Special Audit of seven State-Owned Enterprises in The Gambia

Private and confidential

FINAL – 19 August 2019

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Mr Mambury Njie
The Honourable Minister of Finance and Economic Affairs
The Projects Coordination Unit
The Quadrangle
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The Gambia

19 August 2019

Dear Honourable Minister,

Special Audit of seven State-Owned Enterprises in The Gambia

We are pleased to attach our final report in respect of our Special Audit of seven State-Owned Enterprises ('SOEs') in The Gambia. This report has been prepared in accordance with the Terms of Reference provided to us under the IFMIS-AF2 RFP.

The purpose of this report is to provide you with an update on the findings and recommendations arising from Phase 2 of our fieldwork, which has been performed in January and February 2019. This final report should be read in conjunction with our Interim Findings Report issued on December 21, 2018, and which detailed our findings in relation to our Phase 1 work focused on governance, processes and controls. This final version of the report incorporates our responses to the comments made by the SOE management teams in relation to our draft report issued in April 2019.

Scope of our work

In accordance with your instructions, we have performed the work set out in the engagement letter dated November 8, 2019. We have executed the Special Audit scope of work at the following seven Gambian SOEs: National Water and Electricity Company ('NAWEC'), Gambia Telecommunications Company Limited ('GAMTEL'), Gambia Telecommunications Cellular Company Limited ('GAMCEL'), Social Security and Housing Finance Corporation ('SSHFC'), Gambia Ports Authority ('GPA'), Gambia National Petroleum Corporation ('GNPC') and the Gambian Civil Aviation Authority ('GCAA').

The principal objectives of the Special Audit were set out in the Terms of Reference as follows:

1. Obtain an in-depth understanding of the SOEs' financial performance and identify key financial issues, assess how they have impacted the SOEs' operations and establish the financial position of the seven SOEs concerned as of December 31, 2017;

2. Conduct an internal controls review and evaluate the systems and controls in place at the SOEs and recommend ways that these can be strengthened to improve the operations of the SOEs and to prevent leakages and fraud; and

3. Assess the Corporate Governance structure / environment of the SOEs and the institutional oversight arrangements, determine to what extent they are conducive to sound and transparent operational and financial management practices, and make appropriate recommendations for improvements.

Our Interim Findings report issued on 21 December 21, 2018, focussed on objectives (2) and (3). The principal focus of this report is objective 1 of the drivers of financial performance and the financial position of the seven SOE as at 31 December 2017.

Limitations on execution of scope of our work

Our Special Audit has consisted primarily of analytical procedures applied to information and data made available to us, and explanations provided to us. We have not verified the authenticity or validity of the documentation made available to us.

Our procedures have not intended, or sought, to express a statutory audit opinion on the information and, therefore, do not constitute a statutory audit and should not be relied on as such.

Our Phase 2 report is based on our fieldwork enquiries made during the period November 17, 2018 to February 28, 2019. The receipt of further information may cause us to qualify or amend the findings reported herein. If, for any reason, we subsequently consider that the report requires further qualification or amendment, we will notify you.

As we have detailed further in the Executive Summary and the sections covering each SOE, our work was, to a greater or lesser degree across the seven SOEs, significantly affected by restrictions in the availability of reconciling and supporting financial information, underlying transaction documentation and access to individuals who could satisfactorily respond to our enquiries. Wherever possible, we have sought to develop alternative procedures and obtain additional corroboration for our findings.

The impact of these limitations is that in many cases we were unable to draw conclusions as to whether a key financial figure is fairly stated, or to report fully on the facts behind an event, transaction or accounting practice. Where this is the case, we have reported as such, and recommended further steps to establish to true position or fact pattern.

Our substantive findings have been validated with the management at the SOEs. Whenever possible we have sought to quantify and / or identify specific areas for financial adjustments for management review.

However, our observations translating to potential financial adjustments will need to be further discussed with the management of each SOE.

Approach, work performed and information relied on

This report details the work, findings and subsequent recommendations identified based on our review of each of SOE's financial position as at December 31, 2017. Our work has been executed by six separate fieldwork teams working in parallel during the period January 7 to February 28, 2019.

Our work was based on records, documentation and information provided to us by various departments within the SOEs, as well as information gathered through interviews and specific enquiries with employees.

In summary, we performed the following procedures as part of our fieldwork:

- ► Analysed the Profit and Loss statement and Balance Sheet of each SOE for the period under consideration;
- ► Analysed relevant management reports, including management letters, Internal Audit reports and Board minutes;

- Analysed supporting ledgers and client maintained schedules for significant items in each SOE's Profit and Loss statement and Balance Sheet;

- Obtained relevant supporting documentation for transactions and areas of interest; and

- Held discussions with other SOE's and Government departments to further develop our understanding of the unique situation facing each SOE.

Limitations of use and distribution of the report

The Special Audit is being carried out solely for the benefit of the Government of The Gambia, and this Report is addressed only to you. Except for the SOE management teams, the National Assembly, and the World Bank and its partners (including the International Monetary Fund), you should not show this Report to any third party without our prior written consent. This report (or any portion or summary of it) may not be quoted, referred to or shown to any other parties except as provided for in the Contract signed between EY LLP and the Ministry of Finance and Economic Affairs ('MoFEA').

We accept no responsibility or liability to any person other than to our client, or to such party that we have agreed in writing to accept a duty of care in respect of this report, and accordingly if such other persons choose to rely upon any of the contents of this report they do so at their own risk.

Structure of the report

Section 1 of this report sets out the background to the forensic audit. In Section 2 we set out an Executive Summary of our findings in relation to the financial status of the SOEs as at 31 December 2017 the underlying root causes and our corresponding key recommended actions.

Sections 3 to 9 set out our detailed findings and recommendations from our work at each of the SOEs.

Our commitment to you in our proposal was to perform a robust Special Audit to provide an independent view of the current financial situation of the SOEs as an input to policy decisions. In delivering on this commitment, we have received considerable logistical and technical assistance from individuals within your Ministry and at the SOEs. The outcome is an independent Special Audit which has been enabled by Gambian colleagues whose leadership and efforts will underpin important structural reforms at the SOEs.

We appreciated the opportunity to present on the outcome of the forensic audit to you and some of your team on March 6, 2019, and look forward to working with you and your team on the SoE reform agenda in the future.

Yours sincerely

Maryam Hussain

Maryam Hussain
Partner
For and on behalf of Ernst & Young LLP

Abbreviations

Abbreviation	Definition
ACE	African Coast to Europe Submarine Cable
ADB	Africa Development Bank
AFCAC	African Civil Aviation Authority
AFD	Agence Francaise de Development
AGIB	Arab Gambian Islamic Bank
AMRC	Asset Management & Recovery Corporation
APRC	Alliance for Patriotic Reorintation and Construction
BAC	Brikama Area Council
BADEA	Arab Bank for Economic Development in Africa
BAG	Banjul Accord Group
BANDES	Banco de Desarrollo Económico y Social de Venezuela
BCC	Banjul City Council
BPI	BP Investment Group FZE
CBG	Central Bank of The Gambia
CDMA	Code Division Multiple Access
CFD	Caisse Centrale De Cooperation Economique
CFO	Chief Financial Officer
CIF	Cost Insurance Freight
DATRAC	Department of Air Transport & Commerce
DT	DT Associates
EBID	ECOWAS Bank for Investment and Development
EBITDA	Earnings before interest, tax, depreciation and amortisation
ERP	Enterprise Resource Planning
F&F	Fixtures & Fittings
FAR	Fixed Asset Register
FIB	First International Bank
FJA	Francis Jones Associates
FPF	Federated Pension Fund
FPS	Federated Pension Scheme
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GAMCEL	Gambia Telecommunications Cellular Company Limited
GAMCO	Gambia Agricultural Marketing Company Limited
GAMTEL	Gambia Telecommunications Company Limited
GBA	Greater Banjul Area
GCAA	Gambia Civil Aviation Authority
GFFI	Gambia Food and Feed Industries
GFPA	Gambia Family Planning Association
GGC	Gambia Groudnut Corporation
GIA	Gambia International Airlines
GL	General Ledger

GMA	Gambia Maritime Administration
GMD	Gambian Dalasi
GNPC	Gambia National Petroleum Corporation
GPA	Gambia Ports Authority
GPPA	Gambia Public Procurement Authority
GRA	Gambia Revenue Authority
GRN	Goods Received Note
GRNI	Goods Received Not Invoiced
GRTS	Gambia Radio and Television Services
GSC Ltd	Gambia Submarine Cable Company Limited
GSM	Global System for Mobile Communications
GTB	Guaranty Trust Bank
GTMI	GAMTEL Training and Multimedia Institute
GTSC	Gambia Transport Service Corporation
HFC	Home Finance Company
HFF	Housing Finance Fund
HFO	Heavy Fuel Oil
HQ	Headquarters
HR	Human Resources
ICAO	The International Civil Aviation Organization
IFRS	International Financial Reporting Standards
IICF	Industrial Injuries Compensation Fund
IPC	Interim Payment Certificate
ITFC	The Islamic Trade Finance Corporation
ITT	In Tank Transfer
IVG	International Voice Gateway
JFP	Jammeh Foundation for Peace
KFEAD	Kuwait Fund for Arab Economic Development
KGI	Kanilai Group International
KMC	Kanifing Municipal Council
KPIs	Key Performance Indicators
LFO	Light Fuel Oil
MD	Managing Director
MoFEA	Ministry of Finance and Economic Affairs
MOICI	Ministry of Information and Communication Infrastructure
MoPE	Ministry of Petroleum and Energy
MOU	Memorandum of Understanding
NAWEC	National Water and Electricity Company
NBV	Net Book Value
NEA	National Environment Agency
NIA	National Intelligence Agency
NPF	National Provident Fund
NRA	National Road Authority
NRV	Net Realisable Value

PIU	Police Intervention Unit
PM&E	Plant, Machinery and Equipment
PMO	Person Management Office
PO	Purchase Order
PURA	Public Utilities Regulatory Authority
RASCOM	Regional African Satellite Communication Organization
REEP	Rural Electrification Extension Project
RTC	Real Time Consulting
SCB	Standard Chartered Bank
SOEs	State-Owned Enterprises
SSHFC	Social Security and Housing Finance Corporation
TAP	Transferred Account Procedure
TB	Trial Balance
TOR	Terms of Reference
USD	United States Dollar
WIP	Work in Progress

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1. Introduction

Background

1.1 The Government of The Gambia has embarked upon a wide-ranging program of reform with regard to its State-Owned Enterprises (‘SOEs’). Recognising that poor governance, weak financial management and historic state intervention at the SOEs has contributed to the wider financial issues faced by The Gambia, the Government is taking steps to examine the historic issues, assess the current situation and build a support structure that will allow the commercially viable SOEs to be successful and profitable in the future.

1.2 There a number of key operational and governance-related initiatives that make up the reform program. Some are a response to previous audits and reviews, such as the creation of the SOE Reform unit, within the Directorate of Public Private Partnership, operating from within the Ministry of Finance and Economic Affairs (‘MoFEA’).

1.3 EY has been engaged to perform Special Purpose ‘audits’ at 7 of The Gambia’s 13 SOEs. Funded by the World Bank, the audits are designed to provide the Government and donor community with a forensic, independent and current snapshot of the SOEs. The audits have assessed the historic and current control and governance environments, the strength of current operational practices, and the robustness of the reported financial position. The work also aimed to identify the magnitude, frequency and channels of historic fund diversions or leakages.

1.4 The findings from our work performed in relation to Phase 1 of the Terms of Reference, which focused on Governance, IT systems and key processes, are set out in our separate Interim Findings report dated 21 December 2018, and should be read in conjunction with this report.

1.5 In January and February 2019, we performed fieldwork in relation to Phase 2 of the Terms of Reference, principally focused on performing a forensic audit of the recent trading performance and December 2017 Balance sheet position of each SOE. The work included an examination of the inter-SOE loan and trading positions, and the extent to which funds have historically been misused or diverted as a result of Government intervention.

1.6 This report sets out our findings and recommendations in relation to the Phase 2 work. In all instances of performing our work we have attempted to identify the root cause of our highlighted audit issues, and where possible to quantify the adjustment required. However, in many instances further work is required to fully quantify the issues. Allocating ownership for that further work within the SOE, and ensuring that there is suitable supervision and follow up in relation to the issues raised at the MoFEA level, will be critical to the impact of the Forensic Audit.

1.7 The report is being issued in draft for consideration and comment by all relevant stakeholders. Many of the audit findings have already been discussed with the SOEs. We welcome Management’s timely response to the issues raised. We envisage finalising the report by April 30, 2019.

2. Executive Summary

Introduction

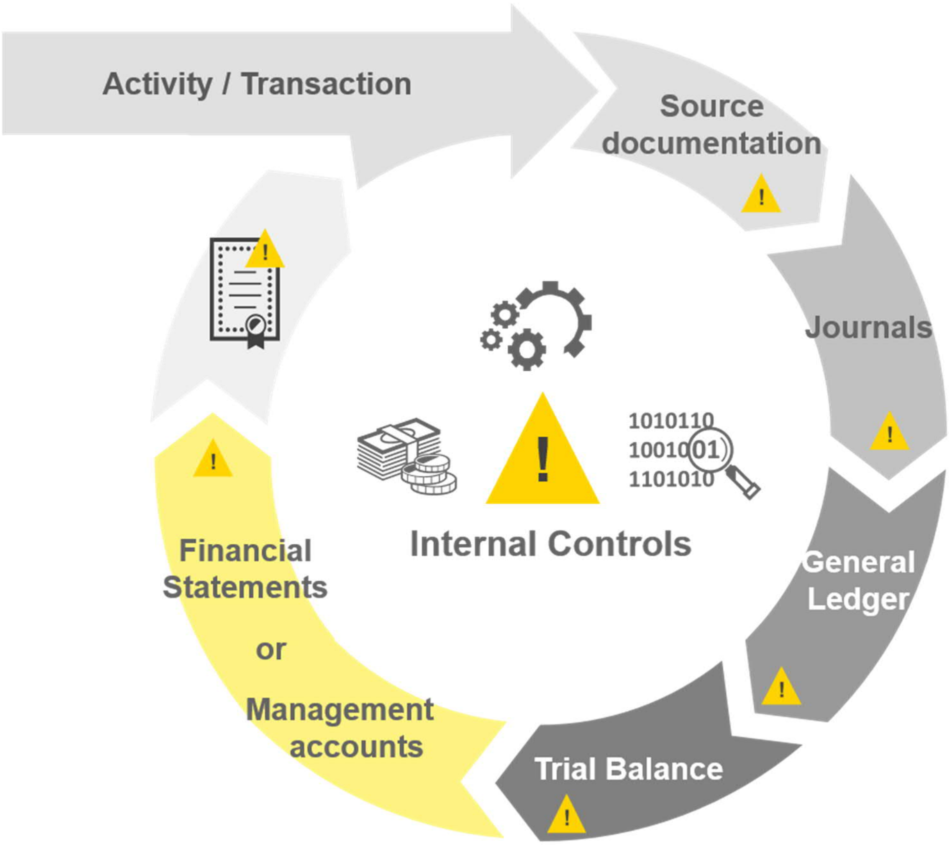
2.1 This Executive Summary is split into two parts. The first part presents some of the high-level messages and themes from our Forensic Audit. We set out our findings in relation to the availability and reliability of evidence in support of the Financial Statements, we report on the overarching health of the SOEs' financial position, and we set out the findings with respect to specific areas of the Terms of Reference, namely the inter-SOE financial position, the independent bank circularisation exercise and our work related to historical fund misuse and diversions. We suggest five strategic steps to prevent further leakage and create a fully transparent financial position, and we consider each SOE in light of five critical success factors.

2.2 In the second part of the Executive Summary we present the summary findings and recommendations from each of the seven SOEs. Further detail on each of the summary findings can be found in the respective main SOE section.

The SOE accounting cycle is broken

2.3 The fundamental basis for any forensic audit is a linked, evidentially-supported flow of transaction data that allows an examiner to trace a transaction through the accounting cycle, from an individual transaction to the final Financial Statements. This is commonly referred to as the 'audit trail', and is captured graphically in the diagram below.

Figure 1: The accounting cycle



2.4 The cycle depicts that source documentation relating to an event, transaction or management judgement is entered into an accounting system in the form of a journal. Journals collectively form the sub-ledgers and General ledger, from which a Trial Balance is created, which will ultimately become the basis for periodic Management Accounts or Financial Statements.

2.5 In a healthy financial accounting system, there is full audit trail traceability for all transactions made during a period, from the underlying documentation for a transaction through to the Financial Statements. Any breakdown in the audit trail or accounting cycle, such as missing receipts and invoices, undocumented management adjustments, or ledgers that do not reconcile to the Trial Balance, detracts from the reliability and robustness of the final Financial Statements, and brings in to question the strength of the financial controls and processes which underpin the Financial Statements.

2.6 The Terms of Reference for this Forensic Audit included, as one of the main objectives, a review of the financial performance of seven Gambian SOEs, and in particularly the extent to which the December 31, 2017 Financial Statements accurately reflect the financial position of each entity.

2.7 **During our Forensic Audit we discovered that none of the SOEs were able to present a sufficiently complete audit trail to support the key numbers in their Financial Statements as at December 31, 2017.**

2.8 The table below sets out for each SOE in scope a summary of the audit trail. At the least mature end of the scale, **GNPC, NAWEC and GAMTEL are yet to provide meaningful 2017 Financial Statements for audit by either EY or the external auditors, some 15 months after the year end**. By contrast, at GPA a relatively higher proportion of the accounting records were available and presented to us.

2.9 Despite the known absence of draft 2017 Financial Statements for all three of these entities at the start of our Phase 2 work, we have undertaken procedures to test their current financial position, to the extent that information could be provided. In the case of GNPC, this meant we have reviewed the December 32017 Management Accounts. In the case of GAMTEL we have reviewed the draft Trial Balance and attempted to reconstitute the December 2017 Balance Sheet. For NAWEC we have forensically examined the numbers knowing that they too may be subject to significant change before the Financial Statements are finalised.

2.10 **In all SOEs we discovered significant gaps in the availability of underlying source documentation, both in relation to 2017 transactions but also in terms of historic key governance, debt issuance and contractual documents**. Finance staff were frequently unable to provide us with explanations or analysis that would be expected in a normal functioning entity. **These information gaps appear to be caused by a combination of human and system weaknesses**. Our assessment of the Information Systems is detailed in our Interim Findings report dated 21 December 2018.

Table 1: Level of completeness of information by SOE

SOE	Source Documentation	Journals	General Ledger / Subledger	Supporting Trial Balance	2017 Financial Statements
GNPC	✗	✗	✗	✗	Management Accounts
NAWEC	✗	✗	✗	✗	DRAFT
SSHFC	✗	✗	✗	✗	✓
GAMTEL	✗	✗	✗	✓	✗
GAMCEL	✗	✗	✗	✓	DRAFT
GCAA	✗	✗	✗	✓	DRAFT
GPA	✗	✗	✓	✓	✓

2.11 Without a complete accounting cycle that fully supports and reconciles individual transactions to the Financial Statements, there will remain questions about the accuracy and robustness of the Financial Statements as presented.

The assets of the SOEs are significantly overstated

2.12 The Terms of Reference for the Forensic Audit highlight the historic deteriorating financial performance and fiscal challenges of the SOEs under review. Several of the SOEs have been loss-making for so long that they are technically insolvent but continue to operate. Increasing losses have been attributed to flawed commercial models (one-time monopolies now operating in the private sector, such as GAMCEL and GNPC), overstaffing (considered particularly acute at NAWEC and GAMTEL) and fraud and corruption (all SOEs). Decreasing net worth has been attributed to unrecoverable inter-SOE debt, accumulating tax arrears and unauthorised commercial loans.

2.13 **The forensic audit confirmed that these are some of the factors that have led to the deteriorating financial performance of the SOEs. It also uncovered additional factors which further erode the net asset position of the SOEs as at 31 December 2017.**

2.14 **The forensic audit uncovered categories of unrecognised or understated expense, which results in an overstatement of profits. From a Balance Sheet perspective, we found previously unrecorded liabilities with the impact of overstating the net asset position.** By way of example:

a. At NAWEC and GCAA we encountered Fixed Assets that have been recorded in the ‘assets under construction’ (also known as Work In Progress) categories for several years. Testing revealed that the projects under which the assets have been acquired were completed several years ago, and as such the assets should have been moved out of the zero-depreciation rate category to an asset category that would have resulted in an annual depreciation charge to the Income Statement. At NAWEC, USD 5m of assets were left in the wrong asset category for five years, resulting in a potential understatement of depreciation of USD 900k over that period.

b. At GPA we identified out of court legal settlement costs totalling GMD 37m (USD 771k) that were paid in 2018 but that were sufficiently likely and predictable in 2017 that they should have been provided for as a contingent liability.

c. In all SOEs our ‘unrecorded liabilities’ testing identified expenses paid in 2018 which should have been recorded as liabilities as at December 31, 2017, but were omitted.

2.15 **From a 2017 Balance Sheet perspective, we found asset overstatement and liability understatement at each of the SOEs reviewed**. We found Fixed Assets that could not be located, assets that have been historically wrongly categorised and under-depreciated, and assets that do not belong to the entity in which they are recorded. Under-performing or dormant investments are frequently insufficiently impaired, and across all of the SOEs, significant historical receivables balances, often involving Government related debt, have not been sufficiently provided against. By way of example:

a. At GPA our testing found that 4% of the asset value (GMD 89.3m; USD 1.9m) relating to buildings was unsupportable because the buildings had been demolished. A further 24% of the assets carried on the GPA Balance Sheet (GMD 517m; USD 10.8m) do not directly relate to GPA, and deliver economic value to related entities rather than GPA. The Fixed Asset balance needs to be reduced to reflect the true value of the assets that are held and that are providing economic benefit for GPA.

b. At GAMTEL, an investment in the Regional African Satellite Communication Organization (“RASCOM”) recorded for GMD 26m (USD 533k) is carried at full investment cost, but the entity has been non-operational and dormant since 2016. A full impairment provision is required.

c. At GNPC the Trade Receivables and other Receivables balance of GMD 1.8b (USD 37.6m) includes USD 17m due from NAWEC, an entity that has been insolvent for several years and therefore from which recovery is highly unlikely. Of the remaining USD 20.6m, USD 12.2m relates to an unsupported balance, USD 1.7m (GMD 81.1) from the Office of the President and Government bodies, and USD 2.7m (GMD 131.9m) from fuel stations among other trade receivables which have not been reconciled.

d. At NAWEC we discovered that 17% of the inventory lines, representing 8% of the inventory value (GMD 26.4m; USD 55.5k), have not moved since 2009. A further 36% of inventory lines (representing 14% of the inventory value; GMD 44.8m; USD 934k) have no, or a non-sensical, recorded ‘last moved’ date, casting considerable doubt over their viability. A full stock count and obsolescence exercise is required to arrive at an accurate inventory value.

2.16 These examples, and others like them set out in the report, negatively impact the reported annual trading performance and Balance Sheet positions that have been reported.

Fundamental accounting errors / incorrect accounting treatment distorting the SOEs’ Balance Sheet as at December 31, 2017

2.17 **In addition to the accounting omissions noted above, our review found that the lack of accuracy and transparency of the SOEs’ financial position is further impacted by various fundamental accounting errors or incorrect accounting treatments.** These have the impact of misrepresenting the true financial performance or net asset position of the SOE. We identified issues in relation to revenue recognition, accounting for related entities, and the accounting treatment of intra-SOE activity. By way of example:

a. At GNPC we noted that the movement of fuel stocks from the fuel depot to the nine GNPC petrol stations is treated as a sale and recognised as revenue, with the petrol stations set up as customers which at year-end had a collective accounts receivable balance of GMD 131.9m (USD 2.7m). It is our view that the fuel transfers to the stations should be treated as Inventory transfers and not as sales, as the conditions for revenue recognition under International Accounting Standard 18 have not been satisfied.

b. At GPA there are significant long-term loan and accounts receivables balances (collectively totalling GMD 1.5b / USD 32.2m i.e., 39% of the net asset position) due from three Related Entities. As GPA effectively provides the management oversight and working capital for the three entities to operate, reporting assets due to GPA from these Related Entities which are unlikely to be paid and can only be financed from GPA, is misleading. An absence of Group consolidated accounting is presenting a false picture of the financial strength of GPA, and preventing the full disclosure of the liabilities of the Related Entities.

c. AT GAMTEL there is a GMD 4.861m (USD 101k) accounts receivable balance due from GTMI, which is not a customer but rather an internal training division of GAMTEL. In effect as currently stated, GAMTEL owes money to itself, and so is a falsely stated asset. Inter-department internal debts of this nature should not be shown in the statutory accounts, and should be written off.

d. At SSHFC there has been no actuarial valuation performed since December 2014. Accounting best practice requires actuarial valuations to be performed every three years. A valuation is overdue at SSHFC, and given the level of reported non-performing investment assets at SSHFC as highlighted in this report and World Bank reports from 2015 and 2018, we recommend, that an independent actuarial valuation is performed as an urgent priority.

2.18 During our audit we were informed by the IMF and the Directorate of Public Private Partnership that there is a desire within the MoFEA to migrate the financial reporting at the SOEs to International Financial Reporting Standards (IFRS). IFRS provide a common global language for business affairs so that company accounts are understandable, consistent, transparent and comparable across international boundaries.

2.19 One of the findings of this forensic audit is that adoption of IFRS is not achievable as a short-term goal. The first critical steps are to establish the current financial position of each SOE based on a common set of accounting principles.

2.20 To date our work has not included discussion with the External Auditors of each SOE to further understand their views on the current accounting treatments or the potential adjustments we have proposed. In some of the instances that we highlight in this report, the External Auditors have already challenged the accounting treatment or even determined the incorrect treatment to be grave enough to qualify the audit opinion, as evidenced in the Audit Management letters. But in others, the External Auditors appear not to have challenged the accounting treatment or the lack of supporting documentation in arriving at an audit opinion on which stakeholders will then rely. The table below sets out the External Auditors for each SOE, along with the audit opinion issued for the last set of audited Financial Statements.

Table 2: Summary of External Auditors and the most recent Audit opinion issued

SOE	External Auditor	Last set of signed audited Financial Statements	Audit opinion
NAWEC	DT Associates	2015	Adverse
GAMTEL	Augustus Prom	2016	True and Fair
GAMCEL	Real Time Consulting	2016	True and Fair
SSHFC	DT Associates	2016	Qualified
GPA	Augustus Prom	2016	True and Fair
GNPC	DT Associates	2016	No Opinion
GCAA	PKF	2016	True and Fair

2.21 Five strategic steps to enhance transparency and protect public funds

2.22 We have identified five strategic steps, relevant to all SOEs, which we believe are critical to protecting public funds, and to establishing an accurate view of the financial position of the SOEs. We have categorised these strategic steps into actions that should Stop, Continue and Start.

2.23 We recommend that the following activities are **stopped**:

1. Halt Government interference via Executive Directives

2.24 Our review highlighted multiple historic instances of political interference across all of the SOEs, often in the form of written or verbal Executive Directives issued by the Office of the President. The SOEs that were historically cash rich were the most affected.

2.25 Our work also highlighted that post-regime change the SOEs continue to be used as a resource for central Government, be it to provide resources or cars for Presidential trips, to make unsolicited donations for charitable causes, or as direct requests for funds (e.g., financing new carpets at the State House, at GPA). While the frequency of the demands appears to have decreased, the continued interventions by central Government sets the wrong tone.

2.26 From a Governance perspective, SOE Boards and Management teams must be at liberty to make their own decisions about how the entity's assets are deployed, free from interference. From a transparency perspective, it is imperative that the reported Financial Statements are a true reflection of the economic activity of the SOE in furtherance of its core objectives, and that they do not mask activity that was beyond Management's control or includes expenditure unrelated to the core economic performance of the entity.

2.27 We note the undertaking made by the President in this regard, which was communicated to us via the Minister of Finance on February 27, 2019, to take all necessary steps to cease any further intervention by his office in the finances of the SOEs.

2. Ensure SOEs have complete and exclusive control over all bank accounts

2.28 We conducted a bank circularisation of 16 Gambian banks (14 commercial banks, 2 non-commercial banks) and 2 non-Gambian banks. The banks were requested by the Minister of Finance to respond to us directly with details of all bank accounts, loans, guarantees, signatories and other relevant information in relation to the SOEs in scope. This exercise revealed 32 accounts which are not included in the Balance Sheet of the SOEs.

2.29 For example, there are bank accounts at GNPC that are included in the Trial Balance but which we were informed were historically controlled by the President's office. Based on our review of the nominated signatories, full control now appears to rest with GNPC. Initial investigation work suggests the accounts were historically used to channel funds directly to the Office of the President. Further work is required to ascertain the size of the money flows through the accounts.

2.30 GAMTEL's 2017 Balance Sheet included USD bank accounts with Guaranty Trust Bank ("GTB account") amounting to GMD 122m (USD 2.5m). These GTB accounts included the revenue generated from the management of the Gateway contract. In November 2017, MoFEA instructed GAMTEL that all funds generated by the Gateway contract were to be transferred to a Central Bank account. In February 2018, GAMTEL received further clarification from MoFEA that:

a) GAMTEL was not to utilise any funds generated through the Gateway, despite these funds being held in its GTB account; and

b) GAMTEL should transfer these funds to the Central Bank account.

2.31 The instruction resulted in GAMTEL transferring USD 2.5m to the Central Bank account and the 'ringfencing' of funds relating to the GATEWAY held in its GTB accounts that have been generated since. Since the November 2017 instruction from MoFEA, GAMTEL has lost control over the funds generated from the management of the Gateway, as these funds are effectively controlled by MoFEA.

2.32 The bank accounts of all SOEs must be included in their financial statements to ensure accuracy of disclosure. The management of SOEs must have the freedom to use the assets, including the cash assets, of the organisation to achieve its objectives. The absence of this transparency and control will be a major impediment to protecting public funds and enabling the SOEs to succeed.

2.33 We recommend that the following activities are **continued**:

3. Monitor large procurement contracts and apply GPPA regulations

2.34 The Gambia Public Procurement Authority ("GPPA") regulations are intended to ensure a competitive market for suppliers and a transparent process which stands the test of public scrutiny. The challenge is to ensure that the procurement process if efficient to enable the SOEs to respond in a timely manner to market conditions. For example, Board minutes and management discussions at GAMCEL cited the impact of the slow procurement process relative to their competitors.

2.35 Public procurement is a major source of SOE expenditure and therefore transparency and rigour of the process is critical to protecting public funds. We recommend the continued requirement for the application of GPPA regulations in relation to major contracts, with a review of the process to consider and address root causes of delays. The December 2017 acquisition of land at GNPC for GMD 17m is a good example of expenditure that requires independent oversight and approval.

4. Encourage open comment on SOEs' performance

2.36 By and large we observed open commentary by SOE management and government officials in relation to the matters under review. For example, individuals volunteering information as to how the reality of financial flows and accounting differ from policies and procedures. The open commentary was particularly noticeable at middle and junior levels of the organisations. Maintaining a culture of openness and for example ensuring that individuals who raise issues are not persecuted, will be critical to ensuring that problems are raised so that they can be addressed as part of the reform agenda for the SOEs.

2.37 We recommend that the following activity is **commenced**:

5. Create a clean opening Balance Sheet relevant to the SOE and consistent with a clear strategy

Our forensic audit has identified the need for significant further work to establish an accurate position of each SOE's Balance Sheet, and to give the current Management teams an opportunity to execute against agreed KPI's without being burdened by historic decisions that were out of their control. The pre-requisite for this is the creation of an opening Balance Sheet that has been cleansed of any non-recoverable assets and augmented for all liabilities for which the SOE should be held accountable. For example, any loans indebtedness for which the SOE is not expected, or will likely never be able, to repay the Government, should be annulled or transferred to equity.

Identification of bank accounts not controlled and/or disclosed by the SOEs

2.38 We performed an independent confirmation of the bank account balances recorded in the Financial Statement of the seven SOE's as at December 31, 2017. The aim of the exercise was two-fold. The first objective was to confirm the cash position of the seven SOEs in relation to the numbers used by the SOEs in their bank reconciliations. The second objective was to make enquiries about any undocumented loan positions or loan guarantees.

2.39 EY sent bank confirmation letters to all the 14 Commercial Banks in The Gambia, two non-commercial Banks and two non-Gambian Banks identified in the Financial Statements of the respective SOEs. The request letters were accompanied by authorization letters from the respective SOEs and an introduction letter by the MoFEA.

2.40 We requested information on the financial relationship of the Banks with each SOE and a 'nil' return for each SOE where no relationship existed. The responses from the banks were sent direct to, or collected by, EY. For the most part we received timely cooperation and responses from the banks.

2.41 Our bank confirmation exercise did not identify any new loans not already recognized in the Financial Statement of the respective SOE. We however noted that three of the newly identified accounts based on our confirmation exercise had a negative balance of GMD 25,113 (USD 523).

2.42 The bank confirmation letters identified that the seven SOEs held 32 accounts that were not reflected in the 2017 Financial Statements of the respective SOE. A summary of the SOEs and the number of newly identified accounts is set out in the table below.

Table 3: New bank accounts identified by SOE

SOE	Number of new accounts identified
GAMCEL	2
GAMTEL	0
GCAA	6
GNPC	2
GPA	3
NAWEC	6
SSHFC	13
Total	**32**

Source: Compiled from Bank Confirmation letters

2.43 Out of the 32 accounts identified, we noted that 11 of the accounts had a positive balance amounting to GMD 43,303,091 (USD 902,003) while 3 of the accounts had a negative balance amounting to GMD 25,093 (USD 523) as at December 31, 2017. Furthermore, 18 accounts had a nil balance as at December 31, 2017.

2.44 We have not made attempts to further investigate the usage and pre/post December 31, 2017 balance of the newly identified bank accounts. We recommend a separate exercise is commissioned to assess the nature of the account usage and the reason why these accounts have not been included in the SOEs' Trial Balance.

2.45 We did not receive responses from all the banks in relation to all of the SOEs, despite the request for 'nil' returns. Further follow up work should be performed to complete the exercise for the following SOEs and bank accounts:

Table 4: Outstanding bank confirmations by SOE

GAMCEL	GAMTEL	GCAA	GNPC	GPA	NAWEC
Central Bank	First Bank Nigeria	Access Bank	First Bank Nigeria	Central Bank	AGIB
Skye Bank	Zenith Bank Gambia	AGIB	Standard Chartered		
Standard Chartered		BSIC	Zenith Bank Gambia		
		Central Bank			
		Eco Bank			
		First Bank Nigeria			
		Skye Bank			

Source: EY independent bank confirmation exercise

The Inter-SOE financial position

2.46 As part of our Forensic Audit we have looked to identify the investment, loan and trading positions between the 7 SOEs in scope, as well as the other SOEs, Central Government and local municipalities. Operating within each of the SOEs provided us with the ability to identify how both sides of the same inter-SOE financial relationship have accounted for the event. We would expect the two positions to be equal and opposite but as the inter-SOE positions are never consolidated, any differences would not be immediately apparent.

2.47 As at December 31, 2017, there are inter-SOE debtor balances i.e., inflating the net asset position of the relevant SOEs which are not recognised as a creditor by the counter-party SOE. Clearly, in the absence of the counter-party SOEs recognising the liability, the debtor balances are not recoverable. At a consolidated level, the irrecoverable loan and trading balances are GMD 79m (USD 1.6m) and GMD 1.2b (USD 24.6m) respectively.

2.48 Our mapping of the relationships confirmed that there is a high level of inter-connectivity between the seven SOEs in scope, the other unaudited SOEs, and other governmental bodies. In some cases, such as NAWEC'S USD 17m debt to GNPC, the outstanding debt position is large enough to influence whether the recipient will remain solvent. If GNPC is not paid, it will in turn not be able to pay its creditors. The solvency of each SOE should be reconsidered once the exercise to impair any unrecoverable Government receivables has been completed.

Interference by the Office of the President in the operations of the SOEs

2.49 Through our review of Executive Directives, other evidence such as Board minutes, and follow-up enquiries with key stakeholders at the SOEs, we have identified instances of direct interference in the operations of the SOEs by the Office of the President.

2.50 We identified instances of gross interference by the Office of the President in all of the SOEs prior to December 2016, through a range of channels. Full details are provided in each respective SOE section of the report, but examples include:

a. **Payment directives** - GPA instructed by the Office of the President in 2014 to pay approximately USD 300k of freight charges for 26 buses donated by Spain.

b. **Loan/guarantees directives** - SSHFC required to provide a loan to GCAA of USD 4.5m in 2012.

c. **Investment directives** - GNPC required to invest approximately USD 0.6m in the Rice and Feed Mill in 2010.

d. **Employment directives** - GAMCEL, GAMTEL, NAWEC, GCAA instructed to hire or maintain specific individuals who were appointed directly by the Office of the President.

e. **Services directives** - NAWEC instructed to provide water/electricity to specific regions and towns.

f. **Donation/sponsorship directives** – GAMCEL instructed to donate USD 2.2k to Gambian hospitals, to be distributed by the ex-First Lady.

2.51 Where possible we have looked to quantify these diversions or fund misuse. However, in many instances quantification was not possible because there is not a readily available value associated with the event. E.g., using an SOE driver for three days to join a Presidential journey, or the cost associated with the diversion of electricity infrastructure to a town nominated by the ex-President.

2.52 Our review also identified that the majority of SOEs in scope have continued to receive Executive Directives post-December 2016. Based on the available evidence NAWEC, GPA, GAMTEL, GAMCEL and GCAA are the most impacted by Government intervention post-December 2016. Examples include the following:

a. NAWEC was instructed to partner with a cable company, Tunkara PAK Cable Manufacturing Company, to assist a financially weak company.

b. GPA was instructed to pay approx. USD 100k in 2018 for carpets to be installed at the grand tent at the State House.

c. GAMTEL was instructed to transfer USD 2.5m Gateway related funds to the Central Bank in 2017, and to refrain from using the remaining available funds that are in its own bank account.

d. The Government's decision to cancel the GAMTEL Gateway contract with MGI in 2017, ultimately resulting in the billing crisis at GAMCEL.

e. The Office of the President granting exclusivity rights to the Gambia Printing and Publishing Corporation in 2018 for printing of Government revenue/receipt books.

2.53 Interference by the Office of the President in the operation of the SOEs distorts their performance and overrides governance mechanisms intended to protect public funds. The examples we have identified are illustrative and are not exhaustive. As referenced earlier, the Minister of Finance conveyed to us that the President is taking steps to half the historical practice of interference in the operations of the SOEs by the Office of the President.

Our view of the root causes of the findings of the forensic audit to inform future policy decisions

2.54 We remain cognizant that the Forensic Audit of the seven SOEs in scope is a part of a wider review of the commercial viability of state-owned infrastructure. The Government, with support from the international development partners, is continuing to assess the options for each entity, which range from debt restructuring, public-private partnerships, and the orderly wind-down of operations.

2.55 In conducting the forensic audit, we sought to identify the common root-causes of our findings to inform future policy decisions. We also considered the gap between the current emerging picture and the aspirations set out in the 2018 SOE Bill which sets out the primary objectives of SOEs as follows:

> “(a) to provide quality public service delivery that is accessible to all citizens in an effective and efficient manner;
>
> (b) to protect and promote the public interest;
>
> (c) to be a successful business and, to this end, to be at least as profitable and efficient as comparable businesses; and
>
> (d) to maximize the net worth of the public investment in the state-owned enterprise.”

2.56 The current picture is that SOE management describe facing conflicting commercial and socio-economic objectives – for example, a conflict between a perceived requirement to employ individuals versus the requirement to maximise efficiency and profitability which would involve reducing unnecessary staff numbers (and corresponding costs). **Clearly defining the commercial and socio-economic objectives of each SOE** will enable them to prioritise and focus efforts. Translating these objectives into a strategy and operational plan for each SOE requires an **effective governance and leadership structure** – an independent and qualified board, free from government interference, to make the right strategic decisions and provide both oversight and support for management to put them into action.

2.57 This requires establishing a “clean” starting position for each SOE, including **financial restructuring** to deal with and unravel the legacy of the past – e.g., where SOEs were compelled to make investments, take out loans or contract with specified entities and suppliers – and an **effective accounting function and clear accounting policies** to enable timely and reliable reporting of SOE performance. The effectiveness of the accounting and other management reporting functions to inform policy decisions and promote transparency and accountability will be heavily dependent on the implementation of **integrated information systems** across the SOEs.

2.58 In each section of the report we set out our specific findings and recommendations for each SOE, however it is these **fundamental pillars** that need to be in place to underpin sustainable improvements in the operations of the SOEs. In Table 5 we set out key recommended actions (referenced into the detailed report) under each pillar, by SOE.

Table 5 – An overview of prioritised critical success factors for each SOE in scope

SOE	Define commercial and socio-economic objectives	Establish an effective Governance and Leadership structure	Implement key financial and re-structuring steps	Establish an effective Accounting function and policies	Implement an integrated information system
NAWEC (Page 82)	• Separate Water and Electricity accounts • Revise and track KPIs for each	• Empower the new Board and ensure management are aligned	• Implement debt restructuring MOU	• Strengthen the Finance team capability	• Align multiple disparate ledgers into single ERP system
GAMTEL (Page 142)	• Clarify rationale for existence – commercial v social enterprise	• Provide a formal Terms of Reference to the Board • Evaluate the Board's performance	• Acquisition of funding through Government / Huawei agreement	• Perform full review of accounting policies and practices with international GAAP standards	• Align multiple disparate ledgers into single ERP system
GAMCEL (Page 190)	• Clarify rationale for existence – commercial v social enterprise	• Establish standalone Board • Appoint General Manager to Board	• Repositioned and restructured with independent management • Update of infrastructure to 3G / 4G	• Perform review of accounting practices in the Roaming division	• Migrate to new billing system • Receivables functionality • Align multiple disparate ledgers into single ERP system
SSHFC (Page 243)		• Create greater independent oversight over investment strategy and performance • Empower current leadership following management unrest	• Urgent actuarial valuation required	• Implement initiatives to address significant audit trail gaps	
GPA (Page 301)	• Support the execution of the Port expansion program		• Related entities – define ownership structure and reassess liabilities	• Account for Related Entities appropriately	• Consider migration from ACCESS to fit-for-purpose platform
GNPC (Page 341)	• Consider future commerciality of downstream model • Re-focus following loss of HFO revenue	• Support period of consistent and steady leadership at Board and Management level	• Assess solvency position following key reconciliation completion and NAWEC / fuel station debt	• Complete the key account reconciliations for 2017 • Ensure revenues correctly accounted for, throughout year	• Accelerate and complete migration to new ERP system (FinEx)
GCAA (Page 387)	• Confirm commercial expectations and set KPIs	• Consider non-national Board input • Involve management in future financing arrangements	• Confirm loan liability position with Government • Alleviate historic debt burden	• Improve Receivables collection to aid cash flow management	• Consider migration from ACCESS to fit-for-purpose platform

NAWEC - Summary findings and recommendations

2.59 NAWEC has been loss making for six out of eight years under the review[1]. The profit currently shown in 2016 and 2017 Financial Statements may change as the Financial Statements are still in draft format.

2.60 NAWEC has been increasingly reliant on externally obtained debt to finance not just its capital expenditure, but also its day to day operations to service its current debt. NAWEC's Fixed Assets' Net Book Value increased by 32% from 2010 to 2017 to GMD 5.5b (USD 115m), or over 72% of the Total Assets[2]. However, its Total Debt increased by 256% to GMD 9.1b (USD 190m), i.e., 82% of Total Liabilities[3].

2.61 As a result, since 2011[4] NAWEC has consistently been in a negative Equity position which means that the company's Total Labilities have exceeded its Total Assets. Therefore, on the Balance Sheet test, it has been insolvent for seven out of eight years under review.

2.62 We have summarized the current draft versions of the 2016 and 2017 Balance Sheets in the table below.

Table 6: Summary draft Balance Sheet as at December 31, 2017[5]

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets						
Fixed Assets	4,931,393	112,682	78%	5,511,519	114,805	72%
Investment	5,500	126	0.1%	5,500	115	0.1%
Intangibles	9,321	213	0.1%	9,321	194	0.1%
Inventories	414,563	9,473	7%	559,742	11,659	7%
Receivables	803,725	18,365	12%	1,199,472	24,985	16%
Cash	181,734	4,153	3%	325,827	6,787	4%
Total Assets	**6,346,236**	**145,012**	**100%**	**7,611,381**	**158,545**	**100%**
Liabilities						
Borrowings due after 1 year	8,257,167	188,676	79%	8,557,393	178,250	77%
Deferred capital grants	574,658	13,131	6%	574,658	11,970	5%
Borrowings due within 1 year	556,771	12,722	6%	574,737	11,972	5%
Trade and other payables	862,481	19,708	8%	1,176,228	24,501	11%
Bank Overdraft	142,442	3,255	1%	193,773	4,036	2%
Total Liabilities	**10,393,519**	**237,492**	**100%**	**11,076,789**	**230,729**	**100%**
Net Liabilities / Equity	**(4,047,281)**	**(92,480)**		**(3,784,765)[6]**	**(78,837)**	

[1] NAWEC made a profit of GMD 112m (USD 2.6m) in 2016 and GMD 262m (USD 5.5m) in 2017.
[2] Almost a third of this balance is currently Assets Under Construction which will most likely require further funds to complete and therefore will further increase NAWEC's Total Debt. Total Debt here and throughout the report is the externally obtained debt, both long-term and due within one year.
[3] These numbers do not take into account the MOU.
[4] NAWEC's 2009 Equity was also negative, followed by a positive position in 2010 and back to negative in 2011.
[5] In this table and in tables throughout the report the numbers are rounded.
[6] The Equity value is based on the draft Balance Sheet. The value is incorrect and should be negative GMD 3,465,408,000 (negative USD 72,184,000) when calculated using the accounting equation Equity=Total Assets-Total Liabilities. The difference is GMD 319,356,000 (USD 6,652,000). Senior Management could not explain the difference, stating that the Financial Statements were still in a draft format.

Source: Compiled by EY based on the 2016 and 2017 Draft Financial Statements. We applied exchange rates of GMD 43.764:USD 1 for 2016 and GMD 48.008:USD 1 for 2017. The GMD depreciated by almost 10% between the two dates.

2.63 We received little or no documentation to support the balances in NAWEC's Financial Statements. Most of the documentation that we did receive was provided in week ending January 18, 2019, several weeks after it was first requested. The Finance team's explanation for the lack of information, and delay in the limited information that was provided, ranged from lack of functionality in the system to produce reports, to documents simply not being found. For example, neither the finance or commercial teams could produce a list of debtors to support the balance in the draft Financial Statements.

2.64 The impact is that it was not possible for us to examine the validity of the figures in the financial statements with reference to supporting information. We sought to adopt alternative procedures where possible to specific focus areas for building a clean Balance Sheet for NAWEC as at December 31, 2017.

Financial impact of the issues identified

2.65 The approximate financial impact of the issues highlighted in our work to date are captured in the tables below, shown against the net equity position of the draft Financial Statements as at December 31, 2017. Issues that cannot be or have not yet been quantified are explained more fully in the commentary:

Table 7: Financial impact of issues uncovered during the Forensic Audit

	Brief description of issue	2017 (GMD'000)	2017 (USD'000)
	Net Liabilities / Equity as at December 31, 2017	**(3,784,765)**	**(78,837)**
Section 1 – Adjustments that could be quantified (above USD 20k):			
1	Write-off of Inventory	(1,619)	(34)
2	Unrecorded Liability Baumuller Services	(4,036)	(84)
Section 2 – Adjustments that could not be quantified, however could be broadly estimated:			
3	REEP depreciation	(33,000)	(693)
4	Kotu Ring Water Supply depreciation	(10,000)	(204)
5	'Non-existent' Fixed Assets	(55,000)	(1,100)
6	Capitalization of exchange losses for completed Assets Under Construction	(36,000)	(763)
7	Inventory write-off (items which have not been issued for over 10 years)	(26,426)	(550)
8	Unposted invoices resulting in understated costs and liabilities	(175,000)	(3,600)
9	Amortization for Intangible Assets	(3,495)	(73)
Section 3 – Adjustments that cannot currently be quantified nor estimated, but likely to be above USD 20k:			
10	Unsupported balances	TBC	TBC
11	Unrecorded REP loan	TBC	TBC
12	Interest on loans	TBC	TBC
13	Depreciation of Land	TBC	TBC

14	Additional Trade Debtors provision	TBC	TBC
	Suggested revised Net Liabilities / Equity following adjustments in Section 1 and Section 2 only	**(4,129,341)**	**(85,938)**

2.66 As NAWEC has still not closed the 2017 financial year in the accounting system, any issues highlighted both in the table and before can be adjusted for.

Significant findings

2.67 Our significant findings in relation to our Special Audit of NAWEC as at December 31, 2017, which are explained more fully in the main NAWEC section of the report, are as follows:

Fixed Assets (GMD 5.5b, USD 115m / 72% of Total Assets) (Financial impact table items 3,4,6)

- ► Three out of eight 'Assets Under Construction' tested have been completed but not transferred to an appropriate asset category. For some of the assets, the depreciation charge should have started from as early as 2014. 2017 depreciation charge for these assets is at least GMD 43m (USD 897k); and

- ► NAWEC has a policy of capitalizing exchange losses incurred on loans obtained to build Fixed Assets. Such losses accumulate for as long as the asset is under construction. Keeping three out of eight Assets Under Construction in this category after their completion resulted in the value of these assets being overstated by at least GMD 36m (USD 763k).

- ► **NAWEC needs to move all the completed Assets Under Construction into the correct asset category using the correct value, i.e., net of any revaluation losses capitalized post assets' completion and reduced by the amount of current year and accumulated depreciation.**

Loans (Current and Non-current) (GMD 9.1b, USD190m / 82% of Total liabilities) (Financial impact table item 11)

- ► NAWEC was unable to provide support for a number of loans. These included loans from the Government (GMD 2.7b or USD 55.7m). Accordingly, there is uncertainty as to the nature and terms of significant amounts of the recorded borrowings; and

- ► There were multiple inconsistencies between the balance per the Trial Balance and the supporting documentation. For example, NAWEC has not accounted for the Rural Electrification Extension Project ("REEP") loan and asset correctly, understating both. The current value booked for the loan is GMD 227,328,756 (USD 4,735,258). However, based on the ECOWAS Bank for Investment and Development ("EBID") reconciliation provided, the total disbursements made in relation to the project were USD 17,830,294 or GMD 855,991,070.

- ► **We recommend that a reconciliation of the outstanding loan amount is performed with all lenders and any differences are investigated.**

Trade Creditors (GMD 867m, USD 18m / 8% of Total Liabilities) (Financial impact table item 8)

- ► There were 21 suppliers which had a net debit balance with NAWEC. The total amount of the debit balances was GMD 175m (USD 3.6m). The balance accumulated as a result of the journal entries made to 'debit' Trade Creditors and 'credit' Cash that were posted on receipt of a proforma invoice or when a prepayment for a particular supply was made. No invoices have subsequently been posted, mostly due to oversight. The consequence of such an oversight is that there is a potential understatement of costs and liabilities as high as GMD 175m (USD 3.6m), i.e., the total debit balance in the Creditors Ledger.

- **NAWEC should make a comprehensive analysis of all debit balances and post all corresponding expenses unless it can be proven that the service paid for has not yet been delivered. Senior Management need to ensure that the Finance team does not make similar postings in the future by providing appropriate training and review mechanisms.**

Cash at bank (GMD 132m, USD 2.7m / 2% of Total Assets)

- Some bank accounts which NAWEC does not have in its Trial Balance were confirmed by banks. One such account was Central Bank account number 1103002438, with a balance of USD 1,727,738. Similarly, some bank accounts which NAWEC has in its Trial Balance were not confirmed by banks; and

- A number of ex-employees remained on the list of authorized signatories for a number of banks.

- **NAWEC should close all unused bank accounts and further investigate differences highlighted by the bank circularisation exercise; and**

- **The authorized list of signatories needs to be reviewed and updated for all the bank accounts.**

Trade Receivables (GMD 1.3b, USD 27m / 17% of Total Assets)

- Due to the limitations of the billing system, NAWEC was unable to produce a 2017 Debtors Listing, a basic report showing the breakdown of the Debtors balance by customer / invoice. We were unable to confirm whether the Debtors balance represents the sum of all the outstanding invoices from the customers. An absence of such listing means that NAWEC is unable to establish the existence, valuation and recoverability of its debtors;

- **NAWEC should replace the existing billing system with one that allows for the production of key finance reports, including Trade Receivables breakdown.**

Inventory (GMD 560m, USD 11.6m / 7% of Total Assets) (Financial impact table item 7)

- Of 12,233 Inventory line items, 2,094 (or 17%) were last issued in 2009 or earlier. The value of this Inventory was GMD 26,426,520 (USD 550,464) as of December 2017, or 8% of the total Inventory value per the valuation report at the date. NAWEC's policy is to provide for all slow-moving items at 25%. However, the policy does not specify what a slow-moving item is. 25% is an unreasonable provision for items not used by the business for over ten years; and

- No date or nonsensical dates of when items were last issued were recorded in the stock system for 4,352 (or 36%) items as at 31 December 2017. The value of these items is GMD 44,829,805 (USD 933,804), or 14% of the total Inventory value per the Valuation Report.

- **NAWEC needs to update its impairment policy to include a definition of what a slow-moving item is and to re-assess the value of the impairment based this definition. Items which have not moved for over ten years should be provided for at higher than 25% rate and possibly fully written off; and**

- **NAWEC needs to review all stock line items on the Valuation Report. Any duplicate line items need to be removed, and the missing information regarding the acquisition cost and last issued date need to be updated.**

Share Capital

- There is uncertainty regarding the ownership of NAWEC's Share Capital. NAWEC's Memorandum of Association signed on May 22, 1995, confirms that NAWEC is owned by GAMTEL, GPA, SSHFC and the Government (1%, 1%, 1% and 97% respectively). However, when NAWEC attempted to confirm whether any consideration had been paid for the shares, SSHFC and GPA claimed to have made investments of 5.8% and 1.5% respectively, with GAMTEL not recognizing the investment.

- **We recommend that NAWEC continues to investigate this issue. If no further information comes to light it appears reasonable to adopt the first structure as it is supported by the Memorandum of Association.**

Unsupported balances (Financial impact table item 10)

- There are two large balances for which NAWEC does not have any support, and for which the Finance team were unable provide an explanation, namely: Revaluation Reserve balance totalling GMD 1.8b (USD 32.9m) and Deferred Capital Grants GMD 575m (USD 11.9m).

- **These balances need to be investigated to ensure that they are accounted for correctly in 2017 and in the following periods.**

Other findings

2.68 Other findings in relation to our Special Audit of NAWEC as at December 31, 2017, which are explained more fully in this section of the report, are as follows:

Fixed Assets (GMD 5.5b, USD 115m / 72% of Total Assets) (Financial impact table items 5,13)

- The Fixed Assets value per the accounting system does not agree to the current version of the Fixed Assets Register ("FAR"). The reasons behind this relate to both the current year (e.g., system fault resulting in an incorrect depreciation charge for the year) and previous years (historic difference between the FAR and the accounting system);

- Our Fixed Assets physical verification exercise showed that NAWEC was unable to either locate or produce documentation for 5 out of 15 assets tested. The five assets represented 1% of the total sample value. If the unlocated asset value is extrapolated to the full Fixed Asset balance, the Fixed Assets balance would need to be reduced by GMD 55m (USD 1.1m);

- It is unclear whether NAWEC uses a revaluation or historic cost model to measure Fixed Assets' carrying value as the current accounting policy is ambiguous on the subject. In addition, the last revaluation exercise was performed in 2009. To be in compliance with the applicable accounting standards under the revaluation cost model, such revaluations need to be performed on a regular basis;

- Depreciation rates used for some of the assets are incorrect. These include depreciation of Land at 2% instead of 0%, Plant and Machinery at 2.5% instead of 4-10%, and Electricity Network at 2% and 3.3% instead of 2.5%. Due to the unreliable acquisition date used for some of these assets (for some of these assets the date used was 2009, i.e., the date of the system migration, as opposed to the acquisition date) it is not possible to recalculate the correct depreciation charge. Consequently, these deficiencies are likely to have resulted in an inaccurate total Net Book Value on the Balance Sheet; and

- Land is not normally subject to depreciation because it is deemed to have an unlimited useful economic life. NAWEC depreciates Land at 2%. The company also has limited knowledge of what land they have, or its value. For example, for the 15 assets on the Fixed Assets register which EY identified as land based on the assets' description, Senior Management was unable to provide any further detail as to where these pieces of land were, what their value was or any confirmation of ownership.

- **We recommend that NAWEC verifies 100% of its Fixed Assets and updates the Fixed Assets Register with the results. Any assets which cannot be verified need to be written off;**

- **Going forward, NAWEC must assign a unique number to each individual asset. This number is to be used to tag the asset and record it in the Fixed Assets Register;**

- **NAWEC should consider the need to revalue its assets to be in compliance with the applicable accounting standards. NAWEC should also clarify its accounting policy with regards to the method of measuring the Fixed Assets carrying value; and**

- **NAWEC needs to ensure that the correct depreciation rate and acquisition date are used for all assets in the Fixed Assets Register.**

Trade Creditors (GMD 867m, USD 18m / 8% of Total Liabilities) (Financial impact table item 2)

- EY identified an unrecorded liability. This was an invoice for the rewinding of the G5 alternator, for an amount of EUR 71,253 (GMD 4m);

- We were unable to reconcile the balance per the Creditors sub-ledger to the Financial Statements. The sub-ledger balance was GMD 105m (USD 2.2m), or 12%, lower than the Trial Balance ("TB") balance; and

- NAWEC has difficulties in meeting its day to day obligations and does not make payments in accordance with the payment plans agreed.

- **EY recommends that NAWEC is to regularly perform supplier reconciliations. Where the payment plans are made these need to be adhered to, to avoid legal action.**

Cash at bank (GMD 132m, USD 2.7m / 2% of Total Assets)

- At the end of 2017 NAWEC held 60 bank accounts with 15 banks. This number of bank accounts requires a substantial amount of time to manage and reconcile on a monthly basis, as required by NAWEC's accounting policy. The number of bank accounts has been reduced to 16 in 2019;

- The Finance team was unable to provide some basic information about at least three Trial Balance codes, each representing a separate bank account. The information requested included the bank account numbers, the date of the last reconciliation exercise, and a copy of such reconciliation; and

- Reconciliations have not been performed at all or there was a backlog of such reconciliations for multiple accounts. Some reconciliations which have been performed have not been done in accordance with good practice;

- **NAWEC needs to close as many bank accounts as possible and regularly perform bank reconciliations for any open bank accounts.**

Trade Receivables (GMD 1.3b, USD 27m / 17% of Total Assets)

- NAWEC is unable to produce Trade Debtor ageing reports. In absence of such a report, NAWEC cannot calculate a reasonable provision and Trade Receivables can be significantly overstated;

- There are a number of accounts for which there is a concern whether the debt outstanding will be recovered in full. For instance, no payments have been made for some of them since at least 2017. There are also a number of disputes between NAWEC and its customers (for example, Brikama Area Council and Central Bank). No specific provision is booked against these balances; and

- NAWEC's Bad Debt provision policy is not adequate. The provision for bad debts should reflect a prudent estimate of the extent to which amounts owed may not be paid by NAWEC's debtors. Under the current policy, government receivables are not provided against, and other detbs have to be outstanding for over seven years to be considered irrecoverable. This does not reflect the reality of likelihood of recoverability and results in the overstatement of debtors.

- **NAWEC needs to re-assess the recoverability of a number of Trade Receivable balances. This is especially the case for the debtors which do not have a repayment plan in place, where no payments have been made since 2017 or where there is a dispute between NAWEC and the customer;**

- **NAWEC needs to perform the reconciliation of the major balances outstanding from each customer, directly with the customers in question;**

- **NAWEC needs to revise its Bad Debt provision to make it more prudent; and**

- **NAWEC needs to replace the existing billing system with a system which produces all basic reports, including ageing.**

Inventory (GMD 560m, USD 11.6m / 7% of Total Assets) (Financial impact table item 1)

- EY was unable to reconcile the Inventory balance per the Inventory Valuation Report and the Balance Sheet. The difference was GMD 131m (USD 2.7m). The difference between the Inventory Valuation Report and the Balance Sheet is a recurring issue highlighted by the auditors in 2015 but not resolved by NAWEC;

- The accounting system is not updated for any movements in Inventory throughout the year. The Inventory is only entered into the system at the end of the year based on the stock take results. This system poses significant risks to the accuracy of the balance as it is a manual exercise and does not provide accurate information throughout the year to allow for adequate planning;

- We performed a physical count of a sample of Inventory items. Of the 18 items tested, 4 did not exist and need to be written-off. The value of these items was GMD 1.6m (USD 33k). While we have not extrapolated these observations over the whole Inventory balance, the finding suggests that the Inventory balance could be significantly overstated;

- The costs of Inventory are not updated. The price an item is first purchased at is the price which is entered into the system and remains the one used for the Inventory valuation going forward. This is likely to result in the value of the Inventory being misstated as costs often change;

- **NAWEC needs to start following its accounting policy and update the system with any Inventory movements throughout the year. NAWEC needs to start relying on the system, rather than the bin-cards; and**

- **NAWEC needs to update the costs of stock on a regular basis and ensure stock is valued at the lower of cost or Net Realisable Value.**

Staff Loans (GMD 23m, USD 483k / less than 1% of Total Assets)

- No annual reconciliation is performed between the staff loans sub-ledger and the Balance Sheet as the accounting policy dictates;

- Staff Loans are given to people not meeting the eligibility criteria;

- Based on the Limitation Act, NAWEC might not be able to recover staff loans for which it has been over six years since either the staff left the employment or last paid the loan. Our calculations suggest that up to 3% of the total receivable balance may not be recoverable; and

- While attempts are being made to recover some ex-staff loan receivables, their recoverability has not been considered by the Finance team and no corresponding provision made.

- **The Payroll Team and the Finance team need to adhere to the NAWEC policy and reconcile the Staff Loans Receivable to the accounting system on a regular basis;**

- **NAWEC needs to re-assess the recoverability of ex-staff loans and provide for or write-off the balances accordingly; and**

- **NAWEC needs to ensure that all employees provided with loans meet the eligibility criteria.**

Other Assets (Financial impact table item 9)

- Intangible Assets represent less than 1% of Total Assets or GMD 9m (USD 194k). NAWEC's policy is to depreciate them over 10 years despite their useful economic life often being significantly shorter. Two of nine intangible assets should have been fully depreciated as early as in 2015. In addition, the amortization has not been calculated correctly for the rest of the assets. The total overstatement of the Intangibles value was GMD 3.5m (USD 73k), or 37%; and

- Investments represent less than 1% of the Total Assets or GMD 5.5m (USD 115k). NAWEC made the payment of GMD 5.5m on behalf of the Government but does not hold the investment in its name.

- **We recommend that the NAWEC amortization policy is amended to allow for the situations where an Intangible Asset's useful economic life is shorter or longer than 10 years; and**

- **We propose to reclassify the Investment as a Government Receivable. NAWEC should then assess the recoverability of the Receivable and adjust its value accordingly.**

Loans (current and non-current) (GMD 9.1b, USD190m or 82% of Total Liabilities) (Financial impact table item 12)

- Over several years NAWEC has not accounted for Interest Payable on any loans other than NAWEC's Bond, ING Bank Loan and the commercial banks, even though these loans are on its Balance Sheet. Given the relevant information has not been provided, it is not possible to estimate this interest. However, given the total value of the loans, the amount is likely to be substantial; and

- NAWEC does not have a list of securities held with different lenders and, from the conversations held, is often not aware if a particular asset was given as security to a lender. No such securities in relation to the bank loans were identified in the course of the circularisation.

- **We recommend that NAWEC accounts for all the interest due to lenders for 2017 and before; and**

- **We recommend that NAWEC creates a list of securities provided to lenders.**

Payroll

- One of the findings of the 2015 staff audit at NAWEC was a lack of technical capacity of individuals in relation to their roles. The HR team at NAWEC confirmed that this is still a key issue for the organisation;

- EY identified two employees paid twice in the same period because there was no effective controls in place to prevent or detect this type of anomaly. The amount of overpayment was GMD 22, 273 (USD 474.12) over the period June-August 2016; and

- EY viewed a sample of records for joiners and leavers, where five of the employees were employed or terminated as a result of Government directives. There were two directives to employ graduate students who studied overseas, the directive of reinstatement and later dismissal of an employee who was part of a former fraud scheme and the directives for the dismissals of two employees, who were then later compensated by NAWEC at a total amount of GMD 1.8m (USD 38k). Some of these directives were given during the new regime.

- **NAWEC should review its current staff levels and skills to ensure the business has the right combination of staff skills and numbers to optimize its performance;**

- **NAWEC needs to investigate the reasons behind the duplicate payments and address these;**

- **NAWEC should review its staff listing for any duplicates to avoid making duplicate payments going forward; and**

- **NAWEC needs to follow its recruitment and termination policies.**

Staff Benefits

- Across the 2015-2017 period, Staff Allowances represented 54% of the overall Wages and Salaries cost, and on average 146% of the Basic Salary. Most of the Staff Allowances originate from Government. However, there was one allowance called ‘Other’ for which the Payroll team did not know the purpose;

- We expected that either the Transport or Residential allowances would account for the largest proportion of the total staff allowance expense. This is because these allowances are available to all staff. However, we noted that Responsibility allowances were the largest proportion of the total despite these only being available to staff who are Grade D or above. A small group of managerial staff receive the highest proportion of Staff Allowances;

- EY identified at least five people who were paid stipend allowance in combination with other allowances. This is not in accordance with the policy which dictates that staff are not entitled to other allowances until they come back to full-time employment; and

- EY observed an example of a Staff Allowance which did not follow the process, where Payroll authorized the Staff Allowance without the proper authority from the HR Director.

- **NAWEC and the Government should review the Staff Allowances to confirm purpose and validity of all allowances available and to which grades of staff; and**

- **The Payroll team should follow its policy in awarding any allowances. This includes obtaining authorization by HR before adding or deducting Staff Allowances from the Payroll.**

Other

- Where quantifiable, the total amount of diverted or misused funds was estimated at GMD 32m (USD 0.7m) and GMD 60k (USD 1k) pre- and post-December 31, 2016 accordingly.

GAMTEL - Summary findings and recommendations

2.69 According to GAMTEL's draft unaudited Balance Sheet, as at December 31, 2017, GAMTEL has a positive Net Asset position and was solvent on a balance sheet basis.

2.70 The principal assets in GAMTEL's 2017 Balance Sheet were Receivables at 53% of total assets (GMD 902m / USD 19m), and Fixed Assets (known as Property, Plant and Equipment) at 31% of total assets (GMD 533m / USD 11m). Its principal liabilities are Trade and Other Payables which represented 92% of total payables (GMD 371m / USD 8m).

2.71 Receivables have increased by approximately GMD 770m (USD 15m) since 2011 and 'Receivables days' (indicating the number of days on average taken to collect revenue) have deteriorated from 33 to 293 days over the same period. Our fieldwork indicates the balance contains a high proportion of Receivables that are not recoverable.

2.72 With the exception of 2016, Trade Payables have continually increased since 2012, by approximately GMD 200m (USD 4m), and payables days has increased from 63 to 283. GAMTEL has delayed paying its liabilities in response to the slower collection of Receivables.

2.73 From 2015 onwards, GAMTEL has increased its operating profit annually from GMD 21m (USD 0.5m) in 2015 to GMD 202m (USD 4.2m) in 2017, when the International Gateway revenue is included.

2.74 GAMTEL's draft unaudited Balance Sheet as at December 21, 2017 is set out below.

Table 8: Draft unaudited summary Balance Sheet as at December 31, 2017

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets						
Property, plant and Equipment	620,365	14,175	40%	532,769	11,098	31%
Investments	163,981	3,747	11%	163,981	3,416	10%
Inventory	20,981	476	1%	26,407	550	2%
Receivables	730,164	16,684	47%	901,570	18,780	53%
Cash and Bank	10,323	234	1%	85,804	1,787	5%
Total assets	**1,545,814**	**35,316**	**100%**	**1,710,530**	**35,630**	**100%**[7]
Liabilities						
Borrowings due after 1 year	31,170	712	7%	34,590	721	9%
Borrowing due within 1 year	39,181	895	8%			
Trade and Other Payables	352,968	8,065	75%	374,410	7,736	91%
Bank overdraft	19,167	438	4%	-	-	0%
Taxation	29,287	669	6%	-	-	0%
Total liabilities	**471,773**	**10,780**	**100%**	**406,001**	**8,457**	**100%**
Net assets	**1,074,041**	**24,536**		**1,304,529**	**27,173**	

Source: GAMTEL's 2017 Trial Balance; GAMTEL's 2016 Financial Statements. We applied exchange rates of GMD 43.764: USD 1 for 2016 and GMD 48.008:USD 1 for 2017. Therefore, the GMD depreciated by almost 10% between the two dates.

[7] Rounding difference noted of 1%

2.75 In December 2018, GAMTEL provided EY with a set of draft and unaudited 2017 Financial Statements, in Excel format. However, during our fieldwork in January 2019, we noted several inconsistences between the draft set of unaudited Financial Statements and the Access Accounting system downloads of the Trial Balance and General Ledger. We understand that these differences were mainly due to the posting of additional journals after the draft set of unaudited Financial Statements was originally produced.

2.76 We based our findings and results on the Trial Balance obtained in January 2019. Our 'mapping' of accounts from the Trial Balance was performed based on the original mapping provided in 2018, and based on prior years' audited Financial Statements. It should be noted that the 2017 Trial Balance did not include any taxation liability accounts.

2.77 We received good cooperation and access to staff from GAMTEL during the Forensic audit. However, we experienced delays in receiving supporting documentation that was readily available to the Finance team (i.e. documentation stored in their offices). To date, we have not yet received all the requested documentation as set out in the various sections of this report. As at the end of our fieldwork on February 17, 2019, we were not yet been provided with a draft audited set of Financial Statements for 2017.

Financial impact of the issues identified

2.78 The approximate financial impact of the issues highlighted in our work to date are captured in the tables below, shown against the net equity position of the draft balance sheet as at December 31, 2017. Issues that cannot be or have not yet been quantified are explained more fully in the commentary:

Table 9: Financial impact of issues uncovered during the Forensic Audit

	Brief description of issue	2017 (GMD'000)	2017 (USD'000)
	Net Assets / Equity as at December 31, 2017	**1,304,529**	**27,173**
Section 1 – Adjustments that could be quantified (above USD 20k):			
1	Write-off of CFD loan	36,000	758
2	Write-off of RASCOM investment (2016)	(25,593)	(533)
3	Impairment of GSM investment (GAMCEL)	(93,833)	(1,955)
Section 2 – Adjustments that could not be quantified, however could be broadly estimated:			
4	Removal of 'GTMI Tuition Fee Arrears' from overall entity Trial Balance	(19,000)	(396)
5	Decrease WIP balance for GAMCEL's portion of the ACE Investment	(14,900)	(310)
6	Provide for post-paid debtors over 360 days old	(735,587)	(15,322)
7	Interconnection receivable should be fully provided for while approval from the Board is sought to write off the amount	(388,000)	(8,082)
8	Provide for unrecoverable MGI receivables	(21,000)	(430)
Section 3 – Adjustments that cannot currently be quantified nor estimated, but likely to be above USD 20k:			
9	Loss of International Gateway Revenue	TBC	TBC
10	Write-off of specific unrecoverable post-paid receivables	TBC	TBC
11	Revision of the general provision for doubtful debts	TBC	TBC
12	Write off the GRTS intercompany balance	TBC	TBC
13	Remove the account 7440 "Stock take adjustment" and impair inventory balance for any damaged goods	TBC	TBC
14	Provide for unrecoverable staff loans balances	TBC	TBC
	Suggested revised Net Liabilities / Equity following adjustments in Section 1 and Section 2 only	**42,616**	**903**

Significant findings

2.79 The significant findings arising from our Special Audit of GAMTEL as at December 31, 2017, which are explained more fully in the main GAMTEL section of the report, are summarized as follows:

Political uncertainty regarding the International Gateway (Financial impact table item 9)

- The International Gateway handles all incoming and outgoing international calls for networks within The Gambia. It is managed by a Gateway Manager, the mandate of which is to perform revenue assurance, collection and settlements for these international voice calls. Who acts as the Gateway Manager and/or is entitled to the revenues for international calls has long been subject to political interference which creates uncertainty for GAMTEL. The International Gateway has historically been a significant source of revenue for GAMTEL, although it has not enjoyed these revenues continuously.

- In 2017 approximately 50% of GAMTEL's revenues on an annualized basis were from this source. Without these revenues GAMTEL would likely report a loss in 2017. Management's view is that these revenues are critical to GAMTEL to fund investment for when the international call market is opened up to the market competition. Management's budget for 2019 shows GAMTEL making a loss of GMD 172m (USD 3.5m) in the absence of International Gateway revenues.

- We understand that between 2006 and 2013 GAMTEL did not act as the Gateway Manager but did receive 50% of the International Gateway revenues, net of costs charged by the Gateway Manager.

- In September 2013, an Executive Directive issued by the Office of the President terminated this arrangement and henceforward required the revenues previously enjoyed by GAMTEL were instead paid into an International Gateway Account held at the Central Bank of Gambia.

- In July 2017, the new Government of The Gambia terminated the contract of the incumbent Gateway Manager, and instructed GAMTEL to take over the management of the Gateway. GAMTEL has remained the Gateway Manager since that time, incurring the costs of being the Gateway Manager. In November 2017, MoFEA instructed GAMTEL to transfer all International Gateway funds to the Central Bank of The Gambia. GAMTEL made a transfer of USD 2.5m (GMD 118m)[8] during February 2018, but has not made any subsequent transfers. The Board was advised that the correct procedure is for GAMTEL to submit these revenues to the Government's account—and then for GAMTEL through its line Ministry, to separately make a case to the Government for any financial support that it requires from these 'Gateway revenues'.

- We understand from Senior Management that they have been instructed by the current Government of The Gambia not to use the International Gateway revenues that are GAMTEL's retains.

- In response to this sequence of events, the External Auditors have required that International Gateway revenues should not be recognized in GAMTEL's accounts. GAMTEL has been given guidance by the Government to the same effect.

[8] Spot rate of USD 1:GMD 47,169 as on February 23, 2018

- **Management should consider seeking consent to off-set the costs incurred as Gateway Manager from any further transfers of International Gateway revenues it is required to make to the Government.**

Investments (GMD 164m, USD 3.4m / 10% of Total Assets) (Financial impact table items 2,3,5)

- Based on our testing, the carrying values of the majority of GAMTEL's investments are overstated at December 31, 2017:
  - An investment in RASCOM (GMD 26m / USD 533k) should be fully written off as the project has been dormant since at least 2016. Currently the investment is carried at its full investment cost; and
  - The Global System for Mobile communications ("GSM") investment (GMD 94m / USD 2m) is impaired as GAMCEL is not considered a going concern as at December 31, 2017 and should be fully provided against.
- In 2011, six Gambian companies[9] signed a joint agreement, which was brokered by the Gambian Government, to establish a public-private partnership ("PPP") financing agreement for USD 25m (GMD 710m) through the vehicle of Gambia Submarine Cable Company Limited ("GSC Ltd"). The purpose of the partnership was to jointly contribute towards the cost of financing a landing station in The Gambia for the Africa Coast to Europe Submarine Cable ("ACE"), a submarine fiber cable laid from France through the coast of Africa to South Africa. In the agreement, GAMTEL and GAMCEL were each allocated 20% and 10% respectively of the cable capacity allocated to The Gambia.
- GAMTEL's 2011 Financial Statements included a work in progress ("WIP") balance of GMD 44m (USD 1.5m) and GMD 14.9m (USD 0.5m) that represented GAMTEL and GAMCEL's respective shareholding in GSC Ltd. The GMD 14.9m (USD 0.5m) was paid by GAMCEL to GAMTEL via the intercompany account in 2010. The ACE landing station was completed and inaugurated in December 2012, where upon the GMD 44m (USD 1.5m) balance was reclassified from work in progress to investment in GSC Ltd.
- We noted the following:
  - The balance of GMD 14.9m (USD 0.4m) ought to be in GAMCEL's balance sheet, but it is not. We suspect that this balance has been incorrectly retained in GAMTEL's work in progress but we cannot confirm this as Management was unable to provide us with a breakdown of its WIP.
  - Both balances are recorded at cost but should be at fair value. The fair value ought to reflect the future revenues to be derived from GAMTEL's and GAMCEL's capacity entitlement.
- **The investments for RASCOM, GSM and the balance with the Gambia Radio and Television Services ("GRTS") should be written off.**
- **Management needs to analyse GAMTEL's WIP balance and ascertain if it includes the balance of GMD 14.9m relating to the ACE investment. If it is not in WIP then Management needs to perform a wider balance sheet analysis to identify it.**
- **Management should perform a fair value assessment of the ACE investments as at December 31, 2017 for both balances of GMD 44m (USD 1.5m) and GMD**

[9] Namely Africell, Gamtel/Gamcel, Comium, Qcell, Netpage and Unique Solutions

14.9m (USD 0.5m) that represented GAMTEL and GAMCEL's respective shareholding.

