a non-detailed brought forward balance of US\$67,758.06 in Accounts Receivable Others (Act. code: '0213900787024) dated July 31, 2018, labelled as "staff/vendor". This balance has not been reconciled or accounted for, and its origin and legitimacy are unclear.

Observation 3: US\$2.6 Million Legal Claim

We observed a US\$2.6 Million legal claim with the Export-Import Bank of the Republic of China in Accounts Receivable Others (Act. code: '0213900787024) dated December 31, 2018. The status of this claim is unclear, and it is uncertain whether the amount will be recovered.

Observation 4: Opening Balance

We noted an opening balance of LR\$1,008,591.71 (Act. code: '0113900787024) dated September 20, 2020. There has not been any movement since the year 2020.

Impact

The continuous recognition of these balances as assets without the real possibility of collection may be misleading to users of the financial statements as the balance sheet may be misstated.

Recommendation

Management must investigate the recoverability of these balances brought forward from the prior years and appropriate recommendation made to the Board of Governors for their decision making.

Additionally, management may seek external legal advice to assess the likelihood of recovery of this claim. If the claim is deemed uncollectible, we recommend that it be written off as a bad debt.

Management response

Management notes the observation. A thorough review is ongoing to validate balances in the account and the appropriate recommendation for write off will be submitted to Management before the close of the second quarter 2025. The most significant amount is a claim on the bank due to activities from National Bank of Liberia having signed as a guarantor.

2. Follow up on prior year audit and accounting issues

Observation

2.1 Amendment to the GOL Consolidated Loan

We noted CBL issued a credit (loan) of US\$ 50,200,000 in November 2023 and US\$ 32,850,000 in December 2023 to the Government of Liberia (GOL). These increased the total GOL obligations to US\$ 533,113,218.04 as of 31st December 2023.

We also noted that, the loan facility was consolidated to GOL's outstanding obligations within two months of issued.

Section 46.2 of CBL's Act 1999 as amended and restated in October 2020 states that "Subject to the overall limits specified by this Act, the Central Bank, by decision of the Board of Governors, may extend credit to the Government of Liberia with maturities not exceeding six (6) months only under exceptional circumstance such as war, famine, or other natural disasters. In the event any credit remains unpaid on due date, the debt including any accrued interest shall be converted into marketable securities with a maximum of 12-month maturity, which shall bear market-related interest rates. The Government shall cooperate with the Central Bank in the issuance of the requisite financial instruments".

The requirements per section 46.2 above was violated in converting the overdraft to a term loan.

Also, Section 46.4 of CBL Act 1999 as amended and restated in October 2020 states that "Central Bank credit to the Government of Liberia shall be denominated, disbursed, and made payable in Liberian Dollars only..."

The additional loan granted in the United States Dollars (US\$) is a violation of Section 46.4 of CBL Act 1999.

Furthermore, we have not been provided evidence regarding the actual transfer of funds from the Central Bank to Ministry of Finance and Development Planning by the Banking Department.

Impact

The legality of the loan granted to the Government of Liberia (GOL) can be challenged, resulting in possible disputes among interested parties.

Recommendation

Management should correct the violation and avoid a repeat by ensuring a compliance with CBL's Act 1999 as amended and restated.

Management response

Management in consultation with the Ministry of Finance & Development Planning and the IMF have agreed to restructure and book the loan in a six-year agreement with 1 year grace period, with GoL only paying monthly interest over the period January - December 2024. The Loan repayment period: sixty (60) equal instalments over the period January 2025 - December 2029 at an interest rate of 4% per annum.

This amount will be separated from the consolidated loan and accounted for as a separate financial instrument.

Follow up

Resolved.

Observation

2.2 Non-compliance with Board Charter - 2017

Section 4.6.1 of the Board Charter mandates that each year, the Board shall assess its performance and effectiveness. The assessment shall include the performance of the Board, the Board committees, the relationship between the Board and management and matters of general corporate governance and shall cover three aspects: self-performance by individual board members; performance assessment of the Chairman of the Board by the rest of the Board; and performance assessment of the Board as a whole.

Section 5.1 of the Board Charter mandates that the board shall review and assess the adequacy of the Board Charter annually to ensure, among other matters, continuing relevance.

Section 7.4.1 of the Board Charter mandates the Investment Committee to meet at least four times a year. We however noticed that the committee met three times during 2023 (i.e., 7 March 2023, 8 June 2023 and 19 September 2023), falling below the requirements and expectations of the Board Charter.

