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## **1. Background**

### **1.1 Introduction**

In pursuance of Section 160(1) (c) of the Constitution of the Republic of The Gambia, I conducted an audit of the financial statements of the Government of The Gambia for the financial years ended 31 December 2014 and 31 December 2015.

### **1.2 Audit objectives**

The overall objectives of this audit are to:

gain assurance that the financial statements fairly present the state of affairs of the Government of The Gambia, in accordance with the Public Finance Act 2014, for the years ended 31 December 2014 and 31 December 2015;

determine whether, in all material respects, the expenditure and income have been applied for the purposes intended by the National Assembly; and

whether the financial transactions conform to the regulations which govern them.

### **1.3 Methodology**

We conducted the audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organisation of Supreme Audit Institutions (INTOSAI). An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements.

It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed the audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error or by fraud or other irregularity and whether, in all material respects, the expenditure and income have been applied for the purposes intended by the National Assembly.

As part of this audit we held discussions with the Ministry of Finance and Economic Affairs (MoFEA), the Accountant General and his staff, and with staff at other Ministries and Departments. We also had contact with the Central Bank of The Gambia, Commercial Banks and officials of the Gambia Revenue Authority.

## 1.4 Scope

This audit exercise examined transactions undertaken during the period 1 January 2014 to 31 December 2015 and balances held as at 31 December 2014 and 31 December 2015 respectively.

## 2. Conclusion

There is need to significantly improve controls in the accounting system. The Public Finance Act and Cash Basis (IPSAS) International Public Sector Accounting Standards also need to be fully applied.

The introduction of an Integrated Financial Management Information System (IFMIS) in 2007 led to significant improvements in the quality of financial statements produced over the years. However, as users began to gain comfort in the use of Epicor7, the system was upgraded to Epicor9 in 2013 without adequate study.

The main idea touted as the reason for upgrading the system to Epicor 9 was that the system will be web-based providing easy access to users anywhere. Four years down the line, we are still struggling to achieve our objective.

The Accountant General's Department is facing challenges in implementing the system. This is manifested in users of the system expressing varying levels of dissatisfaction with the system. There have been instances where Government business was delayed due largely to the shortcomings of the system.

Therefore, urgent action is needed by the Accountant General's Department to resolve the problems quickly. Otherwise, the gains made with Epicor 7, may be reversed. That would be a very unfortunate development considering the significant improvements to the accounting system and the amount of money spent on the procurement of IFMIS.

Detailed findings are presented in Section 3 of this report. For each finding we have detailed the implication, recommendation and a priority ranking of **high**, **medium** or **low**. The priority ranking represents the level of urgency attached to each finding and should be addressed as follows:

High	This matter should be addressed immediately
Medium	This matter should be addressed as soon as is practicable and, within the financial year
Low	This matter should be addressed

The number of findings in each category has been summarised below.

Priority	Number of Findings
High	75
Medium	10

### 3. Detailed findings

#### 3.1 Un-presented payment vouchers and recovery receipts

##### Finding

Section 26 (52) of the Financial Regulations stipulates that “*The Accountant General shall file the original and scanned copies of the payment vouchers and supporting documents in numerical order by month and year, for audit and other inspection purposes*”.

The following payment vouchers and recovery receipts were not presented for audit inspection:

- 32 Payment vouchers for 2015 amounting to D129, 234,937.50.
- Recoveries receipts amounting D317,428.60 and D16, 849,972.68 for 2014 and 2015 respectively.

Details of the payment vouchers and recovery receipts are attached as **appendix** at o this report.

##### Implication

It is doubtful that these payments are genuine. There is a risk that, the expenditure figures included in the financial statements were overstated.

There is a risk that the money purported to have been recovered was not actually recovered.

There is also a risk that the money was recovered but not paid back to the Consolidated Fund.

##### Priority

High

##### Recommendation

- a) The Accountant General’s Department should take all the necessary steps in ensuring that these payment vouchers and other documents are presented for inspection; and
- b) In future, all payment vouchers and other documents should be made available for audit inspection at the time of request.

## Management response

The Management letter findings state that payment vouchers for 2014 amounting to D129, 234,937.50 were not presented whereas the appendix is showing only 2015 payment vouchers not presented. Therefore, we worked based on the appendix as follows:

Twelve out of the thirty-two (12/32) un-presented payment vouchers amounting to D34, 867,974.63, have been seen.

Four out of the remaining twenty (4/20) vouchers amounting to D35,548,807.87 from Office of the President were not completed and an adjustment will be done in this regard in the revised financial statements. The remaining sixteen are being worked on.

As for the receipts, twelve out of nineteen (12/19) are seen and are available for review. The remaining seven are being worked on.

Appendix a Un- Presented Payment Vouchers							
NO	Description	No. Pv	Amount	Doc.Seen	Amount	Balance	Total Value
1	Payment Vouchers	32	129,234,937.50	12	34,867,974.63	20	94,366,962.87
2	Receipt	19	-16,849,972.68	12	-791,510.00	7	(16,058,462.68)
	<b>Total</b>	<b>51</b>		<b>24</b>		<b>27</b>	

## Auditor's Comment

- 1) The observation is noted; the sample we provided in respect of payment vouchers for 2014 were all submitted for inspection. All the un-presented payment vouchers in the report relate the financial year 2015.
- 2) Twenty three (23) payment vouchers amounting to D105,400,570.77 for 2015 and three (3) receipts amounting D170, 626.80for 2014 and eleven (11) receipts amounting D16, 084,912.68for 2015 still remained outstanding at the close of our audit.



## **3.2 Cash and Bank**

### **Finding**

#### **3.2.1 Non-performance of bank reconciliation**

### **Finding**

Section 31 (15) of the Financial Regulations states *“An officer who operates a government bank account shall, at least once in a month, reconcile his or her cash book with a bank statement”*.

We noted that no bank reconciliation was performed on all dormant foreign currency denominated bank accounts held at the Central Bank of The Gambia (CBG).

### **Implication**

Failure to prepare monthly bank reconciliation would make it difficult for timely detection of errors, fraud and other financial irregularities.

### **Priority**

High

### **Recommendation**

Bank reconciliation statement should be prepared on regular basis.

### **Management response**

**All the dormant bank accounts at CBG are monitored by reviewing the dormant accounts list sent by CBG. However, these accounts are being reviewed and where necessary, balances will be transferred to the CRF.**

### **Auditor's Comment**

No evidence of review was provided and balances in respect of dormant banks accounts held at CBG were not transferred to Consolidated Fund up to the time of finalising this management letter.

### 3.2.2 Difference between Note 15, Cashbook and GL Reports

#### Finding

During the audit, we noted differences between note 15 (cash and cash equivalents), Cash book balance and General ledger reports for 2014 and 2015. Details are provided in **appendix b**.

#### Implication

There is a risk that cash and cash equivalents in the financial statements for 2014 and 2015 were misstated.

#### Priority

High

#### Recommendation

We recommend that the above discrepancies be investigated and corrected.

#### Management response

**This issue has been investigated and was found to be as a result of system related issues. The differences will be adjusted as part of the revised Financial Statements.**

#### Auditor's Comment

- 1) The differences between the Cashbooks and General Ledgers for the Special Deposit bank account and Judiciary Special Deposit bank account for the period 2014 and 2015 were not revised.
- 2) Further investigation revealed that there was a reversal of entry of D 690,000,000 in the General Ledger that was not adjusted, therefore, the balance of D 4,141,478,657.60 reported in the General Ledger was inaccurate.
- 3) Consequently, the difference between the extended Trial Balance and the balance in the General Ledger now stands at D 773,395,929.75 and D 3,356,775,943.55 for the financial years 2014 and 2015 respectively.
- 4) As a result, the balance disclosed in the General Ledger for the respective financial years are not accurate. Details are provided in **appendix b**.

### 3.2.3 Dormant accounts

#### Finding

The financial statements show credit balances in some dormant foreign denominated bank accounts held at the Central Bank of The Gambia but we could not verify the bank balances because the bank statements were not available for verification and no cashbook was maintained.

In addition, these accounts were not closed and the balances transferred to the Consolidated Fund (CF) account. Details are shown below:

Account name	Note 15(cash & bank balances)
Dormant Special Project Bank A/C-GMD	5,063,000.00
Dormant Special Project Bank A/C-USD	22,691,000.00
Dormant Special Project Bank A/C-USD Tourism Levy	1,225,000.00
Dormant Special Project Bank A/C-Euro Tourism Levy	1,953,000.00
Dormant Special Project Bank A/C-GBP Tourism Levy	3,432,000.00

#### Implication

Funds are left idle when they could be put to economic use for the benefit of the country.

#### Priority

High

#### Recommendation

We recommend that all dormant accounts be closed and the balances transferred to the Consolidated Fund account; details of the closure and transfer should be provided to the NAO for verification.

#### Management response

**These accounts are being reviewed and where necessary, balances will be transferred to the CRF and the accounts closed.**

**This issue will be addressed as part of the revised financial statements.**

#### Auditor's Comment

The bank accounts were not closed and not adjusted in the revised financial statements up to time of finalizing this report.

### 3.2.4 Difference between exchange rate used by the Accountant General's Department and the CBG

#### Finding

We noted a difference between the rate used by Accountant General's Department and the closing exchange rate issued by the Central Bank of The Gambia. In addition, we performed translation of the balance of the Special Project (USD) account based on the closing exchange rate issued by the CBG and noted a difference with the amount disclosed in the financial statements. See table below.

Details	GMD(General Ledger)	Balances from Cash book	CBG Closing exchange rates	Translated amount (D)	Understatement
Special Project USD	142,416,437.75	\$34,486,844.94	45.03	1,552,942,627.65	1,410,526,189.90

#### Implication

There is a risk that government transactions included in the financial statements are misstated leading to distortion of account balances.

#### Priority

High

#### Recommendation

We request Accountant General's Department to adjust the translated figures disclosed in the financial statements.

#### Management response

**Foreign accounts translation will be done as part of the revised financial statements.**

#### Auditor's Comment

The difference was still outstanding and not adjusted in the revised financial statements.

### 3.2.5 Stale and overdue transactions

#### Finding

We noted differences on stale and overdue transactions un-cleared after auto reconciliation done. Details found in **appendix c.**

#### Implication

Financial statements may be misstated.

#### Priority

High

#### Recommendation

Stale and overdue transactions should be cleared from the accounts so as to avoid errors leading to misstatements in the financial statements.

#### Management response

**These transactions have been investigated to identify the issues raised and will be adjusted as part of the revised financial statements.**

#### Auditor's Comment

We noted that the following balances were not adjusted in the revised Financial Statement up to the time of finalising this report:

- Receipts in cash not in bank amounting to D 372,981.33 and D27,330,279.32 for the period 2014 and 2015 respectively;
- Receipts in bank not in cash D34,939.27 and D106, 862,087.53 for the period 2014 and 2015 respectively;
- Overdue payments not in cash (reconciling items) D 9,899,206.92 for 2014;
- Stale cheques of D 4,171,310.86 for 2015;
- Un-presented cheques of D 4,473,815.86 for 2015; and
- Payment in bank not in cashbook totalled D99,917,422.61 for 2015

### 3.2.6 Wrong balances used in the reconciliation

#### Finding

A review of the reconciliations revealed that the cash book and bank balance used by the Accountant General's Department in preparing bank reconciliations differs from the actual cash book and bank balances. Therefore, we could not rely on the accuracy of the bank reconciliations performed. Details shown below:

2014			
Account Name	Actual Bank statement balance	Bank balance used	Difference
	GMD	GMD	GMD
Treasury Bills	-47,463,784.19	16,800.00	-47,480,584.19
TMA	-367,396,625.71	-367,386,224.20	-10,401.51
Account Name	Actual cash book balance	Cash book balance on bank reconciliation	Difference
Special Deposit	237,340,435.14	236,920,831.53	419,603.61
Special Project GMD	393,951,794.17	389,976,117.96	3,975,676.21
TMA	4,303,966,962.03	4,303,543,459.72	423,502.31
2015			
Account Name	Actual Bank statement Bal:	Bank Balance used	Difference
Special Deposit	280,879,514.05	280,877,151.55	2,362.50
Treasury Bills	-2,459,141,801.26	-2,506,622,385.45	47,480,584.19

Account Name	Actual Cash Book Bal:	Cash Book Balance used	Difference
	GMD	GMD	GMD
Special Deposit	257,670,985.54	260,089,995.10	-2,419,009.56
Special Project	425,071,778.33	425,720,069.77	-648,291.44
TMA	3,434,445,426.83	3,983,380,721.87	-548,935,295.04

#### Implication

This implies that there may not have been any second stage review of bank reconciliations performed.

Inaccurate balances used in the reconciliation will increase the incidence of errors going undetected and discrepancies within government accounts.

## **Priority**

High

## **Recommendation**

- a) Proper reconciliation should be performed by the Accountant General's Department to establish the cause of the discrepancies; and
- b) Responsible officers at Accountant General's Department should review the bank reconciliation for 2014 and 2015 using the appropriate cash book and bank balances.

## **Management response**

The Treasury Bills account balance difference in 2014 was due to the closing balance in the 2013 bank statement not being migrated into TMS.

The TMA balance difference in 2014 was due to CBG not updating a particular transaction on the bank statement. Evidence of this is available for your review.

Differences in 2015 have been due to draft reconciliation report not picking the right cash balances. This issue has been logged with the supplier for a solution.

These will be adjusted as part of the revised Financial Statements.

## **Auditor's Comment**

- 1) Evidence of migration of 2013 treasury bills closing balance to 2014 was not provided.
- 2) Evidence of Treasury Main Account (TMA) update in 2014 was not provided.
- 3) Difference in 2015 reconciliation was not corrected.

### **3.2.7 Cancelled cheques**

#### **Finding**

Review of files containing cancelled cheques, revealed cheques cancelled without documentation attached to support the cancellation.

#### **Implication**

There is a risk that if care is not taken by relevant staff when processing payments, resources could be wasted with the increasing frequency of cancellation of cheques.