Receivables (GMD 902m, USD 18.8m / 53% of Total Assets) (Financial impact table items 6,7,8,10,11,12,14)

- Post-paid debtors accounted for 59% of the total Trade Receivables balance as at December 31, 2017. Our testing suggests that the post-paid receivable balances are overstated:
    - As at December 31, 2017, 88% of GAMTEL's post-paid debtors are over 360 days old, totaling GMD 736m (USD 15m). It is unlikely that debts unpaid for such a length of time will be recovered and they should be provided against.
    - We identified 1,383 debtor balances totaling GMD 353m (USD 7m) recorded as due from counterparties with "Gamtel" as part of their name. It is unlikely that these are third party receivables and in any event the balances are almost all more than 360 days old. These balances should be provided against.
    - We discovered that GAMTEL has continued billing customers who have in fact closed their accounts and were no longer using GAMTEL services. We identified one such balance for GMD 17m (USD 354k) and upon enquiry Management notified us of an additional nine balances totaling GMD 31m (USD 65k) that arose in the same way. It was not feasible in the timeframe of our fieldwork to perform additional work to seek to quantify the totality of such balances and nor was the information readily available to do so, but there may be a significant number and value of post-paid debtor balances that arise from this error and are not genuine receivables. Management needs to ascertain the full extent of this issue.
- GAMTEL's receivables include the interconnection fee (GMD 388m / USD 8m) due from GAMCEL. Due to GAMCEL's declining financial position, it is doubtful that this amount will be recoverable and should be fully provided for.
- GAMTEL recognizes a receivable from MGI in the amount of GMD 21m (USD 430k). In light of GAMTEL's difficult relationship history with this counterparty and the fact that MGI is no longer present in The Gambia and there is no ongoing working relationship with GAMTEL, it is doubtful that this account will be recovered, and it should be fully provided for.
- We understand that by way of an Executive Order, in approximately 1995, GAMTEL was requested to pay for the land, building and equipment to establish GRTS. GAMTEL records these expenditures totaling GMD 40m (USD 898k) as being recoverable from GRTS, but, given the passage of time in which no repayment has been forthcoming it is doubtful that this amount will be recovered and should be fully provided for.
- The trial balance shows Staff loans of GMD 3.5m (USD 75k) more than the underlying schedules. This amount is also unlikely to be recoverable. Furthermore, a significant portion of the staff loan balances with ex-employees are not being paid. Whilst GAMTEL has engaged a lawyer to seek collection, it is unlikely they will be recovered. These doubtful balances should be provided for, totaling GMD 12m (USD 255k).
- In summary, of the total Receivables recorded by GAMTEL as at December 31, 2017 of GMD 1,466m (USD 31m), approximately GMD 1,149m (USD 23m) appears to be doubtful.
- **Management should reassess GAMTEL's receivables as it appears to be overstated:**

- GAMTEL's post-paid debtors that are over 360 days old (GMD 736m / USD 15m are unlikely to be recovered and they should be provided against;
- The 1,383 debtor balances totaling GMD 353m (USD 7m) recorded as due from counterparties with 'Gamtel' as part of their name should be provided against as it is unlikely that these are third party receivables and in any event the balances are almost all more than 360 days old;
- Management should determine the number of balances whereby the billing department continued to bill the customer after the account was closed, and these balances should be written off as bad debt;
- The GAMCEL Interconnection receivable of GMD 388m (USD 8m) should be fully provided for as doubtful debt while approval from the Board is sought to write off the amount in GAMTEL's financial records;
- Management should create a provision for doubtful debts greater than the required 2% per policy due to the significant ageing balance; and
- The provision should include both the GRTS and MGI balances, along with any other receivables that management consider to be doubtful (i.e., staff loans, unreconciled receivables).

Loans and securities (GMD 35m, USD 721k / 9% of Total Liabilities) (Financial impact table item 1)

- GAMTEL shows a liability of GMD 36m (USD 785k) comprising of a loan due to Caisse Centrale De Cooperation Economique' ("CFD"). We have seen correspondence showing that the loan was in fact repaid by the Government in 2017 but that the Government has yet to determine if this payment is to be treated as a grant, shareholder contribution or an allocation of International Gateway revenues held by GAMTEL (either in which cases GAMTEL no longer has a liability of this amount) or as a new loan between GAMTEL and the Government (in which case GAMTEL would continue to have a liability of this amount).
- Our testing suggests that the CFD loan appears to be overstated:
  - The 2017 Trial Balance is reflecting a value of GMD 36m (USD 758k) for this loan, however Management provided correspondence to us that suggests that the loan was fully settled by the Government of The Gambia.
  - While the balance of this loan should be reflected as zero, GAMTEL has not yet removed the loan from its accounting records as it is unclear whether the Government will treat their payment as a loan, grant, shareholder contribution or just Gateway funds utilized by GAMTEL.
  - **Management should obtain clarification whether or not the Government regards any amounts to be due from GAMTEL as a result of the repayment of the loan.**

Executive Directives

- The Gambia Agricultural Marketing Company Limited ("GAMCO") investment represents the total advances made by GAMTEL to GAMCO during the period 2004 to 2005. Management informed us that these advances were made following Executive Directives issued by the Ministry of Agriculture on behalf of the Government. These Executive Directives were issued in an attempt to facilitate the groundnut trade.

- GAMTEL provided us with further examples of Executive Directives affecting its business, both at the strategic level and as regards to day-to-day operations, in the form of appointments, sponsorships and donations.

- During 2016, a waiver that was provided by the Government to exempt GAMTEL from paying taxes due to the Gambia Revenue Authority (“GRA”) was annulled. This resulted in GAMTEL owing the GRA an amount of GMD 354m (USD 7m) and was subsequently accounted for in GAMTEL’s Trial Balance.

Overstaffing

- We understand that GAMTEL, similar to other SOEs, is perceived as having an obligation to create social employment for the people of The Gambia and that attempts to downsize to tackle overstaffing could have political repercussions.

- During 2017, staff costs accounted for 38% of operating expenses. As at December 31, 2017, GAMTEL had 1,046 permanent employees. Of the total workforce, 25% of the employees were allocated as support services, which mainly consists of cleaners, drivers and security staff. A further 24% of the employees were allocated to customer services.

- Numerous members of management have informed us that, in their opinion, GAMTEL suffers from overstaffing. One commonly suggested solution would be to streamline GAMTEL so that it only retains core staff to perform its core functions, i.e., telecommunications. Management has floated the idea of outsourcing their Support Services such as security guards and drivers, claiming that this would remove some of the burden on GAMTEL and allow it to increase efficiency.

- We were also informed that “most” of the core departments are over-staffed. One director claimed that they had sent some employees on unapproved paid leave, without informing HR, simply to remove disruptive, unproductive staff and attempt to improve the efficiency of their department.

- A study published in July 2016 by consultancy firm Senghore Associates found that as at December 2014, GAMTEL employed 53% of the total staff of the Gambian leading Telecoms providers, more than double any competitor. Moreover, GAMTEL and GAMCEL combined employed 73% of the staff in the sector, at a time when they reportedly held a combined 21% market share.

Other findings

2.80 Other findings arising from our Special Audit of GAMTEL as at December 31, 2017, which are explained more fully in the following sections of the report, are summarised as follows:

Property, Plant and Equipment (GMD 532m, USD 11m / 32% of Total Assets)

- GAMTEL has encountered operational issues with their Fixed Assets management system and has since resorted to using a manual FAR, based in Excel. The Net Book Value of the FAR does not agree to GAMTEL’s Trial Balance at December 31, 2017 by GMD 15.5m (USD 323k) and does not provide a breakdown of any equipment classified as work-in-progress. Management are yet to satisfactorily explain the differences.

- Historically, assets on the FAR were not assigned an individual asset code. Instead they were grouped into one asset code, e.g. “5410 – GTMI Computers”. For most of these asset classes, no breakdown is available to ascertain the quantity and nature of assets in each code. Efforts have been made in the past two years to address this concern and it is now standard practice to assign every new asset a unique code.

- **Management should complete an overhaul of the current asset register by ensuring that all assets are tagged with a unique asset code, reflected in the FAR and are valued at the current Net Book Value. The FAR should be reconciled to the values for Fixed Assets in the Trial Balance.**

Trade and Other Payables (GMD 371m, USD 8m / 91% of Total Liabilities) (Financial impact table item 3)

- Code Division Multiple Access (“CDMA”) Network Improvement accruals total to GMD 120m (USD 2m). These are two accruals for amounts due to Huawei in connection with the CDMA Network Maintenance and Improvement contracts. These CDMA accruals were raised in 2015 and no subsequent payments have been made to Huawei and no adjustments were made to these accounts. However, it was also noted that the Technical team responsible for CDMA were unaware of any obligation to Huawei. In these circumstances the accrual may not be required.

- GTMI is the training institution of GAMTEL and a division of GAMTEL. The GTMI Tuition Fee Arrears account (GMD 19m; USD 396k) represents when GTMI invoiced an amount GAMTEL for training provided to GAMTEL staff by GTMI. GTMI and GAMTEL agreed that the salaries cost that GAMTEL incurs for the GTMI staff should be offset against the invoices. As the invoiced amount is not equivalent to the salary cost, a difference accumulates. While a balance might be due between the divisions, it should not be included in GAMTEL’s entity level balance sheet as it is not recoverable from a third party. Moreover, this results in staff costs being understated on the Income Statement.

- **The Finance and Technical teams responsible for CDMA should review the transactions to which these accounts relate to determine if GAMTEL still has an obligation to Huawei and, if not, release the account.**

- **Management should reverse the ‘GTMI Tuition Fee Arrears’ account from the overall entity Trial Balance.**

Cash and bank (GMD 85m, USD 2m / 5% of Total Assets)

- Through our testing, we identified an account from Guaranty Bank with a description of “Dollar A/C:201-102593-2 4000-0 (Lc & Bc)” with a credit value of approximately USD 1m (GMD 54m). This account was not being reconciled. GAMTEL’s Finance team informed us that this account is a ‘sub-account’ to the main GAMTEL account and it was not being reconciled as it is a sub-account. GAMTEL began reconciliation of this account during our fieldwork.

- **Management should ensure that GAMTEL performs full reconciliations of each of the bank accounts held by GAMTEL. Any reconciling items identified from the reconciliation of the Guaranty Bank USD sub-account as at December 31, 2017 should be addressed to ascertain if accounting adjustments are required.**

Inventory (GMD 26m, USD 550k / 2% of Total Assets) (Financial impact table item 13)

- High value items such as fiber cables (GMD 6.4m / USD 133k) are being stored outdoors in an insecure manner. During GAMTEL’s stock counts, these cables are not measured or verified. For these stock items, the stock balance in the accounting system is used as the basis for the Financial Statements, without adjustment for any differences identified during stock counts.

- GAMTEL is holding stock in the stores that has water damage or deemed to be obsolete, despite GAMTEL being strained for capacity in these stores.

- **GAMTEL should consider reviewing the policy regarding inventory storage and stock counts (in particular, high value cabling) and ensure all valuable assets are kept in a secure, sufficiently-sized location, which protects the assets from the elements.**

- **Any obsolete items should be disposed of when removed from the stock listing. In particular, Management should review the variances between the Trial Balance and stock listing records, remove the use of the "Stock take adjustment" account and adjust the records accordingly.**

Treatment of GAMCEL

- In summary terms, international Generally Accepted Accounting Principles ("GAAP") requires the consolidation[10] of entities in which a company owns shares and where the company exercises "control", as defined in GAAP, over the business in which it owns shares. Whether or not a company has 'control' can be a complex assessment and is not addressed here. GAMTEL owns 99% of GAMCEL, which is an indication that it controls GAMCEL. We understood that GAMTEL has never prepared consolidated accounts. If it was concluded that GAMTEL does indeed "control" GAMCEL, then the failure to prepare consolidated accounts may be in non-compliance with the relevant GAAP and the local Companies Acts. We emphasize that this would not have any implications for the day-to-day management of either of the two businesses.

Sponsorship and donations

- Sponsorship and donations expenditure has increased by 266%, from GMD 2.3m (USD 81k) in 2011 to GMD 6.1m (USD 145k) in 2016.

- While our testing revealed that the expenditure included items such as Ramadan donations, the GAMTEL football team and the sponsorship of music and fundraising events, we also noted that it included the installation of wired line access (fixed line) to the new President Adama Barrow's first residence, prior to him moving to the State House. This came as the result of an Executive Directive and amounted to GMD 513k (USD 11.2k).

[10] Consolidation is an accounting practice which shows the assets, liabilities and trading results of the company in which shares are held as if they were paid of the company owning the shares.

GAMCEL - Summary findings and recommendations

2.81 GAMCEL is not considered a going concern. Its retained earnings balance has been negative since 2013, and is continuing to decline. GAMCEL has had a continually declining Net Assets balance since 2010 and a Net Liability position from 2014 onwards. This issue of Going Concern is discussed further in the "Significant Findings" section below.

2.82 Fixed Assets is by far the largest proportion of assets, accounting for 71%, while Trade Receivables represent the other significant balance at 19%. Inventory accounts for a small portion of the total Assets balance (4%), and staff loans account for 3%. Liabilities consist mainly of Trade Payables (59%), Accruals and Similar Payables (11%), and Other Liabilities (16%). The latter consists mainly of loan repayments due within 1 year.

2.83 Management informed us that the key reason behind GAMCEL's decline in performance is its failure to sufficiently reinvest in its network infrastructure. This capital investment is crucial in a market as dynamic as telecommunications.

2.84 As a continually loss-making entity, GAMCEL would most likely be expected to use long term borrowings to fund its large-scale capital expenditure. However, the Fixed Assets balances reflected a decline or a stagnation when compared to long term borrowing, which fell from GMD 637m (USD 17m) in 2012 to GMD 388m (USD 8m) in 2017.

2.85 GAMCEL's draft Balance Sheet as at December 31, 2017, is set out below:

Table 10: Summary draft Balance Sheet as at December 31, 2017

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets						
Fixed Assets	478,695	10,938	77%	387,573	8,073	71%
Trade receivables	86,302	1,972	14%	104,178	2,170	19%
Other receivables	177	4	0%	6,257	130	1%
Staff Loans	16,080	367	3%	16,450	343	3%
In Put VAT Credit	0	0	0%	4,736	99	0%
Stock Inventory	24,820	567	4%	23,499	489	4%
Cash and Bank balances	11,920	272	2%	2,139	45	0%
Prepayments	1,588	36	0%	704	15	0%
Total assets	**619,582**	**14,157**	**100%**	**545,536**	**11,364**	**100%**
Liabilities						
Trade Payables	552,590	12,627	63%	604,196	12,585	59%
Other payables	90,068	2,058	10%	59,937	1,248	6%
Taxation	2,456	56	0%	6,912	144	1%
Accruals and Similar Payables	49,107	1,122	6%	108,728	2,265	11%
Deferred Liabilities – Pre-paid Customers	77,158	1,763	9%	1,019	21	0%
Bank overdraft	7,512	172	1%	1,295	27	0%

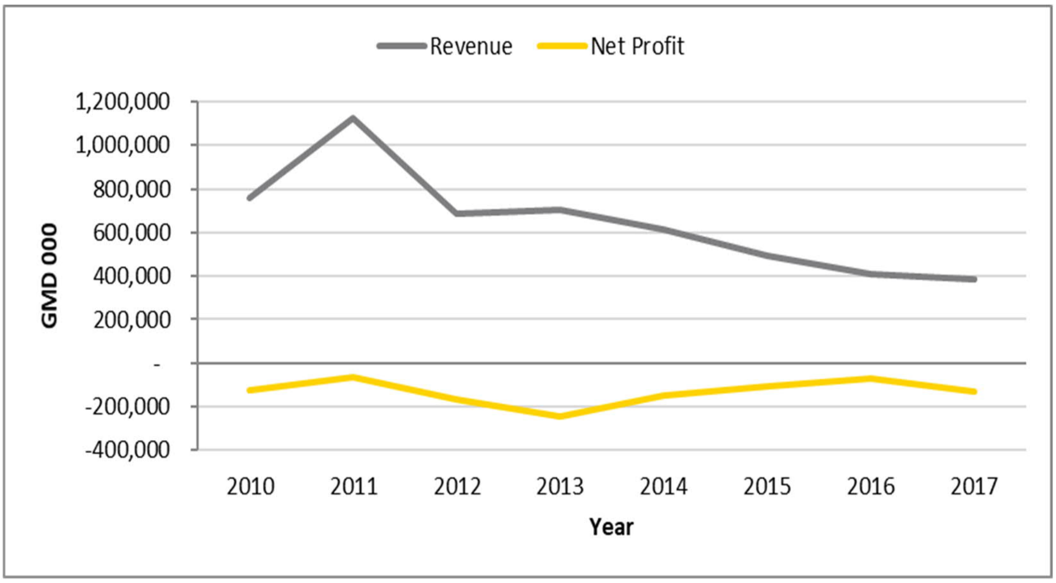
Long term loans	102,556	2,343	12%	84,937	1,769	8%
Other liabilities	0	0	0%	165,000	3,437	16%
Total Liabilities	**881,446**	**20,141**	**100%**	**1,032,024**	**21,497**	**100%**
Net Assets	**(261,864)**	**5,984**		**(486,488)**	**(10,133)**	

Source: GAMCEL's Financial Statements. We applied exchange rates of GMD 43.764:USD 1 for 2016 and GMD 48.008 : USD 1 for 2017. Therefore, the GMD depreciated by almost 10% between the two dates.

2.86 GAMCEL has experienced a dramatic revenue decline in recent years, with revenue falling by approximately 65% from 2011 to GMD 387.4m (USD 8m) in 2017. This was largely due to increasingly competitive market conditions and high market saturation, with four major network providers operating in The Gambia. GAMCEL has undertaken cost reduction efforts in recent years, in an attempt to limit the impact of the declining annual revenue, most of which have been focused on operating costs.

2.87 GAMCEL has been generating an operating loss since at least 2009. While the most significant operating loss occurred in 2013 and totaled GMD 234m (USD 7m), GAMCEL's operating loss had since lessened to GMD124m (USD 3m) in 2017.

Figure 2: GAMCEL's revenue and net profit



Source: GAMCEL's Financial Statements

2.88 GAMCEL's revenue and billing capabilities were significantly impacted during 2017. The disruption transpired when Redknee abruptly switched off GAMCEL's billing system following MGI's demand for payment from GAMCEL for USD 1.7m. The demand for payment took place soon after the Government had terminated MGI's contract as the Gateway manager. Consequently, GAMCEL reverted to its old billing system and only managed to restore some of its core services to customers three weeks later.

2.89 This event had a significant effect on GAMCEL's revenue, as it resorted to making all calls free of charge for a three-week period, until a new billing system was put into place. As a result, GAMCEL's revenue dropped by 80% during August 2017.

2.90 The management also explained to us that it took GAMCEL more than three months before it could restore the billing of its customers. This situation had a severe impact on GAMCEL's revenue. Not only did GAMCEL's revenue decline during August 2017, but their customers still do not have the same user experience as before. These limited services have continued impacting revenue in the months that followed.

2.91 We received good cooperation and access to staff from GAMCEL during the Forensic audit. In general, supporting documentation was readily made available to us from the Finance Team as well as other divisions within GAMCEL. However, due to the billing situation, GAMCEL could not provide us with an accurate account receivable age analysis or complete post-paid debtors breakdown as at December 31, 2017. While the 2017 Financial Statements remained unsigned, they had no significant changes during the period of our engagement.

Financial impact of the issues identified

2.92 The approximate financial impact of the issues highlighted in our work to date are captured in the table below, shown against the net equity position of the draft balance sheet as at December 31, 2017. Issues that cannot be or have not yet been quantified are explained more fully in the commentary:

Table 11: Financial impact of issues uncovered during the Forensic Audit

	Brief description of issue	2017 (GMD'000)	2017 (USD'000)
	Net Assets / Equity as at December 31, 2017	**(486,488)**	**(10,133)**
Section 1 – Adjustments that could be quantified (above USD 20k):			
1.	Post-paid receivable adjustment for receivables not on active customer listing or expected bad debts listing	(19,608)	(408)
Section 2 – Adjustments that could not be quantified, however could be broadly estimated:			
2.	GAMCEL share of the ACE investment	14,900	310
3.	Unrecorded liabilities	(2,009)	(42)
Section 3 – Adjustments that cannot currently be quantified nor estimated, but likely to be above USD 20k:			
4.	Review recoverability of post-paid receivables and adjustment provision of bad debts	TBC	TBC
5.	Adjustment per full reconciliation between the Roaming Receivables and actual payment journals	TBC	TBC
6.	Adjustment per full reconciliation between the Roaming Payables and actual payment received journals	TBC	TBC
7.	Review inventory to ensure it is held at the lower of cost and NRV, in line with the recommendations given below	TBC	TBC
8.	Missing bank accounts (including Deutsche Bank accounts) are included in the cash and bank figure of the Financial Statements	TBC	TBC
	Suggested revised Net Liabilities / Equity following adjustments in Section 1 and Section 2 only	**(493,205)**	**(10,273)**

2.93 These proposed adjustments will have a further negative impact on GAMCEL's existing Net Liability position.

Significant findings

2.94 The significant findings arising from our Special Audit of GAMCEL as at December 31, 2017, which are explained more fully in the following sections of the report, are summarized as follows:

Going Concern

- GAMCEL is not considered a going concern. Its retained earnings balance has been negative since 2013, and is continuing to decline. GAMCEL has had a continually declining Net Assets balance since 2010 and negative Net Assets (Net Liability) position from 2014 onwards. Moreover, its liability and liquidity positions are also declining. It is clear that GAMCEL has neither a history of profitable operations nor immediate access to sufficient financial resources. In the current situation, the management must consider the latter factors and reassess whether GAMCEL truly represents a viable going concern in terms of IAS 1, in particular regarding the ‘potential sources of replacement financing’.

- According to our discussion with the GAMCEL management, the GAMCEL financial position has been communicated to all stakeholders including the Board, the line ministry, the MoFEA, and the Office of the President, adding that the management has learnt that the Government is in the process of reforming the SOEs and may have strategies to reposition the company.

Infrastructure / Fixed Assets (GMD 388m, USD 8m / 71% of Total Assets)

- GAMCEL is in critical need of funding in order to update its infrastructure. Many key GSM assets are approaching obsolescence or have already reached it. The GSM equipment provides primarily 2G network coverage, whereas competitors offer 4G coverage. Management recognizes there is an urgent need to upgrade the network infrastructure, to enable GAMCEL to remain competitive.

- **Management need to continue to assess the options to upgrade its current network infrastructure. Government or third-party funding will likely need to be obtained, or GAMCEL should enter into partnerships with other entities. In the highly competitive telecommunication market, it is critical that GAMCEL updates its infrastructure in order to survive.**

Post-Paid Debtors (GMD 70m, USD 1.4m / 13% of Total Assets) (Financial impact table items 1,4)

- Post-paid debtors are overstated by at least 28%, which represents GMD 19,608k (USD 408k). As GAMCEL was not able to provide us with any breakdown for these debtors, we were unable to reach a view on whether they are correctly stated.

- Furthermore, GAMCEL is currently determining whether a further 31% of their post-paid receivables, or GMD 28m (USD 0.6m), are recoverable and had fully provided the balance as doubtful debts.

- We noted that the remaining 41% of the post-paid debtors balance is per the “active customers’ balances listing” that reflects only 352 customers, which includes some significant Government balances;

- **Management should reassess GAMCEL’s receivables balance for recoverability. GAMCEL should urgently complete its assessment to determine if any of the post-paid receivable balance of GMD 28m (USD 0.6m) is recoverable. Based on the outcome, these debtor balances should be adjusted accordingly.**

Roaming Receivables (GMD 55m, USD 1.1m / 10% of Total Assets) & Payables (GMD 63m, USD 1.3m / 12% of Total Assets) (Financial impact table items 5,6,8)

- From a financial and an accounting perspective, the Roaming division at GAMCEL is currently facing severe challenges. Whilst improvements are visible with the Roaming accounting records post 2015, significant issues remain. Examples include:

  - GAMCEL is not in full control of two of its Deutsche Bank accounts. GAMCEL’s appointed clearing house is currently managing these accounts on behalf of GAMCEL. Moreover, these accounts have never been accounted for in GAMCEL’s records, despite being opened since 2015. The management has now requested to receive the bank statements for these accounts, in order to monitor and take ownership of these bank accounts;

- ► The roaming receivables reconciliation does not reconcile to the roaming receivable balance in the 2017 Financial Statements by GMD 39m (USD 805k). While a portion of this difference could be attributed to exchange rate differences, a proper and comprehensive reconciliation should be performed. It is essential that the reconciliation takes into account all GAMCEL's receivables, including the ones paid into the two Deutsche bank accounts, as at present only one monthly journal (reflecting the net receivable from the roaming partners) is posted to the accounts. The balance will therefore always increase as no double entry (payment received portion) of the journal is posted at present. In addition to the above, no doubtful debt provision is calculated for roaming receivables;

- ► Similarly, the Roaming Payables reconciliation does not reconcile to the Roaming Payables balance in the 2017 Financial Statements by GMD 4m (USD 81k). While a portion of this difference could be attributed to exchange rate differences, a proper and comprehensive payable reconciliation should also be completed. In fact, it is essential that the reconciliation takes into account all payments made from the two Deutsche bank accounts, as at present only one monthly journal (reflecting the net payable from the roaming partners) is being posted to the accounts. The balance will therefore always increase as no double entry (payment made portion) of the journal is being posted;

► **Management should complete a full reconciliation between the Roaming Receivables and actual payment journals, and post these journals to reflect the true Roaming Receivable balance. Accordingly, the provision for bad debts needs to include a provision for doubtful roaming receivables.**

► **The Deutsche Bank missing accounts should be reflected in GAMCEL's own accounting records. GAMCEL should request STARHOME MACH S.R.L. (the organization that acts as the roaming clearing house) to provide further information in order to clarify its rights and obligations with regards to these accounts.**

Investments (Financial impact table item 2)

► GAMCEL's investments may be understated by GMD 14.9m (USD 0.3m). In 2011, six Gambian companies signed a joint agreement, which was brokered by the Gambian Government, to establish a public-private partnership (PPP) financing agreement for USD 25m (GMD 710m) through the vehicle of GSC Ltd. The purpose of the partnership was to jointly contribute towards the cost of financing a landing station in The Gambia for the Africa Coast to Europe Submarine Cable (ACE), a submarine fiber cable laid from France through the coast of Africa to South Africa. In the agreement, GAMTEL and GAMCEL were each allocated 20% and 10% respectively of the cable capacity allocated to The Gambia.

► GAMTEL's 2011 Financial Statements included a WIP balance of GMD 44m (USD 1.5m) and GMD 14.9m (USD 0.5m) that represented GAMTEL and GAMCEL's respective shareholding in GSC Ltd. The GMD 14.9m (USD 0.5m) was paid by GAMCEL to GAMTEL via the intercompany account in 2010. The ACE landing station was completed and inaugurated in December 2012.

► We noted the following:

- ► The balance of GMD 14.9m (USD 0.3m) ought to be in GAMCEL's balance sheet, but it is not. We suspect that this balance has been incorrectly retained in GAMTEL's work in progress, but we cannot confirm this as GAMTEL's Management was unable to provide us with a breakdown of its WIP.

- ► Both balances are recorded at cost but should be at fair value. The fair value ought to reflect the future revenues to be derived from GAMTEL's and GAMCEL's capacity entitlement.

► **Management will need to complete a reconciliation to determine the amounts paid by GAMTEL and GAMCEL for their respective shareholdings in the PPP financing arrangement for the ACE Investment. Management need to access whether GAMCEL should record their shareholding as an investment at fair value in its accounting records**.

Overstaffing

► We understand that GAMCEL, similar to other SOEs, is perceived as having an obligation to create social employment for the people of The Gambia and that attempts to downsize to tackle overstaffing could have political repercussions.

► Management informed us that GAMCEL suffers from overstaffing. The December 31, 2017 payroll report showed that 26% of staff were support services, however management confirmed that up to 45% of employees were support services. GAMCEL currently has a high use of contractors following an internal recruitment freeze and has followed a Government integrated pay scale, which has not been updated since 2006. Despite this basic pay freeze, GAMCEL's average income rose by approximately GMD 15,000 (USD 300) between 2015 and 2017. GAMCEL struggles to retain skilled staff, due to uncompetitive remuneration.

► An independent report recommended that GAMCEL sub-contract the 40 to 50% of its workforce considered to be non-core. These recommendations were not implemented as it was estimated to cost GMD 437m (USD 10m) in compensation. The report stated that *"the case for attaining the practical level of staffing is overwhelming given the real and present competitive threats to the organization's survival"*.

► GAMCEL has historically received numerous Executive Directives regarding the appointment and termination of specific employees, without a business need. We were given sight of at least five such Directives, dated prior to December 2017.

Executive Directives

► A loan of GMD 15m (USD 0.5m) was provided by GAMCEL to Gambia International Airlines ("GIA") in 2006 following an Executive Order issued by MoFEA. MoFEA issued the Executive Order in order for GIA to procure equipment, as the equipment was "in dire need for the AU Summit".

► GAMCEL provided us with further examples of Executive Directives affecting its business, both at the strategic level as regards to day-to-day operations, in the form of appointments, sponsorships and donations.

► During 2014, a waiver that was provided by the Government to exempt GAMCEL from paying taxes due to Gambia Revenue Authority ("GRA") was annulled. This resulted in GAMCEL owing the GRA an amount of GMD 195m (USD 4m) and was subsequently accounted for in GAMCEL's Trial Balance.

Other findings

2.95 Other findings arising from our Special Audit of GAMTEL as at December 31, 2017, which are explained more fully in the following sections of the report, are summarized, as follows:

Inventory (GMD 23m, USD 489k / 4% of Total Assets) (Financial impact table item 7)

- Inventory consists mostly of SIM cards, scratch cards and stationery. We tested 90% of the value of this balance and noted no significant inconsistencies.
- We were informed that the Store Manager is able to overwrite the value of stock items.
- **Management should review the process for stock valuation and ensure it is held at the lower value of cost and Net Realizable Value ("NRV"). Management should review the entire inventory balance and seek board approval for necessary write-offs, without reliance on the auditor's recommendation. Management should further review the policy for the storage of hazardous materials and take appropriate measures.**

Staff Loans (GMD 17m, USD 356k / 3% of Total Assets)

- We identified that GAMCEL's supporting loan schedules did not reconcile to the figures per the 2017 Financial statements, by a total of GMD 496k (USD 7k). We further identified instances of incomplete documentation of loan applications and applications not following due process. We understand a lawyer has been engaged by GAMCEL to assist with loan recoverability, however the External Audit's 2017 Management Letter recommended GAMCEL accelerate the rate of recovery.
- **Based on our analysis in which we compared GAMCEL's Financial Statements and its loan schedules, it appears that the staff loan receivable might be understated by GMD 316k (USD 7k). However, we also identified that the provision for doubtful debts for staff loans was less than the loan amounts classified as dormant. These loans are not being serviced by definition, therefore it would be prudent to increase the provision to cover this dormant loan balance.**

Sponsorship / Donation Expenditure (GMD 9m, USD 192k / 0.9% of Total Liabilities)

- Across the period 2010 – 2017, GAMCEL's Donations and Sponsorship expenditure was significantly higher in real terms than that of its parent company, GAMTEL.
- The most notable expenditure included GMD 105k (USD 2.2k) to new-born children in Gambian hospitals, which came as a request from the Office of the former President. Management had no margin to refuse, effectively rendering this an Executive Directive. This was allegedly in collaboration with the charity "Save The Children", however we understand a frozen bank account with the same name, was previously under the control of former President Jammeh.

Cash & Bank (GMD 2m, USD 45k / 0.4% of Total Assets)

- The overall cash and bank balances for GAMCEL were extremely volatile during the period of our review. In addition to the two Deutsche Bank accounts, we identified an account held at the Access Bank that the Finance team was unaware of. As GAMCEL has substantially increased the number of bank accounts held over the last few years, GAMCEL's management should consider conducting a full reconciliation exercise. All of the banks in which GAMCEL holds a bank account should be included in the exercise.
- **GAMCEL has substantially increased the number of bank accounts it holds over the last few years. The GAMCEL management should conduct a full reconciliation of each of the banks to identify all the bank accounts held on behalf of GAMCEL.**

Unrecorded Liabilities

- We identified an unrecorded liability as at 31 December 2017, derived from a court ruling regarding the appeal of the termination of a former employee. As at 28 December 2017, management noted in an email that GAMCEL were obligated to repay a fine of GMD 1.2m (USD 25k) and salary arrears of GMD 437k (USD 9k). As GAMCEL had an obligation to settle these amounts, it should have provided for the total amount, however it did not do this.

- GAMCEL also failed to accrue for GMD 372k (USD 8k) of liabilities owed to GSC Ltd, relating to prior periods. The collective unrecorded liabilities identified were GMD 2.0m (USD 41.8k).

- **GAMCEL should ensure that it records all liabilities at year-end, including obligations arising from court case outcomes.**

GAMCEL and GAMTEL Relationship

- GAMCEL's interconnection payable to GAMTEL stood at GMD 376m (USD 8m), as at 31 December 2017. It was suggested to the Board in 2018 that they consider the interconnection payable as an additional equity for GAMCEL and an investment for GAMTEL. This suggestion was intended to reduce GAMCEL's indebtedness to GAMTEL. GAMCEL's retained earnings have been consumed and the entity is loss making, leaving it with no payment options.

- The infrastructures of the two organizations are highly interconnected. Most of GAMCEL's equipment is housed within the GAMTEL infrastructure, and its usage is shared between the two entities. In some cases, the usage of infrastructure can be measured, and is subsequently billed between the two entities. However, it cannot be measured in other instances and is therefore never billed or accounted for as intercompany transactions.

- In summary terms, international GAAP requires the consolidation[11] of entities in which a company owns shares where the company exercises 'control', as defined in GAAP, over the business in which it owns shares. Whether or not a company has "control" can be a complex assessment and is not addressed here. GAMTEL owns 99% of GAMCEL, which is an indication that it controls GAMCEL. We understood that GAMTEL has never prepared consolidated accounts. If it were concluded that GAMTEL does indeed "control" GAMCEL, then the failure to prepare consolidated accounts may be a breach of the relevant GAAP and the local Companies Acts. We emphasize that this would not have any implications for the day-to-day management of either of the two businesses.

[11] Consolidation is an accounting practice which shows the assets, liabilities and trading results of the company in which shares are held as if they were paid of the company owning the shares.

SSHFC - Summary findings and recommendations

1.1 In the section below, we set out our summary findings and recommendations in relation to our Forensic Audit of SSHFC in the eight years to December 31, 2017. Further detail on each area is provided in the sections that follow.

1.2 The table below sets out a summary of the SSHFC Balance Sheet as per the externally audited SSHFC Financial Statements for the year ending December 31, 2016 and December 31, 2017.

Table 12: Summary of SSHFC Financial Statements for the year ending December 31, 2016 and December 31, 2017

Description	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets	**4,083,463**	**93,307**	**-**	**4,378,664**	**91,208**	**-**
Fixed Assets	85,317	1,949	2	82,784	1,724	2
Equity Investments	1,029,580	23,526	25	989,035	20,602	23
Investment Properties	944,614	21,584	23	950,431	19,797	22
Mortgages	220,948	5,049	5	220,298	4,589	6
Trade and Other Receivables	659,950	15,080	16	707,224	14,731	16
Loans to Member Institutions	349,055	7,976	9	261,261	5,442	6
Other Financial Assets	717,069	16,385	18	1,086,157	22,625	25
Project Work in Progress	10,314	236	0	2,962	62	0
Cash at Bank and at Hand	66,616	1,522	2	78,512	1,635	2
Liabilities	**(408,312)**	**(9,330)**	**-**	**(399,413)**	**(8,319)**	**-**
Trade and Other Payables	(408,312)	(9,330)	100	(399,413)	(8,319)	100
Net Assets / Equity	**3,675,151**	**83,977**	**-**	**3,979,251**	**82,888**	**-**

Source: SSHFC Annual Financial Statements for the year ending December 31, 2016 and December 31, 2017. We applied exchange rates of GMD 43,802 : USD 1 for 2014 and GMD 40,112 : USD 1 for 2015. We applied exchange rates of GMD 43,764 : USD 1 for 2016 and GMD 48,008 : USD 1 for 2017. Therefore the GMD depreciated by almost 10% between 2016 and 2017

1.3 In local currency the Net Assets of SSHFC increased by GMD 304.1m during the year ended December 31, 2017, but reduced in USD as a result of the devaluation of the local currency. The principal driver of this balance sheet growth in local currency is the increase on Other Financial Assets, on which we comment below.

1.4 Equity investments, Investment Properties and Other Financial Assets make up approximately 69% of the total assets as per the SSHFC Consolidated Balance Sheet as at December 31, 2017. Based on the issues identified to date, the total assets as per the SSHFC Consolidated Balance Sheet as at December 31, 2017, may be overstated.

1.5 It should be noted that the total amount of Trade and Other Receivables and Trade and Other Payables as per the SSHFC Consolidated Balance Sheet as at December 31, 2017 is potentially overstated due to the inclusion of the 'Interfund' balances of some GMD 357m which in fact offset each other.

1.6 Our observations in respect of record keeping, with particular reference to source documentation and SSHFC's accounting records are summarised below:

- We experienced delays with obtaining supporting documentation and information requested to complete the testing per the terms of reference;

- We experienced delays with obtaining the final Trial Balances for FPS, NPF, HFF and IICF for the years ending December 31, 2014 to December 31, 2017. Furthermore, we were provided with two versions of the Trial Balances for FPS, NPF, HFF and IICF for the year ending December 31, 2016 and December 31, 2017. To date, we were unable to reconcile the total amount for the Trade Receivables balance, the Trade Payables balance, the Members fund balance and the Accumulated funds balance;

- We were not provided with any supporting documentation or information in respect of the mapping of the Trial Balances for the respective funds to the signed SSHFC Financial Statements for the years ending December 31, 2014 to December 31, 2017. We were therefore unable to reconcile the amounts as per the Trial Balances for the respective funds to the signed SSHFC Financial Statements for the years ending December 31, 2014 to December 31, 2017;

- We experienced delays with obtaining the payroll summaries and loan schedules in respect of the SSHFC employees (i.e., current and former), for the years 2010 to 2017. To date, we were unable to reconcile the total amount for the staff costs to the SSHFC Consolidated Revenue Account for the year ending December 31, 2017; and

- We were not provided with any supporting documentation or information as detailed in the paragraphs discussing payment vouchers for expenses, journal vouchers for expenses, share certificates, and title deeds, amongst others.

1.7 As part of the exercise in compiling the information provided we noted that:

- There appears to be no accounting policies and/ or procedures to assist the SSHFC management and employees with their day to day tasks;

- There is incomplete recordkeeping and inadequate filing of supporting documentation and information. Whilst this is for legal determination, our views as accountants would conclude that this could result in inter alia, possible non-compliance with Section 28(2) and Section 62 of the SSHFC Act, amongst others. Further detail is provided in key financial issues that are listed in the following paragraph; and

- There appears to be a lack of relevant skills and/or experience in respect of SSHFC employees appointed in various roles. This includes the investment department, where we understand there are just four full-time employees.

Financial impact of the issues identified

1.8 The approximate financial impact of the issues highlighted in our work to date are captured in the tables below, shown against the net equity position of the externally audited Financial Statements as at December 31, 2017. Issues that cannot be or have not yet been quantified are explained more fully in the commentary:

Table 13: Financial impact of issues uncovered during the Forensic Audit

	Brief description of issue	2017 (GMD'000)	2017 (USD'000)
	Net Assets / Equity as at December 31, 2017	**3,979,251**	**82,888**
Section 1 – Adjustments that could be quantified (above USD 20k)			
1.	Provision for impairment of Gallia Holdings Limited Equity	(40,545)	(845)
2.	Provision for impairment of Gambia Food and Feed Industries[12] Equity	(66,803)	(1,392)
3.	Provision for impairment of Lamin Makumbaya Land	(30,000)	(625)
Section 2 – Adjustments that could not be quantified, however could be broadly estimated:			
4.	Recognition of Equity Investment in Arab Gambian Islamic Bank	624	13
5.	Provision for impairment of former Staff Loans	(4,182)	(87)
6.	Provision for impairment – Kanilai Housing Plan	(101,475)	(2,100)
Section 3 – Adjustment that cannot currently be quantified nor estimated, but likely to be above USD 20k:			
7.	Members fund	TBC	TBC
8.	Accumulated surplus	TBC	TBC
9.	Revaluation Reserve	TBC	TBC
10.	Revenue Reserve	TBC	TBC
	Suggested revised Net Liabilities / Equity following adjustments in Section 1 and Section 2 only	**3,736,870**	**77,852**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

1.9 The SSHFC Consolidated Revenue Account for the year ending December 31, 2017, indicates a net profit for the year. However, SSHFC may incur a substantial net deficit for the year (i.e., GMD 225m) (USD 4.9m)), should the adjustments be processed, on the basis that they are adjustments that relate to that year.

1.10 In our view SSHFC may be in breach of Section 28(2) and Section 62 of the SSHFC Act due to the failure to keep proper records and books of accounts in respect of income, expenditure and transfers.

Significant findings

1.11 Our significant findings in relation to our Special Audit of SSHFC as at December 31, 2017, which are explained more fully in this section of the report, are as follows:

Capital and Reserves (GMD 3,979m, USD 83m) (Financial impact table items 7,8,9,10)

- Section 30 of the SSHFC Act requires SSHFC to conduct periodic actuarial valuations at least every three years. The last actuarial valuation conducted in respect of the FPS and IICF was for the year ending December 31, 2014; and

[1212] Also referred to by Management as 'Qatari Holdings'.

- **We recommend that SSHFC performs a valuation of the FPS and IICF as required under the terms of Section 30 of the SSHFC Act. This will assist the SSHFC management to determine the cash flow position of SSHFC going forward and whether the obligations to members would be fulfilled based on the current investment portfolio and profits generated from activities undertaken.**

Equity Investments (GMD 989m, USD 20.6m / 23% of total assets) (Financial impact table items 1,2,4)

- There appears to be inadequate provision for impairment of equity investments of GMD 192m (USD 4m). The impairment relates to the Gambia Food and Feed Industries (‘GFFI’) Shareholding (i.e., GMD 66,803m, USD 1.392m / 50% of value of equity investment), Gallia Holdings Shareholding (i.e., GMD 121,635m, USD 2.534m / 75% of value of equity investment) and National Water and Electricity Co. Ltd (‘NAWEC’) Shareholding (i.e., GMD 4m, USD 83k /100% of value of equity investment) as detailed in the paragraphs below;

- We were not provided with complete documentation to confirm that SSHFC is the owner of certain equity investments reflected as per the SSHFC Balance Sheet for the year ending December 31, 2017. For example, share certificates for 71% of SSHFC’s holding in Standard Chartered Bank (“SCB”) and 4% of the holding in Trust Bank Limited (‘Trust Bank’) could not be located;

- SSHFC has not recognized its 0.26% shareholding in Arab Gambian Islamic Bank (“AGIB”) although a dividend of GMD 22k (USD 486) was accounted for as investment income;

- We noted that SSHFC owns 100% of the Gambia Transport Service Corporation (‘GTSC’) issued shares. However, SSHFC has not accounted for the Equity Investment as a subsidiary (i.e., no consolidation of the accounting transactions);

- There appears to be various investments related to Executive Directives issued by the Office of the President. We understand that the Executive Directives were issued prior to January 2017. For example:

    - We noted that, during 2010, the Office of the President directed SSHFC to purchase 65% of the Government of The Gambia’s (‘the Government’) investment in the GFFI. The FPS and NPF Trial Balances for the year ending December 31, 2017 makes provision for impairment of this investment for an amount totaling GMD 67m (USD 1.4m) (i.e., 50% of the value of the investment);

    - We understand that the original Gam Petroleum Storage Facility Company Limited (‘Gam Petroleum’) share purchase by SSHFC occurred in February 2008. The initial share purchase was based on an Executive Directive from the Office of the President;

    - We understand that SSHFC entered into a joint venture with the Gambia Ports Authority (‘GPA’) and Gallia Holdings to purchase two ferries (GMD 41m, USD 844k), the Kansala and the Aljamdu, at the instruction of the Office of the President. Discussions with the SSHFC management indicate that only a nominal value will be obtained, if any, from the sale of the ferries as scrap;

    - SSHFC was directed in terms of various Executive Directives from the Office of the President to settle NAWEC’s debts, purchase generators and grant loans to NAWEC. These payments were recorded as loans between SSHFC and NAWEC; and

  - We noted that as per the FPS Trial Balance for the year ending December 31, 2017, a dividend of GMD 22.1m (USD 483k) was accounted for as investment income. The dividend was in respect of an interim and final dividend declared by Trust Bank. We noted the dividend income was only paid to SSHFC during 2018. We were unable to identify the contra-entry for the accrual of the dividend as per the FPS Trial Balance for the year ending December 31, 2017. We are therefore unable to confirm whether the 'Income Receivable -Dividend Income-FPS' general ledger account is understated;

- **We recommend that SSHFC maintains an up-to-date register of all Equity Investments and compiles documents evidencing proof of title deeds;**
- **We recommend that SSHFC ensures that the SOE reviews all the Equity Investments for potential impairment in accordance with the financial reporting framework. Equity Investments should not be carried at more than their recoverable amount; and**
- **We recommend that formalised and approved accounting policies and procedures are put in place to ascertain which dividends are fully due and that they are received.**

Investment Property (GMD 950.4m, USD 19.8m / 22% of total assets) (Financial impact table item 3)

- We were not provided with any supporting documentation or information for various investment properties. For example:
  - We were unable to obtain a title deed to confirm the ownership of the land and buildings related to Ocean Bay Hotel (GMD 520m, USD 11m) and Resort and Sun Beach Hotel (GMD 212m, USD 4.4m); and
  - We were unable to obtain a title deed as evidence that SSHFC owns the property where the Kanifing School (GMD 9m, USD 191k) and the Kanifing Market (GMD 3m, USD 65k) is located; and
  - We were unable to determine whether 300 plots of land (i.e., Lamin Makumbaya Land) were effectively acquired by SSHFC (GMD 30m, USD 625k);
- It appears that no valuation of investment properties was performed during the period in scope. As per the Notes to the FPS, NPF, HFF and IICF Financial Statements for the year ending December 31, 2017, it is the intention of SSHFC to hold investments valued at cost to maturity. The value is not adjusted whether market value is higher or lower than cost except for Treasury Bills and Discount Notes which are stated at cost plus accrued interest;
- There appears to be inadequate provision for the impairment of properties purchased for investment and/or transferred to SSHFC by the Department of State for Finance & Economic Affairs and/or the Department of State for Local Government;
- There appears to be various investments related to Executive Directives issued by the Office of the President. We understand that the Executive Directives were issued prior to January 2017. For example:
  - The Government instructed SSHFC to purchase an entity that owned Ocean Bay Hotel and Sun Beach Hotel as per an Executive Directive;
  - We understand that the Government handed over guest houses (GMD 16m, USD 336k) to SSHFC without requesting any payment for the guest houses nor for the land. The SSHFC was to 'control and manage' all Government guest houses. The SSHFC management has explained to us that SSHFC is responsible for the infrastructure development on the land; and

- SSHFC was directed by an Executive Directive to purchase land located in Kanifing (GMD 15m, USD 312k);

- We understand that the Old Law Court Property (GMD 11m, USD 232k) is currently not generating income. Furthermore, tenants are in arrears in respect of rental payments related to the NTC Complex;

- **We recommend that SSHFC compiles title deeds or other proof of ownership for all properties which SSHFC has recognized;**

- **We recommend that SSHFC develops and implements an accounting policy for the revaluation of investment properties, including but not limited to, defining the frequency of revaluations and impairment reviews; and**

- **We recommend a revaluation is performed on all investment properties to ensure they are held at the correct value allowing for any impairment.**

Trade and Other Receivables (GMD 707m, USD 14.7m / 16% of total assets)

- Interfund current accounts: (GMD 357m, USD 7.4m)

    - We noted that the 'Interfund' general ledger accounts related to FPS, NPF, HFF and IICF account for 50% of the Trade and Other Receivables balance (GMD 357m, USD 7.4m). We also noted that the Interfund current payable balances totaling GMD 357m (USD 7.4m) are also included in the Trade and other Payables balance as per the Balance Sheet for the year ending December 31, 2017. The combined balances at any point in time should offset each other (i.e., result in a net nil position);

    - Our comparison of Interfund current receivable and payable accounts for FPS, NPF, HFF and IICF as per the FPS, NPF, HFF and IICF Trial Balances highlighted a difference totaling GMD 10k (USD 208) between the Interfund payable and receivable balances as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017;

    - We understand that the total amount of Current Assets and Current Liabilities as per the SSHFC Consolidated Balance Sheet as at December 31, 2017 is potentially overstated. This is due to the inclusion of the 'Interfund' general ledger accounts in Trade and Other Receivables and Trade and Other Payables; and

    - SSHFC should determine why the Interfund receivable and payable balances as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017 do not net off to zero. Furthermore, SSHFC should determine whether the Interfund receivable and payable balances will be repaid within each year and if not the balances that will not be settled within the next 12 months should be reclassified as non-current assets/ liabilities.

- Staff Loans: (GMD 131m, USD 2.7m) *(Financial impact table item 5)*

    - We noted that as per the SSHFC Payroll Loan Information reports provided, a total of 377 employees had Staff Loans outstanding, of which 87 are no longer employed by the SSHFC as at December 31, 2017. The Staff Loans payable by former employees represent 8% of the total Staff Loans balance;

    - We were unable to reconcile the balance of the three categories of Staff Loans as per the SSHFC Payroll Loan Information reports provided to the balances stated as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017;

- ► We noted that since 2015, only 8 of the 87 former employees have made loan repayments to reduce the loan balance owing to SSHFC. We noted that only one of the former employees has repaid the staff loan;

- ► We noted that there was no movement in the ‘Provision for Staff Loans’ balance at year end for the period 2016 to 2017, understanding that this liability has not been recently reassessed. The current Provision for Staff Loans’ balance may have to be increased by an amount totaling GMD 4,182 (USD 87k) in the event that the outstanding former Staff Loans balances are irrecoverable;

- ► **We recommend that the Management considers whether the staff loan balances owing by former employees are still recoverable. This assessment should be primarily based on the recent history of repayment of each loan. Loans that are not being repaid or will not be repaid during, say, the next 24 months, should be provided against;**

- ► **We also recommend that employee loans should have specific and shorter repayment periods rather than current 245 months;**

- ► **We recommend that the SSHFC management considers decreasing the staff loan receivable by restricting the number of Staff Loans granted, and reassessing the repayment terms of all current loans. SSHFC should ensure that all Staff Loans are repaid before the retirement of the SSHFC employee; and**

- ► **We recommend that the SSHFC management considers whether the staff loan balances owing by former SSHFC employees are still recoverable.**

► Other receivables: (GMD 101m, USD 2m) *(Financial impact table item 6)*

- ► We noted that an amount totaling GMD 101m (USD 2m) relates to the infrastructure and building costs in respect of Kanilai, a village in southern Gambia (N.B. the former President Jammeh was born in this village); and

- ► **We recommend that SSHFC determines the total development costs in respect of the Sulayman Junkung Housing Estate and the amount to be reimbursed from the Government. SSHFC should assess whether the amount would be recoverable from the Government.**

Loans to Member Institutions (GMD 261.3m, USD 5.4m / 6% of total assets)

► We identified various loans that were provided to SOEs and/or other government entities with no repayment terms, no finance charges and/or finance charges that are lower than what would be expected for an arm’s length transaction. These ‘soft’ terms call into question the recoverability of these loans. For example:

- ► We understand that no interest is accrued on the capital balance of the loan to GFFI. We were unable to ascertain whether any loan repayments were made by GFFI;

- ► We understand that NAWEC defaulted on a loan granted by SSHFC during October 2007. During July 2016, the original loan agreement was replaced and a new loan agreement made provision for 50% of the outstanding interest to be waived. It was also agreed that the outstanding loan balance owing by NAWEC would be set off against the water and electricity invoices issued by NAWEC to SSHFC until the balance (i.e., principal and finance charges) is settled;

- ► During May 2010, SSHFC granted a loan to GPA to facilitate a portion of the financing of two ferries. We understand that SSHFC has accounted for repayments of the loan balance outstanding, however the loan repayments are not in accordance with the loan agreement;

- We identified various loans that were provided to SOEs and/or other government entities, as directed in terms of Executive Directives from the Office of the President prior to January 2017. SSHFC may be unable to recover the funds provided to the SOEs and/or other government entities. For example:

  - During January 2013, a loan was granted to GAMCEL through an Executive Directive. We noted that the outstanding GAMCEL loan balance has not been settled; and

  - We understand that the Minister of Finance instructed SSHFC to provide guarantees for bank loans and overdrafts held by Gambia Groundnut Corporation ("GGC") with Trust Bank, Ecobank and BSIC. We noted that SSHFC has accounted for the funds paid on behalf of GGC in respect of two loans with balances of GMD 19.7m (USD 411k) and GMD 162m (USD 3.4m) during the year ending December 31, 2017.

- **We recommend that SSHFC reviews all loans granted to SOEs, the Government and other SOEs for potential impairment in accordance with the financial reporting framework.**

Mortgages (GMD 220m, USD 4.6m / 6% of total assets of which GMD 155m, USD 3m relates to non-current mortgages)

- We were unable to reconcile the outstanding mortgage balances as per the SSHFC Customer – Repayment Control schedule for the year ending December 31, 2017 to the SSHFC Balance Sheet as at December 31, 2017;

- We understand that unidentified mortgage repayments are allocated to a 'mortgage' general ledger account. The allocation is made to the 'mortgage' general ledger account linked to the bank account that was credited with the unidentified mortgage repayment (e.g., the 'Mortgage Debtors Kess' general ledger account would be used for funds deposited into the HFF KESS SCB bank account). In terms of Section 60 of the SSHFC Act, the unidentified mortgage repayments should have been recorded in the Reserve Fund.

- We understand that the Microsoft Dynamics Navision 2009 ('the system') used to calculate the arrears, finance charges and outstanding balance for mortgage debtors is in the process of being updated due to issues identified by the Finance department during the handover of activities by the Housing department. Furthermore, the system has not been configured to include 'Monthly Installment' as a mandatory field when creating a new customer.

- We identified 897 out of 1737 mortgage debtors totaling GMD 138m (USD 2.9m) with no repayments during the period under review as per the Customer – Repayment Control schedules for the period January 1, 2017 to December 31, 2017;

- We identified one mortgage debtor where the outstanding balance was incorrectly calculated as per the mortgage statement for the year ending December 31, 2017. We understand that Management are aware that the current system is incorrectly calculating the balances as per the Mortgage statements and is in the process of addressing the issue;

- We noted that there was no movement in the Provision for Mortgage Debtors as per the SSHFC Financial Statements for the year ending December 31, 2017 totaling GMD 6m (USD 125k);

- In terms of Section 64(2) of the SSHFC Act, SSHFC should recover any arrears or penalties within 10 years from the date when the arrears or penalties become due. We were unable to obtain a debtors age analysis to determine whether any mortgage debtors' balances have been outstanding for longer than 10 years. The inability of SSHFC to produce an aged debtor analysis and the incorrect calculation of outstanding balances, amongst others, are demonstrative of the poor accounting systems in place at SSHFC;

- We noted that the accrued interest on the outstanding balances of the mortgage debtors are reversed in instances where the property is repossessed;

- **We recommend that SSHFC should ensure that all mortgage debtors are accurately recorded and correctly valued as per the SSHFC Financial Statements;**

- **We recommend that SSHFC takes corrective steps to ensure that the system is correctly configured to determine the closing balances as per the Mortgages Debtors' monthly statements;**

- **We recommend that SSHFC reviews the mortgage debtors' balances for potential impairment in accordance with the financial reporting framework; and**

- **We recommend that the SSHFC management designs and implements policies and procedures to make provision for standard terms and conditions of mortgage contracts, the refund process and the repossession process.**

Trade and Other Payables (GMD 399m, USD 8.3m / 100% of total liabilities)

- The 'Interfund' accounts between FPS, NPF, HFF and IICF comprise 89% of the Trade and Other Payables balance at December 31, 2017. As already noted, there are equivalent balances within Trade and Other Receivables;

- We understand that the amount totaling GMD 11m (USD 228k) as per the 'HFF Contract Creditor' general ledger account relates to the expenses to be incurred in respect of infrastructure costs related to the Jabang Housing Estate, Brikama Jamisa Housing Estate and Tujereng Housing Estate, amongst others. The SSHFC management explained that the infrastructure was not completed by the previous contractor and a new contract would have to be awarded to complete the remaining infrastructure. The SSHFC management has accrued for the infrastructure costs, however, no payment has been made to a contractor for the outstanding amount;

- There was no movement in the 'Deferred Pension' balance during the period 2015 to 2017 (GMD 4.3m, USD 90k). It appears that there was no movement in the balance due to no recent actuarial review;

- **We recommend that SSHFC management determines whether the Trade and Other Payables balances have been correctly calculated. Furthermore, SSHFC management should consider whether there is a legal / contractual obligation for the amount allocated to the 'HFF Contract Creditor' general ledger account;**

- **Furthermore, SSHFC should determine whether the Interfund receivable and payable balances will be repaid in the next 12 months. The Interfund receivable and payable balances that will not be settled within the next 12 months should be reclassified as a non-current asset or non-current liability; and**

- **We recommend that the SSHFC management performs an up to date valuation in respect of FPS in order to determine whether any adjustment should be made to the 'Deferred Pension' general ledger account.**

Payroll (GMD 105m, USD 2.3m / 63% of total expenses)

- An amount totaling GMD 40m (USD 861k) was allocated to General and administrative expenses, however the expense is in respect of employee salaries, wages and benefits (i.e., salary and wages expenses). Salary and wages expenses are therefore not properly classified, described, and disclosed in the SSHFC Financial Statements for the year ending December 31, 2017;

- We obtained a Payroll file from the Finance department. We also obtained a HR file from the Human Resources department. We noted inconsistencies between the two files (for example employees listed as per the Payroll file were not listed as per the HR file, missing bank details, missing date of birth, etc.);

- During ghost employee testing we were unable to physically verify 2 out of 10 SSHFC employees. Further investigation resulted in EY highlighting that one of the individuals had been paid undue allowances during study leave;

- We understand that the former Managing Director (“MD”) of SSHFC, Mr. Edward Graham (‘Mr. Graham’) was erroneously paid his salary during the period August 2018 to December 2018. Mr. Graham was requested to refund salaries paid to him during this period;

- During our site visits at SSHFC, we noted that various employees appear not to be occupied with SSHFC work related tasks (e.g., idle employees standing in corridors or sitting around in areas located in the office). We noted that there appears to be a skills gap between an employee’s technical skills and what is required in terms of the employee’s role. For example, SSHFC Management have indicated they frequently identify errors in respect of the recording of journal entries that are subsequently corrected;

- **We recommend that a reconciliation is performed between the documentation held by the Payroll team in the Finance department and the Human Resources department, in order to ensure that accurate employee data (e.g., designation, monthly salary, etc.) is being utilized by both departments;**

- **The SSHFC management should reconsider the classification of the employee costs (e.g., salaries, wages, allowances, etc.) and ensure that these expenses are properly classified and disclosed as per the SSHFC Financial Statements for the year ending December 31, 2017; and**

- **It is recommended that employees performing key roles are assessed on their ability to fulfil the role descriptions and performance criteria. A key skills gap analysis should be performed and a development plan put in place for key employees to address the identified skill gaps. We also recommend assessing the number of staff employed by SSHFC and considering whether these employees and their roles are essential to SSHFC.**

Other findings

1.12 Other findings in relation to our Special Audit of SSHFC as at December 31, 2017, which are explained more fully in this section of the report, are as follows:

Fixed Assets, Property, Plant and Equipment (GMD 82.8m, USD 1.7m / 2% of total assets)

- We were unable to obtain the SSHFC Fixed Asset Register for Plant and Machinery (i.e., one out of eight categories) due to a system error encountered when the request was made to extract the report from SSHFC’s accounting system. We were therefore unable to reconcile the Plant and Machinery balance as per the SSHFC Fixed Asset Registers to the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017;

- We were unable to obtain supporting documentation that the Finance department performs a reconciliation between the SSHFC Fixed Asset Registers and actual Fixed Assets that could be identified on the properties owned and/or occupied by SSHFC on a regular basis. Furthermore, we were unable to ascertain whether management performs a revaluation of Fixed Assets within a reasonable timeframe;

- It appears that no valuation of Fixed Assets was performed during the period in scope for those assets which SSHFC carries at cost. Impairments of Fixed Assets may not be properly identified, measured and recorded. Consequently, the Property, Plant and Equipment balance may be overstated as per the SSHFC Financial Statements for the years ending 2010 to 2017;

- SSHFC were unable to provide us with documentation in support of our asset verification testing. We were not provided with any supporting documentation or information for 7 out of 12 assets that are reflected in the SSHFC Fixed Asset Registers dated December 31, 2017;

- It appears that SSHFC Management applies the depreciation rates as per the FPS, NPF, HFF and IICF Financial Statements from the prior year (i.e., there is no depreciation policy documented). There is a risk that the depreciation rates applied are inappropriate for certain sub-categories of Fixed Assets;

- The Property, Plant and Equipment balance as per the SSHFC Financial Statements for the year ending December 31, 2017 may be incorrect or inaccurate due to an understatement of Fixed Assets and/or depreciation. The fieldwork testing highlighted issues relating to the classification, tagging, depreciation calculation and obsolesce of assets. By way of example:

  - 6 out of 12 items were correctly tagged (i.e., the barcode number could be traced from the SSHFC Fixed Asset Registers for the year ending December 31, 2017 to the barcode displayed on the Fixed Asset);

  - Two Fixed Assets recorded as per the SSHFC Fixed Asset Registers for the year ending December 31, 2017, should have been accounted for as scrap;

  - Seven Fixed Assets were not tagged (i.e., without a visible barcode number that could be traced back to the SSHFC Fixed Asset Register). We also noted that five Fixed Assets (i.e., with tags) located at the SSHFC Head Office could not be identified as per the SSHFC Fixed Asset Registers for the year ending December 31, 2017; and

  - A water pressure pump is included within the Head Office Building category (i.e., the asset would be used over a useful economic life of 100 years). One would expect a water pressure pump to have a shorter useful economic lifespan (e.g., 5 to 10 years);

- **We recommend that SSHFC revalues all Fixed Assets carried at valuation rather than cost in accordance with the applicable accounting standards;**

- **We recommend that SSHFC develops documents and implements a depreciation policy that reflects the anticipated useful economic life of all appropriate sub-categories of fixed assets; and**

- **We recommend that SSHFC performs an annual Fixed Asset count in order to verify the total number of Fixed Assets at a specific point in time and ensure that each fixed asset is appropriately tagged.**

Other Financial Assets (GMD 1,086m, USD 23m / 25% of total assets)

- We noted that the investment in Other Financial Assets has significantly increased during the period 2014 to 2017 due to increased holdings of Bank Term Deposits and Treasury Bills and Government Bonds during 2017;

- We noted that journal entries are allocated to the 'General Suspense' general ledger account and general ledger bank accounts when accounting for funds transferred between the FPS, NPF, HFF and/or IICF bank accounts in order to raise funds to purchase Other Financial Assets. The 'General Suspense' general ledger account is debited with the amount transferred from the relevant bank account. The general ledger account for the bank account from which the bank transfer initiated will be credited. Once the amount of the deposit is reflected on the relevant bank statement, the 'General Supsense' general ledger account is credited and the general ledger bank account for the relevant bank will be debited. When the funds are transferred to the relevant bank in order to settle the amount owing in respect of the purchase of the Other Financial Asset, the 'Other Financial Asset' general ledger account will be debited with the amount invested and the relevant general ledger bank account will be credited; and

- **We recommend that SSHFC management performs an assessment to determine whether the accounting treatment for the transactions is in compliance with GAAP.**

Contributions receivable: (GMD 80m, USD 1.7m)

- The Contributions receivable balance as per the SSHFC Financial Statements for the year ending December 31, 2017 may be inaccurate due to an understatement of contributions in arrears. The fieldwork testing highlighted issues relating to the calculation and reconciliation of contributions in arrears. By way of example:

  - SSHFC had to provide more than one version of the schedule used to determine the total amount of contributions in arrears as per the SSHFC Financial Statements for the year ending December 31, 2017; and

  - We noted that the schedule used to determine the total amount of contributions in arrears also included calculations for contributions in arrears in respect of dormant institutions and closed institutions. However, the contributions in arrears and/or impairments are not reflected as per the SSHFC Financial Statements for the year ending December 31, 2017;

- We were unable to determine whether SSHFC maintains a listing per fund of all the contributions in arrears from institutions and/or individuals;

- We recommend that SSHFC maintains a listing per fund of all arrear contributions from institutions and/or individuals (e.g., reconciliation between the number of members (employers and employees) registered with FPS, NPF and/ or IICF versus contributions received, movement in the number of members (employers and employees); and

- The outstanding balances should be monitored on a monthly basis to ensure that appropriate action is taken in respect of the institutions and/or individuals who have contributions in arrears.

Cash at Bank and in Hand (GMD 78.5m, USD 1.6m / 2% of total assets)

- SSHFC holds bank accounts with 12 commercial banks in The Gambia as well as a bank account with The Gambia Postal Services Corporation;

- We noted that three accounts held separately with First Bank of Nigeria, First International Bank ('FIB') and SCB were not reflected in the bank confirmations obtained from the respective banks. We understand from the SSHFC that these accounts were closed as at December 31, 2017 and yet we noted balances for the abovementioned bank accounts as per the HFF and IICF Trial Balances for the year ending December 31, 2017. This anomaly requires further follow up;

- We were unable to confirm whether the bank reconciliations prepared by SSHFC are accurate and complete as we have not obtained bank confirmations for the all of the bank accounts held by SSHFC. Evidence provided suggests that the reconciliations are performed on a monthly basis. We understand from discussions with the SSHFC management that any differences between bank statements and cash book amounts are investigated until resolved, unless the amount is minimal. The SSHFC Internal Audit reports indicate that internal reviews have identified errors with bank reconciliations;

- We noted that the SSHFC management was unable to confirm whether 13 bank account numbers with an estimate value of GMD 41m (USD 858k) that are listed as per the bank confirmations are bank accounts held by SSHFC with balances ranging from GMD 0 to GMD 30 (USD 0 to USD 625k);

- **We recommend that the SSHFC management obtains a listing of all the bank accounts that are held with the 12 banks that operate within The Gambia. The SSHFC management should then perform a reconciliation between the SSHFC bank reconciliations and the list of accounts provided by the banks to ensure that all the SSHFC bank accounts are accounted for; and**

- **We recommend that SSHFC management ensures that the decision to close a bank account is properly communicated to the relevant bank. Furthermore, the SSHFC management should obtain a confirmation that the bank account was in fact closed by the relevant bank.**

Sundry Debtors: (GMD 26m, USD 546k / 1% of total assets)

- We noted that SSHFC process accruals for rental income, land rent and interest and/or repayments to the same ‘Sundry Debtors (Receivable’) general ledger account (i.e., separate general ledger accounts are not maintained for rental income, land rent and interest and/or repayments).

Income (GMD 255m, USD 5.5m)

- Income earned from investing in government bonds and government treasury bills is disclosed as ‘Other income’ for FPS. However, this income is disclosed as ‘Investment income’ for NPF, HFF and IICF;

- Income earned from the leasing of Ocean Bay Hotel and Resort is disclosed as ‘Investment income’ for FPS, NPF and HFF. However, this income is disclosed as ‘Other income’ as for IICF;

- There are reporting inconsistencies for income across the four funds in how certain revenue streams are accounted for; and

- **We recommend that SSHFC determines whether investment income, mortgage income and/or other income are consistently classified according to the nature of the transaction and across the four funds.**

Expenses (GMD 238m, USD 5.1m)

- SSHFC were unable to provide us with documentation in support of our expenses testing. We were not provided with any supporting documentation or information for 4 out of 12 donations transactions selected for testing. Furthermore, we were not provided with any supporting documentation or information for 2 out 10 medical expense transactions selected for testing;

- The fieldwork testing highlighted issues related to the classification of expenses as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017. By way of example:

    - 6 out of 12 transactions were incorrectly classified as donations (i.e., the transactions were in respect of retirement packages and staff entertainment costs and not donations); and

    - 1 out of 10 transactions was allocated to the 'Medical Expenses' general ledger account for the year ending December 31, 2017, however the expense related to a business trip;

- **We recommend that SSHFC determines whether expenses are properly and consistently classified according to the nature of the transaction and the relevant general ledger account; and**

- **We recommend that SSHFC designs and implements a recordkeeping policy to ensure that the documentation is properly archived and available for inspection, in respect of transactions recorded as per the accounting records of SSHFC.**

General and administrative expenses (GMD 168m, USD 3.7m / 75% of total expenses)

- We understand that in terms of Section 68 of the SSHFC Act, SSHFC is exempt from paying income tax (i.e., royalties). We were informed by the Management that they are planning to recover the royalties paid over to the Gambia Revenue Authority; and

- An amount totaling GMD 3.6m (USD 88k) was allocated to the 'National Sports Fund' general ledger account over a period of three years. We understand that SSHFC and various other SOEs were directed by an Executive Directive to make the payments to the National Sports Fund.

GPA - Summary findings and recommendations

2.96 In the section below, we set out our summary findings and recommendations in relation to our Forensic Audit of GPA in the eight years to December 31, 2017. Further detail on each area is provided in the detailed GPA findings and recommendations section that follows.

2.97 The Financial Statements for the in-scope period show GPA to be solvent, with a positive net asset position in the period December 31, 2010 to December 31, 2017.

2.98 The GPA Finance management, as explained more in this report, needs to increase its level of oversight on the accounting process to ensure the reliability of its financial information. The oversight required includes the performance of timely reconciliations, implementation and monitoring of key controls and safeguards, and the development of appropriate policies and procedures.

2.99 The table below illustrates GPA's Balance Sheet as at December 31, 2016 and December 31, 2017.

Table 14: Summary Balance Sheet as at December 31, 2017

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets						
Property, Plant and Equipment	1,769,041	40,422	55%	2,127,793	44,321	53%
Investments	263,132	6,012	8%	93,806	1,953	2%
Long term receivable from Ferries	0	0	0%	371,879	7,746	9%
Inventory	110,278	2,519	3%	86,390	1,799	2%
Trade and other receivables	740,040	16,909	23%	843,740	17,575	21%
Cash and cash equivalents	353,473	8,076	11%	455,485	9,487	11%
Total Assets	**3,235,963**	**73, 941**	**100**%	**3,979,093**	**82,884**	**100**%
Liabilities						
Borrowings	433,138	9,897	61%	897,119	18,686	71%
Borrowings within 1 year	80,364	1,836	11**%**	215,898	4,497	17**%**
Trade and other payables	116,971	2,673	16**%**	58,427	1,217	5**%**
Taxation	85,042	1,943	12**%**	85,388	1,778	7**%**
Total Liabilities	**715,515**	**16,350**	**100%**	**1,256,832**	**26,179**	**100%**
Net Assets / Equity	**2,520,449**	**57,592**		**2,722,261**	**56,704**	

Source: GPA Financial Statements. *We applied exchange rates of GMD 43.764 : USD 1 for 2016 and GMD 48.008 : USD 1 for 2017. Therefore, the GMD depreciated by almost 10% between the two dates.*

Financial impact of the issues identified

2.100 The approximate financial impact of the issues highlighted in our work to date are captured in the table below, shown against the net equity position of the Financial Statements as at December 31, 2017. Issues that cannot be, or have not been, quantified are explained in more detail in the commentary that follows.

Table 15: Financial impact of issues uncovered during the Forensic Audit

	Brief description of issue	2017 (GMD'000)	2017 (USD'000)
	Net Assets / Equity as at December 31, 2017	**2,722,261**	**56,705**
Section 1- Adjustments that could be quantified (above USD 20k)			
1.	Damaged/Destroyed assets written off	(89,000)	(1,900)
2.	Revaluation gain of Trust Bank Investment	23,932	498
3.	Full impairment of receivable from Qatari and GMA	(47,331)	(986)
4.	Provision on Gambia Ferry Services receivable	(347,019)	(7,228)
5.	Provision on Banjul Shipyard receivable	(45,111)	(940)
6.	Provision on Banjul Fisheries Jetty receivable	(8,065)	(168)
7.	Write-off of longstanding staff debt	(8,300)	(173)
8.	Revaluation of Damen Kankujerry loan outstanding	5,200	108
9.	Provision for out of court settlement – Tally Clerks	(3,400)	(71)
Section 2- Adjustments that could not be quantified, however could be broadly estimated			
10.	Adjustment of supplier balances	(46,957)	(978)
Section 3- Adjustments that cannot currently be quantified nor estimated, but likely to be above USD 20k			
11.	Impact of additional bank balance	YTD[13]	YTD
	Suggested revised Net Liabilities / Equity following adjustments in Section 1 and Section 2 only	**2,156,210**	**44,867**

2.101 These proposed adjustments would reduce GPA's Net Asset position by 22%, that is, from GMD 2.7b (USD 56.7m) to GMD 2.1b (USD 44.87m). Most of the proposed adjustments

[13] Yet to be determined

relate to additional impairments and provisions which are considered necessary on underperforming investments and unrecoverable advances.

2.102 We estimate that an adjustment of approximately GMD 46,957m (USD 978k) is required to accurately state GPA supplier's balances. The estimate represents the total debit balances noted in the supplier listing provided to EY. The reason for the debit balance noted includes omission, in certain instances, to posting the supplier invoices into the respective supplier accounts before payments are made and posted to the suppliers account. GPA will need to investigate the transactions of vendors with debit balances to determine the appropriate adjustment required. We could not determine the magnitude of overstatement or understatement of the respective supplier balances as at the time of completing this report.

2.103 We identified accounts maintained by GPA with two Banks valued at GMD 2,020,646 (USD 42,088) as at December 31, 2017, which were not recorded in GPA's Financial Statement. We advise the management of GPA to investigate the reason for the exclusion of these accounts from the books of GPA, as well as the nature of the transactions in the accounts, and to then post any required accounting adjustments.

Significant findings

2.104 Our significant findings in relation to our Special Audit of GPA as at December 31, 2017, which are explained more fully in the GPA section of the report are as follows:

GPA continuous support of Related Entities despite non-repayment of previous advances (GMD 844m, USD 18m / 22% of Total Assets)

- GPA has incurred a total of GMD 1.5b (USD 32.208m) in expenses supporting the operating and capital expenses of three entities. These entities are; Gambia Ferry Services, Banjul Shipyard Limited and Banjul Fisheries Jetty. These related entities do not make any repayment to GPA against the advances provided. Despite their non-repayment, GPA still supports these entities but makes a part impairment provision against the total outstanding balance.
- GPA support was required by Executive Directives at different times over the last 20 years. GPA advanced a total of GMD 1.5b (USD 32.208m) to these entities as at December 31, 2017 as follows:
  - Gambia Ferry Services - Accounts Receivable of GMD 1b (USD 20.9m), Long-term receivable of GMD 372m (USD 7.748m);
  - Banjul Shipyard Limited - Accounts Receivable of GMD 155m (USD 3m); and
  - Banjul Fisheries Jetty - Accounts Receivable balance of GMD 13.8m (USD 286,724)
- **GPA should determine and define its roles in the operation of its related entities (Gambia Ferry Services, Banjul Shipyard and Banjul Fisheries Jetty) as it relates to its strategic objectives. GPA should consider the future financing model for these entities to prevent the continuous support from impacting its cash flow.**

GPA's accounting treatment of its Related Entities despite its level of control (GMD 844m, USD 18m / 22% of Total Assets)

- GPA does not prepare consolidated Financial Statements of its Related Entities despite its significant level of control over the affairs of these entities. Aside from the level of financial control asserted by GPA over these entities, the GPA's Board is also responsible for the approval of their Financial Statements and budget.