There is however no indication that such assessment of custodians of good corporate governance system has been performed.

Impact

There is a risk of non-compliance with the regulations of the Board Charter, that may expose the Board of Governors to not properly exercising their fiduciary duties.

Recommendation

The Board of Governors comply with the Board Charter and evidence of compliance should be provided.

Management response

The Board of Governors have noted this for compliance.

Follow up

Unresolved.

There is no evidence of compliance with the assessment of the board's performance in 2024.

Observation

2.3 Errors in the computation of CBL Bills interest expense

We identified that the amount posted in the Trial Balance for CBL Bills interest expense for the year ended 31 December 2023 was USD 855,177.11. Further investigation indicated that interest on CBL Bills that matured in 2023 had not been fully recognized in the trial balance and presented correctly.

Additionally, we identified that the computation of CBL Bill interest payable had an error in the date format and the excel function for computing the interest expense Payable. This led to a misstatement of USD 58,749.

Account code	General Ledger (US\$)	Expected Amount (US\$)	Difference
0127040000305	797,910.11	739,162.51	58,748.60

We noted that the communication between the Financial Market Department and the Finance Department was ineffective as the full or complete schedule for market instrument for the year was not communicated among the departments.

We obtained the schedule from the Financial Market Department and computed our expectation for and determined an expected amount of US\$ 8,058,538.79. This was communicated with the Finance Department for them to recompute the Interest on CBL Bills and communicate to up.

Impact

There is a risk of material misstatement with the interest expenses recognized and presented in the financial statements.

Recommendation

There should be effective communication between the various Departments in the Bank to help in the supply of information at the appropriate time to help in the posting of the right balances in the general ledger when necessary.

Management response

Observation noted. Financial Market and Finance departments have agreed to improve communication by sharing monthly data which will include both interest paid during the month and rollover interest at month end. This process will assist us identify and resolve issue timely.

Follow up

Unresolved

From our audit of the current year accrued CBL bills, we identified misstatements which indicated that the deficiencies noted in the prior year has not been resolved.

Observation

2.4 Differences in Commercial banks deposit/mute accounts responses

We circularized all commercial banks to confirm deposit/mute balances in both Liberian Dollar and United States Dollars as at the year end. Differences were noted between the confirmed amount and the general ledger amount.

Below are the circularized and balance confirmed by the commercial banks.

Ecobank				
	Currency	Per TB	Per Confirmation	Difference
Mute	LRD	3,192,696,451.69	3,187,716,510.20	4,979,941.49
Mute	USD	46,721,274.15	46,711,500.65	9,773.5

Global Bank				
	Currency	Per TB	Per Confirmation	Difference
Mute	LRD	34,113,256.09	34,233,667.15	(120,411.06)
Mute	USD	3,641,097.01	3,650,571.03	(9,474.02)

Impact

Liabilities reported in the financial statements may be misstated due to balances not been fully reconciled. Additionally, material differences will impact the consolidation process if not duly investigated as part of the monthly reporting cycles in the financial reporting process.

Recommendation

As part of the month-end closing procedures, all commercial banks deposit accounts must be duly and fully reconciled. Evidence of such reconciliation must be retained as audit trail of the control been performed.

Management response

The Reconciliation Unit does monthly reconciliation of commercial banks deposit accounts and from the reconciliation reports, the trail balance figures are correct.

Secondly, what is considered mutes for Ecobank and Global banks should actually be the current (deposit) account. We cannot speak to the source of the commercial bank's figures but investigations from our end proved the trial balance figures are accurate and were reconciled with actual instruments.

Follow up

Resolved

In our direct confirmation of balances for 2024, we have not identified any material exceptions.

Observation

2.5 Lack of responses on direct confirmation to third parties

In accordance with *ISA 505 – External Confirmations*, the auditor may determine to rely on external confirmation procedures as they provide an opportunity to obtain audit evidence about other matters.

Below is a listing of the confirmation outstanding and the specific area of the financial statement audit it relate.

Area	Respondents
Deposit to GOL and Agencies	Ministry of Internal Affairs - Bong County
	Ministry of Internal Affairs - Nimba County

Impact

There is the risk of material misstatement in reported balances in the balances sheet.

Recommendation

Management must ensure the necessary follow ups are performed with the relevant third parties to enable the auditors obtain the needed audit evidence on the specified account balances.