This wastage is avoidable.

#### **Priority**

Medium

#### **Recommendation**

- a) We recommend that all cancelled cheques be logged in a register to keep track of the cancellations; and
- b) We also recommend that the reason for cancellation of cheques be stated when cheques are cancelled.

#### **Management response**

**All cancelled cheques are now logged in a register, and sufficient reasons documented before cancelling any cheque.**

#### **Auditor's Comment**

No register was submitted to show the logging of cancelled cheques.



### **3.2.8 Misclassification/ Under-Stated Below-The-Line Receipts**

#### **Finding**

Review of cashbooks for Below-the-Line (BTL) projects revealed that payments were posted using the funds receiving code (192222) instead of the payment code.

As a result, total BTL receipts were under stated in the 2014 and 2015 Financial Statements by at least D 6,107,187.03 and D1, 355,303.70 for 2014 and 2015 respectively. Details are found in the **appendix d**.

#### **Implication**

Actual amount / funds received under BTL are therefore inaccurately disclosed in the financial statements.

This can be misleading for stakeholders relying on such information.

#### **Priority**

High

#### **Recommendation**

We recommend that:

- a) Explanation should be given by responsible staff at the Accountant General's Department as to why the wrong code was used; and
- b) Corrections should be made to rectify the above and details provided for our review.

#### **Management response**

**The issue has been resolved and users are trained on applying the correct procedures in order to avoid reoccurrence.**

#### **Auditor's Comment**

The issue remained unresolved up to the time of finalising this report.

### 3.2.9 Inactive Project Accounts

#### Finding

We noted that the under-listed BTL project accounts were active in 2014 but inactive throughout 2015.

We sought explanations from the relevant officers at Accountant General's Department in respect of the inactive period, but no reason was given. See details below.

<b>Dormant Project still Pending in the Basket Account</b>		
<b>Dormant Project Accounts</b>		<b>GMD</b>
<b>BE</b>	<b>Project #</b>	<b>Funds available</b>
01 / OP	0250	150,000.00
12 / Finance	0497	2,000,000.00

#### Implication

If the funds lie idle for a long time, there is a risk that they could be misappropriated.

#### Priority

High

#### Recommendation

- a) Investigation should be made by Accountant General Department as to why the above mentioned accounts remained inactive for a whole financial year; and
- b) If the Projects were closed, the Project accounts should also be closed and the balances transferred to the CRF.

#### Management response

**This issue is being investigated and necessary adjustments will be made in the revised financial statements.**

#### Auditor's Comment

We confirm the adjustments. However, we noted system error for a transaction with legal no 01CM000053 amounting to D150, 200.00 affecting project code 0250 that was automatically reversed leading to the cancellation of a valid transaction. This is indicative of system issues which need to be resolved with the supplier.

### 3.2.10 Exclusion of government funds in commercial banks

#### Finding

Cash Basis IPSAS require an entity to recognise all cash receipts, cash payments and cash balances under the entity's control. This has not been done in these financial statements.

During our audit, we identified Government accounts totalling D34, 468,028.87 and \$1,386.53 which were held in commercial banks as at 31 December 2014 and 31 December 2015 respectively that were not included in the financial statements of the Government. Details of the accounts are provided in **appendix e**.

#### Implication

The Government did not meet the provisions of the IPSAS Cash Basis financial reporting framework under which it claims to produce its financial statements.

The financial statements are not fully representing the total cash balances for 2014 and 2015.

Users relying on the financial statement may be misled.

#### Priority

High

#### Recommendation

We recommend that these balances are included in the financial statements of the Government to give a more accurate and complete picture of the financial performance and position of Government.

#### Management response

**Some of the stated accounts are opened by autonomous/self accounting institutions/projects (NARI, National Library services, PEGEP, GTTI, UTG etc.). Other Accounts in the list are being reviewed to determine their inclusion in the Financial Statements.**

#### Auditor's Comment

Other accounts that are not self-accounting projects amounting to D 24,149,177.55 and USD \$1,386.53 were not included in the revised Financial Statement. Details found in **Appendix e**.

### **3.2.11 Old Treasury Main Account (TMA) not closed**

#### **Finding**

At the inception of the IFMIS in 2007, the old TMA account was supposed to be closed with the cash balances transferred to the new Treasury Main Account. More than ten years has passed, and the old account is not closed.

The account has a closing balance of D885, 000 for the financial years 2014 and 2015.

The failure to close the account this long is suspicious as it poses a risk to the integrity of the account. Moreover, fraud was committed through this account in the past.

#### **Implication**

Fraud and other misappropriations could be perpetrated on the account if the account remains open.

#### **Priority**

High

#### **Recommendation**

We recommend that the account be closed with funds transferred to the new Treasury Main Account.

#### **Management response**

**This will be addressed as part of the revised financial statements.**

#### **Auditor's Comment**

Evidence of closure of old Treasury Main Account (TMA) and the transfer of its balance in the new TMA was not provided in the revised Financial Statement.

### 3.2.12 Cash allocation

#### Finding

Section 29 (6) of the Public Finance Act states *“any expenditure discovered at the end of the financial year to constitute excess expenditure shall require approval of the National Assembly and shall be included in the Supplementary Appropriation Bill”*.

Furthermore, section 30 (1) states *“The Minister may submit a revised budget to the National Assembly with any changes on revenues and expenditures that may be required, within the limit of the total appropriated amount of expenditures in any particular financial year”*.

Review of statement of detailed development and recurrent expenditures disclosed in the financial statements for 2014 and 2015 revealed revisions to the approved estimates.

However, we have not received any evidence of approval for such revisions.

In addition, we also noted that actual allocations received by budget entities included in the approved estimates and the supplementary budgets differ with actual cash allocations generated from the IFMIS. See **appendix f**.

#### Implication

There is a risk that cash is allocated to unplanned and unapproved activities.

#### Priority

High

#### Recommendation

- a) The request for National Assembly approval letter before revision of budget should be provided to the NAO so as to establish whether allocations for expenditures were in line with appropriate authority; and
- b) We request explanations for the variances between actual allocations from the approved budget estimates and actual cash allocations from the IFMIS for the period under review.

#### Management response

**This issue was looked into, and Management found out that in both 2014 and 2015, there were no cases of total cash allocations exceeding revised budget. It should be noted that total cash allocations need not equal revised budget.**

**Evidence of approval for revisions to the approved budget is available in the IFMIS System.**

**Auditor's Comment**

- 1) The virement report was subsequently provided and we noted that the differences in the approved and the cash allocation issued were as a result of virement across budget entities.
- 2) Evidence of approval regarding supplementary appropriations by National Assembly was provided for our review.

### 3.2.13 Omission of bank balances

#### Finding

We noted that the following bank accounts were disclosed in 2013 financial statements but omitted from the 2014 financial statements. No evidence of closure of these accounts was provided.

Account name	Balance as per 2013
Dormant Special Deposit Bank A/C-GBP	£3,219,000
Dormant Special Deposit Bank A/C-EURO	€15,846,000
Dormant Special Deposit Bank A/C-USD	\$731,000

#### Implication

There is a risk that cash balances in the financial statements for 2014 and 2015 were misstated.

#### Priority

Medium

#### Recommendation

We request explanation for the omission of these accounts from the financial statements.

#### Management response

**These accounts were all disclosed in the 2014 and 2015 Financial Statements under note 15. There is a slight change in the names as shown below.**

Account name 2013	Account name 2014
Dormant Special Deposit Bank A/C-GBP	Dormant Special Project Bank A/C-GBP Tourism Levy
Dormant Special Deposit Bank A/C-EURO	Dormant Special Project Bank A/C-EURO Tourism Levy
Dormant Special Deposit Bank A/C-USD	Dormant Special Project Bank A/C-USD Tourism Levy

#### Auditor's Comment

We have confirmed the above accounts are disclosed in the revised financial statements.

### 3.3 Opening balances

#### Finding

Review of closing balances of 2013 audited financial statement against the opening balance of the draft financial statement 2014 revealed an understatement of D2, 740,000 accounts payable.

We also noted that deposit accounts were over stated by D2, 740,000. The reasons for these differences were not explained.

See details below.

OPENING BALANCES CONFIRMATION			
DESCRIPTION	Closing Balance 2013	Opening Balance 2014	Difference
<b>Financial Liability</b>			
Accounts Payable	145,768,000	143,028,000	(2,740,000)
Deposits	264,616,000	267,356,000	2,740,000

#### Implication

The closing balances of the 2013 financial statements were not accurately disclosed as the opening balances for 2014 leading to distortion of financial information.

#### Priority

High

#### Recommendation

- a) The composition of above difference should be established and the evidence provided for our review; and
- b) Any corrections and changes should be appropriately accounted for and disclosed.

#### Management response

**This was a reclassification of accounts codes from Accounts Payables to Deposits resulting in the same amounts in the respective opening balances.**

#### Auditor's Comment

No evidence of reclassification of the above account code was provided to the team up to time of finalising this management letter.



### 3.4 Recasting of financial statements

#### Finding

We performed recasting of account balances in the 2014 and 2015 financial statements and noted a difference D74, 596,000 and D119, 863,000 respectively between figures of some account balances and their corresponding notes. Details are shown below.

#### 2014

Description	Rev.& Exp.Actual Current Year 2014 GMD'000'	Notes 7 re- casted	Difference GMD'000'
Compensation of Employees (note7)	2,592,223,000	2,592,223,000	74,596

#### 2015

Description	Rev. & Exp.Actual Current Year 2015 GMD'000'	Notes Current Year Actual 2015 GMD'000'	Difference GMD'000'
Compensation of Employees (note7)	2,514,849	2,533,115	-18,266
Use of Goods and Services (note8)	2,272,615	2,351,776	-79,161
Consumption of Fixed Assets (note 9)	614,769	637,205	-22,436
<b>Total</b>			<b>119,863</b>

#### Implication

There is a risk that the balances in the Financial Statement are misstated.

#### Priority

High

#### Recommendation

Accountant General's Department should correct the discrepancy in Note 7.

#### Management response

**The difference in note 7 for 2014 was corrected and evidence is available for your review.**

**These notes (7, 8 and 9) for 2015 compared to Revenue and Expenditure Report may not necessarily be the same as the Statement of Revenue and Expenditure excludes all BTL expenditures whereas all the notes include BTLs.**

**And these same notes are again compared to Statement of Consolidated Cash Receipts and Payments.**

**Auditor's Comment**

- 1) We noted difference of D20, 187,000 between actual expenditure on compensation of employees included in revised financial statement and Note 7 (compensation of employees) for the period 2014.
- 2) We also noted a difference of D 142,815 between actual expenditure of various expenditure line items included in the revised 2015 financial statements.

## 3.5 Deposits

### 3.5.1 Deposit account

#### Finding

Statement of deposits provides information on funds held on behalf of third parties and in Trust by the Government. These funds should have been transferred and paid to third parties once deductions are made. See table below for more details:

Statement of Deposits as at 31st December 2014& 2015	
Description	Balance as at 31st December 2014 & 2015 GMD'000
Asset Mgt Recovery Corporation	2,892
AU Vehicle Recovery	86
Family Allotment	270
Net Salary Suspense	34,420
Old Treasury Main Account Balance	885
Overpay Recovery	11,720
Overseas Allotment	830
Stale Cheques	18,128
Unclaimed Pension	2,625
Unclaimed Salary	40,897
Unclaimed Wages	80

In addition, we identified an unknown Deposit Account with a balance of D1, 385,000 in the TMA and sought explanation from officials at the Accountant General's Department. However, no one at the Accountant General's Department seems to have a know about this bank account.

#### Implication

There is a risk that the statements of deposits account balances were misstated. There is a high risk of fraud relating to this bank account. Withdrawals might have been made from this account for the personal benefit of Accountant General's Department officials.

#### Priority

High

#### Recommendation

We recommend that:

- a) The Accountant General's Department clear all transit accounts by transferring funds to beneficiaries' accounts (i.e. Family Allotment, Overseas Allotment etc.) periodically; and
- b) Explanation should be given by the Accountant General's Department regarding this unknown deposit account in the Treasury Main Account.

### **Management response**

**These third party deductions are normally paid upon request by the beneficiaries. Therefore, there will always be balances in these accounts hence their creation as a third party deposit account, so that their balances can rollover to the following years and payments made at any time there is a request by the beneficiaries.**

**This list will be reviewed by Management and necessary actions will be taken.**

### **3.5.2 Statement of Deposit closing account balances for 2014 differs from year 2015 opening account balances**

#### **Finding**

Comparison of year end closing balances for 2014 and the opening balances for 2015 showed differences in some account balances suggesting that the 2014 closing balances were not accurately brought forward. See **appendix g**.

#### **Implication**

There is a risk that the statement of deposits accounts balance was misstated.

#### **Priority**

Medium

#### **Recommendation**

The Accountant General's Department should make sure that the correct account balances are carried forward.

#### **Management response**

**This issue has been investigated and will be adjusted as part of the revised Financial Statements.**

#### **Auditor's Comment**

The balances are not adjusted in the revised financial statement and are therefore outstanding up to the time of finalizing this report.

### 3.6 Misuse of the contingency fund

#### Finding

Section 154 of the constitution states “An act of the National Assembly may make provision for the establishment of a Contingencies Fund and for authorising the President to make advances from that fund if he or she satisfied that there has arisen an unforeseen and urgent need for expenditure for which no other provision exists: Provided that the President shall not authorise any expenditure from the contingency fund in excess of one percent of the estimates approved by the National Assembly for the current year before he or she has caused a supplementary estimate in respect of such excess expenditure to be presented to the National Assembly”.

Discussions with staff at MoFEA and review of both the 2014 financial statements and Estimates of Revenue and Expenditure of government revealed that the contingency fund was not used for its intended purpose.

We also noted that the virements made from the contingency fund were not in accordance with the dictates of the Constitution. See table below for more details.

