



Promoting Accountability of Public Resources

PERFORMANCE AUDIT REPORT

On the Generation of Revenue from Artisanal Mining Activities in Liberia

For the Periods July 1, 2016 to June 30, 2019

OCTOBER 2021

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Auditor General, R.L.**



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Acronyms and abbreviations	
MME	Ministry of Mines and Energy
ASM	Artisanal Scale Mining
MA	Mining Agency
MCI	Mining Contribution Index
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
GDO	Government Diamond Office
EPA	Environmental Protection Agency
RDF	Rural Development Foundation
DM	Director of Mines
ADM	Assistant Director of Mines
BM	Bureau of Mines
GDO	Government Diamond Office
LMP	Liberia Minerals Policy
MPP	Mineral Policy Principles
IG	Inspector General
AMDCPG	African Minerals Development Centre Policy Guidance
NMML	New Minerals and Mining Law of Liberia
RCL	Revenue Code of Liberia
AMM	Assistant Minister for Mines
GOL	Government of Liberia

	Definition of Key Terminologies
License	Is the rights given to a person or entity to explore for minerals in the Republic granted by the Minister of MME.
Mineral	Is a naturally occurring element or compound having an orderly internal structure and characteristics chemical composition, crystal form, and physical properties, formed by or subject to a geological process but not including hydrocarbons
Mining Law	Is the branch of law relating to the legal requirements affecting minerals and Mining
Illicit Mining	Is mining activity that is undertaken without state permission, in particular in absence of land rights, mining licenses, and exploration or mineral transportation permits
Bureau of Mines	Is the Division responsible to collect data about mining and minerals and to oversee mine safety
Mining cadastral	Is the Division of MME responsible for accepting applications for mineral rights, issuing mineral certificates as evidence of a mineral rights, accepting and processing applications for renewals and extension of minerals right, informing the applicants of the status of their applications.



TRANSMITTER LETTER

The Honorable Speaker of the House of Representatives and Honorable President Pro-Tempore of the House of Senate.

We have undertaken a Performance Audit on the Generation of Revenue from Artisanal Mining Activities in Liberia for the fiscal years 2016 to 2019. This audit was conducted in line with the Auditor General's statutory mandate as enshrined under Section 2.1.3 of the GAC Act of 2014.

The audit was conducted in line with the International Organization of Supreme Audit Institutions (INTOSAI), Performance Auditing Standards and Guidelines as enshrined in the Performance Audit Manual. The Act that created the Ministry of Mines and Energy (MME) and guideline, were also used as a baseline for the evaluation of the performance of the Bureau of Mines.

As indicated in the methodology segment of this report, all findings conveyed in the report were formally communicated to the Management of the Ministry of Mines and Energy for their responses. Where responses were provided, they were evaluated and incorporated in this report. We are therefore thankful to the auditee (MME) for assisting the audit team in completing the audit.

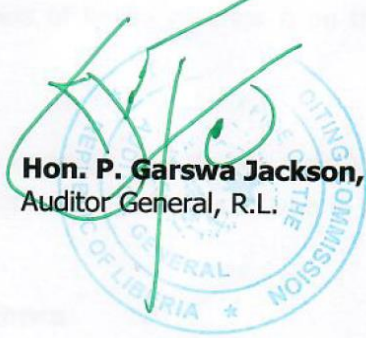
The team will carry out follow – up at an appropriate time in future regarding actions taken in relation to the recommendations in this report.

We ask that you pay particular attention to the following matters that if implemented, artisanal revenue generation will significantly improve and reduce the high risk of illicit mining in the country.

- The Ministry of Mines and Energy should ensure full implementation of the mining laws by establishing functional regional offices to register miners and monitor their activities.
- The Ministry should expand the automated central database to include connectivity to regional offices where applicable.
- The Ministry of Mines and Energy should establish an interface/automated system between Cadastre and LRA to capture revenue when generated at MME and confirmed when payment is made at LRA. This system will assist in determining the completeness of revenue and facilitate the future reconciliation between bills raised at Cadastre and payments made at LRA.
- Ministry of Mines and Energy should ensure timely issuance of mining licenses to enable government receive lawful revenue from miners' registration.

- The Ministry of Mines and Energy should ensure periodic inspections of mines and mining activities, review of licenses; evidenced by documented reports from field staff.
- The Ministry of Mines and Energy should provide the necessary trainings for all of its personnel in house and on the field;
- Mining agents, Patrolmen and Mining Inspectors should be hired and timely placed on payroll to avoid being placed in compromising positions during the performance of their duties.
- The Ministry of Mines and Energy should decentralize its activities by ensuring that there are functional offices in the four (4) mining regions to reduce the bureaucracy, enhance the issuance of mining licenses and reduce illicit mining in the country.
- The government of Liberia should consider providing the needed logistics to MME to enable her fully capacitate the Inspectorate Division to carry out her functions as indicated in the law.

Giving the significance of the matters raised in this report, we urge the Honorable Speaker and the Members of the House of Representatives and Honorable Pro-Tempore and Members of the Liberian Senate to consider the implementation of the recommendations conveyed herein with urgency.


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

Monrovia, Liberia
October 2021

THE EXECUTIVE SUMMARY

The 2018 Mining Contribution Index (MCI) scores and rankings provide an indication of the relative importance of mining to the economic life of a country. According to MCI, Liberia ranked 8th with a score of 92.08 in extractive revenues, representing 6% of Liberia's Real GDP in 2018. As Liberia has an impressive stock of mineral reserves and has traditionally relied on mining, namely iron ore, gold, and diamonds, as a major source of income, the mining sector has the potential to contribute significantly to employment, income generation, and infrastructure development.

In spite of the impressive stock of mineral reserves, there has been a decrease in revenue from the mining activities due to unfavorable global prices for iron ore, gold and diamond. In addition, revenue from artisanal and small-scale mining activities around Liberia has significantly declined in recent years due to the increase in illicit mining activities. The decrease correlates to the of lack of decentralization in the process of registration and issuance of mining licenses, delays in the issuance of mining licenses, inadequate monitoring and inspection of mining sites by the Ministry of Mines and Energy.

The General Auditing Commission decided to conduct an audit on the collection of revenue from mines to identify and recommend areas for further improvements; and, due to the significant economic impact that is associated with the collection of lawful revenue from the artisanal and small-scale mining sector.

Objective and Scope of the Audit

The audit assessed whether the Ministry of Mines and Energy (MME) had mechanism in place to ensure generation of revenue from artisanal mining activities in Liberia for the fiscal years 2016/17, 2017/2018, 2018/19.

Methods Used in Gathering Audit Evidence

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI 3000 Performance Audit Standard) as well as relevant SAI standards, local laws, regulations, policies and guidelines applicable to performance auditing. Audit evidence was gathered through document reviews, interviews and physical verification/observations.

Assessment Criteria

The audit assessed the generation of revenue from artisanal mines/mining activities against criteria drawn from the statutory mandate, strategic goals and mining policies and regulations as stated by the Liberia Mineral Policy of 2010 and The Mineral and Mining Law of 2000.

Summary of Findings

The Ministry of Mines and Energy is responsible to put in place controls for the generation of revenue from mining activities. However, the audit revealed the following factors have affected the Ministry's ability to generate lawful revenue from artisanal and small-scale mining activities in Liberia:

- The increased illicit mining activities have caused decrease in revenue generated by MME for the year 2019 as indicated in the financial records received from Cadastral Information Management System (MCIMS).

- Miners are operating without mining licenses due to the bureaucracy in obtaining licenses.
- The Ministry's regional offices are not fully functional to monitor mining activities; including preliminary registration of miners, inspections, mappings, etc.
- The processing of license sometimes takes six to twelve months for miners to complete and often runs into renewal process.
- The Bureau of Mines and its field agents lack logistics for the past three years. There were no vehicles and motorbikes to carry out field works, mines visitations for inspection and monitoring purposes.
- Sixty-five percent (65%) of the MME field staff (Mining agents, Patrolman and Mining Inspectors) are not employed by MME.
- There was no evidence that MME provided training necessary to update MME employees (Mining agents, patrol officers and inspectors) on policies changes and new techniques in monitoring mining activities.

Conclusions

The Ministry of Mines and Energy documented mechanism to carry out its mandate in the generation of revenue on artisanal mining activities is not being adhered to.

MME does not have a functional database of artisanal and small-scale miners to aid in the registration and renewal of licenses.

The lack of functional regional offices and the bureaucracy in registration and renewal of licenses encourage/contribute to the act of illicit mining around the country. The bureaucracy associated with registration is further exacerbated by the lack of logistics, trained mining officers; and volunteers'/field officers are not on payroll or any formed of compensation which could lead to compromise.