- The ownership structure of these Related Entities is not properly defined and documented, however, the amount payable to GPA by the Related Entities (Gambia Ferry Services and Banjul Shipyard) accounts for more than 50% of their respective balance sheet worth. In addition, Banjul Fisheries Jetty does not prepare its own set of financial records, as it is currently operated as a department in GPA with little or no autonomy.

- **GPA should determine the appropriate accounting required for its transactions with its related parties. A review should be done to define the capital structure of these entities, whether these entities will be regarded as subsidiaries of GPA, and if the Financial Statement of these entities will be consolidated with GPA, or whether the advances in these entities will be turned to equity or sold to another entity.**

- **In addition, expenses categorised as advances to Banjul Fisheries should be treated as GPA's expenses, since GPA operates the Banjul Fisheries department as a division of GPA, without little or no form of autonomy.**

Absence of timely impairment on balances with remote chance of recovery (GMD 844m, USD 18m / 22% of Total Assets) (Financial impact table items 3,4,5,6)

- GPA recognises advances made to its Related Entities as part of its receivables despite the low likelihood of recovery. These advances totalling GMD 1.17b (GMD 24.461m) in 2017 have remained outstanding since 2001 (depending on the entity) with no repayments made. The non-repayment of these advances by these entities over the years have resulted in a 66% impairment provision of GMD 774,150m (USD 16,126m) on the amount receivable.

- An additional impairment provision of GMD 400,195m (USD 8,336m), representing the amounts yet to be provided for as at December 2017 is required to properly state the receivable position from these entities.

  - Gambia Ferry services; GMD 347,019m (USD 7,228m);

  - Banjul Shipyard Limited; GMD 45,111m (USD 940k); and

  - Banjul Fisheries Jetty; GMD 8,065m (USD 168k).

- An additional impairment provision of GMD 47m (USD 986k) is required on the balance due from Gambia Maritime Administration and Qatari Joint venture as at December 2017. The additional impairment is required as the initial advance of GMD 43.333m (USD 902k) to Gambia Maritime Administration in 2001 and GMD 46.848m (USD 976k) to Qatari Joint venture in 2010 has remained outstanding with little or no chance of recovery.

- **GPA should consider making full impairment provision for future financial support made to these entities since the possibility of recovery is remote. In addition, GPA should consider making provision for impairment on a timely basis in order to properly state GPA's receivable position.**

Regular government intervention in GPA's affairs (GMD 1.8b, USD 41.6m)

- GPA incurred estimated outgoings of GMD1.8b (USD 41.6m) between 2009 and 2018 to satisfy Executive Directives that did not have a direct benefit for the SOE. These expenditures are known instances of 'leakage', where GPA's management complied with Executive Directives. These expenditures takes the form of loans to other entities, investment in other entities, and financing of ad hoc requests from the Office of the President.

- **Government should eliminate its intervention in the affairs of GPA to prevent value leakage. In addition, GPA should implement an investment policy (which defines permitted investments, approving authority, amongst others) which should be strictly followed.**

Unrecorded liability in relation to court case (GMD 23m, USD 488k / 2% of Total Liabilities) (Financial impact table items 9)

- GPA did not make a provision for GMD 3,400k (USD 71k) for out of court settlements in its 2017 Financial Statements. The out of court settlements included an estimated settlement cost of GMD 3,400m (USD 71k) for a Tally Clerks dispute. As at December 31, 2017, we believe the likelihood of these contingent liabilities was sufficiently well-known about and likely in 2017 for the outcome to have been provided for.

- **GPA should properly account for probable contingent liabilities and make appropriate provisions in the books on a timely basis.**

Demolished Fixed Assets contained in GPA's Asset Register (GMD 2.1b, USD 43.7m / 53% of Total Assets) (Financial impact table item 1)

- We were unable to verify the existence of 4% of GPA's Fixed Assets amounting to GMD 89,340,015 (USD 1,860,952). The Director of Finance and the Acting Director of Technical services confirmed that the identified assets had been demolished and were no longer operational.

- **GPA should consider adjusting the asset value in the books by GMD 89,340,015 (USD 1,860,952). In addition, GPA should perform regular Fixed Asset verifications and Fixed Asset register reconciliations on a regular basis to ascertain and ensure the existence and accuracy of the Fixed Assets that are recognized in the Financial Statements.**

Identification of Bank Accounts not recorded in the Balance Sheet Cash and Bank (GMD 455m, USD 9k / 11% of the total asset value) (Financial impact table item 11)

- We identified bank accounts valued at GMD 2,020,646 (USD 42,088) owned by GPA which were not reflected in GPA's 2017 Financial Statement during our bank verification exercise. In addition, three of GPA's former Directors are still signatories to accounts maintained by GPA with five of its bankers.

- **GPA should investigate the reason for the omission of the identified bank accounts from its books. In addition, it should consider updating its authorisation mandates with all its bankers to reflect GPA's current directors and management.**

Unreliability of trade creditor balance (GMD 23m, USD 488k / 2% of Total Liabilities) (Financial impact table item 10)

- The trade creditor balance does not accurately reflect GPA's trading liabilities as further reconciliation is required by the GPA team. We noted that some of the supplier accounts had debit balances due to invoice posting omissions in the suppliers account on a timely basis. We estimate that an adjustment of approximately GMD 47m (USD 978k) is required to accurately state GPA supplier's balances. The estimate represents the total debit balances noted in the supplier listing provided to EY.

- **GPA should perform a review of the supplier accounts and investigate balances with debit balances in order to properly state GPA's trade creditor's**

position. In addition, appropriate review should be implemented to prevent the payment of suppliers without the requisite posting of supplier invoices.

Absence of timely revaluation of Investments (GMD 1.96m, USD 13k / 2% of Total Assets) (Financial impact table item 2)

- GPA does not perform a revaluation of its investments held in other entities to accurately state its carrying value as at year end. Our revaluation of GPA's investment in Trust Bank Limited reflected that the carrying value of GMD16.99m (USD 354,000) in the 2017 Financial Statement is understated by GMD 23.9m (USD 498,045). In addition, GPA does not have an investment accounting policy.

- **In line with accounting standards, GPA should consider regular revaluation of its investments to ensure that the carrying value is properly stated. In addition, GPA should consider documenting an investment policy that stipulates the nature of investments permitted, investment management methodology and impairment guidance.**

Absence of a robust credit management system (GMD 844m, USD 18m / 22% of Total Assets)

- GPA's credit management system has not been effective in reducing GPA's exposure to bad debt. The absence of a documented credit control policy and monitoring has resulted in 19% of GPA's trade debtor's balances of GMD 332.9m (USD 6.9m) remaining outstanding for more than 24 months. Out of the outstanding balance, GMD 19,635,577 (USD 409,009) have remained outstanding from government related entities since 2007. In addition, 64 customers with outstanding balance representing 16% of GPA's customer do not have an approved credit limit.

- **GPA should consider documenting and strictly enforcing a credit control policy (defining its credit terms, credit limits, amongst others) to address the increase in bad debt. In addition, the credit control function should be strengthened to ensure compliance with the credit control policies.**

Other findings

2.105 Other findings in relation to our Special Audit of GPA as at December 31, 2017, which are explained more fully in the GPA section of the report are as follows:

Fixed Assets (GMD 2.1b, USD 43.7m; 53% of the total asset value)

- GPA has not performed a Fixed Asset revaluation exercise since the last revaluation performed by DT Associates ("DT") in 2011. There is no indication that GPA has any plans to perform another revaluation exercise, making it non-compliant with international accounting standards. The non-performance of a revaluation exercise puts in doubt the accuracy of the asset valuation of GMD 2.1b (USD 44.3m) and the revaluation reserve of GMD 1.443b (USD 30,054m) in GPA's 2017 Financial Statements.

- **GPA should consider performing another Fixed Asset revaluation exercise in the near future to ensure that the carrying value of the Fixed Assets are not materially different from its fair value.**

- GPA does not maintain a comprehensive Fixed Asset Register; hence it is not possible to verify the Fixed Asset balance as at December 31, 2017. The Fixed Asset register does not contain important information such as location of the asset and detailed description of the asset. In addition, there are significant deficiencies around the tagging of Fixed Assets, with several high value items not tagged.

- **GPA should consider updating its Fixed Asset Register to contain required vital information. In addition, GPA should tag all its Fixed Assets to enable easy identification of its Fixed Assets.**

Payroll Expenses (GMD 163m, USD 3.4m / 39% of Administration Expenses)

- We noted annual salary payments of GMD 13,032,363 (USD 274,944) to individuals who are not engaged by GPA. These individuals work in the following entities; Banjul Fisheries Jetty, Banjul Shipyard Limited and the Arch, Banjul City Council.

- **GPA should define its relationship with these entities and the salary payment made to the staff of these entities.**

- There was a 708% (GMD 16,619m; USD 315,590) increase in medical expenses incurred by GPA from 2010 to 2017, due to inadequate control of the medical benefit process. The increase in medical cost expense noted was not in line with the increase in headcount (68%) for the same period.

- **GPA should consider strengthening the controls around its medical aid system to prevent value leakage. In addition, it should consider cost cutting measures to reduce medical cost (for example, use of GPA's clinic by staff rather than external hospitals).**

- There was a 406% increase in amount paid to staff as allowances from 2010 to 2017. Allowances increased from GMD 17,798m (USD 641,175) in 2010 to GMD 89,973m (USD 1,898m) in 2017 despite a 68% increase in staff head count in the same period. The increase in allowances is attributed to additional allowances approved by GPA's management and Board over the period.

- We noted payment of overtime and Responsibility allowance to 22 general staff in contrast to the provisions of The Service Rules. For example, a total of GMD 526,516 (USD 11,108) Responsibility allowances were paid to general staff in January 2017. In addition, we noted instances of duplicate names, staff numbers, and Social Security numbers in GPA payroll data.

- **GPA should perform a staff competency audit to ascertain whether or not, the current staff complement is adequate or overstaffed in meeting its strategic objectives.**

- **Management should consider performing a review of the allowances granted to staff to ensure that the conditions precedent to granting the allowance are met.**

Account Receivable (GMD 844m, USD 18m; 22% of the total asset value) (Financial impact table item 7)

- We noted inconsistent application of GPA's bad debt provision policy resulting in an aggressive bad debt provisioning. For example, GPA charges full year bad debt provision for transactions that are outstanding for just one month. This will lead to an increase in the provision for bad debt on a yearly basis, as long as its receivable balance increases.

- **GPA should re-assess the application of its current bad debt policy, and bring it in to line with good practice. This should lead to a review of the yearly bad debt provision.**

- GPA has not made full provision for bad debt for staff loan balances due from ex-GPA employees amounting to GMD 8,300m (USD 172,888). Some of these amounts have remained outstanding since 2007 with a remote chance of recovery.

- **GPA should consider extending the applicability of its bad debt policy to other receivables like staff loans.**

- We noted GMD 19.6m (USD 408,268) trade debtor balance due from entities associated to the government and former President has remained outstanding since 2007.

- We noted differences in the amount reflected as payable to GPA by its related entities in their respective Financial Statement with the amount recognised as receivable by GPA from these entities in GPA's Financial Statement.

- GPA recognises as part of its receivables GMD 1.1m (USD 22,913) which represents amounts due from customers of a related party, Banjul Fisheries.

- **GPA should intensify recovery efforts on amounts outstanding from government entities. GPA should also define its relationship with its related entities and consider discussing with the management of Banjul Fisheries to ensure the implementation of its independent and autonomous accounting system.**

Loans (GMD 1.1b, USD 23m / 88% of Total Liabilities) (Financial impact table item 8)

- The total repayment made by GPA on the Africa Development Bank ("ADB") facility as at December 31, 2017 exceeds the value of the loan obtained by GMD 267m (USD 5.6m). GPA has repaid a total of GMD 475m (USD 9.9m) as at December 31, 2017 against the initial loan of GMD 267m (USD 5.6m) in 1994. The difference noted can be attributed to foreign exchange fluctuation during the period.

- **GPA should explore the option of redenominating its ADB loans to Gambia Dalasi to guard against the negative effect of foreign exchange valuation. This is important to improve GPA's current asset position.**

- GPA obtained a loan facility of GMD 515,656m (USD 10.7m) for Gambia Ferry Services without any economic benefit attributable to GPA. The responsibility of repayment of the facility was borne by GPA without a sufficiently defined repayment plan for the facility by Gambia Ferry Services. The repayment plan agreed by GPA and Gambia Ferry Services is not sufficient to finance the loan obligations. A minimum additional support of GMD 169m (USD 3.5m) will be required from GPA in settling the principal outstanding.

- GPA did not perform a year-end revaluation on the Damen Kankujerry loan balance as at December 31, 2017, resulting in an overstatement of GPA's loan balance by GMD 5,200m (USD 108k).

- **Management should consider yearly revaluation of foreign loan balances to properly ascertain the outstanding loan position of GPA.**

Revenue (GMD 1.3b, USD 28m / 40% of Net Operating Expenses)

- GPA does not have a documented policy stipulating the criteria for the award of waivers of charges to prevent abuse of the waiver process and possible loss of revenue. A total of GMD 7.7m (USD 162,447) was granted as waivers by GPA management in 2017. In addition, GPA does not record in its accounting system the invoice amount and waiver granted on the invoices.

- **GPA should consider documenting a waiver policy stipulating the criteria for award of waivers in order to prevent abuse of the waiver process and possible loss of revenue. In addition, GPA should implement posting of the invoice amount and the waivers (or discount) on its accounting system.**

- We noted GMD 4.4m (USD 92,827) which has been earned on bulk shore handling fees but that is currently outstanding and is not captured in GPA's accounting records as receivable. This is due to the adoption of a cash based revenue recognition model for certain revenue streams (such as shore handling fees). This implies that revenue earned might not be accounted for or recognised in the appropriate period.

- **Management should consider adopting a single revenue recognition model for all its revenue streams (currently some revenue streams adopt the accrual basis and others cash basis). The revenue model adopted should ensure that GPA recognizes revenue earned on a timely basis.**

Cash and Bank (GMD 455m, USD 9k; 11% of the total asset value)

- Closing bank balances utilised by GPA in the 2017 year-end bank reconciliation exercise for four bank accounts were not consistent with the closing balance confirmed by the Bank to EY during our bank verification exercise.

- **GPA should investigate the reason for the differences noted.**

GNPC - Summary findings and recommendations

2.106 The Financial Statements detail that GNPC has been profitable in six of seven years covering 2010 to 2016. In 2015 it posted a loss due to increased administrative costs for overseas travels and increased bank charges realized in the year. GNPC is technically solvent based on the figures in the Financial Statements and the draft Management Accounts provided.

2.107 The External auditors issued a qualified opinion for the 2015 Financial Statements, as well as a "Disclaimer of Opinion" on the 2016 Financial Statements. The "Report of the Independent Auditors" in the Financial Statements for both years raised issues which could impact the profit for 2017.

Table 16: Summary Balance Sheet as at December 31, 2017

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Non-Current Assets						
Fixed Assets	379,704	8,676	13%	429,011	8,936	17%
Equity Investments	128,210	2,930	4%	157,295	3,276	6%
Current Assets						
Cash	185,186	4,232	6%	61,958	1,291	3%
Trade and Other Receivables	2,043,178	46,687	67%	1,804,607	37,590	73%
Staff Loans	12,556	287	1%	17,840	372	1%
Inventory	284,148	6,493	9%	0	0	0%
Liabilities						
Trade Payables	1,722,152	39,351	87%	1,515,511	31,568	94%
Other Payables	185,828	4,246	9%	88,692	1,847	6%
Corporation Tax	83,867	1,916	4%	-	-	-
Net Assets / Equity	**1,041,135**	**23,790**		**866,508**	**18,049**	

Source: EY analysis of GNPC 2016 Financial Statements and 2017 draft Management Accounts. We applied exchange rates of GMD 43.764: USD 1 for 2016 and GMD 48.008: USD 1 for 2017. Therefore, the GMD depreciated by almost 10% between the two dates.

2.108 Additionally, our review of the 2017 draft Management Accounts indicates that the technical solvency of the company is dependent upon the collectability of a large Trade Receivable from The National Water and Electricity Company ("NAWEC"). This is the largest single asset on the Balance Sheet of GNPC. Management estimates the debt at GMD 833m (USD 17.35m). Given the financial difficulties at NAWEC, it is highly unlikely that GNPC will be able to recover this debt.

2.109 The December 2017 draft Management Accounts of GNPC currently presents a Retained Earnings balance of GMD 847m (USD 17.6m). If the entirety of the NAWEC receivable is written-off or provided for, this alone would reduce the Retained Earnings balance to GMD 13.5m (USD 281k).

2.110 We note that the draft Management Accounts of GNPC may require several additional write-offs which could quickly cause the Retained Earnings balance to become negative. For example, if GNPC writes-off all the GNPC station receivables from the Trade Receivables sub-ledger, this alone would constitute a write-off of GMD 131.9m (USD 2.7m).

2.111 Senior Management and the Finance team at GNPC were very receptive and helpful throughout the course of the fieldwork. However, the Finance team faced difficulties in providing documentation and functional reports due to both incomplete physical records, as well as an accounting system (Navision) which is not fully equipped to handle the reporting requirements for the entity.

2.112 We note that GNPC currently has difficulty in providing complete and verifiable documentation from both a technical and physical perspective. GNPC's Navision accounting system, which maintains GNPC's financial reporting information, suffered a failed migration in 2017 which caused several financial reporting issues. The Finance team at GNPC has also noted that the system is unable to generate several key reports expected in any accounting system.

2.113 GNPC was unable to provide supporting documentation for several samples that we selected. Generally speaking, the unavailable documentation related to activities which took place in the period under the previous regime. We note that the inability to produce supporting documentation will cause difficulties for GNPC as it will be unable to substantiate balances for the 2017 Statutory Audit.

2.114 Based on our findings during the Forensic Audit, it appears that any Financial Statements that Management provide for the period ended December 31, 2017, could not currently be satisfactorily subject to External Audit. This is consistent with the 'no opinion' audit opinion reported by the external auditors for the 2016 Financial Statements.

2.115 The Finance team were very open about any issues encountered and acknowledged many of the findings as areas they aim to remedy in the oncoming months. This includes using the new accounting platform (FinEx) to address the Revenue, Inventory, and Cost of Sales recognition issues discussed below. We understand that the migration to the new platform is currently underway.

Financial impact of the issues identified

2.116 The approximate financial impact of the issues highlighted in our work to date are captured in the tables below, shown against the net equity position of the draft Management Accounts as at December 31, 2017. Issues that cannot be or have not yet been quantified are explained more fully in the commentary:

Table 17: Financial impact of issues uncovered during the Forensic Audit

	Brief description of issue	2017 (GMD'000)	2017 (USD'000)
	Net Assets / Equity as at December 31, 2017	866,508	18,049
Section 1 – Adjustments that could be quantified (above USD 20k)			
1.	Impairment of NAWEC receivable	(832,977)	(17,351)
2.	Write-off of station receivables	(131,906)	(2,748)
Section 2 – Adjustments that could not be quantified, however could be broadly estimated:			
	None		
Section 3 – Adjustments that cannot currently be quantified nor estimated, but likely to be above USD 20k:			
3.	Reconciliation of Trade Receivables balances	TBD	TBD
4.	Accounting adjustments for Upstream funds	TBD	TBD
5.	Inventory recognition and valuation for the year	TBD	TBD
6.	Reconciliation of Trade Payables balances	TBD	TBD
7.	Reconciliation of Cash and Cash Equivalent balances	TBD	TBD
8.	Adjustment of Fixed Assets balance following full asset verification	TBD	TBD

9.	Depreciation adjustment	TBD	TBD
10.	Fuel cost of sales recognition for the year	TBD	TBD
11.	HFO accounting loss	TBD	TBD
	Suggested revised Net Liabilities / Equity following adjustments in Section 1 and Section 2 only	(98,375)	(2,050)

2.117 We note that the nature of the findings above and the incomplete status of the accounts removes our ability to make multiple recommended adjustments to the accounts. Many of the balances have changed significantly in the period between us receiving the 2017 draft Management Accounts and the issue of subsequent Trial Balances. Accordingly, we have highlighted several of the key potential findings which threaten the financial position of the business.

2.118 From the summary of findings, it is evident that the accounting policies and procedures at GNPC are deficient (as regards the absence or non-application of accounting policies, absence of essential accounting procedures and absence of supporting documentation for accounting entries) and consequently little or no reliance can be placed on the 2017 draft Management Accounts. Moreover, Senior Management does not have the relevant, accurate, up-to-date financial information to manage the business effectively.

2.119 **We recommend that consideration is given to GNPC not being subject to an External Audit for the next two years while Senior Management rectify these serious flaws and become able to produce Financial Statements that are of auditable quality. We make this recommendation because External Audit is a time-consuming activity which helps neither Senior Management or the reader of the Financial Statements in the present circumstances.**

Significant findings

2.120 Our significant findings in relation to our Special Audit of GNPC as at December 31, 2017, which are explained more fully in this section of the report, are as follows:

Reconstruction of the GNPC Balance Sheet (Financial impact table item 3)

- ► For a period lasting approximately one year (August 2016 to August 2017) there was no effective finance leadership at GNPC. At one point, there was no Finance Director. For the remainder of the period, interviews with the Finance team and Senior Management indicate that the acting Finance Director did not have the appropriate technical and management capabilities or qualifications to run the finance function. This led to a significant backlog of key financial reporting controls and procedures, and a lack of direction which led to a prevalence of incorrect accounting practices.

- ► This breakdown of governance and key financial controls has greatly hindered the accuracy, existence, auditability, timeliness and transparency of the financial records at GNPC.

- ► In 2017, a new Finance Director was brought to GNPC to address the financial reporting concerns at the entity. The Finance Director hired additional qualified resources to address the fundamental gaps in the financial records. The Finance team has since begun a major financial reconstruction exercise to clear the large backlog of financial reporting controls and reconstruct the key areas of the Balance Sheet in order to restore integrity to the Financial Statements. He has assembled three teams focused on fully reconciling the balances for Cash, Trade Receivables and Trade Payables. Given the severity of the historical problems, this exercise is proving time consuming and complex.

- ► **We recommend that GNPC continue to financially reconstruct the 2017 accounts and clear the backlog of key financial controls. We recommend they**

continue to focus on Cash, Trade Receivables, Trade Payables, an Inventory as priority areas.

- **We additionally recommend that GNPC recruit or contract additional skilled resources to aid in this process as the backlog of controls and procedures is significant.**

Recoverability of NAWEC Trade Receivable (GMD 833m, USD 17.35m / 34% of Total Assets) (Financial impact table item 1)

- The NAWEC receivable is the largest single asset on the Balance Sheet of GNPC. Management estimates the debt at GMD 833m (USD 17.35m). Given the financial difficulties at NAWEC, it is highly likely that GNPC will not be able to recover this debt. In our review of the centralized plans to resolve NAWEC's financial obligations, we saw no mention of a formal plan to settle their trade payables liability to GNPC.

- Trade Receivables also includes the amount of a GMD 585m (USD 12.2m). Management has not been able to provide support for this amount, which is Management's estimate of the foreign exchange ("FX") gain on foreign currency receivables (most notably NAWEC). The NAWEC receivable is so significant that should GNPC be unable to recover any payment at all, GNPC could become close to technical insolvency.

- **We recommend that GNPC, NAWEC and the Government of The Gambia meet to agree a formalized plan of action in respect to NAWEC's debt to GNPC.**

Inconsistent accounting treatment applied to Upstream funds (GMD 225m, USD 4.9m for the year ended December 31, 2017) (Financial impact table item 4)

- Funds collected from upstream activities have been inconsistently accounted for over the period from 2010 to 2017 and no formalized accounting policy or agreement for the accounting treatment exists. We recognize the uncertainty faced by GNPC Senior Management in establishing the correct accounting treatment given the legal and commercial implications for the parties involved in generating the upstream funds.

- **We recommend that GNPC, the Ministry of Petroleum and Energy ("MoPE") and the Government of The Gambia review the mechanism in which GNPC and MoPE account for upstream funds. We also recommend that any policy or agreed upon accounting treatment is implemented as soon as possible into the financial accounts. This should include a review of how to account for the different aspects of the licensing fees on an accruals basis.**

Petrol stations treated as customers (GMD 131.9m, USD 2.7m / 5% of Total Assets) (Financial impact table item 2)

- Fuel movements from the Gam Petroleum depot to the nine GNPC stations are incorrectly treated as sales to customers, and the resulting balances with the stations are incorrectly recognized as receivable balances. Multiple conditions for revenue recognition under International Accounting Standard 18 (the relevant revenue accounting standard as at December 31, 2017) are not satisfied. We noted the following:

    - GNPC had not transferred to a third-party buyer the significant risks and rewards of ownership of the goods;

    - GNPC retained both continuing managerial involvement to the degree usually associated with ownership and effective control over the goods sold; and

- It was not yet probable that the economic benefits associated with the transaction would flow to GNPC.

- As at December 31, 2017 Trade Receivables from GNPC stations are valued at GMD 131.9m (USD 2.7m). The correct accounting treatment is to treat fuel at the depot and the nine stations at cost (or net realizable value in the unlikely event this falls below cost) until sold to a third party. The overall impact on the Balance Sheet of this improper accounting treatment is that assets and revenue are overstated at the end of the financial period.

- **We recommend that all the petrol station receivables should be written out of Trade Receivables. Inventory should then be recognized at the lower of cost and net realizable value. Going forward transfers between the depot and the stations should be treated as Inventory movements.**

No Inventory balance in draft Management Accounts (Financial impact table item 5)

- Current practices to account for Inventory do not adequately track or manage the Inventory balance throughout the financial period. Accordingly, Management was unable to calculate an Inventory figure for the draft Management Accounts.

- **We recommend GNPC revises the accounting procedures for the purchase, receipt and issues of fuel in line with the good industry practices. This includes recognition of the assets in the Inventory account, and a corresponding liability in Trade Payables upon the receipt of the fuel and its related invoice. For the fuel that has been receipted but not yet invoiced, we recommend that GNPC establish a process to account for it in a Goods Received and Not Invoiced (GRNI) General Ledger (GL) account.**

- **A 100% inventory account needs to be performed in accordance with good practice to establish an opening position for inventory and a physical inventory tracking system developed. Thereafter, periodic test counts need to be performed to check the ongoing accuracy of the accounting records.**

Trade Payables balance unsupported (GMD 1.5b, USD 31.6m / 94% of Total Liabilities) (Financial impact table item 6)

- Trade Payables contains a manually calculated estimate separate from the accounting system. We note GMD 709m (USD 14.8m) was manually added to the Trial Balance figure by the Finance team to bring the balance in line with current estimates of the balance. Additionally, the Trade Payables sub-ledger does not accurately reflect supplier balances due to an incorrect accounting treatment for supplier payments and fuel purchases.

- The Islamic Trade Finance Corporation ("ITFC") loan facility requires a full reconciliation between the Government of The Gambia, GNPC and ITFC. The final financial liability and its associated beneficiary will not be clear until this is concluded.

- **We recommend that GNPC performs a full supplier-by-supplier rebuild of the Trade Payables sub-ledger, including the ITFC liability. This will allow GNPC to identify their actual liability to all suppliers as of December 31, 2017. It will also allow GNPC to better manage their working capital and resolve any potential supplier disputes.**

- **We also recommend that GNPC immediately ceases the practice of directly debiting any cash payments into the Trade Payables sub-ledger when they are not associated to a specific invoice which has been entered into the ledger. This will prevent the build-up of debit balances in the ledger and assist in maintaining a more accurate view on the Trade Payables balance.**

Ongoing Cash and Bank reconciliation (GMD 61.96m, USD 1.29m / 3% of Total Assets)
(Financial impact table item 7)

- The 2017 cash position cannot be currently determined as bank reconciliation and consolidation procedures are still ongoing. The value on the face of the Balance Sheet was calculated based on an incomplete selection of cash GL accounts and a manually added adjustment.

- The bank accounts confirmed by GNPC and the bank accounts present in the accounting system require review and reconciliation.

- **We recommend that GNPC continue the bank reconciliation procedures and investigates all discrepancies between the cashbooks in Navision and the current listing of bank accounts.**

Retained Earnings used as balancing figure (GMD 846.5m, USD 17.6m)

- Retained Earnings is currently a balancing figure in the draft Management Accounts. This means the value of the figure has been manually calculated and inserted in order to equate GNPC's Net Assets to the Total Equity (with no basis) on the Balance Sheet.

- **We recommend that GNPC continues the current financial reconstruction efforts in order to reach an accurate Retained Earnings figure which would be representative of the 2017 financial period.**

Diversion of funds

- The Office of the President has historically accessed the upstream funds collected by GNPC in the USD bank accounts. This resulted in the GMD 251.7m (USD 5.7m) write-off of Government debt and could account for further cash diversions.

- GNPC has been the target of several Executive Directives for loans and political donations which have not brought any recognizable benefit to the business. These loans and donations are valued at, as a minimum, GMD 38.3m (USD 1.4m).

- **We recommend an independent investigation of the GNPC USD accounts is conducted to better quantify the diversions of GNPC funds during the time of the former regime.**

- **We recommend that GNPC create a formalized policy and associated governance process in respect to all sponsorships and donations to reduce the risk of diverted funds disguised as charitable donations or sponsorships.**

Land purchase

- Our review of Board minutes highlighted discussion between the Board and Management regarding a significant land acquisition, the purchase contract for which was signed in December 2017. The Board minutes capture a concern raised by a Board member that the land was purchased at a significant overvalue. Our enquiries to assess the governance around the acquisition included discussion with the current Minister of Finance, who was the GNPC Managing Director at the time of the purchase.

- The Minister of Finance explained to EY that while the purchase price was high at GMD 17m (USD 310k), his team negotiated a discount from the GMD 19m initial valuation, which was commissioned by the seller, and represented excellent value considering the strategic importance of the site.

- Central to our audit enquiries was a valuation report that was produced by a Gambian valuation company, Sphinx Associates Gambia Co. Ltd in, October 2017. We have reviewed the report and confirmed that it independently valued the land and buildings at GMD 19m.

Potential discrepancies in Fixed Assets (GMD 429m, USD 8.9m / 17% of Total Assets) (Financial impact table item 8)

- The Fixed Asset balance per the Management Accounts and the Fixed Asset Register potentially contain assets which do not exist or have no residual value. A full asset verification exercise is required to establish an accurate position.

- **We recommend that GNPC engages a third party to perform a full Fixed Asset verification and valuation to properly revalue their asset base.**

Other findings

2.121 Other findings in relation to our Special Audit of GNPC as at December 31, 2017, which are explained more fully in this section of the report, are as follows:

Trade and Other Receivables (GMD 1.8b, USD 37.6m / 73% of Total Assets)

- GNPC has several potentially uncollectable Trade Receivable balances. This includes a balance from the Office of the President and GAMTEL, which are estimated at GMD 81.1m (USD 1.7m).

- **We recommend that a robust bad and doubtful debt provisioning policy is designed and implemented at GNPC. This policy should allow the business to provide for specific potentially uncollectable debts, and should challenge the recoverability of other aged debt.**

Non-Current Assets (GMD 586.3m, USD 12.2m / 23% of Total Assets) (Financial impact table item 9)

- Depreciation calculated by the system is manually multiplied by 2.25 to arrive at a revised depreciation figure which is in line with management's best estimates. We were not provided with a rationale for the use or size of the multiplier.

- The Gam Petroleum investment of GMD 128m (USD 2.7m) has only recently begun paying dividends and may require impairment.

- **We recommend that GNPC engages a third party to perform a full Fixed Asset verification and valuation to properly revalue their asset base.**

- **We also recommend that GNPC conducts an analysis of the carrying value of the Gam Petroleum investment in order to determine if the cash flow from the investment is sufficient to justify the existing carrying value**.

Cash and Bank (GMD 61.96m, USD 1.29m / 3% of Total Assets)

- Multiple GNPC bank accounts have former employees listed as signatories.

- Limited documentation was provided for high value cash transactions tested.

- **We recommend that all signatories which are former employees are removed from the respective bank accounts. This will reduce the possibility of fraud and unwarranted payments from the GNPC accounts.**

- **We recommend that GNPC maintain supporting documentation for all bank payments.**

Inventory (No balance in 2017 draft Management Accounts)

- Fuel nominations at Gam Petroleum, which allocate fuel to GNPC for future use, are not recognized as Inventory in the draft Management Accounts.

- **We recommend that GNPC begins recognizing the fuel nominations in the Inventory accounts immediately.**

Income Statement (Net profit of GMD 38.3m, USD 834k for the year ended December 31, 2017) (Financial impact table items 10,11)

- The cost of sales figure for 2017 is incomplete as it does not yet contain the costs of fuel purchases. The exercise to recognize these expenses is only performed as part of year-end procedures. The final impact on the Income Statement will not be finalized until the Trade Payables reconciliation is complete.

- The Heavy Fuel Oil ("HFO") revenue stream currently shows a gross loss for 2017 of GMD 450.7m (USD 9.8m) which has not been explained by the Finance team.

- **We recommend that costs of sales are accounted for throughout the financial period as this will better inform key stakeholders on the performance and profitability of the business.**

- **We recommend that GNPC continue the current financial reconstruction efforts in order to reach a final profit or loss figure which would be representative of the 2017 financial period.**

- **We recommend that GNPC begins collecting and storing key information concerning product volumes bought and sold, as well as the different prices paid for their fuel purchases so they can better understand and track the margin contribution for each of these products.**

GCAA - Summary findings and recommendations

2.122 In the section below, we set out our summary findings and recommendations in relation to our Forensic Audit of GCAA in the eight years to December 31, 2017. Further detail on each area is provided in the detailed findings section that follows.

2.123 The draft Financial Statements for the year ended December 31, 2017, currently show a loss of GMD 229m (USD 5m). This represents an increase of 57% on the loss of GMD 146m (USD 3.5) incurred in 2016. This is due to an increase to the depreciation after reclassing WIP to the Buildings Fixed Asset class, as well as increases to both Staff Costs and Administrative Expenses, up 17% and 40% respectively.

2.124 Operating profit margin has fluctuated significantly, but is currently -65%, the worst margin during the 2010 to 2017 period. In 2015, a margin of 10% was achieved as a result of the central Government pegging the Dalasi to the US dollar. At December 31, 2017, GCAA reported a positive net asset value of GMD 798m (USD 16.6m). This is comprised predominantly by a Fixed Asset balance of GMD 3,961m (USD 82.5m), which represented 95% of total Assets and non-current liabilities totaling GMD 2,155m (USD 45m).

Table 18: Summary Balance Sheet as at December 31, 2017

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Non-Current Assets						
Fixed Assets (PPE)	4,053,693	92,627	95%	3,961,072	82,509	95%
Project Development	91,420	2,089	2%	92,639	1,930	2%
Sub total	*4,145,113*	*94,716*	*97%*	*4,053,711*	*84,439*	*97%*
Current Assets						
Inventories	9,308	213	0.2%	8,878	185	0.2%
Receivables	62,315	1,424	2%	116,715[14]	2,431	3%
Corporation Tax	5,503	126	0.1%	4,634	97	0.1%
Cash	27,536	629	1%	3,734	78	0.09%
Sub total	*104,652*	*2,392*	*3%*	*133,961*	*2,791*	*3%*
Non-Current Liabilities						
Loans	887,052	20,269	27%	953,191	19,855	28%
Airport Regularization	1,202,285	27,472	37%	1,202,285	25,044	35%
Sub total	*2,089,337*	*47,741*	*64%*	*2,155,476*	*44,899*	*63%*
Current Liabilities						
Loans	506,906	11,583	16%	507,228	10,566	15%
Interest Payable	504,630	11,531	16%	559,437	11,653	17%
Bank Overdraft	22,109	505	1%	33,930	707	1%
Trade Payables	118,966	2,718	4%	133,183	2,774	4%

[14] The Trade Receivables figure shown here is GMD 20m higher than on the latest draft 2017 Financial Statements we obtained. This is due to changes being made by the GCAA Finance Team, who confirmed the new balance would be GMD 177m.

Sub total	*1,152,611*	*26,337*	*37%*	*1,233,778*	*25,700*	*37%*
Net Assets / Equity	**1,007,827**	**23,029**		**798,418**	**16,631**	

Source: Draft 2017 Financial Statements. We applied exchange rates of GMD 43.764 : USD 1 for 2016 and GMD 48.008 : USD 1 for 2017. Therefore, the GMD depreciated by almost 10% between the two dates.

2.125 Using the comparison of current assets to current liabilities, GCAA has not been solvent in any year from 2010 to 2017. For example, current assets in 2017 are GMD 134m (USD 2.8m) compared to current liabilities of GMD 1.2b (USD 25.7m), a deficit of GMD 1,066m (USD 22.9m).

2.126 We were provided with a draft Balance Sheet which was revised several times over the course of our fieldwork. Relative to the other SOEs, the application of accounting principles at GCAA is reasonable. The balances that proved the most challenging to audit were the Fixed Assets and Airport Regularization. Additionally, GCAA do not correctly depreciate the entirety of their Fixed Asset balance, and rely on the External Auditors to prepare the bad debt provision balance.

2.127 The underlying accounting documentation and records at GCAA are poor. This is primarily a result of the Access Accounting system, which prevents the exporting of accounts and balances to Excel. This makes it incredibly challenging to assess and audit these balances. It should be noted that in some cases, postings are made with insufficient information in the description, such as FX rates, or commentary on the item, which makes understanding the nature and value of the balance difficult.

Financial impact of issues identified

2.128 The approximate financial impact of the issues highlighted in our work to date are captured in the tables below, shown against the net equity position of the draft Financial Statements as at December 31, 2017. Issues that cannot be or have not yet been quantified are explained more fully in the commentary:

Table 19: Financial impact of issues uncovered during the Forensic Audit

	Brief description of issue	2017 (GMD'000)	2017 (USD'000)
	Net Assets / Equity as at December 31, 2017	**798,418**	**16,631**
Section 1 – Adjustments that could be quantified (above USD 20k)			
1.	Additional depreciation charge	(42,300)	(881)
2.	Recognition of Phase II Airport Development Loan	(473,000)	(10,000)
3.	Recognition of Phase II Airport Development Loan interest and FX expense	(297,000)	(6,200)
4.	Recognition of Phase II Airport Development Interest Payable balance	(87,000)	(1,800)
5.	Removal of historic Government loan	437,000	9,100
Section 2 – Adjustments that could not be quantified, however could be broadly estimated:			
6.	Increase to Airport Regularization balance	(396,000)	(8,200)
7.	Increase to Fixed Asset balance	396,000	8,200
8.	Removal of Interest Payable in relation to historic Government Loan	413,000	8,603
9.	Increase to GIA receivable	10,800	225
10.	Increase to receivables provision	(10,800)	(225)
11.	Additional depreciation on Project Development balance	3,645	(76)

Section 3 – Adjustments that cannot currently be quantified nor estimated, but likely to be above USD 20k:			
12.	Reduction of Airport Regularization balance to account for recognition of Phase II Airport Development Loan	-	-
	Suggested revised Net Liabilities / Equity following adjustments in Section 1 and Section 2 only	**745,473**	**15,528**

Source: Information compiled during fieldwork

2.129 If the proposed adjustments were finalized, the Net Asset position would worsen, but only marginally, decreasing by GMD 53m (USD 1.1m). This is driven primarily by the recognition of the foreign currency loan as outlined in the Airport Regularization section above.

2.130 The recognition of this loan also includes the combined interest and FX loss from 2008 to 2017, per item 4 in Section 1. Additionally, the Balance Sheet would have to reflect an increase to the Interest Payable account per note 5 in Section 1, given that GCAA has not paid off any of the interest.

2.131 The impact of recognizing this foreign currency loan is approximately GMD 857m (USD 17.9m). It should be noted that this would be partially offset by reducing the Airport Regularization account for any balances that relate to this loan, to prevent a liability balance being recognized twice. We are unable to quantify this balance, and it warrants further investigation.

2.132 In this assessment, the reduction in the Net Asset position has been mitigated by the removal of the historic Government loan, on the premise that the Government are not expecting the balance to be repaid. If this loan was not deemed owed, there is also a portion of the current Interest Payable balance that would be removed, which has been estimated in Section 2 of the table above. No records were provided to us in relation to the FX rates GCAA has used historically when booking the annual charges, and consequently this balance is an estimate.

2.133 It should be highlighted that if the historic Government loan is deemed collectible by the Government, and GCAA recognize the currently unrecognized loan relating to the signed financing agreement, this will result in a negative Net Asset position for GCAA.

2.134 The increase to the GIA receivable is offset by the likelihood that the balance would subsequently be provided for by GCAA. As noted in the Receivables section above, GIA are not currently paying off their outstanding debt.

Significant findings

2.135 Our significant findings in relation to our Special Audit of GCAA as at December 31, 2017, which are explained more fully in this section of the report, are as follows:

Fixed Assets (GMD 3,961m, USD 82.5m / 95% of Total Assets) (Financial impact table item 1)

- ► 95% of the Fixed Assets of GCAA are Land and Buildings, as at December 31, 2017. GCAA revalued its Land and Buildings Fixed Asset balance in 2014, which resulted in an increase to the Fixed Asset value of 211%. It is this revaluation exercise that results in GCAA being solvent on the total Net Asset basis. In addition, the basis of revaluation is cost of replacement, which has no regard for the profit generating capability of these special use buildings.

- ► Buildings make up 89% of the Fixed Asset balance. The remainder of the balance primarily includes Leasehold land as well as Furniture and fixtures, representing 6% and 3% of the total Fixed Asset base respectively.

- While GCAA does maintain a Fixed Asset Register, it is neither comprehensive nor accurate. The Fixed Asset Register differs from the Fixed Asset listing maintained by the Procurement department, with assets such as the Fire Tenders (GMD 74m, USD 1.5m) not itemized or recorded with asset tags. Furthermore, the additions per the Fixed Asset Register do not tie to the draft 2017 Financial Statements. This makes it impossible to verify the Fixed Asset balance as at December 31, 2017 based on the available records.

- Our Fixed Asset verification exercise highlighted significant deficiencies around the tagging of Fixed Assets, with several high value items not tagged or missing from the register.

- The Accounting Policy Manual maintained by the Finance Team has two different sets of depreciation rates for the same asset classes. Furthermore, GCAA does not currently follow its own depreciation policy, depreciating all newly acquired assets for a full year, not on a month by month basis.

- In 2016, the Fixed Asset WIP balance was GMD 1,342m (USD 30.7m), representing 33% of the total Fixed Asset balance. The WIP balance was reclassified in its entirety in 2017, but depreciation was not charged on certain WIP balances prior to 2017, as it should have been as soon as the assets were complete. We estimate that the charge that was not accounted for in relation to this balance, from 2010 to 2016, is GMD 42.3m (USD 881k). This is a result of depreciating the WIP balance for a full year from 2010 to 2015 at a rate of 2%, and then the extra WIP recognized in 2016 for 6 months, when it should have been reclassed.

- The Fixed Asset revaluation performed by Francis Jones Associates in 2014 focused on Land and Buildings, and it is not clear how the Revaluation Balance has been reached for the six other asset classes, totaling GMD 136m (USD 2.8m). GCAA do not have any current plans to perform another revaluation, potentially in non-compliance with international accounting standards.[15]

- **GCAA needs to create a comprehensive Fixed Asset Register which is regularly updated and reconciled to the Trial Balance. This should be coupled with regular asset verification, to ascertain the existence and current state of the Fixed Assets that are recognized in the Financial Statements.**

- **In accordance with GAAP, GCAA should consider performing an up to date asset revaluation exercise in respect of assets where management has grounds for belief that the carrying value of the assets are materially different from their fair value.**

Airport Regularization (GMD 1,202m, USD 25m / 35% of Total Liabilities) (Financial impact table items 2,3,4,6,7)

- Airport Regularization represents the costs incurred in relation to the Phase II Airport Development Project. GCAA have recorded the cost by reference to Interim Payment Certificates from the consultant, NACO, and this balance is recognized under long term liabilities. An asset of equivalent value is included under Fixed Assets. GCAA have classed the balance as Airport Regularization pending a decision from the Government on whether it should be treated as a loan, grant, or additional capital.

- The Airport Regularization balance is potentially understated. We re-calculated the value to be GMD 1,598m (USD 33.3m) based on the Interim Payment Certificates ("IPCs") we obtained, representing a difference of GMD 396m (USD 8.2m) or 33%.

[15] Per IAS 16, revaluations need to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

- Documentary support for the Airport Regularization balance appears to be incomplete, as two IPCs, IPC nine and ten, were not provided to us and no explanation was provided for the absence of this documentation.

- The Gambian Government has obtained loans to fund the Airport Regularization, totaling GMD 1,385m (USD 28.8m). Of these loans, one has a signed back-to-back lending agreement between the Gambian Government and GCAA. Therefore, GCAA is potentially in effect ultimately liable for the loan balance. This loan is not reflected on the Balance Sheet for GCAA. As already noted, GCAA has booked values based on the IPCs.

- If the IPC balance, currently recognized as Airport Regularization, was accounted for from a loan perspective, similar to the Phase I Airport Development Project, both the historic FX revaluations and Interest Payable amounts would need to be recognized, which would result in the overall impact being higher than the balance currently recorded.

- The respective loan liability would be approximately GMD 473m (USD 10m), and the accumulated interest liability would be GMD 87m (USD 1.8m). Historic costs such as FX revaluation and interest payments would also have a notable impact, with the balance approximately GMD 297m (USD 6.2m) This loan is not reflected on the Balance Sheet for GCAA.

- Discussions with the Loans Department, within MoFEA, identified a loan that was obtained by the Government as recently as July 2017, for a total of SAR 71.25m, which is equivalent to USD 19m or GMD 912m. The purpose of this loan is further airport development, which is an indication that the Airport Regularization balance will continue to grow in the next few years.

- As the Government continues to obtain loans for the development of the airport with GCAA still unable to manage any form of repayment, it indicates that there is no clear and coherent funding plan in place for the development of the airport.

- **The Government must determine whether GCAA should be held liable for the lending agreement signed between GCAA and the Government.**

- **GCAA needs to work with the current Airport consultant, NACO, to properly identify the cost in relation to the Interim Payment Certificates, so as to correctly capitalize the appropriate amount, and recognize an appropriate liability. Once this value has been identified, the Government should consider converting this debt to equity, to aid GCAA in attempting to operate profitably.**

Non-Current and Current Loans (GMD 953m, USD 20m and GMD 507m, USD 11m / 43% of Total Liabilities)

Table 20: Long term and short-term loan position per draft 2017 Financial Statements

Loan	Type	Short Term (GMD'000)	Long Term (GMD'000)	Total (GMD'000)	Total (USD'000)
Government	FX Currency Loan	436,701	-	436,701	9,096
SSHFC	SOE related Loan	-	95,000	95,000	1,979
GPA	SOE related Loan	25,000	-	25,000	521
BADEA	FX Currency Loan	-	415,425	415,425	8,653
KFEAD	FX Currency Loan	-	442,766	442,766	9,223
Megabank	Commercial Loan	45,527	-	45,527	948
Total		**507,228**	**953,191**	**1,460,419**	**30,420**

Source: Draft 2017 Financial Statements

- GCAA is carrying a significantly liability in its Financial Statements that may not be recognized as a receivable by the original loan provider, the Government of The Gambia. The balance on this loan is GMD 437m (USD 9.1m). If this loan was removed from GCAA's Balance Sheet, a large portion of the Interest Payable balance would also be affected, as GCAA have accounted for the interest on this loan without making a single payment. The approximate balances that would be removed in relation to this Government loan would be GMD 413m (USD 8.6m)

- Our review of two foreign currency loans recognized on GCAA's Balance Sheet determined that there is a contract between the respective lenders and the Gambian Government, but no documented 'on-lending' agreement between the Gambian Government and GCAA. These foreign currency loans are relatively high cost. GCAA booked an FX loss of GMD 66.1m (USD 1.4m) and an interest expense of GMD 21.6m (USD 450k) for 2017 in relation to the loans. To put this into context, GCAA made a loss of GMD 229m (USD 5m) in 2017.

- GCAA is making monthly repayments of GMD 3.9m (USD 82k) in relation to a loan held with Megabank. The annual repayment amount made under this loan equates to GMD 47m (USD 981k), which represents 22% of GCAA's Gross Profit figure for 2017.

- GCAA currently has two loans with Gambia SOE's, namely GPA and the SSHFC, under which GCAA owes GMD 25m (USD 521k) and GMD 95m (USD 2m) respectively. GCAA is not repaying GPA, and is paying off the SSHFC loan at a rate of GMD 800k (USD 17k) per month. At this rate of repayment, the SSHFC loan will take approximately 10 years to fully repay.

- GCAA have record of the loan terms for all six loans. It is accounting for each of them, expensing the interest payments, recording the interest payable, and translating the foreign currency balances at year end. However only 2 of these loans are being serviced by actual cash payments as outlined above, with Megabank and the SSHFC loans being addressed. The implication of this is that GCAA's Financial Statements do not provide a fair reflection of the operating success of the entity.

- **GCAA and the Government need to address the existing loans denominated in foreign currency as a priority. Given the current financial health of GCAA, holding GCAA liable for the loan balances will likely be ineffective and will not generate any repayments in the short term. For example, converting the loans to equity would have a significant impact on GCAA, improving both its Net Asset position and its profitability.**

Trade Receivables (*GMD 117m, USD 2.4m / 3% of Total Assets)* (Financial impact table item 9,10)

- GCAA does not collect cash on outstanding Trade Receivables in a timely manner, most notably from Thomas Cook, which results in poor working capital management. The outstanding balance at December 31, 2017, for Thomas Cook was GMD 16m (USD 341k), which represents 14% of the total Trade Receivables balance.

- The Finance Team was unable to provide the aged Trade Receivables listing as at December 31, 2017, due to system constraints, and consequently we were unable to test the reasonableness of the bad debt provision.

- GCAA has a very conservative documented policy on bad debt provisioning, with bad debts not written off until debts exceed seven years. This policy is not adhered to by GCAA; instead in practice it opts to provide for any Trade Receivable in full if no payments have been made to reduce the balance during the year.

- We were unable to obtain a breakdown of the bad debt provision, as the calculation is performed by the External Auditors. The draft provision balance is GMD 58m (USD 1.2m) as at December 31, 2017, against a gross Receivables balance of GMD 145m (USD 3m).

- We note that out of the top 20 Trade Receivables balances, 3 are against companies that are no longer in business. These balances represent 5% of the total Trade Receivables balance. These balances should be fully provided for if they haven't been already. A review of the bad debt calculation held by the external auditors will determine this.

- The GIA Trade Receivable balance, GMD 27.6m (USD 575k), is not a true reflection of operating activity. GCAA has not been invoicing GIA for the upfront operating fee for the last four years, not wanting to incur additional income tax on a balance that will not be paid. GCAA has currently fully provided for the GMD 27.6m (USD 575k) balance.

- The Finance Team estimate the Trade Receivables balance for GIA could be as high as GMD 48m (USD 1m) as at December 31, 2017, almost double the recorded balance, with the operating fee of GMD 2.7m (USD 56k) not being invoiced for the last 4 years. We understand that GCAA are currently in the process of invoicing them in relation to services provided over the past 4 years.

- At least 9% of the Staff Loans balance is likely unrecoverable, as former employees still owe GCAA GMD 1.4m (USD 66k). Of the remaining 91%, the average staff loan balance is GMD 18k (USD 369), against an average yearly salary of GMD 68k (USD 1.4k).

- **Further work will need to be undertaken to properly establish the appropriate provision for certain Trade Receivables, as we were unable to obtain the basis of the bad debt provision for 2017. The work we performed in analyzing the Trade Receivables balance suggests that a large portion of this balance is uncollectable.**

- **GCAA should confirm and document its current bad debt policy. This should be combined with a review of the long-standing receivables balances, with the aim of writing-off debts that will not be collectible.**

Other Findings

2.136 Other findings in relation to our Special Audit of GCAA as at December 31, 2017, which are explained more fully in this section of the report, are as follows:

Trade Payables (GMD 133m, USD 2.8m / 4% of Total Liabilities)

- Three of the largest Trade Payables balances for 2017 which remain outstanding as at 2018 are all due to aviation governing bodies. These balances total GMD 56.6m (USD 1.2m). GCAA is currently in negotiations with the Gambian Government, as GCAA view payment of this creditor to be the responsibility of the Government. The 2017 Board minutes highlight that failure to pay could result in restrictions applied to GCAA's membership.

- Our unrecorded liabilities testing identified 4 transactions from a sample of 20 that related to 2017 liabilities. From these 4 transactions, 3, totaling GMD 7.2m (USD 152k), were not recorded as liabilities in the accounting records for 2017. Our inability to trace these transactions back to a specific liability in Trade Payables indicates that the liabilities position of the company is understated.

- **GCAA needs to hold conversations with the Government to clearly determine who is responsible for settling debts owed to aviation governing bodies. This clarification needs to be reached as a matter of urgency, as a prolonged lack of payment could result in sanctions or restrictions which could affect GCAAs ability to operate.**

- **GCAA needs to implement procedures to ensure all liabilities are identified and recorded.**

Project Development (GMD 93m, USD 1.9m / 2% of Total Assets) (Financial impact table item 11)

- One of the Fixed Asset balances present in the 2017 Financial Statements is Project Development, which has a carrying value GMD 92.6m (USD 1.9m). Discussions with the Finance Team indicated that this relates to the fee paid to the consultant NACO for the Phase II Airport Development Project.

- The Finance Team were unable to provide the FX rate used to make the US Dollar to Dalasi conversion per the contract. Whilst recognition of the consultancy fees as an asset is correct, the fees should be directly attributed to the specific asset they relate to, and not kept isolated from the sub asset class of Buildings.

- There is not enough information provided to determine at what stage the consultant costs should be capitalized and put in the WIP asset class in relation to the Phase II Airport Development Project. The impact is that the consultant costs will have potentially been converted at the incorrect FX rate, and therefore the value presented in the Financial Statements is not accurate or representative of the correct value.

- Furthermore, by not reclassing this balance at the appropriate time GCAA have not charged depreciation on this balance. This should have been done once the balance was capitalized, at the relevant depreciation rate of the asset class to which the balance is assigned. For example, if the balance relates to Buildings, one year of depreciation at 2% on this balance amounts to GMD 1.8m (USD 39k). It is possible the depreciation charge could be larger, due to the fees relating to a different asset class, or that they should have been depreciated over a longer period.

- **GCAA need to work with the consultant to determine at what stages the fees were paid, and then ensure that the balance is appropriately capitalized and attributable to relevant assets. GCAA then need to determine how much depreciation should be charged on this balance.**

Cash (*GMD 3.7m, USD 78k / 0.09% of Total Assets)*

- GCAA incurred bank changes of GMD 8.9m (USD 183k) in 2017, which represents 4% of its Gross Profit figure. This represents poor treasury management, as GCAA uses its overdraft even when they have available cash resources.

- A bank verification exercise resulted in the discovery of a bank account with First International Bank which was not disclosed in the 2017 Financial Statements. The balance on the account as at December 31, 2017 was an overdraft of GMD 9k (USD 197). This account was set up for possible loan finance, but was not used by GCAA and the account was not closed. This indicates GCAA have poor cash management controls.

- GCAA has a total of five bank accounts with Guaranty Trust Bank, and each account had three recorded signatories who are not currently employees of the company. This indicates poor control over bank mandates.

- **GCAA needs to improve the control framework around its bank account processes, to ensure that any account set up is recorded and subsequently monitored by the Finance Team. Furthermore, GCAA should refresh its bank signatory mandate as a matter of urgency.**

- **GCAA needs to reduce the use of its overdraft facility. The charges incurred could be avoided through better cash management or cash collection from outstanding debtors. GCAA should also ensure that they do not continue to breach their overdraft limit, as the Bank could choose to recall the entirety of the outstanding balance.**

Restricted revenue

- GCAA have been unable to collect revenue in relation to the Hajj pilgrimage since 2012, which has resulted in lost revenue of approximately GMD 12m (USD 248k) over a five-year period. Lost revenue in relation to Government charter flights not paying the appropriate fees is approximately GMD 700k (USD 15k) from 2015 to 2018.

- **GCAA should liaise with the Government to explore the possibility that current restrictions on revenue, notably revenue from charter flights and the Hajj pilgrimage, are lifted and GCAA be allowed to collect this revenue going forward.**

3. NAWEC

Introduction

Background

3.1 NAWEC is a utility company which handles the generation, transmission, and distribution of electricity, as well as water production and distribution, and sewerage, across The Gambia. Approximately 88% of NAWEC's revenue is generated from the sale of electricity (70% pre-paid, 30% billed in arrears), just under 12% from water and less than 1% is sewerage[16].

Limitations of scope / availability of information

3.2 See the 'Limitations of scope' section of the Executive Summary for commentary on limitations that apply to all SOEs, in particular for how our work did not constitute a statutory audit.

3.3 The 2015 Financial Statements are the last set of Financial Statements signed by the External Auditors. The auditors issued an 'adverse' opinion. The 2016 Financial Statements are still under the auditors' review and could yet result in further prior-year adjustments that will impact the 2017 Balance Sheet.

3.4 The 2017 Financial Statements are still in a draft format and, when finalized, could be materially different from the version used for the purposes of this review for the following reasons:

- NAWEC is currently posting a backlog of 2017 day-to-day transactions. The backlog is substantial as the Finance team only started posting 2017 transactions in September 2017;
- Not all reconciliations have been performed (such as bank reconciliations, billing and accounting systems reconciliations), differences investigated or posted; and
- No closing journals have been calculated or posted (such as Inventory and Debtors provision, depreciation, or amortization).

3.5 The 2017 Financial Statements do not fully agree to the underlying Trial Balance. The version of the Balance Sheet provided to us is also fundamentally flawed in that it does not balance; Total Assets do not equal Total Liabilities plus Equity. The Senior Management acknowledged these inconsistencies and put them down to the draft nature of the Financial Statements.

[16] This is an approximate calculation as there is no clear separation of electricity and water in the accounting system.

NAWEC - Detailed findings – Balance sheet

3.6 Our detailed findings in relation to our Special Audit of SOE as at December 31, 2017, are explained more fully in this section of the report.

3.7 NAWEC has been increasingly reliant on externally obtained debt to finance not just its capital expenditure, but also its day to day operations to service its current debt. NAWEC's Fixed Assets' Net Book Value increased by 32% from 2010 to 2017 to GMD 5.5b (USD 115m), or over 72% of the Total Assets[17]. However, its Total Debt increased by 256% to GMD 9.1b (USD 190m), i.e., 82% of Total Liabilities[18].

3.8 As a result, since 2011[19] NAWEC has consistently been in a negative Equity position which means that the company's Total Labilities have exceeded its Total Assets. Therefore, on the Balance Sheet test, it has been insolvent for seven out of eight years under review.

3.9 We have summarized the current draft versions of the 2016 and 2017 Balance Sheets in the table below.

Table 6: Summary draft Balance Sheet as at December 31, 2017[20]

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets						
Fixed Assets	4,931,393	112,682	78%	5,511,519	114,805	72%
Investment	5,500	126	0.1%	5,500	115	0.1%
Intangibles	9,321	213	0.1%	9,321	194	0.1%
Inventories	414,563	9,473	7%	559,742	11,659	7%
Receivables	803,725	18,365	12%	1,199,472	24,985	16%
Cash	181,734	4,153	3%	325,827	6,787	4%
Total Assets	**6,346,236**	**145,012**	**100%**	**7,611,381**	**158,545**	**100%**
Liabilities						
Borrowings due after 1 year	8,257,167	188,676	79%	8,557,393	178,250	77%
Deferred capital grants	574,658	13,131	6%	574,658	11,970	5%
Borrowings due within 1 year	556,771	12,722	6%	574,737	11,972	5%
Trade and other payables	862,481	19,708	8%	1,176,228	24,501	11%
Bank Overdraft	142,442	3,255	1%	193,773	4,036	2%
Total Liabilities	**10,393,519**	**237,492**	**100%**	**11,076,789**	**230,729**	**100%**
Net Liabilities / Equity	**(4,047,281)**	**(92,480)**		**(3,784,765)**[21]	**(78,837)**	

Source: Compiled by EY based on the 2016 and 2017 Draft Financial Statements. We applied exchange rates of GMD 43.764:USD 1 for 2016 and GMD 48.008:USD 1 for 2017. The GMD depreciated by almost 10% between the two dates.

[17] Almost a third of this balance is currently Assets Under Construction which will most likely require further funds to complete and therefore will further increase NAWEC's Total Debt. Total Debt here and throughout the report is the externally obtained debt, both long-term and due within one year.
[18] These numbers do not take into account the MOU.
[19] NAWEC's 2009 Equity was also negative, followed by a positive position in 2010 and back to negative in 2011.
[20] In this table and in tables throughout the report the numbers are rounded.
[21] The Equity value is based on the draft Balance Sheet. The value is incorrect and should be negative GMD 3,465,408,000 (negative USD 72,184,000) when calculated using the accounting equation Equity=Total Assets-Total Liabilities. The difference is GMD 319,356,000 (USD 6,652,000). Senior Management could not explain the difference, stating that the Financial Statements were still in a draft format.

3.10 We received little or no documentation to support the balances in NAWEC's Financial Statements. Most of the documentation that we did receive was provided in week ending January 18, 2019, several weeks after it was first requested. The Finance team's explanation for the lack of information, and delay in the limited information that was provided, ranged from lack of functionality in the system to produce reports, to documents simply not being found. For example, neither the finance or commercial teams could produce a list of debtors to support the balance in the draft Financial Statements.

3.11 The impact is that it was not possible for us to examine the validity of the figures in the financial statements with reference to supporting information. We sought to adopt alternative procedures where possible to specific focus areas for building a clean Balance Sheet for NAWEC as at December 31, 2017.

Fixed Assets

3.12 The table below sets out a summary of NAWEC's Fixed Assets as reported in the draft Financial Statements, as at December 31, 2017. The Net Book Value of the Fixed Assets represents 72% of the asset value on the Balance Sheet.

3.13 Almost one third of Fixed Assets are Assets Under Construction (32%), with the rest being Plant and Machinery (33%), Electricity Network (23%), Water and Sewerage Network (7%), Land and Buildings (3%), Motor Vehicles (1%) and Office Equipment and Furniture (1%).

Table 21: Summary of Fixed Assets as at December 31, 2017

Asset type	Assets Under Construction	Land and Building	Plant and Machinery	Motor Vehicles	Office Equipment & Furniture	Electricity Network	Water & Sewerage Network	Total
At cost (GMD'000)	1,779,553	232,733	3,525,154	141,088	67,954	1,520,833	624,983	7,892,298
Depreciation (GMD'000)	-	47,919	1,687,751	103,482	31,802	275,290	234,533	2,380,777
Net Book Value (GMD'000)	**1,779,553**	**184,814**	**1,837,404**	**37,606**	**36,152**	**1,245,542**	**390,449**	**5,511,520**
At cost (USD'000)	37,068	4,848	73,429	2,939	1,415	31,679	13,018	164,397
Depreciation (USD'000)	-	998	35,156	2,156	662	5,734	4,885	49,592
Net Book Value (USD'000)	**37,068**	**3,850**	**38,273**	**783**	**753**	**25,945**	**8,133**	**114,805**
% of Fixed Assets	32%	3%	33%	1%	1%	23%	7%	100%

Source: NAWEC Draft Financial Statements as at December 31, 2017.

3.14 As Fixed Assets represent a large proportion of NAWEC's assets, it is essential that they are treated in accordance with the applicable accounting standards and that there are appropriate controls in place to give an accurate view of NAWEC's financial position. However, EY noted a number of fundamental weaknesses in both the control environment[22] and accounting practices around Fixed Assets, as described below.

Fixed Assets Register

3.15 EY obtained the Fixed Asset Register as at December 31, 2017, and attempted to reconcile it to the draft Balance Sheet as of the same date. The Net Book Value of Fixed Assets

[22] See EY Interim Report dated December 21, 2019 for more details regarding the control weaknesses.

according to the Balance Sheet is GMD 733m (USD 15m) higher than the value supported by the Fixed Assets Register, representing a 13% difference. According to the NAWEC Finance team, the difference exists for the following three reasons:

- There is a historic difference between the Fixed Assets Register and the accounting system. The Finance team advised that there were instances when Assets were entered into the accounting system without all the supporting documentation. No equivalent entries were made in the Fixed Assets Register due to the lack of documentation. EY requested further details but has not been provided with any. We recommend that these differences are resolved and any Fixed Assets which cannot be supported by underlying documentation, or that cannot be located, are removed from the accounting ledgers;

- The reconciliation between the Fixed Assets Register and the accounting system for the additions for the 2017 year has not been completed; and

- There has been a timing difference for the current year depreciation charge. In particular, the draft of the Financial Statements was produced based on the first attempt to charge full year depreciation for 2017. It was unsuccessful because of a system failure and resulted in the calculation and recording of only approximately two months of the depreciation charge. The second attempt to calculate the annual depreciation charge was made after the Financial Statements were produced. However, it also failed, resulting in the posting of an additional one month of the depreciation charge. The cumulative impact of the two partial depreciation calculations is that approximately a quarter of the 2017 full year depreciation charge has been posted to the Fixed Asset Register, but only approximately two months to the accounting system.

3.16 At the time of the review the depreciation calculation was still being finalized. The Finance team advised that this was due to the system fault which NAWEC still needs to resolve.

Fixed Assets' valuation methodology and resulting carrying value

3.17 We understand that NAWEC uses the revaluation model to measure the Fixed Assets carrying value[23]. NAWEC's accounting manual states that the "*decision to revalue an asset shall be initiated by the Finance Director, authorized by the Managing Director, and approved by the Board*".

3.18 NAWEC's Fixed Assets were revalued in 2009. However, according to the Finance team, no revaluation has been performed since 2009[24]. The lack of a recent revaluation is not in accordance with IAS 16, which states that under the revaluation model such revaluations need to be performed on a 'regular' basis. Failing to apply the accounting policy consistently can lead to the carrying amount of Fixed Assets being materially different from that which would be determined using a 'fair value' valuation at the end of the reporting period, and therefore be materially misstated.

3.19 NAWEC's accounting manual should also clearly state the accounting policies followed by the company. The current version of the manual is misleading because, in addition to the fact that Fixed Assets can be revalued, it also states that "*Property, Plant and Equipment are stated at cost less accumulated depreciation*". This can imply that the cost model is used as opposed to the revaluation model.

[23] According to IAS 16, under the cost model, an asset is carried at its cost less any accumulated depreciation and impairment. Under the revaluation model, an asset is carried at a revalued amount, which is its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment.
[24] It is unclear whether all asset classes were revalued. In absence of different information, we assume that all assets were revalued.

Physical verification

3.20 It is NAWEC's policy to perform physical verification of Fixed Assets on an annual basis and to investigate any discrepancy. The policy states that *high value* assets are to be verified on a quarterly basis by Internal Audit, in collaboration with the Finance Division. We were informed by finance that no exercise to verify all assets has been performed since 2009 and in fact that no such exercise is possible, because assets are not tagged.

3.21 EY performed a verification exercise of a sample of Fixed Assets. We selected 15 items with a Net Book Value of GMD 683m (USD 14m) representing 12% of the total Fixed Assets balance (or 18% of the total Fixed Assets balance excluding Assets Under Construction) and asked the management to show these assets to us. We noted the following:

- An individual code is assigned to an asset in the Fixed Asset register, but the asset is not physically tagged. As a result, it is not possible to confirm whether the asset being verified is the same as the one listed in the Fixed Asset Register;

- The opposite scenario also applies. It is not possible to confirm whether an asset identified in the premises has been recorded in the Fixed Asset register. Therefore, to be able to meaningfully perform the Fixed Assets verification exercise, 100% of the assets need to be verified; and

- Of the 15 assets we selected, management could not locate or provide supporting documentation for five. For one of the selected assets, the system did not record details of its location (see table below). The total value of the assets NAWEC was unable to show us or otherwise support was GMD 7m (USD 151k). While this represents only 1% of the sample tested, the testing suggests that Fixed Assets could be substantially overstated. If the unlocated asset value is extrapolated to the full Fixed Asset balance, the Fixed Assets balance would need to be reduced by GMD 55m (USD 1.1m). Moreover, given the poor controls around Fixed Assets as described above and in the Interim report, the current overstatement in the 2017 Financial Statements could be significantly higher.

Table 22: List of Fixed Assets that EY was unable to physically verify

Asset	Name	Location	NBV (GMD)	NBV (USD)
EN000065	Network maintenance 200510	Head office	5,985,114	124,669
EN000060	Network extension	Head office	851,500	17,736
FE001791	Office furniture 00109683	Head office	17,400	362
FE001814	Office furniture 22562047	Head office	10,030	208
EN000054	Network extension	Unknown	415,165	8,647
Total			**7,279,208**	**151,625**

Source: Compiled by EY based on the Fixed Assets register

Assets Under Construction

3.22 Assets Under Construction represent one third of the Fixed Assets balance and consist of the eight assets below.

Table 23: Assets Under Construction as at December 31, 2017

No	Asset Under Construction	Asset Value (GMD'000)	Asset Value (USD'000)
1	Expansion of Serekunda Tank cash office	612	13
2	G4 and G6 Generators' Maintenance	41,674	868
3	Kotu ring water supply	392,996	8,186
4	Asbestos replacement and water supply expansion project	14,104	294
5	Electricity expansion project GBA (EXIM)	8,892	185
6	R.E.P - Extension project	374,706	7,805
7	Brikama power station phase 2	212,477	4,426
8	Kotu power generation expansion project	734,091	15,291
Total		**1,779,553**	**37,068**

Source: 2017 Trial Balance

Capitalization of Assets Under Construction

3.23 Assets Under Construction are capitalized on a project basis, with no distinction made between separate parts of the project. When a project is completed, the asset is moved to a different asset category as one asset. For example, the Finance team advised that LFO / HFO day tanks were not a separate asset recorded on the Fixed Assets Register, but had been included in the value of a project when a generator was installed or after maintenance. The finance team could not name the project or locate it in the Fixed Assets Register. Similarly, the large storage tanks at the Kotu Power Station, are not considered as separate assets on the Fixed Assets Register but rather as one project. The team could not confirm the project these were part of, or locate the project on the Fixed Assets Register.

3.24 The implication of such a capitalization policy is that individual assets are not accounted for correctly in cases where the 'main' fixed asset resulting from the project has a significantly different useful economic life, or becomes impaired, relative to the 'secondary' assets. This may lead to a materially misstated overall Fixed Assets balance.

Capitalization of exchange losses

3.25 Historically when NAWEC has obtained a foreign currency loan to build a Fixed Asset, it has capitalized foreign exchange losses incurred on the loan. As described below, these losses have been substantial, as a result of the Dalasi's weakening against the USD over the period in scope.

3.26 During our review, we noted that NAWEC calculates the loss as a difference between the current value of the asset (sum of all loan disbursements received in respect of the Asset Under Construction, posted in GMD at a spot rate on the transaction date) and the value of the loan disbursements in GMD, recalculated at the year-end exchange rate.

3.27 Assets Under Construction are non-monetary assets under IAS 21. Ordinarily, the amount of foreign exchange loss would not be added to the value of a non-monetary asset. A loan, on the other hand, is a monetary liability. This means that the loan must be retranslated at each Balance Sheet date, with exchange differences typically recognized in profit or loss.

3.28 However, there are instances when exchange differences on translation of a monetary item would not be recognized in profit or loss. This includes a situation where an entity capitalizes borrowing costs in respect of the construction of a qualifying asset under IAS 23, which may include exchange differences arising from foreign currency borrowings. This is the rationale behind the accounting treatment confirmed by the Senior Management.

3.29 In such situations, IAS 23 requires exchange differences arising from foreign currency borrowings to be capitalized to the extent that they are regarded as an adjustment to interest costs. However, this does not necessarily mean that all exchange differences on the loan can be capitalized as part of the cost of the asset. Care is needed if there are fluctuations in exchange rates that cannot be attributed to interest rate differentials, such as increases or decreases in the foreign currency rates as a result of changes in other economic indicators such as employment or productivity, or a change in government[25].

3.30 Therefore, using this rationale for the capitalization of the borrowing costs requires significant level of further consideration from the Finance team. In addition, the subsequent appropriate disclosure of accounting policies and judgements needs to be provided to the users of the Financial Statements.

3.31 We were unable to obtain evidence of such considerations and therefore consider this to be an aggressive accounting treatment which can lead to a considerably overstated Fixed Assets balance, given the instability of Dalasi as a currency and the number of years an Asset Under Construction can take to complete.

Moving Assets Under Construction to a different category on completion

3.32 According to the NAWEC accounting manual, Assets Under Construction should be recognized as Fixed Assets in the Balance Sheet but should not be depreciated until their completion. Upon completion, they need to be immediately moved to a different asset category in order to be depreciated from that point onwards, in line with the company's depreciation policy.

3.33 EY noted that the Finance team is not always informed when an Asset Under Construction is completed. Furthermore, the Finance team does not chase the project leads for such information.

3.34 Given that NAWEC has high value Assets Under Construction, an absence of a robust process around the asset reclassification has led to a significantly over-inflated Fixed Assets value. No depreciation has been posted for completed assets for months, and in some cases, years. Detailed examples of late transfers can be seen below.

G2 and G4 Generators Maintenance – GMD 42m (USD 868k)

3.35 This Asset Under Construction appears to relate to the purchase of spare parts used in the maintenance of generators G2 and G4. According to the maintenance completion report provided by the Finance team, 24,000 hours of maintenance were finalized in April 2015 for G4, and 24,000 plus 12,000 hours maintenance were finalized in 2014 and 2015, respectively, for G2. We note a number of observations in relation to this expenditure:

- It is unclear why spare parts relating to the maintenance of the generators completed in 2014 and 2015 were capitalized as Assets Under Construction in September and November 2017. EY requested further details of the transactions, including the delivery confirmation of the spare parts, but these were not provided;

- The asset appears to be capitalized based on the payment for, as opposed to the actual delivery of, the spare parts. As a result, only 61% of the total spare parts value was capitalized to date which represents the portion of the total expenditure actually settled

[25] In such cases we believe that a practical approach is to limit exchange losses taken as borrowing costs such that the total borrowing costs capitalised do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings, taking into consideration the corresponding market interest rates and other conditions that existed at inception of the borrowings.

by NAWEC[26]. It is unclear whether the rest of the payments have been made or capitalized since; and

- One of the two transactions entered were entered incorrectly. According to the supporting documentation provided, when posting the second payment of EUR 50,000 at a EUR/GMD exchange rate of 56.60, GMD 28,300,000 was entered into the system instead of GMD 2,830,000. The Finance team explained it as a human error.

3.36 Accordingly, it is not possible to recommend the correct accounting treatment of the asset with any certainty. Assuming that the spare parts were actually delivered and used in the 2014 and 2015 maintenance works, 100% of the value needs to be capitalized, along with an associated annual depreciation charge for the period since 2014 / 2015. However, we recommend clarifying the facts around the spare parts purchase as the assets should not be capitalized without a confirmation of their delivery or actual usage.

Kotu Ring water supply - GMD 393m (USD 8m)

3.37 According to the Finance team, this project was split into four parts. The completion report provided to us confirmed that Lots 1, 2 and 4 were finalized in June 2014. However, there were difficulties with paying the contractor for the works performed with regards to Lot 3. Therefore, no formal completion report was provided by the contractor to confirm completion.

3.38 Nevertheless, according to the Water Director, the project was completed in full in 2014 and the asset has been fully operational since. Despite our multiple requests, no written confirmation of this has been provided. We recommend that the Finance team continues to chase the project team to confirm the project completion month. This is to enable them to calculate the depreciation charge with certainty, as even a single month's depreciation charge is significant.

3.39 Assuming that all works were completed in June 2014, there has been an understatement of the depreciation of GMD 35m (USD 733k) over three and a half years, with GMD 10m (USD 204k) relating to 2017 alone[27].

R.E.P - Extension project

3.40 This Asset Under Construction relates to two projects: Rural Electrification Extension Project (REEP) and Rural Electrification Extension Project 2 (REEP 2). These are two separate projects with two separate funding sources and assets constructed. However, on the completion of REEP, the Asset Under Construction was not moved to a different asset category. Instead, it continued to be increased by the amounts relating to REEP 2.