Re-allocation of Un-allocated Expenditure		D
01-01-000-1-3-001-0000-00000000-00-0000-000000-00-221301	Purchase of fuel and lubricants	5,000,000.00
10-00-000-2-3-001-0155-00000000-00-0000-000000-00-232147	Other Major Rehabilitation Works	3,500,000.00
12-01-000-1-3-001-0000-00000000-00-0000-000000-00-221202	Electricity ,Water & Sewage	131,500,000.00
12-01-000-1-3-001-0000-00000000-00-0000-000000-00-221606	Official Enter't.& Hotel Accommodation	1,500,000.00
16-03-000-1-3-001-0000-00000000-00-0000-000000-00-232230	Furniture and Fittings	350,000.00
24-01-000-1-3-001-0000-00000000-00-0000-000000-00-221201	Telecommunication Expenses	455,000.93
<b>Total Re-allocation of Un-allocated Expenditure</b>		<b>142,305,000.93</b>

#### Implication

This is a means of circumventing the budget approval process of the National Assembly.

There is a risk that the contingency fund is being misused.

#### Priority

High

## **Recommendation**

MoFEA should ensure that the contingency fund is used for its intended purpose as dictated by the constitution.

## **Management response**

The bulk of the virement (D131 500 000) was to do with payment owed to NAWEC by Government, and these were unexpected and deemed urgent. The other payments are noted and going forward management will make sure that only contingent payments are made from this account.

## **Auditor's Comment**

The payment of arrears cannot be deemed as unforeseen.

## **3.7 Financial instruments**

### **3.7.1 Inadequate information on the purchase of financial instruments**

#### **Finding**

We sought explanation on the nature, classification and description of purchase of financial instruments disclosed in the financial statements from the Accountant General's Department's and MoFEA. However, we did not receive sufficient explanation.

#### **Implication**

There is a risk of misclassification on the nature and description of purchases of financial instruments.

There is a risk that not all payments in respect of purchases of financial instruments are disclosed in the financial statement.

#### **Priority**

High

#### **Recommendation**

Explanations should be given as to why summary of payments under note 9b are classified as purchases of financial instruments.

#### **Management response**

**Purchase of financial Instruments (note 9b) consists of other equity participation (i.e. Government buying Equity Shares from other entities such as BSIC Bank). This is correctly classified under this note as equity shares are financial instrument.**

#### **Auditor's Comment**

We have confirmed that the purchase of financial instrument is now correctly classified in the revised Financial Statement and explanations were given.



### **3.7.2 Payment made from wrong vote**

#### **Finding**

Section 6 (g) of the Public Finance Act, 2014 states “*to charge all disbursements of the Government under the proper Head, Subhead and Item and Fund*”.

We noted that a payment of D815, 000.00 was made from a wrong vote (head 12 0156 282210) Other Equity Participation as opposed to Miscellaneous and other office expenses.

#### **Implication**

The balances disclosed in respect of purchases of financial Instruments (Other Equity Participation) are overstated in the financial statements.

This is indicative of internal control weaknesses in the process of releasing cash allocation and funds committed to different line items in the IFMIS.

#### **Priority**

Medium

#### **Recommendation**

We recommend a reclassification to the appropriate vote.

#### **Management response**

**The issue is noted and going forward management will make sure that all payments are made from the appropriate budget line.**

### **3.8 Contingent liabilities**

#### **3.8.1 Inaccurate disclosure of contingent liability**

##### **Finding**

We noted a wrong disclosure of the outstanding balance of contingent liability in respect of NAWEC-ING loan. The amount disclosed in the financial statements was stated in Euros (€8,939,150) and not translated into the functional currency.

##### **Implication**

The contingent liability figure disclosed in the financial statement may be misstated.

##### **Priority**

High

##### **Recommendation**

- a) Management should ensure that there is diligent and regular review of the figures disclosed in the financial statements; and
- b) The amounts should be converted to dalasi using the appropriate rate and accurately disclosed in the financial statements.

##### **Management response**

**This will be adjusted as part of the revised Financial Statements.**

##### **Auditor's Comment**

This inaccurate disclosure of the contingent liability was not adjusted in the revised financial statements.

### 3.8.2 Non-disclosure of contingent liability

#### Finding

During the audit we identified a contingent liability of D910, 496,790.00 in respect of loan between International Trade and Financing Cooperation (ITFC) and NAWEC in which MoFEA acted as guarantor. The contingent liability was not disclosed in the financial statements.

In addition, there are pending litigation cases amounting to at least D3, 626,806,291.00 against the Government of The Gambia that were not disclosed in the financial Statements. Details are shown below:

Date	Sectors	Legal Proceedings GMD	Loans GMD	Status
2015	Ministry of Energy (NAWEC-ITFC)		910, 496,790	
	Conapro Dena BMS Sal Vs Ministry of Petroleum (Republic of The Gambia) (\$32,087,625.00x39.33)	1,262,006,291		On-going
	Galia Holding Vs The Republic of the Gambia (\$30,000,000.00x39.33)	1,179,900,000		On-going
	Carnegie Minerals Vs The Republic of the Gambia (\$30,000,000.00x39.33)	1,179,900,000		On-going
	Kebba E.A. Touray, Yaya Marong and Dr. P.D. Wade, Dr.Isatou Bah, Sheikh Zayad Regional Eye Care Centre and the Attorney General	5,000,000		On-going
<b>Total</b>		<b>3,626,806,291</b>	<b>910, 496,790</b>	

#### Implication

The balance disclosed in respect of contingent liabilities may be misstated.

#### Priority

High

#### Recommendation

- Management should put in control measures to prevent re-occurrence of non-disclosure of items in the financial statements; and
- The above identified contingent liabilities should be disclosed in the revised financial statements for 2015.

### **Management response**

We have requested information on contingent liabilities from all Government departments; however we only received information regarding contingent liabilities from NAWEC which we have disclosed. The above list of contingent liabilities will be confirmed and adjusted as part of the revised.

### **Auditor's Comment**

The contingent liabilities were not disclosed in the revised financial statements.

## 3.9 Losses of public money

### 3.9.1 Suspected fraud cases

#### Finding

Our discussions with management and review of the fraud file revealed a number of fraud cases across Ministries and Departments during the period under review. See table below for more details.

Department	Nature of Fraud	D	Status
Ministry of Basic and Secondary Education	Payroll fraud by Accounts Officers using un-authorised access to IFMIS to make unauthorised amendments to payroll data.	Amount not quantified	<ul style="list-style-type: none"><li>• No evidence of criminal proceedings against suspects.</li><li>• No evidence of recoveries from suspects</li></ul>
Brikama Health Centre	Unaccounted Revenue	402,674.00	<ul style="list-style-type: none"><li>• No evidence of criminal proceedings against suspects.</li><li>• Outstanding balance of D323,215.50 not recovered.</li></ul>
Department of Forestry, Parks and Wildlife	Un-authorised transactions in a Project Account	Amount not quantified	<ul style="list-style-type: none"><li>• No evidence of criminal proceedings against suspects.</li><li>• No evidence of recoveries from suspects</li></ul>
Accountant General's Department	Fraud was on computer system at Treasury Unit	Amount not quantified	<ul style="list-style-type: none"><li>• No evidence of criminal proceedings against suspects</li></ul>
National Enterprise Development Initiative	-Unapproved loans to debtors -Issuing out loans to staff without approved loan scheme	Amount not quantified	<ul style="list-style-type: none"><li>• No evidence of criminal proceedings against suspects.</li><li>• No evidence of recoveries from suspects</li></ul>
AFPRC General Hospital-Farafenni	Unaccounted Revenue	75, 260.00	<ul style="list-style-type: none"><li>• No evidence of criminal proceedings against suspects.</li><li>• No evidence of recoveries from suspects</li></ul>

#### Implication

There is a risk that government will not recover these funds leading to loss of income.

This is indicative of poor internal control which if not addressed could result to re-occurrence in the future.

The amount disclosed under losses of public monies reported in the financial statements may not be complete.

### **Priority**

High

### **Recommendation**

- a) Management should ensure that the amounts are quantified and recovered from responsible officers;
- b) The true extent of the fraud should be established and outstanding amounts disclosed in the financial statements; and
- c) We request the Accountant General's Department to provide status on these suspected fraud cases.

### **Management response**

- For MoBSE, the total amount involved is D26, 023.35 and all of this was recovered. Evidence of recovery is available for your inspection.
- For Brikama Health Centre, the total amount involved is D402, 674. Out of this amount, D129, 000 was recovered and evidence of this is available.
- For Department of Forestry, the total amount of payment vouchers is D760, 000. Out of this, D482, 300 was recovered. Evidence of these is available for your inspection.

Journals amounting to D887, 445.30 involved were reversed and this evidence is available for your review. Note that journals are not actual payments.

All these issues were reported to the Police and evidence are available for your review.

Management is working on the remaining fraud cases.

### 3.9.2 No losses advisory committee

#### Finding

Section 39 (13) of the Financial Regulations (FR) states “*losses advisory committee shall meet at least once in each quarter to consider all loss reports emerging since its last meeting and advice on whether a loss should be written off or recovered from the person responsible for it*”<sup>1</sup>.

Discussions with officials at the Accountant General’s Department revealed that there was no Losses Advisory Committee for the period under review. As a result, the procedures dictated in the FR with regards to Losses of public monies were not followed.

The discussion further revealed that the current practice of double entry treatment with regards to losses of public monies is different from the actual accounting entries stated in the IFMIS Accounting Procedure Manual.

The losses recovered are paid back to the respective account(s) that the losses originated from. Details are shown below:

Journal Voucher	Accounts/GFS	Debit	Credit
<b>On receipt of report postings (Budget Entity)</b>			
Departmental Advances account	321802	Xxx	
Stock/cash/etc	3xxxxx		Xxx
<b>Recovery from the responsible officer posting (Budget Entity)</b>			
Stock/cash/etc	3xxxxx	Xxx	
Departmental Advances account	321802		Xxx
<b>Exercise of power of write off (Budget Entity)</b>			
Loss of Public Money	222127	Xxx	
Departmental Advances account	321802		Xxx

#### Implication

The dictates of the financial regulation are not adhered to by Accountant General’s Department.

There is a risk that the correct procedures are not observed with regards to the losses.

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<sup>1</sup>Financial Regulation 39(13)

**Priority**

High

**Recommendation**

The Permanent Secretary of the Ministry of Finance and Economic Affairs should ensure that a Losses Advisory Committee is established and fully functional in order to perform their duties in conformity with dictates of the Financial Regulations.

**Management response**

**A Losses Advisory Committee will be set up to address all reported losses.**



### **3.10 No risk management**

#### **Finding**

A risk assessment policy/procedure will help an organisation in identifying potential risks at an early stage, thus giving the management an opportunity to address such risks at the earliest possible time.

Review of documents and discussions with officials at the Accountant General's Department revealed that no documented risk management processes and procedures exist.

#### **Implication**

Without documented risk management processes and procedures in place, the Accountant General's Department would not be able to identify high risk areas in the internal controls and accounting system. Therefore, possible measures and action will not be implemented in order to prevent or detect fraud for example.

This indicates that there may be significant deficiencies in the internal controls and accounting system that may not be discovered internally by management.

#### **Priority**

High

#### **Recommendation**

Management should ensure that documented risk management processes and procedures are implemented.

#### **Management response**

**A risk matrix has been developed and awaiting validation.**

### **3.11 Budget Management**

#### **3.11.1 Untraced virement requests**

##### **Finding**

Examination of virement requests against the virement reports in the IFMIS revealed that the virements made to respective Ministries, Department and Agencies (MDA) could not be traced to the IFMIS virement reports. See details in **appendix h**.

##### **Implication**

There is a risk that the said virements were carried without prior approval.

##### **Priority**

High

##### **Recommendation**

MoFEA should ensure that all virement requests are approved and posted to the IFMIS.

##### **Management response**

**We have confirmed that all approved virements are posted on the IFMIS system. The virement request from Ministry of Petroleum was not approved and therefore not posted on the system. Evidence of this is available for your review.**

##### **Auditor's Comment**

We confirmed that virements were approved and posted in the system.

## **3.12 Weaknesses in Information Technology (IT) internal controls- CS-DRMS**

### **3.12.1 No IT strategic Plan**

#### **Finding**

An information technology (IT) strategic plan is a document that details the comprehensive technology-enabled business management processes an organization uses to guide operations. It serves as a guide to IT-related decision making, with IT tasks prioritised and implemented using the plan as a framework.

There is no IT strategic plan for CS-DRMS that directs the IT investment towards achieving organisational objectives.

#### **Implication**

In the absence of an IT Strategic Plan there is risk that decisions are not thought through.

The lack of an IT strategic plan could result to focussing on wrong IT priorities.

#### **Priority**

High

#### **Recommendation**

- a) The IT strategic plan should be in place to maximise the benefits. It also ensures that IT is aligned with the debt management policies; and
- b) Management should ensure that IT spending remains within the approved IT strategic plan.

#### **Management response**

**Management will work on developing an IT Strategic Plan that will guide all IT related activities.**

### **3.12.2 No IT maintenance schedule in place**

#### **Finding**

IT maintenance is required to ensure the continued performance & reliability of IT systems. Regular maintenance minimises the occurrence of disruption to service of vital operations in the CS-DRMS.

We noted that there was no documented maintenance schedule with regards to the CS-DRMS.

#### **Implication**

There could be unexpected disruption to service if maintenance is not performed regularly.

#### **Priority**

High

#### **Recommendation**

- a) Management should ensure that a maintenance schedule is in place and updated when required; and
- b) Management should also ensure that maintenance is performed in conformity with maintenance schedule.

#### **Management response**

**Management will work on developing a maintenance plan to ensure regular and coordinated maintenance schedule.**

### **3.12.3 No IT Security Policy**

#### **Finding**

An Information Technology (IT) Security Policy identifies the rules and procedures for all individuals accessing and using an organization's IT assets and resources. We noted that there was no approved IT Security Policy in respect of the operations of the CS-DRMS.

#### **Implication**

In the absence of an IT security policy, there is no clear direction to maintain information security across the organisation and to properly safeguard the organisations' assets.