Recommendations

- The Ministry of Mines and Energy should ensure full implementation of the mining laws by establishing functional regional offices to register miners and monitor their activities.
- The Ministry should expand the automated central database to include connectivity to regional offices where applicable.
- The Ministry of Mines and Energy should establish an interface/automated system between Cadastre and LRA to capture revenue when generated at MME and confirmed when payment is made at LRA. This system will assist in determining the completeness of revenue and facilitate the future reconciliation between bills raised at Cadastre and payments made at LRA.

- Ministry of Mines and Energy should ensure timely issuance of mining licenses to enable government receive lawful revenue from miners' registration.
- The Ministry of Mines and Energy should ensure periodic inspections of mines and mining activities, review of licenses; evidenced by documented reports from field staff.
- The Ministry of Mines and Energy should provide the necessary trainings for all of its personnel in house and on the field;
- Mining agents, Patrolmen and Mining Inspectors should be hired and timely placed on payroll to avoid being placed in compromising positions during the performance of their duties.
- The Ministry of Mines and Energy should decentralize its activities by ensuring that there are functional offices in the four (4) mining regions to reduce the bureaucracy, enhance the issuance of mining licenses and reduce illicit mining in the country.
- The government of Liberia should consider providing the needed logistics to MME to enable her fully capacitate the Inspectorate Division to carry out her functions as indicated in the law.

1 CHAPTER 1: INTRODUCTION

1.1 BACKGROUND TO THE AUDIT

- 1.1.1.1 Liberia is endowed with an impressive stock of mineral reserves and has traditionally relied on mining, namely iron ore, gold, and diamonds, as a major source of income. Enforcing the mining policies and employing robust best practice mechanism to promote growth in the mining sector; and, the potential to contribute significantly to employment, income generation, and infrastructure development is an issue.
- 1.1.1.2 According to Boakyeal et. Al (Mining activities) (2012), Liberia¹ is estimated to hold reserves ranging from between two to five billion metric tons of iron ore and three million ounces of gold. Furthermore, according to Ministry of Finance 2013, the major mineral commodities produced in Liberia are iron ore, gold, and diamond. Mining concessions cover an operational area of 113,256 hecta. The mineral sector played a pivotal role in the Liberian economy prior to the civil unrest. The sector contributed a whopping 65% of export earnings and approximately 25% of GDP. However, 15 years of a civil war, followed by an Ebola disease outbreak in 2014/2015, that coincided with a global slump in commodity prices took a toll on the economy.
- 1.1.1.3 The 2018 Mining Contribution Index (MCI) confirms that many of the world's most mining-dependent countries continue to rely on their natural resources as the primary driver of economic activities. The MCI scores and rankings provide an indication of the relative importance of mining to the economic life of a country. According to MCI, Liberia ranked 8th with a score of 92.08 Extractive revenues, representing 6% of Liberia's Real GDP in 2018.
- 1.1.1.4 According to Central Bank of Liberia report of 2016, the real GDP performance of the Liberian economy hinges on the production in the mining and planning sector. Therefore, when there is decline in production in the mining sector, it directly affects the real GDP of the country. For instance, decline in real GDP by 0.4% relates to 2015 (0.3%) and from the 2014 (0.7%) figures; which co-relates to decline in production in the mining sector. Also, the contraction of real GDP from US\$ 896.4 million in 2015 to US\$ 891.9 million in 2016 is attributable to decline in mining from negative 15.9% in 2015 to negative 23.8% in 2016.
- 1.1.1.5 The Ministry of Mines & Energy is a statutory agency of government responsible to administer the mining sector of Liberia; and, it was established by an act of the Legislature as part of the executive branch of government. The fundamental legal instrument used to administer the mineral sector is the New Minerals and Mining Law of Liberia which was approved and became effective in April of 2000.

¹ [The mining sector of Liberia: current practices and environmental challenges | SpringerLink](#)

1.1.2 Audit Motivation

1.1.2.1 The audit was motivated by the following:

- a) An article in Growth to Development captioned "Priorities for Sustainably Reducing Poverty and Achieving Middle-Income Status by 2030" which says the mining sector is a key contributing factor to the Liberian economy. Liberia's economy grew by an estimated 2.5 percent in 2017, as the mining sector compensated for the anaemic performance of other sectors"
- (i) Also according to the 2017 - 2018 LEITI Report, direct Government Revenues from the extractive sector increased from USD 47.74 million for the FY16/17 to USD 61.44 million for the FY17/18. Total revenue generated from the extractive industries after reconciliation work totalled USD 53.6 million. Extractive revenues represent 6.6% of Liberia Real GDP in 2017/18 FY. The analysis of Government revenues by sector contribution indicates that the Mining sector contributed 41.3% of the total Government revenues from the extractive sector during the 2017/18 financial year.

Further, the Daily Observer Newspaper in its May 22, 2019 edition under the caption "Illicit Mining Costs Liberia Millions" highlighted the "unprecedented inflow of mining dissidents and proliferation of illegal alluvial and small-scale mining activities in the country".

- b) Similarly, the FrontPage Africa Newspaper dated May 28, 2019 quoted a Representative of River Gee County, accusing authorities of MME of being responsible for the illicit mining across Liberia. According to the paper, the Representative alleged that MME decision to place a ban on the granting of permits to local miners to use heavy equipment such as dredges, has opened the floodgate for illicit mining activities in Liberia which is depriving the government of needed revenues; thereby causing the government to lose a lot of money.
- c) On April 9, 2019, The Daily Observer News Paper reported on the constant illegal mining of minerals in every part of the country; allegedly involving foreign nationals which have claimed the attention of a Representative of Bong County. According to the Representative, the government is losing thousands of dollars in revenue as a result of artisanal mining, even in Bong County. He claimed that Liberia earns most of its foreign exchange from mineral resources, including iron ore, gold and diamond, most of which are extracted by multinational corporations.

1.1.2.2 Based on the above reasons and in adherence to the AG's mandate under Section 2.1.3 of the General Auditing Commission Act of 2014, the Auditor General commissioned a performance audit on the generation of revenue from mining activities in Liberia.

1.2 DESIGN OF THE AUDIT

1.2.1 Main objective of the audit

1.2.1.1 To assess whether the Ministry of Mines and Energy (MME) is ensuring adequate revenue generation from mining activities in Liberia

1.2.1.2 The specific objectives of the audit were to:

1. Assess whether there are controls in place to ensure revenues generation from mining activities in Liberia.
2. Evaluate MME mechanism in place to ensure the availability of skilled personnel to supervise revenue generation from mining activities
3. Assess whether MME field staff and field inspectors are carrying out monitoring and inspection on mining sites and to what extent it is been done.

1.2.2 Scope of the Audit

The Audit focused on whether the Ministry of Mines and Energy is enhancing adequate Revenue generation from mines as related to artisanal and small-scale mining. The Audit covers three financial years from 2016/17, 2017/2018 and 2018/19.

1.2.2.1 Areas covered during the audit are: Controls in place to ensure adequate revenue generation from mining activities in three counties, Bong, Gbarpolu and Montserrado; and, the availability of trained and skilled personnel to supervise the revenue generation and to ensure that there is adequate monitoring and inspection of mining sites in Liberia.

The audit team collected information from the Ministry of Mines and Energy. The data was cross-checked and verified with information collected from the seven mining (7) Districts selected in the three counties visited as indicated in **table 1 below**.

Table 1: Seven Mining Districts in the three counties and the three mining regions visited during the audit

Mining Region	Region- A	Region -B	Region- F	
County	Gbarpolu	Bong	Montserredo	
District	Gbarma Zekekai Weasua	Weisue Tottota Fuamah	Bentol	

Source: **Ministry of Mines and Energy**

1.2.3 Sampling, Method for data collection and analysis

(i) Sampling Techniques Used

1.2.3.1 The team used both probability and non-probability sampling to select areas visited. First, an arranged sampling was used to select regions. All four (4) regions in the country were grouped in strata representing four geographical clusters of the country which are region A, B, C, and D. Intended sampling was used to select counties within the regions, however; three counties were selected for field visitation.

- 1.2.3.2 The criteria used to select the counties are:
- a) Geographical representation.
 - b) Level of mining activities in the different regions.
 - c) Amount of fees and taxes generated from various mining activities in the regions.
 - High and Medium Definition
 - High= more mining activities are carried out in the area
 - Medium= low mining activities are carried out in the area

Table 2: Counties with high and medium mining activities

Counties	Geographical zone	Mining Fees and taxes Collected by Government
Gbarpolu	Western region	High
Cape mount	Western region	High
Maryland	South-eastern region	Medium
Rivercess	South-eastern region	Medium
Bong	Central region	High
Montserraddo	Central region	Medium
Nimba	Northern region	Low

Source: **Ministry of Mines and Energy**

(ii) Method for data collection

1.2.3.3 The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI 3000). Three methods used for data collection to gather audit evidences include interviews, document reviews and physical verification.

(a) Documents review

1.2.3.4 The audit team reviewed documents from the Ministry of Mines and Energy, in order to get comprehensive, relevant and reliable information on the adequacy of revenue generation from mines. The team also pursued evidence of information obtained through interviews and physical verification.