3.41 EY obtained two completion reports confirming the completion of two assets under REEP. The reports confirmed that the "*Design, Supply, Installation & Commissioning of 2MW HFO Based DG Power station at Basse & Farafenni*" was completed on March 3, 2016, for a value of USD 8,611,559. The transmission and distribution network was completed on the same date, for a value of USD 10,500,500.

3.42 We note that the total value of REEP and REEP 2 Asset Under Construction currently booked is GMD 374,705,725 (USD 7,805,120), of which only GMD 227,328,756 (USD 4,735,258)

[26] 50% of the total value of the Memorandum of Agreement between NAWEC and GPS plus first of five further instalments.
[27] 43 months of depreciation at 2.5% yearly rate. Note that this calculation assumes that the value of the asset capitalized is as it is currently stated in the Financial Statements.

appear to relate to REEP[28]. Therefore, the REEP asset appears to be understated by GMD 690,196,927 (USD 14,376,802)[29].

3.43 The asset was financed by a USD 20m loan from EBID. All the disbursements were made by the lender directly to the suppliers engaged in the asset construction. Once the suppliers were reimbursed, the value of the loan, as well as the value of the asset, increased.

3.44 Based on the EBID reconciliation provided, the total disbursements made in relation to the project were USD 17,830,294. However, it appears that most of the payments made to Mohan Energy Co, the main contractor, have not been booked by NAWEC either as an asset or a loan. The NAWEC Finance team does not have full knowledge of the transactions or most of the copies of the invoices and was therefore unable to provide explanation of why these invoices have not been booked.

3.45 EY obtained a contract signed between NAWEC and Mohan Energy Co dated May 2, 2012 confirming that this supplier was engaged in the construction of the asset. We therefore recommend that the circumstance around the failure to book the invoices is established, i.e., if the invoices were in fact from the supplier, why they were not seen or posted by NAWEC. This is to avoid a similar oversight in the future. The value of the loan and the asset will then need to be increased.

3.46 We note that due to the time constraints we were unable to test the difference between the assets value according to the completion reports (USD 19,112,060) and the loan value (USD 17,830,294). This difference was explained by NAWEC's Finance team as their additional internal investment in the asset. We have relied on the value of the completion report to calculate the depreciation adjustment resulting from NAWEC's failure to move the assets into a different asset category upon completion.

3.47 Using this basis, and once the full value of the asset and the loan is booked, the corresponding additional depreciation to be accounted for since the completion date until the 2017 year-end should be GMD 61m (USD 1.3m), or GMD 33m (USD 693k) for 2017 alone[30].

3.48 It must be noted that it is particularly important for NAWEC to ensure that the Assets Under Construction are moved to a different asset category upon completion given the current accounting practice of capitalizing foreign exchange losses as described above. NAWEC ceases adding foreign exchange losses to the value of an asset once it is completed, therefore keeping completed Fixed Assets Under Construction in this category for several years after the asset's completion leads to a significantly inflated asset value.

3.49 For example, as detailed above, the Kotu Ring Water Supply project was completed in 2014. However, it is still being kept as an Asset Under Construction. The latest foreign exchange loss of GMD 36m (USD 763k) was added to the value of the asset as of December 31, 2016. According to the Finance Team, NAWEC has already calculated further exchange loss of GMD 30m (USD 630k) to be added to the asset value in December 31, 2017. As a result, the asset value will be overstated by at least GMD 66m (USD 1.4m), as of December 31, 2017.

3.50 The same principle applies to the REEP project, which was completed in 2016. The exchange loss to be added to the value of the asset in 2017 is GMD 17.9m (USD 364k)[31].

[28] This is based on FOREIGN EXCH DIFF. 31.12.2017- 09-01-2018 spreadsheet provided by the Finance Team.
[29] This value was different from the total value of EBID disbursements of USD 17,830,294. This difference was explained by NAWEC's Finance Team as their additional internal investment into the asset.
[30] USD 789,392 for the power station at 5% per year and USD 481,272 for transmission and distribution network at 2.5% per year.
[31] This is based on FOREIGN EXCH DIFF. 31.12.2017- 09-01-2018 spreadsheet provided by the Finance Team.

Depreciation

3.51 EY considered the reasonableness of NAWEC's depreciation policy and noted the following:

- The current NAWEC accounting manual states that Plant and Machinery are to be depreciated using a 4-10% rate. No further detail is indicated in the manual, as to what percentage to be used for which specific type of asset (e.g., Plant or Machinery). This can lead to a level of judgement required to be applied by a clerk entering the Fixed Asset into the system, potentially causing inconsistent treatment of assets of the same class;

- Land and Building are both depreciated at 2%. During our depreciation testing we confirmed that Land is, in fact, being depreciated at the indicated rate. Under international accounting standards, Land is not normally subject to depreciation because it is deemed to have an unlimited useful life.

  Senior Management stated that the historic depreciation of Land is an oversight as the same category is being used when entering both buildings and land into the system. NAWEC therefore needs to clarify its depreciation policy to state that Land should not be depreciated and create a new asset category in the accounting system for Land, with a 0% associated depreciation rate; and

- NAWEC has limited knowledge of what land they have, or its value. For example, for the 15 assets on the Fixed Assets register which EY identified as land based on the assets' description, Senior Management was unable to provide any further detail as to where these pieces of land were, what their value was, or any confirmation of ownership. We are therefore unable to propose an accounting adjustment. However, we recommend that NAWEC identifies all Land it holds, and account for it correctly in Fixed Assets. We note NAWEC performed an exercise to combine all available land-related documentation available in one file. However, the file was not complete and also was not shared with the Finance Team to ensure those assets were accounted for correctly. We were unable to cross reference the land from the FAR to this file.

3.52 We also noted that the depreciation report from the accounting system is not produced in a user-friendly format. There is no single depreciation schedule which shows the asset value upon acquisition less all depreciation charges. The report produced only lists all depreciation calculated for each asset per month. This type of report makes it difficult to identify and correct potential errors in the depreciation calculation produced by the system. Our testing has also confirmed that such errors have occurred, as explained below.

3.53 EY re-performed the depreciation calculation for 10 assets and we noted the following:

- A wrong depreciation rate was used for 3 out of 10 assets[32]:
  - 2.5% was used for a Plant and Machinery asset that is meant to be depreciated at 4-10% according to the policy;
  - 2% and 3.3% were used for two Electricity Network assets that are meant to be depreciated at 2.5% according to the policy; and
- Depreciation was last calculated for in March or April 2017.

3.54 The above deficiencies are likely to have resulted in an inaccurate total Net Book Value on the Balance Sheet.

[32] PM000008, PM000004, PM000005, PM000006, EN000032, EN000033

Recommendations

- We recommend that NAWEC verifies 100% of its Fixed Assets and updates the Fixed Assets Register with the results. Any assets which cannot be verified need to be written-off;

- NAWEC should consider the need to revalue its assets to be in compliance with the applicable accounting standards under the revaluation model. NAWEC is to clarify its accounting policy with regards to the method of measuring Fixed Assets carrying value;

- Going forward NAWEC must assign each individual asset with a unique number. This number is to be used to tag the asset and record it in the Fixed Assets Register with;

- NAWEC needs to ensure that the correct depreciation rate and acquisition date are used for all assets in the Fixed Assets Register; and

- NAWEC needs to move all the completed Assets Under Construction into the correct assets category using the correct value, i.e., net of any revaluation losses capitalized post assets' completion and reduced by the amount of current year and accumulated depreciation.

Intangible assets

3.55 Intangible assets represent less than 1% of the Total Assets and consist of purchased software such as Galetee (NAWEC's billing system) and Suprima (NAWEC's pre-payments system).

3.56 EY obtained the listing of Intangible Assets. The listing provided had the assets' value at the purchase date only. The details of how these had been amortized over the years were requested but were not provided to us.

3.57 We have reviewed the listing for reasonableness and noted the following:

- Two of the nine Intangible Assets were two and three-year software licenses purchased in 2010 and 2012, respectively. While these expired in 2012 and 2015, the Finance Director confirmed that they are still being amortized in accordance with the accounting policy, i.e., over 10 years until 2020 and 2022. This is not in line with IAS 38 which states that Intangible Assets need to be amortized over their useful economic life. As the useful economic life of the assets finished in 2012 and 2015, their Net Book Value needs to be written-down from GMD 145k (USD 3k)[33] as at December 31, 2017 to zero; and

- We noted an asset called "DT ASSOCIATS.PAYMT OF 20% ADVANCE PAYMT OF THE CONTRACT" which was acquired in 2015 for GMD 153k (USD 3k). As DT also became NAWEC's auditors in 2015, we requested support for the above payment to confirm it was associated with the accounting software package rather than the audit fees. However, the Finance team was unable to provide any support of the above despite multiple requests. Also, despite the description, there is no evidence that the remaining 80% of the asset has been capitalized since 2015.

3.58 NAWEC's inability to support the asset balance above raises concerns regarding its existence. Also, despite the small value of the transaction, it highlights NAWEC's frequent inability to provide support for its transactions, raising questions about the existence of the asset, and the robustness and reliability of the asset carrying value in the Financial Statements.

[33] Based on EY recalculation of NBV describes below.

Amortization

3.59 EY also re-performed the amortization calculation based on NAWEC's policy to amortize its Intangible Assets at a rate of 10% per annum. We calculated that the Intangible Assets balance is overstated by GMD 3.5m (USD 73k), or 37%[34]. An explanation for the difference provided by the Finance team is that the 2017 amortization has not yet been booked at the time of the audit. However, 2017 amortization only accounts for 1.5m (USD 31k) of the difference, with the rest of the difference of GMD 2m (USD 42k) (or 21% of the total balance) left unexplained.

Recommendations

3.60 We recommend that the NAWEC amortization policy is amended to allow for the situations where an Intangible Asset's useful economic life is shorter or longer than 10 years.

Investments

3.61 Investments represent less than 1% of the assets on NAWEC's Balance Sheet. The only Investment that NAWEC has on the Balance Sheet is an investment in Agua Gambia Limited, for the amount of GMD 5.5m (USD 115k).

3.62 This asset represents a payment made by NAWEC in response to an Executive Directive from the Office of the President in October 2015. The payment was made to Agua Gambia Ltd "*as Gambia Government's first quarterly payment of its share capital towards the Public Private Partnership*"[35&36].

3.63 We note that while NAWEC made the payment, it appears that it was not a formal party to the agreement. The agreement provided in support of the transaction confirmed that, on signature, The Gambian Government owned 40% of Agua Gambia Ltd, while the rest was owned by Agua Inc[37].

3.64 According to Senior Management, NAWEC did not have the funds, nor did its Management team want to invest in the entity at the time, but still made the payment in response to the Executive Directive. We therefore consider this to be a diversion of entity funds, which we have captured in our analysis of misused funds.

3.65 We consider that given that NAWEC is not part of the agreement between the Gambian Government and Agua Inc, it is not correct to classify it as an Investment. We therefore propose to reclassify it as a Government Receivable. NAWEC should then assess the recoverability of the Receivable and adjust its value accordingly.

Inventory

3.66 Inventory accounts for 7% of the Balance Sheet assets at NAWEC. It mainly consists of electrical and water equipment spare parts, and fuel.

Recording of Inventory

3.67 During our review we discovered that there is a backlog of Inventory related transactions to be entered into the system. Because of the backlog, the only time the Inventory Listing is updated is at the end of the year, and the updates are based on the year-end stock take

[34] This is inclusive of the overstatement of GMD 145k (USD 3k) detailed above.
[35] See "Re: Equity Contribution – Agua Gambia Ltd" Executive Directive from October 1, 2015.
[36] We note that NAWEC is currently in a separate licencing agreement with Agua Gambia whereby NAWEC leases its wastewater treatment assets to Agua Limited for a 10% profit share. However, these are two separate agreements.
[37] We note that this agreement is between AguaInc Ltd and the Gambian Government. However, the payment was made to the company acquired, i.e., Agua Gambia. No explanation of why this was the case was provided by the Finance Team.

results. 2017 Inventory data was only entered onto the system in January 2019, as a response to our request for the Inventory Listing.

3.68 As a result, bin cards[38] are the only source of information on the value of NAWEC's Inventory available throughout the year. The cards are updated when the Inventory is added or issued out without the system being updated. The number of items on a bin card for a particular type of Inventory is used as a point of reference for the year end stock take.

3.69 There are a number of issues with using this process, which we list below:

- ► This is not in accordance with the accounting manual which dictates that the accounting system needs to be updated for the Inventory movements within 24 hours;
- ► This is a manual system prone to human error and, potentially, fraud; and
- ► Up to date information regarding Inventory levels is key for management to be able to run the business effectively, for example to identify the cash flow requirements for an upcoming quarter. This system does not allow for this information to be available at any point in time other than year-end, and there is a significant time lag in the processing of the data, as exemplified by the Finance team only producing the 2017 report in early 2019.

3.70 EY was unable to reconcile the Inventory balance per the Inventory Valuation Report and the Balance Sheet. The difference was GMD 131m (USD 2.7m). According to the Stores team, the reasons for the difference was Inventory in Ballast Store. The location did not have any value assigned to its Inventory. At the time the system was set up, an error was made, and the cost price was defined as nil for all items. This has not been changed since and the report produced for this location always has zero value. EY was told that a separate report is collated for this location, but it was not provided to EY despite multiple requests.

3.71 We identified no HFO or LFO Inventory was on the listing. The Stores Manager explained that the fuel is booked as an expense during the year. It is only when the Inventory count is done at the year-end that the Inventory value is entered into the system and an equal proportion of the expense already posted during the year is reversed out. On January 1 each year, the year-end entry is reversed out.

3.72 We note that the Inventory Valuation Report differed from the Financial Statements in years prior to 2017. The issue was reported in the 2015 Audit Report, where DT, NAWEC's auditors, highlighted they had "*noted a difference of D10Million between the inventory valuation report and the General Ledger Balance. The difference was not supported, reconciled or corrected by Management*".

Stock takes

3.73 According to the NAWEC accounting manual, an annual stock take should be carried out. Given the process limitations identified, the year-end stock count is performed by pulling a list of all items of Inventory from the system without the amount and recording the number of Inventory items identified. These are checked against the bin card amount.

3.74 During our fieldwork we performed a physical count of a sample of Inventory items. The sample was selected from the 2017 Inventory Listing and the number of items expected to be seen in stores was taken from the current version of the bin card. We noted the following from the exercise:

[38] These are paper cards created for each type of Inventory used for manually updating any movements of the Inventory.

- The bin card quantity agreed to the number of items found in stores for 8 out of 18 Inventory codes tested (15 'sheet to floor' and 3 'floor to sheet')[39];

- No inventory existed for three codes from the sample. No bin cards were found for these codes which, according to the Stores Manager, means that the Inventory has not been ordered or used for many years. The total value of this Inventory as at December 31, 2017 was GMD 1,595,301 (USD 33,230)[40]. This balance should be written-off. In addition, one duplicate Inventory line with a value of GMD 23,382 (USD 487) was found on the 2017 Inventory Valuation Listing. The items did not exist and therefore their value needs to be written-off[41]:

  - While the value of the write-off above might not be significant, this highlights an important concern that of eighteen items tested, four (i.e., 22%) did not exist;

  - In addition, we identified more entries from our review of the Inventory Listing with identical descriptions. We were unable to test these due to time constraints, but these may indicate more duplicate items which need to be written-off;

  - While we have not extrapolated these observations over the whole Inventory balance, the finding suggests that the Inventory balance could be significantly overstated. We recommend further testing is completed to identify the exact size of the overstatement;

- Differences were found between bin cards and physical number of items in stores for six more items, three of them were understated and three overstated[42];

  - Such a discrepancy is of a particular concern for Invoicing Receipt Books. While the quantity of these was 1,897 per the bin card, we found 1,908 of these in stores. Unaccounted copies of such invoices had been previously used by NAWEC employees to commit fraud by issuing fake invoices to customers as described in the Interim Report;

- Based on the conversation with the Stores Manager, all items located in Kotu A according to the Inventory Listing were located in Kotu D. We requested but were not provided with any transfer forms to confirm that the transfer had been correctly recorded[43];

- Inventory items are not tagged, and reliance is placed on Inventory description rather than the Inventory item number. The absence of tagging may cause further difficulties with stock count and valuation;

- We also noted the following regarding the condition of some stores which could affect the Inventory's usefulness:

  - At Kanifing I there is no roof on the site due to maintenance. We also noted that some stock had fire damage as a result of the maintenance works;

  - At Kanifing I the shelves were visibly overloaded; and

  - At Kanifing I and Kotu A&D most of the Inventory was covered in dust.

[39] Stock items with the following numbers: K1-STAT0001, K1-VESP0019, K1-VESP0233, KA-GEME1334, KA-GEME1497, KD-GEME0363, KD-GEME1371, KD-GEME0141.
[40] These are items K1-VESP0270, K1-STAT0158, KA-GEME1263.
[41] Stock code KA-GEME1441.
[42] Stock codes K1-STAT0148, K1-STAT0022, K1-STAT0085, K1-STAT0019, K1-STAT0010, KD-GEME1174.
[43] For example, KA-GEME1334 found in Kodu D and not Kotu A.

Inventory valuations

3.75 It is NAWEC's policy to value stocks using the first-in-first-out (FIFO) method. The cost is determined using a standard method where cost is the purchase cost together with the related import duties, freight, and insurance and commission charges.

3.76 However, the costs of Inventory are not updated and the price an item is first purchased at is the price entered into the system and used for the Inventory valuation going forward. An example of this is the treatment of the Brikama Ballast store, where the cost has not changed since it was initially entered as zero. This is likely to result in the value of the Inventory being misstated.

3.77 An issue of wrong stock pricing was also highlighted by NAWEC's auditors in their 2015 Auditors Report which stated that "*some stock items were wrongly priced resulting in an overstatement of the stock values by D19million."* However, it appears that no actions have been taken to correct the issue.

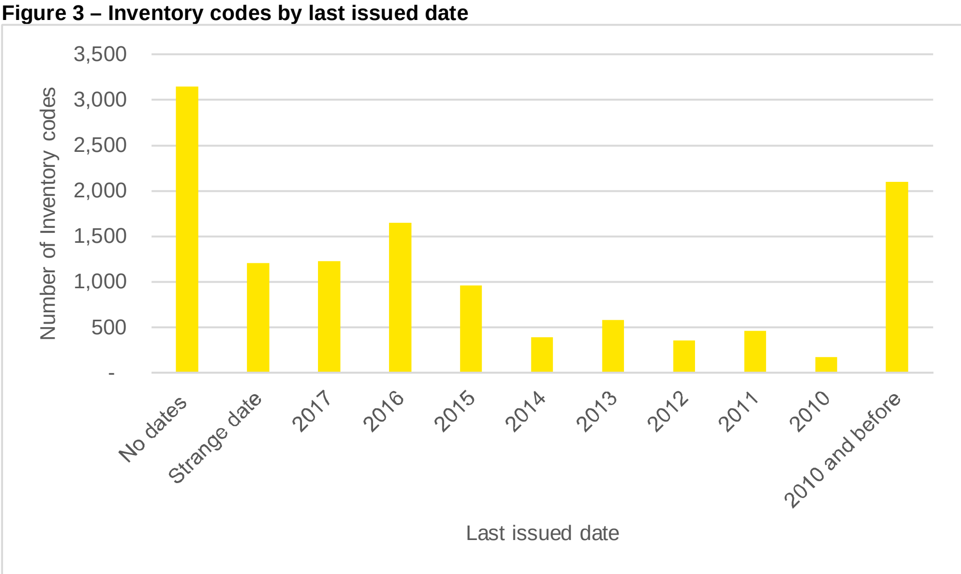
Inventory impairment

3.78 The accounting manual states that slow-moving stocks should be provided for at 25% per annum. We were unable to obtain further details as to what is considered as slow-moving stock by NAWEC. Similarly, no calculation was provided to confirm NAWEC's stock provision calculation for either 2016 (calculated but no details available regarding the method) or 2017 (not yet calculated).

3.79 The 2015 Auditors Report also stated that "*D6.9million was charged as provision on slow moving goods, but the basis of provision was not provided or supported with a list of the identified slow-moving stock*". As with the Inventory Valuation Report discrepancy, it appears that NAWEC has been historically made aware of the issue but has not taken any action to correct it.

3.80 We reviewed the Inventory Valuation Report and analyzed it based on when the Inventory was last issued. The results are summarized in the figure below.

Figure 3 – Inventory codes by last issued date



Source: Compiled by EY based on 2017 Inventory Listing

3.81 The figure shows the number of Inventory codes in each 'Last issued' category. There is a significant number of missing dates or dates which appear to be wrong (because they make no sense) on the listing provided. We therefore were unable to perform an Inventory impairment calculation. However, we make the following observations on the information provided to us:

- Of 12,233 Inventory line items, 2,094 (or 17%) were last issued in 2009 and earlier[44]. The value of this Inventory was GMD 26,426,520 (USD 550,464) as of December 2017, or 8% of the total Inventory value per the Valuation Report at the date. The earliest 'last issued date' identified was as early as 1989.
  - NAWEC's policy is to provide for slow moving items at 25%. However, it appears reasonable to have a much higher provision for items which haven't been used for over 10 years.
- We noted no date or nonsensical dates[45] of when items were last issued for 4,352 items (or 36%) as at 31 December 2017. The value of these items is GMD 44,829,805 (USD 933,804), or 14% of the total Inventory value per the Valuation Report. Therefore, not only is there a large portion of slow moving Inventory, but there is no indication of how old a significant portion of other Inventory is, meaning that Inventory could be overstated still further.

Planning

3.82 The policy states that every stock item has a re-order level. Current re-order levels are detailed in the accounting system. Stock is ordered when an existing stock reaches the re-order level or new stock is needed by departments. EY noted in the interim report that the stock level re-order level exists. However, we were unable to verify whether these were used.

3.83 Based on our current and more complete understanding of the way records are kept and given the limited availability of up-to-date information on Inventory levels in each location (i.e., this information is not being stored on the system), it appears unlikely that these levels are meaningfully used.

3.84 It is widely accepted that NAWEC has cash flow restrictions. Using re-order levels for inventories and planning ahead for any upcoming cash requirements is vital for the company. Therefore, it is concerning that the Inventory process does not allow to plan ahead and provide Management with the required information to make strategic decisions.

3.85 Planning also allows an organization to order the Inventory in advance when needed and avoid emergency procurement practices currently used by NAWEC.

Recommendations

3.86 Based on the above findings we make the following recommendations:

- NAWEC needs to start following its accounting policy and update the system with any Inventory movements throughout the year as opposed to once a year with a time lag of two years (the year-end balance for 2017 was only entered in 2019). NAWEC needs to start relying on the system, rather than the bin-cards;
- NAWEC needs to update the costs of stock on a regular basis and ensure stock is valued at the lower of cost or NRV;
- NAWEC needs to review all stock line items on the Valuation Report. Any duplicate line items need to be removed, the missing information regarding the acquisition cost, last issued date need to be updated;

[44] This includes line items with zero value.
[45] A date which is none existent or non-sensical, for example 1900.

► NAWEC needs to clarify its impairment policy, i.e., what a slow-moving item is, and to re-assess the value of the impairment based on that policy; and

► NAWEC should keep their stores in a safer and cleaner condition.

Trade and Other Receivables

3.87 The table below sets out a summary of NAWEC's Trade and Other Receivables as reported in the Balance Sheet as at December 31, for 2015, 2016 and 2017. As of December 31, 2017, Trade Receivables represent 17% of the Total Assets value on the 2017 Balance Sheet, with Staff Receivables and Other Receivables each representing less than 1%.

Table 23: Trade and Other Receivables for 2015, 2016, 2017

Receivable category	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Trade Receivables	1,036,057	25,829	907,328	20,732	1,310,186	27,291
Staff Receivables	24,459	610	29,531	675	23,191	483
Other Receivables	5,828	145	4,905	112	4,135	86
Provisions	-157,753	-3,933	-138,038	-3,154	-138,038	-2875
Total	**908,591**	**22,651**	**803,726**	**18,365**	**1,199,474**	**24,985**

Source: 2015 Financial Statements and the 2016-2017 draft Financial Statements.

3.88 Trade Receivables only arise from the billing revenue stream, i.e., where a customer is invoiced monthly based on consumption of both water and electricity. This revenue stream accounts for around 38% of the total revenue. The balance of the revenue (around 62%) mostly arises from selling pre-paid electricity[46].

3.89 While Trade Receivables may not represent a large proportion of NAWEC's Assets, and in fact can arise from only around 38% of revenue, it is an important area of the Balance Sheet as NAWEC has difficulties with managing its working capital. Therefore, effective cash collection as well as a prudent assessment of its Receivables balance is key for its 'going concern'.

Trade Receivables Listing

3.90 Neither the Commercial nor the Finance team were able to produce a 2017 Debtors Listing, a basic report showing the breakdown of the Debtors balance by customer / invoice. In addition, no ageing information was provided. The listing could not be obtained due to the limitations of Galatee, the billing system used by NAWEC.

3.91 An absence of such listing means that NAWEC is unable to establish the existence, valuation, and recoverability of its debtors. EY enquired whether NAWEC had ever produced the report and we were advised that this had only been done once in a paper format (around nine boxes of paper had to be printed). This is a critical limitation of the system as no reviewer is able to confirm with certainty that all individual invoices outstanding add up to the Trade Receivables balance on the Balance Sheet. From the Senior Management perspective, this report is also key to understand the Debtors' ageing and act upon this information, for example initiate legal action where necessary.

3.92 NAWEC provided us with what was described as Top Debtors reports (or Management Information reports) collated by the Commercial Department on a monthly basis for around

[46] We note that these are approximate numbers as there is lack of separation in the accounts between electricity generation, transmission and distribution and water supply.

50 customers. These reports contained information regarding Government institutions such as Local Councils, Ministries and SOEs.

3.93 The purpose of these reports is to provide the Management and the Government with the information regarding the arrears built up. These also appeared to have been used for the purposes of the MOU[47] to quantify the Government's debt to NAWEC to be offset against the NAWEC's liabilities taken over by the Government.

3.94 The reports provided monthly information on the amount billed and arrears before billing for the set group of customers. EY combined all monthly reports for 2017 and identified that data was missing for a number of months for some customers. We requested the missing information to be able to perform a meaningful analysis for each customer. However, it has only been partially provided. In addition, some existing data has been modified when provided for a second time[48].

3.95 We analyzed the monthly billing trends for the 'top 11'[49] customers from the listing provided. These were quite sporadic with no set pattern. The Commercial Team explained that this was because NAWEC's meter readers were not consistently granted access to the properties.

Trade Receivable balance and recovery

3.96 In absence of a debtors listing or ageing analysis, EY held a number of conversations with various members of the Commercial Team to understand the top 11 customer balances and their recoverability. EY requested supporting documentation as considered necessary to confirm the key arguments provided by NAWEC. The total balance outstanding from the customers tested represented around 44% of the overall Trade Receivables balance. Each of the categories is considered below.

[47] See Interim report for more details regarding the MOU.
[48] For example, in the first set of data, the monthly bill for GAMCEL in September 2017 was GMD 390,443. In the second set of data received this value changed to GMD 352,124, creating a difference of GMD 38,319 (USD 808.43). This difference is minimal; however, it raises concerns regarding the accuracy of the Receivables balance.
[49] Here and throughout the section this means top 11 customers from the Management Information report. While the Central Bank is not a 'top' customer, it has been included in the revue.

Table 24: Top 11 Debtors

No	Customer	2017 Debtor Balance GMD	2017 Debtor Balance USD	Category[50]
1	Brikama Area Council (BAC)	123,643,284	2,575,490	Local Council
2	Kanifing Municipal Council (KMC)	88,291,947	1,839,121	Local Council
3	Ministry of Health and Social Welfare	82,538,717	1,719,281	Ministries
4	Office of the President	80,667,426	1,680,302	Ministries
5	GRTS	53,618,969	1,116,883	Agencies
6	Banjul City Council (BCC)	32,142,841	669,535	Local Council
7	GCAA	32,050,311	667,608	Agencies
8	Ministry of Defense	25,611,764	533,493	Ministries
9	Ministry of Interior	24,375,489	507,741	Ministries
10	GAMTEL	19,982,601	421,537	Agencies
11	Central Bank & Co	8,320,411	173,314	Agencies
Total		**571,243,760**	**11,904,305**	

Source: Compiled by EY based on the Management Information Report.

Local Councils

3.97 The Brikama Area Council (“BAC”), Kanifing Municipal Council (KMC) and Banjul City Council (BCC) are three local councils for which NAWEC provides water and electricity for office buildings, street lights, townhalls and other public facilities. The total balance of the councils' arrears was GMD 244,078,074 (USD 5,084,146).

3.98 One of the main issues identified for this customer category was an ongoing issue with regards to the current bills and arrears in relation to streetlights. Local councils, which NAWEC currently invoices for streetlights, believe that these are the responsibility of the National Road Authority (NRA). According to the Commercial team, NRA does not accept the responsibility and does not attend any meetings where the issue is discussed between the relevant stakeholders.

3.99 EY obtained a breakdown of the balance for BAC (for 2017 and partially for 2018), BCC and KMC from Galatee to identify the proportion of debt relating to streetlights and other facilities. The information is summarized below.

Table 25: BAC, BCC and KMC debt breakdown

	BAC		BCC		KMC	
	GMD	%	GMD	%	GMD	%
Streetlights	67,228,302	59	22,426,775	80	70,943,018	92
Other	47,390,044	41	5,776,492	20	6,385,550	8
Total	**114,618,346**[51]	**100**	**28,203,267**[52]	**100**	**77,328,569**[53]	**100**

Source: Compiled by EY based on the Galatee system reports for BAC, BCC and KMC as at December 31, 2017.

[50] The categories were assigned to mirror the MOU Debtors categorization. As no details of what customers were included in each category were provided in the MOU, we used the following source to assign the categories: http://www.accessgambia.com/information/government-directory.html.
[51] This balance does not agree to the Management Information report.
[52] This balance does not agree to the Management Information report.
[53] This balance does not agree to the Management Information report.

3.100 As shown in the table, in 2017 street lights make up a large proportion of each council's overall balance, i.e., 59%, 80% and 92% for BAC, BCC and KMC respectively. The MoFEA agreed to centrally make the payments for streetlights to NAWEC to ensure these are timely received[54]. It was not clear whether the payments are to be made for the historic balances or the balances going forward. We recommend that NAWEC clarifies with the MoFEA whether the payments to be settled by the MoFEA will relate to future periods or cover the arrears as well. This can significantly influence the assessment of the balances recoverability.

3.101 Based on the Galatee system reports for 2018 no payments have been made by any of the three councils in 2018 in relation to streetlights or other bills[55]. However, the following efforts are being made to recover the balances owed to NAWEC:

- NAWEC and the local councils are currently attempting to perform a netting-off exercise for each other's bills to come up with an overall balance outstanding from the councils. The exercise is still in progress;

- EY notes that while any netting-off exercise will reduce the total outstanding balance from Government debtors, it is unlikely to reduce the debt significantly. This is because the services NAWEC provides are likely to be more expensive than the council's rates. For example, the amount outstanding from BCC as of December 31, 2017 is GMD 32,142,841 (USD 669,535). The amount outstanding from NAWEC (as confirmed by the council) for 2012 to 2015 is GMD 4,888,065 (USD 101,818). Extrapolating this value to account for potential additional debt the council might have claimed for 2016 and 2017, NAWEC can offset a total of GMD 8,020,017[56] (USD 167,060) against the amount outstanding from the council, or 25%. NAWEC therefore needs to consider the recoverability of 75% of the council's debt;

- NAWEC deducts 50% of any payments made by KMC towards their pre-paid meters and allocates these to the historic balances (this used to be 75%). EY has seen the calculation of such deductions for 2018 but has not seen the evidence of these being allocated to the KMC account. While this can be explained by the backlog of daily transactions to be posted, it is considered an issue as this can mean that NAWEC is not aware of the most current outstanding balance from each client to be able to promptly recover these without entering into a dispute; and

- The Lord Mayor of BCC has promised to start paying all electricity bills and has a payment plan to reduce the arrears, with 60% of car park fee revenue to go to NAWEC[57]. As the letter is dated January 22, 2019, EY was unable to observe whether this plan is being adhered to.

3.102 There is currently no payment plan in place for BAC. BAC has requested help from the Government to resolve the dispute over the arrears NAWEC are owed, which has resulted in no recovery plan[58]. The arrears which NAWEC is owed are from over five years ago, when the BAC offices were disconnected. BAC states that the arrears relate to streetlights and believes it is the NRA which should make the payment. However, as seen from the table

[54] Letter from MoFEA, dated January 29, 2018 and titled Enhancing Financial Discipline in the Electricity Sector.
[55] We note that it was confirmed by the Commercial Team on multiple occasions that the 2018 Galatee reports provide details of any payments made in 2018. This was also confirmed on the phone call between EY and the Commercial Team which took place on February 19, 2019. However, we have also been provided with STREET LIGHTS 2018 spreadsheet detailing some payments made in February – April 2018 by all three councils in relation to street lights. It is unclear whether this table was correct as it contradicts other documentation provided as well as the Commercial team's verbal confirmation that the councils made no payments in relation to street lights in 2018.
[56] Based on GMD 1,565,975 (USD 32,619) yearly charge.
[57] Letter from Chief Executive Officer to NAWEC, dated January 22, 2019, titled Re: Aide de Memoire (NAWEC Arrears)
[58] Letter from BAC, dated November 28, 2018, titled Appeal for Government support/intervention on NAWEC Arrears

above, the streetlight arrears for BAC contribute to only 59% of the arrears. Therefore, the recoverability of the rest of 41% needs to be assessed by NAWEC[59].

3.103 The balances due from the Local Councils form part of the Memorandum of Understanding ("MOU"). We based this conclusion on the fact that the outstanding balance from the councils according to the MOU equaled GMD 269,042,285 (USD 5,604,150) and agreed to the same according to the Management Information report for June 2017. The MOU suggests that 29% of this balance will be offset against NAWEC's liabilities to the Government.

3.104 In summary, it appears that the outstanding balances from the councils are relatively old. There are a number of efforts being made to recover these, however, NAWEC has not made any overall assessment of whether these will be ever recovered in full. This is of particular concern for BAC where the council does not agree it owes anything to NAWEC.

3.105 We recommend that NAWEC makes an assessment of the above and provides for or writes-off the balance it does not consider recoverable. The assessment needs to take into consideration the balances to be offset against NAWEC's debt according to the MOU.

Ministries

3.106 The Ministry of Health & Social Welfare, Office of the President, Ministry of Defense and Ministry of Interior are four ministries for which NAWEC provides water and electricity for office buildings, hospitals and security sites. The total debt outstanding from these is GMD 213,193,398 (USD 4,440,818).

3.107 We requested a breakdown of these balances from the Galatee system, but we have only been provided with three: The Ministry of Health and Social Welfare with the balance of GMD 71,032,925 (USD 1,479,615), The Ministry of Interior with the balance of GMD 14,527,686 (USD 302,611) and The Office of the President with the balance of GMD 74,772,782 (USD 1,557,517). All balances were different from the Management Information report (14%, 40% and 7% difference).

3.108 There is evidence that the Ministries pay bills for their past arrears. EY observed this for the Ministries of Defense[60], Interior[61] and Health & Social Welfare[62]. However, these were for 2018 invoices which means that the recoverability of the 2017 balance is still a concern.

3.109 In addition, the payments have not been reflected in the Galatee system reports for 2018 by the two councils we were able to obtain the 2018 system download for. This shows that NAWEC is not regularly updating its system. As above, while this can be explained by the backlog of daily transactions to be posted, it is considered an issue as this can mean that NAWEC is not aware of the most current outstanding balance from each client to be able to promptly recover these without entering into a dispute.

3.110 Most Ministry offices have had their post-paid meters replaced with pre-paid meters, but these meters do not take away any deductions to be allocated to the arrears (unlike KMC). There are areas which have post-paid meters installed such as the Hospitals and Security sites, but these are to be covered by the payments made centrally by the MoFEA from January 2018;

3.111 The balances due from the Ministries form part of the MOU. The current version of the MOU recognizes that Ministries owed NAWEC GMD 202,688,978 (USD 4,222,011) as of June 30, 2017, and suggests that 100% of this balance is offset against NAWEC's liabilities. EY was

[59] BAC committed to pay for 'Other' bills from January 2017 onwards in their letter dated November 28, 2019. However, no such payments have been made according to the Commercial team.
[60] Memo dated October 29, 2018 for payment for June 2018 bills.
[61] Memo dated August 17, 2018 for part payment for March bills.
[62] Memo dated October 26, 2018 for payment for February 2018 bills.

unable to reconcile the MOU balance to the balance outstanding per the Management Information report[63].

3.112 In summary, it appears that the outstanding balance from the four ministries as of December 31, 2017, has not been paid off. No active efforts to recover the balance appear to be made. However, according to the MOU, 100% of the balance will be offset against NAWEC's debt, therefore it appears recoverable.

Agencies

3.113 GRTS, GCAA, GAMTEL and Central Bank are four agencies for which NAWEC provides water and electricity for office buildings, runways and outlets[64].

3.114 EY requested a breakdown of these balances from the Galatee system which were provided as set out in the table.

Table 26: Galatee breakdown for Agencies

No	Customer	Galatee balance GMD	MI Report balance GMD	Difference GMD	Difference %
1	GRTS	50,313,038	53,618,969	3,305,931	6%
2	GCAA	26,642,215	32,050,311	5,408,095	17%
3	GAMTEL	11,196,223	19,982,601	8,786,378	44%
4	Central Bank	2,205,713	8,320,411	6,114,697	73%

Source: Compiled by EY based on the Galatee system reports and Management Information report for GRTS, GCAA, GAMTEL and Central Bank as at December 31, 2017.

3.115 As shown in the breakdowns provided, the Galatee system total amounts are always significantly lower than those presented in the Management Information (MI) report. This raises concerns whether the information provided to Senior Management is correct. In addition, the MI reports are used in the MOU to identify the balances to offset against NAWEC's debt. We therefore recommend that these are to be reassessed to reflect the most accurate balance.

3.116 According to the Commercial department, Agencies do not regularly pay their bills on time and it is not until NAWEC disconnects the Agencies that a payment is made.

3.117 Based on the Galatee system reports for 2018, no payments have been made by three of the four Agencies in 2018 in relation to their bills (a payment was made by GAMTEL in 2019 which is detailed below). There are currently no plans in place to recover arrears from Agencies and in the MOU there is no amount allocated for the Agencies arrears to be offset against the NAWEC's liabilities.

3.118 However, we noted the following with regards to the efforts made to recover the balances owed to NAWEC:

- ► NAWEC has recently replaced all of GRTS's post-paid meters with pre-paid[65] ones. The meters do not have the element of arrears deduction (unlike KMC). As this was a recent

[63] There is a difference of GMD 13,568,668 (USD 280,344), which can be explained by not all Ministries being listed on the Management Information Report. Access Gambia has a list of all the Ministries on their website http://www.accessgambia.com/information/government-ministries.html
[64] EY observed from the Management Information report that not all Government Agencies were listed and that there was missing information from some of the Agencies in random months. It was unclear why this was the case.
[65] Letter to GRTS from NAWEC dated January 24, 2019 titled, Notice of replacement of your conventional meters to cashpower

change, a decision has been made to give GRTS time to adjust and then discuss a recovery plan for the arrears;

- There is no recoverability plan in place for GCAA;

- GAMTEL has no pre-paid meters and there is currently no plan to install them. Recently, GAMTEL paid a bill that equated to approximately GMD 1.9m (USD 39K) covering their October 2017 bill. The payment represented just under 10% of the overall arrears as of December 31, 2017. This was paid when NAWEC disconnected GAMTEL temporarily; and

- NAWEC nets-off their bills with their customers. For example, there was a netting-off exercise between NAWEC and GAMCEL according to the letter dated September 19, 2018. As a result of this exercise GMD 3.7 of GMD 3.8m owed by GAMCEL has been offset.

3.119 For the Central Bank there is uncertainty with the regards to the arrears balance. We note that the difference between the MI report and the Galatee balance is also significant (73% as per the table above). The customer believes that they owe significantly less. There has recently been a meeting between the Central Bank and NAWEC to resolve the issue, but the result has not been communicated to EY as the fieldwork had finished by the time it became available.

3.120 NAWEC claims this is an issue for customers who pay their bills through the Central Bank. EY observed a credit note from the Central Bank[66] which did have limited details, as it did not outline who the payment was from. However, the detail does appear to include a unique number which NAWEC could use to help identify the correct invoice to allocate it against in the system.

3.121 By not allocating the payments against the right customer or invoice, NAWEC are at risk of entering into unnecessary disputes with customers. We therefore recommend that NAWEC reconciles the outstanding balances with all its customers.

3.122 We also recommend that a specific provision is considered for the outstanding balances for GRTS and GCAA as no payments have been made in respect of these since 2017, and no efforts are made to recover the arrears for 2017 and before. The recoverability of the balances due from GAMTEL is also to be re-assessed. Only 10% of the bill has been recovered since 2017. The arrears are building up and therefore a reasonable provision needs to be booked against this debtor.

'Former regime' arrears

3.123 Large historic arrears for water and electricity built up in the previous regime from State House, the ex-President's previous residence, and, according to the Commercial team, the businesses related to the ex-President, being Kanilai Farms, Kanilai Group International (KGI), Green Industries and Maintenance Service Agency.

3.124 State House is part of the account for The Office of the President[67] which as of December 31, 2017, had the total balance of GMD 80,667,426 (USD 1,680,302) outstanding and is considered as a Ministry[68]. If the MOU goes ahead, the arrears will be covered as explained in the section above.

[66] Credit note from Central Bank dated April 17, 2018 with reference DD1810748111 and payment details NAWEC-PYT IRO 02103000113000/112500, transfer amount GMD 5,244.03
[67] This is seen in the customer listing for Office of the President.
[68] Access Gambia has a list of all the Ministries on their website
http://www.accessgambia.com/information/government-ministries.html

3.125 However, there is an issue with respect to the recoverability of the businesses' arrears. Some of these debts date back to as early as 1993 (Kanilai Farms), when the meters were installed[69]. EY was unable to obtain the value of the arrears as of December 31, 2017, as the last time they were included in the MI report was October 2017.

3.126 According to the MI Report, these businesses are Agencies and, while no netting-off is suggested for these in the MOU, they are included in the amount presented as due from Agencies as of June 2017 (GMD 61,583,205 or USD 1,282,778 representing over 36% of the total Agency balances). As the agreement resulting from the MOU has still not been finalized, we suggest that the Government reassesses whether these balances are, in fact, Agencies. This is in case a decision is made to offset these against NAWEC's debt.

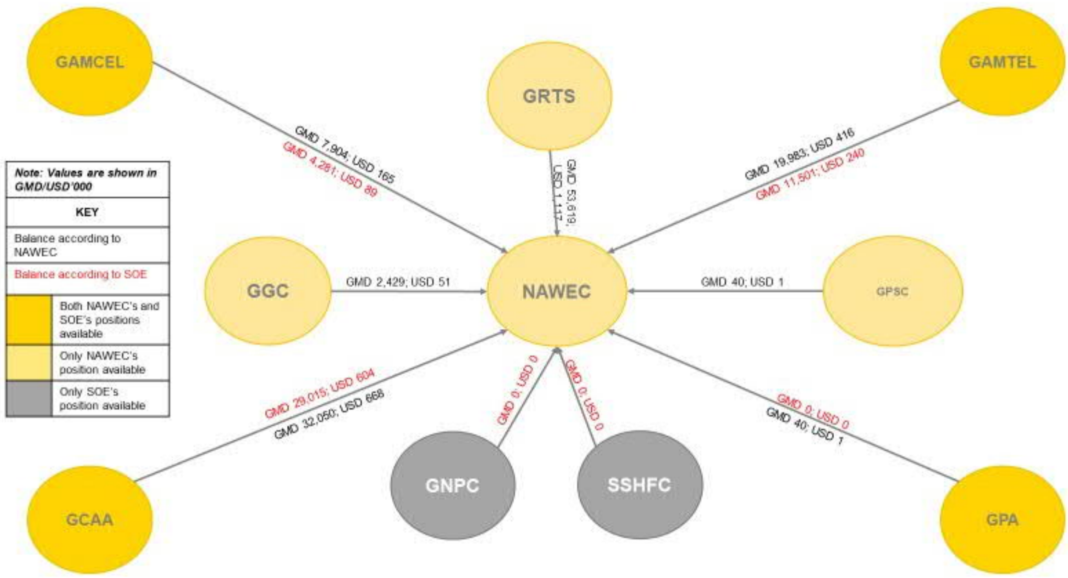
3.127 NAWEC is making efforts to recover these debts by either disconnecting meters but is facing significant challenges. For example, according to the Commercial team, NAWEC has recently tried to disconnect the post-paid meters to replace them with pre-paid meters for the Maintenance Service Agency but they were prevented from doing so. NAWEC's engineers were prevented from leaving the premises by the Police Intervention Unit (PIU) who had withheld the engineers' vehicle until the freshly disconnected meters are reconnected.

3.128 NAWEC needs to reassess the recoverability of these debts and provide accordingly.

[69] We note that this was based on the conversation with the Commercial Team who provided us with the Kanilai Farms meter listing detailing when the meters were installed. According to the team no payments have been made by for these meters since.

SOE Trade Receivables

Figure 4: SOE Trade Receivables



Source: Compiled by EY based on the information provided by other SOEs and NAWEC's Management Reports

3.129 We also compared the balances NAWEC believes are owed by other SOEs and what SOEs have in their books. The results are summarized in the figure above. While the balances do not differ significantly, each of them differs. This highlights the importance of performing reconciliations with each customer for NAWEC to ensure that the overall Trade Receivable balance is correctly stated and recoverable.

Dormant accounts

3.130 EY has been advised that NAWEC employed the Asset Management & Recovery Corporation (AMRC) to help recover the arrears from dormant accounts. EY requested, but has not been provided with, information regarding which accounts AMRC looked at. However, we were provided with the list of dormant accounts below. We note that at least three of the six accounts appear to be active with invoices raised in 2018 and recent payments made. We have not considered these further.

Table 27: Dormant accounts

Institution	Total Due GMD	Last Billed	Last Payment Date	Last Payment Amount GMD
Tanji Ice Plan	4,127,533	n/a	July 31, 2016	2,850
Sankung Sillah & Sons	2,200,726	December 2018	November 15, 2018	50,000
National Partnership Enterprise	1,760,599	June 2011	August 1, 2018	20,000
Golden Beach Hotel	252,860	November 2018	November 16, 2018	6,400
Laguna Beach Hotel	782,741	June 2013	NA	NA
Laico Atlantic	4,223,913	December 2018	January 14, 2019	631,461
Total	**13,348,372**			**710,711**

Source: NAWEC's dormant account listing

3.131 EY held a conversation with the Commercial Department to discuss the rest of the table. It was confirmed that for both Tanji Ice Plant and National Enterprise Partnership, no efforts are currently being made to recover the debt. NAWEC needs to confirm whether the debts are recoverable and, if not, write this debt off.

3.132 As confirmed during the review of the Internal Audit reports[70], the Laguna Beach Hotel owes NAWEC for invoices from 2003, when it was still in business. NAWEC has made effort to contact the proprietor of the hotel, but no further action has been taken. As the bills have been outstanding since 2003 and the hotel is not known for being active[71], a recommendation would be to write-off the Trade Receivable balance.

Provisions

3.133 As noted in the Interim Report, it is our assessment that the Bad Debt provision policy is not adequate. The provision for bad debts should reflect a prudent estimate of the extent to which amounts owed and may not be paid by NAWEC's debtors. Under the current policy, government receivables are never provided against, and other debts have to be outstanding for over seven years to be considered irrecoverable. This does not reflect the reality of likelihood of recoverability and results in an overstatement of debtors.

3.134 In practice, the current system used to account for debtors does not provide the debtors ageing analysis. NAWEC therefore applies 15% flat rate to the debt outstanding as opposed to following its own policies. The current auditor highlighted in the recent Management Letter that this is not good practice[72].

3.135 EY recalculated the provision for 2010 to 2016 and confirmed that NAWEC has used a 15% rate to calculate its general provision. As it currently stands, 2017 provision is at 10% but this has not been finalized yet.

3.136 The current policy also states that the Central and Local Government balances are excluded from being provided against. This policy appears unreasonable, especially given the amount and age of the Government debt. We recommend that the policy is amended to include such balances in the provision calculation.

[70] Internal Audit Report March 2017
[71] EY conducted research and found no results for Laguna Hotel.
[72] Management Letter from DT Associates 2015 audit, pg. 36.

Recommendations

3.137 NAWEC needs to re-assess the recoverability of a number of Trade Receivable balances. This is especially the case for the debtors which do not have a repayment plan in place, where no payments have been made since 2017 or where there is a dispute between NAWEC and the customer.

3.138 NAWEC is to perform the reconciliation of the major balances outstanding from each customer, with the customer;

3.139 NAWEC is to revise its Bad Debt provision to make it more prudent as described above;

3.140 NAWEC is to replace the existing billing system with a system which produces all the basic reports, including ageing and Trade Receivables breakdown.

Staff Loans

3.141 Staff Loans Receivable balance represents less than 1% of the Total Assets on the Balance Sheet in 2017.

3.142 The types of loans provided by NAWEC to its employees are summarized below.

Table 28: Staff Loans Receivable

Loan	Interest Rate	Loan	Description
Building	5%	15 years	The loan is for a purchase of land or building materials. After the first disbursement of the loan, deeds of the property are to be provided to NAWEC[73] before any further disbursements are made, unless there are exceptional circumstances.
Car	2%	5 years	The loan is for the purchase of a vehicle or its maintenance. NAWEC must be provided with car insurance details and be listed as a driver before the first disbursement. Staff who are a Grade D or above only pay back 50% of the loan.[74]
1 x 6	0%	6 months	Related to the supplies for the Tobaski festival.
Other	0%	12 months average	This is to account for staff salary advances. This category is also used for the transfer of various loans between categories.[75]

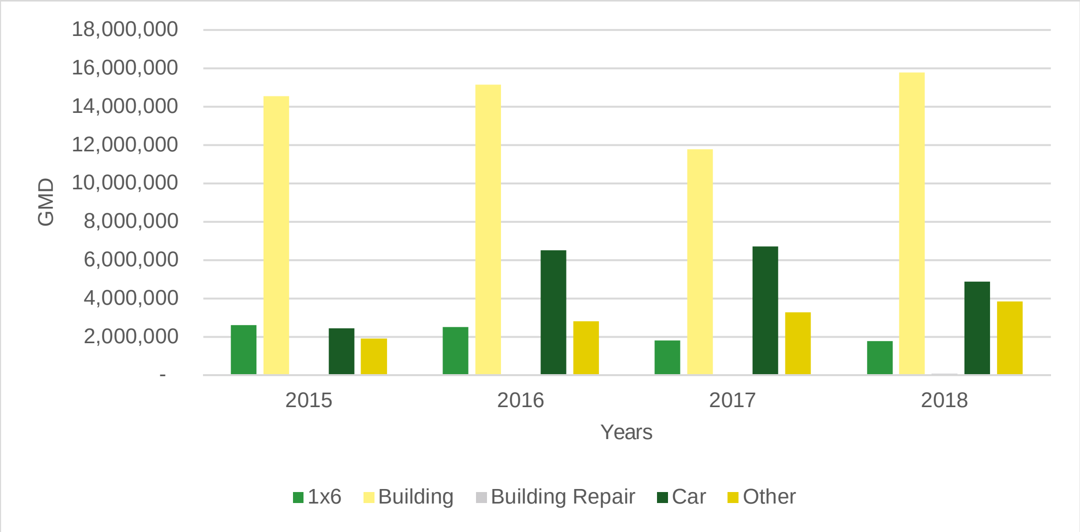
Source: Staff Service Rules 2014 and Accounting Policy.

3.143 In addition to the above, staff are also able to take out loans with the Credit Union and the NAWEC Staff Association (NASA).

3.144 The figure below shows different types of Staff Loans Receivable from the Payroll Reports over the period 2015-2018.

[73] This is a recent policy introduced by NAWEC, to help with the recovery for Staff Loans.
[74] EY was unable to confirm if the full amount of the Staff Loan Receivable for Grade D employees and above was accounted for in the Receivables balance. Page 33 of the Service Rules NAWEC 2014.
[75] The Company Secretary transferred their loan over from their previous employer and this loan was a Building Loan with a different interest to NAWEC.

Figure 5: Staff Loans Receivable Breakdown

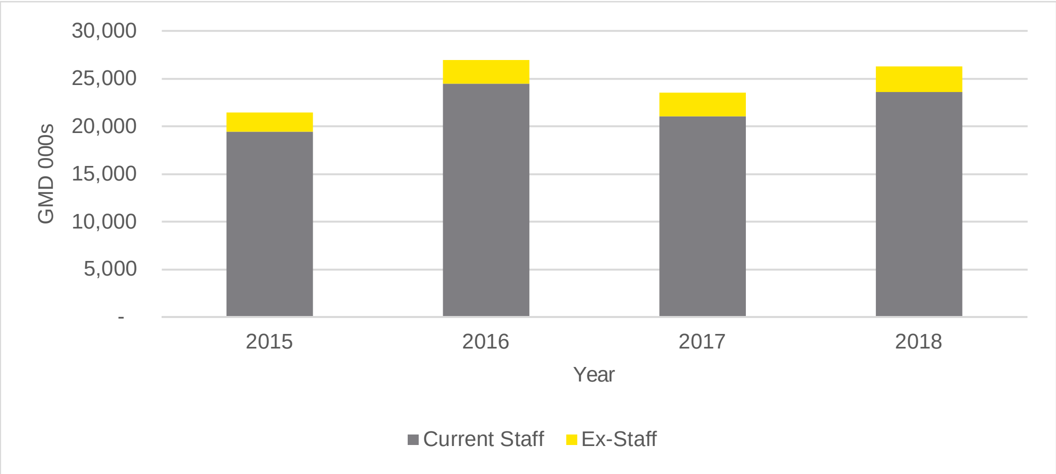


Source: Payroll Reports as at December 31, 2015-2018.

3.145 As seen in the above figure, Building and Car Loans represent most of the Staff Loans Receivables balance. This is due to these loans being the larger balances which are borrowed over a longer period of time in comparison to other Staff Loans.

3.146 The Staff Loans Receivable is a composition of loans owed to NAWEC by current and ex-staff as shown in the figure below.

Figure 6: Staff Loans Receivable Composition



Source: Compiled by EY based on the Payroll Reports from as at December 31, 2015-2018.

3.147 On average, 10% of the Staff Loans Receivable is from ex-staff of NAWEC and this on average comprises of 100 people owing NAWEC GMD 24,271 (USD 543). In comparison, 90% of the Staff Loans Receivable is from current staff of NAWEC and this on average comprises of 1,451 people owing NAWEC GMD 15,254 (USD 338). Between current and ex-staff, ex-staff owe NAWEC on average 59% more than a current staff member. As at December 31, 2017, there were 1,430 of current staff, and 106 of ex-staff that held an outstanding loan position.

Reconciliation

3.148 EY requested from NAWEC the reconciliations between the Payroll reports and the accounting system for 2015, 2016 and 2017. The accounting policy required that the reconciliation should be done each month[76]. EY was informed by the NAWEC Payroll team that this reconciliation had not been completed since 2015.

3.149 EY attempted to reconcile the Staff Loans balance per the Payroll Reports and the Balance Sheet for 2015, 2016 and 2017. The differences identified were GMD 3m (USD 75k), GMD 2.6m (USD 60k), GMD Cr 300k (USD Cr 6k) or 12%, 9% and -1% respectively.

Due Process of Acceptance of a Staff Loan

3.150 EY walked through the process of obtaining a Staff Loan with the HR department and the Payroll team. There are no clear criteria regarding how long an employee needs to have been with NAWEC to be eligible for Staff Loans.

3.151 For a Staff Loan to be approved, a staff needs to[77]:

- ► Fill out the Loans application form; and
- ► Meet the 50% take home criteria, i.e., estimated new net pay cannot be less than 50% of gross pay. This is known as the eligibility percentage.

3.152 EY tested the January months for the period 2015-2017 to ensure that the eligibility percentage was being adhered to. The results of this exercise are summarized below.

Table 29: Staff Loans Receivable Composition

Year	Number of staff with loans	Number of staff not meeting eligibility before loan deductions	%	Number of staff not meeting eligibility after loan deductions	%
2015	1,482	117	8%	441	30%
2016	1,442	179	12%	535	37%
2017	1,430	180	13%	541	38%

Source: Compiled by EY based on the Payroll Reports for January 2015-2017.

3.153 The results show that a number of people (227 individuals over the 3 years period) had loans despite them not meeting the eligibility percentage. Further analysis also shows that 8 of the employees' net pay after their loan deductions became less than 10% in January 2015, 4 in January 2016 and 7 in January 2017.

3.154 EY consulted with the HR department at NAWEC which confirmed that the eligibility percentage is not always being adhered to. HR quoted the Service Rules Manual, being that the MD as the Chief Executive can use his/her reasonable discretion to approve loans for staff as he/she deems fit[78]. We understand this to mean that the MD can override the control of the 50% eligibility criteria.

3.155 EY selected two individuals[79] to see if all the documentation required to be kept has been kept. The documentation which should be observed is Staff Loans application form, calculation of eligibility percentage, amortization schedule, documentation depending on the loan[80], Loans Committee minutes and approval from the MD.

[76] NAWEC Policy and Procedure Manual 7.3.4 Staff loans and advances
[77] NAWEC Policy and Procedure Manual 7.3.4 Staff loans and advances
[78] Service Rules, Chapter VII, 7.0 Advances, 7.1 General
[79] Both were from 2013 for a Building and Car Loan.
[80] If a Building Loan, deeds to the property. If a Car Loan, insurance with NAWEC also named on the documentation.

3.156 For the Building Loan example, the due process was partly followed. EY could not see any Loan Committee minutes except for the memo[81] that was addressed to the Chairman for the Loan Committee, with the MD being cc'd in. Everything else was adhered to.

3.157 For the Car Loan example, the process of obtaining a Loan bypassed the formal process. For instance, there was a memorandum addressed to the MD with no Loan application. It is unclear if the Loan went to the Loans Committee for their consideration.

Recoverability of Staff Loans from current staff

3.158 For current staff, monthly deductions are taken from their salaries automatically. The Payroll team sets-up the Staff Loans in the system once it has received full confirmation from HR. There are no breaks[82] in the payback period for staff, so the loan period is set in the system.

Recoverability of Staff Loans from ex-staff

3.159 NAWEC has not historically written-off any Staff Loan balances, so these balances include Staff Loan Receivable amounts that may not be recoverable.

3.160 Before a member of staff leaves NAWEC (except in the circumstance of death), he/she must either settle their liabilities or set-up a payment plan. Over the years these controls have not been adhered to and the balances have not historically been chased.

3.161 Currently, the Company Secretary is working through a list which was created by the External Auditors following their 2015 External Audit[83]. Whilst this is a good initiative from the Company Secretary, the issue is that the focus is on balances which are greater than GMD 20,000 based on a potentially obsolete listing from 2015. Since then, more staff have left the company, which could have resulted in an increase of the receivable balance from ex-employees. Given the current situation, it appears unlikely that any balances which are below 20,000 will be chased, and therefore a provision for these should be considered.

3.162 One of the loans NAWEC is trying to recover is a loan outstanding from Famalang Darboe. This ex-staff has one of the highest outstanding Staff Loan Receivable amounts totaling GMD 647,079.32[84] (USD 13,225.65) representing 3% of the overall Staff Loan Receivable balance. NAWEC has attempted to contact this individual[85] but did not receive any response from him. NAWEC wanted to recover the liability through the individual's SSHFC Pension Contributions, however, this individual was part of an old scheme, and NAWEC needs his authority to use his contributions. As noted below, NAWEC needs to confirm its position with regards to the Statute of Limitation in order to assess the recoverability of this loan.

3.163 In addition, EY noticed a difference between the value on the Payroll Report and the value on the Management Letter (which the Company Secretary is using). The Payroll Report gives a higher loan value balance for Building Loan than the Management Letter by GMD 19,949.48 (USD 412). NAWEC needs to confirm the balance of all the loans to ensure they are chasing for the correct amount.

3.164 In the Company Secretary's pursuit of recovering loans, a member of ex-staff obtained legal advice that due to the Statute of Limitations, NAWEC cannot recover its loan as it has taken so long to attempt to recover it. NAWEC is still chasing loans beyond the period as it will get responses from ex-staff who will acknowledge this, making the statute void.

[81] Dated January 2, 2013 with subject Building Loan
[82] This is despite that the Accounting Policy 7.3.4. Staff loans and advances, where all loan deductions to be waived at 'Tobaski' and Christmas.
[83] Management Letter from DT Associates 2015 External Audit
[84] This is from the Payroll Report as of December 31, 2018. It is a combination of a Building Loan (GMD 418,939.32) and a Car Loan (GMD 228,140.00)
[85] EY have observed email communications dated March 19, 2018 and a demand letter dated January 18, 2018.

3.165 The Limitation Act states that "*An action founded on simple contract shall not be brought after the expiration of six years from the date on which the cause of action accrued*."[86]

This appears to imply that once it has been six years since either the final date of payment due or when the staff leaves employment, NAWEC can no longer chase for unpaid staff loans. We summarized the amount of loans falling under the Statute of Limitations under either of the two scenarios as can be seen below. We also tested the position of Staff Loans Receivable for 2017 and 2018 in light of this statute[87]. See a summary of the results below.

Table 30: Implications of the Statute of Limitation

6 years from the final loan payment due		**% of Staff Loan Receivable Balance**	**6 years from point staff left NAWEC**		**% of Staff Loan Receivable Balance**
GMD	USD		GMD	USD	
61,159.74	1,263.63	0%	713,720.73	14,736.30	3%
25 1x6 Loan			1 Building Loan 1 Car Loan 26 1x6 Loan		

Source: Compiled by EY based on the Payroll Reports as at December 31, 2017.

3.166 If the date a contract 'accrued' on is taken as the time an employee leaves NAWEC, this would be significant for NAWEC, as 3% of the Staff Loan Receivable should be written-off.

3.167 NAWEC is making sure that all necessary steps are taken to recover the loans for ex-staff and that the process is duly followed going forward. Examples of such efforts include placing an advertisement in National Newspaper[88] asking for ex-staff of NAWEC to come forward and repay their loans as well as putting in place Debt Repayment Agreements[89] with ex-staff. These agreements outline the debt owed and the repayment schedules. These agreements are signed by both NAWEC and the ex-staff, making the Loan acknowledged and enforceable.

Recommendations

3.168 EY makes the following recommendations with regards to the Staff Loans:

- ► The Payroll team and Finance team need to adhere to the NAWEC policy and reconcile the Staff Loans Receivable to the accounting system on a monthly basis;
- ► The Service Rules need to agree with the accounting policy regarding the criteria of obtaining a Staff Loan. These rules need to be consistently adhered to;
- ► NAWEC should make attempts to recover ex-staff loans with a balance of under GMD 20,000 and/or write these off. NAWEC should assess the recoverability of the balances above GMD 20,000 and make an adequate provision against these.
- ► NAWEC to get legal advice for the Limitations Act to better understand its rights to recover the loans;
- ► NAWEC is to introduce a form of ageing analysis such that it can make a provision against outstanding loans when certain milestones are reached. The balances need to be written off after six years unless ex-employees explicitly acknowledged they have this loan in place and will repay it back;

[86] Limitation Act of The Gambia, Actions Founded on Simple Contract.
[87] EY assumed that all Staff Loans are simple contracts.
[88] EY observed an extract from a Newspaper which was released in the Autumn of 2018.
[8989] EY observed the example of Ida Ndure dated April 24, 2018.

- NAWEC needs to introduce a policy to sign a formal contract with all employees receiving a staff loan in the future.

Cash at bank

3.169 NAWEC's Cash balances for the period from 2010 to 2017 are summarized below.

Table 31: Cash balance in GMD (000)

	2010	2011	2012	2013	2014	2015	2016	2017
Cash at bank and in hand	20,477	27,641	32,997	27,365	65,870	97,212	181,734	325,827
Bank overdraft	-78,164	-126,836	-205,273	-137,126	-153,336	-121,843	-142,442	-193,773
Net	**-57,687**	**-99,195**	**-172,276**	**-109,761**	**-87,466**	**-24,631**	**39,292**	**132,054**

Source: Compiled by EY based on the 2010-2015 Financial Statements and 2016-2017 draft Financial Statements.

3.170 As at December 31, 2017 NAWEC had net GMD 132m (USD 2.7m) at bank and in hand. However, we note that NAWEC has not closed the 2017 year in its accounting system. Therefore, the balance continues to move substantially as new transactions were being posted by the Finance team during the time of our review.

3.171 Therefore, the draft Balance Sheet Cash balance could not be tested at the time of the review. Instead, EY reviewed the Cash process and, as we noted in the Executive Summary, performed a bank circularization exercise.

NAWEC's bank accounts

3.172 According to the 2017 draft Trial Balance, NAWEC had 60 bank accounts with 15 banks. This is a high number of bank accounts which require substantial amount of time to manage and reconcile on a monthly basis, as required by NAWEC's accounting policy.

3.173 EY held conversations with ten members of the Finance team responsible for performing and reviewing bank reconciliations. The main objective of these conversations was to confirm that the basic information about the bank accounts was known and that their reconciliations were regularly performed.

3.174 The Finance team was unable to provide some basic information about at least three Trial Balance codes, each representing a separate bank account[90]. Such information included the bank account numbers, the date of the last reconciliation exercise, and a copy of such reconciliation[91]. The total balance of these accounts totaled GMD Cr 29,640,769 (USD Cr 617,417).

3.175 Four other bank accounts were closed[92] but still had the TB balance of GMD 55,964 (USD 1,166) in total. While this is a relatively small value, it highlights an issue that the TB can have an asset or a liability which is not supported.

3.176 As a general comment, the information about the bank accounts held for NAWEC (i.e., the number of bank accounts opened in NAWEC's name, their names and numbers) was not easily accessible or centrally kept. A situation where no designated person has an oversight of all bank accounts and ensures that they are all kept up to date could result in an increased

[90] These included 51200000 GTB - GPS TRANSIT ACCOUNT, 51284000 GTB DOLLAR TRANSIT ACCOUNT, 51220000 GTB-NESSTRA TRANSIT A/C.

[91] The explanation provided was that the person performing these reconciliations was on leave. However, EY continued to chase the information for two weeks since the person was supposed to come back to work but no information was provided.

[92] No confirmation of the closure has been provided despite multiple requests. However, the bank confirmations did not list these as active accounts and had no value assigned to them. These were AMRC DEBT RECOVERY - 1011770098056 (SKYE), KAUR GEF 60KW PLANT PROJECT (1103002153), CENTRAL BANK-ENERGY DEV. (1101003981), ECOWAS GRANT ESCROW A/C TBL.

risk of the accounts being inappropriately used, e.g., for fraudulent activities. This is especially important for entities like NAWEC which holds a high number of bank accounts.

3.177 NAWEC should consider a bank account rationalization exercise with the objective of reducing its high volume of bank accounts. We understand that Azorom has already made this recommendation to NAWEC and that action has been taken. The Finance team advised us that only 16 bank accounts remain opened as of January 2019. However, we recommend that this number is reduced further if commercially feasible.

Bank reconciliations

3.178 EY requested a copy of the latest reconciliation performed for each of the TB bank accounts.

3.179 For five of these bank accounts, NAWEC's Finance team was unable to confirm whether the reconciliations have ever been performed[93]. The total balance of these bank accounts was GMD Cr 17,196,812 (USD 358,201). We were unable to match one of these bank accounts (TB code GTB VEHICLE LOAN (201100503115), balance GMD Cr 17,502,631 or USD Cr 364,579) to any of the accounts that Guarantee Trust Bank had confirmed[94]. The Finance team did not provide any further clarifications for EY to be able to match the TB and the bank confirmation despite multiple requests.

3.180 For three of the bank accounts, the Finance team confirmed that the reconciliations have not been performed[95]. For the FIB account number 10100138204 with TB balance of GMD 900,497.00 (USD 18,757), the Finance team confirmed that its Bank Reconciliations team was not notified of the creation of this account in 2017, and therefore has never performed any reconciliation. The bank did not confirm the existence of this bank account or its balance. Similarly, for the Echo bank account number 11014900292402 with the TB balance of GMD 19,449 (USD 405), the bank did not confirm the account existed or its balance.

3.181 In addition to this, the Finance team informed us that one bank account was last reconciled to the TB in December 2015[96] and six in December 2016[97].

3.182 We also note that some of the bank reconciliations were not performed in accordance with the basic principles of the exercise. For example, for bank accounts where there have been no movements according to the cash book, the reconciliation was copied from the previous period without the balance being verified to a copy of the bank statement[98].

3.183 EY performed a high-level review of some of the bank reconciliations. Most of the reconciliations were in a standardized and easy to understand format. As NAWEC was still in the process of posting 2017 transactions, we did not check whether all December 2017 reconciling items have been resolved or posted.

3.184 However, we noted some old reconciling items which have not been resolved. For example, the reconciliation exercise of the AGIB account number 003100020900000149 has several

[93] GTB VEHICLE LOAN -2016(201100503115), STANDARD BANK -CALL A/C, STANDARD BANK -GBP A/C, STANDARD BANK-DOLLAR A/C, TRUST BANK DEPOSIT A/C-LAHMEIYER.
[94] TB code has the same bank account number as GTB - HFO ACCOUNT, i.e., 201/100503/1/1/5. We assumed that the latter is assigned this number based on the reconciliation performed by NAWEC.
[95] ECO BANK EURO ACCOUNT – 0011014900292402, ECO BANK US DOLLAR A/C -0011014900292401, FIB - ELIXIR GROUP -101-001382-04, 2012 RELIANCE FINANCIAL SCHEME
[96] STANDARD BANK-EURO A/C
[97] CENTRAL BANK-ECOWAS GRANT (1103001888) and its existence and balance confirmed by the bank, ECOWAS GRANT ESCROW A/C TBL and its existence and balance not confirmed by the bank, GTB EURO CASH COLLATERAL and EY was unable to match the account number provided to any of the bank accounts confirmed, AGIB/NAWEC ELECTRICITY METERS A/C and the bank did not confirm this or any of the other NAWEC's bank accounts, BANK SAHELO - SAHANIENNE POUR(BSIC) and GTB DOLLAR A/C 201100503210.
[98] An example of such reconciliation is the December 2017 reconciliation for Trust Bank account number 14500527503 and MEGA BANK (KEYSTONE)- REVOLVING LOAN A/C account number 1102000035 (the account also not listed in bank confirmations while, according to NAWEC its balance is GMD 4,779,595 (USD 99,558)).

unresolved entries that date back to 2014, in addition to an unexplained difference of GMD 661,588 (USD 13,781).

3.185 In summary EY has identified several issues as a result of the bank reconciliations review. While the types of issues vary, they all have one of the following underlying reasons:

- The bank reconciliations are not performed in accordance with the basic principles of the exercise;
- The bank reconciliations are not performed on time; and
- The bank reconciliations are not performed at all.

3.186 The lack of discipline in performing this exercise can have consequences such as unsupported balances on the Balance Sheet and increasing the risk of fraudulent activity via the unmonitored accounts.

Bank confirmations

3.187 EY performed a bank reconciliation exercise that revealed inconsistencies between NAWEC's bank accounts according to the Trial Balance and the bank confirmations. Below is a summary list of the inconsistencies we noted:

- EY was unable to match five bank accounts according to the 2017 TB to five accounts from the bank confirmation[99]. The reason for this was NAWEC's inability to provide EY with the bank account numbers related to these five accounts, to match to the accounts numbers confirmed by the bank;
- Four bank accounts that were reported by the Central Bank were not found in NAWEC's 2017 TB[100]. One of these accounts had a non-NIL balance as at December 31, 2017 (account number 1103002438, Gambia Electricity Support Project, balance USD 1,727,738.33 or GMD 82,944,710.99)[101]. From the bank statement provided by the bank this was an active bank account;
- One Central Bank account which NAWEC did have on its TB with the balance of GMD 4,273 (USD 89) was not confirmed by Central Bank[102];
- Two Eco Bank accounts (0019014900292401 and 0018014900292401) with NIL balance were confirmed by the bank but were not found in NAWEC's TB. Another Eco Bank account was on NAWEC's TB but was not confirmed by the bank (account number 11014900292402 with the balance of GMD 19,449 (USD 405));
- One FIB bank account (10100138204) on NAWEC's TB with the balance of GMD 900,497 (USD 18,757) was not confirmed by the bank and requires further follow up;
- One Trust Bank account (12000527505) on NAWEC's TB with the balance of GMD 2,135,646 (USD 44,485) was not confirmed by the bank and requires further follow up;

[99] Account names and balances were very different to be able to make a judgement.
[100] No balance confirmation was provided for account 1103002579.
[101] We note that NAWEC appears to be aware of this bank account. As part of the signatories testing EY obtained a letter dated 14 March 2017 from NAWEC to the Permanent Secretary asking to add Baba Fatajo to the list of authorised signatories to the Gambia Electricity Support Project account held with the Central Bank. The Finance team explained that "*This account is maintained by GESP PMU accounting software and it's accounts are prepared separately from that of NAWEC therefore it is not in our TB*." However, no further explanation was provided for EY to be able to conclude whether this is the correct treatment of the account from NAWEC's perspective.
[102] GUNJUR RURAL WATER SUPPLY PROJECT $ A/C account number 110-300-1716.

- ► One BSIC account (25117104243) on NAWEC's TB have not been confirmed by the bank and requires further follow up;

- ► One Mega Bank account (1102000035) on NAWEC's TB with the balance of GMD 4,779,996 (USD 99,567) was not confirmed by the bank and requires further follow up; and

- ► No bank confirmation was provided by AGIB bank and a confirmation for a wrong period was provided by FBN bank. Further follow up is required with these banks.

3.188 As seen above, there are a number of differences between the bank accounts reported by banks and those reported by NAWEC. We strongly recommend that NAWEC makes every effort to resolve the underlying issues with the banks by implementing a clear action plan that might include:

- ► The closure of all the bank accounts that are unused by NAWEC and that are still open according to the bank; and

- ► Further investigation with the respective banks, and potential clearance from the TB, of any balances which are not supported by the bank confirmations.

Bank signatories

3.189 We reviewed the list of the authorized bank account signatories provided by each bank, and we noted that a number of names belong to ex-employees of NAWEC.

3.190 The NAWEC Senior Management provided us with letters that show that they requested the banks to remove the following individuals from the list of authorized signatories. According to NAWEC, it appears that the banks have failed to action the request[103].

Table 32: List of names mentioned in the NAWEC letters requesting the removal from the list of authorized bank signatories

Name	Bank	Comment
ALHAGIE JALLOW	Access Bank and Skye Bank	Requests sent on May 13, 2015 to remove the name from the list of authorized signatories
ALIMAMEH JABARTEH	Access Bank	Requests sent to Access Bank on May 13, 2015 to remove the name from the list of authorized signatories but spelt as Almameh Jobarteh
ALIMAMEH JOBARTEH	Standard Chartered	Requests sent to Standard Chartered on May 13, 2015 to remove the name from the list of authorized signatories but spelt as Almameh Jobarteh
MOMODOU BAH	Access Bank and Skye Bank	Requests sent on May 24, 2014 to remove the name from the list of authorized signatories
SEEDY BITTAYE	Access Bank and Skye Bank	Requests sent on May 24, 2014 to remove the name from the list of authorized signatories

Source: NAWEC communications.

3.191 NAWEC was unable to provide us with removal requests for the following people who are also ex-employees of NAWEC and are still on the list of authorized bank signatories.

[103] We note that the information provided to confirm this argument is on NAWEC's letterhead and no proof of posting available.

Table 33: Ex-employees not removed from the list of authorized bank signatories

Bank	Name
Access Bank	EBRIMA C SANYANG
Guarantee Trust Bank	ABDOULIE JOBE[104], BABA JARJUSEY, DAM CEESAY, EBENEZER WRIGHT, JOHN CAMARA, MOMODOU B JALLOW, MUSTAPHA JOOF, SIRRA NJAI
Mega Bank	EDRISA B JALLOW, MOMODOU B JALLOW
Standard Chartered	DAN CEESAY
Access Bank and Skye Bank	SEEDY BITTAYE

Source: Compiled by EY based on the Bank Confirmations.