#### **Priority**

High

#### **Recommendation**

Management should ensure that there is a formal IT security policy in place that is adequate and up to date to ensure data confidentiality, integrity and availability.

#### **Management response**

**Management will work on developing an IT Security Policy.**

### **3.12.4 Anti-virus software not updated**

#### **Finding**

Antivirus software is computer software is used to prevent, detect and remove malicious software.

We noted that anti-virus is installed in personal computers but not regularly updated.

#### **Implication**

There is a risk that IT service could be interrupted and data corruption could occur.

#### **Priority**

High

#### **Recommendation**

Management should ensure that anti-virus programs installed on all computers are regularly updated to avoid services being interrupted and data corrupted.

#### **Management response**

**The anti-virus software will be updated by management.**

### **3.12.5 No documented patch management plan in place**

#### **Finding**

Patch management is an area of systems management that involves acquiring, testing, and installing multiple patches (code changes) to an administered computer system.

Patch management tasks include: maintaining current knowledge of available patches, deciding what patches are appropriate for particular systems, ensuring that patches are installed properly, testing systems after installation, and documenting all associated procedures, such as specific configurations required.

We noted there was no documented patch management plan in place at the IT Department of MoFEA with regard to the CS-DMRS.

#### **Implication**

In the absence of patch management plan, the system software may not function properly.

There is a risk that patch management is performed without the approval from appropriate officials.

#### **Priority**

Medium

#### **Recommendation**

- a) Management should ensure that there is a documented patch management plan; and
- b) Patches to be performed should be approved by the appropriate officials.

#### **Management response**

**Management will look into providing formal technical training to the IT staff to enable them to carry out this task.**

### **3.12.6 No approved guideline on changes and upgrades**

#### **Finding**

We noted that there were no approved procedures or guidelines on how changes and upgrades to CS-DMRS are handled. When an upgrade is made to the system, there is no indication of changes made and the reason for the changes.

#### **Implication**

There is a risk that unauthorised changes are made to the system.

There is also a risk that changes are made without being properly assessed and tested.

There is also a risk that changes made do not address user requirements.

#### **Priority**

High

#### **Recommendation**

- a) Management should ensure that there are approved procedures and guidelines on how changes and upgrades to systems are to be handled; and
- b) Management should ensure that proposed changes are properly assessed and tested in order to address the user requirements.

#### **Management response**

**Management is working on developing procedures to address lack of guidelines on how changes and upgrades to CS-DMRS are resolved.**



### **3.12.7 No backup and retention strategy in place**

#### **Finding**

There is no approved backup and retention strategy in place with regards to CS-DMRS. Where backups are performed, they are not regular.

#### **Implication**

In absence of backup and retention strategy, there is a risk that the organisation may not be able to continue services if disaster occurs.

There is also a risk that backups are not stored at an offsite location. As a result, the organisation might not be able to recover from disasters.

#### **Priority**

High

#### **Recommendation**

- a) Management should ensure that approved backups and retention strategies are put in place and implemented to avoid discontinuance of service; and
- b) Management should also ensure that backups are stored in a secure offsite storage facility and not in personal hard drives.

#### **Management response**

**Management will work on developing a back-up and retention strategy.**

### **3.12.8 No documented user account management policy**

#### **Finding**

We noted that there are no formal documented and approved user account management standards and procedures maintained by MoFEA's IT Unit. As a result, we could not verify the compatibility of user access rights to the system and users' responsibility.

#### **Implication**

Without a user account management policy, users do not have any guidelines to follow in order to minimise risk of errors, fraud and the loss of data.

#### **Priority**

High

#### **Recommendation**

- a) Management should ensure that there are formally documented and approved user management standards and procedures in the organisation; and
- b) Management should put in place processes to review user access rights on the system and the rights should be in line with user responsibilities.

#### **Management response**

**Management will work on developing a user-account management policy.**

### **3.13 IT internal control weakness (IFMIS)**

#### **3.13.1 No IFMIS steering committee**

##### **Finding**

We requested the IT steering committee minutes but noted that no IT steering committee is in place.

##### **Implication**

Good IT governance which forms part of the organisational governance structure is not adhered to.

##### **Priority**

High

##### **Recommendation**

The Accountant General's Department should ensure that the IT steering committee is in place and fully functional.

##### **Management response**

**Management has already taken steps for the creation of IT steering Committee. The Terms of Reference (TOR) is being drafted.**

### **3.13.2 IT strategic plan not provided**

#### **Finding**

There is no IFMIS IT strategic plan in place.

#### **Implication**

The non-availability of an IT strategic plan could result in IT goals not contributing to the department's strategic objectives.

#### **Priority**

High

#### **Recommendation**

The Accountant General's Department should ensure that an approved IT strategic plan is in place.

#### **Management response**

**Accountant Generals' Department is working on developing an IT Strategic plan before the end of this year.**

### 3.13.3 IT Maintenance plan

#### **Finding**

We requested for the IT Maintenance plan but it was not provided, instead a draft IFMIS maintenance plan was provided.

#### **Implication**

There could be an unexpected disruption to service if regular maintenance is not carried out.

#### **Priority**

High

#### **Recommendation**

The Accountant General's Department should ensure that an approved and comprehensive IT Maintenance plan is in place and fully implemented.

#### **Management response**

**There is an approved and comprehensive IT maintenance Plan available for your review.**

#### **Auditor's Comment**

The IT maintenance plan was not provided for our review up to the time of finalising this management letter.

### 3.13.4 Environmental controls

#### **Finding**

Discussions with key IT personnel and observations revealed that only the fire extinguishers outside the server room in the IT office are functioning.

Fire alarms are not functioning and there were no thermometers and hygrometers in place.

#### **Implication**

Lack of adequate equipment to alert emergency situation could lead to disruption of services and fatal injuries.

#### **Priority**

High

#### **Recommendation**

The Accountant General's Department should ensure that all relevant equipment necessary for proper and sound environmental controls are working effectively.

#### **Management response**

**Environmental control equipment is part of the additional finance infrastructure upgrade.**

### 3.13.5 Logical access controls

#### **Finding**

Discussions with key IT personnel revealed that reviews were performed on the user access rights on the IFMIS but evidence was not provided to us up to the time of drafting the management letter.

#### **Implication**

Unauthorized users can access the system and carry out unauthorized transactions leading to fraud.

#### **Priority**

High

#### **Recommendation**

The IT unit should ensure that there is evidence of reviews on the user access rights on the system. These reviews should be documented and properly filed.

#### **Management response**

**Reviews are done at the AGD level and the evidence exists for your confirmation.**

#### **Auditor's Comment**

The evidence of review of the IFMIS users' access rights was not provided up to the time of finalising this report.

### **3.14 Chart of Accounts**

#### **Good financial reporting undermined**

##### **Finding**

The Chart of Accounts (CoA) change procedures are spelt out under the heading system change procedures in the Treasury Directorate's chart of accounts document.

It is required that whenever a change is done to the chart of accounts, the Accountant General must authorize all changes and the Auditor-General must concur with the change request.

Evidence of concurrence should be provided on the System Change Request. We found that there were no change request forms used, nor did the Accountant General or the Auditor General authorize any change requests.

There is a requirement to keep a register of updates. No such register was kept. Since the introduction of the chart of accounts in May 2006, the Accountant General's Department made a number of changes to the chart of accounts, without regard to the laid down procedures for such changes.

**Appendix I** to this report show a sample of changes done without following procedures and the resultant anomalies.

##### **Implication**

This shows weak supervision and control and it is indicative of a laid back approach to financial management by officials of the Accountant General's Department.

Financial reports produced by the system maybe unreliable for decision making.

If this serious failing is not addressed overtime, it could undermine the whole purpose of IFMIS which is for timely, sound and accurate financial reporting for informed decision making.

##### **Priority**

High

##### **Recommendation**

We recommend that the Accountant General carries out a comprehensive review of the chart of accounts, and follow all the stipulated change request procedures.



## Management response

There is no requirement on the system change procedures for Chart of Accounts to seek the concurrence of the Auditor General for changes to be effected.

According to section 3.4 Charts of Accounts maintenance of the accounting procedures manual, “maintenance of the master chart of accounts should rest with the Accountant General and request for changes should be submitted in writing to that Office. The GFS/Account Segment may only be altered after consultation with and the agreement of MoFEA budgeting unit.”

## Auditor’s Comment

- 1) It is clearly stated in the Chart of Accounts in the first paragraph under the ‘**Authority for Modification of the Chart of Accounts (COA)**’ and we quote;
- 2) “The Director of National Treasury (Accountant General) must authorise all changes and the Auditor-General must concur with the change request. Evidence of concurrence should be provided on the System Change Request.
- 3) We hope the Accountant General's Department did not unilaterally expunge this section from the COA.

### 3.15 Imprest

#### 3.15.1 Inappropriate filing of retirement of imprest

##### Finding

During our audit, we noted that retirements in respect of the under listed embassies were wrongly filed.

Date	Descriptions	retirement number	D	Remarks
03.08.2015	Imprest for Malaysia	010IM480	45,599.23	Wrongly filed in Bissau embassy
05/10/2015	Imprest for Malaysia	010IM 512	4,073,760.00	Wrongly filed in Bissau embassy file.
13.10.2015	Malaysia	010IM525	273,254.15	wrongly filed in Bissau embassy
23.04.2015	Malaysia	010IM419	203,500.96	Wrongly filed in Bissau embassy file.
09.06.2015	Malaysia	010IM454	90,332.63	wrongly filed in Bissau embassy
17.02.2015	Malaysia	010IM000378	11,032.02	Wrongly filed in Bissau embassy file.
11.02.2015	Malaysia	010IM000369	523,552.94	wrongly filed in Bissau embassy
23.04.2015	Malaysia	010IM419	304,577.74	Wrongly filed in Bissau embassy file.
17.02.2015	Malaysia	010IM000378	8,231.37	wrongly filed in Bissau embassy
23.04.2015	Malaysia	010IM419	9,835.19	Wrongly filed in Bissau embassy file.
03.08.2015	Malaysia	010IM480	123,862.24	wrongly filed in Bissau embassy
09.06.2015	Malaysia	010IM454	909,667.37	Wrongly filed in Bissau embassy file.
21.07.2015	Nouakchott, Mauritania	010IM466	114,366.00	Wrongly file in Washington file
08.10.2015	Nouakchott, Mauritania	010IM515	65,756.86	Wrongly filed in Brussels' file
<b>Total</b>			<b>6,757,328.70</b>	

**Implication**

This is indicative of inadequate supervision of work done by junior staff.  
If retirements are not filed in their respective files, this could cause significant delays in the audit process.

**Priority**

High

**Recommendation**

Imprest retirements in respect of embassies should be properly filed by relevant officials and should be reviewed by senior officials.

**Management response**

**Accountant General's department will review its filing system and make amendments where necessary.**

### 3.15.2 Partly retired imprest

#### Finding

Section 28 (11) of the Financial Regulations states, “*An imprest shall be retired on or before the last day of the financial year or on such earlier date as specified by the Permanent Secretary, when authorizing the imprest*”.

Section 28 (13) of the Financial Regulations states, “*If an imprest holder fails to retire the imprest one month after the due date, the Permanent Secretary may levy a surcharge on the imprest holder equivalent to the amount outstanding on the imprest*”.

A review of the imprest retirement report from IFMIS and recasting of manual receipts revealed instances where imprest issued to embassies and or government officials were not fully retired on or before the due date as stipulated in the financial regulations.

#### Implication

This is a breach of financial regulations and undermines the accountability of public funds.

In the absence of relevant supporting documents, we could not determine whether the imprest was fully retired.

#### Priority

High

#### Recommendation

The Accountant General’s Department should provide the required retirement receipts for our examination.

#### Management response

**Management is currently looking into this issue and necessary action will be taken to ensure full retirement.**

#### Auditor’s Comment

There is an outstanding imprest of D9, 991,392.79 and D 2,116,868.66 for 2014 and 2015 respectively. Details are provided in **appendix j**.

### 3.15.3 Un-presented imprest files

#### Finding

Section 26 (52) of the Financial Regulations states “*The Accountant General shall file the original and scanned copies of the payment vouchers and supporting documents in numerical order by month and year, for audit and other inspection purposes*”.

We noted that retirement files for the following embassies totalling D58, 612,448.02 were not presented for verification.

Name of the embassy	Description	Period	Imprest issued D	Remarks
India	Imprest retirements file	2014	13,295,927.53	File not presented
Paris	Imprest retirements file	2014	16,232,865.65	File not presented
<b>Sub-Total</b>			<b>29,528,793.18</b>	
Rabat, Morocco	Imprest retirement/receipts	2015	9,050,000.00	File not presented
Istanbul, Turkey	Imprest retirements file	2015	10,976,950.00	File not presented
Abu Dhabi, UAE	Imprest retirements file	Jan-May 2015	2,674,597.00	Files for the 5 months before closure
Pretoria, South Africa	Imprest retirements file	Aug-Dec 2015	6,382,107.84	No retirement found
<b>Total</b>			<b>58,612,448.02</b>	

#### Implication

In the absence of the relevant files, we could not ascertain whether the imprest issued to the above mentioned embassies were retired or not.

Documentation not submitted for audit cast doubts over the authenticity of payments made.

#### Priority

High

#### Recommendation

- Effort should be made to retrieve these files and submit them for audit; and
- In future, all documents should be submitted at the time of request.

## Management response

Retirement files for Paris 2014 and Pretoria 2015 have been retrieved and are available for your inspection.

Management is working on retrieving the remaining files for your inspection.

## Auditor's Comment

Imprest files for India, Morocco, Turkey and UAE remained outstanding at the close of our audit. See the table below for details.