1.2.3.5 Documents were reviewed within the period under audit i.e. 2016/17, 2017/2018 and 2018/2019.

1.2.3.6 The following documents were reviewed: (1) Liberia Minerals and Mining Law; (2) Mineral Exploration Regulation; (3) Mining Procedures Revised Draft; (4) Monthly Reports (April and May 2019) IG Office; (5) Mining Contribution Index (MCI); (6) Growth to Development, Priorities for Sustainably Reducing Poverty and Achieving Middle-Income Status by 2030; (7) Liberia Revenue Code of 2000 Amended 2011, and (8) African Minerals Development Centre Policy Guidance (ASM policy guidance for the country).

(b) Interviews

1.2.3.7 The audit team interviewed officials from the Ministry of Mines and Energy, including field staffs and Miners at the mining sites within the three mining regions visited in order to gather relevant information on the generation of revenue from mines. **See Appendix 1 for the list of officials interviewed**

(c) Physical Verification

- 1.2.3.8 The audit team visited mining sites and offices of Regional Mining Coordinators, Mining Agents and brokers at mining sites to understand the processes involved in the generation of revenue from mining activities.
- 1.2.3.9 Results of inspection were recorded by describing what were inspected and the condition of the inspected facilities. Photographing was one of the ways of recording what was detected during the inspections. See in APPENDIX 2 for photos of visited facilities.

(d) Methods for Data Analysis

- 1.2.3.10 The audit team analyzed the information collected by first separating and grouping them into qualitative and quantitative data so that they could be easily analyzed using different approaches.
- 1.2.3.11 Quantitative data were analyzed by organizing, summarizing and compiling using spreadsheets as well as different statistical methods of data computations. The analyzed data were presented in tables and distributed in percentages. The presented data were then explained to answer the 'what' 'why' and 'how' questions.
- 1.2.3.12 Qualitative data were analyzed by content analysis. The analysis involved categories such as events, descriptions, consistencies or differences so as to develop theory from the data gathered.
- 1.2.3.13 The information was structured and divided into different categories or topics (themes) in this case audit questions and sub-questions. Then the text obtained from documents and interviews were compiled into these categories.
- 1.2.3.14 The audit questions and sub-questions were recorded in columns whereby different interviews were conducted as well as the revision of documents. Keywords indicating the relevant pieces of evidence were recorded to get an overview for analysis of similar information.
- 1.2.3.15 Information collected from interviews and documents reviewed were transformed into quantitative data by going through the interviewed documents to see how many of them included a positive statement about a certain issue, or how many had made negative statements. A calculation was made, expressing the percentage of investigated documents and interviews that included a particular type of statement.
- 1.2.3.16 The data were entered in the spread sheet and used to explain and answer the "why" questions.
- 1.2.4 Assessment Criteria**
- 1.2.4.1 The audit criteria were drawn from various sources. The sources for these criteria included legislations, regulations, policies, guidelines and best practices. These criteria covered two main areas, which included controls and measures in place by MME, skilled personnel and controls in place by MME to ensure that needed revenue from mines is generated.

- 1.2.4.2 Criteria were also drawn from the Revenue Code of Liberia as Amended 2011, Section 2106 (Taxes collected from MME). The findings' chapter provides details on the audit criteria which are also listed in **Appendix 4**.

2 CHAPTER 2: SYSTEM DESCRIPTION FOR THE COLLECTION OF REVENUE FROM MINING ACTIVITIES

2.1 Introduction

2.1.1.1 This chapter describes the system for the collection of revenue from mining activities. To understand the operations of MME, the governing policies, laws and regulations; roles and responsibilities of key players and stakeholders involved in revenue collection from mining activities; revenue collection processes; coordination of stakeholders involved in the collection of revenue; monitoring, evaluation and performance reporting of revenue collection activities were looked at as described below.

2.2 Governing Policies, Laws and Regulations

2.2.1.1 Policies, laws and regulations that govern revenue collection from mining activities are explained below.

2.2.2 Policies

Liberia Mineral Policy 2010

2.2.2.1 The main aim of the Liberia Mineral Policy is to provide a framework for the sustainable management of the country's mineral resources and to guide interventions by government institutions as well as other stakeholders. It outlines the expectations for the sector to contribute, not only to the revitalization of Liberia's economy, but more broadly, to social regeneration and the enhancement of democratic culture.

2.2.2.2 The Liberia Mining Policy of 2010 intends to revive the mineral sector to enhance its contribution to government revenues, foreign exchange earnings, employment creation, ancillary economic activities, human resources & technological development and the improvement of social and physical infrastructure.

2.2.2.3 The main objectives of the Liberia Mining Policy are:

- i. To establish an internationally competitive, stable and conducive business climate to attract and sustain foreign and local investment;
- ii. To formulate a fiscal and concession regime that assures the country of fair value for its resources, while offering equitable rewards to private investors;
- iii. To institutionalize procedures to maximize returns to the nation from its finite known and unknown mineral assets;
- iv. To put in place a mechanism for the evaluation of competing land use options;
- v. To eliminate adverse social conditions and environmental degradation due to mining activities;
- vi. To support and enable artisanal and small-scale mining activities to create employment, generate income and help reduce poverty in the rural areas;

- vii. To ensure equitable distribution of benefits from mining activities to meet both current and future needs;
- viii. To facilitate equitable access to the sector by all qualified Liberians, irrespective of gender or ethnicity;
- ix. To ensure the consultation of all stakeholders and protect affected people from exploration through mining and post- mine closure;
- x. To establish an effective administration and management of the mineral sector

2.2.3 Governing Legislations

2.2.3.1 The mines Revenue collection is governed by mining laws, policy and regulations of Liberia as indicated below:

Act establishing the entity

2.2.3.2 According to chapter 56 of the Act to repeal Chapter 5 of The Natural Resources Law and to amend the Executive Law to Create the Ministry of Lands and Mines, sub-section 1522; The Ministry of Lands and Mines shall be charged with the administration of the Mining and Survey Laws of the Republic.

The Mineral and Mining Law of 2000

2.2.3.3 According to section 2.1 of the Mineral and Mining Law of 2000, minerals on the surface of the ground or in the soil or subsoil, rivers, streams, watercourse, territorial waters and continental shelf are the property of the Republic of Liberia; and, anything pertaining to their exploration, development, mining, and export shall be governed by the Mineral and Mining Law.

Mineral Exploration Regulation 2010

2.2.3.4 Part 1 of Title 23 of the Liberian Code of Law Revised of the regulations, govern the administration of exploration licenses issued under the Liberia Minerals and Mining Law of 2000, including those granted under the authority of Regulation No. 002 of the Public Procurement and Concessions Commission ("Regulation on Procedures for Issuing Exploration Licenses").

2.3 Roles and responsibilities of key Players and Stakeholders

2.3.1 Roles and responsibilities of key players

2.3.1.1 Key players involved in the management of revenue collection from mines at the Ministry of Mines and Energy:

(a) Minister

- Give final approval to mining licenses.

(b) Assistant Minister of Mines

- Supervises the overall activities of the department including administrative and technical operations;
- Scrutinizes the application for mineral export licenses, initiates and submits same to the Minister for approval;
- Develops and updates policy on mining and minerals conservation laws to international standards;
- Makes periodic fact- finding visits to the mining concession areas;
- Participate in the Kimberley Certification process;
- Participation on the Secretariat of the mineral Technical Committee for review and negotiation of Mineral Development Agreement (MDA);

(c) Director of Mines

- Administers the affairs of the Bureau of Mines
- Submits monthly, quarterly and annual reports on the operational activities of the Bureau to the Assistant Minister for Mines.
- Checks on the renewal and non-renewal of license and ensure that the claimant is charged the right amount due GOL;
- Makes periodic fact-finding visit to mining concession and alluvial mining areas in order to ascertain compliance with mining laws;
- Assists in monitoring mining projects and concessions, conducts field investigation along with other engineers and technicians, assists mining engineers to perform detailed evolution and quantification of minerals;
- Authorizes the issuance of broker's mining and prospecting license and submits them for validation by the Assistant Minister for Mines
- Assigns survey parties to conduct demarcation or re-demarcation of mining claims and plans programs with other mining engineers for optimization of mining activities.

