



REPUBLIC OF THE GAMBIA

DIRECTORATE OF INTERNAL AUDIT

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

OFF BERTIL HARDING HIGHWAY, OPPOSITE OYRX PETROL STATION, BIJILO

FINAL AUDIT REPORT

ACE Impact Project

FOR THE PERIOD 01st October 2024 to 31st December 2024.

MAY 2025





**REPUBLIC OF THE GAMBIA
DIRECTORATE OF INTERNAL AUDIT
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JD10/21/01 PT 20(44)

6th May 2025

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 2024 to 31st December 2024.


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

The final report integrates your management responses to the findings and recommendations outlined during the audit process. It is important to note that as part of our audit process, a follow-up audit will be conducted to assess the progress made in implementing the agreed action plan.

We would like to express our gratitude for your team's collaboration and support during the audit process. Your proactive engagement and commitment to addressing the identified issues have significantly contributed to the quality of the final report.

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

Yours Sincerely,


Mr. Cherno Amadou Sowe
Director General

**Cc: Permanent Secretary, Ministry of Higher Education, Research, Science and Technology
Permanent Secretary - Ministry of Finance and Economic Affairs
Accountant General – AGD
Auditor General - NAO
File/R. File**



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I. Acronyms

| | |
|--------------|--|
| PCU | Project Coordination Unit |
| DA | Designated Accounts |
| DLI | Disbursement-Linked Indicator |
| DPM | Deputy Project Manager |
| GoTG | Government of the Gambia |
| GPPA | Gambia Public Procurement Authority |
| GRA | Gambia Revenue Authority |
| GTTI | The Gambia Technical Training Institute |
| 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

1. 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 issues relating to weaknesses in governance as well as 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.

I. 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 | Risk Rating | Page No. |
|----|---|-------------|----------|
| 1 | Procurement of Air Ticket Not Awarded to the Most Advantageous Bidder | | 11 |
| 2 | Payment of VAT and Wrong Vehicle License Renewal | | 12 |
| 3 | Incorrect Withholding Tax Deduction on Travel Agency Payments | | 9 |
| 4 | Incomplete and Outdated Fixed Asset Register | | 11 |
| 5 | Retirement Submission Lacks Valid Receipts | | 12 |

II. Audit Conclusion

Based on the tests conducted by the Audit Team, there is a need for Moderate improvements to ensure continuous Program enhancement. The Governance and Control processes are working as designed. However, there are gaps in the internal controls and management of the grant that need to be addressed to ensure greater accountability and transparency.

III. 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 that will or have a material impact on both the financial statements and operations of ACE project |
| Significant Improvements Needed | The current control environment is not effective, which may lead to failure to meet business objectives. Immediate managerial steps must be taken to rectify the identified control shortcomings. |
| Moderate Improvements Needed | Some controls are in place and functioning; however, several major issues were noted that could jeopardize the accomplishment of ACE project 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. |

2. 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). The object of the project is 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 which was successfully negotiated and declared effective on the 5th May 2020 and was expected to close on 30th June 2024. Currently, ten (10) PhD students from GTTI are doing their PhD at the Kwame Nkrumah University of Science and Technology (KNUST). These students will be mentored to take over the teaching of the engineering program at the University of Science, Engineering and Technology.

This Project has two designated accounts at the Central Bank of The 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 to scale 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 |

3. 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 their intended purpose;
4. Examine the effectiveness of Governance, Risk Management, and Internal Control (GRC) surrounding systems and procedures.

4. Audit Scope

The audit covers the period from 1st October 2024 to 31st December 2024. The audit also reviewed the following areas

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

5. Audit Methodology

The audit methodology included detailed testing of sampled 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. Reviewing of activities implemented by Implementing Partners (IPs);
4. Reviewing sampled contracts and Purchase Orders to ensure bid solicitations followed the laid down policies and procedures,
5. Inspection and verification of Fixed Assets.

6. Scope Limitation

During our audit, we encountered a scope limitation regarding the asset verification exercise for the 2024 sundry assets. The assets, which were purchased during the year, were in the process of being moved from the store to USET for installation and had not yet been properly installed, located, or tracked. Furthermore, these assets had not been appropriately coded in the Fixed Asset Register (FAR).

Consequently, we encountered certain limitations that impeded our ability to conduct a thorough asset verification.

1. **Assets Not Installed:** The assets were still in transit and not yet placed in their intended locations, making it impossible to physically verify them in their final setup.
2. **Lack of Location Tracking:** The assets had not been assigned specific locations or were not yet marked with identifiable asset tags, which is essential for proper asset management and tracking.
3. **Inadequate Asset Coding:** The assets had not been coded in the Fixed Asset Register, preventing us from linking the physical assets with the corresponding records in the Asset Management System.
4. **Incomplete Asset Documentation:** Without proper installation, location assignment, and coding, we were unable to verify the accuracy and completeness of the Asset Register or assess the physical condition of the assets.

Due to these factors, we were unable to perform a thorough and complete verification of the **2024 sundry assets** as part of this audit. As a result, we are unable to provide assurance that all assets have been properly accounted for, recorded, and safeguarded.

