REPUBLIC OF THE GAMBIA
DIRECTORATE OF INTERNAL AUDIT MINISTRY OF FINANCE AND ECONOMIC AFFAIRS
OFF BERTIL HARDING HIGHWAY, OPPOSITE ATLAS PETROL STATION, BIJILO

FINAL AUDIT REPORT

SECOND AFRICA HIGHER EDUCATION CENTER OF EXCELLENCE FOR DEVELOPMENT IMPACT PROJECT (P169064)

SYSTEM AUDIT FOR THE PERIOD

1st October 2022- 31st December 2023

REPUBLIC OF THE GAMBIA
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JD10/21/01 PT17(33) **14th February,2024**

The Project Manager
ACE Impact Project
Project Coordination Unit
Ministry of Basic and Secondary Education
Willy Thorpe Building Palace Banjul

Dear Sir,

System Audit of the Second Africa Higher Education Center of Excellence for Development Impact Project for the period 01st October 2022 to 31st December 2023.

I am pleased to present the final report on the above-mentioned audit.

The final report incorporates your management responses to our findings and recommendations and, pleased be informed that a follow-up audit will be done on the progress of the implementation of the agreed action plan.

Please do not hesitate to get in touch with us should you need any clarification on any component of this draft report.

Yours Sincerely,

Mr. Masireh K Drammeh
For: Director General Cc: Permanent Secretary,MOBSE File/R. File

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I. Acronyms

PCU	Project Coordination Unit
DA	Designated Accounts
DPM	Deputy Project Manager
GoTG	Government of the Gambia
GPPA	Gambia Public Procurement Authority
GRA	Gambia Revenue Authority
GTTI	The Gambia Technical Training Institute
IPSAS	International Public Sector Accounting Standards
KNUST	Kwame Nkrumah University of Science and Technology
MOBSE	Ministry of Basic and Secondary Education
PhD	Postgraduate degree
USET	University of Science, Engineering and Technology
WB	World Bank

II. Source of Information

1. The Gambia Public Procurement Act
2. The Gambia Public Procurement Regulations
3. World Bank Procurement Guidelines
4. PCU MOBSE Financial Management Manual
5. Bidding Documents
6. Payment vouchers
7. Other financial records

III. Person Interview during the engagement

Name	Designation
Ansumana Demba	Deputy Program manager
Eudora Taylor-Thomas	Finance Specialist
Landing Jabang	Accountant
Samba Sowe	MOHERST

I. Executive Summary

The Directorate of internal audit is mandated by the Public Finance Act and the Internal Audit Charter to conduct an audit on all Government institutions including Ministries, Departments, Agencies, and other institutions.
The Audit Team highlighted several issues relating to weaknesses in Governance, business, and control processes. For your convenience, we have presented a summary table below to highlight key audit findings. please see the detailed section of this Report for a more comprehensive understanding of each finding, including their context, potential implications, and recommendation.

Summary of key audit findings

The Table below provides a snapshot outline of key audit findings highlighted in this report based on process areas and risk ratings.

No	Findings	Definition	Risk Rating	Page No.
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II. Risk classification

For each of the audit findings, an audit rating has been provided to rate the finding based on severity. The table below provides the definition for each of the various categories of audit ratings given in the report:

	Audit Rating	Definition
	Unsatisfactory	Controls are not functioning and/or fraudulent activities have been detected which will or have a material impact on both the financial statements and operations of the project.

	Significant Improvements Needed	The control environment is lacking or has degraded since the last audit and is a contributing factor to non-achievement of business objectives. Immediate management actions need to be taken to address the control deficiencies noted.
	Moderate Improvements Needed	Some controls are in place and functioning; however, several major issues were noted that could jeopardize the accomplishment of business objectives.
	Minor Improvements Needed	Many of the controls are functioning as intended; however, some minor changes are necessary to make the control environment more effective and efficient.
	Controlled	Controls are functioning as intended and no additional actions are necessary at this time.

1. Background

As a prelude to the reform process, The Gambia is harnessing the gains of the ACE I Project, and the opportunities accorded by the World Bank in the ACE Impact to establish an Emerging Centre of Excellence on Science, Technology and Engineering for Entrepreneurship at the Gambia Technical Training Institute (GTTI). This Emerging Centre will deliver degree programs and will serve as the first phase of the GTTI transformation into an applied University of Science, Engineering and Technology (USET). To improve quality, quantity, and development impact of postgraduate education in selected universities through regional specialization and collaboration.