(d) Assistant Director of Mines

- Serves as Acting Director in the absence of the Director of Mines;
- Scrutinizes all applications for prospecting, mining and brokerage; that is, to make sure that applicants are Liberian and that the perquisites are met before the issuance of licenses; endorse all payment forms before transmission to the office of the Director of Mines;

- Supervises the activities of alluvial mining, such as processing of licenses, control of records and activities of the mining agent in conjunctions with the Director of Mines;
 - Compiles a quarterly Report of number of persons engaged in the alluvial mining industry and the total revenue collected from each category and submit same to the Director of Mines;
 - Performs administrative functions that maybe assigned by the Director of mines and the Assistant Minister of Department of Mines, Mineral Resources Development and conservation.
- (e) **Director of Cadastre**
- Supervises the processing of application for mining and all mineral related activities.
 - Supervises the management of licenses that are granted to miners throughout its life span.
 - Supervises the staff who carry out those tasks.
- (f) **Inspector General of Mines**
- Reports to the Director of the Bureau of Mines any corruption, malfeasance. Misfeasance and nonfeasance on the part of the Mining Agent(s);
 - Ensures that the Mining Laws and Regulations are carried out on the field, mining violators are arrested and turned over to the proper authorities;
 - Prosecutes all cases of mining violation discover in remote areas in accordance with the Mineral and Mining Laws of Liberia upon the directive of the Director of the Bureau of Mines;
 - Submit monthly and annual reports to the Director of the Bureau Mines;
 - Ensures that all the licenses are valid for the period and areas of operation;
 - Acts as advisor on alluvial mining activities to both the Director of the Bureau of Mines and the Assistant Minister for Mines, Mineral Resources Development and Conservation;
- (g) **Mining Agent**
- Enforces Mineral and Mining Laws and Regulations in his area of jurisdiction;
 - Registers all prospecting, mining and broker's Licenses for gold and diamond and semi-precious stones which are valid for his area of jurisdiction;

- Inspects all newly discovered diamond ferrous and auriferous bearing creeks before issuing a clearance with the name of the discoverer and the creek in which it was obtained from chiefs or elders of the locality; (clearance valid for 24 hours)
 - Conducts preliminary investigation of alluvial mining boundary disputes;
 - Ensures that the life and property of prospectors, miner and brokers and forward employees are adequately protected;
 - Tracks down, and arrests all illicit prospectors, miners, brokers and forward them to the Director of Mines for prompt prosecution;
 - Conducts Preliminary investigation into alleged stealing of diamonds, and gold and if culpable forwards the case to the Director of mines for prompt prosecution;
 - Enforces safe and healthy practices in the alluvial mining industry;
 - Conducts preliminary investigations into accidents in the alluvial mines that result into injury or death;
 - Submits quarterly reports to the Director of the Bureau of Mines, including places travelled, number of licensees registered and number of cases forwarded, including names of mines accidents that occur.
- (h) **Assistant Mining Agent**
- Assists the Mining Agent in carrying out functions within mining jurisdiction;
 - Act in the absence of the Mining Agent;
- (i) **Patrolman**
- Conducts the day-day inspection of all alluvial mining claims under the directive of the Mining Agent activities;
 - Arrests all illicit mining activities in area of control and report to Mining Agent;
 - Acts in the absence of the Assistant Mining Agent;

2.3.2 Inspector

The Inspector is responsible to monitor and evaluate all miners who are involved in class B and C mining activities. The inspector also checks on dealers and brokers to make sure they are in compliance with the trade of gold and diamond and are paying the required taxes levied on them by the government of Liberia. Additionally, he or she is also

responsible to close down illicit institution that are not registered and do not have valid licenses. Moreover he/she is responsible to ensure that the appropriate safety measures are put in place by miners in the mining environment in which they work. If the environment is not safe and appropriate, he shuts down operations and refers miners to the Environmental Protection Agency

2.3.3 Functions of the Ministry of Mines and Energy/Main Actor

2.3.3.1 The Ministry of Mines & Energy is the statutory agency of government in charge of administering the mining sector of Liberia. The Bureau of Mines which is one of the Departments within the Ministry of Mines and Energy responsible for all mining activities.

2.3.3.2 In adherence to its statutory mandate, the Ministry formulates and implements policies and regulations in collaboration with other related agencies for the delivery of efficient services to the public. In addition, MME supports the mineral industry by providing it with valuable information about Liberia's geology. It also delivers and administers Liberia's Mining Act to improve the investment climate for mineral development.

2.3.3.3 The Ministry performs the following functions:

1. Carries out the evaluation of mineral applications and grants mineral rights
2. Promote geo-scientific collection and dissemination of the nation's mineral resources
3. Engage in scientific investigations for the proper assessment of mineral resources
4. To monitor and enforce compliance with all policies, laws and regulations pertaining to research, exploration, development and exploitation of mineral, resources in Liberia
5. Promulgate new regulations to guide and govern the mineral sector for all national revenues.

2.4 Roles and responsibilities of other stakeholders in managing the collection of revenue from mines

2.4.1 Liberia Revenue Authority (LRA)

2.4.1.1 The core mandate of LRA is to administer and enforce Liberia's revenue laws, including the Liberia Revenue Code of 2000 as amended in 2011, and other related laws under which it is assigned responsibility, for the purpose of assessing, collecting, auditing and accounting for all national revenues and for facilitating legitimate international trade through customs border management and enforcement. LRA roles and responsibilities include:

1. To achieve the objective for the collection of lawful revenue
2. To educate and sensitize the general public about tax

2.4.1.2 Prevent illicit trading, tax fraud and tax evasion through effective domestic enforcement and as part of the international community through coordination with competent law enforcement and revenue agencies in other countries.

2.4.2 Funding allocated to MME

2.4.2.1 For the period under audit, the total approved budget for the Ministry of Mines and Energy was **\$7,895,263**. Out of this amount, the Ministry utilized **\$6,672,358** as actual expenditure for the audited period. **\$4,610,435** constituting (69.10%) of total expenditure was for employees' compensation, while **\$2,061,923** (30.90%) went to goods and services. Further, the Bureau of mines total budget (Actual) for the period was **\$986,213** which is 14.78% of MME total expenditure. 98.98% of the Bureau of Mines expended budget was on employees' compensation and 1.02% on goods and services for the period under audit. All funding came from the Government of Liberia. **See table 3 below.**

Table 3.1: Funding from GOL to the Ministry of Mines

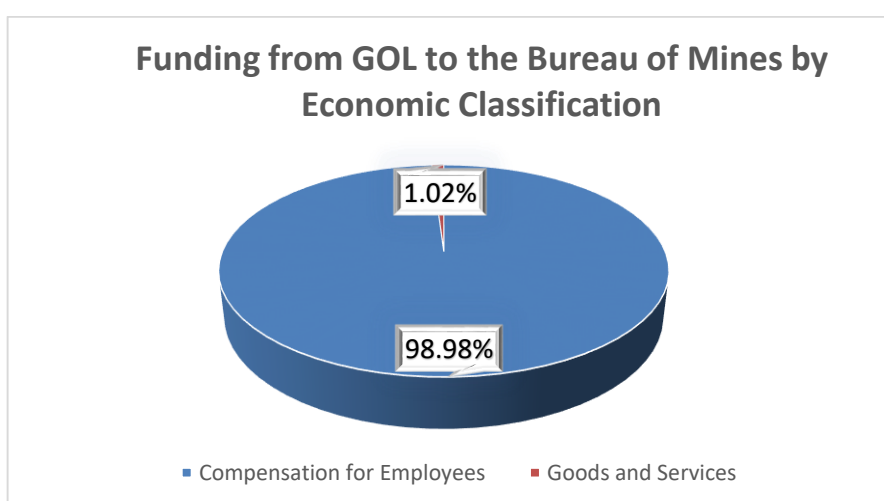
Period	Total		Compensation for Employees		Grants, Goods and Services		Capital Investment
	Budget	Actual	Budget	Actual	Budget	Actual	Budget
2016/2017	3,628,558	2,456,645	1,622,419	1,384,290	1,106,139	1,072,355	900,000
2017/2018	2,306,190	2,364,087	1,531,344	1,531,344	774,846	832,743	
2018/2019	1,960,515	1,851,626	1,650,082	1,694,801	310,433	156,825	
Total	7,895,263	6,672,358	4,803,845	4,610,435	2,191,418	2,061,923	900,000

Source: The National Budget of FY 2016-17 to 2018-19

Table 3.2: Funding from GOL to the Bureau of Mines by Economic Classification

FY	Compensation for Employees		Goods and Services		Total	
	Budget	Actual	Budget	Actual	Budget	Actual
2016/2017	338,002	300,175	9,245	1,670	347,247	301,845
2017/2018	338,004	338,004	13,652	7,260	351,656	345,264
2018/2019	338,004	338,004	5,116	1,100	343,120	339,104
Total	1,014,010	976,183	28,013	10,030	1,042,023	986,213