Name of the embassy	Description	Period	Imprest issued D	Remarks
India	Imprest retirements file	2014	13,295,927.53	File not presented
<b>Sub-Total</b>			<b>13,295,927.53</b>	
Rabat, Morocco	Imprest retirement/ receipts	2015	9,050,000.00	File not presented
Istanbul, Turkey	Imprest retirements file	2015	10,976,950.00	File not presented
Abu Dhabi, UAE	Imprest retirements file	Jan-May 2015	2,674,597.00	Files for the 5 months before closure
<b>Total</b>			<b>22,701,547.00</b>	

### 3.15.4 Unretired Imprest

#### Finding

Section 28 (11) of the Financial Regulations states, *“An imprest shall be retired on or before the last day of the financial year or on such earlier date as specified by the Permanent Secretary, when authorizing the imprest”*.

Section 28 (13) of the Financial Regulations states, *“If an imprest holder fails to retire the imprest one month after the due date, the Permanent Secretary may levy a surcharge on the imprest holder equivalent to the amount outstanding on the imprest”*.

A review of the detailed imprest report for the period under review revealed outstanding imprest totalling D9, 457,900.00 that remained un-retired up to the time of writing this report.

In addition, review of cash allocation/virements file at MoFEA further revealed imprest amounting to D2, 150,000.00 issued to government officials which were only partly retired. Details are provided in **appendix k**.

#### Implication

There is a risk that officials might be using imprest due for retirement as unauthorised loans to themselves which could affect the cash flow position of Government.

The above financial regulation is breached.

#### Priority

High

#### Recommendation

- a) We request management to follow up on outstanding imprest holders to provide receipts and other supporting documents as evidence of retirement; and
- b) In the absence of supporting documents, efforts should be made to recover the outstanding imprest through a surcharge.

#### Management response

**Twenty-one out of forty-one (21/41) imprests listed as unretired were actually retired manually due to issues with system retirement. Evidence of these are available with us for your inspection.**

Management has written to all outstanding imprest holders for them to retire latest August 31<sup>st</sup> 2017, failure of which MOFEA will instruct the Accountant General to deduct the imprest outstanding from their salaries.

#### **Auditor's Comment**

An imprest of D8, 758,900.00 is still outstanding up to the close of the audit. Details are provided in **appendix k**.



## 3.16 Public debt

### 3.16.1 Un-presented payment vouchers

#### Finding

Section 26 (52) of the Financial Regulations states “*The Accountant General shall file the original and scanned copies of the payment vouchers and supporting documents in numerical order by month and year, for audit and other inspection purposes*”.

We noted that 20 payment vouchers in respect of amortizations amounting to D65, 344,039.75 for the period 2014, and 14 payment vouchers amounting to D45, 327,611.59 for 2015 were not presented for our examination. Details of the payment vouchers are provided in **appendix I**.

#### Implication

It is doubtful that the payments are genuine. There is a risk that expenditure figures included in the financial statements were overstated.

#### Priority

High

#### Recommendation

- a) Necessary steps should be taken to provide the payment vouchers with their supporting documents for audit inspection; and
- b) The dictates of the Financial Regulations should be adhered at all times.

#### Management response

**All the listed payments vouchers with their supporting documents in appendix I are available for your review. These payment vouchers were not provided during the Audit process because we did not receive any request to provide them.**

#### Auditor's Comment

Payment voucher amounting to D3, 147,554.16 for 2015 in respect of loan repayments remained outstanding at the close of our audit. See details in **Appendix I**.

### 3.16.2 Lack of monitoring and coordination by MoFEA

#### Finding

Section 3 (c) of the Public Finance Act states *“the Ministry shall coordinate the Management of external grants and debts”*.

Section 50 of the Public Finance Act states, *“Ministry shall keep timely, comprehensive and accurate records of outstanding state debts, derivatives transactions, guarantees, lending and finance lease arrangements of the state in an appropriate database”*.

We noted that there were grants totalling D335, 832,969.96 disbursed directly to the sectors, for which MoFEA has no records.

As a result, the Ministry could not perform regular reconciliation of grants received and disbursed to the individual sectors. Details are shown below:

Row ID	Grants Received	D
6	Project/Trust Fund/Grant	150,076,715.47
17	Support to Implementation The Gambia-EU Cooperation(gov. and econ comp)	63,093,850.00
21	Kuwait Fund for ARAB Economic Development	52,101,426.20
32	Emergency Agricultural Support to Vulnerable households in Cabo Verde, The Gambia Guinea Bissau & Senegal	17,000,000.00
33	Small Producers, Particularly Women, Youths and Utilize Productive resources Market though Value addition	16,200,000.00
35	Formulated & Adopted	12,645,000.00
39	Support for National Horticulture Sector Master plan	10,503,685.77
42	Environmental Sustainability	6,865,146.00
46	The Gambia: Achieving Sustainable Cowpea Production Through Training Women Farmers	5,614,529.13
53	Build on Resilience of Smallholder farmers through Cassava production	815,946.45
55	Livelihoods affected household	734,282.91
56	Comprehensive Assessment and Development of a Project Proposal for the strengthening of the National plan	182,388.03
<b>Total</b>		<b>335,832,969.96</b>

#### Implication

There is a risk that no reconciliation is performed between MoFEA and sectors in respect of the grants disbursed to individual projects on a regular basis.

There is a risk that grant disbursements are not in conformity with the project activity plans and therefore the disbursements might be diverted to unplanned activities.

These are indicative of internal control weaknesses and could result to significant losses of public funds.

**Priority**

High

**Recommendation**

- a) Reconciliation should be performed in respect of grants disbursed to individual projects on a regular basis; and
- b) In future MoFEA should ensure that measures are put in place to capture all the grants disbursed to individual projects for reference and reconciliation purposes.

**Management response**

**We acknowledge that there were grants disbursed directly to the sectors that MoFEA has no records of.**

**MoFEA will continue to engage the sectors to get complete report on grants inflow.**

### 3.16.3 Minutes on negotiation for contracted loans not available

#### Finding

We noted that loan negotiations are done by a team composed of representatives from MoFEA, the Attorney General's Chambers and the Beneficiary Institution. However, the Minutes of these negotiations are not presented for review. Therefore, the audit team could not ascertain whether representatives from relevant institutions were involved in the negotiation process of the loan agreements. Details are shown below:

No	GoTG loans/ Projects 2014 & 2015 Sample selected	GMD'000
1	2656 Banjul International Airport Improvement Project PH II-OPEC	0
2	JPY- Basic Education Project (Education 111) ADF	173,854
3	USD-Natural Resources Dev.& Managt. PJ.(OMVG)	10,615
4	2436 The Bilingual Education Support Project-IDB	37,104
5	2437 Leasing Brikama II Power Project-IDB	0
6	IDB- Development of The University of the Gambia	15,957
7	2425 PROVISION OF 100 WATER POINT IN FOUR DIVISION-IDB	219,605
8	Commercial Agriculture and Value Chain Management projects	8,511
9	2405 Farafenni High School Project IDB.	0
10	KF-University of the Gambia	15,235
11	2610 Libya Restructuring of Outstanding Loans	106,314
12	The University of The Gambia Project -Saudi Fund	5,828
13	2705 Upgrading Electricity Network in Greater Banjul –IDB	948,930
14	2409 NEW - PARTICIPATORY HEALTH & NUTRITION PROJECT-IDA	0
15	2411 SerrekundaMandina Ba Road Project IDB IDBSerreMand Rd	0
16	2437 Leasing Brikama II Power Project-IDB	0
<b>Total</b>		<b>1,541,953</b>

#### Implication

There is a risk that negotiations are not done with regard to the above mentioned projects.

There is a risk that contract terms and conditions were not reviewed before the loan is signed and as a result the loans might not be favourable to government.

New team members and officials will not have a reference point for future negotiations.

**Priority**

High

**Recommendation**

- a) The negotiation minutes should be provided for review; and
- b) Management should ensure that all negotiation minutes are filed for future reference.

**Management response**

With effect from 2017, MoFEA DLDM would be filing minutes of loan negotiations. However, previous minutes of loan negotiations exist but they were never filed at the level of DLDM MoFEA.

### 3.16.4 Un-presented loan agreements

#### Finding

Section 6 of the Financial Regulations states, “a public officer shall produce records of transactions for inspection or audit purposes when call upon to do so by the Accountant General, Auditor General or Director General Internal Audit”.

We noted that two (2) financing agreements were not provided for review. As a result, we could not ascertain the accuracy and completeness of the loan balance disclosed in the financial statements for the period 2014 and 2015. Details are shown below:

<b>GoTG Project Loans</b>	<b>D</b>
2610 Libya Restructuring of Outstanding Loans	106,314
2409 NEW - PARTICIPATORY HEALTH & NUTRITION PROJECT-IDA	0

#### Implication

In the absence of the financing agreement it is doubtful as to whether the loan contracts mentioned above are genuine.

The above mentioned Financial Regulation (FR) has been breached.

#### Priority

High

#### Recommendation

- a) The financing agreement should be provided for review;
- b) Management should ensure that financing agreements are filed for future references; and
- c) The dictates of the Financial Regulations should be adhered at all time.

#### Management response

**The Libya Restructuring of Outstanding Loans is not a new financing agreement but rather the repayment schedule was restructured, evidence is available for review.**

**Management will provide the financing agreement of NEW - PARTICIPATORY HEALTH & NUTRITION PROJECT-IDA to the auditors for review.**

#### Auditor's Comment

The loan agreements were submitted and reviewed.

### 3.16.4 Lease agreement the 20MW Brikama II Power

#### Finding

Section 49 (2) of the Public Finance Act states *“prior to entering into a finance lease agreement, the Ministry shall assess the cost of the state in entering into such agreement, which shall include a comparison with other available financing options, and the method use in the assessment and available financing options shall in written form be sent to the Minister”*.

We noted that there was a finance lease agreement between Government of the Gambia and Islamic Development Bank (IDB) in respect of Brikama II Power Project which was approved and signed in June 2011.

However, the relevant assessment on the cost of entering into this agreement which includes a comparison with other financing options was not provided for review.

#### Implication

In the absence of the assessment report it will be difficult to determine the assessment method used which includes comparison for other available financing options before contracting the loan on finance lease agreement.

The above mentioned Public Finance Act has been breached.

#### Priority

High

#### Recommendation

- a) The assessment report should be provided for review; and
- b) The dictates of the Public Finance Act should be adhered at all times.

#### Management response

**The Public Finance Act was passed in 2014 whereas this agreement was reached in 2011. As a result, this concern is not applicable to the above agreement and therefore, the relevant section of the Act has not been breached.**

#### Auditor's Comment

There was no evidence that other financing options were assessed to determine the best agreement for the state before entering into a leasing agreement.

### **3.16.5 Borrowings between Government and State Owned Enterprises not disclosed**

#### **Finding**

Review of 2014 and 2015 Financial Statements revealed that Government has entered into loan agreements with some State Own Enterprises (SOEs).

These loans were not disclosed in the financial statements.

The loan agreements were not provided. As a result, we could not determine the repayment terms of the agreements. See details in **appendix m(i) and m(ii)**.

#### **Implication**

There is a risk that disclosures of Government On-lending to SOEs are not accurate or complete, leading to misstatement of the financial statements.

#### **Priority**

High

#### **Recommendation**

- a) We recommend that adjustments be made in the financial statements to disclose all on-lending to SOEs; and
- b) Disclosures of principal repayments and outstanding loan balances of on-lent loans to SOEs should be fully disclosed in the financial statements.

#### **Management response**

**The necessary documentations regarding on-lending agreements are available for audit review.**

#### **Auditor's Comment**

The on-lending between government and state own enterprises were not disclosed in the revised Financial Statements.



### 3.16.6 Differences in account balances

#### Finding

A review of the financial statements revealed significant differences between the amount disclosed in the summary of statement of external assistance, grant received and the details of grants disclosed in the statement of revenue and expenditure. Details are shown in the table below:

<b>Variances in the account balance in respect of grant or external assistance received for period 2014</b>			
<b>2014 financial statement</b>			
Amount in Statement of revenue & Exp. (D)	Amount in statement of external assistance (D)	Amount under note 5 (Grant Received) (D)	Differences(D)
292,740,000.00	3,345,250,425.23	292,740,000.00	3,052,510,425.23

#### Implication

There is a risk that the grant amount disclosed in the statement of revenue and expenditure and the notes to the financial statement (note5) are misstated.

This is indicative of weaknesses in the internal control.

#### Priority

High

#### Recommendation

- Reason for the differences should be explained and the figures adjusted accordingly; and
- Management should ensure that proper and regular reviews are performed before final disclosure of information is made in the financial statements.

#### Management response

**This will be adjusted as part of the revised. The amounts disclosed were for HIP.**

#### Auditor's Comment

We noted a difference of D4, 469,995,616.53 between the statement of external assistance disclosed in the financial statement and Note 5 (Grant received).

### 3.16.7 Understatement of outstanding external debts

#### Finding

We noted that a difference of D3, 209,146,000.07 between the disbursed outstanding debt balances generated from the CS-DRMS (Commonwealth Secretariat – Debt Recording and Management System) and the financial statements in respect of outstanding external debt balances.

Details are shown below:

Date	CS-DMRS Balance (disbursed outstanding debt balance) D	Financial Statement Balance (statement of public debt) D	Differences D
2014	20,009,106,000.70	19,670,010,000.00	339,096,000.70
2015	18,338,505,000.60	15,468,455,000.60	2,870,050,000.00
<b>Total</b>			<b>3,209,146,000.07</b>

#### Implication

There is risk that the figures reported in the financial statement are misstated.

This is indicative of internal control weaknesses in the process of reporting and disclosing actual information in the financial statement.

#### Priority

High

#### Recommendation

- Management should put in place controls to prevent reoccurrence of non-disclosure of items in the financial statements; and
- Management should ensure that there is proper and regular review of the figures disclosed in the financial statements.

#### Management response

Normally these figures may keep changing on the basis of constant update of the CS-DRMS with debt flows (i.e. disbursements and principal repayments). Management will ensure that regular review of the figures and updates are done on time.

Management will adjust these differences in the revised financial statements.

#### Auditor's Comment

These understated balances were not adjusted in 2014 and 2015 revised Financial Statements.

