



SUMMARISED AND SIMPLIFIED AUDIT REPORT

20 18

**Financial Statements of the Government of The Gambia
Financial Year 2018**



nao.gm



info@nao.gm

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About the National Audit Office



The National Audit Office (NAO) is the Supreme Audit Institution (SAI) of The Gambia responsible for reporting to the National Assembly on how public funds have been used and accounted for by the Government of The Gambia.

Our yearly audits on the financial statements of the government provide the National Assembly (NA) with facts and issues of public finance management, to take action on. Our ultimate goal is to increase the audit impact through further engagement and discussion of the audit reports by the citizens in holding government to account for the use of public resources. Other audits, such as performance audits and compliance audits of government institutions provide reports on how public services are delivered to citizens.

Introduction

The audit of the Financial Statements of the Government of the Gambia 2018 (GoTG 2018) was part of the annual audit of government's financial statements prepared by the Accountant General, to report on the overall economic transactions that government incurred during the financial year.

The Auditor General issued an opinion on whether the transactions were in line with applicable laws and regulations and complied with Cash Basis of the International Public Sector Accounting Standards (IPSAS).

Thus, the main purpose of the 2018 audit exercise was to provide reasonable assurance to the taxpayers that the funds appropriated by the National Assembly (NA) were used for the intended purposes.

It is important to highlight here that the completion and publishing of the 2018 report helped to further narrow the backlog and we hope to clear the remaining backlog and be reporting on current year basis in the shortest possible time.

As the office increases its audit impact through simplification of the rather technical audit reports as well as conducting public and stakeholder engagements, we hope that these efforts will ultimately result in more public awareness, access, discussion and action on the findings and recommendations of the audit reports.

Summary

Upon completion of the audit and review of all submitted documents, we issued an opinion that the 2018 financial statements of the GoTG did not represent fairly the financial performance of government and has therefore been classified as an Adverse Opinion. This means that there were substantial errors and differences across multiple account balances of the financial statements. Therefore, the financial statements in its entirety cannot be relied upon by users to make decisions.

Our opinion was based on inappropriate procurement including huge sums of money not properly explained for, unaccounted revenue from various government sectors, overall accounting errors and non-disclosures of transactions. Weak internal control and disregard for government laws and regulations were noted under various sectors, most of which were reported in previous years audits.

This summarised audit report has classified and noted major audit findings under different sub-headings that will briefly explain the outcomes noted by the audit team during the audit exercise. In addition, this report highlights areas that continue to show lapses in internal controls as well as emergence of other key findings.

KEY FINDINGS

INAPPROPRIATE PROCUREMENT

Retrospective approval & signing of contract document



We noted that **D23,675,354.00** was spent on procurement of eleven (11) vehicles; initial payment of **D14,761,004** was made in 2017 and final payment was made in 2018. However, the **delivery of Nine (9) vehicles were made to the Office of The President before the contract for this procurement was signed in December 2017**. As such, value for money may be compromised when due procurement processes are not followed (such retrospective approval of contracts and procurement has been a recurring issue in previous audit reports).

Inappropriate Procurement

Supplier registered for goods only but paid for services

The rehabilitation of the Independence Stadium for the celebration of the 2018 Independence Anniversary of the Gambia amounting to

D2,998,800.00 was awarded to **a supplier who registered with Gambia Public Procurement Authority (GPPA) for the supply of goods and NOT the delivery of service.** This is serious breach of the GPPA Act and the Regulations and defeats the spirit of sound procurement practices as the said supplier might not have the expertise to carry out such services.



WEAK INTERNAL CONTROLS

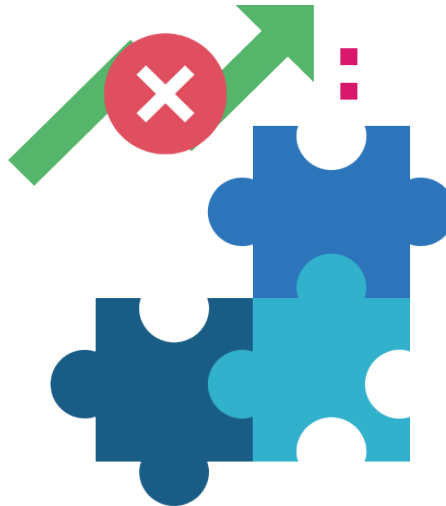
Non-performance of reconciliation between Government and supplier

There was no evidence of reconciliation performed between the government and a supplier to establish the amount of **D47,524,850.00** claimed to be owed to the supplier of motor vehicles procured for cabinet ministers. In the absence of reconciliation, it will be difficult to establish the amount owed. There is a risk that the supplier could be overpaid and leading to losses of public money.