Source: The National Budget of FY 2016-17 to 2018-19

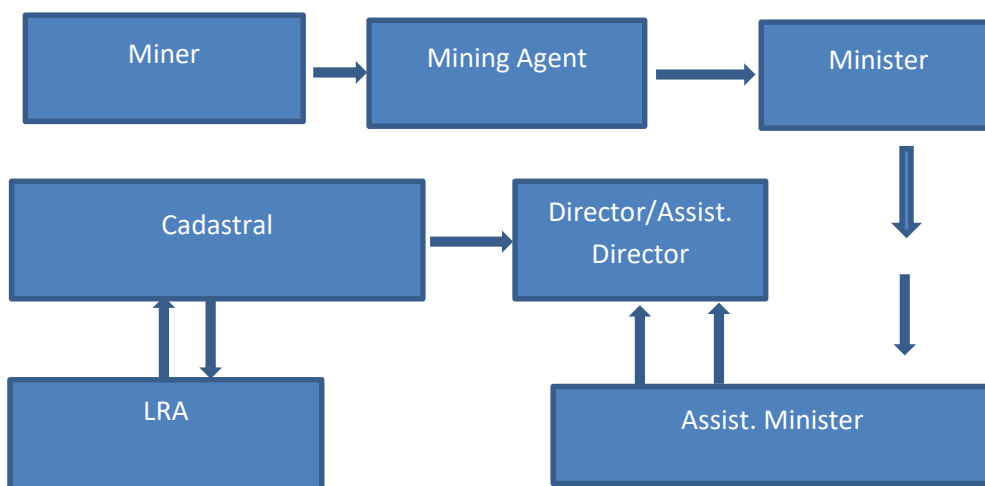


2.5 Process Description

2.5.1 Miner Registration Process

- 2.5.1.1 The miner first expresses interest and finds a mining location. He/she goes to the Mining Agent who is assigned in the mining agency within the mining region for clearance and application form. The application form is completed with the assistance of the Mining Agent. The applicant then submits the application form to the Minister's office along with a passport size photo and proof of citizenship with the attached clearance. The Minister's Office, and dated; and, then sent to the Cadastral Office for logging into the system. An onward submission of the application is given to the Director or Assistant Director of Mines for validation.
- 2.5.1.2 Further, miner pays survey fee of US\$150.00 to the Bureau of Mines Department of Records that are used to transport surveyors to the site to conduct the survey. After the survey is conducted, the surveyor prepares a survey map for the applicant to take back to the Bureau of Mines.
- 2.5.1.3 The application is then sent to the Assistant Minister of Mines for approval. After the Assistant Minister approves the Application Form, he/she sends it to Cadastral unit, which is responsible for deriving and calculating payment for mining licenses, preparing and printing the payment forms for applicants. The applicants take the payment form to Liberia Revenue Authority (LRA) to do payment and return with LRA receipts to the Bureau of Mines.
- 2.5.1.4 The Bureau of Mines attaches the survey map to the LRA Flag receipt and sends it to Cadastral for the printing of the license. Thereafter, the license is sent back to the Director of Mines for his/her signature and to the Assistant Minister of Mines for approval. The Assistant Minister of Mines sends it back to the Bureau of Mines for submission to the Applicant.

Figure 3: Miner registration process diagram



2.5.2 Brokers Registration process (This registration is for Liberians and foreigners)

- 2.5.2.1 Brokers obtain an application form from the Cadastral Office or the Bureau of Mines at the Ministry of Mines and Energy. The applicant submits the Application Form along with a Passport size photo and proof of citizenship to the Minister of Mines & Energy's Office. The application is logged at the Minister's Office and dated. The application is again sent to the Cadastral for logging into the system after which it is sent to the Director of Mines or the Assistant Director of Mines for validation.
- 2.5.2.2 The application is sent to the Assistant Minister of Mines for approval. After approving the application, he sends the application form to Cadastral unit for the printing of payment form. Applicant takes the payment form to the Liberia Revenue Authority (LRA) to make payment and returns of the LRA receipt to the Bureau of Mines.
- 2.5.2.3 The Bureau of Mines sends the LRA Flag receipt to the Cadastral unit for License printing. After the printing of License by Cadastral, the license is sent back to the Director of Mines for his/her signature. The Director of Mines sends it to the Assistant Minister of Mines for the second signature and the Assistant Minister sends it to the Minister proper for approval. Following his/her approval, it is sent back to the Bureau of Mines for the Applicant to collect.

2.5.3 Dealers and Exporters Registration Process

- 2.5.3.1 All foreign nationals applying for dealership license must obtain a Residence Permit from the Bureau of Immigration and Work Permit from the Ministry of Labour. Liberians must provide copies of passport, birth certificate or any documentation for proof of Liberian citizenship. After obtaining the requisite documents the proposed dealer collects the application form from Cadastral or the Bureau of Mines at the Ministry of Mines and Energy. The applicant submits the application form along with a Passport size photo to the Minister Proper's Office. The application is logged in at the Minister Office and dated. Following this process, the application is then sent to Cadastral for logging into the system and it is then sent to the Director of Mines or the Assistant Director of Mines for validation.
- 2.5.3.2 The Application is later sent to the Assistant Minister of Mines for approval. Following his/her approval, the application form is sent to Cadastral for the printing of payment Form. Applicant takes the payment form to the Liberia Revenue Authority (LRA) to make payment and returns it with LRA flag receipt and submits to the Bureau of Mines.
- 2.5.3.3 The Bureau of Mines sends the LRA's flag receipt to Cadastral for License printing. After the printing process, the License is sent back to the Director of Mines for his/her signature. The Director of Mines sends it to the Assistant Minister of Mines for the second signature and the Assistant Minister sends it to the Minister proper for approval. It is then sent back to the Bureau of Mines for the Applicant to collect.
- 2.5.3.4 Also, Exporter buys minerals from the dealers and takes them to Government Diamond Office (GDO) at the Ministry of Mines and Energy to be valued. In the case of diamond, the evaluation is done by using the Metro scale and Colorimeter to determine the weight,

cut, shape and the color of the diamond. After this process, the dealer pays the royalty of 3% to Government revenue before obtaining a Kimberley Certificate which will allow him/her to take the mineral out of Liberia.

3 CHAPTER 3: FINDINGS ON THE GENERATION OF REVENUE FROM MINING ACTIVITIES

3.1 Introduction

3.1.1.1 This chapter presents findings on the generation of revenue from mines by assessing whether there are:

- a) adequate revenue generation from mines
- b) adequate skilled personnel
- c) lawful revenue generations by MME

3.2 Limited Revenue Generation from Mines

3.2.1.1 The African Minerals Development Center Policy Guidance, Section 4.1 (Relevant Institutions) states "Police service (Patrolman, miners, inspectors) are responsible for the enforcement of laws, especially illicit mineral trade as the most common and most serious policy put in place to avoid the loss of lawful revenue".

3.2.1.2 Also, according to an Act adopting the New Mineral and Mining Law Part 1, Title 23, Liberian code of Laws Revised April 2000 (Section 21.1 Regulation), MME should simplify tax collection and structure it in a way that is responsive to the needs of artisanal scale mining.

3.2.1.3 Further, the Revenue Code of Liberia Amended 2011 Section 2106, subtitle 'Taxes collected from MME, Fixed fees'; indicates that fees for Mines and Energy services shall be as by regulation prescribed by the Ministry of Mines and Energy, and shall be assessed by the Ministry of Mines and Energy and paid regularly and deposited into the account of Government.

3.2.1.4 According to the data received from MME, in 2017, the Bureau of Mines generated revenue of US\$135,512.50 from artisanal and small-scale mining activities around the country and in 2018 generated revenue of US\$178,240.00 or a 32% increase over the previous year. However, in 2019, the Bureau of Mines generated revenue of US\$118,050.00 or a 34% decrease as compared to the previous year. This was further confirmed during interviews conducted with MME officials. It was mentioned that the decrease in revenue was due to the increase in illicit mining activities. **See below table 4 for revenue generated over the audit period.**

Table 4: Mining Revenue from Artisanal and Small-Scale Mining Activities 2017-2019

2017	2018	Increase /decrease 2017/2018	% Increase /decrease 2017/2018	2019	Increase /decrease 2018/2019	% Increase /decrease 2018/2019
\$ 135,512.50	\$ 178,240.00	42,727.50	32%	118,050.00	(60,190.00)	34%

Source: Ministry of Mines and Energy

Management's Response

- 3.2.1.5 *The Ministry's mandate is not to collect revenue. The Ministry has ensured the generation of revenue in line with annual revenue forecast, and on most occasions, exceeded the projected revenue from the sector. The Ministry runs a functional Mining and Cadastral Information management System (MCIMS), and an interactive website with up-to-date data on all licenses (refer to ww.mme.gov.lr).*
- 3.2.1.6 *All of the figures mentioned here are incorrect in 2017, MME generate US \$ 650,380.00: 2018, US\$ 823,567.00 and 2019, US\$ 805,455.00. Total revenue generated from the ASM amounted to US\$ 2,279,402.00 for the period under reviewed.*
- 3.2.1.7 *Over the period under review, the MME did not experience decrease in revenue generated. While in some area there was a decrease in the number of Class C Licenses. The ministry saw an increase in the number of Class b Licenses.*