### 3.16.8 Debt sustainability

#### Finding

Our audit of public debt revealed worrying trends with regards to debt sustainability for the Government of The Gambia. The table below presents the debt sustainability analysis using the Commonwealth Secretariat criteria.

Bench Mark ratios (COMSEC)	Year end	GDP Ratio(%)	Bench mark(%)	Difference (%)
<b>Overall Budget Deficit including grants</b>				
		<b>GMD (billions)</b>		
Fiscal deficit should not be more than 3% of GDP	2014	12.00	3	9.00
	2015	9.00	3	6.00
<b>Public Debt Service</b>				
Public domestic debt should not be consistently higher than 200% of domestically generated Govt. Revenue.	2014	300.60	200	100.60
	2015	274.50	200	74.50

#### Implication

There is risk that Government may face difficulties in obtaining loans from prospective creditors.

There is risk that in future debt repayments would be difficult as the rate of increase in public debt surpasses the rate of increase in revenue given the current trends.

There is a risk that future loans to the government of the Gambia will attract higher than normal interest rates, because creditors may factor in the Gambia's poor fiscal record.

#### Priority

High

#### Recommendation

We recommend government to exercise strong fiscal discipline by significantly reducing domestic debt; this will help in addressing high cost and risk attached to repayment of interest from Government revenue.

#### Management response

**Management is aware of the debt sustainability concerns and is taking all appropriate measures to address them. Some of these measures include the**

need to introduce government bonds before the end of 2017, the amendment of the 2017 Appropriation Act leading to the reduction of the budget by D475 million, the conversion of Central Bank claims on Government into a long term bond.

### 3.16.9 Interface between CS-DMRS and IFMIS

#### Finding

Section 6 of the Financial Regulation, *“a public officer shall produce records of transactions for inspection or audit purposes when call upon to do so by the Accountant General, Auditor General or Director General Internal Audit”*.

Discussion with the Officials at Debt Management Unit MoFEA and discussions with officials at Accountant General’s Department revealed that the IFMIS phase 2 project outlined the integration of the Commonwealth Secretariat –Debt Recording and Management System (CS-DRMS) with the IFMIS. However, integration was discontinued three months (January to March 2014) after it was integrated.

No documentary proof or explanation was provided for the discontinuance of the integration of the two systems.

#### Implication

There is a risk that a feasibility study was not carried out before the attempted integration of the two systems.

There is a potential loss of government funds for a service that was not fully utilised.

There is a risk that the entire programming of the integration was not documented.

#### Priority

Medium

#### Recommendation

- a) Management should ensure that there is adequate documentation for any such activities; and
- b) The dictates of Financial Regulations and Public Finance Act should be adhered to at all times.

#### Management response

**Initially, there was data compatibility issue between CS-DRMS and Epicor which was sorted long ago. Recently, CS-DRMS Data Management tool that manages the interface between CS-DRMS and Epicor stopped working. As a result, a consultant whose ToR has been developed, was contacted to work on it.**

GoTG is currently exploring the possibility of being provided with the updated version of CS-DRMS once The Gambia is re-admitted into the Commonwealth of Nations.

We could recalled that an explanation was provided to the auditors which was not reflected in their report, however the discontinuation of the interface was purely technical. The Consultant was consulted for assistance but his advice was we have to upgrade the system. Effort was made to engage his service but it get stalled because the CS-DRMS need to be upgrade to a new version.

## **3.17 Payroll**

### **3.17.1 No review of salary inputs forms**

#### **Finding**

During our audit we noted that there was no evidence of review of salary input forms by relevant designated officials at the Accountant General's Department.

The monthly salary forms from various Ministries, Departments and Agencies (MDAs) are not authorized by the Accountant General's Department staff to show prove that they have been reviewed before inputting.

#### **Implication**

There is a risk that errors in employee details might not be detected leading to the processing of inaccurate payroll information.

There is a risk that input forms from MDAs could be processed without adequate supporting documents.

#### **Priority**

Medium

#### **Recommendation**

- a) A review of the input form should always be carried out before inputting into the system; and
- b) The forms should be authorized by responsible officers.

#### **Management response**

**All Salary input forms are reviewed by the Payroll supervisor before submission to Accounts clerk for inputting. However, as part of improving on the evidence of review, payroll supervisor will henceforth append a signature on input forms after review.**

### 3.17.2 Over payment of teaching allowances drawback

#### Finding

We noted that D3, 090,329.41 was overpaid in respect of teaching allowances drawback to some staff of the Ministry of Basic and Secondary Education.

These overpayments related to the drawback paid to some teachers for the period March 2015 to December 2015. Details are found in **appendix n**.

#### Implication

This is a potential loss to government.

This is indicative of weak internal controls, manifested through poor supervision by senior officers.

#### Priority

High

#### Recommendation

- a) Management should investigate into this discrepancy and results furnished to this office for confirmation; and
- b) In the event that they are actually paid, efforts should be made to recover the amounts from the officers' concerned.

#### Management response

**All overpayments of this allowance were recovered in the subsequent periods and evidence of recovery is available.**

#### Auditor's Comment

We confirmed from the payroll system that overpayment of allowances were all recovered from affected employees except one with an outstanding balance of D79, 201.00. Details shown in **appendix n**.



### **3.17.3 Personnel Management Information System not integrated with NAS-DNA**

#### **Finding**

Discussions with officials revealed that Personnel Management Information System (PMIS) held by Personnel Management Office is not integrated with NAS-DNA at Accountant General's Department.

As a result, appointments, promotions and contracts may not be captured by the NAS-DNA on a timely basis leading to inaccurate payroll information.

During the audit exercise, we requested for the reconciliation report between these two systems but none was provided up to time of drafting this management letter.

There is no evidence of reconciliation between the Personnel Management Information System and the NAS-DNA.

#### **Implication**

In the absence of reconciliation, inaccurate payroll information might be generated and processed.

There is a risk that total number of employees and their employment status in Personnel Management information system may differ from the one in the IFMIS.

#### **Priority**

High

#### **Recommendation**

- a) Efforts should be made to integrate Personnel Management Information System with NAS-DNA; and
- b) Reconciliation of PMIS and IFMIS should always be performed in order to update personnel data.

#### **Management response**

**A Human Resource Module is being procured as part of IFMIS Additional Financing to address this issue.**

### 3.17.4 Contract employees

#### **Finding**

We noted that there are employees whose contracts ended but their status remained active in the system.

These employees should have been deactivated automatically on the expiry of their contract.

#### **Implication**

There is a risk that the system will continue to recognise these employees and they may continue to receive salaries.

#### **Priority**

High

#### **Recommendation**

Efforts should be made to ensure that all contract employees cease to be recognised once their period of contract ends.

#### **Management response**

**All affected employees have had their contracts renewed and evidence of this is available.**

#### **Auditor's Comment**

No documentations were provided in respect of contracted employees up to time of finalising this report.

### 3.17.5 Staff not verified

#### **Finding**

During staff verification, we were unable to verify some employees. These employees did not turn up for the verification exercise up to time of writing this report. Details are shown in **appendix o**.

#### **Implication**

There is a risk that these employees are ghost workers.

There is also a risk that government is paying staff that do not exist leading to financial loss.

#### **Priority**

High

#### **Recommendation**

We recommend that staff should be available for verification.

#### **Management response**

**This was as a result of staff being transferred from one department/ministry to another. However, the records were not updated in the system.**

**The issue has now been addressed and evidence is available.**

#### **Auditor's Comment**

The issue remained unresolved up to time of finalising this management letter.

### 3.17.6 Employees' profile not up-to-date

#### **Finding**

We noted that there are employees whose designations or job titles are not up to date in the system. Some of the staff's current job titles are not shown in the payroll. Details can be found in **appendix p**

#### **Implication**

There is a risk that those employees will not be easily identified by designation.

There is risk that those employees may be under or over paid because of their unknown designations.

#### **Priority**

High

#### **Recommendation**

We recommend that effort be made to enter and update the positions of all employees.

#### **Management response**

**This issue has been addressed and evidence is available for your review.**

#### **Auditor's Comment**

We have confirmed from the payroll system that affected employees' profiles have now been updated.

### 3.17.7 Unchanged pay point

#### **Finding**

We noted that there are employees who were transferred to other Ministries and their pay points remained unchanged in the system. These employees are still being paid from their former Ministries. Details show in **appendix q**.

#### **Implication**

There is a risk that these employees might not be easily identified by location.

There is a risk that the payroll list of the affected Ministries will not be up to date.

There is a risk that the affected Ministries will have a budget deficit due to unbudgeted expenditure.

#### **Priority**

Medium

#### **Recommendation**

Efforts should be made to update the pay points of all employees.

#### **Management response**

**This issue has been addressed evidence of this is available for your review.**

#### **Auditor's Comment**

We have confirmed from the payroll system that the affected employees pay points have now been updated.

### 3.18 One-by-Six (1X6) advances

#### 3.18.1 Un-presented 1x6 loan advance payment vouchers

##### Finding

Section 26 (52) of the Financial Regulations states “*The Accountant General shall file the original and scanned copies of the payment vouchers and supporting documents in numerical order by month and year, for audit and other inspection purposes*”.

295 payment vouchers amounting D 13,856,357,486.29 and 190 payment vouchers amounting D11, 230,185,592.34 for 2014 and 2015 respectively were not presented for audit. Details are shown in the **appendix r**.

##### Implication

Payment vouchers not presented for audit verification will cast doubt on whether those payments were genuine.

There is a risk that, the expenditure incurred for these payments is misstated.

##### Priority

High

##### Recommendation

- a) The Accountant General's Department should ensure that these payment vouchers are presented for inspection without delay; and
- b) In future, all payment vouchers should be made available for audit inspection at the time of request.

##### Management response

**All payment vouchers in respect of the 2014 and 2015 1x6 are available for inspection. Furthermore, the amounts quoted are excessively exaggerated, as we paid out D111, 950,920.75 and D109, 566,640.99 for 2014 and 2015 respectively.**

##### Auditor's Comment

Following our draft management letter, the Accountant General's Department provided some of the un-presented payment vouchers. However, 261 vouchers amounting to D114, 735,489.42 and 99 payment amounting D25, 152,930.13 for 2014 and 2015 respectively still remained outstanding at the close of our audit. Details are found in **revised appendix r**.

### 3.18.2 Differences between 2014 closing and 2015 opening balances for 1x6 advances

#### Finding

Comparison of one-by-six (1x6) balances included in statement of deposits against the balances in the general ledger report for 2014 and 2015 revealed differences in both opening and closing balances.

In addition, we also noted that the general ledger closing balance in 2014 did not tally with the 2015 opening balance. Details are shown below.

#### One-by-Six (1X6) Opening balances

Year	Description	Statement of deposit Balance as at 1 Jan. GMD	GL report balance as at 1 Jan. GMD	Difference
2014	Salary Advance/ 1 x 6	18,326,000	14,741,894.92	3,584,105
2015	Salary Advance/ 1 x 6	49,124,000	23,991,728.37	25,132,272

#### One-by-Six (1X6) Closing balances

Year	Description	Statement of deposit Balance as at 31 Dec. GMD	GL report balance as at 31 Dec. GMD	Difference
2014	Salary Advance/ 1 x 6	49,124,000.00	24,226,516.22	24,897,483.78
2015	Salary Advance/ 1 x 6	58,773,000.00	253,374.00	58,519,626.00

#### Implication

There is a risk that users and stakeholders that have interest in the financial statements may be misinformed.

#### Priority

Medium

#### Recommendation

Responsible officers are urged to investigate the matter and make necessary adjustments for our review.

#### Management response

**This will be addressed in the revised financial statements.**

### **Auditor's Comment**

The opening and closing balance differences between Note 20 (Statement of Deposit) in the financial statements and the General Ledger for salary advance one-by-six (1x6) were not revised in the financial statements. Details are shown below;

<b>Name</b>	<b>Note 20(statement of Deposit) D</b>	<b>General Ledger (D)</b>	<b>Difference (D)</b>
2014 Opening Balance	18,326,000	14,741,894.92	3,584,105.08
2015 Opening Balance	31,076,000	27,094,044.37	3,981,955.63
2014 Closing Balance	31,076,000	27,328,832.22	3,747,167.78
2015 Closing Balance	32,537,000	28,155,263.69	4,381,736.31



### 3.18.3 One-by-Six (1x6) salary advance payments and recoveries

#### Finding

We extracted a sample of payment vouchers in 2014 against the recovery receipts in 2015 and noted that outstanding balances of one-by-six advance are misstated. Details are shown below:

Year	Amount paid D	Amount recovered D	Outstanding balance D
2014	110,024,895.35	108,755,173.45	1,269,721.90

#### Implication

In 2014, there is risk that some staff were not deducted the one-by-six salary advance they received.

#### Priority

Medium

#### Recommendation

Management should ensure that the outstanding balance in 2014 is fully recovered.

#### Management response

**All 1x6 loan advances are recovered from employees through their salaries and the 2014 1x6 advance was recovered in full, evidence of this is available for your review.**

**In the event that the employee has retired, the loan is recovered from the gratuity payment.**

#### Auditor's Comment

We were not provided with evidence of recoveries of one-by-six advance up to time finalising this management letter.

### 3.18.4 Unclaimed One-by-Six (1x6) loan advances

#### Finding

Review of payment vouchers and their accompanying supporting documentation revealed that the following one-by-six (1x6) loan advances were made without payees signing against their names.

In addition, there were no receipts attached as evidence that unsigned payments were returned to the Accountant General's Department. See details below:

Date	Details	Pv No	Payee	PV Amount	Unclaimed amount	Remarks
10-Sep-15	1/6 salary advance for the month of september 2015	12PV005308	Perm.Sect.Education -R5	20,692.00	12,564.00	No receipt of unclaimed amount attached
<b>Total</b>				<b>20,692.00</b>	<b>12,564.00</b>	

#### Implication

There is a risk that these payments were diverted for personal use resulting to loss of public funds.