Failure to submit strategic plans of MDAs

There was no evidence provided to show that all Ministries, Departments and Agencies (MDAs) prepared both strategic and operational plans. In the absence of these documents, there is a risk that the programme and activities of those MDAs may not be aligned to their budget and/or mandate hence resulting to inappropriate allocation of public resources to budget lines.



Weak Internal Controls

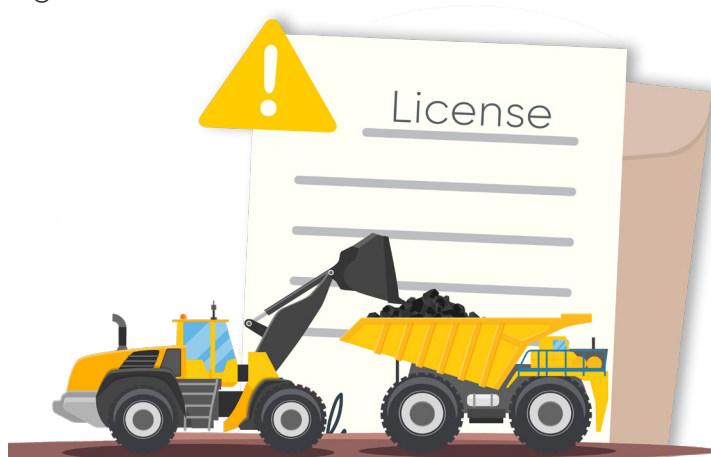
Outstanding Loans to Former Cabinet Ministers



Three (3) former cabinet members of the former regime still **owe an outstanding loan balance amounting to D1,394,432.30** as at 31 December 2018. There is a risk that the outstanding balances will not be recovered resulting to losses for government.

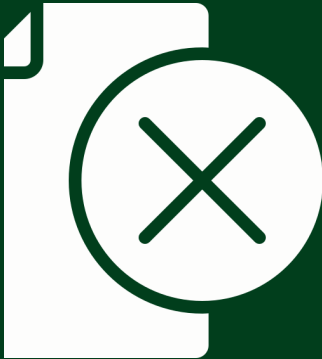
Licence for mining of black sand

A mining company was issued a licence by the Geology Department to begin mining of black sand at Kartong, Sanyang and Batokunku beaches without subjecting it to tender, contrary to section 30 (1) of the Mines and Quarry Act. **There is high risk that the licence was awarded based on favouritism.** In addition, there is high risk of further exploitation of the said mining area without giving regard to the environment.



Failure to maintain a cash book

The audit noted that **the Geology Department did not maintain a cash book to record collections** made in respect of licence fees and royalties on both **sand mining operations** and **stone quarries**. In the absence of a cash book, the accountability of funds becomes difficult to determine.



Incomplete record of daily mineral extractions from sand mining

The Geology Department did not keep relevant records which include records for daily sand extracted as well as shipment exported out of the country by the licensed mining company.

NON-DISCLOSURE IN THE FINANCIAL STATEMENTS

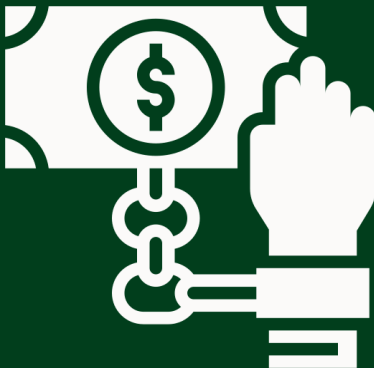
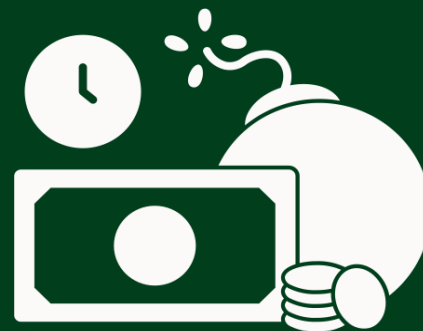
Inadequate disclosure of grants disbursements

The audit found that **D332,534,430.00** of Grants disbursed directly to various sectors from Multilateral and Bilateral Institutions **were not disclosed in the 2018 financial statements.**



Government arrears in a commercial bank not disclosed in the Financial Statements

We noted that government accumulated arrears of **D554,576,012.90** with a commercial bank. However, these arrears were not disclosed in the 2018 Financial Statements.