Audit Comment

- 3.2.1.8 The Ministry's figures presented to counter the audit findings are not supported by documentary evidence. Additionally, the figures provided in response to the draft audit also indicate a drop in revenue for 2019 (US\$805,455.00) as compare to 2018 (US\$823,567.00).
- 3.2.1.9 Initial documents submitted by MME during the data collection process revealed that, in 2017 the Bureau of Mines generated revenue of US\$135,512.50, US\$178,240.00 in 2018, and US\$118,050.00 in 2019 indicating a 34% decrease in revenue generation in 2019 as compared to the previous year.
- 3.2.1.10 Based on the issues raised by the authority of the Ministry of Mines and Energy during the exit meeting, the audit team requested the Liberia Revenue Authority to provide record on all artisanal fees collected during the audit period. From the analysis of artisanal data provided by LRA, we noticed that the following amount were collected for the respective fiscal periods: 2016/17 US\$ 727,768.81 and LR\$ 16,050, 2017/18 US\$ 1,148,427.02 and LR\$ 1,732,092.52, 2018/19 US\$ 1,220,750.51 and LR\$ 693,370.54. Contrary to the figures provided by MME during the audit field work and those mentioned in their response to the draft report, we established that LRA was reporting higher amount than what the MME was capturing as revenue generated. This is a clear indication that there is no reconciliation between MME and LRA on revenue generated and collected for the fiscal periods under audit.
- 3.2.1.11 There is a need for the Ministry of Mines and Energy to establish an interface/automated system between Cadastre and LRA to capture all revenue when generated at MME and confirmed when payment is made at LRA. This system will assist in determining the completeness of revenue and facilitate the future reconciliation between bills raised at Cadastre and payments made at LRA;

3.2.1.12 The LRA is the agency of government responsible for revenue collection and thus serves as the authoritative source for all records pertaining to revenue collection in the country. Hence, as per LRA records, we are in agreement that MME experienced increase in revenue for the audit period, contrary to all records provided by MME.

3.3 Illicit Mining

3.3.1.1 According to an Act Adopting A New Minerals and Mining Law Part 1, Title 23 Liberian Code of Law Revised Section 6.3 Class C Mining License, any person who is an eligible applicant for a Class C Mining License may apply for it, and the Ministry shall grant a Class C Mining License over a production area not subjected to a Mineral Right granted another person.

3.3.1.2 However, interviews conducted with officials of the Ministry of Mines during the field visit, revealed that the miners were operating without mining licenses due to the following reasons: (a) Too much bureaucracy/ Lack of decentralization in processing registration and issuing mining licenses, (b) inadequate monitoring and inspection at mining sites by the Ministry of Mines and Energy. The listed reasons encourage miners to carryout mining activities without mining licenses, which leads to loss of revenue by the Government from mining activities. Below in figure 2 is an illicit mining site visited by the auditors during the audit.

Figure 2: Illicit Mining site in Jackson Village, Bong County



Source: GAC Photo

Management's Response

3.3.1.3 *There are six Mining Regions with offices manned by the staff of MME. Training issues were addressed above.*

Audit Comment

3.3.1.4 We maintain our position that miners are carryout illicit mining activities in all the areas visited

3.4 Undue Bureaucracy /Lack of Decentralization in the Process of Registration and Issuance of Mining Licenses

- 3.4.1.1 According to Section 4.1 (Relevant Institutions) of the African Minerals Development Center Policy Guidance, there should be "local government that would interface with Artisanal and Small-Scale Mining (ASM). They are also responsible for such practical things like licensing etc. and are probably responsible for more compliance than any other ministry." As part of its objectives (FY2018-19), the Ministry was to decentralize mining activities, demarcate, and re-demarcate mining claims.
- 3.4.1.2 During interviews with the Assistant Director and Directors, it was stated that the Ministry does not have mining offices to carry out the registration and issuance of mining licenses for miners, dealers and brokers who are required to regularly or yearly obtain mining licenses in the four mining regions.
- 3.4.1.3 Moreover, during the field visit; the audit team noted that the lack of registration offices in the four mining regions causes delays in the issuance of mining licenses, thus leading to increase miners, brokers and dealers in counties to operate illegally.

Management's Response

- 3.4.1.4 *For the period under review, the ministry did not have six mining regions but four. The idea of further dividing the Country into six was to ensure the Ministry's presence in all mining areas and to ensure sufficient supervision. Beside, establishing offices in those regions can only be possible through budgetary support to the Ministry but such is yet to happen.*

Audit comment

- 3.4.1.5 We maintain that the activities of the Bureau of Mines are not decentralized and miners are finding it difficult to travel from their areas of operations to MME head office in Monrovia. Management should ensure that the mining regions are fully operational to avoid miners traveling from the operational areas to Monrovia to renew or carryout new registrations for mining license.

3.5 Delays in the Issuance of Mining License

- 3.5.1.1 According to the New Mineral and Mining Law Part 1, Title 23, Liberian Code of Law Revised, Section 6.3 Class C Mining License, "any person who is an eligible applicant for a Class C Mining License may apply for, and the Ministry shall grant a Class C Mining License; that the term of class C mining license shall be for one-year (1) renewable for further terms of one year each if the holder has met all his or her obligations under this law and the regulations, and is in compliance with the provisions of the mining license."
- 3.5.1.2 Further interview conducted with officials of Mines and Energy indicated that the standard time set for processing mining licenses should be two weeks/ ten working days.
- 3.5.1.3 However, from the interviews conducted with miners during the field visit, it was found that the processing of licenses often takes six to twelve months. It was also indicated that, sometimes when miners apply for licenses, they do not get them until the time expires, due

to the delay in processing the license at the central office. The slow process discourages some miners from going to the head office (Monrovia) to apply for licenses; but, they continue to carryout mining activities, thereby depriving government of needed revenue. **See Table 5 below** for miner’s responses in obtaining mining licenses.

Table 5: Period in obtaining mining licenses

Matrix of responses from miners on the duration in obtaining mining license when the application is completed and submitted to the ministry	Frequency	Percentage
Two to four months	6	15%
Five to eight months	8	20%
Six months to one year	12	30%
Above one year/ when it has already expired	10	25%
N/A / have never obtained a license	4	10%
Total	40	100%

Source: **GAC’s Analysis**

Management’s Response

3.5.1.4 *The Ministry has made a significant improvement in reducing the period it takes to process a license, which on the average, take between 1 and 2 weeks. The Ministry is currently rolling out a Standard Operating Procedure (SOP) intended to limit the processing period to 1 week, all factors held constant. Power blackouts, lack of stationery and supplies, unreliable internet services and other logistics are binding constraints.*

Audit comment

3.5.1.5 We acknowledged the efforts the Ministry is making to reduce the time it takes to issue licences. However, from interviews conducted, documents reviewed and field visits during the audit, it appears that there has not been significant improvement in reducing the period it takes to process a license as indicated in the MME response. We therefore hold the view that the issuance process is taking longer than required.

Inadequate Monitoring and Inspection at Mining Sites

3.5.1.6 The Regulations Governing Exploration under A Mineral Exploration License of the Republic of Liberia (‘Exploration Regulations’), Section11.4 states “Inspection Agencies of the Government may monitor a Licensee’s operations from time to time to determine compliance with applicable laws and regulations. Government personnel may inspect any facilities or operations of a Licensee in Liberia without prior notice but at reasonable times of the day.

3.5.1.7 From the interview conducted at the Ministry of Mines and Energy, for the audit period, it was noted that the Bureau of Mines and its field agents have not been carrying out monitoring and inspection adequately in the field due to lack of logistics, such as vehicles and motorbikes. A situation that resulted to the increase in illicit mining activities and loss of revenue. 90% of the staff interviewed stated that there was not regular monitoring of miners to ensure compliance with the law. **See Table 6 below:**

Table 6: Frequency and Percentage of Monitoring at Mining Sites

Matrix of responses of mining worker on monitoring	Patrolmen	Mining Agent	Mining Inspector	Frequency	Percentage
No regular Monitoring	9	4	5	18	90%
Yes, there are regular Monitoring	1	0	1	2	10%
Total	10	4	6	20	100%

Source: GAC's Analysis

Audit comment

3.5.1.8 We maintain our position that the MME is not carrying out monitoring and inspection adequately in the field due to lack of logistics, such as vehicles and motorbikes.

3.6 Limited Skilled Personnel

3.6.1.1 Section 4.1 subtitle 'Relevant Institutions' of the African Minerals Development Center Policy Guidance, states "there should be training provision and capacity building in all aspects of Artisanal and Small-Scale Mining (ASM) work."

3.6.1.2 According to the Mineral Policy of Liberia, page 2, Mineral Policy Principles, the mineral sector is to enhance its contribution to human resources & technology development and the improvement of social and physical infrastructures.

3.6.1.3 During the field visit to mining sites, Patrolmen, Mining Agents and Inspectors interviewed showed that 65% of field staff interviewed has had some training while 35% have no training to improve their skills in carrying out their work effectively. The MME has not prioritized required training for the listed staff to enable them adequately carry out their duties in the generation of revenue from mining activities. **See Table 7 below** for training statistic on mining personnel.