3.192 In addition to this, and upon our analysis of the FIB bank confirmation, we noted that the corresponding list has GPA authorized signatories, and not NAWEC signatories[105].

3.193 Failing to remove ex-employees from the list of authorized signatories exposes NAWEC to the risk of having fraudulent transactions being made from NAWEC's bank accounts.

Recommendations

3.194 We suggest that the following key recommendations are implemented:

- ► All reconciliations need to be performed in accordance with the good practice, i.e., bank balances need to be verified to the bank statement and any reconciling difference resolved and posted accordingly, on a monthly basis. Appropriate training needs to be provided to the individuals that are involved in performing and reviewing the reconciliation;
- ► Any differences between the bank accounts, whether they are opened or closed, need to be resolved between NAWEC and the banks; and
- ► The authorized list of signatories needs to be reviewed and updated for all the bank accounts.

Loans and securities

3.195 According to the 2017 draft Financial Statements, Loans represent 82% of NAWEC's Total Liabilities.

3.196 We learned during our review that NAWEC and World Bank have previously engaged a consultant to consider NAWEC's debt position as at June 30, 2017. The work resulted in two reports, which have been shared with us, and which formed the basis for the recent discussions between the MoFEA and NAWEC to restructure NAWEC's debt. We were unable to meet with the consultant to discuss the basis for his/her work.

3.197 There is a clear lack of understanding within NAWEC around the significant loan balances. Equally, there is lack of supporting documentation. Consequently, there is a distinct lack of clarity around the loan liabilities. By way of example, we have been provided with no NAWEC documentation in support of over GMD 2.6b (USD 54m) of loans, about 29% of its recorded borrowings[106].

[104] The only person with the same name was found in the Commercial Department but unlikely to be the same individual.
[105] Ousman Jobarteh, Alh. Cherno Ceesay, Tamsir Sallah, Mohammed Jobarteh, Assan O.S Jome.
[106] An additional complication was the fact that there was an additional source of information to confirm the loan balances against, which differed significantly from NAWEC's point of view. In particular, MoFEA provided two different versions of the balances outstanding from international lenders which differed from one another. This was accompanied by further hundreds of pages of supporting documentation and no explanation for any differences

3.198 It was therefore extremely challenging and time consuming to obtain any relevant information from NAWEC. Hundreds of pages of loan contracts have been initially provided to EY with limited knowledge and explanation accompanying any inconsistencies arising.

3.199 In this section we have documented the results of our review which could be confirmed with reasonable certainty because either documentation or explanation have been provided. Due to the time constraints of our review, we were unable to follow-up on all the differences and questions arising. We therefore recommend that a fact finding and reconciliation exercise between the above sources is performed, especially given the importance of this area of the balance sheet due to the MOU. The main source of the information on the balances outstanding should be the lenders' position which NAWEC and MoFEA need to request for every loan outstanding from NAWEC.

3.200 Below is the summary of loans as per the draft 2017 Trial Balance.

Table 34: Summary of major loan positions as at December 31, 2017

Name	Origination date	Original value	Outstanding loan position GMD
Government Loans	n/a	n/a	2,675,890,311
NAWEC's Bond	August 29, 2017	Maximum amount GMD1,686,444,749	1,713,801,009
EBID Loan for REP Extension	See below	See below	346,029,621
Badea Loan for Kotu Power Station Expansion	April 2, 2012	Maximum amount USD 9,000,000	546,587,131
SSHFC Loans	See below	See below	957,902,798
ING Bank loan	November 23, 2006	EUR1,007,862	312,412,208
OFID	See below	See below	305,928,294
IDB Loans	See below	See below	1,350,680,601
EXIM Bank Loan	See below	See below	22,996,977
AGIB Loans	See below	See below	113,966,552
Venezuela Loan	July 15, 2008	Maximum amount USD 22,000,000	867,580,251
Other	n/a		(81,646,103)
Total loan exposure as at December 31, 2017 per the Financial Statements			**GMD 9,132,129,655** or USD 190,222,261

Source: Compiled by EY based on the 2017 Draft Financial Statements.

Memorandum of Understanding

3.201 On March 9, 2018, NAWEC signed an MOU with The Gambian Government, overseen by MoFEA, aimed at restructuring NAWEC's debt and improving the future viability of the entity. According to the MOU, GMD 7.2b (USD 154m) of NAWEC's long term borrowings are to be transferred to the Government or converted to equity.

3.202 The proposed restructuring exercise, which is still under review, is summarized as follows:

arising. As the balances were very different and NAWEC did not close its financial year, we did not consider the comparison in detail in this section.

Table 35: The summary of the MOU

	GMD	USD
Total debt NAWEC is seeking to restructure	**9,335,429,170**	**199,731,048**
Action proposed by MoFEA		
Government loans to be capitalized	2,645,890,311	56,608,693
Water and sewerage loans to be reallocated	888,833,002	19,016,538
Rural electrification loans to be reallocated to MoFEA	1,205,940,874	25,801,046
SSHFC loans to be repaid by MoFEA	816,706,067	17,473,386
Bond to be reallocated to MoFEA	1,686,444,749	36,081,402
Total debt being restructured	**7,243,815,003**	**154,981,066**
%of total debt NAWEC is seeking to restructure	**78%**	**78%**

Source: The MOU

3.203 At the time of our review the agreement had not been implemented and there remains a number of tasks to be implemented by various parties, including NAWEC which is assisted by Azorom, MOJ and MoFEA. The debt balance was calculated as at June 30, 2017, and therefore has changed in the period since.

Government Loans

3.204 According to the 2017 Trial Balance, NAWEC has six loans with the Government of the Gambia totaling GMD 2,675,890,311[107] (USD 55,738,795). During our review we struggled to identify staff with detailed knowledge of, or access to documentary support for, this balance.

3.205 According to Senior Management these loans originated as a result of the repayments made by the Government on NAWEC's behalf to ITFC, Venezuela, ING as well as to purchase generators. There are no formal agreements in place to support the loan balances. EY has been provided with one Government Loan schedule only. This was not a formal agreement but a document which specified the total loan balance of 237,410,519 (USD 4,945,261) and any capital and interest repayments to be made.

3.206 The Government loans form part of the MOU which suggests that these loans are to be capitalized. We note that the value of the Government Loans per the 2017 Trial Balance is GMD 30m, or 1% (USD 625k) higher that that per the MOU. EY did not have access to the underlying work-papers for the MOU balance calculation and was therefore unable to determine which balance was correct at the end of 2017. We note, however, that here, and in all the comparisons made with the MOU balances below, there is a six months difference between the date of the TB and the MOU and the values may reasonably differ.

NAWEC's Bond

3.207 NAWEC's Bond is a five-year agreement between NAWEC, the Government of the Gambia and commercial banks, initially signed in 2015, which was revised to seven years on August 29, 2017. The Bond was acquired as a result of a restructuring exercise for NAWEC's debt to EAGL and commercial banks.

3.208 We note that the balance owed to commercial banks in relation to the Bond per the TB exceeds the maximum amount of GMD 1,686,444,749 (USD 35,128,644) per the revised

[107] These are GAMBAI GOVT. ING LOAN REPAYMENT, GAMBIA GOVERNMENT LOANS, GAMBIA GOVT. LOANS GENERATORS, GAMBIA GOVT. - BANDES LOAN REPAYMENT, ITFC GM/0302 LOAN - REPAID BY GoG, GAMBIA GOVT. TOTSA LOAN REPAYMENT.

Bond agreement by GMD 27,356,260 (USD 569,830). We have requested the support for this balance, but we have not been provided with any.

3.209 According to the MOU, the total amount of the debt in relation to the Bond, i.e., GMD 1,686,444,749 (USD 35,128,644) is to be reallocated to the MoFEA.

REEP and REEP 2

3.210 These are loans obtained for the Rural Electrification and Extension Project 1 and 2 from EBID. These loans were for the maximum amount of USD 20,000,000 signed on May 8, 2008 and an additional USD 10,000,000 signed on March 27, 2014.

3.211 We note that these, and other similar international donor loans, are between the Government of the Gambia and a donor. However, NAWEC is often referred to as 'executing agent'. There are no on-lending agreements between the Government and NAWEC currently in place, despite some of the loans requiring such agreements (for instance, USD 20m EBID loan has such a requirement). Based on the conversations held with MoFEA we understand that it is the Government's plan to sign such on-lending agreements with the SOEs. We also reiterate that it is important that such agreements are signed to avoid any doubt regarding the ownership of the liability.

3.212 As described in the Fixed Assets section, the principle amount for such loans is posted as and when a donor makes disbursements to the supplier engaged under the project. NAWEC maintains a spreadsheet where all such disbursements are recorded.

3.213 As referred to in the Assets Under Construction section, NAWEC did not account for the REEP loan and asset correctly, understating both. The current value booked for the loan is GMD 227,328,756 (USD 4,735,258)[108]. However, based on the EBID reconciliation provided, the total disbursements made in relation to the project were USD 17,830,294 or GMD 855,991,070. Therefore, the loan is understated by USD 13,095,036 or GMD 628,662,313. As stated in Assets Under Construction section, prior to booking the adjustment, we recommend that NAWEC investigates the difference between the value of the REEP asset per the completion report and the loan amount to ensure the correct accounting journals are posted.

3.214 The above two loans were part of the MOU and the expectation is that they will be reallocated to MoFEA. The value of these loans as of June 2017 was GMD 652,566,708 (USD 13,592,964) and GMD 317,850,906 (USD 6,620,834) for REEP and REEP 2 accordingly. While the MOU REEP value differs from the amounts noted above, this could be due to the timing difference of the two reviews. We were unable to obtain the MOU working papers to be able to understand the difference, and NAWEC could not provide us with an explanation.

3.215 We suggest that the donor is contacted to establish the correct loan balance with certainty and that going forward the value of each project related loan is reconciled with the donor on a yearly basis.

3.216 We note from various discussions that it was confirmed that there was Rural Electrification project executed in early 2000s. We were unable to see this loan contract value on NAWEC's schedule. We recommend that NAWEC and MoFEA further investigate whether this contract should be accounted for in NAWEC's books[109].

[108] This is based on FOREIGN EXCH DIFF. 31.12.2017- 09-01-2018 spreadsheet provided by the Finance team.
[109] At least one loan named 'Rural Electrification Project' provided by BADEA on May 3, 2001 was noted on MoFEA's schedules. No explanation was provided by either NAWEC or MoFEA as to how this loan reconciled with the version of the TB reviewed.

Arab Bank for Economic Development in Africa (“BADEA”) Loan

3.217 This loan was obtained for the Kotu Power Station Expansion project, and in particular for the acquisition of an 11MW HFO Generator jointly funded with OPEC.

3.218 We have obtained a spreadsheet detailing all the disbursements made by BADEA according to NAWEC, totaling GMD 311,431,984 (USD 6,487,128). However, according to NAWEC’s Trial Balance, the value of the loan is GMD 546,587,131 (USD 11,385,409), i.e., the loan appears to be overstated by GMD 235,155,147 (USD 4,898,282). The loan is only GMD 165,541,415 (USD 3,448,227) according to the MOU.

3.219 We recommend that a reconciliation of the loan amount outstanding is performed with the lender and any differences are investigated, especially given the MOU suggests that this loan will remain on NAWEC’s Balance Sheet.

SSHFC Loans

3.220 There are three loans outstanding from NAWEC to SSHFC totaling GMD 957,902,798 (USD 19,953,115)[110]. These loans were obtained as a result of acquiring a generator and other payments made to ITFC on behalf of NAWEC for HFO. The Senior Management advised that no formal agreement has been signed between SSHFC and NAWEC to confirm the loan amount as most of these loans were a result of directives from the Government.

3.221 We were able to obtain one of the three agreements[111] between SSHFC and NAWEC. It is dated July 14, 2016 and details the renewal of the loan agreement from October 3, 2007 for a purchase of a generator. The total amount agreed to be repaid by NAWEC was GMD 139,313,750 (USD 2,901,905) which included GMD 21,313,750 (USD 443,965) of accumulated interest. It appears that NAWEC is currently carrying a higher loan value in its Trial Balance for an additional GMD 1,852,980 (USD 38,597). We suggest that this difference is investigated and amended.

3.222 The MOU suggests that this loan will stay with NAWEC (15% of the total debt to SSHFC) while the other two SSHFC loans are to be repaid by the Government.

ING Bank loan

3.223 The ING Bank loan is associated with the Greater Banjul Area (GBA) Water Project. We note that the agreement provided in support of the balance stated that the total amount of the loan provided was EUR 1,007,862 (GMD 57,974,137). This amount is substantially smaller than the balance carried in the Trial Balance. We sought but were not provided with an explanation for the difference by Senior Management.

3.224 We therefore recommend that a reconciliation of all loans obtained from ING, as well as any repayments made, is performed in order to investigate the difference and establish the true liability value at the end of 2017.

OFID

3.225 The OFID balance constitutes two loans, which are the Kotu Power Gen Expansion and Energy Development and the Expansion Project, together totaling GMD 305,928,294 (USD 6,372,486). Both loans are to be assumed by the MoFEA according to the MOU. We recommend that a reconciliation of the loan amount outstanding is performed with the lender and any differences are investigated.

[110]SSHFC LOAN-BRIKAMA 2 GEN.SETS, SSHFC-ITFC LOAN REPAYMENT $8M, SSHFC LOAN-EFGA PAYMENT
[111] Provided by SSHFC to EY.

IDB Loans

3.226 Four loans from IDB form part of this balance: Brikama Power Supply Phase2, Kotu Ring Rural Water Supply, Gunjur Water Supply and Brikama Power Supply totaling GMD 1,350,680,601 (USD 28,134,676). At least one loan does not appear to be included in this list, i.e., Gunjur Rural Water Supply. The balance of the latter from the MOU is GMD 1,490,825 (USD 31,054)[112].

3.227 We therefore recommend that a reconciliation of all loans obtained from IDB, as well as any repayment made, is performed in order to investigate the difference and establish the liability value at the end of 2017.

EXIM Bank Loan

3.228 The balance consists of two loans. One of the loans relates to Asbestos Water Supply Expansion project with the current balance of GMD 14,104,496 (USD 293,796) and another to the Electricity Expansion project with the balance of GMD 8,892,481 (USD 185,230). According to the MOU, the former loan is to be reallocated to MoFEA and the latter is to stay with NAWEC.

3.229 As these loans are also based on the value of the disbursements by the lender, we recommend that a reconciliation of the loan amount outstanding is performed with the lender and any differences are investigated.

AGIB Loans

3.230 These loans were taken out to purchase meters and vehicles. AGIB did not confirm the current value of the loans outstanding. We were therefore unable to confirm whether the balance at the end of 2017 was stated correctly. We recommend that NAWEC obtains a confirmation from AGIB and any differences are investigated and posted where necessary.

Venezuela Loan

3.231 This was a loan acquired for the upgrade and expansion of the transmission and distribution network. The current loan value according to NAWEC is GMD 867,580,251 (USD 18,071,696) which represents total disbursements of USD 19,686,412 made by Banco de Desarrollo Económico y Social de Venezuela (“BANDES”). We understand that the difference between the USD loan amount and the USD value of the disbursement is due to the exchange loss on the USD amount of the loan which is yet to be posted at the end of 2017.

3.232 As above, we recommend that the total value of disbursements made by BANDES is confirmed with the lender, especially considering that the loan will remain on the NAWEC Balance Sheet post the MOU implementation.

Other

3.233 Other loans are largely represented by the BSIC loan in the amount of Cr 81,654,201 (USD Cr 1,700,857). The loan value was confirmed by the bank as part of our bank confirmations exercise. The amount of loan outstanding confirmed by the bank was EUR 548.32. NAWEC advised that the difference of GMD 81,685,741 (USD 1,701,513) between the TB balance and the bank confirmation balance was due to a number of journals not having been posted by NAWEC. These have subsequently been posted but not verified by EY.

[112] This loan appears to also be included in the list of loans provided by MoFEA.

Loans Interest

3.234 EY discussed Loan Interest payments with Senior Management. NAWEC does not make or book interest payments for any borrowings other than NAWEC's Bond, ING Bank Loan and the commercial banks. This means that the majority of NAWEC's Loan Interest has not been accounted for, over a number of years.

3.235 NAWEC does not keep a document which has a list of loans and their repayment schedules, with a breakdown of interest and principle amounts. We therefore were unable to quantify the value of the expense that NAWEC does not account for on a yearly basis or calculate the historical interest to be accrued. However, given the total value of the current debt it is likely to be substantial.

3.236 For example, according to a repayment schedule for one of the Government Loans for GMD 237,410,519 (USD 4,945,261), which represents only 3% of NAWEC's Total Debt, the 2017 Interest Payable is GMD 3,648,168 (USD 75,991). Interest accrued prior to this date appears to be GMD 89,246,491 (USD 1,859,004). When EY enquired whether any of the interest payments have been made or accrued for, Senior Management could not answer as the loan dates back to 1996. However, it would appear that no interest has been accounted for in recent years.

3.237 We therefore recommend that NAWEC revisits its loans and creates the repayment schedule detailing principle and interest amounts owed. Any unaccounted for loan interest for 2017 should be booked to the Income Statement in 2017, and the outstanding historic interest be booked to Retained Earnings.

Securities provided

3.238 NAWEC does not have a list of securities held with different lenders. Through our review of the contracts and conversations with the Company Secretary, we produced a list of securities held with lenders, which NAWEC management appeared to be only partially be aware of.

Table 36: List of securities

No	Name	Lender	Source	Comment
1	Land K243/1995 Land K242/1995 Land K244/1995 Land K237/1995 Land K241/1995 Land K234/1995	Trust bank	Loan agreement from December 22, 2010	Trust Bank confirmed this in letter from December 13, 2018. These are not on the list of lands NAWEC is aware it owns (see the exercise performed by NAWEC referred to in Fixed Assets section).
2	Land K239, K233, K5 &K84/1996	Trust bank	Trust bank letter confirmation from December 13, 2018	These assets do not appear on the list of lands NAWEC is aware it owns
3	615/200VOL.63KD	Trust bank	Trust bank letter confirmation from December 13, 2018	n/a
4	Land K112/1996 Land K84/1996	Trust bank	Trust bank letter confirmation from December 13, 2018	These lands appear on the list of NAWEC's land
5	Land K126/2007	SSHFC	Memorandum of Deposit of Title Deed from October 12, 2007	This land is on the list of NAWEC's land
6	Land K5/1976 Land K9/1976	AGIB	Loan agreement dated June 12, 2014	This land is on the list of NAWEC's land, but title deeds were not found

Source: Compiled by EY. Refer to column Source.

Trade Creditors

3.239 The Trade Creditors figure as of December 31, 2017 represents 45% of the Current Liabilities and 8% of the Total Liabilities figure on the Balance Sheet. NAWEC's main suppliers are engaged to provide fuel (LFO and HFO) and spare electrical parts.

Figure 7: NAWEC year-end Trade Creditor balances for the years 2010 to 2017

Source: Compiled by EY based on the 2010-2015 Financial Statements and 2016-2017 draft Financial Statements.

3.240 We show in the chart above the trend of the Trade Creditors balance over the period 2010-2017. The Trade Creditors balance increased over the 2010-2013 period, peaking at its highest in 2013 at a balance of GMD 2,450,564K (USD 63,519K). Trade creditors fell sharply in 2015 to almost a quarter of the 2013 balance, after which time there has been a steady increase year on year.

3.241 While the figure above can be used for information purposes, there are a number of issues highlighted in this section which raise concerns regarding the reliability of the underlying data, and therefore the robustness and validity of the Trade Creditors figure presented in the annual Financial Statements

Reconciliation

3.242 The Finance team provided the Trade Creditors Listing in support of the balance. However, we were unable to reconcile the balance per the listing to the Financial Statements. There was an unexplained difference of GMD 105m (USD 2.2m)[113], representing 12% of the total Trade Creditors balance.

Debit balances

3.243 Our review of the listing of Trade Creditors highlighted that there were 21 suppliers which had a net debit balance with NAWEC. The total amount of the debit balances was GMD 175m (USD 3.6m). Below is the list of top 10 suppliers with net debit balances.

[113] The balance per the Balance Sheet was GMD 866,679,401 (USD 18,052,931) while the balance per the listing was GMD 761,981,000 (USD 15,872,064).

Table 37: NAWEC top 10 suppliers with net debit balances

No	Supplier	2017 Supplier balance (GMD'000)	2017 Supplier balance (USD'000)
1	Global Electric Group	55,340	1,153
2	Global Power System GmbH	26,316	548
3	Choiceway Insurance Services	16,839	351
4	Takaful Gambia Limited	14,807	308
5	Total Gambia Limited	14,678	306
6	Dabanani Electrical	14,213	296
7	Powercon Mouguaw Ente	11,098	231
8	Africa Energy Solution	10,345	215
9	Landis & Gyr (PTY) Ltd	7,226	151
10	Salifu K Jaiteh	949	20
	Other	3,283	68
Total		**175,092**	**3,647**

Source: Compiled by EY based on the Suppliers Listing 2017.

3.244 Based on our conversation with the Senior Management and the Finance team, the balance accumulated as a result of the journal entries *Dr Trade Creditors, Cr Cash* posted on receipt of a proforma invoice or when a prepayment for a particular supply was made. No invoices have subsequently been posted, mostly due to oversight.

3.245 Such an oversight can result in the following:

- There is a risk that when the goods and services are subsequently delivered, no expense is booked resulting in costs being understated; and
- Such entries make the actual Trade Creditors balance of GMD 937m (USD 19.5m) appear smaller on the Balance Sheet as it has been offset by a debit balance of GMD 175m (USD 3.6m). Therefore, when such prepayments for goods and services are made, they need to be recorded as prepayments as opposed to debit balances in the Accounts Payable ledger, to avoid the misleading presentation of the Accounts Payable balance.

3.246 We note that the Finance team provided two other explanations for situations when a corresponding invoice appears to not have been posted:

- For 3 of the 10 suppliers with a debit balance (Global Power System GmbH, Dabanani Electrical, Salifu K Jaiteh) there is an agreement between NAWEC and the suppliers whereby NAWEC prepays for the services provided, resulting in the debit balances. However, this does not negate the need to reverse out the prepayment journal once the services are provided;
- The only supplier which the explanation appears to be reasonable for is Global Power System GmbH. NAWEC made payments of around GMD 24m (USD 0.5m) in November and December 2017. It appears reasonable that the goods did not arrive before the year-end and therefore no expense should have been recognized as at the year-end date;
- However, for the five Dabanani Electrical transactions selected for testing, the latest payment was made in June 2017, i.e., reasonably in advance of the year-end for suppliers to be able to deliver the service and the expense to be recorded before December 31, 2017;

- For some of the suppliers, such as Salifu K Jaiteh, both ‘Other Suppliers’ and ‘Salifu K Jaiteh’ codes are used. NAWEC’s argument is that it could be the case that the payment and the invoice are posted to two different supplier codes. However, we reviewed both ‘Other Suppliers’ and ‘Salifu K Jaiteh’ codes and for the top one 2017 payment from each, no corresponding invoices were posted for either of the codes; and

- In addition, if a supplier’s individual code as well as ‘Other Suppliers’ code is used to post transactions for one company, this can result in a credit balance in one of them and subsequent double payment.

3.247 Based on the above, the Finance team and Senior Management did not fully understand the reasons behind 20 out of 21 debit supplier balances. To better understand the debit balances, we requested support for three of the above suppliers:

- Global Electric Group - two transactions were selected for testing, but no support was received;

- Salifu K Jaiteh – two transactions were selected for testing and both invoices were provided to EY. However, according to the Finance team, these invoices were not booked as an expense when received due to an oversight[114]; and

- Dabanani Electrical – EY requested support for the five transactions from the vendor’s activity listing, including the contract, invoice and proof of the service delivery. The Finance team was unable to locate any of the above documentation[115]. Instead, two different invoices unrelated to the request were given to EY for our perusal. The invoices that were received were for the supply of cables for GMD 1.3m (USD 30k for 2014 and 2016).

3.248 The Finance team confirmed that the invoices which they were unable to provide had not been posted in error. The consequence of such an oversight is that there is a potential understatement of costs and of liabilities as high as GMD 175m (USD 3.6m), i.e., the total debit balance in the Creditors Ledger. However, this can also indicate that money has been paid out to third parties for which no services have been, or will be, delivered or invoiced.

3.249 Our recommendation for the Finance team is therefore to make a comprehensive analysis of all debit balances and post all corresponding expenses unless it can be proven that the service paid for has not yet been delivered. The Senior Management needs to ensure that the Finance team does not make similar postings in the future by providing appropriate training, oversight and review.

3.250 NAWEC is in a position to resolve this situation as it has not closed its accounts yet for 2017.

Current Suppliers

3.251 EY reviewed the top 10 suppliers, the summary of which can be found in the table below.

[114] Invoice 1 for the amount GMD 948,750, dated May 5, 2017 with Audit Number 19390. Invoice 2 for the Amount GMD 974,625, dated December 28, 2017 with Audit Number 21111.
[115] Five transactions selected were for: 40% advance for electrific, dated November 24, 2016 for the amount GMD 2,445,044 (USD 55,869); 50% advance for eletrific, dated May 19, 2016 for the amount GMD 2,143,478 (USD 48,978); 50% contract for electr, dated May 1, 2016 for the amount GMD 1,708,750 (USD 39,045); 20% paymt of contract sum for, dated April 13, 2017 for the amount GMD 1,222,522 (USD 25,465); and 20% paymt of contract sum for, dated June 6, 2017 for the amount GMD 1,222,522 (USD 25,465). The descriptions given are that from the system.

Table 38: Top 10 Accounts Payables balances as at December 31, 2017

No	Supplier	2017 Supplier Balance (GMD'000)	2017 Supplier Balance (USD'000)
1	GNPC	773,548	16,113
2	Castle Oil Ltd	49,325	1,027
3	Equa Energy	34,196	712
4	PURA	19,379	404
5	Other Suppliers	15,429	321
6	Falcon Petroleum	15,048	313
7	SENELEC	6,512	136
8	QCELL Company Ltd	5,915	123
9	Man Diesel & Turbo	2,462	51
10	Espace Motors	1,312	27
Total		**923,124**	**19,227**

Source: Compiled by EY based on the Suppliers Listing 2017.

3.252 EY discussed the above suppliers and the corresponding balances owed to them with the Finance team to identify whether these deliver genuine services and there is a payment plan in place to ensure these are paid. The result of the discussions can be summarized as follows:

- EY was able to obtain a confirmation of the balance due from NAWEC according to one of its suppliers, GNPC. We identified differences in the amount due according to NAWEC and the suppliers. In particular, GNPC currently estimates NAWEC's debt to be approximately GMD 833m (USD 17.4m), as opposed to the GMD 774m (USD 16.1m) balance showing in the records of NAWEC.
- NAWEC has difficulties in meeting its day to day obligations:
  - Where a payment plan is in place, it is not followed. For example, a payment plan is in place with GNPC. The objective of the current payment plan is for NAWEC to pay GMD 5m (USD 104k) per week, averaging to GMD 260m (USD 5.4m) per year. However, we were advised that GNPC is paid as and when cash is available and is the last of all fuel suppliers to be paid out. For example, the last payment made was in November 2018;
  - Where suppliers reduce their fees for NAWEC to be able to meet its obligations, these are still not met. For example, this was the case for the Public Utilities Regulatory Authority ("PURA"). The original agreement was for PURA to take 1.5% of turnover but NAWEC was unable to meet its obligation. There then has been an agreement to pay at least GMD 4m (USD 83k) per year, but NAWEC has also defaulted on these payments. PURA has complained to NAWEC regarding this issue, but we understand that to date PURA has not commenced any action against NAWEC; and
  - No payments are made to suppliers where there is an amount still outstanding but where the supplier is no longer used. For example, Man Diesel and Turbo were the designers for G6, but NAWEC no longer deals with this supplier. There is no payment plan in place and the liability remains the same. The consequences of not paying-off this supplier can be that the company can take action to retrieve the balance.

- There is an “Other Suppliers” account which is a mix of many different suppliers who supply NAWEC with various products and services from stationary to spare electrical parts. On review of the transactions listing, we noted that there were transactions for suppliers which already have their own supplier account. This means that NAWEC is not keeping a thorough record of its current suppliers which can lead to making payments for the same supply twice.

Related Parties

3.253 During our audit we identified and considered as ‘related parties’ entities or suppliers which are controlled by individuals who also had significant influence over NAWEC.

3.254 In the suppliers listing for 2017, EY found four suppliers which meet this definition:

- Gambia Electrical[116];
- B B Electrical and Construction Company Ltd[117];
- General Engineering[118]; and
- Dabanani Electrical[119].

3.255 EY selected invoices of the above suppliers from their individual breakdowns to verify if the service provided was completed on an arm’s length basis. The following was noted from the testing:

- EY requested support for balances of GMD 110k (USD 2,292) for B B Electrical and GMD 235k (USD 5,859) for General Engineering. No support was received; and
- EY requested support for five different transactions totaling GMD 8,742k (USD 195k) for Dabanani Electrical. These were also not received. We note that NAWEC makes advance payments to this company, yet it does not make timely payments to its other key suppliers.

Unrecorded Liabilities

3.256 We undertook testing to identify any liabilities not recorded in 2017 which should have been recorded. A sample of 20 transactions was selected from supplier files with post-year end payment vouchers.

3.257 EY reviewed the payment vouchers and corresponding invoices to identify whether the liabilities related to 2017 and, if so, whether these have been recorded as such.

3.258 The expense was recorded in the correct period for 19 of the 20 items selected for testing. Most of these were from suppliers of HFO/LFO and lubricants (Falcon Petroleum, Castle Oil, Euro African Group, Equa Energy, Atlas Energy).

[116] Refer to EY’s Interim report where it is mentioned that in a Board meeting held on August 10, 2017, the Chairman declared interests in Gambia Electrical Company and that he had been a Chairman of the Ecobank Board of Directors for 6 years.
[117] Refer to note declaring the interests in B Electrical and Construction Company Ltd of Mr Tijan Wally Bahoum, who was a member of the previous Board. The note was provided by Anna Dibba, Company Secretary and dated on May 11, 2017.
[118] Refer to note declaring the interests in General Engineering of Mr A. C. Mbye, who was a member of the previous Board. The note was provided by Anna Dibba, Company Secretary and dated on May 12, 2017.
[119] Refer to EY’s Interim report where it is mentioned Dabanani Electrical is also owned by Alagie Conteh, the former Chairman and MD of NAWEC.

3.259 The only item for which the liability existed but the expense was not recorded in 2017 was an invoice for the rewinding of the G5 alternator, for an amount of EUR 71,253 (GMD 4,036K)[120]. The invoice was dated November 20, 2017 and was from Baumuller Services. The documentation indicates that the service had already been delivered before the payment was due.

Recommendations

3.260 We suggest that the following key recommendations are implemented:

- NAWEC needs to regularly perform supplier reconciliations. Where the payment plans are made these need to be adhered to, to avoid legal action; and
- The Finance team needs to make a comprehensive analysis of all debit balances and post all corresponding expenses unless it can be proven that the service paid for has not yet been delivered. The Senior Management need to ensure that the Finance team does not make similar postings in the future by providing appropriate training, oversight and review.

Share Capital

3.261 NAWEC has 50,000,000 authorized ordinary shares at GMD 10 each (i.e., GMD 500,000,000 or USD[121] 10,548,523). However, there are 6,846,600 issued ordinary shares at GMD 10 each, (i.e., GMD 68,466,000 or USD[122] 1,432,343)[123].

3.262 There appears to be some ambiguity regarding the ownership of NAWEC's Share Capital. NAWEC's Memorandum of Association signed on May 22, 1995 confirms that NAWEC is owned by GAMTEL, GPA, SSHFC and the Government (1%, 1%, 1% and 97% respectively). This ownership structure was supported by the MoFEA in its letter dated July 20, 2018[124] and the Ministry of Justice in its letter dated January 14, 2019[125].

3.263 The ambiguity arose when NAWEC attempted to confirm whether any consideration had been paid for the shares. SSHFC and GPA report that they have made investments into NAWEC (with the SSHFC investment resulting from an Executive Directive for a contribution towards a generator which was converted to equity), but no support has been provided to date[126]. GAMTEL does not recognize the investment but cannot confirm with certainty due to a lack of institutional memory.

3.264 The investments made have been documented by the Internal Audit Director in an internal memorandum to the Company Secretary dated September 5, 2018. There is no documentary support for this structure.

3.265 Both versions of the ownership structure are illustrated below.

[120] EUR 1 = GMD 56,6384 as of December 31, 201.
[121] As of December 31, 2017
[122] As of December 31, 2017
[123] Audited NAWEC Financial Statements 2015
[124] Letter from MoFEA, dated July 20, 2018, reference: LDM 451/01PART27 (MC), titled RE: shares in NAWEC
[125] Letter from the Attorney General's Chambers & Ministry of Justice, dated January 14, 2019, reference AD307/01/Part 8 (155), titled RE: request for ownership/share structure of seven state-owned enterprises.
[126] As confirmed by the Internal Audit Director and the Company Secretary. The payments made were documented in a hand-written memorandum prepared by IA dated September 5, 2018.

Table 39: Ownership structure 1 and 2

	Share Capital Structure 1 (GMD)	%	Share Capital Structure 2 (GMD)	%
Government	66,412,020	97%	63,467,982	92.7%
SSHFC	684,660	1%	3,971,028	5.8%
GPA	684,660	1%	1,026,990	1.5%
GAMTEL	684,660	1%	-	0%
Total	**68,466,000**		**68,466,000**	

Source: Compiled by EY based on the Memorandum of Association and calculation by Internal Audit Director.

3.266 We recommend NAWEC to continue investigating this issue. If no further information comes to light, it appears reasonable to adopt the first structure as it is supported by the Memorandum of Association.

Unsupported balances

3.267 There is a Revaluation Reserve balance totaling GMD 1.6b (USD 32.9m) on NAWEC's Balance Sheet. No breakdown or explanation of the balance, other that the fact that it is an opening balance carried forward from an old accounting system, has been provided by the Finance team. NAWEC needs to establish what the balance is in order to ensure it is treated correctly both in 2017 and going forward. For example, assuming the Revaluation Reserve relates to the revaluation exercise described above, NAWEC needs to understand what it consists of to ensure that any future revaluation gains or losses are treated in accordance with IAS 16.

3.268 Another unsupported balance identified during the review was Deferred Capital Grants. The Senior Management could not provide any explanation as to what the balance was. EY was advised that the grant is a balance carried forward from the old accounting system. The amortization booked each year is equally an amount which has historically been booked, and NAWEC continues to post it on a yearly basis. The current Grant balance is GMD 574,658,000 (USD 11,970,126). A 'standard' release of Capital Grants booked on a yearly basis is GMD 21m (USD 450k)[127]. NAWEC needs to understand what the balance is and to ensure it is treated correctly going forward.

3.269 During our Loans testing we identified an agreement with ING where the bank provided EUR 1,442,688 (GMD 82,986,154) to NAWEC in a form of grant. However, we were unable to confirm whether this was the same grant or recalculate its current carrying value.

[127] Translated at 2017 Balance Sheet rate.

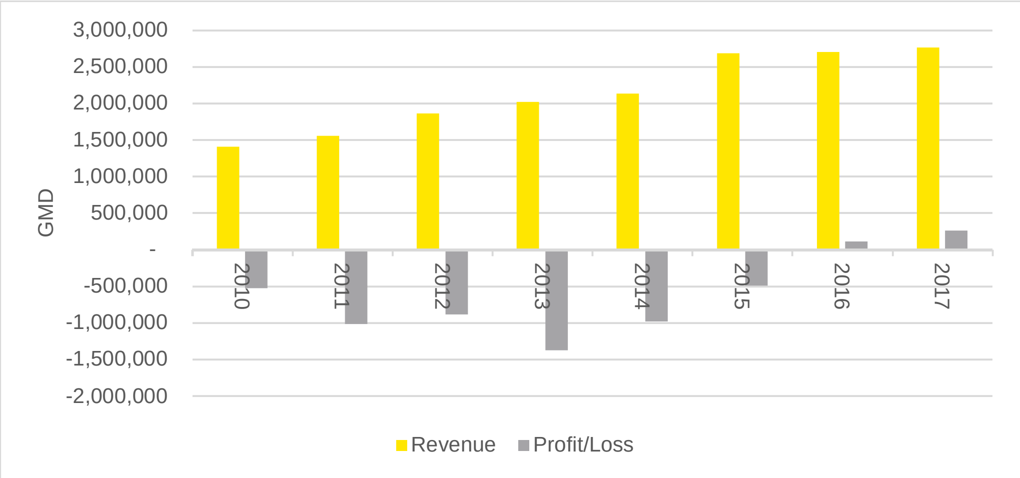
Detailed findings – Income statement analysis

Overall review of the trading position / revenue streams

3.270 NAWEC has been loss making for most of the years under review. According to the draft 2017 Financial Statements, NAWEC has made a profit of GMD 263m (USD 5.5m) in 2017.

3.271 However, once journals as for provisions, full year depreciation and amortization are posted, the results for the year are likely to change significantly.

Figure 8: Revenue V Profit/Loss for 2010 to 2017



Source: Compiled by EY based on the 2010-2015 Financial Statements and 2016-2017 draft Financial Statements.

3.272 The loss-making results are largely attributable to NAWEC's high running costs. For instance, in 2017 the cost of fuel was as high as 52% of the revenue.

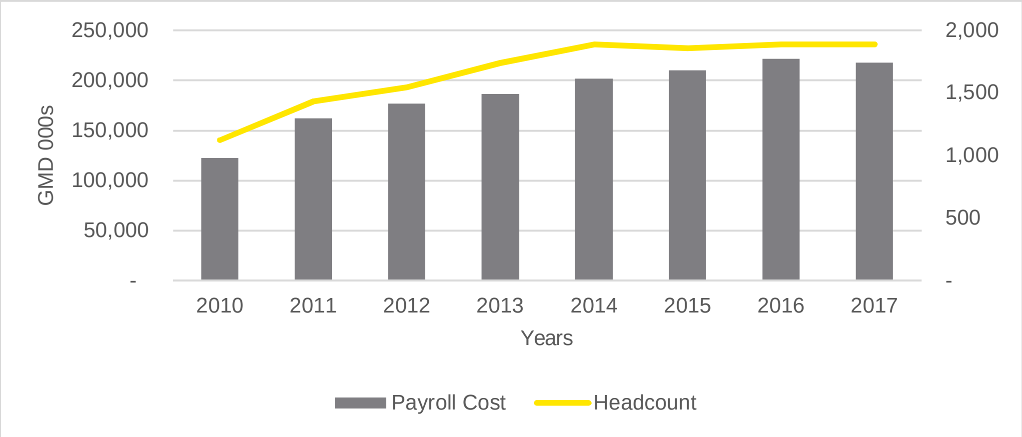
3.273 As a number of key Income Statements postings have not been made and day to day transactions are still being booked to date, it is too still too early to make any judgements of the businesses' performance in 2017.

3.274 However, we note that based on the detailed Balance Sheet testing results, some of the costs could potentially be understated. For instance, not all invoices received get posted as expenses, but rather stay as prepayments on the Balance Sheet. We also note that NAWEC does not reflect all Interest Expense in its Income Statement. See the Loans section for more details.

Payroll

3.275 The figure below sets out a summary of NAWEC's Payroll costs as reported in the Financial Statements as at December 31, from 2010 to 2015, and as per the draft Financial Statements for 2016 and 2017, against the headcount for the corresponding years. The figure for Payroll represents 45% of the Admin cost on the Income Statement in 2017.

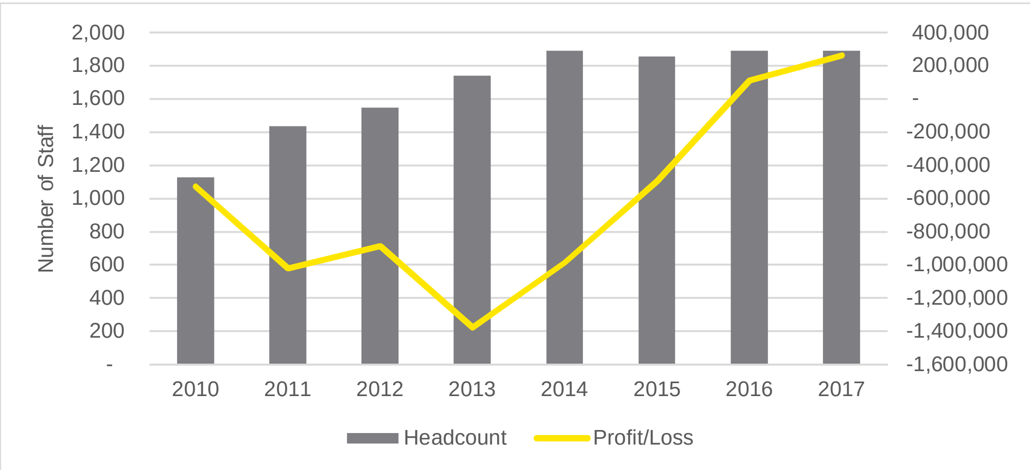
Figure 9: Payroll Cost Vs Headcount



Source: Compiled by EY based on the 2010-2015 Financial Statements and 2016-2017 draft Financial Statements.

3.276 As it would be expected in any other company, the Payroll Cost has increased as headcount has increased. There is an unusual peak in 2014, where Payroll Cost and headcount increased out of line with the other years. The NAWEC HR explained that the peak was due to NAWEC taking over the Brikama II Power Plant. This substantially increased the headcount but did not affect the Payroll Cost in the same way as most of the staff were relatively low paid.

Figure 10: Headcount V Profit/Loss GMD 000s



Source: Compiled by EY based on the 2010-2015 Financial Statements and 2016-2017 draft Financial Statements.

3.277 NAWEC's Headcount has increased by 68% from 2010 to 2017. This is in despite of NAWEC being loss making from 2010 to 2015. Note that the 2016 and 2017 figures for Profit or Loss are expected to change as these are draft Financial Statements. We consider an issue of overstaffing later in this section.

Reconciliation

3.278 EY performed a reconciliation between the Payroll Reports and the Financial Statements for 2015, 2016 and 2017. For 2015 and 2017 the differences identified were not significant, i.e., less than 1%. For 2016, there was a difference of GMD 8m (USD 170K), or 3%, identified.

The Finance team could not provide the reason for the difference. In addition, it was confirmed that the Payroll and accounting systems have not been reconciled since 2015 despite this being a requirement of NAWEC's accounting policy.

3.279 The risk is that the 2016 draft Financial Statements figure has been overstated or Staff may have been paid out more than the Payroll Reports indicate. Further clarification would be required to understand if there are any additional elements to the Payroll cost. We were informed by the Payroll team that we were given all the information for the overall Payroll cost.

Payroll Process

3.280 The Payroll is running by the system Paypro. There are limitations to the system and process which are highlighted below:

- A number of users from various departments have access to the system. These include HR, Finance, IT and Internal Audit. EY observed that many of the accounts were live which meant that multiple people were logged in at that time from various departments. Considering the sensitivity of Payroll, it is a good practice to limit access to the payroll system to only those people who need it to perform their roles;
- Monthly Payroll goes through a review by the HR team, which will view the report and query the Payroll team on any unusual items. However, the Payroll team is the only one who can amend the payroll. The team is small and there is a lack of segregation of duties as both team members share inputting and reviewing one another's work. There are occasions of self-review. There is a risk that mistakes can easily be made and not be identified in a timely manner;
- Multiple reports[128] must be exported to get the full picture of the Payroll Cost;
- The Payroll team is not able to make any amendments without authority from the HR team. However, due to the manual processes and the system not having a prevention tool, the Payroll team is able to amend payroll without proper authorization. An example of such amendment has been highlighted in Staff Allowances section where the Payroll team gave an allowance without the proper authorization.

Management's perspective on overstaffing

3.281 A meeting was held with the Human Resources ("HR") and Administration teams to discuss the issue of overstaffing. We discussed the perception that NAWEC is overstaffed, however the HR team believes that NAWEC is understaffed. The team claimed that there has been an increase in demand for NAWEC's services resulting in the increased number of staff. EY confirmed that the Gambian population has increased by 28% from 1,692,149 to 2,163,765 between 2010 and 2018[129] which implies that there has been an increased demand for water and electricity. However, the number of staff increased over twice as much, i.e., by 68%.

3.282 Another reason for the increased staff number is the restriction on overtime implemented around 2010. Since the restrictions, there have been less accidents but as the operations are highly manual, more people had to be hired. NAWEC is not currently recruiting more staff.

3.283 According to the HR team the issue is not in the number of staff, but their technical competence. There is the concern that not everyone in key functions, such as finance, are sufficiently competent[130]. This is supported by the 2015 Staff Audit Report, which stated

[128] There are separate reports for Loan Deductions and SSHFC contributions.
[129] http://www.worldometers.info/world-population/gambia-population/
[130] EY note that in the Finance Team, for instance there appears to be lack of qualified accountants including the Finance Director.

"*performance has been hugely hindered by attrition of highly trained technical staff of the company*."

3.284 While every year a training budget is set aside to train people, it is often used for more critical needs of the company. Despite this, NAWEC has trained over 300 mechanical engineers between 2010 and 2017. The HR team believes that the shortage of skills no longer exists in this area.

3.285 NAWEC is currently working with Azorom, an independent consultancy firm, which is implementing a number of long and short-term courses, both technical and non-technical.

3.286 Despite the above claims made by the HR teams, EY reviewed the 2012 Staff Audit results[131] where it is stated that "*some organisational restructuring and rationalisation of the company as well as reduction in staff numbers and some redeployment are called for if the structural and strategic outlook, productivity and efficiency of NAWEC are to be enhanced so as to meet the company's primary goals and objectives*".

Ghost employees testing

3.287 EY conducted a headcount exercise on 17 members of staff selected based on the Staff Listing as of 2017. EY has not seen six of the employees, i.e., 35% of the sample selected. EY has seen the Personnel files of each individual to confirm the reason for no attendance to the Headcount exercise. The results can be seen in the table.

Table 40: Ghost employees testing

Name	Staff ID	Reason for not attending	Comments
Zack Obega	12245	Study leave	EY can confirm through observation of the Personnel file that this individual is on extended studies.
Saloum Jatta	12264	Sickness	In the file, there was a memorandum for medical assistance worth GMD 60,000 (USD 1,266) for medical treatment in the country of their choice. This is in line with the service rules. The file does not make it clear when the individual went on sick leave or have any updates on the state of health / when the staff would be coming back to work. As employees on sick leave are continued to be paid full salary for a period of six months, there is a risk that in absence of the leave's start date there is a risk for NAWEC to overpay the individual.
Sulayman No.1 Camara	184	Terminated as part of a fraud scheme	EY has seen the discipline committee minutes confirming the individual has been terminated in January 2018. Included in the file was the termination letter.
Fatou Njie	332	According to the file this person was on confinement leave. The correct type of leave was annual leave.	There was a lack of clarity regarding the type of leave this individual was on, i.e., annual or confinement. Both types of leave are entitled to full pay according to the Service Rules.
Momodou Jallow	11226	Secondment.	This individual is currently on secondment until December 31, 2019. EY confirmed this individual was not paid in 2017, during the secondment, which is in accordance with the Service Rules for secondments.
Seedy Jarju	12289	Resigned from the company in 2018.	This individual resigned from the company in 2018. No SS2 form was identified during the file inspection. This is a form used to update SSHFC of the status of employment and any potential benefits due to them upon resignation. However, there was a letter from SSHFC confirming the resignation.

Source: Compiled by EY based on the 2017 Staff listings and Personnel Files

3.288 Based on the testing results, no ghost employees have been identified. A number of issues were identified with record keeping. These can be a result of department heads not regularly

[131] 2012 Staff Audit performed by Sa Hel Invest Management International, a Gambian consultancy firm.

informing the HR team of the change in their staff circumstances[132]. We recommend that NAWEC keeps all files up to date to ensure all personnel's individual circumstances are taken into account and treated in accordance with the Service Rules.

Joiners and Leavers

3.289 EY viewed the records of 13 joiners and leavers. Two of these were both a leaver and joiner, over the period from 2010 to 2017. One employee file record could not be found. NAWEC explained that this was caused by the fact that the file has already been archived as the employee left in 2010. We confirmed that this staff member was not on the Payroll Reports in December 2010.

3.290 Based on our review of the files, the due process for joiners and leavers was followed 7 out of 12 employees. We also confirmed that leavers were not paid after their termination[133].

3.291 However, the rest of the sample, i.e., five employees, were employed or terminated as a result of the Government directives.

3.292 There were two directives to employ graduate students who studied overseas[134]. As part of the ghost employees testing, EY spoke to these individuals. They claim that they applied for a graduate scheme via the Government and were promised employment at an SOE of their choice. It therefore appears that NAWEC was expected to hire individuals regardless of the business requirements.

3.293 Another example of political interference was a directive for the reinstatement of employment[135] of a staff who was dismissed in 2010 as a result of participating in a fraud scheme. The dismissal was later rescinded[136].

3.294 There are two examples of directives from the Government to dismiss two employees, Baba Fatajo and Ngoneh Jallow. These employees have come back to NAWEC to resume their employment. As a result of this political interference, NAWEC had to subsequently pay compensations for the period they were not employed for.

3.295 EY observed a payment voucher to SSHFC with an attached letter from SSHFC with respect to the back-pay of pension contribution costs[137] for Mr Fatajo over the period November 2013 to March 2017, amounting to GMD 271,340.32 (USD 5,724). Ms Jallow was compensated with GMD 1,313,510.08 (USD 27,969)[138] and SSHFC contributions were also paid to a value of GMD 199,935 (USD 4,257)[139] by NAWEC. A total amount of GMD 1,785k (USD 38k) have been included as a leakage in Quantification of diverted or misused funds section.

3.296 In summary, it is not good practice for the Government to intervene in NAWEC's employment matters and NAWEC should be allowed to follow its own HR due processes.

Duplicates

3.297 From a very initial review and comparison of different versions of Staff Registers, EY identified two duplicate entries. These two individuals, Ebrahim Walker and Bakari A

[132] The example being Fatou Njie.
[133] Termination is either resignation, termination, dismissal or death of an employee.
[134] Letter from PMO, dated January 4, 2016 titled, Appointment of graduate from Venezuela and Letter from PMO, dated December 2, 2015 titled, Appointment of graduate students from India.
[135] Letter from PMO, dated July 11, 2017 with reference C41/171/01/Temp/ (75).
[136] Letter from PMO, dated August 23, 2017 title Recession of reinstatement & appointment.
[137] Letter from SSHFC, dated August 8, 2017 titled RE: Back-service cost in respect of Mr Baba Fatajo for the period November 2013 to March 2017. Payment Voucher date August 28, 2017.
[138] Memo dated July 24, 2018 from HR to FD and MD titled Request for approval for the payment of (Ms Ngoneh Jallow). MD requested for the process of payment.
[139] Payment voucher to SSHFC dated July 9, 2018 with attached letter from SSHFC dated June 19, 2018 titled RE: Reinstatement of your ex-staff – Ms Ngoneh Jallow into the service of NAWEC.

Jammeh, each had two different Staff IDs on the register from 2009 to 2015. We requested the Personnel Files for each of the four IDs and confirmed only one of each person's Personnel File existed.

3.298 EY reviewed the Payroll Reports for 2015-2017 and the December Payroll Reports for 2009-2014 to see whether any duplicate payments have been made to these individuals. For Ebrahim Walker (Staff ID 820 and 12269), both Staff IDs were paid in June 2016. Similarly, for Bakari A Jammeh (staff ID 11336 and 12270), both Staff IDs were paid in June 2016, July 2016, August 2016. EY requested to see the payslips for the above staff for the months where there was the suspected duplication. According to the payslips, the SS number was identical for the combination of Staff IDs.

3.299 The amount of overpayment was GMD 22, 273 (USD 474). Each of the duplicates was made different payments in each month. For the combination for Staff IDs 820 and 12269, 12269 was not paid all the allowances, but also did not have all the deductions. A similar case was for the combination 11336 and 12270. The duplicate Staff IDs no longer exist according to the Payroll Reports.

3.300 EY communicated these findings to NAWEC's HR and Payroll teams who described this as a system error and advised that the duplicate payments made have been recovered. EY requested but was not provided with the documentation of any communications informing the staff of the double payments or their recovery. It is therefore unclear whether NAWEC recovered any duplicate payments made.

3.301 Following this, EY went on to test a sample of names which were the same and in the same / similar department. EY requested the payslips of three other staff. There was one name which had two similar IDs and on the review of the payslips, similar SS numbers. EY requested to see the staff's different Personnel Files and confirmed they are different individuals.

3.302 The duplicate payments identified above can indicate the weakness of controls around the payroll process as well as system weaknesses. We recommend that NAWEC investigates the reasons behind the duplicate payments and addresses these.

Recommendations

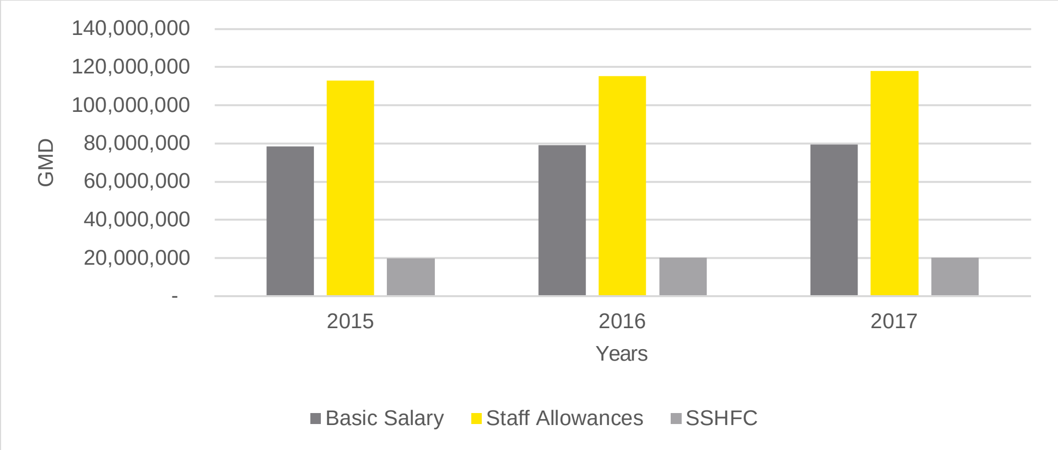
3.303 We make the following recommendations regarding the Payroll process:

- NAWEC should review its current staff levels and skills to ensure the business has the right combination of staff skills and numbers to optimize its performance;
- The Payroll and Finance teams need to regularly reconcile the payroll and accounting system, as required by the accounting policy;
- NAWEC needs to keep better records of their staff and follow due starters / leavers process;
- NAWEC needs to follow its recruitment and termination policies;
- We recommend that NAWEC investigates the reasons behind the duplicate payments and addresses these; and
- NAWEC should review its staff listing for any duplicates to avoid making duplicate payments going forward.

Employee benefit schemes – staff allowances

3.304 Staff Allowances form part of the Wages and Salaries expense for NAWEC. Across the 2015-2017 period, Staff Allowances have been 53% of the overall Wages and Salaries cost. Staff Allowances have been on average 146% of the Basic Salary. The below figure summarizes the Wages and Salaries cost over the 2015-2017 period.

Figure 11: Overview of Wages and Salaries Cost



Source: Compiled by EY based on the 2017-2017 Payroll Reports.

3.305 The figure shows that the breakdown of Wages and Salaries cost has been stable over the 2015-2017 period.

3.306 NAWEC claims that the large number of Staff Allowances is due to the following reasons:

- According to the HR Team, NAWEC has been unable to increase Basic Salary for many years following a pay freeze, so to compensate this, there are many allowances;
- According to the Payroll team, NAWEC is trying to save on Wages and Salaries costs by not increasing their SSHFC contributions. 19 out of 25 of the Staff Allowances are not pensionable; and
- Being a Government institution, NAWEC is entitled to the same Staff Allowances as the rest of the Government institutions. 13 out of the 25 Staff Allowances originate from the Government.

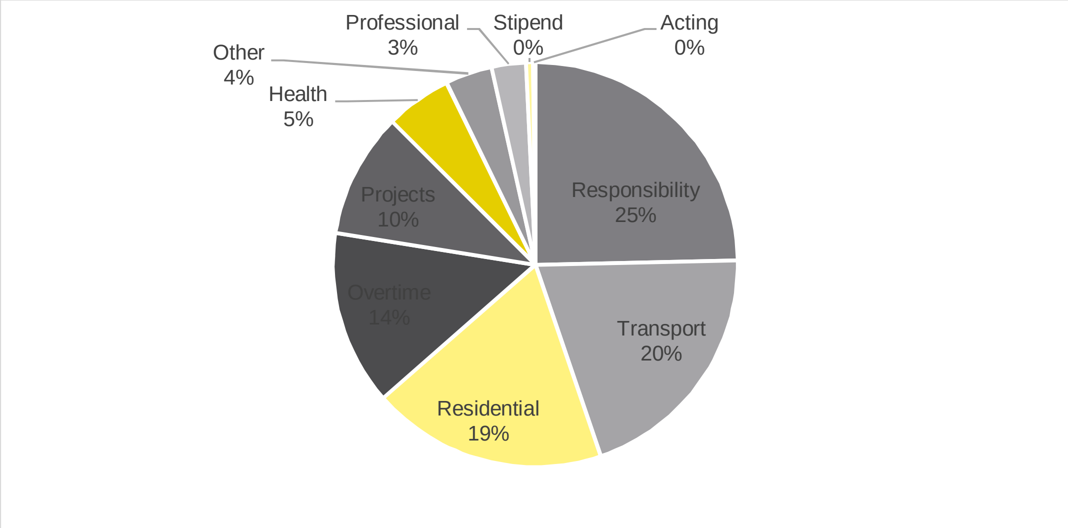
Overview of Staff Allowances

3.307 In 2015, there were 23 allowances and in 2016 and 2017, a new allowance was introduced each year. The new allowances were from the introduction of projects NAWEC is running being Kotu Expansion Project (2016) and Gambia Electricity Support Project (2017).

3.308 As there are several types of allowances, EY has categorized them below[140] for 2017.

[140] Responsibility is a combination of the Extra Duties, Responsibility, Telephone and Charge Allowances. These Staff Allowances are available to Staff who are Grade D or above. Transport is a combination of Car and Transport allowances. Residential is a combination of Residential and Provincial allowances. Overtime is a combination of Shift and Overtime allowances. Projects is a combination of Project, Brikama Power Station II Project, Rural Electrification Project, Kotu Expansion Project and Gambia Electrical Support Project allowances.
Health is the Health Allowance. Other is a combination of Longevity, Other, Risk, Confidential, Drawback and Training allowances. Professional is the Professional Allowance. Stipend is the Stipend Allowance. Acting is the Acting Allowance.

Figure 12: Summary of Staff Allowances 2017



Source: Compiled by EY based on the 2017 Payroll Reports.

3.309 Based on the nature of the allowances, we expected that the Transport and Residential allowances individually would be the largest proportion of the total expense. This is because these allowances are available to all staff. However, Responsibility allowances were the largest proportion of the total despite these being only available to staff who are Grade D or above. It appears that a small group of managerial staff receive the highest proportion of Staff Allowances.

3.310 The reason for receiving Other Allowance was not known by anyone from the Payroll or HR teams. EY observed through the Payroll Reports there were three members of staff, including the current Finance Director, receiving the allowance over the 2015-2017 period[141]. EY spoke to the Senior Management and they explained that this allowance was introduced in response to additional workload from a participation in a taskforce back in 2005 (i.e., ten years earlier) which was created in relation to the GMS contract. We understand that the taskforce is no longer in place. We recommend that the continued payment of this allowance is investigated further.

Process

3.311 There are Staff Allowances which are given automatically (such as Transport Allowance), either in general and on promotion. There are Staff Allowances which need supporting documentation (such as the Car Allowance) and recommendations from Department Heads[142].

3.312 EY observed an example of a Car Allowance which did not follow the process. Payroll authorized the Staff Allowance without the proper authority from the HR Director. This is due to the limitations from the Payroll system Paypro, where the system does not have an inbuilt authorization tool.

3.313 There is a risk that Payroll can add Staff Allowances which do not meet the criteria and / or are not authorized. This is an inherent risk of such a manual process.

Testing

[141] EY only looked at the payroll for these years. It is possible that the allowances were received prior to 2015.
[142] A memorandum needs to be created by a member of Staff and approved by the Head of Department. Then the payroll needs to verify it prior to HR approval. The HR Director will then give approval to Payroll to add the Staff Allowance approve to the Payroll.

3.314 EY tested different combinations of the Staff Allowances. The examples included:

- Car and Transportation Allowances - Staff are only allowed one or the other; and
- Basic Salary, Stipend and all other Staff Allowances - if Staff are entitled to the Stipend Allowance, they are not entitled to any of the other allowances they had previously received, until they come back to fulltime employment. Staff are still entitled to Basic Salary.

3.315 With regards to Car and Transportation Allowances, EY confirmed that no Staff received both the Car and Transportation Allowances. However, from the review of Internal Audit reports[143] EY noted that a concern was raised regarding the Car Allowance being used by employees who came into work without their cars. This is an issue because the Car Allowance is considerably higher than the transport allowance.

3.316 As a result of the Stipend Allowance testing we identified at least five people who in 2017 received Basic Salary, Stipend Allowance and one to three other allowances. One of these people received the extra allowances 11 out of the 12 months tested. The total value of extra allowances for all five employees was GMD 37,065.

National Intelligence Agency ("NIA")/SIS allowances

3.317 We were told by the Internal Audit about the deployment of NIA/SIS Personnel into NAWEC. This type of deployment has been spanning over a number of years and has occurred in other SOEs, GAMTEL as an example.

3.318 According to multiple conversations held, the reasons for their deployment in the previous regime was to benefit the regime. For example, NIA were present in the handing over and dismissal of Ms Ngoneh Jallow[144]. In the current regime, (now known as SIS) they act as a form of security and their general purpose is unclear.

3.319 EY viewed directives over the 2010-2017 period and saw examples[145] where the NIA/SIS informed NAWEC of deployment of their Personnel. EY can confirm these individuals were not on the Payroll, however they were paid allowances.

3.320 In 2017 the Board of Directors asked the Internal Audit to review NIA/SIS's Terms of Reference (TORs). The period of the review was from September 2009 to July 2017. The report recommended that the SIS personnel remains at NAWEC to help with the fraud ongoing at the time. However, their general purpose was still not clarified.

3.321 The Internal Audit team estimated the cost to be GMD 1,162,505 (USD 24,525) in cash allowances alone.

3.322 In addition, there were allocations of monthly fuel coupons amounting to GMD 6,750 (USD 142) and fuel allowances for GMD 4,000 (USD 84). They were also allocated a vehicle (NAWEC 81) and two motorcycles (BJL6621 and BJL6622). The cost of this was not substantiated.

Recommendations

3.323 We make the following recommendations with respect to Staff Allowances:

[143] HRM Audit Report December 1, 2015 by Mamadi Silla
[144] Handover notes from Ms Ngoneh Jallow, dated April 13, 2015, NIA signed the notes.
[145] Letter from NIA, dated October 15, 2014, subject Posting, posting of Alhagie Modou Ceesay, Nelson P Gomez, Landing Badjie and Modou Lamin Drammeh.
Letter from NIA, dated October 13, 2015, subject Posting, posting of Fabakary Beyai.

- NAWEC should review the Staff Allowances to confirm the purpose and validity of all allowances available;
- The Payroll team should follow the formal process and obtain authorization by HR before adding or deducting Staff Allowances to or from the Payroll;
- NAWEC is to obtain a system where there is an authorization deterrent to prevent Payroll from authorizing or deducting Staff Allowances without the proper authorization from HR; and
- NAWEC needs to conduct an in-depth review of the total costings and purpose of NIA/SIS personnel costs, since NIA/SIS personnel were placed in NAWEC.

Detailed findings – Quantification of diverted or misused funds

3.324 EY has sought to identify examples of historic fund diversion or misuse at NAWEC. Through conversation and document review, we have collated the instances where funds were used for purposes other than originally intended, or because management were instructed by the Office of the President to commit expenditure that does not have a direct benefit for NAWEC. We also have noted any directives which could have potentially resulted in expenditure NAWEC would not have otherwise incurred. We have also looked to quantify any known frauds that are known to NAWEC. For ease of review we have provided a summary rather than list out each incidence of value leakage.

Table 41: Summary of potentially diverted or misused funds identified during the Forensic Audit

	Pre Dec 31, 2016 (GMD'000)	Pre Dec 31, 2016 (USD'000)	Post Dec 31, 2016 (GMD'000)	Post Dec 31, 2016 (USD'000)
Executive Directives:				
Compensation[146]	1,785	37	0	0
Investments[147]	5,500	115	0	0
Sponsorship/Donation - Political	500	12	0	0
Sponsorship/Donation - Other	1,150	27	60	1
Directives for water/electricity installation and extension, meters	23,000 n/a – 9 directives	537	n/a – 7 directives	n/a
Vehicle Directives	n/a - 34 directives	n/a	n/a - 19 directives	n/a
Employment Directives	n/a - 16 directives	n/a	n/a - 2 directives	n/a
Diversion of workforce	n/a – 2 directives	n/a	n/a - 1 directives	n/a
Supplier directives	n/a – 1 directives	n/a	n/a - 1 directives	n/a
Other	n/a – 2 directives	n/a	0	0
Total identified	**31,935**	**728**	**60**	**1**

Source: Compiled by EY based on the Executive Directive files at NAWEC and as referred to in footnotes

[146] Refer to Payroll section.
[147] Refer to Investments section.

Sponsorship/Donation

3.325 EY reviewed the Donations ledger for the period 2016 and 2017 and requested a sample of 15 invoices, of which 11 were provided. Five of the invoices did not raise concerns given the nature and purpose of the account. Two invoices were for fundraising events by the previous First Lady's charity Operation Save The Children. There was a particular invoice of interest being a birthday present for the previous President amounting to GMD 150,000 (USD 3,502).

Directives for water/electricity

3.326 EY was unable to quantify this category. It consists of directives for installation, extension of water and electricity network. There are examples for installing electricity into homes of individuals, offices and the previous President's Kanilai facilities. The example which could be quantified was for the extension of electricity to the Community of Illiassa Village, Upper Badibou North Bank Region. The approximate costs were GMD 23m (USD 479k).

3.327 Based on our conversations with the Senior Management, we also identified the following areas which were electrified as a result of directives but where no written evidence seemed to exist: Daisilameh, Chamen, Samakala, Keru Dembattolleh, Fass Chako, Mounyagen, Bakindiki, Sita Nunku, Mbantang-killing, Niumi Lamin, Keru Mamudou Fana, Bati Njolt, Sarre Alpha, Singnioto Touba, Diabugu Ba-sillah, Jimara Bakadaji, Buiba[148].

3.328 While it is NAWEC's business purpose to provide these services, performing these in response to a directive could have diverted funds spent on these at the time NAWEC could not afford such investments.

3.329 This category also includes directives to not use pre-paid meters for some of the properties.

Vehicle requests

3.330 There are examples where vehicles were requested, including at short notice. Most of the time NAWEC was asked to deliver multiple vehicles with drivers for several days at a time. In the previous regime, the requests were mainly for the President's 'People's Tour'. There continues to be vehicle requests in the current regime and these have mainly been for the President's People's Tour.

3.331 NAWEC claims that when the vehicles come back to NAWEC, the vehicles are damaged and need maintenance. This type of directive disrupts NAWEC's day-to-day operations and financials. EY was unable to quantify the cost.

Employment directives

3.332 These directives are examples of various employment requests from the government, including graduate students who have studied overseas, and dismissals for staff in senior positions.

Diversion of workforce

3.333 This category includes instances when the Government has requested for NAWEC's staff to oversee and supervise projects which do not appear NAWEC's projects. In the previous regime, this was for the supervision of water supply works for Kanilai Farms. In the current regime, this was for the refurbishment of the State House.

[148] These locations may overlap with the written directives.

Supplier directives

3.334 This category includes instances where the Government asks NAWEC to consider a supplier to work with.

Other

3.335 This category includes requests for fuel to run the generators for the Police and demand for payment of arrears to the Youth Sports Development Fund.

4. GAMTEL

Introduction

Background

4.1 Gambia Telecommunications Company Limited ("GAMTEL") was incorporated in 1984 as a limited liability company to operate and develop the telecommunications sector in The Gambia.

4.2 GAMTEL is a fully controlled, 99% State Owned Enterprise of the Government of The Gambia. The GPA owns the remaining 1% of GAMTEL's shares.

4.3 Gambia Telecommunications Cellular Company Limited ("GAMCEL") is a fully controlled, 99% owned subsidiary of GAMTEL. GAMCEL was incorporated in 2000 as a limited liability company.

4.4 The principal activity of GAMTEL is to provide voice and data services to its customers. The Gambia Baseline Assessment dated December 7, 2018 reports that GAMTEL is currently the only fixed voice supplier in The Gambia, with the provision of voice services by other licensed fixed network operators currently prohibited by law. The fixed data supply-side market includes other network operators, such as InSIST Net, Netpage, QCell and Unique Solutions.

4.5 Management explained that previously GAMTEL was independently rated as the second-best telecommunications provider in Africa[149]. However, at present it is rated in ninth place. The declining rating is mainly attributed by management to GAMTEL's inability to upgrade its network system.

Limitations of scope and information provided

4.6 See the 'Limitations of scope' section of the Executive Summary for commentary on limitations that apply to all SOEs, in particular for how our work did not constitute a statutory audit.

4.7 Our assessment was based on the records, documentation and information that the management and staff of GAMTEL and GAMCEL provided to us, as well as other information obtained by us through interviews and specific enquiries made by us in the course of our work.

4.8 As at February 17, 2019, we have not yet been provided with a draft audited set of Financial Statements for 2017. We have been informed that the delay is due to ongoing discussions around the exclusion of the International Gateway revenues.

4.9 In December 2018, GAMTEL provided EY with a set of draft and unaudited 2017 Financial Statements, in Excel format. However, during our fieldwork in January 2019, we noted several inconsistences between the draft set of unaudited Financial Statements and the Access Accounting system downloads of the Trial Balance and General Ledger. We understand that these differences were mainly due to the posting of additional journals after the draft set of unaudited Financial Statements were originally produced.

4.10 The results and findings set out in this section are based on the Trial Balance obtained in January 2019. Our 'mapping' of accounts from the Trial Balance was performed based on the original mapping provided in 2018, and based on prior years' audited Financial Statements. It

[149] Rating agency and period unknown

should be noted that the 2017 Trial Balance does not yet included any taxation liabilities accounts.

4.11 We received good cooperation and access to staff from GAMTEL during the audit. However, we experienced delays in receiving documentation that was actually readily available to the Finance team (i.e. documentation stored in their offices). To date, we have not yet received all the requested documentation as set out in the relevant sections in this report.

4.12 On February 6, 2019, we held a closing meeting with the GAMTEL Finance team management to present our initial findings from the Special Audit.

GAMTEL - Detailed findings – Balance sheet

4.13 Our detailed findings in relation to our Special Audit of GAMTEL as at December 31, 2017, are explained more fully in this section of the report.

4.14 Over the last few years, GAMTEL has experienced a decreasing net asset position.

4.15 The principal assets in GAMTEL's 2017 Balance Sheet are Receivables at 53% of total assets (GMD 902m / USD 19m), Fixed Assets (known as Property, Plant and Equipment) at 31% of total assets (GMD 533m / USD 11m). Its principal liabilities are Trade and Other Payables at 92% of total payables (GMD 371m / USD 8m).

4.16 Receivables have increased by about GMD 770m (USD 15m) since 2011 and 'Receivables days' (indicating the number of days on average taken to collect revenue) have deteriorated from 33 to 293 days over the same period. Our fieldwork indicates the balance contains a high proportion of Receivables that are not recoverable.

4.17 With the exception of 2016, Trade Payables have continually increased since 2012 by approximately GMD 200m (USD 4m) and delayed payables days has increased from 63 to 283. In other words, GAMTEL has delayed its paying liabilities, in response to the slower collection of Receivables.

4.18 Since 2015, GAMTEL has made significant reductions to long term debt, repaying the entirety of its non-current liabilities (GMD 137m / USD 3m). The liabilities had consisted of loans from CFD, Trust Bank and African Export-Import Bank (AFREXIM), in addition to an amount owed to the Government for outstanding AFREXIM instalments, paid on behalf of GAMTEL.

4.19 We understand from management that the Government and GAMTEL are to enter into a new loan agreement with Huawei to fund a national network expansion. At the time of our fieldwork in January 2019 the details of the agreement were still being negotiated.

4.20 The GAMTEL 2016 Financial Statements reference two contingent liabilities which were pending appeals as at December 31, 2016. We have made enquiries about the appeals but have not been provided with any further information.

Table 42: GAMTEL summary Balance Sheet as at December 31, 2017

<table>
<tr><th></th><th>2016 (GMD’000)</th><th>2016 (USD’000)</th><th>% of asset / liability total</th><th>2017 (GMD’000)</th><th>2017 (USD’000)</th><th>% of asset / liability total</th></tr>
<tr><td>Assets</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Property, plant and Equipment</td><td>620,365</td><td>14,175</td><td>40%</td><td>532,769</td><td>11,098</td><td>31%</td></tr>
<tr><td>Investments</td><td>163,981</td><td>3,747</td><td>11%</td><td>163,981</td><td>3,416</td><td>10%</td></tr>
<tr><td>Inventory</td><td>20,981</td><td>476</td><td>1%</td><td>26,407</td><td>550</td><td>2%</td></tr>
<tr><td>Receivables</td><td>730,164</td><td>16,684</td><td>47%</td><td>901,570</td><td>18,780</td><td>53%</td></tr>
<tr><td>Cash and Bank</td><td>10,323</td><td>234</td><td>1%</td><td>85,804</td><td>1,787</td><td>5%</td></tr>
<tr><td>Total assets</td><td>1,545,814</td><td>35,316</td><td>100%</td><td>1,710,530</td><td>35,630</td><td>100[150]%</td></tr>
<tr><td>Liabilities</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Borrowings due after 1 year</td><td>31,170</td><td>712</td><td>7%</td><td rowspan="2">34,590</td><td rowspan="2">721</td><td rowspan="2">9%</td></tr>
<tr><td>Borrowing due within 1 year</td><td>39,181</td><td>895</td><td>8%</td></tr>
<tr><td>Trade and Other Payables</td><td>352,968</td><td>8,065</td><td>75%</td><td>374,410</td><td>7,736</td><td>91%</td></tr>
<tr><td>Bank overdraft</td><td>19,167</td><td>438</td><td>4%</td><td>-</td><td>-</td><td>0%</td></tr>
<tr><td>Taxation</td><td>29,287</td><td>669</td><td>6%</td><td>-</td><td>-</td><td>0%</td></tr>
<tr><td>Total liabilities</td><td>471,773</td><td>10,780</td><td>100%</td><td>406,001</td><td>8,457</td><td>100%</td></tr>
<tr><td>Net assets</td><td>1,074,041</td><td>24,536</td><td></td><td>1,304,529</td><td>27,173</td><td></td></tr>
</table>

Source: GAMTEL’s 2017 Trial Balance; GAMTEL’s 2016 Financial Statements

Fixed Assets

4.21 The table below sets out a summary of GAMTEL’s Fixed Assets as reported in the FAR as at December 31, 2017. The Net Book Value of the Fixed Assets represents 31% of the asset value on the Balance Sheet and is principally made up of Land & Buildings (66%), Assets under construction (19%) and Plant & Network equipment (12%).

4.22 The current Net Book Value of Fixed Assets consists of Land & Buildings (66%), Work in Progress (19%), Plant & Network Equipment (12%), Motor Vehicles (2%) and Furniture & Office Equipment (1%).