Recommendation:

1. The Project Coordinator and Senior Financial Management Specialist should ensure that assets are fully installed, properly coded, and accurately tracked in the Fixed Asset Register before future asset verifications are conducted.
2. The Project Coordinator and Senior Financial Management Specialist should ensure that a follow-up verification exercise is scheduled once all assets are properly located, installed, and coded.

6.0 AUDIT FINDINGS, IMPLICATIONS AND RECOMMENDATIONS

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

6.1 Incorrect Withholding Tax Deduction on Travel Agency Payments

Finding

During the review of payment vouchers, it was noted that the ACE Impact Project has been incorrectly deducting 10% withholding tax from payments made to Travel Agencies instead of the correct rate of 0.09%. The deducted amounts are then submitted to the Gambia Revenue Authority (GRA).

Risk

Moderate improvement needed

Implication

Applying the wrong withholding tax rate leads to excessive withholding tax deduction depriving travel agencies of receiving the right amount.

Recommendation

1. The Senior Financial Management Specialist should engage with GRA to determine corrective actions, including possible adjustments or refunds to affected vendors.
2. Going forward, the Senior Financial Management Specialist should ensure the correct withholding rates are applied to all non-exempt payments by obtaining copies of the correct rates from either the Ministry of Finance and Economic Affairs, GRA or AGD

| Management response | Agreed upon timelines implementation | Responsible Person |
|--|--------------------------------------|--------------------|
| <p>The PCU commenced the deduction of withholding tax in June 2024 and based on the document the PCU received from the Ministry of Finance and Economic Affairs, the travel agencies withholding tax rate was not mentioned on the document.</p> <p>The PCU is currently using the correct withholding tax rates on all travel agencies. The Withholding tax certificates were also issued to the travel agencies indicating that amount of tax deducted from their payment.</p> | Action already implemented. | |

6.2 Non-Payment of Withholding Tax on Consultancy and Airline Transactions

Criteria

According to the **Accounting Procedure Manual section 7.7.7 Withholding Tax** state 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 the audit, we observed that withholding tax was not deducted and remitted as required for certain payments related to consultancy services, remuneration, and airline transactions. According to the Gambia Revenue Authority (GRA) brochure, withholding tax rates should be 15% for consultancy services and 0.09% for airline services. However, the following payments did not have the required tax deductions applied.

| Date | Voucher number | Payee | Description |
|------------|----------------|---------------------------------|------------------------------------|
| 20/3/2024 | 33 | Samuel Patrick Owusu Ofori | Remuneration |
| 21/06/2024 | 9 | Euro World Travel Services | Air ticket for KNUST Lecturers |
| 25/06/2024 | 43 | Professor Samson Oduro Kwarteng | Remuneration |
| 25/7/2024 | 44 | Cajethan Maduabuchi Nwosu | Consultancy fee from April to June |
| 6/9/2024 | 71 | B. Semega Janneh | supervision of work |

Risk

Moderate improvement

Implication

There is a risk that by not deducting withholding taxes from these payments, the beneficiaries may not pay their required taxes resulting in potential revenue loss to the Government.

The lack of deduction of withholding taxes on non-exempt payments is a violation of the Public Finance Act which can lead to penalties and fines.

Recommendation

The Senior Financial Management Specialist should ensure the correct withholding taxes are deducted and remitted to GRA during the stipulated period.

The Senior Financial Management Specialist must ensure that the Financial Management Team is fully knowledgeable about the various withholding tax rates and applies them correctly to all non-exempt payments.

| Management response | Agreed upon timelines implementation | Responsible Person |
|--|--------------------------------------|--------------------|
| The observation of the Internal Auditor is well noted. This is when we commenced the implementation of deducting withholding tax. We will ensure that all payments made, withholding tax deduction are done. | Ongoing | SFMS |

6.3 Procurement of Air Ticket Not Awarded to the Most Advantageous Bidder

Finding

During our audit, we noted that a contract for air ticket procurement was awarded to Waheguru Travels at a quoted price of D180,690, instead of awarding it to Orbit Travel, which submitted a lower bid of D178,400. The Project incurred an additional cost of D2,290, resulting in unnecessary financial expenditure.

The evaluation criteria set for the procurement was based on price, and since both bidders proposed the same route, Orbit Travel was the most advantageous bidder.

Risk

Significant improvement needed

Implication

There is a risk that the Project violated Procurement Regulations and Guidelines by not purchasing the air ticket from Orbit Travel which submitted a cheaper quote for the same route as that of Waheguru. Procurement rules and regulations are designed to promote fairness in public procurement and ensure value for money and must therefore be strictly adhered to.