Management response

Management will ensure third party confirmations are submitted in time.

Follow up

Resolved

Issue has not been resolved in the current year.

Observation

2.6 Exposure of the bank to off-balance sheet items

The Central Bank as part of its mandate per the CBL Act 2020, amended and restated, entered agreements/memorandum of understanding during the financial year with third parties as part of measures to safeguard the banking sector. The agreements covered the below items:

- 3 Memorandum of Understanding on the Divestment of 100% Equity in Global Bank Liberia Limited.
- 4 Government of Liberia and NASSCORP on settlement of government outstanding arrears of US\$ 70.88 million an increase from the previous claims of US\$ 50.2 million.
- 5 African Export-Import Bank ("AFREXIM" Letter to CBL on its investment with Sapelle International Bank Liberia Limited "SIBLL".

The above transactions were not properly accounted for and initially excluded from the off-balance sheet assessment in accordance with the requirements of IFRS 9.

Impact

There is the risk of limitation on the disclosure completeness as regards the bank's off-balance sheet items/ guarantees. Additionally, there may be an inaccurate assessment of the bank's expected credit loss impact on the financial statement as were these future events to crystallize the bank will be liable to settle the various counterparties.

Recommendation

Finance Department must be given the opportunity to have access to evaluate these technical agreements to conclude whether there may be off balance sheet impact or other complex accounting implications from the transactions entered by the Central Bank.

Management response

Management will ensure timely information dissemination relating to financial activities with third parties amongst the requisite departments. to avoid understatement of annual assessment of the bank's financial position.

Follow up

Resolved.

Issue has been resolved in the current year.

Observation

2.7 Incomplete contract listing from Legal department

We obtained a listing of all contracts entered into by the Central Bank from the Legal Department during the year. We noted that the below agreements identified from independent sources had not been properly included in the contract listing.

The agreement covered the below items:

- 3 Memorandum of Understanding on the Divestment of 100% Equity in Global Bank Liberia Limited.
- 4 Government of Liberia and NASSCORP on settlement of government outstanding arrears of US\$ 70.88million an increase from the previous claims of US\$ 50.2 million.

Impact

The inability of Legal department to track all contracts entered by the Bank may expose it to unknown obligations as adequate legal advice may not have been obtained prior to entering into the agreements.

Recommendation

There is the need for Legal Department to have oversight of all contracts entered by the Central Bank directly or indirectly.

Management response

Observation noted. Management will ensure that all contracts will be overseen by the legal department working along with the relevant departments.

Follow up

Resolved.

Issue has been resolved in the current year.

Observation

2.8 Limitation in assessing borrowers' credit risk

We note that as at year end, the Central Bank had loans and advances with the commercial banks – SIBLL, Afriland and LBDI.

We requested for the Quarter 4 – December 2023 offsite monitoring report from the Regulation and Supervision Department, however management indicated the Vregcoss used by commercial banks to submit their regulatory returns was not functioning. Hence, the relevant report was not available.

The Vregcoss has been unavailable since September 2023. These reports, among other things, provide useful information in assessing whether there has been significant increase in credit risk (SICR) for commercial banks that have existing loans with the Central Bank for the purposes of fulfilling IFRS 9 requirements.

Impact

The lack of reporting by commercial banks may limit the quality of information the Finance Department can reasonably use to assess indicators of significant increase in credit risk.

Recommendation

Finance Department should consider quarterly reports from Regulation and Supervision Department as key input for assessing SICR in relation to loans to the commercial banks.

Management response

Observation noted. Management will ensure that finance, regulation and supervision, banking, financial market departments disseminate all relevant information that could trigger increase in credit risk that may impact the measurement of expected credit losses.

Follow up

Finding has been resolved.

Observation

2.9 Unsecured exposure on employee medium term loans

We note that the Bank is exposed to certain type of employee loans (i.e., medium term loan – 36 months duration) that has been granted to employees in accordance with the CBL Staff Loan Policy Revised 2023.

There are 81 staff loan facilities with collateral (Provident Fund), however their outstanding loan amounts exceed the provident fund amount as at 31 Dec 2023 by US\$ 551,638.79.

Employee Loan (US\$)	Provident Fund (US\$)	Exposure (US\$)
1,609,858.22	1,058,219.43	551,638.79

Impact

There is a potential for increased financial loss to the Bank, specifically in relation to untimely exit (i.e., death, resignation, retirement) of the staff, if earlier than the relevant loan repayment date as there were no additional securities/collaterals.