In November 2019, a grant of USD 12 million was approved for The Gambia towards financing the ACE IMPACT Project and was successfully negotiated and declared effective on the 5th May 2020 and expected to close on 30th June 2024. Currently, ten (10) students from GTTI are doing their PhDs at KNUST. These students will be mentored to take over the teaching of the engineering programmers.

This Project has two designated accounts at the Central Bank of Gambia. One for the operational expenses (Component 3) amounting to USD1.5 million and the other account for the DLI funds to finance the establishment of the Emerging Center at GTTI and fostering regional partnership and scholarships (Components 1 and 2) amounting to USD9.0 million.

Components and Costs

Project Cost and Financing	Project Cost (US$ million)	IDA Financing (SDR million)
Establishing new and scaled up well-performing existing ACEs for development impact	4.0	3.0
Fostering regional partnership and scholarships	5.0	3.7
Enhancing National and regional level facilitation and M&E	1.50	1.1

Unallocated	1.50	1.1
Total Financing Required	12.0	8.9

2. Audit Objectives

The key objectives of the audit are as follows:

1. Assess compliance with applicable procedures and policies governing the ACE Impact Project.
2. Assess and give reasonable assurance on the effectiveness and efficiency of the operations of ACE Impact Project.
3. Review policy documents surrounding budget execution including expenditures to ascertain whether funds are used for the intended purpose.
4. Examine the effectiveness of Governance, Risk Management, and Internal Control (GRC) surrounding systems and procedures.

3. Audit Scope

The Scope of the audit is for the period 1st October 2022 to 31st December 2023. The following areas were reviewed,

1. Procurements,
2. Payroll,
3. Reimbursable imprest, 4. Student allowances, and

5. Assets Management.

4. Audit Methodology

The audit methodology included detailed testing of a sample of transactions/activities undertaken during the period under review. The Team obtained an understanding of the internal control structure, risk management and various governance processes by,

1. Reviewing relevant policies and procedures,
2. Conducting interviews and discussions with relevant personnel, 3. Reviewed of activity implementations by implementing partners.
4. Reviewed a sample of Contracts and Purchase Orders to ensure bid solicitations followed the laid down policies and selection of best value bid or proposal to the organization was properly documented.
5. Inspection and verification of fixed assets.

5.0 AUDIT FINDINGS, IMPLICATIONS AND RECOMMENDATIONS

Audit Findings, Implications and Recommendations below are arranged based on categories:

5.1 FINANCE ISSUES

5.1.1 Under payment of stipend to students

Criteria

As per the scholarship award letters it is stated that each student shall receive a stipend amounting to $700 payable on a quarterly basis.

Finding

During our review of stipend payments to PhD students at KNUST University, it has been identified that there have been instances of underpayment of stipends to students. The analysis below indicates that each of the listed PhD students experienced an underpayment of $208.03 in their stipend amounts, contributing to a grand total underpayment of $2,288.35. This raises concerns about the financial strain placed on the students and the potential impact on their wellbeing. The table below shows a summary of Payment details for the four quarters in 2023.

NAME	TOTAL 4 QRT ($)	TOTAL PAYMENT TO STUDENT ($)	UNDER PAYMENT ($)
ALIEU JALLOW	8,400	8,191.97	208.03
AMADOU BALDEH	8,400	8,191.97	208.03
AMODOU CHAM	8,400	8,191.97	208.03
BINTA SANYANG	8,400	8,191.97	208.03
EDWARD CEARSAL MANSAL	8,400	8,191.97	208.03
JAMES GOMEZ	8,400	8,191.97	208.03
LAMIN DOARBOE	8,400	8,191.97	208.03
LAMIN K CHAM	8,400	8,191.97	208.03
PAULVICTOR JATTA	8,400	8,191.97	208.03
SEEDY B FOFANA	8,400	8,191.97	208.03
SULAY KUJABI	8,400	8,191.97	208.03
GRAND TOTAL	**92,400**	**90,111.65**	**2,288.35**

Risk	**Significant improvement needed**

Implication

This might lead to financial hardship for PhD students, potentially affecting their living conditions and ability to focus on their studies and decreased motivation and morale among students.

Recommendation

The Project Manager should allocate adequate budgetary resources to ensure timely and sufficient payment of stipends to all the students as stipulated in their award letters.