Recommendation

The Project Manager should ensure strict adherence to procurement evaluation criteria, particularly when price is the determining factor. Any deviation from awarding a contract to the lowest bidder should be clearly justified and documented.

| Management response | Agreed upon timelines implementation | Responsible Person |
|---|--------------------------------------|---------------------|
| This was an oversight in preparing the evaluation report as the price was not the only criteria used in awarding the contract. Orbit Travel were unable to provide a quote for the departure date requested and it is very important that the Lecturers fly into the Gambia on that particular day. | Ongoing | Procurement Officer |

6.4 Payment of VAT and Wrong Vehicle License Renewal

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

During our audit, we observed the following irregularities in the payment for the renewal of a vehicle license:

1. A payment of GMD40,035 was made to Prime Insurance, of which GMD5,205 was paid as Value Added Tax (VAT). This contravenes the established policies of the Government of The Gambia and agreements with the World Bank, which prohibit or exempt VAT payments on certain expenditures.
2. The request for license renewal was intended for Vehicle No. WB ACE 04TA; however, the renewal was incorrectly processed for Vehicle No. WB ACE 02.

Implication

The deduction of VAT on an exempt payment i.e. a donor funded project (World Bank) contravened the Memo cited above. There is also a risk that this payment maybe deems ineligible expenditure by the Bank resulting in a potential refund.

The deduction of VAT on an exempt payment shows a lack of familiarity with either the Project Financing Agreement and or other relevant regulations by the Financial Management Team or weak supervision of the Finance Team.

Recommendation

1. The Senior Financial Management Specialist should engage Prime Insurance and ensure that future Project related payments do not include VAT as the Project is exempted from VAT payment.
2. The Project Manager and Senior Financial Management Specialist should strengthen internal verification controls to ensure that vehicle license renewals are accurately processed for the correct vehicles.

| Management response | Agreed upon timelines implementation | Responsible Person |
|---|--------------------------------------|--------------------|
| The Prime Insurance will be informed and from our when renewal of Insurance policies the VAT will be deducted from the payment. | 30 th May 2025 | SFMS |

6.5 Incomplete and Outdated Fixed Asset Register**Criteria**

Section 6.2.2 of PCU Finance Manual under Asset Management Tools sub section (1) states that the following information will be found in the FAR:

1. Unique identification code,
2. purchase date,
3. disposal date,
4. Description of item,
5. name of supplier,
6. location and Custodian of asset,
7. cost price,
8. financing source
9. issue date of item,
10. comments.

Finding

During our audit, we noted that the Fixed Asset Register (FAR) is not up to date as it does not contain critical details such as the actual purchase date and the actual location of assets. This omission reduces the reliability and completeness of the asset records.

Implication

1. There is a risk of asset mismanagement, loss, or theft due to unclear asset locations.
2. The failure to maintain an accurate and up-to-date Fixed Assets Register may make it difficult to trace fully depreciated assets for disposal.

Recommendation

The Senior Financial Management Specialist should update the Fixed Assets Register to include the actual purchase date and asset location for all assets.

| Management response | Agreed upon timelines implementation | Responsible Person |
|--|--------------------------------------|---|
| <p>The Internal Auditors observation is well noted. The Fixed Assets Register was not accurately updated because the Laboratory Equipment for the USET Centre were delivered and yet to be place to the right location and installed for the assets tagging to be done on the Assets.</p> <p>The assets are presently be installed at the USET center and thereafter the tagging will be done for the PCU to update the Fixed Assets Register.</p> | 31 st May 2025 | Project Manager and Senior Financial Management Specialists |

6.6 Retirement Submission Lacks Valid Receipts

Finding

During our audit, we noted that imprest holder (Omar Jobe) submitted as part of his retirement invoices instead of receipts amounting to GMD17,400 for the catering of ACE Regional Workshop, which does not provide adequate evidence of actual payments made.

Risk

Moderate improvement

Implication

By not submitting adequate supporting documents in retiring their imprest, there is a risk that imprest holders may use the funds for unintended purposes,

Recommendation

The Senior Financial Management Specialist should ensure that Omar Jobe submits valid receipts as proof of expenditure before accepting the retirement.

The Financial Management Specialist must ensure that all imprests are retired with adequate and appropriate supporting documentation, and within the specified timeline for such retirement.

| Management response | Agreed upon timelines implementation | Responsible Person |
|--|--------------------------------------|--------------------|
| We will ensure that the receipt is provided and attached to the Payment Voucher. | 30 th April 2025 | SFMS |

7.0 Acknowledgement of Satisfactory Performance

7.1 Acknowledgement of Satisfactory Performance

7.2 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 |
|--------------------|-------------------|

7.0 Conclusion

Based on the tests conducted by the Audit Team, there is a need for Moderate improvements to ensure continuous Program enhancement. The governance framework and operational processes are functioning, but some oversight mechanisms require reinforcement to ensure full compliance with World Bank requirements and effective risk mitigation. Weaknesses were noted in financial management, reporting accuracy, and monitoring of grant expenditures, which could affect the Project's sustainability if left unaddressed. Although Management has shown commitment, there is a need for stronger oversight of grant disbursement and utilization. To support continuous improvement, the audit recommends enhancing internal controls, improving documentation, building staff capacity, and establishing robust monitoring systems. These actions will help align the Project with international best practices and strengthen World Bank confidence.