Recommendation

The guidance per the CBL Staff Loan Policy Revised 2023 must be strictly implemented to protect the financial interest of the Bank. Specifically, the policy states "If vested Provident Funds cannot cover the amount of the loan facility being requested, additional security shall be required."

Management response

Staff loans are backed by both their provident fund and a deed or property when their provident fund is insufficient. Human Resources department will review the current loan policy and submit a proposal for staff to provide appraisal of property pledged as collateral. The revised policy will be submitted to management and Board of Governor for approval in the last quarter of 2024.

Follow up

Finding has not been resolved.

We have proposed to Management to engage 3 architectural firms to appraise properties for staff collateral. The selected firm will assess all collateral before loan is approved.

Observation

2.10 Expenditure – outstanding supporting documentation

Management did not provide source documents (i.e., invoice, evidence of procurement process been followed – quotations or RFPs) for the recorded transactions to property, plant and equipment below.

Date	Description	Amount (US\$)
29-May-23	2023-005 B223-001	85,675.00
15-Aug-23	2023-008 A6251-001	121,250.00
15-Aug-23	2023-008 A6250-001	121,250.00
26-May-23	2023-005 CBL EQ 1172-001	43,848.00
13-Oct-23	Cost for add work ren NHSB	136,079.06
		372,023.00

No invoice, no assessment/progress report on the transaction, amount was not captured in the original contract, no official management communication approving the additional payments made to contractors for transactions totaling US\$136,079.06.

Date	Description	Amount (US\$)
13-Oct-23	Cost for add work ren NHSB	136,079.06
		136,079.06

The below sampled additions to building during the year lacked inadequate procurement documents provided such as management agreement to project variation or additional work, no progress report, or Internal Audit Department (IAD) assessment.

Date	Description	Amount (US\$)
29-Sept-23	30% fees for 70% com remodel	416,238.04
29-Sept-23	Cost for add work ren NHSB	200,000.00
13-Oct-23	Second pmt. for the Rivergee	336,105.00
		952,343.04

Impact

There is a risk of material misstatement on the reported classes of transactions and account balances.

Recommendation

Management must ensure that for capital intensive projects such the construction of payment centres and Hubs, regular progress reports are issued by the technical advisory team that duly certifies the value of work performed and approves the milestones achieved before payment is to the contractors.

Management response

29-May-23	2023-005 B223-001	85,675.00
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Two payments were made to complete the purchase of a Toyota Coaster Micro Bus. An invoice of \$85,675 issued and is attached to the documents. The first payment made was based on contract in the amount \$51,405 and the second payment was US\$34,270. Three quotations were submitted, and CACTUS Motors INC was selected. See attachment \$85675-1 and -2.

15-Aug-23	2023-008 A6251-001	121,250.00
15-Aug-23	2023-008 A6250-001	121,250.00

The contract required a Proforma invoice and down payment of 70% upon signing of the contract to purchase the Amour Vans. Three vendors were contacted but only one reply. Two payments were made in the amounts of \$169,750 and \$72,750. See attachment 0000084-\$169,750 and 0000174-\$72,750

29-Sept-23	Cost for add work ren NHSB	200,000.00
29-Sept-23	30% fees for70% com remodel	416,238.04
13-Oct-23	Cost for add work ren NHSB	136,079.06

Management signed an addendum for the variation of the original contract on June 20, 2023. The addendum is attached to the source document. The project engineer submitted a status report on May 4, 2023. The payment request for \$416,238.04 was done on May 12 based on the contract terms, and payment made on May 19, 2023. Payment of \$200,000 with invoice # 006 was requested on June 29, 2023, and a check was issued for the payment. \$136,079.06 was made for additional work carried out at National Housing & Saving Bank based on the addendum signed. See attachment \$416,238.04, \$136,079.06 and 00000254-\$200,000.

13-Oct-23	Second pmt. for the Rivergee	336,105.00
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RESCO progress report and the project engineer report are attached to payment requests made. The Board of Governors issued a resolution for RESCO to build the River gee Payment hub. See Resolution attached and CK00000275-\$336,105.

Follow up

Finding has been resolved.