Non-Disclosure of Liabilities

Subsequently, we noted that government's liabilities to the tune of **D40,524,000** was **omitted from the 2018 financial statements**. Omission of liabilities can lead to understatement of government's obligations and thus may mislead the readers of the financial statements.

LOSSES OF PUBLIC MONIES

There were misappropriations of government funds from previous financial years resulting to losses of public monies totaling **D17,097,387.60** that **were not fully recovered as at 31 December 2018**. Details are shown below:

- a. **Gambia Immigration department (Sea port):** visa fee amounting to **D 1,302,000** was received by the cashier but only **D700,000** was paid to the government leaving a balance of **D602,000**.
- b. **Brikama Health Centre ;** Un-accounted revenue collections of **D402,674.00**
- c. **Brikama sub-treasury;** un-accounted revenue collections of **D6,592,172.50**
- d. **Kerewan sub-treasury;** un-accounted cash of **D2,136,327.61**
- e. **Janjanbureh sub- treasury;** un-accounted cash of **D521,000.00**
- f. **Directorate of National Treasury;** un-authorise withdrawal of public funds from the Old TMA of **D4,064,363.15**
- g. **Department of Forestry, Parks and Wildlife;** un-authorized transactions in a Project Account of **D839,500.00**
- h. **Mission in Guinea Bissau;** cash withdrawals not accounted for by the finance attaché of **D390,000.32**
- i. **Mission in Paris;** There was a **reported fraud by the Finance attaché at the mission in Paris on 14 February 2014 of amount €27,500 (Equivalent to GMD 1,593,50.00)**

UNPRESENTED SUPPORTING DOCUMENTATION

Failure to present payment vouchers

From our testing of sample of payments made by the Government in 2018, we found total amount of

D77,200,284 that could not be confirmed as the payment vouchers were not presented for audit.



Payment without adequate supporting documents

We also found that payments totalling **D85,000,000** were made without adequate supporting documents and further expenditure of **D306,877** incurred on travel expenses had no documentation.

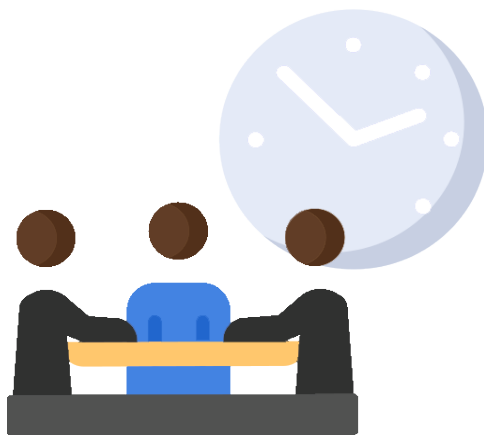


Revenue receipts without adequate supporting documents

Receipts for non tax revenue amounting **D10,794,500** were not supported with deposit slips.

Failure to present minutes of loans negotiations

The minutes for the Loan negotiation from the Islamic Development Bank with a loan amount of Islamic **Dinars (ID) 1,800,000.00** and European Investment Bank with a loan amount of **€ 57,000,000.00** were not presented during the audit. Missing documentation cast doubts in the internal controls and can lead to fraud and mismanagement of funds.



Failure to provide records of grants

The audit requested for records of grants disbursed during the year from Ministry of Finance on several occasions but these records remained outstanding.





Un-retired and partly retired imprest

We identified imprest of **D15,286,063.90** that **were not retired and remained outstanding as at 31 December 2018**. This included a cash payment of **D180,000.00** that could not be supported with documentation.

Un-confirmed balances disclosed in the Statement of Net-Worth of State-Owned Enterprises

There were unconfirmed balances of **D5,389,778,820** in respect of the Statement of Net-Worth of State-Owned Enterprises (SOEs). **These balances could not be established as the audited financial statements of these SoEs were not presented during the audit.**

OVERALL ACCOUNTING ERRORS

Unrecognized scanning fees collection

The Government of the Gambia has a contract with a scanning company for the scanning of cargo from vessels at the seaport. **The contract dictates Revenue collection to be shared 35% GoTG and 65% to the company on the 15th and 31st of every month.** We also noted that revenues collected

amounting to **D15,229,117.67** in respect of scanning fees were omitted from the Financial Statements as a result of untimely remittance collection from November to December 2018, contrary to the dictates of the contract.