Management response	Agreed upon timelines implementation	Responsible Person

This is not an underpayment of student stipend. The difference noted is caused by foreign exchange rates applied. Normally the payment voucher and the request of transfer of funds to Central Bank of the Gambia is done in Gambia dalasi. As at the time of the Bank processing the payment, the bank could have applied a different rate depending on the prevailing Valuation rate. The stipends are all paid into a local Bank Account in the Gambia and the Central Bank of the Gambia would not allow to make a transfer of foreign currency within the Gambia.	N/A	

5.1.2 Withholding Tax not charge and remitted to GRA.

Criteria

According to the **Accounting Procedure Manual section 7.7.7 Withholding Tax** states that," withholding tax is deducted from source for all payments made by Government. Periodically the withholding tax amount deducted should be paid to GRA to enable them account for their revenue and update payee's tax records."

Section 89 of **Income and Value Added tax Act ,2012,** subsection (3) requires that's "A person who retains the services of a contractor or a sub-contractor to carry out work, supply materials or provide a service is required to withhold tax from the gross amount paid to the contractor or sub-contractor at the rate of 10%" **Finding**

During our review of payment vouchers and remittances to third parties, it was noted that the ACE Impact Project have not been deducting withholding tax from suppliers/contractors' payments, and not making the required submission to Gambia Revenue Authority (GRA).

Risk	**Significant improvement needed**

Implication

There is a high risk of the Government losing a significant amount of revenue from the suppliers due to the non-deduction of withholding taxes. This could have a negative impact on Governments' ability to fund development initiatives.

Recommendation

1. The Project Manager, Financial Management Specialist and the Project Accountant should ensure withholding tax is deducted from all non-exempt contracts and remitted to the Gambia Revenue Authority accordingly.
2. The Financial Management Specialist should ensure that withholding tax is appropriately calculated and withheld as part of any payment to non-exempt contractors or suppliers in order to prevent tax evasions/avoidance.

Management response	Agreed upon timelines implementation	Responsible Person
The PCU is in the process of implementing the deduction of withholding taxes from Suppliers and Contractors on all new procurement to commence in 2024. The Withholding certificate will be obtained and our account software will be update to accommodate the deduction.	30th June 2024	Project Manager and Financial Management Specialists

5.1.3 Non submission of Quarterly Certified Summary Account to the Accountant General.

Criteria Financial regulation 2016, section 30—Project Accounts states that,
"(5) A self-accounting project shall, in each quarter, send a certified summary account to the Accountant General.
(6) Where a project –
(a) is funded and administered entirely by an external agency.
(b) represents development expenditure; and
(c) is to be handed over to the Government by that external agency
the project shall send certified quarterly summary accounts to the Accountant General, who shall record the details in a Project Account."

Finding

During the period under review, the Audit Team noted that the ACE Impact Project has not been sending its quarterly report to the Accountant General Department to report on the status of the project implementation as per the abovementioned provision.

Risk	Significant improvement needed

Implication

1. Non submission of quarterly reports to the Accountant General Department could create a risk of ineffective and inefficient Project monitoring, in terms of up-to date disbursements, Project implementations status and other financial activities of the Project.
2. It also creates a risk of noncompliance with the above-mentioned provision of the Financial Regulation Statue.

Recommendation

The Project Manager should ensure that Certified Quarterly Summary Reports are prepared and sent to the Accountant General on a timely basis.

Management response	Agreed upon timelines implementation	Responsible Person

The PCU will ensure henceforth a quarterly report will be submitted to the Accountant General Office. The report for the quarter ended 31st December would be shared before 28th February 2024.	28th February 2024	Financial Management Specialist

5.1.4 Limitation of the Tompro Accounting Software

Finding

During our review, the Audit Team noted that the Tompro Accounting Software operated by PCU for the Ace Impact Project does not have the capability to automatically generate unique voucher numbers for financial transactions. In addition, we observed that the audit trail function, which is vital for tracking changes and maintaining accountability, was found to be inactive during our review. An active audit trail is essential for detecting and preventing unauthorized or unintentional alterations to financial data.

Risk	**Moderate Improvement needed**

Implication

The absence of this critical feature has increased the risk of errors and potential duplication of transactions.

Recommendation

The Project Manager Should Implement an automated voucher numbering system and audit trail that generates unique voucher numbers for each transaction and ensure that the System is capable of validating and preventing the use of duplicate voucher numbers.