Observation

2.11 Implementation of Environment, Social, and Governance (ESG) and Sustainability Reporting

ESG and Sustainability reporting has recently become mandatory for the Central Bank effective 1 January 2024 as an entity reporting per IFRS Accounting Standards as issued by the International Accounting Standards Board. Sustainability reporting provides information that enhances transparency to stakeholders on a bank's actions on its Environment, Social and Governance framework, i.e., the bank's sustainability and social equity; and allows them to take credit for building a safer, cleaner and a more just world. ESG initiatives help build business resilience and long-term value.

An entity is required to apply IFRS S1 - General Requirements for Disclosure of Sustainability-Related Financial Information for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies IFRS S1 earlier, it is required to disclose that fact and apply IFRS S2 - Climate-related Disclosures at the same time.

An entity is required to apply IFRS S1 in preparing and reporting sustainability-related financial disclosures in accordance with IFRS Sustainability Disclosure Standards. [IFRS S1:5] An entity may apply IFRS Sustainability Disclosure Standards irrespective of whether the entity's related general purpose financial statements are prepared in accordance with IFRS Accounting Standards or other generally accepted accounting principles or practices (GAAP).

We noted that Central Bank has operations and activities that has several impacts on the environment and its people. However, the bank currently does not comprehensively report on these as part of its annual reporting to stakeholders. A good report should include what the client currently does and how it contributes to the achievement of the United Nations Sustainable Development Agenda (SDG) and the Paris Climate Declaration.

Impact

Where the Central Bank does not engage in activities that support the sustainable processes nor report on issues addressing environmental, social and governance issues, gender equality, financial inclusion, resource efficiency and consumption, the bank is likely to fall behind industry leaders who are proactively taking advantage of these initiatives to build on their value proposition and brand position.

Recommendation

Management should adopt and implement ESG and sustainability initiatives to make the organization compliant with applicable sustainability reporting standards.

The enhanced implementation and reporting must withstand the same level of rigor as expected and required by regulators such as the International Sustainability Standards Board (ISSB), Sustainable Reporting advocates and other stakeholders. It should align with the same level of disclosure controls and procedures as financial reporting and act as a pathway toward potential integrated reporting.

Our understanding of the requirements of a comprehensive sustainability and ESG report is that it should:

1. Meet the needs of your complex business environment, stakeholders' expectations, and evolving reporting requirements **on time** and using a **flexible and agile ESG reporting** program.
2. Drive **standardization and consistencies** in policies, processes, and controls and reduce manual efforts.
3. **Merge ESG disclosure** expertise with **financial reporting** proficiency and acumen.
4. Enhance disclosure effectiveness through ongoing ESG reporting **processes and controls**.

As such, there is the need to consider the adoption of sustainability and ESG reporting, automating the reporting processes, and engaging the relevant technical support experts to aid in a more focused application or implementation of the report.

Management response

Management has engaged our international partner to provide capacity building in ESG and other significant accounting standards. Management will ensure that 2024 financial statement complies with IFRS S1 and S2.

Follow up

Unresolved

We have discussed training program with management on the upscaling of resources on new standards.

Observation

2.12 Breach of SIB Extended Liquidity Assistance (ELA)

Based on Section 37 Emergency Liquidity Assistance of the CBL Act 2020, in exceptional circumstances the Central Bank may grant liquidity support to a bank-financial institution in Liberian Dollars, pursuant to its lender-of-last resort function, on terms and conditions as the Central Bank determines, subject to collateral and for periods not exceeding (91) business days that may be renewed following an explicit decision by the Central Bank for another period not exceeding (91) business days. In extreme circumstances, the Central Bank may grant liquidity support to a bank-financial institution in foreign currency to secure on the terms and conditions above.

We noted that the Central Bank had extended liquidity assistance (ELA) to the SIB Liberia Limited of US\$ 3million up to 31 December 2023. However, as at year end the total outstanding overdrawn position on the SIB deposit account was US\$ 5,087,672.67 which is in breach of the terms of the ELA.

General ledger (US\$)	Extended Liquidity Assistance (US\$)	Unsecured exposure (US\$)
5,087,672.67	3,000,000	2,087,672.67

Impact

There is a potential for increased financial loss to the bank, as conditions precedent for the extension of liquidity assistance including having adequate collateral on the exposures been satisfied. This is a breach of Section 37(1) CBL Act 2020 on there been adequate collateral to support the liquidity support.

Additionally, the extension of the unsecured liquidity assistance contravenes Section 48 (b) – make unsecured advances, whether loan or overdrafts.