Overstatement of scanning fees collection

We noted overstatement of revenue amounting to **D240,660,331** as a result of correcting understatements made in 2017.



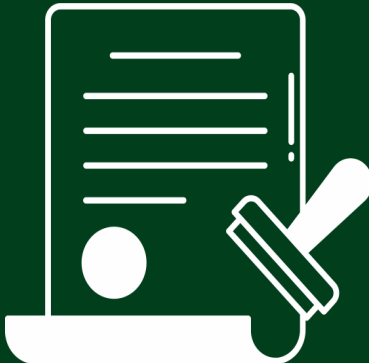
Understatement of Public Debt Balance

There was an understatement of **D245,018,298.84** for public debt balance included in the Financial Statements.



Differences in translating foreign held account

We also noted **incorrect use of exchange rates** has resulted to a loss of **D99,127,027.02** during the conversion of the Special Project Dollar account.



Accounts Receivable clearance account

We also noted balances totalling **D1,241,041,349.67** in transit accounts at the **financial year end**. Transit accounts are temporary accounts that are supposed to be nil at the end of the year. This is an indication of a weak system control and can lead to various misstatements in the Financial Statements.

UNACCOUNTED REVENUE

Differences in monthly tax revenue returns

Monthly tax returns from GRA (Customs & Excise) revealed an understatement of tax revenue totalling

D656,880.47 included in the 2018 Government Financial Statements.



Failure to present non-tax Revenue receipts and GTRs

System generated receipts and GTRs for non-tax revenue totalling **D11,688,141.08** were not presented for our review. **These revenues could not be accounted for as the receipts remained outstanding** thus leading to potential misappropriation of public funds.

Failure to deposit revenue on time

We noted revenue collections from various ministries and departments amounting to **D2,366,315.50** that **were not deposited to the Central Bank in a timely manner.**



Failure to account revenue in the cashbook

There were collections amounting to **D769,321.82** and **D15,000.00** for the Department of Physical Planning and Abuko Nature Reserve respectively that **were not recorded in the cash book and therefore susceptible to fraud and misappropriation.**

Understated revenue balance

Revenue collection from the Mining royalties was also understated by **D4,245,144** in the **2018 financial statements**.



Suspected misappropriation of royalty collections

Comparison of the quantity of sand mined against the receipts provided revealed that **35,484 (m³) of sand was extracted between June and July 2018**, amounting to **D2,306,406.00** that were deposited in the Geology department's Bank account. However, **there was no evidence provided to show that the revenue deposited to Geology's bank account were transferred to the consolidated fund**. We could not therefore ascertain if the revenue was accounted in the books of government. This is indicative of a weak supervision of revenues with increased risk of misappropriation of revenue.

PUBLIC DEBT

Re-structured loans

We noted from the review of the debt management system (the Meridian) at the Ministry of Finance that **the terms and conditions of five (5) external loans were changed such that the repayment periods, as well as the grace periods for payments were extended.** The new terms and conditions have led to high repayment of the principal and interest amounts.



Overpayment of loan interests

Review of the billings for payments on loan number 071 and 074 (**Implementation Component of the ECOWAN Project in The Gambia and Community Based Infrastructure and Livelihood Improvement Project**) respectively, revealed over payment of

D58,106,160.72 in respect of loan interests.



Additional loans contracted without approval from National Assembly

We noted that **6 (six)** projects received additional loans without going through the National Assembly for approval.

USE OF THIS SUMMARISED AND SIMPLIFIED REPORT

As we identify more user-friendly and accessible ways for our different stakeholders to engage with our reports, we believe that this summary report will be useful to media, civil society, academia and other stakeholders interested in public resource management and auditing.

The full report of this simplified report and other citizen-friendly reports are available on the NAO website. This simplified version will also be published for public access on www.nao.gm and on our social media handles (Twitter and LinkedIn). Hard copies of the main audit reports are also available at the National Public Library in Banjul.

IMPORTANT NOTICE

This simplified audit report shall not be modified or its contents edited without approval of the National Audit Office. For any requests, please contact us on info@nao.gm

NATIONAL AUDIT OFFICE REPUBLIC OF THE GAMBIA

KANIFING INSTITUTION LAYOUT



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