#### Priority

High

#### Recommendation

- Evidence of these wages and salaries being returned to the Accountant General's Department should be provided for our review; otherwise the amounts should be recovered from the responsible officers and this office informed accordingly;
- In future, management should ensure that such payments are signed by beneficiaries before payments are made; and
- Management must ensure that returned one-by-six (1x6) loan advances are receipted.

#### Management response

**Receipts for the returned unclaimed 1x6 payments are available at the Revenue Unit of Treasury.**

### **Auditor's Comment**

One receipt for the return of unclaimed one-by-six payment amounting to D 20,692 and unclaimed amount of D 12,564 remained outstanding up to the time of finalising this report.

## 3.19 Revenue

### 3.19.1 Delays in banking

#### Finding

Section 55(1) of Financial Regulations states that *“The total receipts of each day shall be banked or handed over to a Sub-Treasury accounts officer the following day”*.

Inspection of accounting records and discussions with cashiers at the Ministry of Finance and Economic Affairs (MoFEA) revealed instances where collections are not lodged to Central Bank of The Gambia (CBG) in a timely manner contrary to the above financial regulation. Details are shown in **appendix s**.

#### Implication

There is a risk that monies collected could be misappropriated if held for too long by the cashier.

This is indicative of weak supervision and control over revenue management.

The financial regulations have been violated.

#### Priority

High

#### Recommendation

- a) The above quoted financial regulation should be adhered to at all times;
- b) The responsible cashiers should ensure that revenue collected is banked daily; and
- c) There should be proper supervision and controls over the collection and lodgements of revenue by responsible officials.

#### Management response

**Management will ensure compliance with the above regulation although there are challenges in terms of the amounts involved for daily banking.**

### 3.19.2 Un-presented Treasury Receipts and pay-in slip

#### Finding

Review of the revenue earning books revealed that the pay-in slips and their corresponding Treasury Receipts (TRs) totalling D4, 071,679.77 were not provided for our inspection. Details are shown in **appendix t**.

#### Implication

The above amount might have been misappropriated, since we could not determine if the collections posted were actually paid to the Bank.

The Government is likely to lose revenue over time if internal controls are not tightened.

#### Priority

High

#### Recommendation

We recommend that:

- a) The un-presented pay-in-slips and the Treasury Receipts are presented for audit verification; and
- b) Management should put in place strong internal controls to avoid such reoccurrence in the future.

#### Management response

**Out of the 47 receipts listed, we have retrieved 33 which are available for your inspection.**

**Management is working with partners to provide the remaining receipts.**

#### Auditor's Comment

One (1) receipt amounting to D 65,000.00 was outstanding and was not presented up to the time of finalising this report. Details are shown below;

Date Applied	Account Description	Legal Number	Name of Customer/Vendor	Balance
27/08/2015	Court fines	03FC003094	IV:13111 General Customer	65,000.00
<b>Total</b>				<b>65,000.00</b>

### 3.19.3 Receipts without pay-in-slips attached

#### Finding

We noted that Treasury Receipts totalling D792, 419.91 had no pay-in-slips attached. Therefore, we could not determine whether all collections made were actually lodged to the bank. Details are shown below:

<b>Date Applied</b>	<b>Account Description</b>	<b>Legal Number</b>	<b>Name of Customer/Vendor</b>	<b>D</b>
20/03/2014	Court fees	03FC000513	IV:10526 General Customer	51,750.00
12/06/2014	Court fees	03FC000969	IV:11002 General Customer	45,000.00
12/06/2014	Court fees	03FC000971	IV:11006 General Customer	45,000.00
05/11/2015	Court fees	03FC003535	IV:13549 General Customer	24,051.83
05/11/2015	Court fees	03FC003538	IV:13552 General Customer	20,175.00
13/02/2014	Court fines	03FC000202	IV:10206 General Customer	62,525.00
28/08/2014	Court fees	03FC001255	IV:11279 General Customer	150,437.19
25/09/2014	Court fees	03FC001319	IV:11343 General Customer	91,250.00
18/06/2015	Court fees	03FC002424	IV:12443 General Customer	19,195.00
06/11/2014	Court fees	03FC001425	IV:11453 General Customer	157,320.89
01/10/2015	Court fees	03FC003220	IV:13235 General Customer	25,515.00
05/11/2015	Court fees	03FC003522	IV:13536 General Customer	100,200.00
<b>Total</b>				<b>792,419.91</b>

#### Implication

The above amount might have been misappropriated leading to substantial revenue loss to government.

#### Priority

High

## Recommendation

We recommend that:

- a) Pay-in-slips of the above receipts should be provided for our verification; and
- b) Otherwise the unaccounted amount must be recovered and the necessary adjustments be made to the financial statements.

## Management response

Treasury receipts raised on the same day or the same week in some instance are normally totalled and banked using one pay-in-slip. Each receipt will therefore not have separate pay-in-slip for confirmation of payment.

The Relevant pay-in-slips are available for your inspection.

## Auditor's Comment

Three (3) receipts without Pay-in-slips attached amounting to D 141,750.00 were not provided up to time of finalising this report. Details are shown below:

Date Applied	Account Description	Legal Number	Name of Customer/Vendor	D
20/03/2014	Court fees	03FC000513	IV:10526 General Customer	51,750.00
12/06/2014	Court fees	03FC000969	IV:11002 General Customer	45,000.00
12/06/2014	Court fees	03FC000971	IV:11006 General Customer	45,000.00
<b>Total</b>				<b>141,750.00</b>

### 3.19.4 Un-presented GTRs Receipts and tickets

#### Finding

From the review of transactions, we noted that some General Triplicate Receipts and tickets were not provided for audit.

As a result, we were unable to determine the accuracy of the amounts posted on the TR receipts and Pay-In-Slip. Details shown in **appendix t**.

#### Implication

Significant revenue might have been collected on the receipts and not accounted for or misappropriated.

#### Priority

High

#### Recommendation

We recommend that management investigate and establish the status of these GTRs for our audit verification.

#### Management response

**These are not GTRs but tickets at the Parks and Wildlife for visitors. These are in two series- adult tickets D35 and Children Tickets D15. Evidence of this is available for your review.**

**The GTRs for Judiciary are also available for your review.**

#### Auditor's Comment

- 1) We reviewed the receipts subsequently provided by AGD and noted that two (2) receipts amounting to D1,400.00 remained outstanding up to time of finalising this management letter. Details are shown in the table below.

GTR Serial Number	Rate	Revenue Type	Amount
50899-50900	35.00	Parks & life collection	35.00
418001-418039	35.00	Parks & life collection	1,365.00
<b>Total</b>			<b>1,400.00</b>

- 2) Twenty-three GTRs amounting to D1, 127,540.97 in respect Judiciary remained outstanding up to the time finalising management letter. Details found in revised **appendix t**.



### **3.19.5 No segregation of duties**

#### **Finding**

We noted the revenue collectors are solely responsible for the collection of revenues at their various Magistrates courts, entering the collections in the cashbooks, lodging the collections to the bank and then generate TR receipts from the IFMIS for the amount logged.

Collections made and logged to the bank are not crosschecked and verified regularly before and after lodgement.

#### **Implication**

There is a risk that the lack of segregation of duties could lead to fraud.

#### **Priority**

High

#### **Recommendation**

We recommend that, management allocate separate responsibilities to different officers.

#### **Management response**

**This control lapse only exists at the Subordinate Courts where the IFMIS System is not available. However, Management would put in measures to ensure that segregation of duties is improved in these courts.**

### 3.19.6 Un-lodged revenue

#### Finding

We noted revenue collections amounting to D226, 870.00 for the period under review were not lodged to the bank. Details are shown below:

Date	Receipt No.	Magistrate	D
11/06/15	03FC002382	Kanifing Magistrate's Court	24,550.00
12/06/14	03FC001425	Brikama Magistrate's Court	157,320.00
12/06/14	03FC000971	Brikama Magistrate's Court	45,000.00
<b>Total</b>			<b>226,870.00</b>

#### Implication

The above amount might have been misappropriated.

The government is likely to lose money if these amounts are not recovered and accounted for.

#### Priority

High

#### Recommendation

We request for evidence that these amount was lodged to the bank. In the absence of evidence, the amounts should be recovered with a recovery receipt attached for our audit verification.

#### Management response

**The Evidence is available for your inspection at the Accountant General's Department.**

#### Auditor's Comment

Evidence that these amounts were lodged to bank remained outstanding at the close of the audit.

### 3.19.7 Un-presented revenue vouchers

#### Finding

Section 26 (52) of the Financial Regulations states “*The Accountant General shall file the original and scanned copies of the payment vouchers and supporting documents in numerical order by month and year, for audit and other inspection purposes*”.

During our audit, we noted that revenue vouchers raised in respect of recoveries of overpaid salaries amounting D801, 847.11 were not presented for audit. See details in **appendix u**.

#### Implication

Revenue vouchers not presented for audit verification may cast doubt on whether those recoveries made were lodged to the bank.

#### Priority

High

#### Recommendation

- a) The Accountant General's Department should take necessary steps in ensuring that the revenue vouchers are presented for audit inspection; and
- b) In future, all revenue vouchers should be presented for audit inspection at the time of request.

#### Management response

**Revenue vouchers are not applicable in this case, as this was direct receipting. They are only applicable for sectors with no IFMIS access that need to complete them as part of their periodic returns.**

### 3.19.8 Un-confirmed lodgements to the bank

#### Finding

We noted that recoveries totalling D187, 913.15 in respect of salary deductions of the following staff at Ministry of Basic and Secondary Education were not lodged to the bank. Details found in the table below:

Date	Description	Employee ID	Receipt No.	Pay-in slip No.	Amount Recovered	Amount Deposited	Difference
29/04/2015	Part recovery of overpaid salary from Idrissa Jallow	NA	20FC000277	NA	400.00	0.00	400.00
06/05/2015	Part payment of overpaid recovery from Seray Bojang	202614	30FC000285	NA	1,500.00	0.00	1,500.00
03/03/2015	Return of overpaid salary recovery from Alhagie L Jammeh	1005306	30FC000138	NA	6,695.02	0.00	6,695.02
28.12.2015	Third party OVERPAID recovery from BE20	NA	20FC000414	NA	166,566.80	0.00	166,566.80
10/02/2015	Part payment of overpaid salary iro Ebrima L. Darboe	401605	20FC000230	NA	4,000.00	0.00	4,000.00
26/03/2015	Part payment of overpaid salary iro Sheriff K. Kanyi	1100746	20FC000258	NA	6,000.00	0.00	6,000.00
21.05.2015	Third party deposit for recoveries of overpayment	NA	20FC000305	NA	1,251.33	0.00	1,251.33
<b>Total</b>							<b>187,913.15</b>

## **Implication**

There is a risk of poor monitoring over the lodgement of salaries recoveries to Central Bank.

There is a risk that the deductions made are misappropriated.

## **Priority**

High

## **Recommendation**

- a) We request evidence to show that these recoveries were paid to the Central Bank; and
- b) In the event that recoveries are not made, efforts should be made to recover the monies from the responsible officers.

## **Management response**

Receipt legal number 20FC000277 was lodged at the CBG and receipt legal numbers 20FC000414 and 20FC000258 are third party deductions which are normally transferred through inter-account transfer orders sent to CBG.

Management is currently looking into providing information on the other receipts.

## **Auditor's Comment**

The receipts in question still remained outstanding up to time of finalising this management letter.

### 3.19.9 Differences between GRA revenue figures & Budget Estimates

#### Finding

Examination of GRA Revenue Report against the Budget Estimates of Revenue and Expenditure for 2014 revealed differences in revenue collected. Details are shown in the table below:

Revenue Code	Revenue Item	GRA Actual collection figures	Actual collections recorded in the Estimates	Difference
<b>2014</b>				
111101	Income Tax Personal	616,753,809.79	646,949,140.00	-30,195,330.21
114111	Excise Telecom	91,228,362.63	0.00	91,228,362.63
142125	Rental Income	52,202,669.25	52,289,410.00	-86,740.75
142231	Road Tax	19,067,758.00	242,720.00	18,825,038.00
142217	National ID Cards	26,261,600.00	13,902,700.00	12,358,900.00
142218	Aliens identity Cards	3,279,000.00	15,637,900.00	-12,358,900.00
<b>Customs and Excise Duties</b>				
00-00-115101	Import Duty Oil	421,347,902.06	391,235,520.00	30,112,382.06

#### Implication

There is a risk that actual revenue collections reported in 2014 Estimates of Revenue and Expenditure are misstated.

There is a risk that the revenue figure included in the financial statements is misstated.

#### Priority

High

#### Recommendation

We seek explanation into these discrepancies with details furnished to this office. Supervision should be strengthened during the inputting of information such as revenue figures into Estimates of Revenue and Expenditure.

#### Management response

**The figures in the IFMIS System are the actual returns received from GRA for the actual GRA collections. The actual collection figures for 2014 as stated above are inaccurate.**

The GRA returns file is available at the AGD for your inspection and confirmation.

**Auditor's Comment**

The differences were not revised and adjusted up to the time of finalising this management letter.

## 3.20 Receivables

### 3.20.1 Differences between GRA returns and transfers to the CRF

#### Finding

A review of the monthly returns from GRA against the actual transfers to the Consolidated Fund (CF) revealed differences amounting to D1, 045,138,822.10.

Months	Monthly Returns by GRA (D)	Transfers to CRF (D)	D
February 2015	620,943,091.56	338,921,946.96	282,021,144.6
August 2015	551,504,109.27	446,937,540.02	104,566,569.25
October 2015	614,877,142.16	0	614,877,142.16
December 2015	626,596,922.82	582,922,956.73	43,673,966.09
<b>Total</b>			<b>1,045,138,822.10</b>

#### Implication

There is a risk that not all amounts collected by GRA are remitted to the CRF.

Funds not transferred to the CRF could be misappropriated.

The receivable balance in the financial statements could be misstated.