Table 7: Training statistics on Mining Personnel

Matrix of responses of mining worker on Training skilled	Patrolmen	Mining Agent	Mining Inspector	Frequency	Percentage
Yes	6	2	5	13	65%
No	4	2	1	7	35%
Total	10	4	6	20	100%

Source: GAC's Analysis

Management's Response

3.6.1.4 *For the period under review, especially since the taken over of the current government, the Ministry has conducted several trainings for its field staff financed by GIZ, Liberia Forest Sector Program (LFSP)/ World Bank and other partners including periodic in- house trainings conducted before every reshuffle of the field personnel. Reports from trainings conducted are attached. **See Annex 1)***

Audit Comment

3.6.1.5 The annex 1 referenced and provided by the Ministry as evidence of training conducted was done January 30 to February 3, 2020 and February 11 -15, 2020 after the audit period. Therefore, we maintain that for the period under audit (2017-2019), MME did not prioritize required training for its staff.

3.7 Unemployed Personnel used as Patrolmen, Inspectors and Mining Agents

3.7.1.1 According to the Mineral Policy of Liberia, page 2, Mineral Policy Principles, the mineral sector is to enhance its contribution to government revenues through employment creation, ancillary economic activities, human resources and technology development and the improvement of social and physical infrastructure.

3.7.1.2 During Interviews held with MME officials at the central office and on the field, it was noted that, 67% of field staff (Patrolmen, inspectors and Mining agents) conducting inspection, and monitoring mining sites and miners are not employed by MME. The interviews also indicated that the high rate of unemployment of field staff was due to lack of funds /low budgetary allotment from government to the ministry. However, the team observed that the MME has not prioritized the allocation of funds to employment of field staff when budgeting/preparing the ministry annual budget. Furthermore, the MME has not also prioritized allocating funds to the Bureau of Mines, which has direct oversight on field staff and mining sites. **See Table 8 below:**

Table 8: Number of Employed and Unemployed Patrolmen, Inspectors and Mining Agents at MME

No.	Description	Employed	Unemployed	Total
1	Patrolmen	53	150	203
2	Inspectors	55	195	250
3	Mining gents	53	17	70
4	Total	161	362	523
5	Percent (%)	31%	69%	100%

Source: GAC's Analysis

3.7.1.3 The risk is high when individuals are placed in positions without being accountable. Mining agents, patrol officers, inspectors are frontline workers in the mining sector and although they may not collect revenue upfront, they are enablers that ensure the proper revenues are generated from mining activities. These frontline workers are not on payroll and as such, not accountable.

Management's Response

3.7.1.4 *The employment of staff, especially field staff, has always been the priority of the Ministry. Low budgetary allocation, despite incessant pleas to MFDP and the on legislative budgetary committee have hampered the Ministry in becoming adequately staff.*

Audit Comment

3.7.1.5 The Ministry should continue to engage the national government and stakeholders to source additional resources to employ staff that are currently providing services for the ministry but not on the payroll.

4 CHAPTER 4: CONCLUSION

The Ministry of Mines and Energy documented mechanism to carry out its mandate in the generation of revenue on artisanal mining is not being adhered to.

MME does not have sufficient skilled personnel as Patrolmen, mining agents and field inspectors. The Ministry used unpaid individuals (volunteers) to increase its presence across the country. There is a high risk that these unpaid individuals could be compromised.

Illicit mining activities have increased across the country due to MME inability to adequately enforce and implement mining policies and procedures.

The Ministry of Mines and Energy has not functionally decentralized its offices/ activities as indicated in Section 4.1 (Relevant Institutions) of the African Minerals Development Center Policy Guidance.

There are delays in the issuance of mining licenses. Furthermore, miners, brokers and applicants are receiving licenses between six to twelve months after their license expired or after submitting their applications.

The MME has not effectively carried out monitoring and inspection of miners, mining sites, mining licenses and mining agreements across the country as required by the Ministry's mining regulations to ensure adequate revenue generation from mining activities in the country.

Patrolmen, Inspectors and Field Agents assigned at the various mining sites in the country by MME are not employed and training of staff is not prioritized.

5 CHAPTER 5: RECOMMENDATIONS

The Ministry of Mines and Energy should ensure full implementation of the mining laws by establishing functional regional offices to register miners and monitor their activities.

The Ministry should also ensure that Mining Licenses are issued in two weeks/ten working days from the day of application as per its standards, to help reduce illicit mining within the country and enable government receive lawful revenue from miners;

The Ministry of Mines and Energy should ensure periodic monitoring/ inspection of mines/mining sites, mining licenses and mining agreements across the country as required by the Ministry's mining regulations;

The Ministry should provide quarterly trainings in areas of mining procedures, environmental management, mining health and safety, map reading, soil profiling and stratigraphy, etc. for its personnel both in house and on the field;

The Ministry of Mines should ensure all MME individuals working under its supervision as Mining agents, Patrolmen and Mining Inspectors are employed to avoid being compromised when carrying out their duties;

The Ministry of Mines and Energy should decentralize its activities by ensuring that there are functional offices in the four (4) mining regions to reduce the bureaucracy, enhance the issuance of mining licenses and reduce illicit mining in the country;

The Ministry of Mines and Energy should establish an interface/automated system between Cadastre and LRA to capture revenue when generated at MME and confirmed when payment is made at LRA. This system will assist in determining the completeness of revenue and facilitate the future reconciliation between bills raised at Cadastre and payments made at LRA;

The Ministry should establish a central database for artisanal and small-scale miners with connectivity to regional offices where applicable. By so doing, miners' application can be processed without coming to Monrovia. The system should be properly tailored so that miners are notified and asked to pay renewal licenses automatically;

The Ministry of Mines and Energy should require written monthly/quarterly reports from field staff; Mining agents, Patrolmen and Mining Inspectors, relative to their activities and assigned areas.

The government of Liberia should consider providing the needed logistics to MME to enable her fully capacitate the Inspectorate Division to carry out her functions as indicated in the law.

APPENDIXES

Appendix 1: List of Officials interviewed

Institution	Title of interviewed officials	Reasons
Ministry of Mines and Energy	Director of Mines	To Collect information, understand the entity and identify preliminary findings
	Assistant Director for Mines	Understand the entity, identify preliminary findings and to gather information
	Inspector General for Mines	To collect information on field activities, understand his role and identify preliminary findings
	Manager for Government Diamond Office	To understand his involvement in the collection of revenue from mines and identify preliminary findings.
	Acting Director for Cadastre	To Collect information, understand the entity and identify preliminary findings
	Assistant Minister for Mines	To Understand the functions of the Department of Mines as it relates to the Management of revenue collection from mines.
	Deputy Minister for Operation	To collect information on the operations of the Ministry, verify news reports and get a clear understanding of how the Ministry functions.
Liberia Revenue Authority	Tax payer service officer	To understand their roles and involvement in the management of revenue collection from mines so as to identify preliminary findings.

Appendix 2: List of documents reviewed

Name of Document	Reason
Liberia minerals and mining law	To obtain knowledge on the minerals and mining law (Inspection, safety, fees charged for offenses and penalty, Government right to receive royalties, taxes on precious mineral exported and income taxes from miners)
Mineral exploration regulations	To inform the auditors about term of licenses, exploration right, addition to the license area and extension of the license term, surface right payment and other fees charged which include license fees and application processing fees, taxes, duties fees and import
Mining procedures revised draft	To understand the procedures and cost involved for qualification as Class A, B, C and diamond dealer.
Monthly reports (April and May 2019) IG Office	To inform the audit team about the ongoing activities on the field.
Mining contribution Index (MCI)	To get Motivation for performance topic.
Growth to Development, Priorities for sustainably reducing Poverty and achieving middle –Income status by 2030	
Liberia Revenue Code of 2000 amended 2011.	To obtain criteria for the audit questions and sub questions.
African minerals Development	To obtain criteria for the audit questions and sub questions.

Name of Document	Reason
Centre policy Guidance (ASM Policy guidance for the Country)	

Appendix 3: List of Officials interviewed

**Appendix 3: Pictures of mining sites visited in the two regions during the field verification
Jackson Village Mining site**



Juggle James Mining Site





Appendix 4: Assessment Criteria

Audit specific	Audit Criteria	Source of Criteria
Assess whether there are controls in place to ensure revenues generation from mining activities in Liberia	The MME in consultation with the Minister shall as by regulation prescribe the fees for mines and energy services and pay regularly to the LRA for deposit into the account of the government. Fees for the following MME services to be paid includes: Mineral Dealership, Diamond Broker, Gold Processor, Diamond Mining, Gold Mining, Diamond prospecting, Gold Prospecting and Royalties of 2%-3% on each shipment (all Minerals)	The Revenue Code of Liberia as Amended 2011, Section 2106 (Taxes collected from MME).
Evaluate MME mechanism put in place to ensure the availability of skilled personnel to supervise revenue collection from mining activities	States that "Training provision and capacity building in all aspects of ASM work" should be provided in the implementation of controls to enhance revenue payments.	African Minerals Development Center Policy Guidance, Section (Relevant Institutions) states that
Assess whether MME field staffs and field inspectors are carrying out monitoring and inspection on mining sites and to what extent it is been done	States Police service (Patrolman, mines' inspectors) are responsible for the "enforcement of laws, especially illicit mineral trade as the most common and most serious" policy put in place to avoid the loss of lawful revenue	African Minerals Development Center Policy Guidance, Section 4.1 (Relevant Institutions)
Audit Question 4	How long does it take you to complete the registration process?	
Audit Question 5	Are there controls in place to avoid the loss of lawful revenue?	
Sub-Audit Question 5.1	To what extend the MME control the loss of revenue from mines?	