[150] Rounding difference of 1%

Table 43: Summary of Fixed Assets as at December 31, 2017

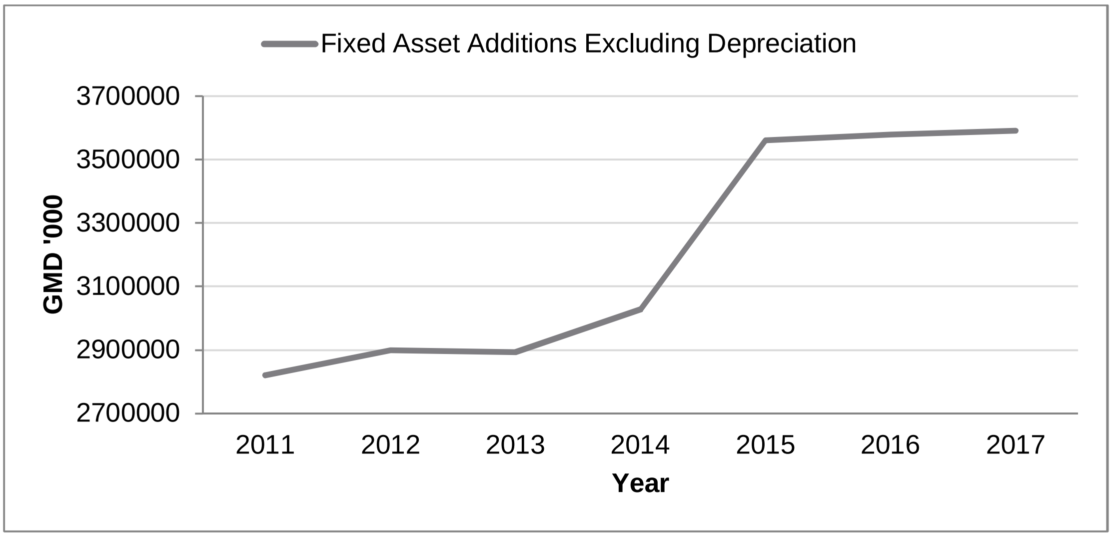
Asset type	Assets under construction	Plant, Equipment & Distribution Network	Land & Buildings	Motor Vehicles	Furniture & Office Equip	Total
At cost (GMD'000)	102,856	2,687,946	502,527	63,418	234,846	3,591.593
Depreciation (GMD'000)	-	2,623,118	138,110	54,311	227,796	3,043,335
Net Book Value (GMD'000)	**102,856**	**64,828**	**364,417**	**9,107**	**7,050**	**548,258**
At cost (USD'000)	2,142	55,990	10,468	1,321	4,892	74,813
Depreciation (USD'000)	-	54,640	2,877	1,131	4,745	63,393
Net Book Value (USD'000)	2,142	1,350	7,591	190	147	11,420
% of Fixed Assets	**19%**	**12%**	**66%**	**2%**	**1%**	**100%**

Source: Fixed Asset Register 2017

4.23 GAMTEL has encountered issues with its Fixed Assets management system. This was mainly due to the system calculating deprecation incorrectly by only recognizing deprecation on prior year assets and not on any additions. We were informed that the system developer passed away before the system issues could be rectified. GAMTEL has since resorted to using a manual FAR, based in Excel.

4.24 The FAR only is manually updated once a year for both additions and disposals. The figure below shows the Fixed Asset balance (PPE), excluding depreciation, for the period 2011 to 2017. This illustrates the relatively low increase in capital expenditure, which is unusual given Telecoms is such a capital-intensive industry. Moreover, it also shows limited growth in capital expenditure during the last three years.

Figure 13: Summary of Fixed Assets movements excluding depreciation



Source: GAMTEL's Financial Statements 2011 to 2016 and GAMTEL's 2017 Trial Balance

4.25 Historically, assets on the FAR were not assigned an individual asset code. Instead they were grouped into one asset code, *e.g. "5410 – GTMI Computers"*. For most of these asset classes, no breakdowns were available to ascertain the quantity and nature of assets in each code. From discussions with the Management Accounts team, we understand that efforts have been made in the past two years to address this concern and that it is now standard practice to assign every new asset a unique code. We saw evidence of this in new assets during 2017, however historic assets have yet to be re-assigned a unique asset code.

4.26 An assessment of the FAR detail for December 31, 2017 showed that 15% of the value of Fixed Assets is contained within the historic asset 'grouped' code format.

4.27 We have noted differences between the FAR detail and the FAR summary. The summary of these differences is detailed below:

Table 44: Summary of differences between FAR summary and FAR breakdown

Source	WIP	Plant, Equip & Dist Network	Land and building	Motor Vehicles	Furniture & Office Equipment
	(GMD'000)	(GMD'000)	(GMD'000)	(GMD'000)	(GMD'000)
Per Summary Tab	201,856	64,828	364,417	9,107	7,050
Per Breakdown	No breakdown provided	72,621	413,011	9,107	7,157
Difference	**Unknown**	**7,793**	**48,594**	**0**	**107**
Difference (USD'000)	**Unknown**	**162**	**1,012**	**0**	**2**

Source: Fixed Asset Register 2017

4.28 Moreover, we have noted differences between the 2017 Net Book Value figures from the Trial balance, FAR Summary and FAR Detail. These variances are detailed below:

Table 45: Differences between the Trial Balance, FAR summary and FAR detail

	Per TB	Per FA Register Summary	Per FA Register Detail
Fixed Assets (GMD'000)	532, 769	548,259	504,277
Fixed Assets (USD'000)	11,098	11,420	10,504

Source: GAMTEL's 2017 Trial Balance, FA register summary and FA register detail

4.29 The Finance and Management teams explained that these differences are due to "*Work in Progress figures of GMD 99,408 in the Assets Summary but not the EOY* [End of year] *2017*" as well as an erroneously charged revaluation in the system, which is "*due to the nature of our Assets Register softwa*re" being difficult to reverse. However, this explanation does not sufficiently address the differences identified and therefore management are yet to satisfactorily explain this issue.

4.30 The FAR does not have descriptions for each asset code due to the limitations of the Fixed Asset management system, whereby descriptions can only be viewed within the software and cannot be exported in a report.

4.31 From initial discussions with Internal Audit, we understood that a 100% Fixed Asset verification exercise is conducted annually. This process is completed in a 'sheet-to-floor' manner, however a 'floor-to-sheet' exercise is not completed. During our fieldwork in January 2019, discussions with Management Accounts suggested that the verification is only conducted on additions made during the year.

4.32 A revaluation exercise of all GAMTEL properties was conducted in November 2014 by the independent Gambian firm Francis Jones Associates. We were given sight of this report; which was also used to compare to the Fixed Assets during our verification exercise.

4.33 We noted that GAMTEL classify Fixed Assets based on a monetary value (items bought for over GMD 5,000 (USD 104)) and not by the nature of the item. While this is compliant with their Financial Policy (2013), consideration should also be given to classifying items based on their nature.

4.34 Per the GAMTEL Finance Policy (2013), depreciation is applied to assets at year-end, regardless of the date of acquiring the asset. Therefore, an asset could be acquired on December 30, and still be subject to a full year of depreciation at December 31. Depreciation is provided at the following annual rates to write off the cost of each asset, on a straight-line basis, over its estimated useful life.

Table 46: Depreciation policy by asset class

Asset Class	Annual Depreciation
Land	0%
Buildings	5%
Technical Equipment	15%
Motor Vehicles	25%
Furniture, Fittings and Office Equipment	15%
Computer Hardware and Software	33%

Source: GAMTEL's 2016 Financial Statements

4.35 We reperformed the depreciation calculation for 2017 and noted that the depreciation is in line with expectations, with the exception of the following two items:

- ► Motor Vehicle, asset code BJL5790H - depreciating at 1% instead of 25%; and
- ► Technical Equipment, asset code 5118 - depreciating at 6% instead of 15%.

4.36 We performed asset verification on a sample of the Fixed Assets, from across the range of asset classes, to confirm existence in line with the FAR. This sample consisted of 21 items and covered 36% of the total Fixed Assets balance. As detailed in the paragraphs below, we were not able to verify all assets in this sample.

Table 47: Fixed Asset verification coverage by asset class

Asset Class	Value of EY Sample (GMD'000)	% of Asset Class Value Sampled
Land and Buildings	190,601	52%
Technical Equipment	1,602	2%
Motor Vehicles	5,630	62%
Furniture, Fittings and Office Equipment Computer Hardware and Software	731	10%

Source: EY analysis

Land & Buildings – Net Book Value of GMD 364m / USD 7.6m

4.37 Land & Buildings, which in total constituted 66% of the Fixed Assets balance, was tested with a sample of five items, which were all located and verified to the valuations report for existence. We requested the title deeds for these properties, however were informed that the most deeds are held at the banks, and therefore we were unable to obtain copies.

Motor Vehicles - Net Book Value of GMD 9m / USD 190k

4.38 We verified the existence of a sample of motor vehicles during this exercise, by physically inspecting assets and confirming their working order.

4.39 One exception involved a motorcycle (registration number MC BJL 1961) added to the FAR in 2017. Upon request to verify existence, we were informed by the Fleet Manager that he was unaware of the existence of this motorcycle and stated that no asset with this code existed. Subsequently, Management Accounts suggested that there may have been a transposition error when inputting this asset into the system and that the asset did in fact exist, under the registration MC BJL 9061. We requested documentation to support the purchase of the motorcycle with registration number MC BJL 9061, however to date we have not received it. We do note that the FAR does not reflect a motorcycle with registration number MC BJL 9061.

4.40 Additionally, one of the sample items transpired to be the vehicle of the former Managing Director (BJL 5790 H). Initially we were told that this vehicle was parked permanently at the Abuko site, however we were later told that this vehicle was in a private garage for maintenance and that we were unable to view the vehicle for verification purposes.

Technical Equipment – Net Book Value of GMD 65m / USD 1.4m

4.41 Sampled items for technical equipment are grouped under the historic asset code format, with no breakdown available.

4.42 We attempted to verify ‘Transmission Equipment’ (GMD 1.5m / USD 31k), ‘Fire Extinguishers’ (GMD 112k / USD 2k) and ‘Switching Equipment’[151]. As such, in the absence of a breakdown detailing exactly what items were included in these asset classes, we were only able to verify some of the assets selected for our sample.

4.43 The assets we could verify were typically the most recently purchased, Transmission Equipment (total value GMD 1.5m / USD 31k) and Fire Extinguishers (total value GMD 112k / USD 2k).

4.44 Moreover, it is possible that Fire Extinguishers should be categorized as Fixtures & Fittings, rather than Technical Equipment.

Fixtures & Fittings (F&F) – Net Book Value of GMD 7m / USD 145k

4.45 Similarly, F&F sample items were categorized under the historic asset code format, with no breakdowns available.

4.46 We attempted to verify ‘GTMI Office Equipment’ (GMD 482k / USD 10k), ‘Cisco Router’ (GMD 249k / USD 5k) and ‘GTMI Computers’[152]. As such, in the absence of a breakdown detailing exactly what items were included in these asset classes, we were only able to verify some of the assets selected for our sample.

Recommendations

- Conduct a comprehensive Fixed Asset review exercise, tag every asset with a unique asset code, and ensure that all assets are valued at the current Net Book Value, updating the FAR accordingly;
- Assess the viability of procuring a new Fixed Asset management system that allows GAMCEL to have a better oversight and improved control over of its Fixed Assets; and

[151] These items were listed with a zero NBV in the FAR, however we were informed that these assets were still in working condition and of use to GAMTEL

[152] These items were listed as 0 NBV in the FAR, however we were informed that these assets were still in working condition and of use to the GTMI division.

- ► Conduct a more robust and comprehensive Fixed Assets verification exercise at year-end that includes all GAMTEL assets.

Investments

4.47 The table below lists the investments held by GAMTEL as at December 31, 2017, per GAMTEL's draft Trial Balance. Together the investments represent 10% of the total asset value on the 2017 Trial Balance.

Table 48: Investments held by GAMTEL as at December 31, 2017

	Name of the investment	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	RASCOM	25,593	533	0	25,593	533
2.	GSM	93,833	1,955	0	93,833	1,955
3.	GAMCO	15,600	325	15,600	0	0
4.	ACE	44,389	925	0	44,389	925
5.	GIA	166	3	0	166	3

Source: GAMTEL's 2017 Trial Balance

4.48 In addition to the investments included in the table, we identified that GAMTEL's Management should investigate whether they also hold the following investments:

- ► A 1% ownership share in NAWEC; and
- ► Ownership share in GRTS.

4.49 These potential investments are discussed more fully below.

RASCOM investment of GMD 26m (USD 533k)

4.50 RASCOM is the inter-governmental Regional African Satellite Communication Organization, which was constituted with a membership of 45 African states. GAMTEL currently holds 1,113,594 of USD 1 shares (2%) in RASCOM out of a total share capital of USD 63m[153].

4.51 At a Board meeting held on December 23, 2016, Mr Baboucarr Sanyang, Managing Director of GAMTEL[154] stated that the RASCOM Board was still active, however the project was currently "dormant". He explained that the project was at a standstill as Libya was chosen to temporarily provide back up support to the regional satellite organization's Network Management Centre, but could not presently fulfil the function[155]. It was highlighted that Gambia was originally chosen to provide back-up support to the Network Management Centre, however was replaced by Libya due to The Gambia's funding constraints.

4.52 We requested, but were not provided with, documentation to confirm the existence and value of this investment. However, the Finance team informed us that the investment will be fully written off in the 2017 Financial Statements on the basis that the RASCOM entity no longer exists.

[153] According to the approved Board minutes of the 17th Ordinary Meeting of the Board of GAMTEL Directors held on December 21, 2012, the then Managing Director, Mr. Baboucarr J. Sanyang, explained that "*RASCOM was established by the Organization of African Unity (OAU) and The Gambia signed the MOU and is a member. The rationale for the formation of RASCOM is for African countries to interconnect with each other without passing through foreign carriers, thus reducing the cost of communication in the continent. Membership of RASCOM's Board depends on a company's level of investment…GAMTEL has invested USD 1.11 million…"*.
[154] Mr Baboucarr Sanyang was the Managing Director of GAMTEL at the time of the Board meeting.
[155] Source: Board minutes of the 8th Extraordinary meeting of the Board of Directors held on December 23, 2016.

4.53 GAMTEL's Finance team initially informed us that their External Auditors were in agreement with the investment write-off, however on February 6, 2019, we were further informed that the Auditors are still considering the write-off.

4.54 We conducted internet searches for RASCOM and could not identify any media reports or updates more recent than 2014, supporting the argument for the write-off of the investment. In order to determine the right period in which to account for the write-off, GAMTEL management should identify exactly when the RASCOM entity became dormant. Our research suggests that the trigger point was *prior* to 2017, and so the investment write off should not hit the 2017 GAMTEL Income Statement.

GSM investment of GMD 94m (USD 1.96m)

4.55 As set out in GAMTEL's 2016 Financial Statements, GAMTEL's GSM investment represents the amount spent in the creation of GAMCEL, a 99% subsidiary of GAMTEL. GAMCEL was incorporated in November 2002 with share capital of GBP 1m. The GAMCEL 2017 Financial Statements details that 100k ordinary shares of GMD 300 each was issued and paid for.

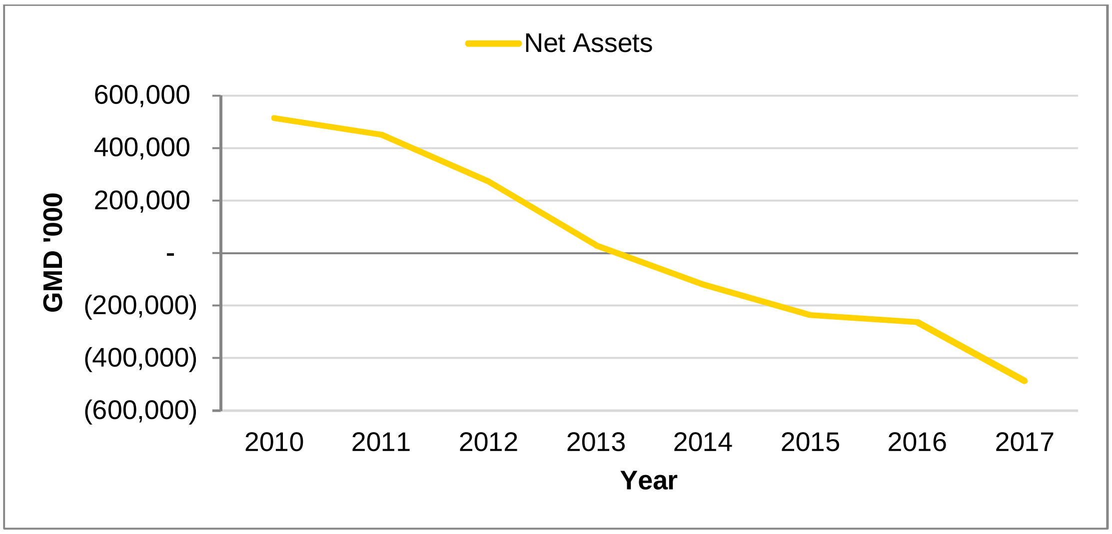
4.56 We were provided with a copy of the Digital Mobile License granted by the 'Government of The Republic of The Gambia' through the Department of State for Communication, Information and Technology. The license was awarded on September 28, 2007.

4.57 The Digital Mobile License did not reflect any values of the investment by GAMTEL.

4.58 GAMCEL's 2017 Trial Balance details 'GAMTEL PROJECT INVESTMENT' for a value of GMD 30m (USD 624k), and share premium of GMD 64m (USD 1.3m) equated to GMD 94m (USD 1.96m).

4.59 At present, GAMCEL is not considered a going concern. It has been loss making since the start of the scope period in 2010, and has suffered declining revenues from 2010 onwards. The figure below shows GAMCEL's net assets, exclusive of Equity, for the period 2010 to 2017. This shows that GAMCEL has had a continually declining Net Assets position figure since 2010 and negative Net Assets position from 2014 onwards. This illustrates the severity of GAMCEL's financial situation.

Figure 14: Net asset position of GAMCEL 2010 to 2017



Source: GAMCEL's Financial Statements

4.60 It is apparent that the value of the GAMCEL investment has not been impaired or adjusted for the loss-making situation of GAMCEL since at least 2011. Due the decline in GAMCEL's net asset position, GAMTEL should consider fully impairing the GSM investment.

Investment in GAMCO of GMD 15.6m (USD 325k)

4.61 The GAMCO investment represents the total advances made by GAMTEL to GAMCO during the period 2004 to 2005[156].

4.62 Management informed us that these advances were made following Executive Directives issued by the Ministry of Agriculture, on behalf of the Government. These Executive Directives were issued in an attempt to facilitate the groundnut trade.

4.63 GAMCO is currently liquidated and the amount has been fully provided for as part of the company's impairment review procedures.

ACE Investment of GMD 44m (USD 925k)

4.64 On July 12, 2011, six Gambian companies[157] signed a joint agreement, which was brokered by the Gambian Government, to establish a public-private partnership (PPP) financing agreement worth USD 25 million (GMD 710m)[158]. The purpose of the partnership was to jointly contribute towards the cost of financing a landing station, in The Gambia, for the Africa Coast to Europe Submarine Cable (ACE), a submarine fiber cable laid from France through the coast of Africa to South Africa. The ACE landing station was completed and inaugurated in December 2012.

4.65 In the agreement, GAMTEL and GAMCEL were each allocated 20% and 10% respectively of the capacity allocated to The Gambia, representing the equivalent of their contributions to the PPP financing agreement. Funds contributed through the PPP contributed towards financing GSC Ltd, which was established to coordinate the activities of the landing station.

4.66 GAMTEL's 2011 Financial Statements included a WIP balance of GMD 44m (USD 1.5m) and GMD 14.9m (USD 0.5m) that represented GAMTEL and GAMCEL's respective shareholding in GSC Ltd.

4.67 We noted that in GAMCEL's 2013 Financial Statements, a note was made that GAMCEL contributed USD 0.5m (GMD 15.813m) to the ACE Project. This was paid by GAMCEL to GAMTEL via the intercompany account in 2010.

4.68 The ACE landing station was completed and inaugurated in December 2012. As a result, GMD 44m (USD 1.5m) was reclassified in 2013 from 'work in progress' to 'investment in GSC Ltd'[159].

4.69 Through discussions with GAMTEL Management, as well as documentation (e.g. memorandums) provided, we understand that the World Bank and the Government of The Gambia assisted with the funding of the landing station in The Gambia.

4.70 Through our analysis and review, we noted the following:

- ► The balance of GMD 14.9m (USD 0.4m) ought to be in GAMCEL's balance sheet, but it is not. We suspect that this balance has been incorrectly retained in GAMTEL's 'work in progress' but we cannot confirm this as Management was unable to provide us with a breakdown of its WIP.

- ► Both balances are recorded at cost but should be at fair value. The fair value ought to reflect the future revenues to be derived from GAMTEL's and GAMCEL's capacity entitlement.

[156] Source: GAMTEL's 2016 Financial Statements.
[157] Namely Africell, Gamtel/Gamcel, Comium, Qcell, Netpage and Unique Solutions
[158] Source: GAMTEL's 2011 Financial Statements.
[159]Source: GAMTEL's 2013 Financial Statements,

Investment in Gambian International Airlines of GMD 166k (USD 3k)

4.71 Per GAMTEL's 2016 Financial Statements, the investment in GIA represents a 1% stake, valued at GMD 16.6m divided into 1,660,000 shares of GMD 10 each. We were informed that this investment transpired because of an Executive Directive issued to provide financial assistance for the upgrade and maintenance of the runway, although we have not seen any documentary evidence to support that claim.

4.72 We were not provided with any documentation relating to the investment, however we note that GIA's 2015 Financial Statements reflected GAMTEL's 1% investment.

4.73 Per the Approved Board minutes of the 8th Extraordinary meeting of the Board of Directors held on December 23, 2016, the Chairman raised a concern over the GIA investment as part of their review and approval of the 2015 Financial Statements. He stated that the GIA investment has been '*in the books for so long'* and queried whether this investment is still viable and whether it should not be removed to show a true and fair view of the accounts.

4.74 At present, the principal activity of GIA is to provide ground handling, cargo handling, ticket sales and organizing the Hajj operation. Management has not impaired the investment since its recognition, and there has been a significant change and down-sizing of GIA's principal activities from providing flights as a stand-alone airline, to only providing ground handling, cargo handling, ticket sales and Hajj operation.

4.75 While we understand that the GIA's 2016 Financial Statements indicate that GIA is financially solvent, Management should reconsider whether an impairment is required against the investment's carrying value.

Investment in NAWEC

4.76 According to the NAWEC share register, GAMTEL has a 1% ownership shareholding in NAWEC.

4.77 The current NAWEC Company Secretary provided us with an extract of NAWEC's 'Memorandum of Association', signed by the Directors of SSHFC, GPA and GAMTEL, setting out the 1% ownership of NAWEC for each of these SOEs. The document was dated May 22,1995.

4.78 No-one within the current Senior Management team at GAMTEL is aware of this investment, and there is no reference to it within GAMTEL's recent Financial Statements. As NAWEC has a net liability position and is technically insolvent, the carrying value of any investment by GAMTEL in NAWEC would, in any case, likely need to be fully impaired.

Investment in Gambia Radio and Television Services - GRTS

4.79 GAMTEL management informed us that in approximately 1995, they were instructed to create GRTS. The instruction required GAMTEL to pay for the land, building and equipment for GRTS, as well as provide resources. However, they had never received shares to recognize the initial investment.

4.80 Per the Second Extraordinary Meeting held on April 8, 2015, the Managing Director[160] informed the Board that the Headquarters of GRTS was built by GAMTEL and GRTS now required the title deed to access a grant from the European Union. The Chief Financial Officer ("CFO")[161] then explained that the building was given to the Government as a dividend payment by Management and the Board during 2005 to 2007, "*but the transfer of ownership to GRTS was not affected*". The Finance team informed us that the property is no longer on

[160] Mrs. Elizabeth Mendy-Johnson, General Manager of GAMCEL represented the Managing Director of GAMTEL in this Board meeting.
[161] Mr. Banding Sillah was the CFO of GAMTEL at the time of the Board meeting.

the asset register of GAMTEL. Due to a lack of asset descriptions, we are unable to check this to the FAR, however we did not identify the building in the revaluation report of GAMTEL's buildings dated November 2014.

4.81 GRTS's Financial Statements for 2014 and 2013 reflect a net liability position of GMD 23m (USD 533k) and GMD 19m (USD 502k) respectively. We noted that the GAMTEL Managing Director was a Board member for GRTS during 2014 and 2013.

4.82 We were informed that GAMTEL has never recorded its outlay as an investment, nor gained any returns. We further understand that at present this is accounted for in an *"intercompany account"* (please refer to the Receivables section below).

Recommendations

- The investments for RASCOM, GSM and the balance with GRTS should be written off.
- Management needs to analyze GAMTEL's WIP balance and ascertain if it includes the balance of GMD 14.9m relating to the ACE investment. If it is not in WIP, then Management needs to perform a wider balance sheet analysis to identify it.
- Management should perform a fair value assessment of the ACE investments as at December 31, 2017, for both balances of GMD 44m (USD 1.5m) and GMD 14.9m (USD 0.5m) that represented GAMTEL and GAMCEL's respective shareholding.
- Management should consider whether the carrying value of the GIA investment is reasonable and representative of its fair value.
- Management should liaise with NAWEC to determine whether GAMTEL does in fact hold a 1% shareholding in NAWEC, and if so, reflect the investment in the Financial Statements at its current market value.

Inventory

4.83 Inventory accounts for 2% of the Balance Sheet assets at GAMTEL. It mainly consists of fiber cables, connectors and other technical equipment. The table below shows the inventory held by GAMTEL as at December 31, 2017.

Table 49: Inventory held by GAMTEL as at December 31, 2017

Category	2017 (GMD'000)	2017 (USD'000)
Serrekunda Central Stores/Technical Stores	45,664	951
Stationary stores	3,181	66
Stock take adjustment	2,234	47
Sub total	**51,078**	**1,064**
Provision for obsolete stock	(24,672)	(514)
Total	**26,406**	**550**

Source: GAMTEL's 2017 Trial balance

4.84 We were informed that inventory counts occur twice a year:

- A mid-year partial stock count is performed. The count is based on a sample selected and is attended by staff from Stores, Finance and Internal Auditors; and
- A year-end full stock count is performed and attended by staff from Stores, Finance, Internal Audit as well as the External Auditors.

4.85 Our discussions with GAMTEL revealed that not all assets are counted during these exercises as some items, such as fiber cables, are difficult to count or measure. As such, we understand there is no verification of the quantity available at year-end by Internal Audit or Finance. For these stock items, the stock balance in the accounting system is used as the basis for the Financial Statements, without adjustment for any differences identified during stock counts. We were informed that GAMTEL does not maintain an aged-stock listing to assist with the identification and provisioning of slow moving stock.

4.86 Inventory is officially kept across two sites, namely the Technical and Stationery stores. However, our testing revealed that some equipment from the Technical Store is also kept at the GTMI site. Store staff explained that this was due to capacity issues.

4.87 The Technical store consists of 92% of the total inventory, mainly fiber cables and technical equipment. We were provided with breakdowns of inventory held in each store and noted variances between these breakdowns and the Trial Balance, as shown below.

Table 50: Inventory variances as at December 31, 2017

Store	Per 2017 Store Recon (GMD'000)	Per 2017 TB (GMD'000)	Difference (GMD'000)	Difference (USD'000)
Technical	45,618	45,664	(46)	(1)
Stationery	3,105	3,181	(76)	(1.6)
Total	**48,723**	**48,845**	**(123)**	**(2.6)**

Source: EY Analysis

4.88 We were informed through discussions with stores staff that there were capacity issues with the Stationery store, as the site was too small to house all inventory items. As such, some inventory (including sample item ‘A4 paper’) was held at the GTMI site. We noted a similar issue for fiber cables in the Technical store, whereby this was also held at the GTMI site.

4.89 We conducted testing on a sample of items from across both stores based on the inventory listing for December 31, 2018. In the Stationery store, half of the sampled items were counted with no issues. However, we found the store to be in a largely untidy state, which resulted in us being unable to fully count the stock level of certain sample items.

4.90 For example, for the ‘NCR Roll’ item we could verify existence, but could not quantify the amount of this item held in stock. Moreover, stores staff informed us that this item had been obsolete for a number of years yet remained part of the inventory balance. Similarly, staff informed us that the “Epson Ribbon” item had since been replaced by an updated product version, however approximately five items of the obsolete version remain in stock.

4.91 Regarding our testing at the Technical store, the highest value items were assorted fiber cables (GMD 6.4m / USD 133k). These fiber cables were stored outdoors at the GTMI site, which despite the presence of security at the entrance, had a high footfall of daily visitors and exposed these assets to possible misappropriation as well as adverse weather conditions.

4.92 We found the cabling in apparent working order, however the wooden reels on which they are stored were founded to be affected by the weather and rotting in places. Considering the high value of this inventory, we would expect that fiber cables be stored in a locked facility on the site. Not all cable reels were appropriately labelled, which made identifying specific types of cable challenging. Moreover, we identified significant amounts of cabling which were not on reels and instead lay on the floor. This made it impossible to accurately verify the quantity, which is recorded in meters.

4.93 We further identified some stock items which appeared to be water-damaged. Stores staff explained this as being a result of a leak in the store roof.

4.94 As a result of this sample testing, we were able to verify the existence of the majority of the sampled items. However, we cannot confirm the value of all of these, in particular the aforementioned high value fiber cables, due to the manner in which they were stored.

4.95 Provision for Obsolete Stock is approximately 50% of the total inventory balance (GMD 24.6m / USD 514k). While this is in contrast to both the GAMTEL and GAMCEL Approved Finance Policy (2013) that states that only a 2% provision shall be provided on the stock value to cater for obsolescence, this seems to be a prudent approach.

4.96 We were informed that obsolete inventory is left in the stores and is not properly disposed of, even though it has been removed from the inventory listing. Stores expressed that management are aware and came to inspect the stores as the obsolete stock takes up the much-needed storage space.

4.97 GAMTEL's 2017 trial balance reflects a 'Stock take adjustment' account (GMD 2m / USD 47k). Though Finance explained that this account is reduced to a zero balance at year-end (i.e., the adjustment is properly allocated to the relevant sub-categories of inventory), it was evident when reviewing prior years' Financial Statements that this is not the case. Management are yet to satisfactorily explain the differences.

Recommendations

- GAMTEL should consider reviewing the policy regarding inventory storage and stock counts (in particular, high value cabling) and ensure all valuable assets are kept in a secure, sufficiently-sized location, which protects the assets from the elements.

- Any obsolete items should be disposed of when removed from the stock listing. In particular, Management should review the variances between the Trial Balance and stock listing records, remove the use of the "Stock take adjustment" account and adjust the records accordingly.

Receivables

4.98 Receivables accounted for 53% of the 2017 Balance Sheet assets at GAMTEL. GAMTEL's Receivables are classified in the following main categories:

Table 51: GAMTEL Receivables

Receivable category	2017 (GMD'000)	2017 (USD'000)	% of total receivables
Trade Receivables	1,420,662	29,592	158%
Advances to related parties	1,800	37	0%
Other receivables	43,134	899	5%
Provision for Doubtful Debt	(564,028)	(11,749)	(63%)
Total receivables	**901,569**	**18,779**	**100%**

Source: GAMTEL's 2017 Trial Balance

4.99 Each of the receivable categories are discussed below.

Trade Receivables

4.100 The Trade Receivables balance per the draft 2017 Trial Balance for GAMTEL consists of the following accounts:

Table 52: GAMTEL Trade receivables

Trade Receivables category	2017 (GMD'000)	2017 (USD'000)	% of Trade receivables
Post-paid receivables	843,752	17,575	59%
Interconnection (GAMCEL)	388,416	8,091	27%
Interconnection (QCell)	4,125	86	0%
Interconnection (Africell)	123,936	2,582	9%
Overseas receivables	28,404	592	2%
Intercompany receivable – GRTS	40,182	837	3%
Intercompany – GAMTEL / GAMCEL	(8,151)	(170)	(1%)
Total Trade Receivables	**1,420,663**	**29,592**	**100%**

Source: GAMTEL's 2017 Trial Balance

4.101 In the Board minutes for the 4th Ordinary Meeting of the Board of Directors held on December 22, 2015, members expressed concerns over the growing arrears (receivable balances) for both GAMTEL and GAMCEL. The Government was a major debtor and the Board expressed that managing "*Government lines*" is challenging, as Executive Directives are frequently received for disconnected lines to be reconnected due to the sensitivity of operations.

Post-paid receivables of GMD 844m (USD 18m)

4.102 Post-paid debtors accounted for 59% of the total Trade Receivables balance as at December 31, 2017, and included both the debtors' control (GMD 842m / USD 17.5m) and Dolphin transit payment (GMD 1m / USD 21k) accounts.

4.103 We noted differences between the post-paid debtors age analysis and the Trial Balance. The summary of these differences is detailed below:

Table 53: Difference in the balance of the post-paid debtors age analysis and the Trial Balance

Source	2017 (GMD'000)	2017 (USD'000)
Post-paid debtors age analysis	835,912	17,412
Trial Balance	842,592	17,551
Difference	**6,680**	**139**

Source: GAMTEL's 2017 Trial Balance and GAMTEL's Post-paid debtors age analysis

4.104 In the absence of any explanation for the difference, it appears that the post-paid receivables account is overstated by GMD 7m (USD 146k) and should be adjusted downwards in the Financial Statements.

4.105 GAMTEL classified their post-paid receivables into various clusters according to their type of service or the nature of the customers. Each cluster consisted of several individual customers. Our testing was based on these customer clusters and therefore the top 10 clusters are shown below.

Table 54: Top 10 Post-paid receivables cluster balances as at December 31, 2017

Receivables cluster	0-30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days	Credit	Total
	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Residential	1,054	1,071	1,050	3,148	6,551	233,303	(40)	246,136
Leased Lines	3,649	3,529	3,789	11,720	32,055	120,440	(60)	175,122
Business	1,025	855	651	2,072	4,078	80,024	(126)	88,579
Telecentre Postpaid	5	1	1	3	45	56,458	-	56,509
CDMA	-	-	-	-	-	37,795	-	37,795
ADSL	-	-	-	-	-	34,046	-	34,046
Government Projects	127	214	133	487	643	26,786	(10)	28,379
Dial Up	-	-	-	-	-	18,385	-	18,385
Government	540	553	489	1,545	3,217	10,753	(40)	17,057
Telecentre Prepaid	-	-	-	-	-	15,995	-	15,995
GMD total	6,395	6,222	6,113	18,976	46,588	633,985	(275)	718,004
USD'000 total	133	130	127	395	970	13,206	(6)	14,956

Source: GAMTEL's 2017 Post-paid debtors age analysis

4.106 At December 31, 2017, 88% of GAMTEL's post-paid debtors are over 360 days old. The following table sets out the current post-paid receivables ageing buckets for the total balance of post-paid receivables as at December 31, 2017:

Table 55: Aged Post-paid receivables balances as at December 31, 2017

Post-paid receivables	0-30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days	Credit	Total
GMD'000 total	8,003	7,524	7,241	22,926	54,954	735,587	(308)	835,917
USD'000 total	167	157	151	478	1,145	15,322	(6)	17,412
	1%	1%	1%	3%	7%	88%		100%

Source: GAMTEL's 2017 Post-paid receivables age analysis

4.107 We were informed by the Finance team that certain post-paid receivables clusters (GMD 110m / USD 2m) are being investigated by GAMTEL, for whether they could be recovered, as there were no movement in these balances for over 360 days. These clusters are listed in the table below:

Table 56: Post-paid receivables cluster balances potentially unrecoverable as at December 31, 2017

Post- paid receivables cluster		0-30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days	Credit	Total
		GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
D1	DIAL UP	-	-	-	-	-	18,385	-	18,385
D2	ADSL	-	-	-	-	-	34,046	-	34,046
D3	SHDSL	-	-	-	-	-	3,957	-	3,957
D4	CDMA	-	-	-	-	-	37,795	-	37,795
D5	EVEDIO	-	-	-	-	-	15,662	-	15,662
D7	ADSL GAMCEL	-	-	-	-	-	281	-	281
	Total	-	-	-	-	-	110,125	-	110,125

Source: GAMTEL's 2017 Post-paid receivables age analysis

4.108 We identified 1,383 accounts on the post-paid debtors ageing that contain 'Gamtel' in the account name, totaling GMD 353m (USD 7m). 98% of these 'GAMTEL' balances are over 360 days old. It is unclear whether any of these balances are deemed recoverable.

4.109 The post-paid receivables due to GAMTEL from other major Government institutions are listed in the table below:

Table 57: Related party and government related post-paid Receivable balances as at December 31, 2017

Post- paid receivables customer	0-30 days	30-60 days	60-90 days	90-180 days	180-360 days	> 360 days	Total
	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Gamcel	21	22	25	78	198	19,735	20,079
Office of President	150	109	83	851	2,142	14,291	17,626
NAWEC	185	194	182	596	6,320	2,757	10,224
GPA	31	13	102	110	107	1,718	2,080
SSHFC	**107**	**57**	**2**	**31**	**41**	**1,048**	**1,281**
GCAA	1	1	**2**	**3**	9	171	187
GNPC	**0.6**	**0.6**	**0.6**	**2**	**6**	27	37
GMD total	**497**	**397**	**396**	**1,670**	**8,824**	**39,746**	**51,524**
USD total	**10**	**8**	**8**	**35**	**184**	**828**	**1,073**
% of total AR balance	6%	5%	5%	7%	16%	5%	6%

Source: EY analysis based on GAMTEL's 2017 Post-paid debtors age analysis

4.110 The receivable due from NAWEC, GMD 10m (USD 213k), consists of 159 individual accounts. Of these individual accounts, 95% (151 accounts) had balances due over 180 days.

4.111 Through our sample testing we identified a debtor with an outstanding balance of GMD 17m (USD 354k). We were informed that this debtor should have a zero balance as at December 31, 2017.

4.112 Finance explained that once a customer closes their account through GAMTEL's customers services, a separate instruction needs to be given to the billing department to halt the bills for the customer's line rental. In several cases this instruction is not delivered, which results in the billing department continuing to bill the customer for line rentals.

4.113 This is a known problem between the divisions and will only be identified once a customer returns to GAMTEL for a fiber line. Once GAMTEL restores the client's line in order for them to utilize the fiber services, it is normally identified that the billing system had continued generating bills for the line, despite the fact that it was not used or broken. These bills will be written off when the individual customers return to GAMTEL. This has a severe impact as it results in overstated revenue. Accordingly, as GAMTEL pays taxes on a percentage of revenue generated, they are consequently paying taxes at an unnecessarily high amount.

4.114 GAMTEL provided us with a schedule with nine post-paid debtors they had previously identified a similar problem with and had adjusted their balances accordingly. For these nine post-paid debtors the total 'erroneous charges' were GMD 31m (USD 65k).

4.115 The Finance team explained that GAMTEL is acting as an agent for Dolphin. Given the relatively minor value of this account on the current trial balance of GMD 1m (USD 21k), we have not performed further testing in this area.

Interconnection accounts for GAMCEL (GMD 388m / USD 8m), Africell (GMD 124m / USD 3m) and Qcell (GMD 4m / USD 86k)

4.116 Interconnection accounts accounted for 36% of the total Trade Receivables balance as at December 31, 2017. Operators charge each other interconnection fees for receiving and passing calls for other operators' networks. In such a process, operators exchange Call Detail Reports (CDR's) at the end of each month for reconciliation purposes.

4.117 We selected a sample of the interconnection transactions during 2017 and noted no abnormalities with the supporting documentation.

4.118 We understand that the possibility was raised by Management (CFO) to the Board for the GAMCEL interconnection payable amount (GMD 388m / USD 8m) to be treated as additional equity for GAMCEL and as an investment for GAMTEL. The CFO alleged that GAMCEL cannot repay the amount due to their cash flows constraints and this will reduce GAMCEL's indebtedness to GAMTEL. He further stated that all GAMCEL's retained earnings have been consumed, because the entity has been making losses[162].

4.119 As at December 31, 2017, the GAMCEL interconnection account was not being treated as additional equity. Therefore, as Management deem this balance unrecoverable, it should be written off.

Overseas receivable of GMD 28m (USD 592k)

4.120 Overseas receivable accounted for 2% of the total Trade Receivables balance as at December 31, 2017 and included both the foreign administration (GMD 8m / USD 167k) and MGI receivable (GMD 21m / 430k) accounts.

4.121 MGI is the entity related to the Gateway (please refer to the Income Statement section) as well as the billing system at GAMCEL (please refer to the GAMCEL findings).

4.122 Due to the history with the MGI entity, we would consider the full amount of the receivable to be doubtful.

4.123 The External Auditors also commented in their Accounting issues memo, dated December 11, 2018, that this income is irrecoverable considering the current situation with MGI.

4.124 Foreign administration of GMD 8m (USD 163k) account relates to receivables generated from the Gateway.

4.125 The Finance team is in process of calculating and posting adjustments to the line items relating to the Gateway in order to remove it from their accounts (Refer to the Income Statement - Gateway section).

Intercompany receivable - GRTS of GMD 40m (USD 839k)

4.126 'Intercompany receivable – GRTS' accounts for 3% of the total Trade Receivables balance as at December 31, 2017. We were informed that GAMTEL received an Executive Directive to pay for the land, building and equipment for GRTS, as well as to provide resources.

4.127 The balance of the assistance provided sits in this intercompany account. Form a legal perspective, GRTS is not a related entity to GAMTEL.

4.128 There were no postings in the 'Intercompany receivable – GRTS' account during 2017. There were only two transactions since 2008, occurring in 2013 and 2015. Therefore, we selected these two transactions as our sample and requested the supporting documentation.

4.129 As at February 20, 2019, we had not received the supporting documentation for the transaction dated December 30, 2015. The transaction related to a year-end adjustment, at an amount of GMD 18m (USD 375k). Finance informed us that the supporting documentation for this transaction was with the Commission of Inquiry, which was looking into the Financial Dealings of former President Jammeh and his close associates ('Commission of Inquiry').

[162] Source: Board minutes of the Second Ordinary Meeting of the Board of Directors held on 9 May 2018.

4.130 We received the supporting documentation for the transaction dated December 31, 2013 and did not note any inconsistencies between the transaction posting and supporting documentation. The transaction related to the costs of GAMTEL advertising on GRTS.

Intercompany receivable – GAMTEL and GAMCEL of GMD 8m (USD 170k)

4.131 The Intercompany receivable between both GAMTEL and GAMCEL had a credit balance of GMD 8m (USD 170k) as at December 31, 2017.

4.132 We selected a sample of the interconnection transactions during 2017 and noted no abnormalities with the supporting documentation.

4.133 We identified that the balance of the intercompany account between GAMTEL and GAMCEL does not agree to GAMCEL's 2017 Financial Statements, with a difference of GMD 2m (USD 40k). The GAMTEL/GAMCEL Finance team informed us that the two entities perform a reconciliation each quarter and that the difference is due to GAMTEL still being in the process of posting year-end journals to this account.

Advances to related parties

4.134 The 'Advances to related parties' balance per the draft 2017 Trial Balance for GAMTEL consists of the following accounts:

Table 58: Advances to related parties

Category	2017 (GMD'000)	2017 (USD'000)
GAMTEL Staff Credit Union loans	500	10
GRTS loan	500	10
Staff endowment revolving fund	800	17
Total advances to related parties	**1,800**	**37**

Source: GAMTEL's 2017 Trial balance

4.135 Given the relatively minor value of 'Advances to related parties' on the Balance Sheet, we have not performed further testing in this area.

Other receivables

4.136 The other receivables balance per the draft 2017 Trial Balance for GAMTEL consists of the following accounts:

Table 59: GAMTEL Other receivables

Category	2017 (GMD'000)	2017 (USD'000)	% of Other receivables
Personal Broadcasting SV.	443	9	1%
Building loans	19,137	399	44%
Car/Motor cycle loans	15,141	315	35%
1X6 Loans	251	5	1%
Staff salary advances/recoveries	(20)	0	0%
GPTC Loan	500	10	1%
Staff R/D checks	(0.5)	0	0%
Subs R/D checks	(3)	0	0%
Personal loan	4,670	97	11%
Barra fraud	182	4	0%
ACE pre-finance cost (Meetings etc.)	2,355	49	5%
Staff Medical Contribution 10%	481	10	1%
Total other receivables	**43,137**	**899**	**100%**

Source: GAMTEL's 2017 Trial balance

Barra Fraud receivable of GMD 182k (USD 4k)

4.137 This receivable was the result of the outcome of a court case, however the person responsible for the repayment passed away a few years ago and the balance will therefore be written off. The Finance team explained that it is not customary in The Gambia to recoup the debt from the estates of deceased persons.

ACE Pre-Finance Cost of GMD 2m (USD 49k)

4.138 ACE Pre-Finance Cost relates to the travel costs of GAMTEL Management serving on committees relating to the ACE investment. We viewed the descriptions of entries posted on Access Accounting system and confirmed that it related to travel costs.

4.139 Finance explained that per the agreement, these travel costs will be recovered from ACE. We noted that ACE related travel costs was recovered during earlier periods.

Staff Loans of GMD 40m (USD 816k)

4.140 The staff loans balance per the draft 2017 Trial Balance consists of the following accounts:

Table 60: Staff loans

Category	Trial balance 2017 (GMD'000)	Trial balance 2017 (USD'000)	Schedule 2017 (GMD'000)	Schedule 2017 (USD'000)
Building loans	19,137	399	17,307	361
Car/Motor cycle loans	15,141	315	13,594	283
1X6 Loans	251	5	2,269	47
Personal loans	4,670	97	1,072	22
Computer Loans	N/A	N/A	1,368	28
Total staff loans	39,199	816	35,610	741

Source: GAMTEL's 2017 Trial Balance; GAMTEL's Loan schedule

4.141 Our review of loan schedules as at 31 December 2017 identified variances between loan schedules and the loan balances in the Trial Balance:

- The building loan schedule total was 10%, GMD 1.6m (USD 33k) lower than the Trial Balance figure. Further analysis identified that 60%, GMD 11m (USD 229k) of building loans were considered ‘active’, with the remainder either ‘dormant’ or ‘deceased’; and

- The car loans schedule total was 10%, GMD 1.6m (USD 33k) lower than the Trial Balance figure. Further analysis identified that 68%, GMD 9m (USD 188k) of car loans were considered ‘active’, with the remainder either ‘dormant’ or ‘deceased’.

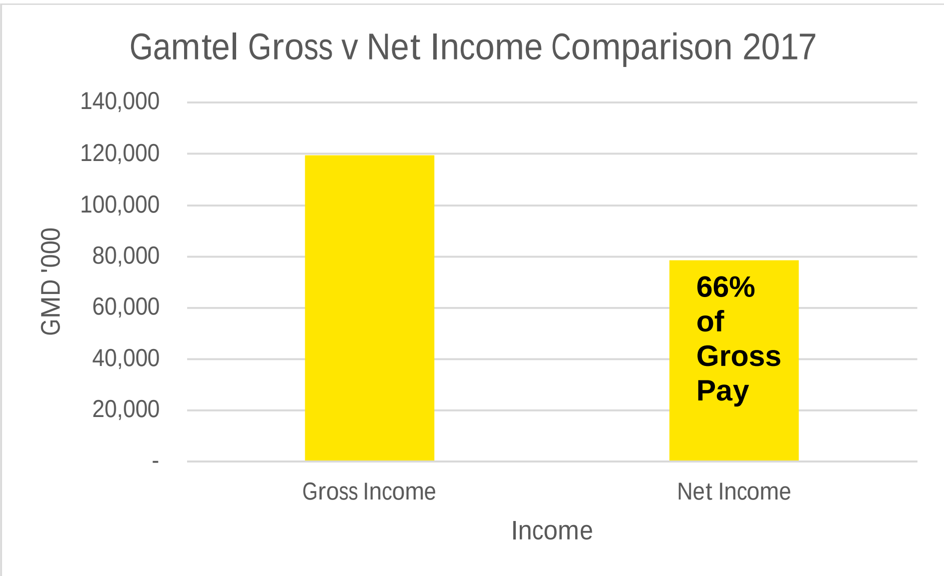
4.142 Our testing of a sample of dormant loans identified an individual with multiple outstanding loans, including one from 1989, with limited or incomplete documentation. Payroll informed us this was representative of a wider issue regarding insufficient documentation of loan applications and the bypassing of standard application procedures.

4.143 Our testing identified an instance of where an application was not approved by Loans Committee and instead taken directly approved by Managing Director.

4.144 Moreover, we noted that building loans and car loans accounted for 56% and 36% of the total dormant loans balance respectively. Both GAMTEL and GAMCEL informed us that they had appointed a lawyer to assist with the recoverability of the outstanding loans, however management were not able to quantify the amount recovered through this engagement.

4.145 The Services Rules stipulate that to be eligible for a staff loan, employees must have net income in excess of 60% of gross income. As shown in the below table, average net income in 2017 was 66% of average gross income. This suggest that, on average, GAMTEL was compliant with the requirement for staff loan applicants to have a minimum net income of 60% of gross income. However, this figure is likely impacted by the income of management staff, who receive a greater proportion of allowances than junior staff. This hypothesis is supported by our finding of instances whereby individuals were granted staff loans, despite not fulfilling the 60% criteria.

Figure 15: GAMTEL Net Income as a % of Gross Income



Source: GAMTEL’s 2017 Trial Balance

Provision for doubtful debts of GMD 564m (USD 12m)

4.146 Per the 2017 Trial Balance, the provision of doubtful debts is accounted for in a single line item.

4.147 Per the GAMTEL/GAMCEL approved Financial Policy (2013), "*Bad Debt provision of 2% shall be made at year end for debts that are unlikely to be collected within that financial year. The debt shall be written back once recovered*."

4.148 We were unable to reconcile the balance to the policy and the Finance team explained to us that in reality, the previous year's provision is rolled forward and then 2% of the current post receivable debts are added to the balance.

4.149 Per the draft 2016 Financial Statements of GAMTEL, the provision for doubtful debts balance consisted of the following breakdown:

Table 61: Provision for bad & doubtful debts per 2016 Financial Statements

Category	2016 (GMD'000)	2016 (USD'000)	% of Provision of doubtful debts
Post-paid receivables	415,250	9,488	71%
BEFAG Loan	80,000	1,828	14%
Other receivables	26,162	598	5%
Un-reconciled receivables	19,450	444	3%
Intercompany receivables	22,197	507	4%
Related parties	2,743	63	0%
Ex. Staff loans	15.196	0	0%
Total	**580,998**	**13,276**	**100%**

Source: GAMTEL's 2016 Financial Statements

4.150 Therefore, although it seems that GAMTEL is following a conservative approach by rolling forward the previous year's balance and adding an additional 2% based on the current years' post-paid receivables, when the detail of the calculation of the provision is examined, this is not the case.

4.151 For instance, the BEFAG loan was included in the breakdown of the provision per the 2016 Financial Statements, yet it was already removed from GAMTEL's books in 2015. There was no BEFAG receivable in 2016 and it should therefore not have been included in the 2016 provision calculation.

4.152 While we acknowledge that the provision for doubtful debts for 2017 is still subject to the External Auditors' audit, management should consider reassessing the 'make up' of the current provision, in line with the recoverable receivable amounts (i.e., taking into account that 88% of the post-paid receivable is over 360 days).

4.153 Based on our high-level analysis, the 2017 provision for doubtful debts seems inadequate and it should, at the very least, include the following items:

- ► The post-paid receivables cluster balances of GMD 110m (USD 2.3m) that are believed to be irrecoverable should be provided for in full, while Management investigate whether these balances are recoverable;
- ► The remaining post-paid debtors balance of GMD 726m (USD 15m) should be provided for at 2% as per the Financial Policy (2013). However, as 88% of these

balances as at December 31, 2017 are outstanding for more than 360 days, it is strongly advised that management create a provision for more than the required 2%;

- Management should estimate the number of post-paid debtors balances whereby the billing department continue to 'bill the customer' for line rentals, despite the customer discontinuing their services. Management should further write these balances off, or at the very least, provide for them;
- The GAMCEL Interconnection receivable of GMD 388m (USD 8m) should be fully provided for, while approval from the Board is sought to write off the amount in GAMTEL's financial records;
- The Intercompany GRTS balance should be fully provided for, as there has been no receivable in the account since 2014; and
- Any other receivables known to management that could be considered irrecoverable, should be provided for (e.g. staff loans, unreconciled receivables).

Recommendations

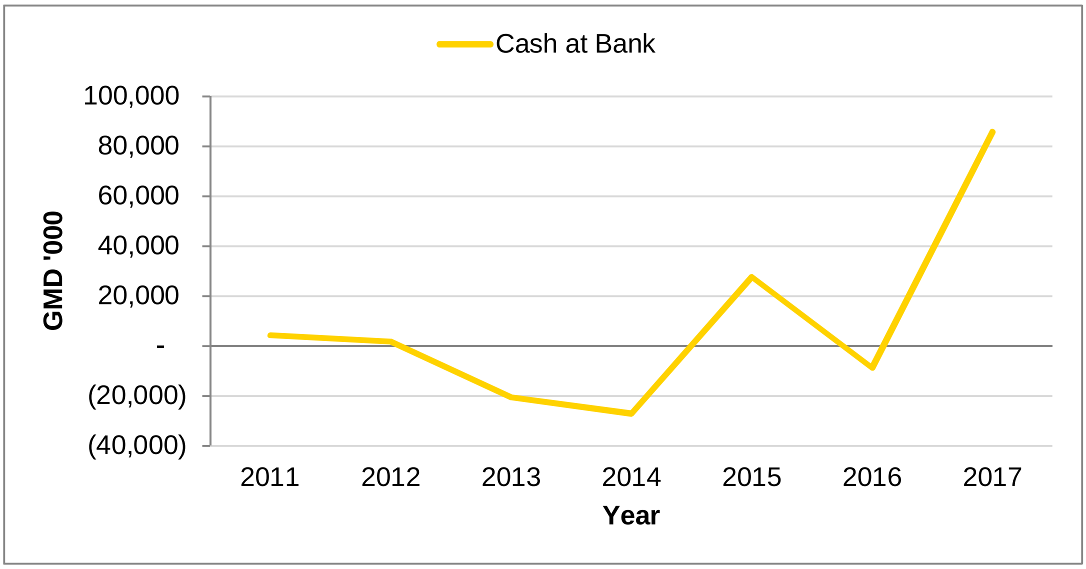
- Management should reassess GAMTEL's receivables as it appears to be overstated:
  - GAMTEL's post-paid debtors that are over 360 days old (GMD 736m / USD 15m is unlikely to be recovered and they should be provided against;
  - The 1,383 debtor balances totaling GMD 353m (USD 7m) recorded as due from counterparties with 'Gamtel' as part of their name should be provided against as it is unlikely that these are third party receivables and in any event the balances are almost all more than 360 days old;
  - Management should determine the number of balances whereby the billing department continued to bill the customer, and these balances should be written off as bad debt;
  - The GAMCEL Interconnection receivable of GMD 388m (USD 8m) should be fully provided for as doubtful debt while approval from the Board is sought to write off the amount in GAMTEL's financial records;
  - Management should create a provision for doubtful debts greater than the required 2% per policy due to the significant ageing balance; and
  - The provision should include both the GRTS and MGI balances, along with any other receivables that management consider to be doubtful (i.e., staff loans, unreconciled receivables).

Cash and Bank

4.154 Cash and bank of GMD 86m (USD 2m) accounts for 5% of the Balance Sheet assets at GAMTEL.

4.155 GAMTEL holds bank accounts across a variety of Gambian and International banks. We noted from the 2017 draft Trial Balance that nine of these accounts were in overdraft as at December 31, 2017. The figure below shows the movement in GAMTEL's net cash position for the period 2011 to 2017, showing the volatility of this net cash position over recent years.

Figure 16: Cash at Bank position 2011 to 2017



Source: GAMTEL's Financial Statements 2011 to 2017 and 2017 Trial Balance

4.156 We conducted testing on every bank account per the 2017 Trial Balance, sampling the two largest payments in each account, in addition to every payment over GMD 1m (US 20k). This resulted in a total of 135 sample items. Of this sample, GAMTEL was unable to provide us with support for 9 items (5% of the value of the total sample). We did not identify any significant abnormalities through the remainder of our testing.

4.157 We noted that the banks provided signatories for the accounts. For most of these accounts, ex-employees were included in the signatory listing. We were provided with evidence from GAMTEL which suggests it has requested the signatories to be changed during 2018.

4.158 It is commonly believed that GTMI is a separate entity to GAMTEL. The Banks did not provide confirmations for the three GTMI accounts. We confirmed with the GTMI Accountant that the GTMI bank accounts were indeed opened with GAMTEL company registration documents.

4.159 ECO bank also provided an account that is not reflected on GAMTEL's Trial Balance. Management informed us that this account related to the GAMTEL and GAMCEL Football team, and not to GAMTEL itself. Both GAMTEL and GAMCEL sponsors the football team and the team has their own bank account.

4.160 We noted that for the one account with Guaranty Trust Bank, the balance per the download of the General Ledger and Trial Balance differed. This was due to a single transaction of GMD 840k (USD 17k) not pulling through from the GL to Trial Balance. Finance informed us that the Access Accounting system technicians travelled from South Africa to inspect, amongst others, this concern. While the technicians allegedly agreed that this is a system issue, they also stated that it could only be rectified through an upgrade of the overall accounting system. We viewed the transaction within the Access Accounting system and noted that it did not pull through to the Trial Balance.

4.161 Through our testing, we identified an account from Guaranty Bank with a description of "Dollar A/C:201-102593-2 4000-0 (Lc & Bc)" with a credit value of approximately USD 1m (GMD 54m). This account was not being reconciled. GAMTEL Finance team informed us that this account is a 'sub-account' to the main GAMTEL account and it was not being reconciled as it is a sub-account. GAMTEL began reconciliation of this account during our fieldwork.

4.162 The other bank reconciliations were readily available from the Finance team when requested.

Recommendations

- Management should ensure that full reconciliations of each of the bank accounts held by GAMTEL are performed. Any reconciling items identified from the reconciliation of the Guaranty Bank USD sub-account as at December 31, 2017 should be addressed to ascertain if accounting adjustments are required;
- Similarly, GAMTEL should conduct a reconciliation to ensure that the banks' records reflect the most current signatories to the GAMTEL accounts; and
- GAMTEL's Finance team should request more visibility of the bank accounts held by GTMI.

Loans and securities (Borrowings within one year and borrowings due after one year)

4.163 The Loans and securities balances per the draft 2017 Trial Balance consists of the following accounts:

Table 62: Loans and securities

Category	2017 (GMD'000)	2017 (USD'000)	% of Loans and securities
'1.5% - 2% CFD Loan 1996/2017'	(36,394)	(758)	(105%)
Trust Bank Loan account	(3,058)	(64)	(9%)
GTMI Tuition Fee Arrears	4,861	101	14%
Total	**(34,591)**	**(721)**	**100%**

Source: GAMTEL's Trial balance

1.5% - 2% Caisse Centrale De Cooperation Economique (CFD) Loan 1996/2017 of GMD 36m (USD 758k)

4.164 According to GAMTEL's 2016 Financial Statements, the CFD loan of 21.5m French francs was obtained in July 1988 to improve and develop the telecommunications network for the Greater Banjul region. It was originally repayable over 16 years at a rate of 5%. In December 1994, the balance of the loan was settled, and a new loan was obtained in 1995 for 21.5m French Francs. The loan is repayable over 30 years at an interest rate of "*1.5% to 2%",* repayable bi-annually on April 30 and October 31 each year.

4.165 As at December 31, 2017, it is our understanding that this loan should have a zero value. Management provided us with the correspondence to suggest that the loan was settled by the Government of The Gambia:

- We obtained a letter dated May 11, 2017 from the Accountant General and Deputy Accountant General of MoFEA, addressed to the Second Deputy Governor at the Central Bank of The Gambia. The letter instructed that EUR 796,660 (GMD 36m / USD 758k) should be transferred from the GAMTEL International Gateway Account to the Agence Francaise de Development (AFD) Paris account, with respect to the outstanding loan balance, on behalf of GAMTEL.
- On February 15, 2018, GAMTEL issued a letter to the Permanent Secretary of the MoFEA requesting more information on the status of the facility, to allow GAMTEL to take necessary actions to update their records. GAMTEL was "*cognizant of the fact that the ministry has paid off the balance but since then, there had been no communique to advise what GAMTEL's next responsibility would be*". GAMTEL was, and remains, of the belief that the payment by the Government was made from the GAMTEL International Gateway account.

4.166 The bank statements for the ‘GAMTEL International Gateway’ account held at the Central Bank (account no. 1103002469) reflected an ‘Outward Swift Payment’ on May 12, 2017 of USD 869,160 (GMD 40m). The payment appears to be the payment relating to the EUR 796,660 (GMD 36m / USD 758k) debt owed. We note that any variances are likely due to exchange rate differences.

4.167 The External Auditors also raised the concern in their Accounting Issues Memo dated December 11, 2018, as they noted that the CFD Loan *“balance is still captured in the Financial Statements which should be Nil. Management should follow up with Government to confirm if it is a loan to GAMTEL or if it is Shareholder Contribution (Government)*.”

4.168 While the loan was repaid on behalf of GAMTEL, from the Gateway funds, management is currently unclear about whether any conditions will be raised by the Government. Management reported that they have received no response to their letter dated February 15, 2018. While the value of this loan should be reflected as zero, as it has been settled, it is unclear whether the Government will treat their payment as a loan, grant, shareholder contribution or just Gateway funds utilized by GAMTEL.

Trust Bank Loan account of GMD 3m (USD 64k)

4.169 The draft 2016 Financial Statements report that loan of GMD 80m (USD 1.7m) was obtained from Trust Bank Limited in July 2009 to finance capital projects. This loan is repayable over 36 months at a rate of interest of 18.5% per annum and the facility was extended to July 2016 with an additional loan of GMD 46m (USD 958k) in July 2012. This facility is secured on a fixed charge over the company’s head office properties. The loan is secured by title deeds of four properties.

4.170 At December 31, 2017, the outstanding amount on this loan was GMD 3m (USD 62k) (7%). The Finance team informed us that this loan had been settled in 2018. Given the relatively minor value of this loan on the Balance Sheet, we have not performed further testing in this area.

GAMTEL Training and Multimedia Institute (GTMI) Tuition Fee Arrears of GMD 5m (USD 101k) debit

4.171 GTMI is the training institution of GAMTEL. Through our discussions with Management at GAMTEL, it was evident that most staff believed that GTMI was a separate entity to GAMTEL, yet part of the GAMTEL Group. Contrary to these beliefs, we confirmed with the GAMTEL Company Secretary that GTMI is not a separate entity and forms part of GAMTEL, as a division.

4.172 We were informed that the ‘*GTMI Tuition Fee Arrears*’ account was created when GTMI invoiced GAMTEL for training provided to GAMTEL staff. Instead of settling the payment, GTMI and GAMTEL agreed that the salaries cost that GAMTEL was incurring for the GTMI staff would be set-off against the training arrears.

4.173 Through the posting of the salary journals to this account, over time this account has accumulated a debit balance.

4.174 While a balance might be due between the divisions, it should not be included in GAMTEL’s entity level balance sheet as it is not recoverable from a third party. Moreover, this results in staff costs being understated on the Income Statement.

4.175 Furthermore, by treating this account in this manner, management is in effect applying two different accounting principles for GTMI:

- ► Management is incorporating all GTMI’s assets (bank accounts and assets) in their Trial Balance, which would suggest that GTMI is seen as being part of GAMTEL.

- Management is also showing a receivable due to GAMTEL from GTMI, which suggests that a GTMI is a separate entity from GAMTEL.

4.176 While a balance might be due between divisions, it should not reflect on the level of the overall entity Trial Balance or Financial Statements.

Recommendations

- Management should obtain clarification whether or not the Government regards any amounts to be due from GAMTEL as a result of the repayment of the CFD loan; and
- Management should reverse the 'GTMI Tuition Fee Arrears' account from the overall entity Trial Balance.

Trade and Other Payables

4.177 Trade and Other Payables were GMD 371m (USD 8m) as at December 31, 2017 and accounted for 91% of the Balance Sheet liabilities.

4.178 The Trade and Other Payables balance per the draft 2017 Trial Balance consisted of the following accounts:

Table 63: Trade and Other Payables

Category	2017 (GMD'000)	2017 (USD'000)	% of Trade and Other Payables
Goods received not invoiced (debit balance)	18,977	395	(5%)
Input Vat (debit balance)	13,418	279	(4%)
GRA 10% Withholding Tax arrears (debit balance)	2,690	56	(1%)
Staff Association Loan Support Fund (debit balance)	2,251	47	(1%)
Net Salaries (debit balance)	857	18	0%
Staff Association Endowment Fund (debit balance)	250	5	0%
GAMTEL Staff Credit Union (debit balance)	3	0	0%
Estates Land Recoveries	(6)	0	0%
Miscellaneous staff	(8)	0	0%
Medical Arrears (Accrued)	(739)	(15)	0%
Excise tax	(771)	(16)	0%
Audit fee (Accrued)	(971)	(20)	0%
Other Accrued Expenses Year End	(998)	(21)	0%
GRTS Tax	(9,487)	(198)	3%
MGI Tawa Advance	(10,000)	(208)	3%
Subscribers Deposit	(10,310)	(215)	3%
Utility Bills (NAWEC Arrears) Accrued	(11,501)	(240)	3%
Regulatory Fee (Accrued)	(14,555)	(303)	4%
CDMA Network Maintenance HUAWEI (Arrears)	(18,165)	(378)	5%
Income/Corporation tax	(20,575)	(429)	55

Output VAT	(43,452)	(905)	12%
Creditors Control	(52,074)	(1,085)	14%
GRA Tax liabilities after reconciliation	(53,888)	(1,122)	14%
Local Admin (Comium)	(60,588)	(1,262)	16%
CDMA Network Improvement (HUAWEI Arrears)	(101,771)	(2,120)	27%
Total	**(371,413)**	**(7,737)**	**100%**

Source: GAMTEL Trial Balance 2017

Goods received not invoiced of GMD 19m (USD 395k) (debit balance)

4.179 The 2016 Financial Statements ‘Other Receivables’ note includes GRNI, with the value of GMD 7.758m (USD 162k). The value per the 2017 Trial Balance is a Trade Receivable of GMD 19m (USD 395k).

4.180 From our discussions with management, we understand the following entries are being made to the GAMTEL GRNI account:

- Once an item has been approved through the GPPA process, a procurement order is created in the GRNI account, despite not receiving any goods yet:

  Debit GRNI

  Credit Creditor Control Account

- Once the goods are received by GAMTEL, the good received note is created through the following entry:

  Dr Creditor Control Account

  Cr GRNI

4.181 Therefore, this account is not used for the purpose of ‘goods received not invoiced’, rather it is used as a listing of open purchase orders. The name of the account does not reflect its nature.

4.182 Our discussions with management also noted that if an order is cancelled between steps one and two of the aforementioned journals, then this is not removed from the GRNI account. As such, the GRNI account consists, in part, of accumulated cancelled orders which should not appear on the Balance Sheet.

4.183 Due to system limitations, GAMTEL informed us that we could not be provided with a system download for these cancelled items, however we were able to view them in the system and noted 684 items which GAMTEL informed us were cancelled orders that had not been removed from the GRNI account. As a result of the system limitations, we were unable to quantify the value of these 684 entries, however many entries date back over a number of years.

4.184 Therefore, it appears that this balance is overstated. However as aforementioned, it has not been possible to quantify this overstatement within the period of our testing.

Staff Association Loan Support Fund of GMD 2m (USD 47k) debit balance

4.185 The Staff Association Loan Support fund is a Trade Payable with a debit balance of GMD 2m (USD 47k), and therefore a receivable for GAMTEL. We were informed by the Finance team that the Staff Association Loan Support fund is the contributions to the Staff Association for staff functions. The Finance team further informed us that they believe this balance should be expensed and not be captured as a receivable, as they will not recover these funds.

4.186 Given the relatively minor value of the Staff Association Loan Support fund on the Balance Sheet, we have not performed further testing in this area.

Net salaries of GMD 857k (USD 18k) debit balance

4.187 The net salaries account, with a debit balance of GMD 857k (USD 18k), should have a zero balance. Per the Finance team this balance of GMD 857k is not clearing between the General Ledger and the Trial Balance. The Finance team further informed us that this is an Access Accounting system issue.

4.188 Finance informed us that the Access Accounting system technicians travelled from South Africa to inspect, amongst others, this concern. While the technicians allegedly agreed that this is a system issue, it could only be rectified through an upgrade of the overall accounting system.

4.189 We noted that the External Auditors' Accounting Issues memo reflected that the Trial Balance "*contained a ledger (Net Salaries code 7404) with an amount of D856,723.51 which at the end should be nil*".

CDMA Network Improvement of GMD 120m (USD 2.4m)

4.190 There are two accruals created for amounts due to Huawei in connection with the CDMA Network Maintenance and Improvement contracts:

- CDMA Network Improvement of GMD 102m (USD 2m); and
- CDMA Network Maintenance of GMD 18m (USD 375k).

4.191 These CDMA accruals were raised in 2015 with no subsequent postings or adjustments made to these accounts. Therefore, we obtained the journal vouchers and supporting documentation for the 2015 journals posted by the Finance team.

4.192 Huawei Technologies Gambia Company Limited (Huawei) issued a letter on February 7, 2013 to the Managing Director of GAMTEL. The letter sets out that GAMTEL and Huawei signed the Equipment Supply Contract dated June 25, 2010 for the GAMTEL CDMA Phase 2 Expansion Project, as well as the CDMA Post- Warranty Contract dated May 28, 2010. Huawei had delivered the equipment and services for these two contracts and stated that the outstanding balances were USD 2.9m (GMD 113m) and USD 555k (GMD 21m) respectively.

4.193 We noted two payment instructions for USD 384k (GMD 15m) and USD 100k (GMD 4m) respectively for GAMTEL.

4.194 A handwritten note, dated December 30, 2015, stated that these liabilities were not captured on an accrual basis and were instead reflected on a cash basis, which was "*an oversight*". These entries were to be posted in 2015 and based on the remaining outstanding amounts of USD 2.5m (GMD 101m) and USD 454k (GMD 18m).

4.195 However, it was also noted that the Technical team responsible for CDMA were unaware of any obligation to Huawei. In these circumstances the accrual may not be required.

Local Admin (COMIUM) of GMD 61m (USD 1m)

4.196 The interconnection fee is explained as follows per the 2016 draft Financial Statements of GAMTEL: "*Operators charge each other interconnection fees for receiving and passing calls for other operator's network. In such a process, operators exchange at the end of each month Call detail reports (CDR's) for reconciliation purposes. Over the years, Gamtel/Comium as a* *result of the above process had disputes relating to the interconnection rate charges to Gamtel from Comium in which Gamtel management and the Board of directors have reservations about. The matter was arbitrated by the Public Utility Regulatory Authority (PURA) and concluded with a determination in favour of Comium. However, Gamtel management and the Board of Directors continue to review and investigate the matter to find a proper resolution.* "

4.197 We traced back ten transactions from the 2017 download of account 7431 to supporting documentation and noted no abnormalities.

GRA Tax liabilities after reconciliation of GMD 54m (USD 1m)

4.198 This account was set up after the 2007 waiver in respect of the GRA tax liabilities was withdrawn.

4.199 We were provided a letter dated March 17, 2014 addressed to The Permanent Secretary at MoFEA from the Managing Director of GAMTEL. The letter stated that GAMTEL and GAMCEL received letters dated February 12, 2014 and March 13, 2014 from GRA demanding settlement of taxes and Spectrum fees[163]. The amount due from GAMTEL was GMD 354m (USD 7m), which included GMD 288m (USD 6m) for corporation and sales taxes.

4.200 We understand that these taxes were waived under the 50:50 ownership agreement between Spectrum Management and the Government in 2007. Per the letter, this was set out in GAMTEL's 2007 Financial Statements. The letter requested that the Government maintain the original waiver, due to the financial status of both GAMTEL and GAMCEL.

4.201 MoFEA responded to the letter on March 14, 2014 with the conclusion that a waiver could not be granted. It was suggested that a payment plan should be agreed with the GRA.

Creditors Control of GMD 52m (USD 1m)

4.202 As shown in the table below, the top 10 Trade Payables cover 80% of the overall Creditor balance:

[163] Spectrum fees is a type of tax/levy payable in The Gambia and not related to Spectrum International Investment Holding SAL

Table 64: Top 10 Accounts Payable balances as at December 31, 2017

	Total Payable GMD'000	Total Payable USD'000
GNPC	18,030	376
Huawei Tec	13,458	280
Baniko Banta Local A/C	2,209	46
Julla Engineering	2,014	42
GALP Energia	1,690	35
Second Sources	1,368	28
Janko Solo & Sons	842	18
MP Trading	774	16
Kebba Makassey	667	14
Breckwoldt	640	13
Total	**4,169**	**868**
% of total Trade Payable balance	**80%**	

Source: GAMTEL's 2017 Supplier listing

4.203 With regard to SOE creditors, per GAMTEL records, the only two SOEs listed are GNPC, noted in the table above, and GPA valued at GMD 27k (USD 562).

4.204 We attempted to trace back ten transactions from the 2017 supplier listing download to supporting documentation, however support could only be provided for nine transactions. We did not identify any abnormalities with supporting documentation for the nine transactions.

Regulatory Fee (Accrued) of GMD 15m (USD 303k)

4.205 The account related to accrued PURA fees.

4.206 The Finance team provided us with documentation showing that under the previous regime, the regulatory fee was paid into the Police Recovery Account. The documentation reflected that GMD 11m (USD 229k) was transferred on August 31, 2016.

4.207 GAMTEL maintained that these amounts have since been paid over to PURA from the Police Recovery Account, and that this is reflected on PURA's accounts.

Utility Bills (NAWEC Arrears) accrued of GMD 12m (USD 240k)

4.208 GAMTEL accrues for the NAWEC fees. Given the relatively minor value of the other Trade Payables (non- tax) accounts, we have not performed further testing in this area.

Recommendations

- Management should investigate the true nature of the usage of the GRNI account by Procurement staff. Furthermore, Management should conduct a reconciliation to remove all cancelled purchase orders from this account as well as the trade debtors account. The debit balance on the account does not represent a recoverable amount and should be written off;

- The Finance and Technical teams responsible for CDMA should review the transactions to which these accounts relate to determine if GAMTEL still has an obligation to Huawei and, if not, release the account.

GAMTEL - Detailed findings – Income statement analysis

Overall review of the trading position / revenue streams

4.209 The following tables sets out a summary of GAMTEL's income statement for 2016 and 2017:

Table 65: Summary Profit and Loss Account as at December 31, 2016 and 2017

	2016 (GMD'000)	2016 (USD'000)	2017[164] (GMD'000)	2017 (USD'000)
Revenue	939,193	22,343	1,132,823	24,656
Cost of Sales	(474,343)	(11,285)	(538,376)	(11,718)
Gross Profit	**464,850**	**11,059**	**594,447**	**12,938**
Administration Costs	(119,434)	(2,841)	(160,071)	(3,484)
Depreciation and Amortization	(137,668)	(4,069)	(84,800)	(1,846)
Personnel Costs	(171,059)	(3,275)	(147,299)	(3,206)
Operating Profit	**36,689**	**873**	**202,277**	**4,403**
Other Income	47,258	1,124	22,253	484
Profit / (Loss) before Interest and Tax	**83,947**	**1,997**	**224,530**	**4,998**
Interest Expense & Similar Charges	(12,019)	(286)	(5,066)	(110)
Profit before Tax	**71,928**	**1,711**	**219,464**	**4,777**
Taxation	(8,850)	(211)	N/A	N/A
Profit after Tax	**63,078**	**1,501**	**N/A**	**N/A**

Source: GAMTEL 2016 Financial Statements and Draft 2017 Trial Balance. For the 2017 results we have applied the weighted average exchange rate of GMD 45.944 : USD 1.

4.210 EY has constructed the 2017 Profit and Loss Account from the underlying Draft Trial Balance. Given that, as already noted, Management was still in the process of adjusting this Draft Trial Balance, the 2017 Profit and Loss Account set out here should be treated with caution. In particular, we are concerned that the Draft Trial Balance does not reflect all relevant costs. As a result, the apparent significant improvement in Profit before Tax in 2017 (GMD 219.5m / USD 4.8m) compared with 2016 (GMD 71.9m / USD 1.7m) is likely optimistic. In this context we note that Management's budget for 2019, which is on the same basis at 2017 in respect of International Gateway revenues, shows a Profit before Tax of GMD 110.3m (USD 2.2m), which appears to be a more realistic benchmark for the 2017 outcome. However, it is noted that Profit before Tax did improve in 2016 (GMD 71.9m / USD 1.7m) compared with 2015 (GMD 32.8m / USD 831k).