Recommendation

Management must evaluate all transactions that may likely increase the bank's exposure to SIB and communicate it timely for adequate collateral coverage to be made available by the relevant commercial bank.

The requirements of the CBL Act 2020 must be strictly adhered.

Management response

Management will ensure adherence to Section 37 of the CBL Act of 2020 regarding Emergency Liquidity Assistance going forward.

Follow up

Finding has been resolved.

Observation

2.13 Lack of segregation of duties on ECL model assessment

We noted during the control testing around Expected Credit Loss (ECL) assessment that the review of the data on financial instruments, including the forward-looking information, assumptions, review, preparation, and approval of the ECL model and its computation was performed by the Director of Finance.

Impact

There is a risk that wrong and incomplete data and errors in ECL computation will not be detected since there is no independent review of the ECL assessment process.

Recommendation

Management should ensure that the person performing the ECL assessment is different from the person reviewing the assessment to prevent errors in the computation.

Management response

The review process of the Expected Credit Loss (ECL) involved three staff of the department. Senior Accountant, Assistant Director for financial reporting and the Director. Due to the resignation of the Assistant director for financial reporting, the director and the senior accountant reviewed the data and ECL model.

Follow up

Resolved.

In the current year, we noted that senior accountants in the finance department handled the data preparation and assessment of the significant increase in credit risk of the bank's financial instruments. The Director of Finance handled the supervision and review of the work of the senior accountants.

Observation

2.14 Delayed in Statutory Payments – Withhold taxes/ NASSCORP.

According to the Liberia Revenue Authority Act (as amended), withholding taxes are to be paid on the 10th day of the subsequent month. We noted that all the expected payment made to the Liberia Revenue Authority for employee deductions were made after the statutory required dated.

At the end of each month, the entity is to make a 10% payment of the gross salary of all employees to NASSCORP as contribution for their Social Security.

Below is a listing of late payment in respect to withholding taxes.

Month	LRA payment date per official receipts	Expected Payment date per LRA tax Law	Number of days late	Comment
Jan-23	16-Feb-23	10-Feb-23	-6	Late payment
Feb-23	13-Mar-23	10-Mar-23	-3	Late payment
Mar-23	8-May-23	10-Apr-23	-28	Late payment
Apr-23	11-May-23	10-May-23	-1	Late payment
May-23	12-Jun-23	10-Jun-23	-2	Late payment
Jun-23	13-Jul-23	10-Jul-23	-3	Late payment
Jul-23	11-Aug-23	10-Aug-23	-1	Late payment
Aug-23	11-Sep-23	10-Sep-23	-1	Late payment
Sep-23	30-Oct-23	10-Oct-23	-20	Late payment
Oct-23	21-Nov-23	10-Nov-23	-11	Late payment
Nov-23	28-Dec-23	10-Dec-23	-18	Late payment
Dec-23	15-Jan-24	10-Jan-24	-5	Late payment

Month	NASSCORP payment date per official receipts	Expected Payment date per NASSCORP tax Law	Number of days late	Comment
Mar-23	22-Nov-2023	10-Apr-23	-226	Late payment
Oct-23	22-Nov-2023	10-Nov-23	-12	Late payment

Late payment of statutory deductions may result in financial penalties being levied against the Bank and bad faith with the tax regulatory body (Liberia Revenue Authority) and National Social Security and Welfare Corporation (NASSCORP).

Impact

There is a risk that the entity will incur extra liabilities due to penalties as a result of late payment.

Recommendation

Management should comply with all applicable laws and regulations to avoid penalties by Liberia Revenue Authority (LRA) and NASSCORP.

Management response

Management has enrolled in the online processing of monthly withholding of income tax with the Liberia Revenue Authority as at January 2024. December 2023 income tax withheld was processed on January 15, 2024. See LRA receipt attached. This has alleviated the approval process of Manager Check being approved by Senior Management before going to LRA to present the check as payment.

Every month, Finance department post monthly deduction to National Social Security and Welfare Corporation (NASSCORP) current account domicile at the bank. March 2024 contribution

was posted to NASSCORP current account on March 24, 2023, while the October 2023 contribution was posted on October 12, 2023. The NASSCORP receipt dates was in response to credit advise sent to informed them of credits to their current account. Finance department will ensure that credit advice is share monthly and receipts from NASSCORP are provided during the presentation of the advice to avoid delay in receiving receipt.

Follow up

Resolved

In the current year, payments to NASSCORP was promptly made in accordance with the established guidelines.

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