Appendix 5: Design Matrix						
Audit questions and sub-questions	Audit Criteria and source	Data collection and analyses			Anticipated Findings	Risks to the execution
		Audit evidence needed	Methods for data collection	Methods for data analysis		
<p>Audit Question 1 What are the controls in place by MME to ensure required revenues from mines are generated?</p>	<p>The MME in consultation with the Minister shall as regulation prescribed the fees for mines and energy services and paid regularly to the Minister for deposit into the account of the government. fees for the following MME services to be paid includes; Registration of Deed, Mineral Dealership, Diamond Broker, Gold Processor, Diamond Mining, Gold Mining, Diamond prospecting, Gold Prospecting and Royalties of 2%-3% on each shipment (all Minerals).</p> <p>Revenue Code of Liberia as Amended 2011 (Taxes collected from MME)</p>	<p>Mining Policy and regulations that serves as mechanism to ensure revenue collection from mines.</p>	<p>Review of mining Policy, mineral laws, guidelines and regulations. Interview officials responsible for ensuring mechanisms are in place to collected revenue from mines.</p>	<p>Establish whether the fees payment for mining activities is based on the prescribed fees by the minister as the regulation required. Check whether mining rights and licenses are giving to the right people as by the mining policy.</p>	<p>Mechanism to ensure revenue collection is not properly implemented.</p>	<p>Information on the prescribe fees by the minister for mining activities may not be available.</p> <p>Conducting interview with government in high position may be difficult.</p>
<p>Audit sub question 1.1 To what extent does MME monitor the generation of revenue?</p>	<p>The MME shall fine a person of 2000 united states dollars or its equivalent in Liberian dollars if that person contravenes the eligibility for mineral rights, rights to conducts exploration, operate mines and quarries of the mining law and in the case of another person, 25,000usd or its equivalent in Liberian dollars. An Act Adopting the New Minerals and Mining Law Part 1, Title 23, Liberian code of Laws Revised. April 2000 (Section 22.1; Penalty)</p>	<p>Reports that include the list of miners or mining companies that violated the mining laws and regulations and fines level against them.</p>	<p>Review of quarterly or annual reports from the department of mines</p> <p>Interview officials that are responsible to levied fine on violators and</p>	<p>Analyse the cause of violation and why mining laws, regulation and guidelines are not being followed.</p> <p>Compare the fine to be paid on a specific violation as in regard to the mining law and regulation</p>	<p>Fine levied on violators not being paid and no action taken against the violators.</p>	<p>Getting reliable information</p>

			collect revenue from mines.	and the fine levied on those violation as to whether they are implemented and collected.		
Audit question 2 Are there regular training to ensure skilled personal are available to manage the revenue generation?	MME is expected to establish Artisanal scale mining policy to make provision for frameworks where training of mining officials is possible, to enable them to develop interventions addressing the particular needs of Artisanal scale mining and women working in the mining sector. African minerals Development Centre policy Guidance (ASM policy guidance for the country best practice	Availability of skilled personnel to manage revenue collection from mines.	Review Human Resources Status reports at the MME. Interview heads of departments and mining agencies involved in revenue collection at mines. Observe the presence of personnel available at various departments and agencies at MME.	Analyse the information from the Human Resources status reports at the MME and interview minutes with the head of departments and agencies at MME and observations made in the various departments and agencies at MME to establish the adequacy of the personnel. Measure the required skilled personnel for management of revenue collection vs available personnel	Non availability of skilled personnel to manage revenue collection activities	Some of the information may be unavailable as well as officials to interview.

<p>Audit Sub-Question 2.1 What are the controls in place to retain skilled personnel?</p>	<p>MME is expected to establish Artisanal scale mining policy to make provision for frameworks where training of mining officials is possible, to enable them to develop interventions addressing the particular needs of Artisanal scale mining and women working in the mining sector. African minerals Development Centre policy Guidance (ASM policy guidance for the country best practice</p>	<p>Policy with provision frameworks for training of mining officials and regular training section report on management of revenue collection and list of skilled personnel that are trained regularly.</p>	<p>Review of regular training report on training section carryout for skilled personnel. Interview with officials that are part of the training committee. Interview with officials that carryout the training section for skilled personnel. Interview with skilled personnel that is part of the training sections.</p>	<p>Analysing report on training conducted for skilled personnel on whether the training sections are carryout regularly. Establish how training conducted for skilled personnel on management of revenue collection is carryout.</p>	<p>Training section for skilled personnel may not be carryout regularly or carryout at all,</p>	<p>Challenge in getting accurate information.</p>
<p>Audit Question 3 Are there defined roles and collaboration between the MME and different entities involved in revenue generation?</p>	<p>MME is to ensure that mineral sector development takes advantage of initiatives and collaboration at regional, continental and international levels to assure best practices and good governance for accelerated growth and development. The Liberia mineral policy of 2010</p>	<p>Communications between MME, MOF, NIC and local authorities and meeting reports. A designed and well-functioning coordinating framework between MME, MOF, NIC and local authorities.</p>	<p>Review the coordination framework documents, communication and meeting reports in place between entities involved in revenue collection. Interview key officials from</p>	<p>Analyse information obtained from the documents reviewed in the coordination framework and interview notes to establish coordination framework between entities and whether it is functioning well.</p>	<p>A designed and well-functioning coordinating framework between MME, MOF, NIC and local authorities not available and there's no collaboration between entities.</p>	<p>Non availability of relevant documents.</p>

			various entities that are involved in revenue collection.			
Audit Sub-Question 3.1 What is the collaboration between MME and other entities involved in the process of revenue generation?	The MME in collaboration with National Investment Commission is expected to consider, review, and decide upon each request for investment incentives by a holder of mineral rights in keeping with provisions of the investment incentives code. An Act Adopting the New Minerals and Mining Law Part 1, Title 23, Liberian code of Laws Revised. April 2000 (Section 17.8)	Measure in place to ensure collaboration between different entities involved in the revenue collection.	Reviewed of mechanism document in place to ensure collaboration between entities involved in the revenue collection. Interview officials from various entities collaborating in the collection of revenue.	Analyse information obtain from document reviewed and interview carryout to establish whether mechanism in place for collaboration between entities is implemented and entities are collaborating to collect revenue.	Mechanism to ensure collaboration between entities not in place.	Inaccurate information may be supplied.
Audit Question 4 To what extent key entities involved in the process of revenue generation are part of formulating policies, regulations, fees and taxes on minerals and mining activities and the generation of	MME should have License categories that are workable with respect to tenure, duration, rights, obligations and licensing processes should be simple to understand. African minerals Development Centre policy Guidance (ASM policy guidance for the country best practice)	Measure in place to control the loss of lawful revenue.	Review of regulations or guidelines that serve as measure to control the loss of lawful revenue. Interview with officials that responsible to implement measure in place to control the loss of revenue.	Analyse documents reviewed, interview notes and observation made in the field to establish whether measures are implemented to controls the loss of lawful revenue.	Measures not implemented to control the loss of lawful revenue.	Non-availability of officials to be interview. Inaccurate information may be supplied.

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revenue?			Observation on how measures are implemented to control the loss of lawful revenue.			
Audit Sub-Question 5 To what extent the MME control the loss of revenue from mines?	MME should have simplified tax collection and structure it in a way that is responsive to the needs of artisanal scale mining. African minerals Development Centre policy Guidance (ASM policy guidance for the country best practice) The Minister of MME is empowered and authorized to issue from time to time Regulation on the methods of calculations of the amount Royalties and the manner and time of payment thereof. An Act Adopting the New Minerals and Mining Law Part 1, Title 23, Liberian code of Laws Revised. April 2000 (Section 21.1 Regulation)	Mechanism in place to control the loss of lawful revenue.	Review of regulations or guidelines that serve as measure to control the loss of lawful revenue. Interview with officials that are responsible to put mechanism in place to control the loss of revenue. Observation on how mechanisms are implemented to control the loss of lawful revenue.	Analyse documents reviewed, interview notes and observation made in the field to establish whether mechanisms are implemented to control the loss of lawful revenue	Mechanism not implemented to control the loss of lawful revenue.	Inaccurate information may be supplied. Non-availability of officials to be interview.

¹ An Act adopting a new minerals and mining law part 1 title 23 Liberia code of law revised.