Management response	**Agreed upon timelines implementation**	**Responsible Person**
The Consultant for the TOMPRO software will be contracted to assist the PCU to ensure that the accounting software automatically generate unique payment vouchers. Unfortunately, the desktop computer used for the testing of the audit trail was inactive but all other computers are active. The particular desktop would be updated.	31st March 2024	Financial Management Specialist.

5.1.4 Payment of VAT amounting to GMD7995.85

Criteria

Reference to the memo issued by the Permanent Secretary Ministry of Finance and Economic Affairs with the reference ADM 386/02/ (13) dated the 6th of August 2013 captioned zero rating of VAT for donor funded projects states that "the income and VAT ACT 2012 has not given an outright exemption for donor funded project even thou based on international agreement such funds allocated to projects in the Gambia should be exempted from payment of taxes including VAT. To correct the anomaly highlighted above, you are hereby informed that all procurement of goods and services from vat registered businesses by donor funded projects are zero rated with effect from January 1st, 2013."

Finding

We noted that the Project has disbursed an amount of GMD7995.85 as Value Added Tax (VAT) to CFAO for the maintenance of vehicle. This not only affects the precision of financial records but also places the Project at risk of incurring unwarranted tax liabilities. The tabulated summary below provides details of the payment:

Date	Voucher Number	PAYEE	Description	VAT PAYMENT (GMD)
1/25/2023	PV9	CFAO	Payment for the maintenance of vehicle	1,385.47
1/16/2023	PV2	CFAO	Payment for the maintenance of vehicle	6,610.38
TOTAL				**7,995.85**

Risk	**Moderate improvement**

Implication

There is a risk of an increase in financial burden, reducing the effective utilization of grant funds for their intended purposes

Recommendation.

1.The Project Manager and team should adhere to the circular from the office of the PS MOFEA which urges the donor funded projects to always present a "copy to vendors each time the Projects are procuring goods and services as documentary evidence for the zero rating of supplies".

2. The Project Director should ensure that the VAT payments to suppliers is regularized, and supplier's invoices are VAT exclusive.

Management response	**Agreed upon timelines implementation**	**Responsible Person**
This is an omission that would be corrected immediately. The PCU would write to the service provider demanding for a refund or a deduction of the total amount in sequent invoices.	28th February 2024	Financial Management Specialist

5.1.5 Late retirement of activity Imprest

Criteria

According to Section 8.3.2 states that the"retirement of any imprest must be done within two weeks after the completion of the activity".

Finding

During our review, we noted that the imprest issued during the period under review were not retired on time, thus exceeding the time limit of 14 days after the completion of the activity as required in the PCU MOBSE Financial Management Manual. The Table shows the breakdown of the late retirement of imprest.

NAME	ISSUED(USD)	RETIRED	BALANCE	ISSUED DATE	RETIREMENT DATE	>14 DAYS BY
Abdoulie F. R Jadama	1,258.53	1,258.53	0	18-05-23	15-07-23	42
Abdoulie TB Jarra	1,943.26	1,943.26	0	01-01-23	31-07-23	151
Mbassally Manneh	2,995.98	2,950.77	45.21	01-01-23	31-07-23	151
Samba Sowe MoHERST	53,844.54	53,732.91	111.63	17-08-23	19-12-23	89

Risk Rating	**Significant Improvement needed**

Implication

There is a risk that the Project fund is not used for its intended purpose.

Recommendation

The Project Manager should ensure that all imprest holders retire their imprest on or before 14 days after the completion of the activity as stipulated in the PCU MOBSE Financial Management Manual.

Management response	Agreed upon timelines implementation	Responsible Person
We will ensure we increase our monitoring of imprest issued to Implementing Officers. This has always been a challenge for the PCU and there is a great significant improvement on late retirement. We will also seek assistance from the Project Steering Committee to add to the voice.	Continuous	Project Steering Committee, Project Manager and Financial Management Specialist.

6.0 Acknowledgement of Satisfactory Performance

6.1 Payroll System

After a comprehensive review and examination of the Payroll System, we noted that no discrepancies were identified during the audit. The Payroll System has demonstrated a high level of accuracy, and the controls in place are functioning as designed.

Risk Rating	**Controlled**

Conclusion

We are reasonably assured that the control surrounding business processes are working as designed. However, as evident in this report, a significant improvement is needed to address the compliance issues highlighted in this Report such as the adherence to the income and Value added taxes of 2012 and Financial Regulation of 2016 in a bid to ensure greater accountability and transparency.

We look forward to seeing the positive changes and improvements resulting from the implementation of our audit recommendations.