#### Priority

High

#### Recommendation

Efforts should be made by the Accountant General's Department to ensure that any differences identified during the monthly reconciliation of the GRA returns are properly investigated and corrected in a timely manner.

#### Management response

**This issue was resolved and evidence is available for your review.**

#### Auditor's Comment

We confirmed that the corrections were made.



### 3.20.2 Reversal of GRA returns

#### Finding

A review of general ledger records in the IFMIS revealed instances where transactions were reversed in the system but reasons for the reversal are not provided. Details are shown in the **appendix v**.

#### Implication

There is a risk that the reversals are not genuine leading to a potential loss of revenue through misappropriation.

#### Priority

High

#### Recommendation

- a) We recommend that documentation and plausible explanation be provided to support the reversals; and
- b) In the absence of a genuine reason, amount involved should be recovered from responsible officers.

#### Management response

**Reasons for these reversals were actually provided at the time of reversing and evidence is available for your inspection.**

#### Auditor's Comment

Reasons for reversals were not provided to the audit team up to the time of finalising this report.

## **3.21 Payables**

### **3.21.1 Outstanding payables**

#### **Finding**

During the audit we noted income tax deductions amounting D3, 711,341.78 and D6, 102,452.22 and withholding tax amounting D4, 133,849.35 and D6, 307,410.06 for the years 2014 and 2015 respectively were not remitted to the Gambia Revenue Authority up to the time of writing this report.

#### **Implication**

There is a risk of government being unable to execute some of its budgeted activities if monies collected are not remitted to GRA.

The purpose of the introduction of the IFMIS as a commitment control tool would be defeated if third party funds are not remitted at the year-end they relate to.

#### **Priority**

High

#### **Recommendation**

We recommend that the Accountant General's Department take action to remit these liabilities to GRA and inform this office accordingly.

#### **Management response**

**These taxes were paid to GRA and evidence is available for your review.**

#### **Auditors' Comment**

Evidence of payments of income tax deductions and withholding tax to GRA remained outstanding up to time of finalising this management letter.

### 3.21.2 Non-disclosure of Liabilities

#### Finding

*Part1 Requirement of the IPSAS Cash Basis Accounting Paragraph 1.3.10 of 1.3 Presentation and Disclosure Requirement states', Entities that report using the cash basis of accounting frequently collect information on items that are not recognized under cash accounting. Examples of the type of information that may be collected include details of:*

- (a) Receivables, payables, borrowings and other liabilities, non-cash assets and accruing revenues and expenses;*
- (b) Commitments and contingent liabilities; and*
- (c) Performance indicators and the achievement of service delivery*

We noted that there were liabilities with regards to litigation **cases** on the already decided cases that are not disclosed in the Financial Statement for the period 2014 and 2015 respectively.

In addition, these are judgements made against the Government of the Gambia and legal claims made by the plaintiff on the basis of the court ruling against the Government of The Gambia.

However, the total cost and damages payable by the government of the Gambia amounting to \$ 360,000 was not disclosed in the Financial Statement for the period 2014/15.

Details are shown below:

Date	Sectors	Legal Proceedings \$
10 June 2014	Deyda Hydara JR, Ismaila Hydara and International Federation of Journalist-Africa	60, 000
16 Dec 2010	Musa Saidy Khan Vs Republic of The Gambia	200,000
05 June 2008	Chief Ebrima Manneh Vs. The Republic of The Gambia	100,000
<b>Total</b>		<b>360,000</b>

#### Implication

There is a risk that figures disclosed in the financial statement are not accurate or complete, leading to misstatement in financial statements.

There is risk that Accountant General's Department are not fully complying with the dictates of the IPSAS on Cash Basis Accounting.

**Priority**

High

**Recommendation**

- a) Management should ensure that the mandatory part of the IPSAS on Cash Basis Accounting System is adhered to; and
- b) The amount should be converted to dalasi using appropriate rate and accurately disclosed in the Financial Statement.

**Management response**

**These liabilities will be reviewed and where necessary, adjustments will be done as part of the revised Financial Statements.**

**Auditor's Comment**

The liabilities were not disclosed in the revised Financial Statements.

## **3.22 IPSASs non –compliance and inadequate disclosures**

### **3.22.1 Government Business Enterprises not consolidated**

#### **Findings**

IPSAS 1.6.5 dealing with the scope of consolidated financial statements stipulated that “A controlling entity, other than a controlling entity identified in paragraphs 1.6.7 and 1.6.8, should issue consolidated financial statements which consolidates all controlled entities, foreign and domestic, other than those referred to in paragraph 1.6.6.

In the preparation of these financial statements this requirement was not met.

#### **Implication**

The financial statements do not meet the requirements of the reporting framework.

#### **Priority**

High

#### **Recommendation**

We recommend that the GBEs be consolidated in compliance with .

#### **Management response**

**IPSAS 1.6.20 states: the following disclosures should be made in consolidated financial statements:**

- (a) A listing of significant controlled entities including the name, the jurisdiction in which the controlled entity operates (when it is different from that of the controlling entity); and**
- (b) The reasons for not consolidating a controlled entity.**

**In accordance with IPSAS 1.6.20 paragraph (b), government business entities have not been consolidated as part of government financial statements because government follows IPSAS accounting standards and GBEs follow IFRS standards. Also, the basis of accounting for government is cash basis while GBEs follow the accrual basis of accounting. These facts have already been disclosed in the financial statements for 2014 and 2015 under point 1 (a) of the commentary on the Financial statements by the Accountant General.**

**Furthermore, the consolidation procedures as identified in IPSAS 1.6.16 (c) states that ‘consolidated financial statements should be prepared using uniform accounting policies for like cash transactions. If it is not**

practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied’.

Government and GBEs use different accounting policies (e.g. Revenue accounting, accounting for expenditures, and depreciation of fixed assets etc.) thus; Consolidation of the Government Business Enterprises as part of Government financial statement is not feasible.

In order to enhance the reliability, consistency and faithful representation of government financial statements, government decides to disclose the net-worth of the GBE’s in the government financial statements for 2014 and 2015.

Based on the above, in our opinion government has fully complied with IPSAS.

#### **Auditor’s Comment**

Disclosure of your inability, does not absolve you from compliance. The financial statements should not have been declared IPSAS compliant.

### 3.22.2 Comparative Information

#### Finding

IPSAS 1.4.18 *“In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period.*

*For example, details of a legal dispute, the outcome of which was uncertain at the last reporting date and is yet to be resolved, may be disclosed in the current period. Users benefit from knowing that the uncertainty existed at the last reporting date, and the steps that have been taken during the period to resolve the uncertainty.”*

There is no such disclosure in the financial statements.

#### Implication

The financial statement(s) do not meet the requirements of this section of the IPSAS(s).

#### Priority

High

#### Recommendation

The Accountant General should disclose the uncertainty that existed at the last reporting date in narrative information and the steps that have been taken to resolve the uncertainty.

#### Management response

**Management has agreed to address this issue as part of the revised financial statements.**

#### Auditor's Comment

No disclosure was made in the revised financial statements

### 3.22.3 Correction of errors

#### Finding

IPSAS 1.5.2 *“An entity should disclose in the notes to the financial statements the following:*

- (a) The nature of the error;*
- (b) The amount of the correction; and*
- (c) The fact that comparative information has been restated or that it is impracticable to do so”.*

Errors that arose in the cash balances were not disclosed in line with the reporting framework.

#### Implication

The financial statements did not meet the requirements of the reporting framework.

#### Priority

High

#### Recommendation

The Accountant General should disclose the nature and amount of correction of errors as per the above IPSASs.

#### Management response

**There were no corrections of errors done after the 2013 financial statements were submitted. However, disclosure will be made of any corrections made in the 2014 financial statements.**



### 3.22.4 Treatment of foreign currency transactions

#### Finding

IPSAS 1.7.3 requires that *Cash balances held in a foreign currency should be reported using the closing rate.*

We noted that the cash balances in the foreign held accounts disclosed in the financial statements were not reported using the closing rate of the Central Bank of The Gambia.

#### Implication

The financial statements did not meet the requirements of the reporting framework.

#### Priority

High

#### Recommendation

The Accountant General should use the appropriate closing rate to translate foreign held accounts disclosed in the financial statements.

#### Management response

**Foreign held accounts balances will be translated using the closing rate in the revised financial statements.**

#### Auditor's Comment

The foreign held accounts were not correctly translated in the revised financial statements.

### 3.22.5 Comparison of Budget and Actual Amounts

#### Finding

IPSAS 1.9.8 (c) *“By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes”*

IPSAS 1.9.12 *“An explanation of the material differences between actual amounts and the budget amounts will assist users in understanding the reasons for material departures from the approved budget for which the entity is held publicly accountable”.*

The financial statements revealed material difference between budgeted and actual expenditure. We sought for explanation from officials at Accountant General’s Department for these material differences but no explanation was received.

#### Implication

The financial statements do not meet the requirements of the reporting framework.

#### Priority

High

#### Recommendation

The Accountant General’s Department should provide explanations on these material differences between budget and actual.

#### Management response

**This disclosure will be made in the revised financial statements.**

#### Auditor’s Comment

The explanation of material variances was not disclosed in the revised financial statements.

### 3.22.6 Disclosures of Budgetary Basis, Period and Scope

#### **Finding**

IPSAS 1.9.33 *“An entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget”.*

These financial statements did not disclose the budget basis and classification adopted.

#### **Implication**

The financial statements did not comply with the requirement of the above standard.

#### **Priority**

High

#### **Recommendation**

Disclosure note should be made to explain the budget basis and classification adopted in the financial statements.

#### **Management response**

**This will be disclosed in the revised financial statements.**

#### **Auditor’s Comment**

The budgetary basis, period and scope were not disclosed in the revised financial statements.

### 3.23 Follow up on prior year matters

In our Management Letter in respect of financial years 2012 and 2013, we reported a number of issues which need urgent action.

Follow up discussion with the Accountant General's Department was made to confirm if action was taken to resolve the issues. The table below details the status of implementation of the recommendations.

Paragraph	Finding	Implementation status	Management Remark	Auditor's Comment
3.1.2	Un-presented payment vouchers and other documents (i.e. credit memos, journals)	Not implemented	No management response	The issue remained unresolved up to time finalising this management letter
3.2.3	Misuse of contingency fund	Not implemented	This issue existed in 2014 but not in 2015 and beyond	We have confirmed that no finding existed in respect of the misuse of contingency fund in 2015
3.3.1	Outstanding payables for 2012 and 2013	Not implemented	Resolved	The issue remained unresolved up to time finalising this management letter
3.4.1	Settlement of arrears for the purchase of motor vehicles	Not implemented	Vehicle purchasing is now decentralized and a motor vehicle policy is being developed	The Office of the President still has arrears in respect of purchase of motor vehicles
3.5.2	Stores and other assets grossly understated	Not implemented	A fixed asset management module is being procured to address this issue	Noted
3.6.4	Disposal of assets by MoFEA	Not implemented	No management response	The issue remained unresolved up

				to time finalising this management letter
<b>3.7.2</b>	Weaknesses in the internal control system	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management letter
<b>3.9.1</b>	IT roles and responsibilities	Not implemented	<b>Resolved</b>	Noted
<b>3.10.1</b>	Lack of defined maintenance plan and register	Not implemented	<b>Refer response to in this ML</b>	The issue remained unresolved up to time finalising this management letter
<b>3.12.1</b>	Non-renewal of licence to update antivirus for the IFMIS	Not implemented	<b>Refer response to in this ML</b>	We could not locate your response relating to this subject in the management letter
<b>3.13.1</b>	Inadequate IT environmental controls	Not implemented	<b>Refer response to in this ML</b>	The issue remained unresolved up to time finalising this management letter
<b>3.14.1</b>	Lack of Service Level Agreement (SLA) with vendors	Not implemented	<b>Resolved</b>	Noted
<b>3.15.1</b>	Difference between Note 15, General ledger and Cash activity	Not implemented	<b>Refer response to in this ML</b>	The issue remained unresolved up to time finalising this management letter
<b>3.16.2</b>	Cash allocations exceeding budget	Not implemented	<b>Refer response to in this ML</b>	Noted
<b>3.17.1</b>	Stale cheques and unresolved transactions	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management

				letter
<b>3.18.1</b>	Wrong foreign currency stated in cash activity report	Not implemented	<b>Resolved</b>	<b>Noted</b>
<b>3.20.1</b>	Un-presented revenue receipts	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management letter
<b>3.21.2</b>	Un-presented original receipts and supporting documents	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management letter
<b>3.22.1</b>	Rolling over imprest balances unretired or cleared from the system	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management letter
<b>3.23.1</b>	Un-retired and partly retired imprest	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management letter
<b>3.24.2</b>	Difference in actual tax receivable balance	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management letter
<b>3.25.2</b>	Recoverability of tax receivables	Not implemented	<b>No management response</b>	The issue remained unresolved up to time finalising this management letter
<b>3.26.2</b>	Government Business Enterprises not consolidated	Not implemented	<b>Refer response to in this ML</b>	The issue remained unresolved up to time finalising this management letter

<b>3.27.2</b>	Correction of errors	Not implemented	<a href="#">Refer response to in this ML</a>	The issue remained unresolved up to time finalising this management letter
<b>3.28.2</b>	Comparison of budget and actual amounts	Not implemented	<a href="#">Refer response to in this ML</a>	Noted
<b>3.29.2</b>	Differences between approved and revised budgets	Not implemented	<a href="#">Refer response to in this ML</a>	Noted
<b>3.30.1</b>	Debt sustainability	Not implemented	<a href="#">Refer response to in this ML</a>	The issue remained unresolved up to time finalising this management letter
<b>3.32.2</b>	On-lending to Government business	Not implemented	<a href="#">Refer response to in this ML</a>	The issue remained unresolved up to time finalising this management letter
<b>3.33.2</b>	No record of domestic debt Information.	Not implemented	No management response	The issue remained unresolved up to time finalising this management letter
<b>3.35.1</b>	Un-presented loan agreements	Not implemented	<a href="#">Refer response to in this ML</a>	Noted