4.211 It should also be noted that the 2017 Revenues include GMD 421.5m / USD 8.9m) of International Gateway revenues which GAMTEL did not enjoy in 2017. As described elsewhere in this report, these revenues have not, in effect, been under GAMTEL's control and GAMTEL's ownership of these revenues going forward is uncertain. If these revenues had not been enjoyed in 2017, GAMTEL's revenues would have fallen compared to 2016, to about 75% of 2016 revenues.

The International Gateway

4.212 The International Gateway handles all incoming and outgoing international calls for networks within The Gambia. It is managed by a Gateway Manager, the mandate of which is to perform revenue assurance, collection and settlements for these international voice calls. Who acts as the Gateway Manager and/or is entitled to the revenues for international calls has long been subject to political interference which creates uncertainty for GAMTEL. The International Gateway has historically been a significant source of revenue for GAMTEL, although it has not enjoyed these revenues continuously.

4.213 We understand that prior to 2006, the management of the International Gateway was performed by GAMTEL. Since 2006, the management of the Gateway had been contracted to third parties. A long list of managers followed, including Tell International Inc and MGI.

4.214 The 2012 Financial Statements detailed the historic management of the Gateway to that date, noting that the Government of The Gambia, "*entered into a strategic partnership with a private investor, Spectrum Group, to support the growth and expansion of Gamtel and Gamcel for which the government agreed to divest 50% of its shares in both companies. Spectrum, the owner of the second 50% share, assigned the day to day operational management of the companies to Detecon International GmbH of Germany. This agreement was entered into in July, 2007, and was terminated in October, 2008.*

Following the termination of the contract, an interim management was appointed to manage the transition period which lasted to January 2009, when a Gambian local management was appointed to manage the affairs of the company but with the International Gateway contracted to a new partner called System One. The contract for the management of the International Gateway was on a revenue share of 50/50. The contract with System One was terminated in April, 2011 when another new partner TELL INC was appointed on similar terms by the Government of The Gambia."

4.215 The 2012 Financial Statements further state that, "*International revenue is recognized based on remittance invoices received from the Gateway Manager, Tell INC on a cash basis net of the cost of the international revenue which is provided in monthly invoices, and profit and loss statements received from Tell Inc.*"

4.216 We were provided with a copy of an Executive Directive issued to Tell International Inc from the Office of the President. The letter, dated September 25, 2013, stated that "*an Executive instruction has been given that as from September 2013, all receipts due to the Gambia Government in respect of the above caption* [Receipts from the International Telecommunication Gateway] *should be paid into the following account and not Gamtel*". The account provided, International Gateway Account (1103001840), is held at Central Bank of The Gambia. The letter was signed by the Secretary General, Noah Touray and the Management Director of GAMTEL was in copy.

4.217 On June 1, 2014, a management agreement was signed between the Government of The Gambia and MGI Telecom Ltd. The agreement states that GAMTEL and MGI entered into a management agreement on May 2, 2014 and this was mutually cancelled with effect as of June 1, 2014. The agreement further states that the Government of The Gambia wished to engage the services of MGI to exclusively manage the International Gateway which handles all international voice traffic to and from The Gambia, both 'voice over IP'("VOIP") and 'time-division multiplexing' ("TDM") calls, as part of Project Vision 2016. It should be noted that this agreement was signed by Mr Baboucarr Sanyang, Managing Director of GAMTEL, on behalf the Government of The Gambia.

4.218 During July 2017, the new Government of The Gambia terminated the contract of MGI, and instructed GAMTEL to take over the management of the Gateway. This decision was highly publicized in the press and announced through a press release of Ministry of Information and Communication Infrastructure. We have not had sight of any agreement signed with GAMTEL for this role.

4.219 We were provided with a letter addressed to the Managing Director of GAMTEL from the MoFEA dated November 30, 2017. The Executive Directive sets out that, following a discussion with the MoFEA on November 29, 2017, GAMTEL was required to transfer all Gateway funds to the Central Bank of the Gambia. The bank account, Gamtel International Gateway (1103002469) held at the Central Bank of The Gambia, was provided. The Letter was signed by the Permanent Secretary, Mr Lamin Camara.

4.220 We were provided with a letter addressed to the Permanent Secretary of the Ministry of Information & Communication Infrastructure from the Office of the President dated January 9, 2018. The letter had the caption of '*GAMTEL situation report on the management of the International Voice Gateway*' and reflected:

"*On behalf of His Excellency Adama Barrow, President of the Republic of The Gambia I would like to acknowledge receipt of a letter referenced GTC/C/5/VOL.8 (97) of 14th December 2017 that was copied to this Office by the Managing Director of GAMTEL, regarding the situation report on its management of the International Voice Gateway (IVG) and on the issue of the revenue generated from IVG.*

The contents of the report have been taken note of by His Excellency the President, who concurs with the Ministry of Finance & Economic [Affairs] and has thus given instructions for 100% of the revenue collected from the International Voice Gateway to be paid in to the account given at the Central Bank (i.e. Bank account given by the Ministry of Finance). This decision is as a result of the amount of revenue being collected from the International Voice Gateway.

By copy of this letter, the Managing Director of GAMTEL is informed of this decision."

4.221 This letter was signed by H. M. Tambadou-Jawara, Secretary General.

4.222 In an undated email[165] which appears to be written by the GAMTEL Board Chairman, Mr Sola Mahoney, he provides feedback to the other Board members from a meeting held with the Minister of Finance held on February 16, 2018. The intention of the meeting had been to obtain permission to use 'Gateway revenues' currently in a GAMTEL bank account. The meeting was called after a sub-committee meeting to finalize the budgets, in which it became clear that the financial position of the company was no longer tenable and heading towards a serious cashflow and liquidity crisis.

4.223 Amongst others, the following summary point was provided: The 'Gateway revenues' that GAMTEL has been collecting for the Government since July 2017 cannot be used by GAMTEL. These funds must be transferred to the Ministry of Finance, as the authority responsible for the Government's finances. "*Despite the fact that Gamtel is in dire financial straits, the Minister advised that the correct procedure is for Gamtel, in the first instance, to submit these revenues to the Government's coffers—and then for Gamtel, through it's line Ministry, to separately make a case to Government for any financial support that it requires from these 'Gateway revenues'*."

4.224 A transfer instruction was issued to Guaranty Trust Bank on February 23, 2018 to transfer USD 2.5m (GMD 118m)[166] to the GAMTEL International Gateway account (1103002469) held at the Central Bank of The Gambia.

4.225 This resulted in GAMTEL losing access to the funds generated by one of the mos significant revenue streams. Following the alleged Executive Directive, GAMTEL continued to incur the costs, without receiving the associated revenue.

[165] Based on the responses made to the email, it appears that the email was dated on or about February 19, 2018.
[166] Spot rate of USD 1 : GMD 47,169 as on February 23, 2018

4.226 GAMTEL has remained the Gateway Manager since that time. However, we understand from Senior Management that they had been instructed by the current Government of The Gambia not to use the Gateway revenue that is accumulating in GAMTEL's bank account.

4.227 Following the above sequence of events, the External Auditors raised an accounting memo adjustment for the 2017 accounts, reflecting that the Gateway Revenue should not be recognized in GAMTEL's accounts:

"*During the period under review, we noted an amount of GMD 424.1m was recognized as income in ledger code 1114. Furthermore, we noted that on the 30th November 2017, there was a letter sent from the Ministry of Finance & Economic Affairs stating that all Gateway Funds should be transferred to the Central Bank of The Gambia Gateway Account. This correspondence indicates that Gateway Funds do not belong to GAMTEL. Which is not in line with IAS 18 (Revenue Recognition). The main criteria for revenue recognition as per IAS 18 is that "It is probable that any future economic benefit associated with the item of revenue will flow to the entity". Government requesting the funds indicates that the economic benefit is not flowing to the entity but back to Government. As a result, all income and expenditure in relation to the Gateway should be reversed from the books of GAMTEL and a disclosure made in the Financial Statement.*

Furthermore, a reconciliation statement should be prepared indicating all funds received from Gateway, Less Transfer to Government and any balance remaining to be captured as payable to Government of The Gambia. "

4.228 We were informed that GAMTEL requested guidance from the Government on the proposed carve-out of Gateway accounts and subsequently received the instruction that it should not reflect these in their accounts for 2017.

4.229 It is unclear in which Government entity, if any, the financials accounts relating to the Gateway will be recognized and accounted for.

4.230 We further noted that:

- ► During May 2017, an amount of EUR 796,660 (GMD 36m / USD 758k) was paid out of the Gateway funds in account 1103002469 to settle GAMTEL's CFD loan. It is unclear how or why these funds were used to settle the loan as we understand that GAMTEL only became the Gateway Manager in July 2017; and

- ► During July 2018, GAMTEL requested permission from MoFEA to use the Gateway funds to procure 12 pick-up vehicles. The Ministry responded in a letter dated July 12, 2018 that the sum of USD 410k at the rate of GMD 47.50 could be withdrawn from the Gateway account as a 'soft loan' to procure the vehicles instead of entering into an arrangement with a Commercial Bank. The Loan would attract an interest rate of 2% per annum and be repayable in 48 monthly instalments. The letter was signed by Mr Saibou Barry, Permanent Secretary. Management informed us that this 'soft loan' had more favorable terms than the loans offered by the commercial banks.

4.231 We obtained the bank accounts for the two Central Bank accounts mentioned above. We noted that:

Central Bank account 1103001840

- ► The account was opened during September 2013, which coincide with the timing of the Executive Directive to Tell Inc, to pay all receipts due to the Gambian Government in respect of the Gateway into this account and no longer to GAMTEL; and

- ► We noted the following receipts and payments, which we cannot confirm are necessarily all International Gateway related, into the account on a yearly basis:

Table 66: Central Bank account 1103001840

	Total Inflows into the account USD'000	Total outflows of the account USD'000
2013	2,017	610
2014	3,405	4,811
Total	**5,422**	**5,422**

Source: Bank Statements from the Central Bank

- Of the above mentioned outflows, nine withdrawals reflected a reference to the Office of the President. These withdrawals amounted to USD 3.7m (GMD 164m).
- The last transaction on the account was during July 2014, and currently it has a balance of USD 292 (GMD 14k). The timing of the last transaction coincides with the signing of the new management agreement on June 1, 2014, between the Government of The Gambia and MGI Telecom Ltd.

Central Bank account 1103002469

- The account was opened during March 2017. We noted the following receipts and payments, which we cannot confirm are necessarily all International Gateway related, into the account:

Table 67: Central Bank account 1103002469

Period	Total Inflows into the account USD'000	Total outflows of the account USD'000
2017/2018	6,217	3,136

Source: Central bank statements

- Of the above mentioned inflows, we identified an inflow that appears to be the USD 2.5m (GMD 118m) paid by GAMTEL. The source of the other inflows into this account is unclear.
- In addition, an amount of USD 869k was paid during May 2017, which could potentially be the payment of the CFD loan made by the Government on behalf of GAMTEL.
- There were no transactions post March 2018 on this account. As at February 5, 2019, the balance of the account is USD 3.1m (GMD 148m).

4.232 Based on our analysis of the bank statements of Central Bank account 1103002469, we noted no further inflow payments following GAMTEL's payment of USD 2.5m (GMD 118m)[167] . If any Gateway revenue had been transferred to the Government after GAMTEL's payment of USD 2.5m (GMD 118m)[168], the funds were remitted into another bank account.

4.233 It was further noted that the preceding two Managing Directors of GAMTEL are either indicted or on 'leave' with allegations relating to the Gateway, as set out in the section below.

4.234 The Government of The Gambia has announced plans to liberalize the Gateway to all operators. We understand that this will entail all operators to manage their allocated capacity of the Gateway. While it was initially intended to take place in 2017/2018, to date the liberalisation had not taken place.

[167] Spot rate of USD 1 : GMD 47,169 as on February 23, 2018
[168] Spot rate of USD 1 : GMD 47,169 as on February 23, 2018

4.235 During a Board meeting held on March 20, 2018, the GAMTEL budget for 2018 recognized GAMTEL's portion of the revenue earned from the Gateway when it would be liberalized. During the meeting, the CFO also stated that the revenue from July 2017 to December 2017 was paid to the Government, however the revenue earned during January and February was deposited in GAMTEL's account and is yet to be remitted to the Government.

4.236 The Finance team prepared a schedule to show the impact of the Gateway for the 2019 budget at its Fifth Ordinary Board Meeting. The schedule sets out scenario one, which recognizes six months of revenue prior to the planned liberalization and scenario two, which sets out the revenue forecast without the Gateway:

Table 68: GAMTEL Budget Scenarios

	Scenario 1 (GMD'000)	Scenario 1 (USD'000)	Scenario 2 (GMD'000)	Scenario 2 (USD'000)
Revenue	1,353,290	28,189	252,572	5,261
Profit/Loss	110,294	2,297	(172,521)	(3,594)
Net Financing	(84,438)	(1,759)	(223,283)	(4,651)

Source: GAMTEL Finance Department Forecast

4.237 Our observation of this budget is that Scenario 2 envisages a fall in revenues for in excess of the amount that would be attributable to loss of International Gateway revenues. By way of a benchmark, GAMTEL's revenues in 2016, which did not include any International Gateway revenues, was GMD 939.2m.

4.238 During the Board meeting held on March 20, 2018, a Board member enquired what would be the other most significant revenue sources to generate funds for GAMTEL, in the absence of the Gateway revenue. The CFO responded with the following:

- Roll out of the GAMTEL and AGIB partnership for the implementation of the ADSL services;
- The National Broadband Network project; and
- The rehabilitation of the network to connect more customers.

4.239 We recommend that Management consider seeking consent to off-setting the costs incurred as Gateway Manager from any further transfers of International Gateway revenues it is required to make to the Government.

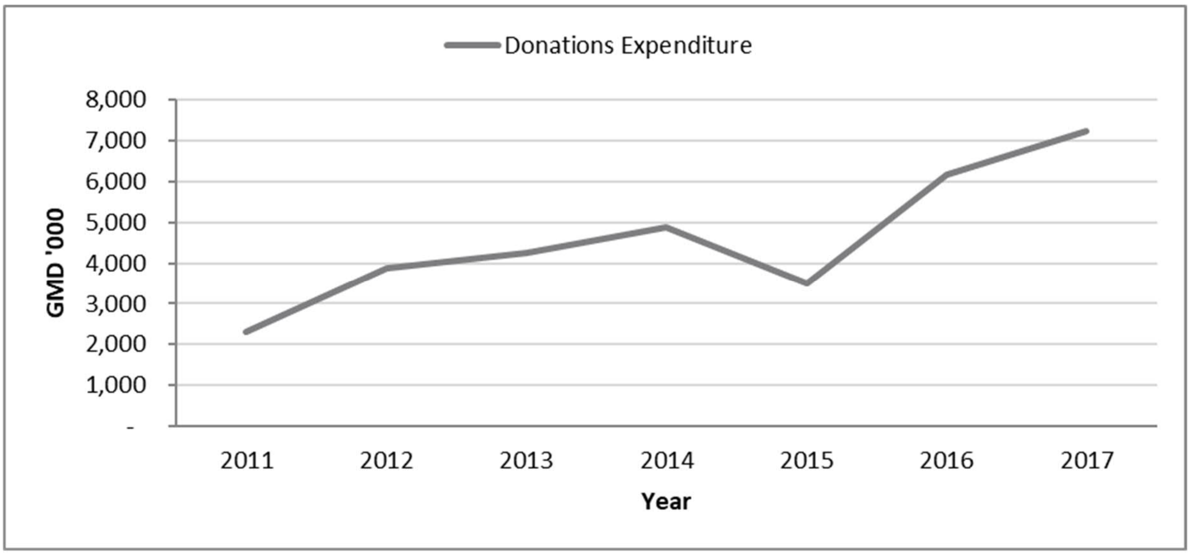
Sponsorship and donations

4.240 We conducted testing on a sample of items from the 'Donations' account.

4.241 A finding from this testing involved the installation of wired line access (fixed line) to then new President Adama Barrow's first residence, prior to him moving to the State House. This was as the result of an Executive Directive and amounted to GMD 513k (USD 11.2k).

4.242 The nature of the remaining sampled items was in line with expectation and related to issues such as Ramadan donations, GAMTEL football team and the sponsorship of music and fundraising events. A summary of the annual movements of the sponsorship and donation accounts is set out in this account across the period of our scope is included below. This shows that Donations expenditure has increased by 266%, from GMD 2.3m (USD 81k) in 2011 to GMD 6.1m (USD 145k) in 2016.

Figure 17: GAMTEL's Donation expenditure from 2011 to 2017



Source: GAMTEL's Financial Statements 2011 to 2016

Payroll

4.243 During 2017, staff costs accounted for 38% of operating expenses. As with other SOEs, GAMTEL is perceived to create employment for the people of The Gambia and any attempts to downsize the organization to reduce perceived overstaffing could have political repercussions.

4.244 The Director for Human Resources oversees both the GAMTEL and GAMCEL Human Resources and Payroll departments.

4.245 Mr. Kebba Kinteh is the current Chief Finance Officer at GAMTEL and fulfils the role of being the Accounting Officer for both GAMTEL and GAMCEL. Mr. Kinteh holds a Master of Business Administration (Finance) obtained from the Oxford Brookes University, United Kingdom. He also holds a Diploma in Management from the Canadian Institute of Management and is a member of this Institute. Mr. Kinteh has held various roles at GAMTEL and GAMCEL since joining in 1989, including being the Director of Regulatory Affairs, Director of Internal Audit and Financial Controller.

4.246 As at December 31, 2017, GAMTEL had 1,046 permanent employees. Of the total workforce, 25% of the employees were allocated as support services, which mainly consists of cleaners, drivers and security staff. A further 24% of the employees were allocated to customer services.

4.247 At present there is a high use of contractors, mainly due to the temporary ban on recruitment as part of the cost-cutting measures at GAMTEL / GAMCEL. The recruitment freeze was expected to last until December 2018, resulting in the continued employment of a high number of contractors and key positions remaining un-filled. For example, at December 31, 2017, there were 106 contractors at GAMTEL with a contract end date post December 31, 2017.

4.248 GAMTEL follows the integrated pay scales as set by the Government. Management informed us that these scales have not been updated since 2006. Senior Management advised us that GAMTEL has difficulty in retaining skilled staff due to its uncompetitive remuneration relative to the private market competitors.

4.249 Throughout our conversations with Management, we were informed about the lack of training to staff. This included training on the use of systems, or more role-specific training.

4.250 We were informed that GAMTEL is currently paying salary packages for three Managing Directors on its payroll:

- ► Mr Baboucarr Sanyang was indicted on March 9, 2017. The letter, signed by the Permanent Secretary of the Personnel Management Office, cited that the decision was made following initial assessment of government institutions and the alleged case of fraud at GAMTEL. He was to be provided half salary until further notice.
- ► In a Board meeting held on May 9, 2018, the Chairman, Mr Sola Mahoney, informed the Board that the Secretary General, Office of the President, had disclosed that the acting GAMTEL Managing Director, Mr Sulayman Susso, was sent on leave because he had misled the President on the management of the International Gateway and GAMTEL's ability to maintain the same revenue levels as under MGI, which had not happened. Mr Susso was sent on 'leave' with his full salary package. We understand that the investigation has been completed, but that due to several changes of the responsible stakeholders, no feedback has been received by GAMTEL.
- ► Current Acting Managing Director, Mr Seedy Jaiteh, is receiving the full salary commensurate with his role.

4.251 We were further informed that GAMTEL is required to pay allowances for NIA staff members situated at GAMTEL. These staff members are commonly referred to as 'external security'. We were provided with documentation from 2009 regarding the "*incentive payments*" (allowances) for NIA staff at GAMTEL and GAMCEL. The allowances paid during 2017 amounted to GMD 255k (USD 5k). We understand that these agents are also provided mobile and fuel allowances by GAMTEL.

4.252 Senior Management stated that the recruitment process per the Service Rules are being followed, with the exception of when Executive Directives are issued to require the appointment or termination of employees. Executive Directives have historically been received in the form of notifications from the Person Management Office (PMO) or through the Managing Director to hire or release particular people. We were provided with 37 examples of these Executive Directives at GAMTEL, with only one dated post December 2016.

4.253 We understand that a 100% staff verification exercise is conducted every year. During the process, Payroll and Internal Audit physically count the staff, per the staff listing and check their photo identification documents (passport, staff ID or national ID card) to complete verifications.

4.254 We conducted staff verification testing on a sample of GAMTEL employees. While these staff members were successfully verified, through the exercise we were informed about the issuance of an Executive Directive for drivers. In January 2019 GAMTEL was requested to provide three drivers for other Government-backed projects, without compensation.

4.255 Numerous members of management have informed us that, in their opinion, GAMTEL suffers from overstaffing. One commonly suggested solution would be to "streamline" GAMTEL so that it only retains core staff to perform its "core functions", i.e., telecommunications. Management has floated the idea of outsourcing their "Support Services" such as security guards and drivers, claiming that this would remove some of the burden on GAMTEL and allow it to increase efficiency.

4.256 We were also informed "most" of the core departments are over-staffed. One director claimed that they had sent some employees on unapproved paid leave, without informing HR, simply to remove disruptive, unproductive staff and attempt to improve the efficiency of their department.

4.257 A study published in July 2016 by consultancy firm Senghore Associates found that as at December 2014, GAMTEL employed 53% of the total staff of the Gambian leading Telecoms providers, more than double any competitor. Moreover, GAMTEL and GAMCEL combined employed 73% of the staff in the sector, at a time when they reportedly held a combined 21% market share.

Table 69: Total Employees per Telecoms Company

Year	GAMTEL	GAMCEL	Africell	QCell	Comium
2009	1,042	291	536	183	87
2010	1,224	328	546	193	93
2011	1,224	328	562	210	104
2012	1,223	351	571	224	119
2013	1,225	368	520	166	122
2014	1,092	408	250	180	140
2014 %	**53%**	**20%**	**12%**	**9%**	**6%**

Source: Compiled by EY using data from 'Gamtel Human Resource Planning Audit' Report, Sengore Associates (July 2016)

4.258 We note that GAMTEL is the only landline entity in this comparison.

4.259 This report also found that "*the case for attaining the practical level of staffing is overwhelming given the real and present competitive threats to the organization's survival*".

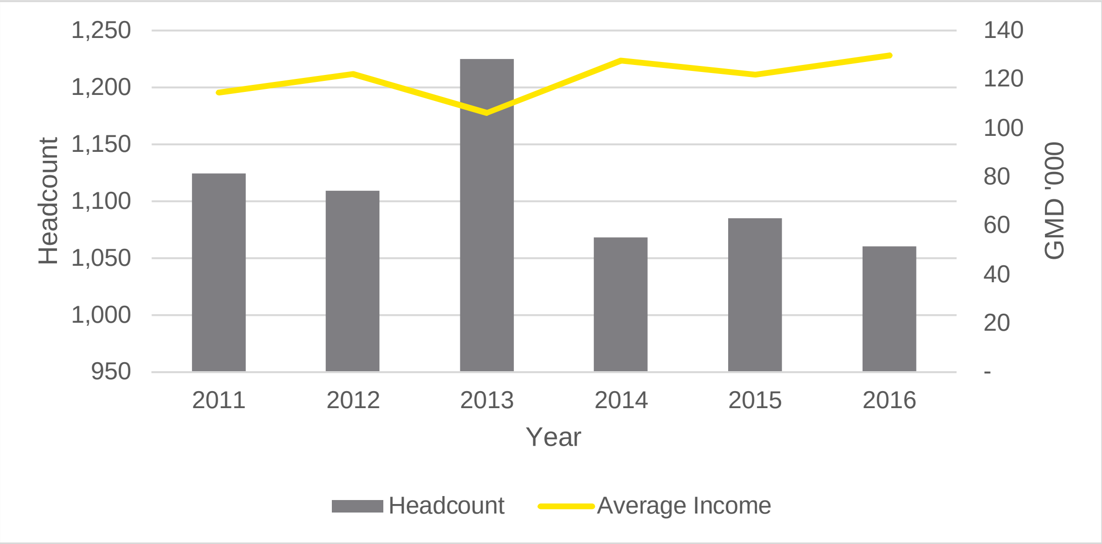
4.260 The report recommended a number of measures to reduce headcount and bolster operational efficiency. There was no implementation of any recommendations, as it was estimated to cost approximately GMD 437m (USD 10m) to reposition all the staff members based on the options of compensation[169].

4.261 We also noted through our review of Board minutes that the Board had discussed the matter of redundancies. However, we were informed that the plan was never taken forward by the Board to be approved by the Ministry.

4.262 As the figure below shows, despite a decline in headcount from 2013 onwards, average pay did not decrease correspondingly. Rather, this shows that the average annual pay per employee rose from 2013 onwards. This is despite a freeze on basic salary, suggesting this is a result of an increase in allowances.

[169] The cost of GMD 437m (USD 10m) in compensation includes all of the staff members of both GAMTEL and GAMCEL

Figure 18: Headcount versus average pay per employee from 2011 to 2016

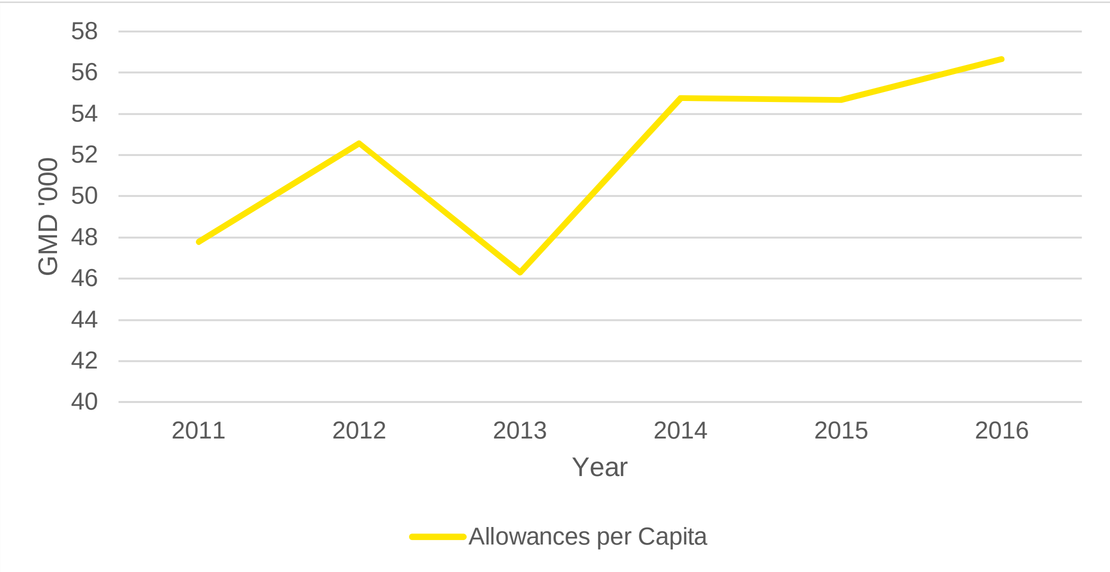


Source: GAMTEL's Financial Statements 2011 to 2016

Employee benefit schemes – staff allowances

4.263 The figure below summarizes the movement in average staff allowances per head, from 2011 to 2016, showing an increase of approximately GMD 9,000 (USD 187) across the same period.

Figure 19: GAMTEL Staff allowances per head 2011 to 2016

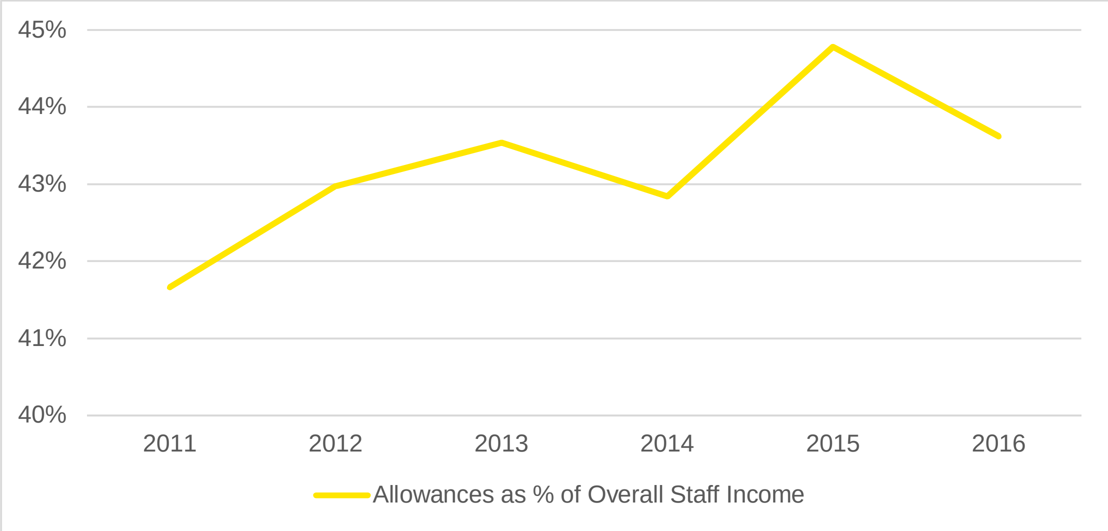


Source: GAMTEL's Financial Statements

4.264 Staff allowances accounted for approximately 44% of average staff pay in 2016 and this value has been steadily increasing since 2011, with the exception of 2016, whereby a reduction of low-level staff raised the average salary per capita, thus marginally distorting this figure. The policies in place for the award of benefits are reflected in the approved Service Rules guide.

4.265 From discussions with GAMTEL, we understand that the high proportion of allowances is in-part, the result of a basic pay freeze. As such, allowances are the only way to increase overall staff income. We were also told that this was partly due to the tax benefits and reduced social security contributions associated with allowance income.

Figure 20: Allowances as a % of overall staff payments from 2011 to 2016



Source: GAMTEL's Financial Statements

4.266 Regarding the adherence to policies, we have identified instances of multiple allowances being awarded together, in violation of the Service Rules. One example of this was an employee receiving mileage, vehicle and motorcycle allowance in the same month, contrary to the Service Rules.

Recommendations

4.267 Develop or procure a system for monitoring payroll reports, to reduce risk of Service Rules violations.

Equity/Ownership structure/Retained earnings

Shareholding in GAMCEL

4.268 GAMTEL has a 99% shareholding in GAMCEL.

4.269 Both entities were incorporated as limited liability companies under the applicable Companies Act of The Gambia at the date of incorporation.

4.270 As set out in the Approved Board Minutes of the first Ordinary Meeting held on 6 June 2014, the Chairman raised that the law required an arm's length relationship between GAMTEL and GAMCEL and if GAMCEL was to remain a subsidiary, there should be separate Boards as well as separate books of accounts, but, this would entail the company to be taxed twice – parent and the subsidiary. The alternative was to treat them as a division of GAMTEL. GAMCEL does not have its own Board and has an observer at GAMTEL board meetings.

4.271 Currently, GAMTEL and GAMCEL are operating under a structure in which several functions and resources are shared between the two entities, including:

- Board (only represented by GAMTEL);
- Director for Human Resources;
- Head of Procurement;
- Company Secretary;
- Director for Internal Audit;

- Enterprise Risk Information division;
- Information Technology Support division; and
- Call center.

4.272 Although GAMCEL has its own Head of Finance, the GAMTEL Chief Financial Officer is regarded as the most senior Accounting Officer, with ultimate authority over both entities.

4.273 The infrastructures of the two organizations are highly inter-connected. Most of GAMCEL's equipment is housed within the GAMTEL infrastructure, and usage is shared between the entities. In some cases, usage of infrastructure can be measured, and is subsequently billed between the entities. However, in other instances it cannot be measured and is therefore never billed or accounted for as intercompany transactions.

4.274 Both entities maintain separate books and records, which are audited by different External Auditors.

4.275 Our assessment reflects that the current arrangement is insufficient as GAMCEL is a fully controlled subsidiary of GAMTEL, yet it is treated differently in different circumstances, for example:

- Treated as a 'division' of GAMTEL (i.e. shared resources and divisions);
- Treated as a subsidiary (i.e. higher signing rights for payments by GAMTEL for GAMCEL payments); and
- Treated as a separate entity (i.e. no Group Financial Statements).

4.276 This lack of a formal identity for GAMCEL will influence their strategy and direction.

4.277 No consolidated Group Financial Statements are prepared for GAMTEL and GAMCEL.

4.278 In summary terms, international GAAP requires the consolidation of entities in which a company owns shares where the company exercises "control", as defined in GAAP, over the business in which it owns shares. Whether or not a company has "control" can be a complex assessment and is not addressed here. GAMTEL owns 99% of GAMCEL, which is an indication that it controls GAMCEL.

4.279 We understood that GAMTEL has never prepared consolidated accounts. If it were concluded that GAMTEL does indeed "control" GAMCEL, then the failure to prepare consolidated accounts may be a breach of the relevant GAAP and the local Companies Acts.

4.280 The current Companies Act of The Gambia, 2013 ("the Companies Act") which govern limited liability entities in the country, requires consolidated Financial Statements.

4.281 Furthermore, it is the duty of the directors of the holding company, GAMTEL, to prepare annual financial accounts. This duty is stated in Section 326 of the Companies Act.

4.282 We emphasize that this would not have any implications for the day-to-day management of either of the two businesses.

GAMTEL - Detailed findings – Quantification of diverted or misused funds

4.283 During the course of our forensic audit we have sought to identify any instances of historic fund diversion or misuse at GAMTEL. Through conversation and document review, we have collated the instances where SOE funds were used for purposes other than originally intended, or because management were instructed by the Office of the President to commit expenditure that does not have a direct benefit for GAMTEL.

4.284 We were also provided with examples of influence by the Government, of GAMTEL's operations.

Direct influence since December 2016

Gateway

- During July 2017, the new Government of The Gambia terminated the contract of MGI, an international telecoms company, and instructed GAMTEL to take over as the Gateway Manager. This decision was highly publicized in the press and announced through a press release by Ministry of Information and Communication Infrastructure.
- During November 2017, the MoFEA instructed GAMTEL to transfer all International Gateway revenues to the Central Bank of The Gambia. The bank account, GAMTEL International Gateway (1103002469), held at the Central Bank of The Gambia, received these amounts. Further correspondence in January 2018 addressed to the Permanent Secretary of the Ministry of Information & Communication Infrastructure, from the Office of the President, stated that the decision was as a '*result of the amount of revenue being collected from the International Voice Gateway*'.
- GAMTEL made a transfer of USD 2.5m (GMD 118m)[170] during February 2018. The Board was advised of the procedure for GAMTEL to submit these revenues to the Government's account and then for GAMTEL, through its line Ministry, to separately make a case to the Government for any financial support that it requires from these 'Gateway revenues'.
- GAMTEL has remained the Gateway Manager since that time. However, we understand from Senior Management that they had been instructed by the current Government of The Gambia not to use the International Gateway revenues that are accumulating in GAMTEL's bank account.
- This resulted in GAMTEL losing access to the funds generated by their largest revenue stream. Following the alleged Executive Directive, GAMTEL continues to incur the costs of running the International Gateway, but without the corresponding revenue.
- Following the above sequence of events, the External Auditors raised an accounting memo adjustment for the 2017 accounts, reflecting that the Gateway revenue should not be recognized in GAMTEL's accounts. We were informed that GAMTEL requested guidance from the Government on the proposed carve-out of Gateway accounts. GAMTEL subsequently received the instruction that it should not reflect the revenue in their accounts for 2017.
- We further noted that:
  - During May 2017, an amount of EUR 796,660 (GMD 36m / USD 758k) was paid out of the Gateway funds in account 1103002469 to settle GAMTEL's CFD loan.

[170] Spot rate of USD 1 : GMD 47,169 as on February 23, 2018

It is unclear how or why these funds were used to settle the loan as GAMTEL only became the Gateway Manager in July 2017;

- During July 2018, GAMTEL requested through MoFEA to use the International Gateway funds to procure 12 pick-up vehicles. The Ministry responded in a letter dated July 12, 2018 that the sum of USD 410k at the rate of GMD 47.50 could be withdrawn from the Gateway account as a ‘soft loan’ to procure the vehicles instead of entering into an arrangement with a Commercial Bank. The Loan would attract an interest rate of 2% per annum and be repayable in 48 monthly instalments.

- It was further noted that the preceding two Managing Directors of GAMTEL are either indicted or on ‘leave’ with allegations relating to the International Gateway.

Sponsorship and donations

4.285 We were made aware of an Executive Directive for the installation of wired line access to then new President Adama Barrow’s first residence, prior to moving to the State House. This cost amounted to GMD 512,500 (USD 11.2k).

4.286 In January 2019, GAMTEL was requested to provide three drivers for other Government-backed projects, without compensation.

Recruitment

4.287 Senior Management stated that the recruitment process per the Service Rules is being followed, except for when Executive Directives are issued to require the appointment or termination of employees. Executive Directives have historically been received in the form of notifications from the PMO or through the Managing Director to hire or release particular individuals. We were provided with one example of an Executive Directive at GAMTEL dated post December 2016. Management advised that they felt comfortable to ‘push back’ on this directive – something they would not dare attempt under the previous regime.

Direct influence prior to December 2016

4.288 The remaining examples relate to examples of diverted of misused funds prior to December 2016. These examples are discussed throughout the report, however for ease of reference, they are summarized below:

International Gateway

4.289 We understand that prior to 2006, the management of the Gateway was performed by GAMTEL. Since 2006, the management of the Gateway had been contracted to third parties. A long list of managers followed, including Tell International Inc and MGI. At this time GAMTEL received 50% of the International Gateway revenue.

4.290 We were provided with a copy of an Executive Directive issued to Tell International Inc from the Office of the President. The letter, dated September 25, 2013, stated that “*an Executive instruction has been given that as from September 2013, all receipts due to the Gambia Government in respect of the above caption* [Receipts from the International Telecommunication Gateway] *should be paid into the following account and not Gamtel*”. The account provided, International Gateway Account (1103001840), is held at Central Bank of The Gambia. The letter was signed by the Secretary General, Noah Touray and the Management Director of GAMTEL was in copy.

4.291 On June 1, 2014, a management agreement was signed between the Government of The Gambia and MGI Telecom Ltd. The agreement states that GAMTEL and MGI entered into a management agreement on May 2, 2014 and this was mutually cancelled with effect as of June 1, 2014. The agreement further states that the Government of The Gambia wished to engage the services of MGI to exclusively manage the International Gateway which handles all international voice traffic to and from The Gambia, both 'voice over IP'("VOIP") and 'time-division multiplexing' ("TDM") calls, as part of Project Vision 2016. It should be noted that this agreement was signed by Mr Baboucarr Sanyang, Managing Director of GAMTEL, on behalf the Government of The Gambia.

Investment in GAMCO

4.292 The GAMCO investment of GMD 15.6m (USD 325k) represents the total advances made by GAMTEL to GAMCO during the period 2004 to 2005[171].

4.293 Management informed us that these advances were made following Executive Directives issued by the Ministry of Agriculture on behalf of the Government. These Executive Directives were issued in an attempt to facilitate the groundnut trade.

Investment in the Gambian International Airlines

4.294 Per GAMTEL's 2016 Financial Statements, the investment in the GIA represents a 1% stake, valued at GMD 16.6m (USD 346k) divided into 1,660,000 shares of GMD 10 each.

4.295 We were informed this investment transpired because of an Executive Directive issued to provide financial assistance for the upgrade and maintenance of the runway, although we have not seen any documentary evidence to support that claim.

Gambia Radio and Television Services (GRTS)

4.296 GAMTEL management informed us that, in approximately 1995, they were instructed to create GRTS. The instruction required GAMTEL to pay for the land, building and equipment for GRTS, as well as provide resources. However, they had never received shares to recognize the initial investment.

4.297 Per the Second Extraordinary Meeting held on April 8, 2015, the Managing Director[172] informed the Board that the Headquarters of GRTS was built by GAMTEL and GRTS now required the title deed to access a grant from the European Union. The CFO[173] then explained that the building was given to the Government as a dividend payment by Management and the Board during 2005 to 2007, "*but the transfer of ownership to GRTS was not affected*".

4.298 We were informed that GAMTEL has never recorded its outlay as an investment, nor gained any returns. We further understand that at present the value of the assistance and resources provided is accounted for an *"intercompany account".*

Recruitment

4.299 Senior Management stated that the recruitment process per the Service Rules is being followed, except for when Executive Directives are issued to require the appointment or termination of employees. Executive Directives have historically been received in the form of notifications from the PMO or through the Managing Director to hire or release particular individuals. We were provided with 37 examples of these directives at GAMTEL, dated prior to December 2016.

[171] Source: GAMTEL's 2016 Financial Statements.
[172] Mrs. Elizabeth Mendy-Johnson, General Manager of GAMCEL represented the Managing Director of GAMTEL in this Board meeting.
[173] Mr. Banding Sillah was the CFO of GAMTEL at the time of the Board meeting.

Spectrum International Investment Holding SAL

4.300 As set out in the Approved Board Minutes of the first Ordinary Meeting held on 6 June 2014, the then Managing Director, Mr Baboucarr J. Sanyang provided the following background to GAMTEL's ownership structure:

- ► GAMTEL was previously owned by the Ministry of Finance (99% shareholding) and the remaining 1% owned by the Gambia National Insurance Corporation.
- ► In 2007, the Gambia Government entered into a 50:50 partnership with Spectrum International. We understand that this was done through a form of Executive Directive. We viewed a completion document dated June 23, 2008 that reflected that the master agreement between the Government and Spectrum International Investment Holding SAL ("Spectrum") was dated July 22, 2007. This document also set out that the Purchaser paid USD 35m to the Seller. It was further noted that one clause, which had been fulfilled, reflected that the management of the Company had been irrevocably handed over to Purchaser against an annual fee to be determined in the Management and Operational Services agreement between Spectrum and Detecon Manager of the Gateway.
- ► The partnership was terminated in 2008, however the legal status of GAMTEL was never regularized. In July 2013, the Office of the President gave several Executive Directives for the Attorney General's Chambers and GAMTEL to regulate the company's legal status.
- ► The Government could not own 100% of GAMTEL and therefore GPA was approached to take up 1% ownership.

4.301 A Special Resolution of the Board dated March 8, 2016 reflected that the Memorandum and Articles of Association of the defunct partnership with Spectrum be amended and replaced with the new Memorandum and Articles of Association.

Approved waivers being annulled

4.302 We were provided documentation about a waiver between the Government, GRA, GAMTEL and GAMCEL that had been granted as part of the 50:50 ownership agreement between Spectrum Management and the Government.

4.303 The waiver was originally granted in 2007 and reflected that the President had waived the fees due to the current financial situation of GAMTEL and GAMCEL, and the immediate need for substantial investments to advance the telecommunications infrastructure for development.

4.304 However, correspondence from GRA to GAMTEL during 2009 suggested that the waiver was annulled. We were provided a letter dated March 17, 2014 addressed to The Permanent Secretary at MoFEA from the Managing Director of GAMTEL. The letter stated that GAMTEL and GAMCEL received letters dated February 12, 2014 and March 13, 2014 from the GRA demanding settlement of taxes and Spectrum fees. The amount due from GAMTEL was GMD 354m (USD 7m), including an amount of GMD 288m (USD 6m) for corporation and sales taxes.

4.305 MoFEA responded to the letter on March 14, 2014, with the conclusion that a waiver could not be granted. It was suggested that a payment plan should be agreed with the GRA.

5. GAMCEL

Introduction

Background

5.1 The Gambia Telecommunications Cellular Company Limited (“GAMCEL”) was incorporated in 2000 as a limited liability company. GAMCEL is a fully controlled, 99% owned subsidiary of GAMTEL. The remaining 1% is owned by the Office of the GAMCEL General Manager.

5.2 The principal activity of GAMCEL is to provide GSM services to clients. During recent years, GAMCEL has continued to upgrade some of its sites from 2G (voice call) to 3G (mobile data offering) as part of its global expansion program.

5.3 At its incorporation, GAMCEL briefly operated as a monopoly, until private operators were issued with operating licenses. As the private sector companies have evolved, GAMCEL has struggled to compete. This was reportedly caused by funding constraints and Government issued procurement policies causing constraints and time delays, such as the ones implemented by the GPPA.

5.4 Technologically, GAMCEL is behind its private competitors which operate a 3G network and are in the process of upgrading to 4G. In contrast, GAMCEL still struggles to provide complete 2G coverage. This has caused GAMCEL’s customer base to drop significantly, which has been impacting its revenue.

5.5 The GAMCEL Senior Management advised us of their belief that should there be no investment in the GAMCEL infrastructure in the coming year, GAMCEL will close its doors.

5.6 We understand that the World Bank held discussions with GAMTEL and GAMCEL on December 12, 2018, to discuss options for the communications structure in The Gambia going forward. These discussions included options like the buy-out or the transfer of ownership of GAMCEL to the Government, or even liquidate the entity. Based on our discussions with GAMCEL’s Senior Management, we learned that informal discussions with a competitor had recently taken place.

5.7 Press articles[174] suggested that in February 2019, the Cabinet of The Gambia decided that GAMCEL should be repositioned and restructured. Following this, all shares of GAMCEL will be “divested”. The Cabinet also agreed that the restructuring will ensure that GAMCEL will operate under independent management, “free from GAMTEL’s control and influence”.

The scope of our Forensic audit

5.8 Our assessment was based on the records, documentation and information that the management and staff of GAMTEL and GAMCEL provided to us, as well as other information obtained by us through interviews and specific enquiries made by us in the course of our work.

5.9 The GAMCEL 2017 Financial Statements remain unsigned by the external auditors. We based our findings on the final draft of the 2017 audited Financial Statements for GAMCEL. These were provided by the external auditors, Real Time Consulting Company (RTC), who were appointed by the National Audit Office for a period of five years with effect from the financial year ending 2014. The previous auditors were DT.

[174] https://www.voicegambia.com/2019/02/22/gamtel-gamcel-to-be-restructured-repositioned/ (Date of use: February 27, 2019)

5.10 GAMCEL had received an unqualified opinion since 2013. However, based on the draft Financial Statements for 2017, the external auditors have not modified their opinion, but instead proposed an emphasis of matter due to 'material uncertainty' of the going concern. This is based on GAMCEL's net loss of GMD 132m (USD 2.8m) during the year ending December 31, 2017. As of that date, GAMCEL's current liabilities exceeded its total assets by GMD 236m (USD 4.9m).

Limitations of scope and information provided

5.11 See the 'Limitations of scope' section of the Executive Summary for commentary on limitations that apply to all SOEs, in particular for how our work did not constitute a statutory audit.

5.12 Our assessment was based on the records, documentation and information that the management and staff of GAMTEL and GAMCEL provided to us, as well as other information obtained by us through interviews and specific enquiries made by us, in the course of our work.

5.13 On February 7, 2019, we held a closing meeting with GAMCEL Senior Management to present our initial findings from the Special Audit. Agreement was obtained on the most significant issues. Our assessment is not a statutory audit and our observations translating to potential proposed financial adjustments set out in this report will need to be further discussed with management.

5.14 We received good cooperation from GAMCEL during the audit. In general information was readily available to us from the Finance Team, with the exception of the account receivable age analysis due to the billing situation. While the 2017 Financial Statements remain unsigned, they had no significant changes since the commencement of this engagement.

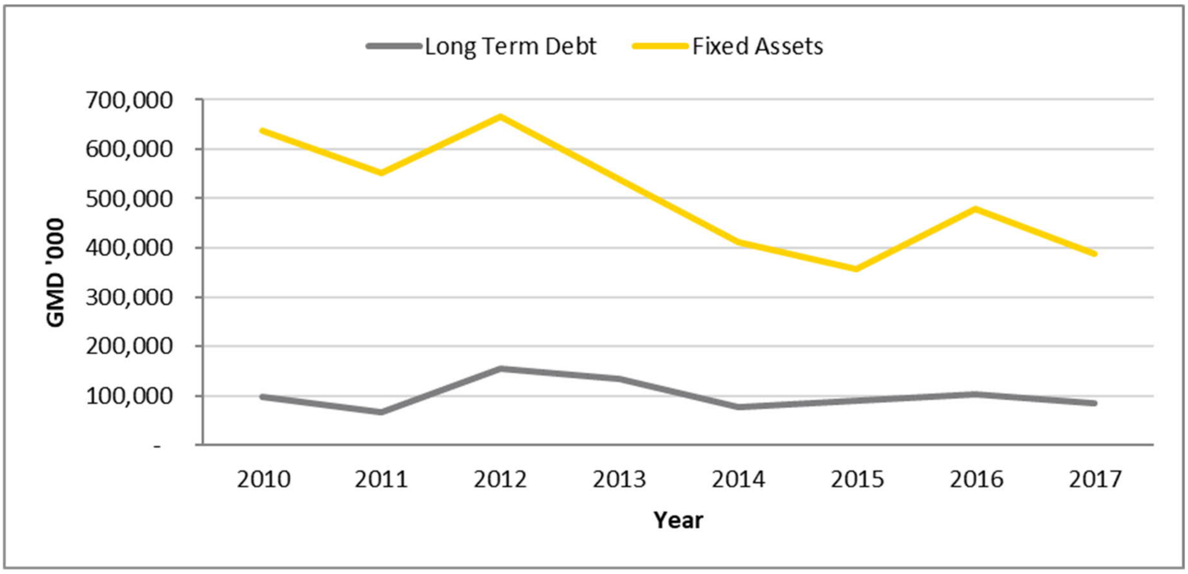
GAMCEL – Detailed findings – Balance Sheet

5.15 GAMCEL has a negative Net Asset position. Fixed Assets is by far the largest proportion of assets, accounting for 71%, while Trade Receivables represent the other significant balance at 19%. Inventory accounts for a small portion of the total Assets balance (4%), and staff loans account for 3%. On the other hand, Liabilities consist mainly of Trade Payables (59%), Accruals and Similar Payables (11%), and Other Liabilities (16%). The latter consists mainly of loan repayments due within 1 year.

5.16 Management informed us that the key reason behind GAMCEL's decline in performance is its failure to sufficiently reinvest in its Fixed Assets, namely network infrastructure. This capital investment is crucial in a market as dynamic as telecommunications.

5.17 As a continually loss-making entity, GAMCEL would most likely be expected to use long term borrowings to fund its large-scale capital expenditure. However, as shown in the figure below, the Fixed Assets balances reflected a decline or a stagnation when compared to long term borrowing, which fell from GMD 637m (USD 17m) in 2012 to GMD 388m (USD 8m) in 2017.

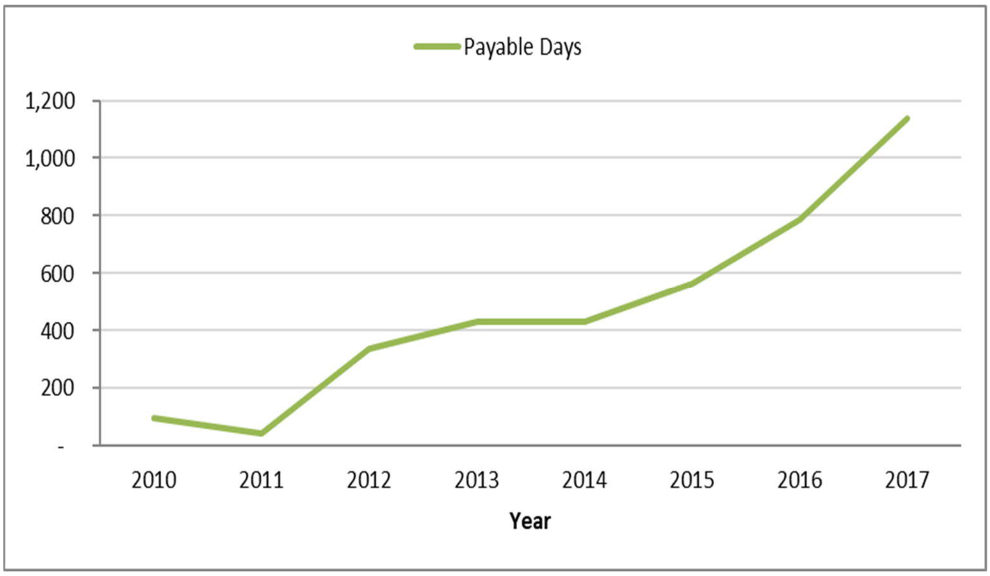
Figure 21: Movement in Long Term Debt and Fixed Assets 2010 - 2017



Source: GAMCEL's Financial Statements

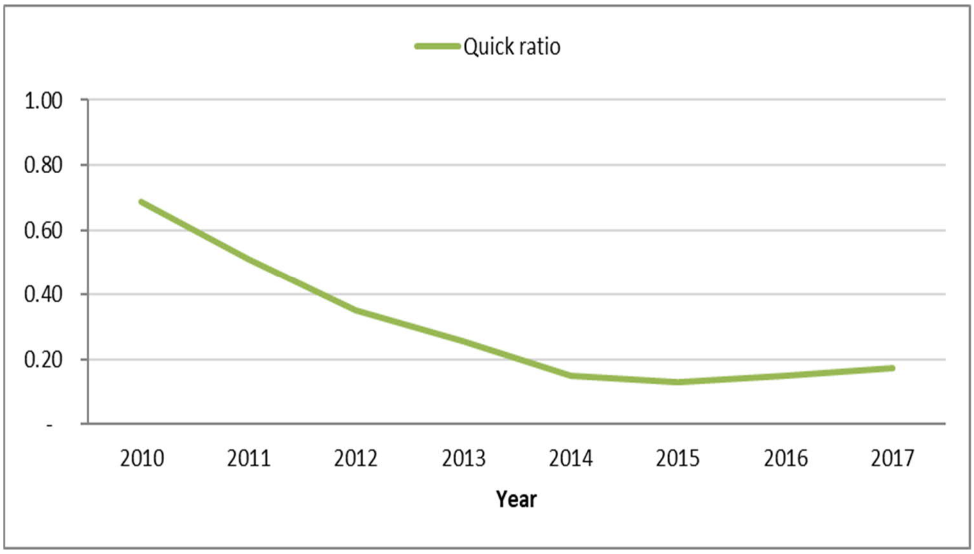
5.18 As the figure below shows, GAMCEL's Trade Payables position worsened significantly in recent years, rising from 95 days in 2010 to 1,140 days in 2017. In other words, GAMCEL would need approximately three years to repay its trade creditors. According to the quick ratio movement shown in the figure below, we can see that the ratio fell from 0.69 to 0.17 over the same period. This means that GAMCEL is facing increasing liquidity pressure. Should this negative trend continue, GAMCEL's position as a viable going concern could be at risk.

Figure 22: Payables Days Movement 2010 - 2017



Source: EY analysis based on GAMCEL's Financial Statements

Figure 23: Quick Ratio Movement 2010 – 2017



Source: EY analysis based on GAMCEL's Financial Statements

5.19 The following table reflects GAMCEL's Balance Sheet based on the 2017 draft Financial Statements:

Table 72: Summary Balance Sheet as at December 31, 2017

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets						
Fixed Assets	478,695	10,938	77%	387,573	8,073	71%
Trade receivables	86,302	1,972	14%	104,178	2,170	19%
Other receivables	177	4	0%	6,257	130	1%
Staff Loans	16,080	367	3%	16,450	343	3%
In Put VAT Credit	0	0	0%	4,736	99	0%
Stock Inventory	24,820	567	4%	23,499	489	4%
Cash and Bank balances	11,920	272	2%	2,139	45	0%
Prepayments	1,588	36	0%	704	15	0%
Total assets	**619,582**	**14,157**	**100%**	**545,536**	**11,364**	**100%**
Liabilities						
Trade Payables	552,590	12,627	63%	604,196	12,585	59%
Other payables	90,068	2,058	10%	59,937	1,248	6%
Taxation	2,456	56	0%	6,912	144	1%
Accruals and Similar Payables	49,107	1,122	6%	108,728	2,265	11%
Deferred Liabilities – Pre-paid Customers	77,158	1,763	9%	1,019	21	0%
Bank overdraft	7,512	172	1%	1,295	27	0%
Long term loans	102,556	2,343	12%	84,937	1,769	8%
Other liabilities	0	0	0%	165,000	3,437	16%
Total Liabilities	**881,446**	**20,141**	**100%**	**1,032,024**	**21,497**	**100%**

Source: GAMCEL's Financial Statements

Fixed Assets

5.20 The table below sets out a summary of GAMCEL's Fixed Assets as reported in the Financial Statements as at December 31, 2017. The Net Book Value (NBV) of the Fixed Assets represents 71% of the asset value on the Balance Sheet and consists of GSM Equipment (47%), Work in Progress (32%), Land and Buildings (15%), Fixtures, Fittings and Office Equipment (5%), and Generators (1%).

Table 54: Summary of Fixed Assets as at December 31, 2017

Asset type	Land and buildings	GSM Equip	Motor vehicles /cycles	Generators	Fixtures, Fittings and Office Equip	Access software	WIP	Total
At cost (GMD'000)	67,755	1,627,115	36,247	15,715	88,363	6,249	123,855	1,965,299
Depreciation (GMD'000)	8,931	1,445,633	35,737	12,085	69,091	6,249	0	1,577,726
Net Book Value (GMD'000)	**58,824**	**181,482**	**510**	**3,630**	**19,271**	**0**	**123,855**	**387,573**
At cost (USD'000)	1,411	33,893	755	327	1,841	130	25,701	40,937
Depreciation (USD'000)	186	30,113	744	252	1,439	130	0	32,864
Net Book Value (USD'000)	**1,225**	**3,780**	**11**	**76**	**401**	**0**	**2,580**	**8,073**
% of Fixed Assets	**15%**	**47%**	**0%**	**1%**	**5%**	**0%**	**32%**	**100%**

Source: GAMCEL's Financial Statements

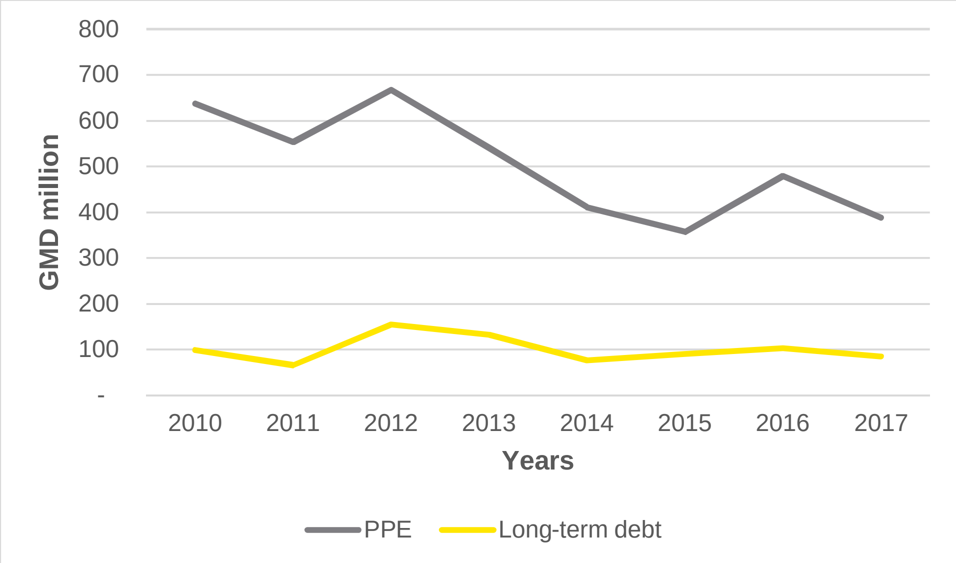
5.21 The Finance team provided us with a copy of the 2017 FAR, which reconciles to the 2017 draft Financial Statements.

5.22 According to GAMCEL's processes, the Finance team is responsible for recording an asset in the accounting system following its purchase. However, the Finance team only manually updates the FAR once a year, for both asset additions and disposals.

5.23 GAMCEL has encountered operational issues with its Fixed Assets management system since at least 2010. This was mainly due to the system calculating depreciation incorrectly by only recognizing deprecation on prior year assets and not on any additions. We were informed that the system developer passed away before the system could be rectified. Consequently, GAMCEL has since resorted to using a manual FAR, based in excel.

5.24 The figure below shows the movements in PPE and long term borrowing for the period 2011 – 2016. This illustrates the decline in overall PPE value during this period and the lack of significant capital investment, which is crucial for an entity to remain competitive in the telecoms industry.

Figure 24: Movement in PPE and Long Term Debt



Source: GAMCEL's Financial Statements

5.25 Our testing revealed that each line item within the FAR relates to an individual asset. Some assets do not have a unique asset code attributed to them but we were able to rely on the description of the sampled assets to identify and verify them. We note that assigning unique asset codes would be beneficial for GAMCEL to help verify each unique asset, in particular for the 'Fixtures, Fittings & Office Equipment' class, considering the high number of similar assets.

5.26 Based on our initial discussions with the Internal Audit team, we understood that a full Fixed Asset verification exercise is conducted by Finance and Internal Audit annually. According to the Finance team, this process is completed in a 'sheet-to-floor' manner, however a 'floor-to-sheet' exercise is not conducted. During our fieldwork in January 2019, multiple sources suggested that the verification is only conducted on additions made in the year.

5.27 A revaluation exercise of all GAMCEL properties was conducted in November 2014, by an external Gambian firm, Francis Jones Associates. We were given sight of this report, which was also used to compare to the Fixed Assets during our verification exercise.

5.28 We noted that GAMCEL classifies its Fixed Assets based on their value, using monetary thresholds (i.e., items bought for over GMD 5,000 would belong to one class). While this is compliant with GAMCEL's Financial Policy (2013), GAMCEL should give consideration to classifying items based on their nature.

5.29 Per the GAMCEL Financial Policy (2013), the depreciation is applied to assets at year end, regardless of the date of acquisition of the asset. Therefore, an asset could be acquired on December 30, and still be subject to a full year of depreciation on December 31.

5.30 Table below shows the annual depreciation rates. According to GAMCEL's Financial Policy (2013), these rates are used to depreciate the cost of the assets, using a straight-line method, over its estimated useful life.

Table 55: Depreciation policy by asset class

Asset Class	Annual Depreciation
Land	0%
Buildings	5%
GSM Equipment	15%
Motor Vehicles	25%

Furniture, Fittings and Office Equipment	15%
Generators	10%
Accounting Software	33%

Source: GAMCEL's 2017 Financial Statements

5.31 We performed a verification of the depreciation calculation for 2017. We noted that the depreciation is generally in line with expectations, with the exception of the following items:

- ► The Financial Statements narrative states that Furniture, Fixtures and Office Equipment is depreciated on a 15% straight line basis. However, our review of the FAR shows that some assets that belong to this class are being depreciated at a 33.3% rate (e.g., items with descriptions such as "Computer", "Printer" and "Filling Cabinet"); and
- ► We noted GAMTEL's 2016 Financial Statements indicate a depreciation rate for Computer Hardware and Software of 33.3%. However, an equivalent rule is not disclosed in the GAMCEL Financial Statements, nor in its Finance Policy, despite it being applied in its depreciation calculations. This can therefore be misleading to the reader of the GAMCEL Financial Statements.

5.32 We performed an asset verification exercise on a sample of Fixed Assets, across the range of asset classes, in order to confirm their existence in comparison with the FAR (i.e., a 'sheet-to-floor' verification). The sample consisted of 20 items and covered 13% of the total Fixed Assets balance. We were able to verify all assets in this sample.

Table 56: Fixed Asset verification coverage and sampling by asset class class

Asset Class	Depreciation Policy	Value of EY Sample (GMD 000)	% of Asset Class Value Sampled
Land	0%	20,279	34%
Buildings	5%		
GSM Equipment	15%	22,980	13%
Motor Vehicles	25%	163	32%
Furniture, Fittings and Office Equipment	15%	3,554	18%
Generators	10%	475	13%
Accounting Software	33%	-	-

Source: GAMCEL's 2017 Financial Statements

Land and Buildings

5.33 All the sampled assets belonging to this class were located and verified. We were also able to view the title deeds for each of these assets.

GSM Equipment

5.34 All the sampled assets belonging to this class were located and verified. We noted that the GSM asset class is almost fully depreciated, and our discussions with the management highlighted that many key GSM assets (2G) are approaching obsolescence or have already reached it. Further discussions with the management highlighted the urgent need to upgrade the network infrastructure, to enable GAMCEL to remain competitive.

Motor Vehicles and Motorcycles

5.35 All the sampled assets belonging to this class were located and verified. One vehicle (Registration KM4826B) had reportedly been unusable for several weeks, pending funding approval for minor repairs. All other sampled assets were in working order. We noted that this asset class is almost fully depreciated. Our discussions with the management revealed that capital constraints have largely limited the replacement cycle of these assets.

Generators and Fixtures, Fittings and Office Equipment

5.36 All the sampled assets belonging to this class were located and verified.

Recommendations

5.37 Based on the findings of our fieldwork, management should consider the following recommendations:

- ► Conduct a comprehensive Fixed Asset review exercise, tag every asset with a unique asset code, ensure that all assets are valued at the current net book value and update the Fixed Asset Register accordingly;
- ► Assess the viability of procuring a new Fixed Asset management system that allows GAMCEL to have a better oversight and control over its Fixed Assets;
- ► Conduct a more robust and comprehensive Fixed Assets verification exercise at year-end that includes all GAMCEL assets, in order to determine their fair value; and
- ► Continue to assess the options for procurement of upgraded GSM infrastructure.

Investments

5.38 GAMCEL does not account for any investments on its 2017 draft Financial Statements. When conducting similar procedures on the audited GAMTEL 2016 Financial Statements, we noted that GAMCEL may have an unrecorded investment, namely the Africa Coast to Europe initiative (known as ACE).

5.39 On July 12, 2011, six Gambian companies[175] signed a joint agreement, which was brokered by the Gambian Government, to establish a public-private partnership (PPP) financing agreement worth USD 25 million (GMD 710m)[176]. The purpose of the partnership was to jointly contribute towards the cost of financing a landing station, in The Gambia, for the Africa Coast to Europe Submarine Cable (ACE), a submarine fiber cable laid from France through the coast of Africa to South Africa. The ACE landing station was completed and inaugurated in December 2012.

5.40 In the agreement, GAMTEL and GAMCEL were each allocated 20% and 10% respectively of the capacity allocated to The Gambia, representing the equivalent of their contributions to the PPP financing agreement. Funds contributed through the PPP contributed towards financing GSC Ltd, which was established to coordinate the activities of the landing station.

5.41 GAMTEL's 2011 Financial Statements contained a WIP balance of GMD 44m (USD 1.5m), including GMD 14.9m (USD 0.5m) that represented GAMTEL and GAMCEL's respective shareholding in GSC Ltd.

5.42 We noted that in GAMCEL's 2013 Financial Statements, a note was made that GAMCEL contributed USD 0.5m (GMD 15,813k) to the ACE Project. This was paid by GAMCEL to GAMTEL via the intercompany account in 2010.

[175] Namely Africell, Gamtel/Gamcel, Comium, Qcell, Netpage and Unique Solutions
[176] Source: GAMTEL's 2011 Financial Statements.

5.43 The ACE landing station was completed and inaugurated in December 2012. As a result, in 2013 GMD 44m (USD 1.5m) was reclassified from work in progress to be shown as an investment in GSC Ltd[177].

5.44 Through discussions with GAMTEL Management as well as documentation (e.g. memorandums) provided, we understand that the World Bank and the Government of The Gambia assisted with the funding of the landing station in The Gambia.

5.45 Through our analysis and review, we noted the following:

- The balance of GMD 14.9m (USD 0.4m) ought to be in GAMCEL's balance sheet, but it is not. We suspect that this balance has been incorrectly retained in GAMTEL's work in progress, but we cannot confirm this as GAMTEL's Management was unable to provide us with a breakdown of its WIP.

- Both balances are recorded at cost but should be at fair value. The fair value ought to reflect the future revenues to be derived from GAMTEL's and GAMCEL's capacity entitlement.

Recommendations

5.46 Based on the findings of our fieldwork, management should consider the following recommendation:

- GAMCEL's management should investigate whether it should recognize GAMCEL's 10% capacity ownership of the ACE landing station as an investment in its accounts.

Receivables

5.47 Receivables accounted for 19% of the Balance Sheet assets at GAMCEL as at December 31, 2017. GAMCEL's receivables are classified in the following main categories, as set out in the table below. Further commentary of each category is provided below:

Table 57: Receivables

Receivable category	2017 (GMD'000)	2017 (USD'000)
Trade debtors	126,284	2,630
Other Debtors	19,077	397
Staff Loans	17,097	356
Less: Provision for Bad and doubtful debts	(35,573)	(741)
Total receivables	**126,885**	**2,643**

Source: GAMCEL's 2017 Financial Statements

[177]Source: GAMTEL's 2013 Financial Statements,

Trade debtors

5.48 The trade debtors balance consists of the following accounts, as per the draft 2017 Financial Statements for GAMCEL:

Table 58: Trade debtors

Trade Debtors category	2017 (GMD'000)	2017 (USD'000)
Post Paid Debtors	69,567	1,449
Net of Interconnection - Africell	1,107	23
Net of Interconnection - Qcell	493	10
Roaming Receivables	55,117	1,148
Dealers Debtors	0	0
Total trade receivables	**126,284**	**2,630**

Source: GAMCEL's 2017 Financial Statements

Post-paid debtors

5.49 Post-paid debtors account for 55% of the total Trade Receivables balance as at December 31, 2017.

5.50 GAMCEL migrated its billing system in 2016 from Mobilis (now known as Youtap) to Redknee. Due to unexpected circumstances (as explained in the Income Statement section), in August 2017 GAMCEL had to suddenly revert back to Mobilis. This caused a major disruption in GAMCEL's operations, which halted the customer billing activity for three consecutive months.

5.51 This issue severely challenged Management's ability to provide EY with an accurate Debtors ageing analysis as at December 31, 2017. The version we initially received reflected a post-paid debtor balance of GMD 145m[178] (USD 3m), and did not include any debtor balances for the ageing categories under 120 days. Finance agreed that this Debtors Age analysis balance was incorrect and should be disregarded.

5.52 According to the draft Financial Statements, the external auditors confirmed the effective restoration of the Mobilis (Youtap) system by visiting the billing department and taking assurance from the management on the reliability of the Mobilis (Youtap) post-paid bills. In addition to this, they conducted further consistency checks of the revenue billed in August 2017 by comparing it to prior months' bills.

5.53 The Finance team advised us that the external auditors used the active customers balances listing from credit control for the 2017 Statutory Audit and conducted their testing on these balances.

5.54 We requested the listing of GAMCEL's active customers as at December 31, 2017. The listing appears to be manually maintained as it does not have a standard format and contains calculation errors. For example, we noted that the total balance of receivables only amounted to GMD 27m (USD 574k), as per the listing. When we recalculated the balances per customer, we obtained a total of GMD 28m (USD 595k). We also noted that the listing does not provide a detailed age analysis of the customer bills.

5.55 The management informed us that before GAMCEL migrated to Redknee in 2016, the Finance team performed a bad debt analysis in the Mobilis system. The unrecoverable balances that were identified as part of this analysis were not transferred to the Redknee

[178] The balance per the listing was GMD 14,5 billion. Management informed us that the listing should be divided by 100.

billing system. We understand that the main reason for this was to indirectly write-off these balances from the new system. However, these balances were kept in the Mobilis system, and when GAMCEL reverted back to Mobilis, these unrecoverable balances were again included again in the current debtors' balances.

5.56 GAMCEL provided us with a bad debt analysis dated March 2016 totaling GMD 21.4m (USD 446k), detailed in the table below.

Table 59: Expected Receivable Bad debts

Category	Unmigrated (GMD'000)	Migrated to Redknee (GMD'000)	Total (GMD'000)
Active	36	722	758
Receivable	7,402	1,589	8,991
Decease	124	50	175
Bad debt	5,194	5,487	10,681
GAMCEL Testing	381	413	794
Total (GMD'000)	**13,138**	**8,261**	**21,399**
Total (USD'000)	**274**	**172**	**446**

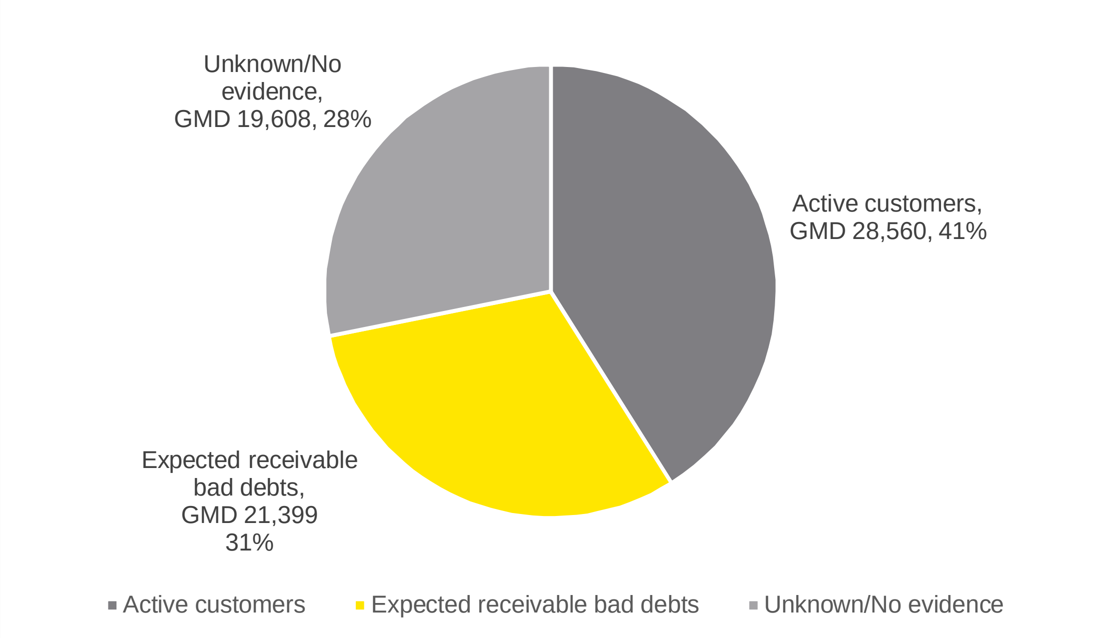
Source: GAMCEL's Bad debt analysis

5.57 The GAMCEL management informed us that they are in process of writing-off the bad debt balance of GMD 21m (USD 0.4m) as set out on the table above. Further to this, an amount of GMD 21m (USD 0.4m) remains unsupported, as explained below:

- The full value of post-paid debtors is GMD 70m (USD 1.5m), as set out in the Financial Statements. This balance is broken down into the following amounts, which is also shown in the figure below:
  - GMD 21m (USD 0.4m) which represents the expected bad debt that GAMCEL is in the process of writing-off;
  - GMD 28m (USD 0.6m), as per the listing of GAMCEL's active customers; and
  - Consequently, the remaining GMD 21m (USD 0.4m) remain unsupported.

5.58 The GAMCEL management could not provide us with any explanation or evidence that supports the missing GMD 21m (USD 0.4m).

Figure 25: Breakdown of the Post-paid debtors balance as at December 31, 2017 (GMD '000)



Source: EY analysis of the 2017 post-paid debtors supporting documentation to the Financial Statement balance

5.59 Therefore, based on the supporting documentation provided to us, it appears that GAMCEL's post-paid debtors are overstated by 28% (GMD 21m / USD 0.4m).

5.60 We based our post-paid debtor testing on the active customer balances listing, as GAMCEL could not provide us with an accurate aged analysis listing. The active customer balances listing did not provide any aging analysis.

5.61 The listing of the active customers' balances reflected only 352 customers. The following table shows the active customers' balances that are over GMD 500k (USD 10k):

Table 60: GAMCEL Active customer balances over GMD 500k as at December 31, 2017

	Total amount due end of November 2017 (GMD'000)	Total payment during December 2017 (GMD'000)	Balance as at December 31, 2017 (GMD'000)
Office of the President	5,157	403	4,754
NAWEC	4,669	-	4,669
GPA	3,344	-	3,344
GRTS	3,051	-	3,051
GCAA	1,537	-	1,537
Ferries	1,489	-	1,489
GIA	1,123	-	1,123
Project Coordinator Dept. PIWAMP	707	-	707
Kanifing Municipal Council	528	-	528
GMD'000 total	**21,605**	**403**	**21,202**
USD total	**450**	**8**	**442**
% of total active customer balance (GMD 28,560k)			**74%**

Source: GAMCEL Active customer balances

5.62 We held discussions with the GAMCEL management to understand whether there is a strategy to recover these substantial outstanding balances. We understand that GAMCEL is planning to recover these balances by offsetting its trade liabilities against the trade receivables from these entities. Management informed us that some of these entities have already been through the offsetting process, and provided the following examples:

- NAWEC: the offset agreements took place in 2015 and 2017. A new offset reconciliation is expected to be conducted for the 2018 balances;
- GRTS: A meeting to discuss potential offset agreements is expected to be held in February 2019;
- GCAA: Offset discussions/agreements took place in 2015; and
- Kanifing Municipal Council: Offset discussions/agreements took place in 2016.

5.63 The GAMCEL management further commented that:

- The Office of the President does not pay regularly, although it will normally pay at year end. At the time of writing, GAMCEL and the Office of the President were in discussions to agree on a payment plan;
- GAMCEL's inability to produce invoices for the period of its billing crisis impacted the recoverability of some receivables, as customers were reluctant to settle these balances;
- The balance for GPA was deemed irrecoverable, therefore the Finance team included it in the expected bad debts receivable balance. While there are several GPA items reflected in the Expected Receivable bad debts schedule, we were unable to confirm whether this specific GPA account balance was included or not; and
- The Ferries as well as GIA made payments to settle their debt in 2018.

5.64 The following table reflects the top three active customer balances with a credit balance. According to our discussions with the management, we understand that these balances are caused by these customers overpaying GAMCEL.

Table 61: Top three GAMCEL active customers with credit balances as at December 31, 2017

	Total amount due end of November 2017 (GMD'000)	Total amount due end of November 2017 (USD'000)	Total payment during December 2017 (GMD'000)	Total payment during December 2017 (USD'000)	Balance as at December 31, 2017 (GMD'000)	Balance as at December 31, 2017 (USD'000)
DLEA	(153)	(3)			(153)	(3)
Dept of Agriculture Bakou	45	0.9	135	3	(90)	(2)
Gambia Police Force	(79)	(2)			(79)	(2)

Source: GAMCEL's 2017 Active customer balances listing

5.65 We have identified government related institutions on GAMCEL's 2017 Active customer balances listing. The total balance of these institutions amounted to GMD 22m (USD 0.5m)[179].

[179] The total included both debit and credit balances per GAMCEL's 2017 Active customer balances listing.

5.66 The inability of GAMCEL to produce an aged debtor analysis is demonstrative of the poor accounting and billing systems that are currently in place.

Net of interconnection (Africell and Qcell)

5.67 The interconnection of Africell and Qcell accounts for 1% of the total Trade Receivables balance, as at December 31, 2017. We conducted a testing for a sample of five transactions that occurred in 2017 and obtained the corresponding source documents. We did not note any abnormalities through our testing. We did not investigate this balance further, given its relatively minor value in GAMCEL's Balance Sheet.

Roaming Receivables

5.68 Roaming receivables account for 44% of the total Trade Receivables debtors balance, as at December 31, 2017.

5.69 The roaming service allows a subscriber to use the cellular network of a foreign territory. From a GAMCEL perspective, the inbound revenue is accounted for when customers of international network operators roam in The Gambia (i.e., use the GAMCEL network). The outbound costs are accounted for when GAMCEL customers roam outside The Gambia (i.e., use a foreign network).

5.70 GAMCEL receives a monthly Transferred Account Procedure ("TAP") file created by a clearing house to use as the basis for its billing. The clearing house appointed by GAMCEL was STARHOME MACH S.A.R.L. We understand that GAMCEL has agreements in place with over 200 network partners worldwide.

5.71 In August 2014, a Financial Accountant was allocated from GAMCEL's finance team to the Roaming division. We were informed that this transfer was made as Management felt there was a lack of understanding of the financial implications of roaming throughout the business.

5.72 We were informed by both the Finance team as well as the Roaming accountant, that a reconciliation of the Roaming Receivables and Payables took place in 2014 and 2015. The outcome of this reconciliation was that a specific amount was written-off from GAMCEL's receivables. We were not provided with any additional information regarding the write-off in question. However, we could observe a decrease in the Roaming Receivables from GMD 86m (USD 2m) in 2014 to GMD 49m (USD 1m) in 2015[180]. Finally, the Roaming accountant informed us that he is "comfortable" with the reconciliations he performed from 2015 to date.

5.73 We requested the roaming age analysis as at December 31, 2016 and December 31, 2017. The roaming age analysis provides age categories for 'due 30 days', 'due 60 days' 'under 90 days' and 'above 90 days'. The age analysis does not provide any details of specific age analysis buckets above 180 days or 360 days. It is maintained in USD and shows the net amount for each partner[181].

5.74 Based on our discussions with the Finance team and the Roaming accountant, in addition to our inspection of the accounts, we observed that the monthly Roaming Receivables (per the TAP file) were being added to the running total of the Roaming Receivables balance. Similarly, the monthly Payables per the TAP file were being added to the running total of the payables.

5.75 The 2017 Roaming reconciliation set out the following ageing categories:

[180] Source: GAMCEL's 2015 Financial Statements.
[181] Whilst the age analysis reflects that the balances are YTD, upon comparison to the individual partners reconciliation we noted that it is not only a year to date balance, however a running total for the partners.

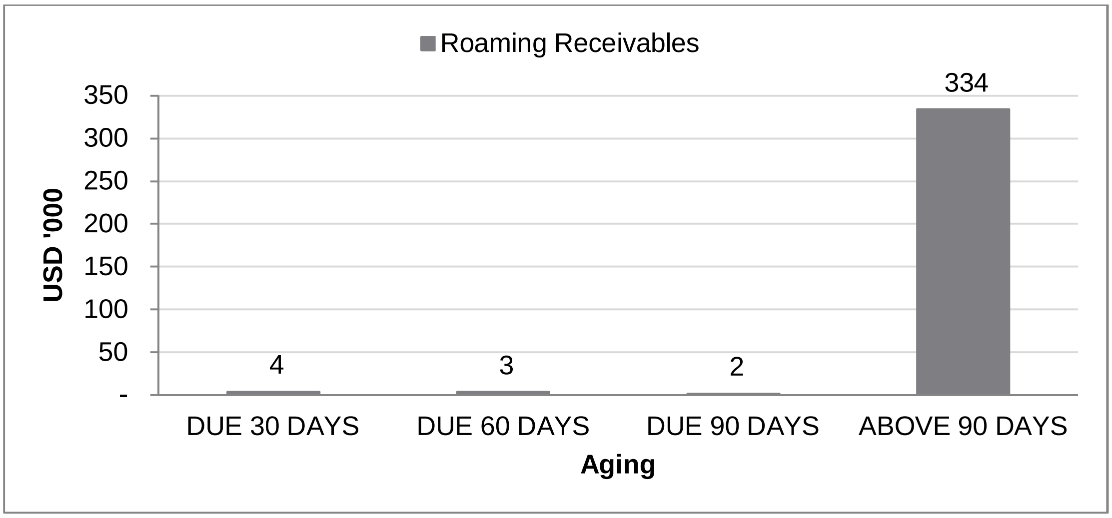
Table 62: Roaming receivables per the reconciliation as at December 31, 2017

Period	Due 30 days	Due 60 days	Due 90 days	Above 90 days	YTD receivables
USD'000	4	3	2	334	343
GMD'000	192	144	96	16,035	16,467

Source: GAMCEL's 2017 Roaming receivables reconciliation

5.76 The following figure sets out the split of the balance between the different age balances:

Figure 26: Roaming receivables per each ageing balance as at December 31, 2017



Source: GAMCEL's 2017 Roaming receivables reconciliation

5.77 Moreover, we have noted the existence of a substantial difference between the Roaming Receivable balance as per GAMCEL's reconciliation, and the Roaming Receivable balance reported in the 2017 Financial Statement as at December 31, 2017. These variances are detailed in the Table below[182]:

Table 63: Roaming Receivable balances as at December 31, 2017

	December 31, 2017 GMD'000	December 31, 2017 USD'000
Per the draft 2017 Financial Statements	55,117	1,148
2017 Reconciliation	16,467	343
Difference	**38,650**	**805**

Source: EY analysis of GAMCEL's 2017 Financial Statements and GAMCEL's reconciliation

5.78 We questioned the Finance team about this difference. The Finance team explained to us that it could not reconcile this balance, partly because of the net receivable journal being posted each month, as opposed to separately posting the individual bills of each partner as well as their corresponding payments. Thereover, with the current method being used, the corresponding payment journal is never posted. The management explained to us that going forward, the Finance team will perform a reconciliation between the receivables and the payments received. This will allow GAMCEL to account for two separate journal entries. This issue is further discussed in the cash and bank section, in particular the bank accounts used to collect the payments.

[182] We had translated the balance from GMD to USD by using the spot rate as at December 31, 2017.

5.79 We selected a sample of six partners with the highest receivable balances, per the 2017 reconciliation. The partners are shown in the table below.

Table 64: Sample of roaming partners with the highest receivable balances as at December 31, 2017

	December 31, 2017 GMD'000	December 31, 2017 USD'000
T-Mobile USA - Inc.	4,491	94
Telefonica UK Limited	3,220	67
Vodafone Roaming Services S.a.r.l.	1,238	26
Everything Everywhere Limited	948	20
Orange Belgium - MOBISTAR S.A	607	13
Orange Bissau	551	12
Total	**11,056**	**230**
% of the total Roaming Receivables balance		**67%**

Source: Roaming Receivables Reconciliation

5.80 For each partner included in our sample, we obtained its individual reconciliation that was performed by the Roaming accountant, as well as its supporting documentation for all the 2017 bills that are reflected as receivables in this reconciliation. We did not note any discrepancy between the supporting documentation and the individual partner reconciliation.

5.81 According to the Financial Policy (2013), "*Bad Debt provision of 2% shall be made at year end for debts that are unlikely to be collected within that financial year. The debt shall be written back once recovered."* In 2017, no bad debt provision was raised for the Roaming Receivables, which is in contravention of the Financial Policy (2013).

5.82 We recommend that a full reconciliation of all the partners' receivables and actual payments received is performed. The remaining balance should be provided for, or potentially written off.

Other Debtors

5.83 The Other Debtors' balance for GAMCEL consists of the following accounts, per the draft 2017 Financial Statements:

Table 65: Other Debtors

Other debtor category	2017 (GMD'000)	2017 (USD'000)
GIA Loan	12,298	256
Hire Purchase Debtors	3	0.06
GAMTEL/GAMCEL Inter Co. A/C	6,257	130
Sundry Debtors	33	0.7
GAMTEL/GAMCEL Staff Association	486	10
Total Other Debtors	**19,077**	**397**

Source: GAMCEL's 2017 Financial Statements

GIA Loan

5.84 The GIA loan accounts for 64% of the Other Debtors balance, as at December 31, 2017.

5.85 In 2006, GAMCEL provided a loan of GMD 15m (USD 0.5m) to GIA following an Executive Order issued by the MoFEA. The Gambia hosted the African Union Summit in 2006, and consequently the GIA required funds to procure equipment to be used during the summit, including three motorized steps, two baggage tugs and two conveyors.

5.86 The MoFEA issued the Executive Order to GAMCEL to provide a loan of GMD 15m (USD 0.5m) to the GIA to procure this equipment, as the equipment was *"in dire need for the AU Summit"*. The Executive Order is dated April 12, 2006 and signed by the Permanent Secretary, Mr Abdou B Touray.

5.87 GIA recognized the GMD 15m (USD 0.5m) loan from GAMCEL, however, it claims that the contractual negotiation for the repayment of this facility was never concluded[183].

5.88 This in contradictory to a letter dated July 19, 2012, from the Managing Director of GIA, Mr Ebrima Sallah. In this letter, he requested GAMCEL's approval to repay the loan within seven years, with no interest charges. The payment plan would consist of repaying GMD 2m (USD 42k) during 2012, and the balance of GMD 13m (USD 270k) within seven years.

5.89 It is unclear whether GAMCEL formally accepted the proposal, however, GAMCEL paid GMD 2m (USD 42k) prior to 2013[184]. GAMCEL has fully provided for the remainder of the loan.

GAMTEL/GAMCEL Intercompany account

5.90 The intercompany account between GAMTEL and GAMCEL accounts for 33% of the total Other Debtors balance, and 4% of the total receivable balance, as at December 31, 2017.

5.91 We selected a sample of five transactions during 2017 from the GAMTEL / GAMCEL intercompany account and traced these transactions back to the corresponding source documents. We did not identify any discrepancy with the source documents.

5.92 Two of the transactions sampled are related to GAMTEL making payments on behalf of the GAMCEL, as explained below:

- GAMTEL paying the Youtap billing vendor for the current billing system on GAMCEL's behalf; and
- GAMTEL Paying for a Mediation device on GAMCEL's behalf.

5.93 The infrastructures of the two organizations are highly interconnected. Most of GAMCEL's equipment is housed within the GAMTEL infrastructure, and its usage is shared between the two entities. In some cases, the usage of infrastructure can be measured, and is subsequently billed between the two entities. However, it cannot be measured in other instances and is therefore never billed or accounted for as intercompany transactions.

Staff loans

5.94 The staff loans balance consists of the following accounts. per the draft 2017 Financial Statements for GAMCEL:

[183] Source: GIA's 2015 Financial Statements.
[184] Source: GAMTEL's 2013 Financial Statements.

Table 66: Staff loans

Staff loan category	2017 (GMD'000)	2017 (USD'000)
Building loans	12,346	257
Car loans	3,094	64
Personal loans	429	9
Computer loans	370	8
"1x6" loans	22	0.5
Other loans (incl. dormant loans)	836	17
Total staff loans	**17,097**	**356**

Source: GAMCEL's 2017 Financial Statements

5.95 Our review of loan schedules identified variances between the loan schedules and the loan balances, per the 2017 Financial Statements:

Table 67: Staff loans

Category	Financial Statements 2017 (GMD'000)	Financial statements 2017 (USD'000)	Schedule 2017 (GMD'000)	Schedule 2017 (USD'000)	Difference (GMD'000)	Difference (USD'000)
Building loans	12,346	257	10,612	217	1,734	40
Car loans	3,094	64	3,746	78	(652)	(14)
Personal loans	429	9	99	2	330	7
Computer loans	370	8	228	5	142	3
"1x6" loans	22	0.5	98	2	(76)	(1.5)
Other loans (incl. dormant loans)	836	17	2,810	59	(1,974)	(42)
Total	**17,097**	**356**	**17,593**	**363**	**(496)**	**(7)**

Source: GAMCEL's 2017 Financial Statements, GAMCEL's loan schedules

5.96 After the completion of our fieldwork, the Finance team provided us with a reconciliation between the staff loan schedules and TB balances in an attempt to explain the differences that we noted. However, these TB balances did not reconcile to the schedules and therefore did not resolve the outstanding query.

5.97 The reconciliation of the total balance of the building loans schedule with the TB figure (including portion of dormant loans) resulted in a difference that is less than 2%. We conducted further analysis, which identified that 86%, GMD 10.6m (USD 221k) of the building loans were considered as 'active', while the remainder were 'dormant', with the exception of a GMD 270k (USD 6k) 'Reconciling Difference'. We noted variances between the Finance and Payroll departments' respective schedules for this loan balance.

5.98 The reconciliation of the total balance of the Payroll department's car loan schedule with the TB figure (including portion of dormant loans) resulted in a difference that is less than 6%. We conducted further analysis, which identified that 74%, GMD 2.3m (USD 47k) of building loans were considered 'active', while the remainder were 'dormant', with the exception of a GMD 143k (USD 3k) 'Reconciling Difference'. We noted variances between the Finance and Payroll departments' respective schedules for this loan balance.

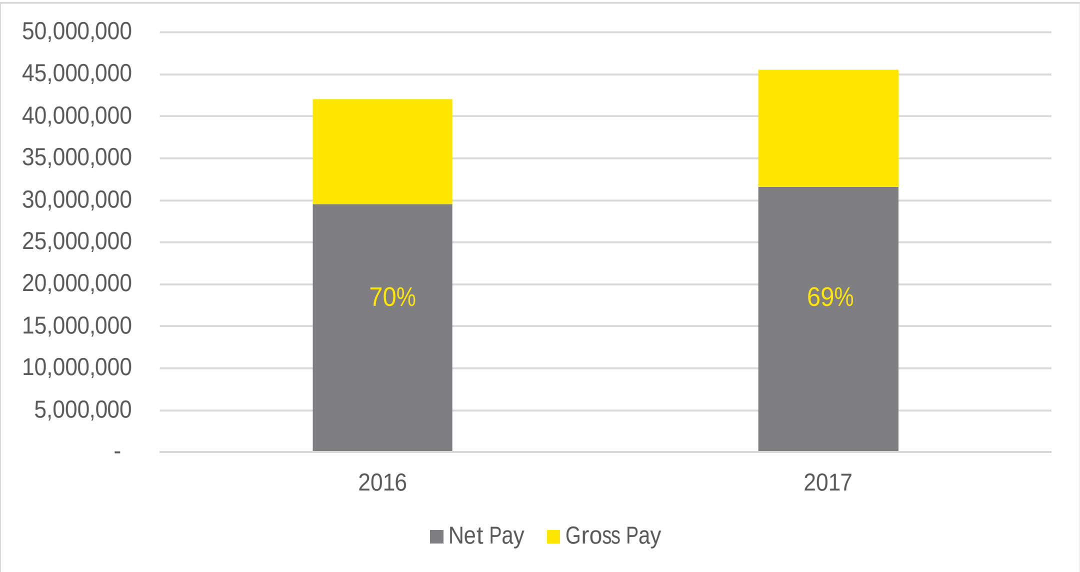
5.99 Moreover, we noted that Building Loans and Car Loans accounted for 57% and 21% of the total dormant loans balance, respectively. We understand from the GAMCEL management that a lawyer has been engaged to assist with the recoverability of the outstanding loan balances. However, the management was not able to quantify the amount recovered through this engagement. We further note that the External Auditor's 2017 Management Letter stated that even though progress has been made on this issue, they recommend GAMCEL to accelerate the rate of recovery.

5.100 We conducted sample testing on two dormant loans. We identified one instance of an individual where only one out of three separate loan applications were adequately documented. The other individual had two out of three separate loan applications adequately documented. The Payroll team informed us that this is representative of wider issues at GAMCEL, namely the insufficient documentation of loan applications, and the bypassing of standard application procedures.

5.101 In addition to this, our initial testing identified inadequate documentation on many of the sampled items. Common errors included miscalculations on applications, ineligible staff being awarded loans and incomplete documentation. The Payroll team provided us with 12 additional loan applications that were incomplete or inaccurate. Payroll further informed us of instances where applications were not approved by the Loans Committee, instead, these applications were taken directly to the General Manager for approval. We were shown one example of this, whereby the General Manager had directly approved the application. The Payroll team also informed us that there many other applications exist with similar issues.

5.102 The GAMCEL Services Rules manual stipulates that an employee must have his/her net income at least 60% higher than his/her gross income in order to be eligible for a staff loan, As shown in the figure below, the average net income per employee was compliant with this rule for both 2016 and 2017.

Figure 27: GAMCEL Annual Net Income as a % of Gross Income



Source: Audited Financial Statements

5.103 However, this figure is likely to be impacted by the salary of the management staff, who receive a greater proportion of allowances than the junior staff. This hypothesis is supported by our finding of numerous instances whereby an individual [staff number 4-587], was granted a building loan, despite not fulfilling the 60% criteria.

Provision for bad and doubtful debts

5.104 The provision for bad and doubtful debts balance consists of the following accounts, per the draft 2017 Financial Statements for GAMCEL:

Table 68: Provision for bad and doubtful debts

Category	2017 (GMD'000)	2017 (USD'000)
GIA Loan	12,298	256
Post-paid	22,106	460
Staff loans	648	13
Other Debtors	522	11
Total Provision for bad and doubtful debts	**35,573**	**741**

Source: GAMCEL's 2017 Financial Statements

GIA Loan (Provision for bad and doubtful debts)

5.105 The GIA loan is fully provided for. Please refer to the 'Other debtors' receivables section that addresses the GIA receivable and for further details on the loan.

Post-paid

5.106 Per the Financial Policy (2013), "*Bad Debt provision of 2% shall be made at year end for debts that are unlikely to be collected within that financial year. The debt shall be written back once recovered.*"

5.107 The Finance team informed us that the bad debt provision as at December 31, 2017, mainly consisted of:

- GMD 21m (USD 0.4m) of post-paid debtors being considered by the management for a write-off (please refer to the Receivables section on post-paid debtors); and
- Increased of post-paid debtors of GMD 293k (USD 6k) at the required 2% for the provision, per the 2017 Financial Statements.

5.108 As previously noted in the Trade Receivables section, the Roaming Receivables are not provided for in accordance with the aforementioned policy. We highly recommend the GAMCEL management to provide a portion of this balance for doubtful debts, for the following reasons:

- 97% of the Roaming Receivable balance is over 90 days and therefore may not be recoverable; and
- We noted a GMD 39m (USD 0.8m) difference between the 2017 Financial Statements and the Roaming Receivable aging analysis.

Staff loans

Provision for Staff Loans

5.109 The current provision for staff loans equates to 3.8% of the total provision for doubtful debt balance. Other loans, including dormant loans, account for 4.9% of the total staff loans balance. As these loans are, by definition, not being serviced, it would be prudent to increase the provision to also cover the dormant loan balance.

Other Debtors (provision)

5.110 The following accounts were fully provided for by the GAMCEL management:

Table 69: Other Debtors (provision)

Other debtor category	2017 (GMD'000)	2017 (USD'000)
Hire Purchase Debtors	3	0.1
Sundry Debtors	33	0.7
GAMTEL/GAMCEL Staff Association	486	10
Total Other Debtors	**522**	**10.7**

Source: GAMCEL's 2017 Financial Statements

5.111 We did not further investigate this balance given its relatively minor value in GAMCEL's Balance Sheet.

Recommendations

- Based on the supporting information provided, post-paid debtors should be written down to reflect only GMD 50m (USD 1m) instead of the GMD 70m (USD 1m), as no support for the remaining GMD 21m (USD 0.4m) could be provided. Furthermore, Management's determination of whether the post-paid debtors' balances reflected on the "Expected Receivable Bad debts" schedule are recoverable should be completed. Based on the outcome, these debtor balances should be adjusted accordingly;

- Management should complete a full reconciliation between the Roaming Receivables and actual payment journals, and post these journals to reflect the true Roaming Receivable balance. Accordingly, the provision for bad debts needs to include a provision for doubtful roaming receivables; and

- Based on our analysis in which we compared GAMCEL's Financial Statements and its loan schedules, it appears that the staff loan receivable might be understated by GMD 496k (USD 7k). However, we also identified that the provision for doubtful debts for staff loans was less than the loan amounts classified as dormant. These loans are not being serviced by definition, therefore it would be prudent to increase the provision to cover this dormant loan balance.

Inventory

5.112 Inventory accounts for 4% of the Balance Sheet assets at GAMCEL. The inventory balance per the draft 2017 Financial Statements for GAMCEL consists of the following accounts:

Table 70: Stocks Inventory

Category	2017 (GMD'000)	2017 (USD'000)
Main Store Stock items	23,192	483
Stationary Items	982	20
Sub-total	**24,174**	**504**
Less: Provision for Obsolete Stock	(675)	(14)
Total	**23,499**	**489**

Source: GAMCEL's 2017 Financial Statements

5.113 The GAMCEL inventory mainly consists of SIM cards, scratch cards and stationary items.

5.114 Finance informed us that inventory counts occur twice a year:

- A partial stock count is performed at mid-year. It is based on a selected sample and is attended by staff from stores, finance and Internal Auditors; and

- A full stock count is performed at year-end. It is attended by staff from stores, finance, Internal Auditors as well as External Auditors.

5.115 We tested a sample of inventory items that we selected from the 2018 stock listing. The sample contains 11 items and represents a 90% coverage of the total inventory balance. Our testing followed the floor-to-sheet as well as the sheet-to-floor methods and did not identify any inconsistencies. However, we did identify the storage of oil, in close proximity to other inventory items, despite the Stores manager informing us that there were no hazardous materials stored on site.

5.116 We also reviewed the Internal Audit report for the stock count performed for the 2017 year-end and did not identify any significant concerns.

5.117 According to GAMCEL's inventory process description, the Procurement department updates the inventory listing on the Access Accounting system as soon as the goods received note (GRN) is raised by the Stores team and is delivered to Procurement. Therefore, there are timing delays before the Procurement team updates the inventory listing on the system. These timing delays will only be identified when the system allows the stock balance to become negative (meaning no stock is technically available). This happens when the system is being updated for stock movements, after stock has been issued.

5.118 The inventory site is kept secure as only store staff have access to their assigned stores. The store keys governed using a chain of command system. The store site is guarded full time by security guards.

5.119 The system does not notify the process owners of shortages. Instead, they become aware of shortages by performing regular manual reviews of the inventory listing and the ages of the stock. Moreover, an approval process to conduct write-offs exists, however, Finance informed us that that there is resistance from management to do this in 2018. Finance further informed us that stock is only written off when the external auditors raise management letter points to do so.

5.120 When enquiring about the inventory processes, we were given conflicting information. Initially, the Procurement team informed us that the cost of inventory is measured at the lower of the inventory cost and NRV. They added that these calculations are automated within the Access Accounting system. In fact, the Procurement team enters the information into the system when stock arrives, with the agreed selling costs as determined by the Customer Services at GAMCEL. The inventory is then valued by the method of weighted average cost. However, during our discussion with the Store team, we learned that the Finance team advised that the Stores technicians override the cost of the items manually, reportedly to improve the aesthetic appearance of the figures and for ease of calculation. This risks both over and understatement of stock.

5.121 However, the Finance team later informed us that standard procedure is to value inventory at cost and that the value of items in the Inventory Register includes the cost of purchase and importing.

5.122 The Financial Statements note regarding inventory states that *"inventories are stated at the lower of cost and net realizable value where cost is the purchase price plus any related duty, freight and other directly attributable costs, on a first-in-first-out basis. The net realizable value is based on the estimated selling price less all cost to be incurred in marketing and selling the items".* It is therefore possible that the inventory balance is overstated in the Financial Statements, as the cost value may exceed the realizable value, as explained in the paragraph above. This is particularly applicable for SIM cards, which account for a large proportion of the inventory balance (96% in 2017).

Recommendations

- We recommend the GAMCEL management to review the process for stock valuation and ensure it is held at the lower value of cost and NRV;
- We also recommend the GAMCEL management to review the entire inventory balance and seek board approval for necessary write-offs, without reliance on the auditor's recommendation; and
- Finally, we recommend the GAMCEL management to review the policy for the storage of hazardous materials and take the appropriate measures.

Cash and Bank

5.123 Cash and bank (excluding overdrafts) accounts for 0.4% of the Balance Sheet assets at GAMCEL, according to the 2017 draft Financial Statements. The cash and bank balance GAMCEL consists of the following accounts:

Table 71: Cash and bank balances

Category	2017 (GMD'000)	2017 (USD'000)
Trust Bank (Current account)	846	18
Access Bank (Current account)	518	11
ECO Bank	226	5
Trust Bank (Savings account)	194	4
FBN Bank	131	3
ICB Limited	90	2
F I Bank	62	1
BSIC (Sahelian Bank)	36	0.7
Guaranty Trust Bank (Savings account)	19	0.4
Zenith Bank Limited	18	0.4
Guaranty Trust Bank (Current account)	0	0
Access Bank (Deposit/Savings account)	0	0
Total	**2,139**[185]	**45**[186]

Source: GAMCEL's 2017 Financial Statements

5.124 The overdraft cash and bank balance consists of the following accounts, per the draft 2017 Financial Statements for GAMCEL:

Table 72: Cash and bank

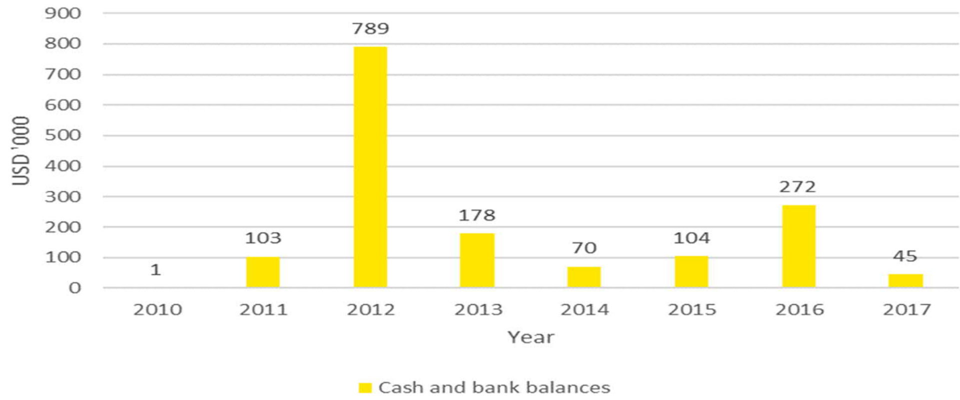
Category	2017 (GMD'000)	2017 (USD'000)
Guaranty Trust Bank (Current account)	515	11
AGIB Bank Limited	781	16
Total	**1,295**	**27**

Source: GAMCEL's 2017 Financial Statements

[185] Rounding differences noted.
[186] Rounding differences noted.

5.125 The overall cash and bank balances for GAMCEL were extremely volatile during the period of review, as seen in the figure below:

Figure 28: GAMCEL's Cash and bank balances during the period in review



Source: GAMCEL's Financial Statements

5.126 The result of our bank confirmation exercise revealed that GAMCEL has four accounts with the Access bank, even though only three[187] of them appear on the 2017 Financial Statements. The following bank account is not reflected in the Financial Statements:

Table 73: Access Bank account

Bank Name	Account type	Account number	Balance
Access Bank	Collection account	0012030000028	EUR 0.00

Source: Access Bank confirmation of accounts for GAMCEL

5.127 The Finance manager explained to us that he is aware of the existence of three accounts held with Access Bank. He confirmed to us that the Finance team is not aware of the existence of the fourth account that is shown in the table above (account number 0012030000028).

5.128 We noted that the banks provided signatories for each of the bank accounts. For most of these accounts, ex-employees were included in the signatory listing. We were provided with evidence from GAMCEL which suggests it has requested the signatories to be changed during 2018.

5.129 We conducted our testing on every bank account per the 2017 Financial Statements, and performed a sampling of the two largest payments for each account. In addition to this, we tested every payment that is over GMD1m (US 20k). This resulted in a total of 86 sample items. We did not identify any discrepancy throughout our testing.

5.130 The Finance team provided us with the December 2017 bank reconciliations as completed by the Finance department and we noted no significant issues.

5.131 Based on our discussions with the Roaming department, we understood that the clearing house, STARHOME MACH S.R.L, manages GAMCEL bank accounts that are held at Deutsche Bank, on behalf of GAMCEL.

5.132 Payments and receivables from GAMCEL's roaming partners are being perform through these Deutsche Bank accounts. While GAMCEL does not have direct access to these bank accounts, it is responsible for the cash that they contain and is effectively liable for these

[187] Two of the accounts are jointly shown as one account on the TB.

accounts. Moreover, the instructions to perform a bank transfer is provided by the Roaming team to the clearing house and not by the Finance Team.

5.133 We viewed the contact with STARHOME MACH S.R.L. and it is silent regarding the treatment of these bank accounts.

5.134 STARHOME MACH S.R.L provided GAMCEL with the current bank balances. We recalculated the bank balances as at December 31, 2017 with the following results:

Table 74: Deutsche Bank account balances as at December 31, 2017

Account number	Account opening date per download	EUR'000	USD'000	GMD'000
826-0006978-11	June 2015	14	17	814
826-0016978-20	June 2015		1.6	78
Total		**14**	**18.6**	**892**

Source: Excel downloads of Deutsche Bank account balances provided by STARHOME MACH S.R.L

5.135 These bank accounts are not accounted for in any of the accounting records of GAMCEL.

Recommendations

- ► GAMCEL has substantially increased the number of bank accounts held over the last few years. The GAMCEL management should conduct a full reconciliation of each of the banks to identify all the bank accounts held on behalf of GAMCEL. Similarly, GAMCEL should conduct a full reconciliation to ensure that all the banks reflect the most current signatories of the GAMCEL accounts in their records;
- ► GAMCEL should conduct a full reconciliation of the Deutsche Bank accounts with the GAMCEL roaming receivable and payable accounts. The Deutsche Bank missing accounts should be reflected in GAMCEL's own accounting records; and
- ► GAMCEL should request STARHOME MACH S.R.L. to provide further information in order to clarify its rights and obligations with regards to these accounts.

Other assets

5.136 The Other assets consist of the following accounts, per the draft 2017 Financial Statements for GAMCEL:

Table 75: Other assets

Other assets category	2017 (GMD'000)	2017 (USD'000)
In Put Vat Credit	5	0.1
Prepayments	15	0.3
Total	**20**	**0.4**

Source: GAMCEL's 2017 Financial Statements

5.137 We did not investigate these balance further given their relatively minor value in GAMCEL's Balance Sheet.

Payables

5.138 Payables account for 65% of the Balance Sheet liabilities at GAMCEL. GAMCEL's Payables are classified in the following main categories:

Table 76: Payables

Payables category	2017 (GMD'000)	2017 (USD'000)
Trade Payables	604,196	12,585
Other payables	59,937	1,248
Total payables	**664,333**	**13,838**

Source: GAMCEL's 2017 Financial Statements

Trade Payables

5.139 Trade payable accounts for 77% of the Balance Sheet payables at December 31, 2017. The Trade Payables balance consisted of the following accounts, per the draft 2017 Financial Statements:

Table 77: Trade Payables

Category	2017 (GMD'000)	2017 (USD'000)
Trade Creditors	163,941	3,415
Interconnection Payable - Comium	1,810	38
Interconnection Payable - GAMTEL	375,932	7,831
Roaming Creditors	62,513	1,302
Total	**604,196**	**12,585**

Source: GAMCEL's 2017 Financial Statements

5.140 The Financial Statements further note that the Trade Creditors balance includes *"GMD 89million (USD 1.8m) for Phase 2 of the 3G Network expansion but subject to availability of funds*".

5.141 Each of the trade payable categories is discussed below.

Trade Creditors

5.142 The Trade Creditors balance totals GMD 163.9m (USD 3.4m) and represents 27% of the total Trade Payables balance, as at December 31, 2017.

5.143 We conducted our testing on a sample of nine transactions that covers 21% of the total Trade Creditors balance. The testing consisted in tracing each sample to the corresponding source documents from 2017. We did not note any inconsistencies.

5.144 The top 10 Trade Creditors as at December 31, 2017, is set out in the following table:

Table 78: Top 10 Accounts Payable balances as at December 31, 2017

	Total Payable GMD'000	Total Payable USD'000
Huawei Technologies	113,950	2,374
Alcatel Lucent International	6,568	137
Euro Africaine D""Industries(G)	5,858	122
GNPC	5,642	118
Mobilis / Youtap Networks Limited	5,422	113
Custom and Excise Dept	718	15
Auto Parts Trading	589	12
Jibi Bah	500	10
Kora Group Limited	385	8
Comfort Neon Sign	347	7
Total	**139,979**	**2,916**
% of total AP balance	**85%**	

Source: GAMCEL's 2017 Supplier balances listing (Trade Creditors listing)

5.145 As shown in the table above, the Top 10 Trade Creditors covers 85% of the overall creditor balance. We also noted that the only SOE listed in the Top 10 creditors is GNPC.

5.146 The Financial Statements further note that the Trade Creditors balance includes "*GMD 89million (USD 1.8m) for Phase 2 of the 3G Network expansion but subject to availability of funds*". This balance relates to Huawei Technologies. Finance explained to us that the balance will only be payable once GAMCEL received an investment in order to upgrade their infrastructure. We understand that this invoice is for 'prepayment' for the phase 2 equipment.

Interconnection payables (COMIUM)

5.147 The Interconnection payables balance accounts for 0.3% of the total Trade Payables balance, as at December 31, 2017.

5.148 We conducted our testing on a sample of journals that covered 20% of the total interconnection COMIUM payables balance. The testing consisted of tracing each sample to the corresponding source documents from 2017. We did not note any inconsistencies.

Interconnection payables (GAMTEL)

5.149 Interconnection payables accounts for 62% of the total Trade Payables balance as at December 31, 2017.

5.150 We conducted our testing on a sample of journals that covers 13% of the total Interconnection GAMTEL payables balance. The testing consisted of tracing each sample to the corresponding source documents from 2017. We did not note any inconsistencies.

5.151 GAMCEL Senior Management (CFO) suggested to the Board in 2018 to consider the interconnection payable amount as an additional equity for GAMCEL and an investment for GAMTEL[188]. We further understood that the rationale behind this suggestion is to reduce GAMCEL's indebtedness to GAMTEL. This is particularly beneficial to GAMCEL according to the Senior Management given that GAMCEL is struggling to pay the interconnection fees to GAMTEL due to liquidly constrains. It further justified this suggestion by stating that all

[188] Board minutes of the Second Ordinary Meeting of the Board of Directors held on 9 May 2018,

GAMCEL's retained earnings have been consumed and that the entity has been making losses[189] leaving it with no payment options.

Roaming Creditors

5.152 The Roaming Creditor balance accounts for 10% of the total Trade Payables balance, as at December 31, 2017.

5.153 In August 2014, a Financial Accountant was allocated from GAMCEL's finance team to the Roaming division. Management initiated the transfer as they felt there was a lack of understanding of the financial implications of roaming throughout the business.

5.154 The Roaming accountant informed us that he is "comfortable" with the reconciliations he performed from 2015 to date.

5.155 We requested the Roaming Creditors age analysis as at December 31, 2016 and December 31, 2017. The roaming age analysis only provides age categories for 'due 30 days', 'due 60 days' 'under 90 days' and 'above 90 days'. The age analysis does not provide any details of specific age analysis buckets above 180 days or 360 days. The age analysis is maintained in USD and shows the net amount for each partner[190].

5.156 Based on our discussions with the Finance team and the Roaming accountant, in addition to our inspection of the accounts, we observed that the monthly Roaming Payables (per the TAP file) were being added to the running total of the Roaming Payables balance. Similarly, the monthly receivables per the TAP file were being added to the running total of the receivables.

5.157 The 2017 Roaming Payables (creditors) reconciliation sets out the following aging buckets:

Table 79: Roaming payable reconciliation as at December 31, 2017

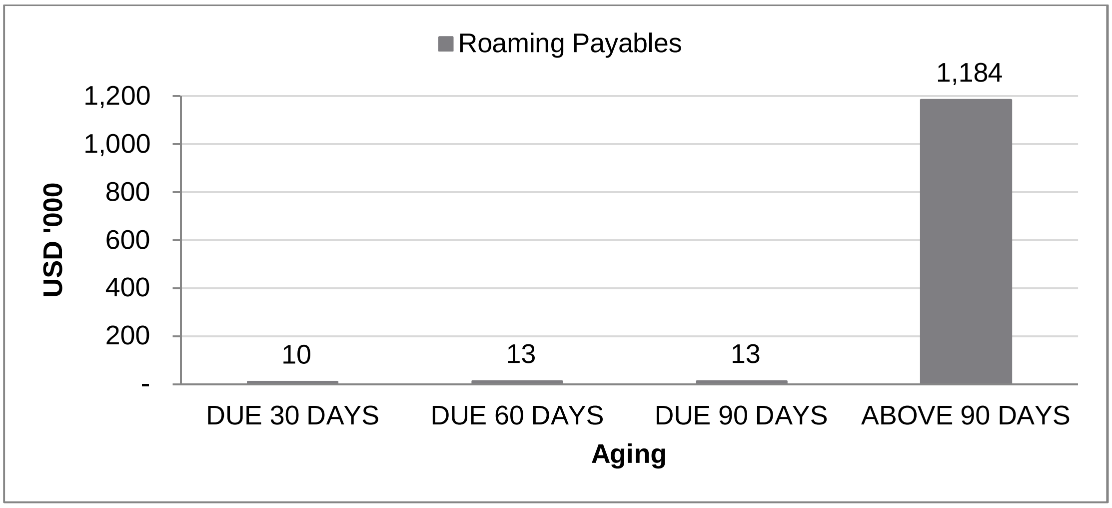
Period	Due 30 days	Due 60 days	Due 90 days	Above 90 days	YTD receivables
USD'000	10	13	13	1,185	**1,221**
GMD'000	480	624	624	56,889	**58,617**

Source: GAMCEL's 2017 Roaming payable reconciliation

5.158 The figure below illustrates the split of the balance between the different age balances.

[189] Board minutes of the Second Ordinary Meeting of the Board of Directors held on 9 May 2018,
[190] While the age analysis reflects that the balances are YTD, upon comparison to the individual partners reconciliation we noted that it is not only a year to date balance, however a running total for the partners.

Figure 29: Roaming payables per each aging balance as at December 31, 2017



Source: GAMCEL's 2017 Roaming Payables reconciliation

5.159 Moreover, we have noted differences between the Roaming Payables balance indicated in GAMCEL's Reconciliation and the Roaming Creditors balance reported in the 2017 Financial Statement as at December 31, 2017. These variances are detailed in the Table below[191]:

Table 80: Differences between the Roaming Creditors balances per the TB and Reconciliation as at December 31, 2017

Roaming Creditors balances	December 31, 2017 GMD'000	December 31, 2017 USD'000
Draft 2017 Financial Statements	62,513	1,302
2017 GAMCEL's reconciliation	58,617	1,221
Difference	**3,896**	**81**

Source: GAMCEL's 2017 Financial Statements and GAMCEL's 2017 Roaming Payables reconciliation

5.160 The Finance team could not reconcile this balance, partly because of the net payable journal being posted each month, as opposed to separately posting the individual invoices of each partner as well as their corresponding payments. Therefore, with the current method being used, the corresponding payment journal is never posted. The management explained to us that going forward, the Finance team will perform a reconciliation between the payables and the payments performed. This will allow GAMCEL to account for two separate journal entries. This issue is further discussed in the cash and bank section, in particular the bank accounts used to collect the payments

We selected a sample of six partners with the highest payable balances per the 2017 reconciliation. The partners are shown in

[191] We had translated the balance from GMD to USD by using the spot rate as at December 31, 2017.

5.161 Table below.

Table 81: Roaming payable balances as at December 31, 2017

	December 31, 2017 GMD'000	December 31, 2017 USD'000
Telefonica UK Limited	10,466	218
Saudi Telecom Company (STC)	4,369	91
Medi Telecom	4,129	86
Sonatel Orange Senegal	3,841	80
Everything Everywhere Limited	2,880	60
Ethio Telecom (ET)	2,832	59
Total	**28,517**	**594**
% of the total Roaming Payables balance		**46%**

Source: GAMCEL's 2017 Roaming Payables reconciliation

5.162 For each partner included in our sample, we obtained its individual reconciliation that was performed by the Finance team, as well as its supporting documentation for all the 2017 invoices that are reflected as payables in this reconciliation. We did not note any discrepancy between the supporting documentation and the individual partner reconciliation.

Recommendations

5.163 We recommend the GAMCEL management to perform a full reconciliation of all the Roaming Creditors partners' and their actual payments. Afterwards, GAMCEL should consider updating the postings in the accounting records.

Other payables

5.164 Other payable accounts for 6% of the Balance Sheet liabilities at GAMCEL. The other payables balance consists of the following accounts, per the draft 2017 Financial Statements for GAMCEL:

Table 82: Other payables

Category	2017 (GMD'000)	2017 (USD'000)
Subscribers' deposits	1,200	25
Roaming deposit	408	8
Good Received Not Invoiced	5,640	117
Staff Land Allocation	0	0
Loan Repayments within 1 year	52,689	1,098
Total	**59,937**	**1,248**

Source: GAMCEL's 2017 Financial Statements

Subscribers' deposit

5.165 Management informed us that they do not have any documentation supporting the subscribers' deposit balance. They further informed us that this amount is allocated to be written-off, however, management is yet to raise a request to the GAMTEL/GAMCEL Board.

5.166 We did not perform any testing on this balance given its relatively minor value in GAMCEL's Balance Sheet.

Roaming Deposit

5.167 We did not perform any testing on this balance given its relatively minor value in GAMCEL's Balance Sheet.

Goods Received Not Invoiced (GRNI)

5.168 Management informed us that GAMCEL follows a similar process for the accounting of the GRNI account, to that of GAMTEL. The accounting treatment of the GRNI account according to our discussions with the GAMTEL Finance team is as follows.

- ► After obtaining GPPA's approval for the purchase of an item, Procurement create a Purchase Order (PO) in the GRNI account, despite no goods being received yet:

  Debit GRNI

  Credit Creditor Control Account

- ► Once GAMTEL receives the goods, a GRN is created through the following entry:

  Debit Creditor Control Account

  Credit GRNI

5.169 We are unable to conclude whether a similar practice is taking place at GAMCEL. We highly advise the GAMCEL management to investigate this issue and get a better understanding of the usage of the GRNI account.

5.170 The accounting treatment of the GRNI account used at GAMTEL, and potentially GAMCEL, suggests that the account is used incorrectly. In fact, as its name clearly indicate, the GRNI account should trace all the goods that have been effectively received by the organization, but not yet invoiced. Instead, these two SOE's might be using it as a listing of open POs for goods that have not yet been received. Therefore, the name of the account does not reflect its nature. Furthermore, our discussions with the Procurement revealed that the orders that are cancelled prior to the receipt of the goods are not removed from the GRNI account. As such, the GRNI account includes accumulated cancelled POs which should not appear on the balance sheet. As such, the account is highly likely to be overstated.

5.171 We selected five transactions from the GAMCEL GRNI account for 2017. We did not note any inconsistency between the transaction postings and their related supporting documentation.

Loans repayments within 1 year

5.172 Please refer to the Long-Term Loans section.

Accruals and similar payables

5.173 Accruals and similar payables account for 11% of the Balance Sheet liabilities at GAMCEL:

Table 83: Accruals and similar payables

Accruals and similar payables	2017 (GMD'000)	2017 (USD'000)
GSM Lic./Spectrum Fees (Jan. to Dec)	45,208	942
GRA/Government/GAMCEL Recon Balance	24,000	500
Other (GTMI, Promotions, Medical)	20,295	423
GRA- Excise Tax	7,199	150
GSM (GRTS) Levy tax (Dec.)	4,484	93
NAWEC Bills	4,281	89
PURA – Regulatory fees (August to December)	2,667	56
Audit Fees	500	10
GRA – National Education Balance	50	1
NRA- Billboards Rentals	45	1
Total payables	**108,728**[192]	**2,365**

Source: GAMCEL's 2017 Financial Statements

Each of these accounts, except for the tax related accounts, are discussed below.

PURA – Regulatory fees (August to December)

5.174 GAMCEL provided us with a '2017 Regulatory fees invoice' from the PURA addressed to GAMCEL. According to the invoice, GAMCEL was liable for GMD 45m (USD 0.9m) in regulatory fees, which does not match with the balance of GMD 2.7m (USD 56k) shown on GAMCEL's 2017 Balance Sheet. The regulatory fee was calculated based on 1.1% of their "*draft audited turnover*" for 2015.

5.175 We sought to recalculate the accrual based on five months of fees (August to December) per the invoice. We questioned the Finance team when the amounts of our calculation differed to the accrued amount in the 2017 Finance Statements. The Finance team explained to us that this accrual is related to six months' worth of fees, namely the months of July to December and not August to December as stipulated in the Financial Statements. At year-end, GAMCEL had accrued for the amount not yet paid.

NAWEC Bills

5.176 GAMCEL accrues for NAWEC bills.

5.177 GAMCEL and NAWEC will generally offset their balances due to each other. Following a 'success netting-off' in 2015, GAMCEL posted journals during October 2018 to account for the NAWEC water and electricity bills against the GAMCEL post-paid arrears. These journals were posted at the end of December 2016 for the value of GMD 3.8m (USD 80k).

5.178 The GAMCEL management informed us that the team will probably conduct another offset of the 2017 and/or 2018 amounts that are due.

GSM Lic./Spectrum Fees (Jan. to Dec)

5.179 GAMCEL provided us with a 'demand note' from the Gambia Revenue Authority (GRA) addressed to GAMCEL. According to the demand note, GAMCEL was liable for GMD 45m

[192] Rounding difference noted

(USD 0.9m) for their GSM License and Spectrum fee. The liability was due for payment by December 31, 2017.

5.180 At year-end, GAMCEL had accrued for the full amount as it had not yet paid this fee.

GRA/Government/GAMCEL Recon Balance

5.181 After the 2007 waiver in respect of the GRA tax liabilities was withdrawn, this account was set up.

5.182 The 2007 waiver reflected that the President had waived the fees due to the current financial situation of GAMTEL / GAMCEL and the immediate need for substantial investments to advance the telecommunications infrastructure for development. However, GRA's correspondence to GAMTEL during 2009 suggests that the waiver was annulled.

5.183 GAMTEL / GAMCEL's Finance team provided us with a letter dated March 17, 2014 addressed from GAMTEL's MD to The Permanent Secretary at MoFEA. The letter indicates that GAMTEL and GAMCEL received letters dated February 12, 2014 and March 13, 2014 from the GRA demanding the settlement of taxes and spectrum fees. According to the letter dated March 13, 2014, the amount due from GAMCEL is GMD 209m (USD 5m), including an amount of GMD 178m (USD 4m) for corporation and sales taxes.

5.184 We understand that these taxes were waived under the 50:50 ownership agreement between Spectrum Management[193] and The Gambian Government in 2007. Per the same letter, this was set out in GAMTEL's 2007 Financial Statements. The letter also requested the Government to maintain the original waiver, due to the financial status of both GAMTEL and GAMCEL.

5.185 The MoFEA responded to the letter on March 14, 2014, with the conclusion that a waiver could not be granted. The MoFEA suggested in this letter that a payment plan should be agreed with the GRA.

5.186 In a letter dated October 12, 2016 from the MoFEA to GAMCEL, a payment plan was described. The total liability due to the Government and GRA was confirmed at GMD 195m (USD 4m). A down payment of GMD 103k (USD 2k) had to be made before the end of 2017. Monthly payments of GMD 2m (USD 41k) were to be made from 2017 onwards.

5.187 During 2018, the Board passed a resolution to suspend the standing order of the monthly payment of GMD 2m (USD 41k) to GRA.

5.188 We understand that the GRA issued a closure notice to GAMCEL. Consequently, part of GAMCEL operations would be halted due to the non-payment of its obligations. This led to the GAMCEL management to negotiate a sustainable payment plan with the GRA.

5.189 GAMCEL accounted for this liability in 'Other liability' of GMD 165m (USD 3m) and in accrual of GMD 24m (USD 0.5m).

Remaining accounts of accruals and similar payments

5.190 We did not perform any testing on the following balances given their relatively minor value in GAMCEL's Balance Sheet: 'NRA – Billboards Rentals', 'GRA – National Education balance', 'Audit fees' and 'Other (GTMI, Promotions, Medical)'.

[193] In 2007, the Gambia Government entered into a 50:50 partnership with Spectrum International. We understand that this was done through a form of Executive Directive. This partnership entailed that the management of GAMTEL and GAMCEL were handed over to Spectrum. The partnership was terminated in 2008.

Unrecorded liabilities

5.191 We conducted testing for unrecorded liabilities by reviewing the payment journals for Q1 of 2018 and any transaction above GMD 1m (USD 20k) for Q2. We noted the following two material items that appeared to be unrecorded as at December 31, 2017:

Court case against Ms Kaddy Bojang

5.192 Ms Bojang was the Store Supervisor of GAMCEL. In February 2012, Ms Bojang was convicted by the Gambian trial court on one count of stealing[194] and one count of economic crime[195]. Ms Bojang was sentenced to pay a fine of GMD 100k (USD 3k) in respect of count one and pay GAMCEL a sum of GMD 1.2m (USD 32k) in respect of count 2. Ms Bojang complied with these sentences.

5.193 Ms Bojang appealed to the Court of Appeal against her conviction. The Court of Appeal dismissed her appeal in March 2015. Furthermore, the Court imposed a three-year custodial sentence in addition to the fine. However, during March 2017, Ms Bojang appealed to the Supreme Court of The Gambia and the appeal was allowed.

5.194 In an email dated December 28, 2017, from the Director of Human Resources to the GAMTEL MD, he listed the following implications for GAMCEL following Ms Bojang's successful appeal:

- Ms Bojang was to be reinstated to her previous position, namely a Store Supervisor with effect from January 2, 2018;
- GAMCEL had to refund the GMD 1.2m (USD 25k[196]) fine paid; and
- GAMCEL had to pay Ms Bojang's salary arrears due to her as at December 31, 2017.

5.195 The email explained that GAMCEL agreed, in line with the payment terms, to reimburse the amount of the fine to Ms Bojang on a date that will be determined during January 2018. On the other hand, GAMCEL will pay the salary arrears over five months from a date yet to be determined. It is therefore clear to us that at the end of 2017, GAMCEL was aware that it had an obligation to pay a fine of GMD 1.2m (USD 25k) in addition to the salary arrears of GMD 437k (USD 9k) to Ms Bojang.

5.196 According to IAS 37, an entity recognizes a provision if it is probable that an outflow of cash or other economic resources will be required to settle the provision. If an outflow is not probable, the item is treated as a contingent liability[197].

5.197 Given that GAMCEL had an obligation to settle these amounts, it should have provided for the total amount to be paid to Ms Bojang.

Payables to GSC Ltd

5.198 GAMCEL made three payments to GSC Ltd during the period of January 2018 to March 2018. These payments totaled GMD 372k (USD 8k), and are related to amounts that were due in prior financial years.

[194] Stealing by person in public service contrary to section 252 and punishable under section 258 of the Criminal Code CAP 10. Vol. 111 Laws of The Gambia 1990.
[195] Economic Crimes contrary to section 5 (f) of the Economic Crimes (Specified Offences) Decree No. 16 of 1994.
[196] Amount payable in USD is lower than the fine amount in 2012 due to exchange rate differences.
[197] https://www.ifrs.org/issued-standards/list-of-standards/ias-37-provisions-contingent-liabilities-and-contingent-assets/ (date of use February 20, 2019)

5.199 The details of these payments are set out in the table below:

Table 84: Examples of unrecorded liabilities

Payment date	Header Reference (Cheque number)	Date of supporting documentation (invoice)	Reason for invoice	Amount (GMD)
January 24, 2018	10399	May 12, 2017	Payment due for the budget and maintenance for the submarine cable dated from 2016	114,568
February 16, 2018	10424	April 24, 2017	Payment due for the maintenance for the submarine cable	128,630
March 27, 2018	10469	July 17, 2017	Payment due for the maintenance for the submarine cable (Q3 2017)	128,630
Total				**371,828**

Source: EY Unrecorded Liabilities Testing

5.200 We requested the Finance team to provide an explanation, and to indicate whether the amounts that are due to GSC Ltd were accrued for at the 2017 year-end. The Finance team explained that these invoices were not accrued for at the 2017 year-end. The Finance team further explained that the designated person, whom had since left GAMCEL, was unwilling to provide for GSC Ltd related transactions.

5.201 We were not able to fully quantify the total impact of the invoices due to GSC Ltd and that should have been potentially accrued for.

Long-term loans

5.202 The Long-term loans account for 8% of the Balance Sheet liabilities at GAMCEL. As at December 31, 2017, GAMCEL had the following long-term loans:

Table 85: Long-term loans

Long term loans category	2017 (GMD'000)	2017 (USD'000)
Guarantee Trust Bank Loan (1)[198]	0	0
Trust Bank Loan	49,980	71,897
SSHFC Loan	80,071	86,667
Guarantee Trust Bank Loan (2)	7,576	25,758
Total loans	**137,627**	**184,321**
Less: Amounts Due Within 1 year	(52,689)	(81,766)
Amounts due after 1 year	**84,937**	**102,556**

Source: GAMCEL's 2017 Financial Statements

5.203 The following table details the key elements of the three loans, as described in the subsequent paragraphs:

[198] This was part of a joint facility obtained from Guaranty Trust Bank and Trust Bank Limited. Please see "Guarantee Trust bank loan (1) and Trust Bank loan" section below for more detail.

Table 86: Summary of major loan positions as at December 31, 2017

	Origination date	Original value (GMD 000)	Repayment details	Outstanding loan position (GMD 000)
Trust Bank Loan	19 July 2016	80,000	Repayment over 36 months	71,897
SSHFC Loan	08 January 2013	100,000	Repayment over 60 months, including an initial 6 month grace period	80,071
Guarantee Trust Bank Loan (2)	16 June 2015	50,000	33 equal monthly payments of GMD 1,515,151.51, excluding interest, following an initial 3 month grace period	7,576

Source: Loan agreements provided by GAMCEL

Guarantee Trust bank loan (1) and Trust Bank Loan

5.204 GAMCEL obtained a joint syndicated medium-term loan facility of GMD 100m (USD 2m)[199] from Guaranty Trust Bank and Trust Bank Limited. The loan was obtained to finance the expansion of GAMCEL's GSM network. The facility was repayable over 60 months at a rate of interest of 17% pa. with a monthly repayment of GMD 1.3m (USD 27k)[200].

5.205 After GAMCEL settled this loan in 2016, an additional GMD 80m (USD 2m) was issued by Trust Bank Ltd. This facility is secured by a corporate guarantee from GAMTEL with eleven properties valued at GMD 141m (USD 3m), and a letter of pledge and trust receipts on the GSM equipment financed[201]. This loan is secured against four GAMTEL properties. Principal repayments were set at GMD 3m (USD 62k)[202], in addition to 25% interest.

5.206 Based on our discussions with the GAMCEL management and our analysis of the GAMCEL's 2017 Financial Statements, it appears that GAMCEL is repaying this loan.

SSHFC Loan

5.207 GAMCEL obtained a GMD 100m loan from SSHFC (Social Security and Housing Finance Corporation) towards the funding of its 3G project. GAMCEL signed a contract with Huawei international Pte. Limited during 2012 for the supply and installation of the 36 facilities.

5.208 The SSHFC loan was originally repayable over five years at an interest rate of 15% per annum, with principle payments of GMD 1.6m (USD 35k)[203].

5.209 However, the Finance team informed us that GAMCEL had not been servicing its SSHFC loan because of its financial constraints.

5.210 The GAMCEL General Manager signed a Memorandum of Understanding (MOU) on March 29, 2018, after agreeing a revised repayment plan with SSHFC. At this time, GAMCEL owed SSHFC a balance of GMD 77.3m (USD 1.6m)[204]. The revised payment plan entailed monthly principal payments of GMD 1.3m (USD 27k) to be repaid from January 2018 to December 2022. This loan is secured against 15 GAMTEL properties.

[199] Year of loan unknown. Converted to USD using December 2017 rate.
[200] Year of loan unknown. Converted to USD using December 2017 rate.
[201] Source: GAMCEL 2017 Financial Statements
[202] Year of loan unknown. Converted to USD using December 2017 rate.
[203] Year of loan unknown. Converted to USD using December 2017 rate.
[204] Year of loan unknown. Converted to USD using December 2017 rate.

Guarantee Trust bank loan (2)

5.211 GAMCEL took a second loan of GMD 50m (USD 1m) in June 2014 to part-finance the redeployment of its 2G equipment to rural areas and border towns. In a revised offer dated June 3, 2015, the loan's terms were amended. The revised terms stated that the loan is to be repaid in 33 monthly instalments at an interest rate of 21% per annum[205].

5.212 This loan is secured against five properties totaling GMD 144.94m (USD 3.61). Four of these properties belonged to GAMTEL (GMD 124.94m / USD 3.11m). GAMTEL provided security in the form of a "Corporate Guarantee" from GAMTEL.

5.213 GAMCEL provided a letter from the GT Bank that responded to a request for a reduction in interest rate. This letter confirmed that the interest rate would be reduced from 21% to 20%.

5.214 Based on our discussions with the GAMCEL management and analysis of GAMCEL's 2017 Financial Statements, it appears that GAMCEL is repaying this loan.

Other liabilities / Deferred liabilities

5.215 The Other liabilities / Deferred liabilities balance on the 2017 Balance Sheet for GAMCEL consists of the following accounts:

Table 87: Other liabilities / deferred liabilities

Other liabilities category	2017 (GMD'000)	2017 (USD'000)
Deferred liabilities – Pre-paid customers	1,019	21
Other liabilities	165,000	3,437
Total	**166,019**	**3,458**

Source: GAMCEL's 2017 Financial Statements

Deferred Liabilities – Pre-paid customers

5.216 The Finance team informed us that the pre-paid revenue is only recognized when the actual cost is incurred by GAMCEL. The balance will be accounted for as a liability.

5.217 We did not investigate further this balance given its relatively minor value in GAMCEL's Balance Sheet.

Other liabilities

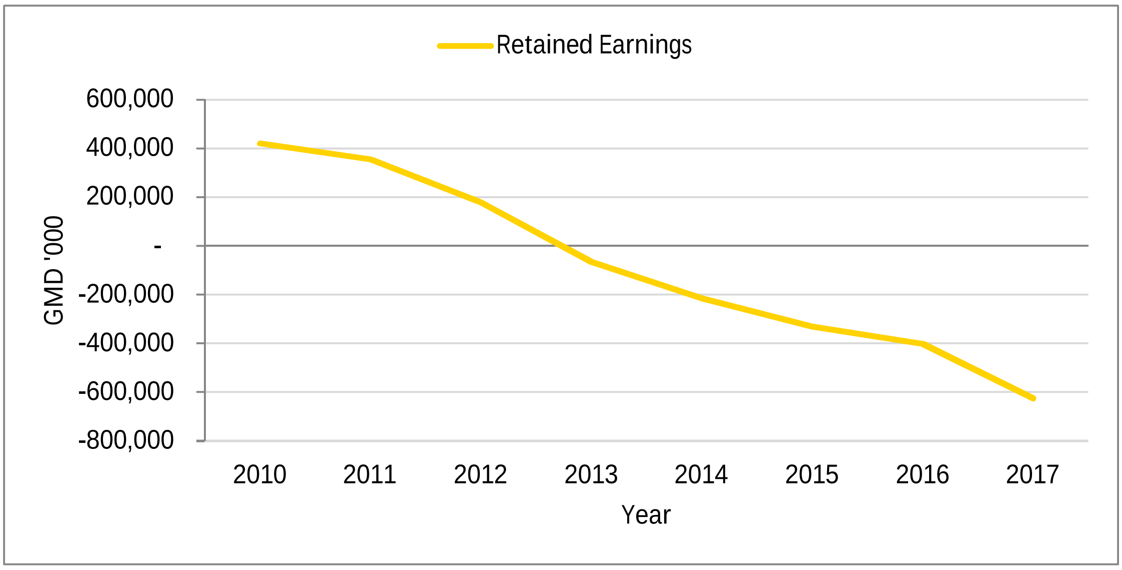
5.218 Please refer to the Accrual and similar payment section for further details regarding the 'GRA/Government/GAMCEL recon balance' account.

Retained earnings

5.219 The Figure 30below shows GAMCEL's Retained Earnings from 2010 to 2017. It illustrates that GAMCEL has had an increasingly negative Retained Earnings balance since 2013.

[205] Payment of GMD 1.5m (USD 31k) per month

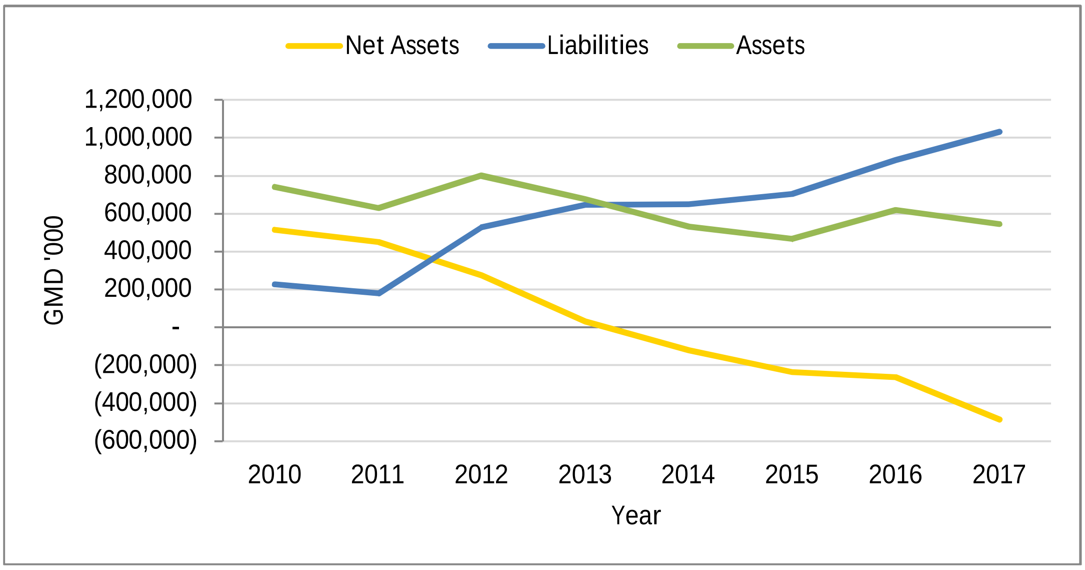
Figure 30: Retained Earnings 2010 - 2017



Source: Financial Statements

5.220 The figure below shows GAMCEL's net assets position, excluding Equity, for the period 2010 to 2017. It clearly suggests that GAMCEL has had a continually declining Net Assets position since 2010, and a net liability (negative net asset) position since 2014. This illustrates the severity of GAMCEL's financial situation. As discussed further in other sections of this report, GAMCEL's liability position (see *Trade Payables* section) and liquidity position (see *Current Assets* section) are declining. GAMCEL is in need of drastic measures, such as rethinking the strategy and repositioning and / or increasing the investment accordingly. Without such corrective measures, GAMCEL may theoretically be unable to continue as a going concern.

Table 88: Total Assets, Total Liabilities and Net Assets 2010 – 2017



Source: Financial Statements

5.221 Regarding the 'Going Concern' basis, the *IAS 1 – Presentation of Financial Statements* guideline specifies that in cases where an entity does not have *"a history of profitable operations and ready access to financial resources"*, management *"needs to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate"*. It is clear that GAMCEL has neither a history of profitable operations nor immediate access to sufficient financial resources. In the current situation, the management must consider the latter factors and reassess whether GAMCEL truly represents a viable going concern, in particular for the ‘potential sources of replacement financing’.

5.222 This issue of going concern was also raised by the External Auditors in the 2017 Management Letter, stating that the *“continuing deterioration of the company’s financial position from 2016 to 2017 could cast doubt about GAMCEL’s ability to continue as a going concern unless the Board and Shareholders act immediately in providing the needed funding”.* It also qualified the available cash of GMD 842k (USD 17k) as *“very low”.*

5.223 The GAMCEL management responded that it has shared the same concern over the years and cited the *“lack of adequate investment”* as the reason for their deteriorating position. It also called for a *“complete overhaul of obsolete network”* to expand national coverage. The management further stated that *“this position has been communicated to all stakeholders including the board, our line ministry, ministry of finance and the office of the president”* adding that *“management has learnt that Government is in the process of reforming the Pes [Public Entities] and may have strategies to reposition the company”.*

Relationship between GAMTEL and GAMCEL

5.224 GAMTEL has a 99% shareholding in GAMCEL. Both entities were incorporated as limited liability companies under the applicable Companies Act of The Gambia at the date of incorporation.

5.225 As set out in the Approved Board Minutes of the first Ordinary Meeting held on 6 June 2014, the Chairman raised that the law required an arm’s length relationship between GAMTEL and GAMCEL and if GAMCEL was to remain a subsidiary, there should be separate Boards as well as separate books of accounts, but, this would entail the company to be taxed twice – parent and the subsidiary. The alternative was to treat them as a division of GAMTEL. GAMCEL does not have its own Board and has an observer at GAMTEL board meetings.

5.226 Currently, GAMTEL and GAMCEL are operating under a structure in which several functions and resources are shared between the two entities, including:

- Board (only represented by GAMTEL);
- Director for Human Resources;
- Head of Procurement;
- Company Secretary;
- Director for Internal Audit;
- Enterprise Risk Information division;
- Information Technology Support division; and
- Call center.

5.227 Although GAMCEL has its own Head of Finance, the GAMTEL Chief Financial Officer is regarded as the most senior Accounting Officer, with ultimate authority over both entities.

5.228 The infrastructures of the two organizations are highly inter-connected. Most of GAMCEL’s equipment is housed within the GAMTEL infrastructure, and usage is shared between the entities. In some cases, usage of infrastructure can be measured, and is subsequently billed between the entities. However, in other instances it cannot be measured and is therefore never billed or accounted for as intercompany transactions.

5.229 Both entities maintain separate books and records, which are audited by different External Auditors.

5.230 Our assessment reflects that the current arrangement is insufficient as GAMCEL is a fully controlled subsidiary of GAMTEL, yet it is treated differently in different circumstances, for example:

- Treated as a 'division' of GAMTEL (i.e. shared resources and divisions);
- Treated as a subsidiary (i.e. higher signing rights for payments by GAMTEL for GAMCEL payments); and
- Treated as a separate entity (i.e. no Group Financial Statements).

5.231 This lack of a formal identity for GAMCEL will influence their strategy and direction.

5.232 No consolidated Group Financial Statements are prepared for GAMTEL and GAMCEL.

5.233 In summary terms, international GAAP requires the consolidation of entities in which a company owns shares where the company exercises "control", as defined in GAAP, over the business in which it owns shares. Whether or not a company has "control" can be a complex assessment and is not addressed here. GAMTEL owns 99% of GAMCEL, which is an indication that it controls GAMCEL.

5.234 We understood that GAMTEL has never prepared consolidated accounts. If it were concluded that GAMTEL does indeed "control" GAMCEL, then the failure to prepare consolidated accounts may be a breach of the relevant GAAP and the local Companies Acts.

5.235 The current Companies Act of The Gambia, 2013 ("the Companies Act") which govern limited liability entities in the country, requires consolidated Financial Statements.

5.236 Furthermore, it is the duty of the directors of the holding company, GAMTEL, to prepare annual financial accounts. This duty is stated in Section 326 of the Companies Act.

5.237 We emphasize that this would not have any implications for the day-to-day management of either of the two businesses.

GAMCEL - Detailed findings – Income statement analysis

Overall review of the trading position / revenue streams

5.238 The following tables sets out a summary of GAMCEL's income statement for 2016 and 2017:

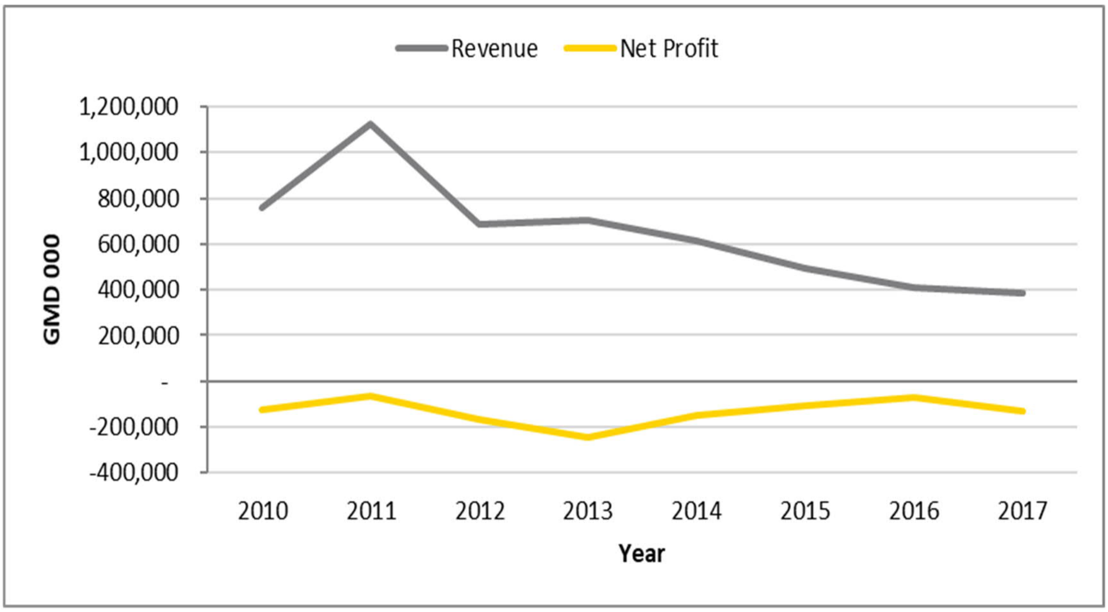
Table 89: Summary Profit and Loss Account as at December 31, 2017

	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Revenue	407,438	9,693	387,415	8,432
Cost of Sales	(256,701)	(6,107)	(193,466)	(4,211)
Gross Profit	**150,737**	**3,586**	**193,949**	**4,211**
Administration Costs	(105,397)	(2,507)	(126,763)	(2,759)
Depreciation and Amortization	(96,738)	(2,301)	(103,864)	(2,261)
Staff Cost	(57,527)	(1,369)	(62,471)	(1,360)
Loan Interest	(20,353)	(484)	(21,125)	(460)
Bank Charges	(6,946)	(165)	(3,762)	(82)
Increase in Provision for Bad & Doubtful Debt	71,924	1,711	(160)	(3)
Bad Debts Written Off	(204)	(5)	(316)	(7)
Operating Profit / (Loss)	**(64,504)**	**(1,535)**	**(124,512)**	**(2,710)**
Other Interest Receivable and Similar Income	662	16	108	2
Exchange Gain / (Loss)	(1)	(0)	(2,026)	(44)
Gain on Asset Disposal	-	-	1	0
Profit / (Loss) before Tax	**(63,843)**	**(1,519)**	**(126,429)**	**(2,752)**
Taxation	(6,112)	(145)	(5,811)	(126)
Net Profit / (Loss) after Tax	**(69,955)**	**(1,664)**	**(132,240)**	**(2,878)**

Source: GAMCEL's Financial Statements. For the 2017 results we have applied the weighted average exchange rate of GMD 45.944:USD 1.

5.239 GAMCEL has been loss making since at least 2010, as set out in the figure below:

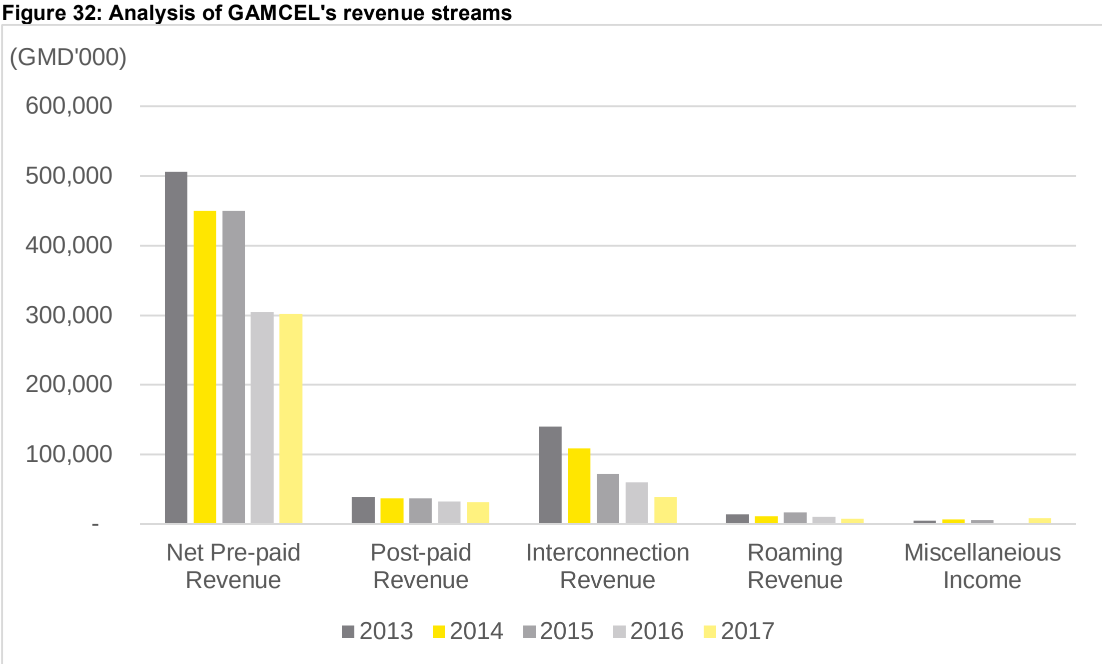
Figure 31: GAMCEL's Revenue and Net profit from 2010 to 2017



Source: GAMCEL's Financial Statements

5.240 The pre-paid revenue is by far GAMCEL's main revenue stream, followed by the interconnection revenue, as shown in the figure below:

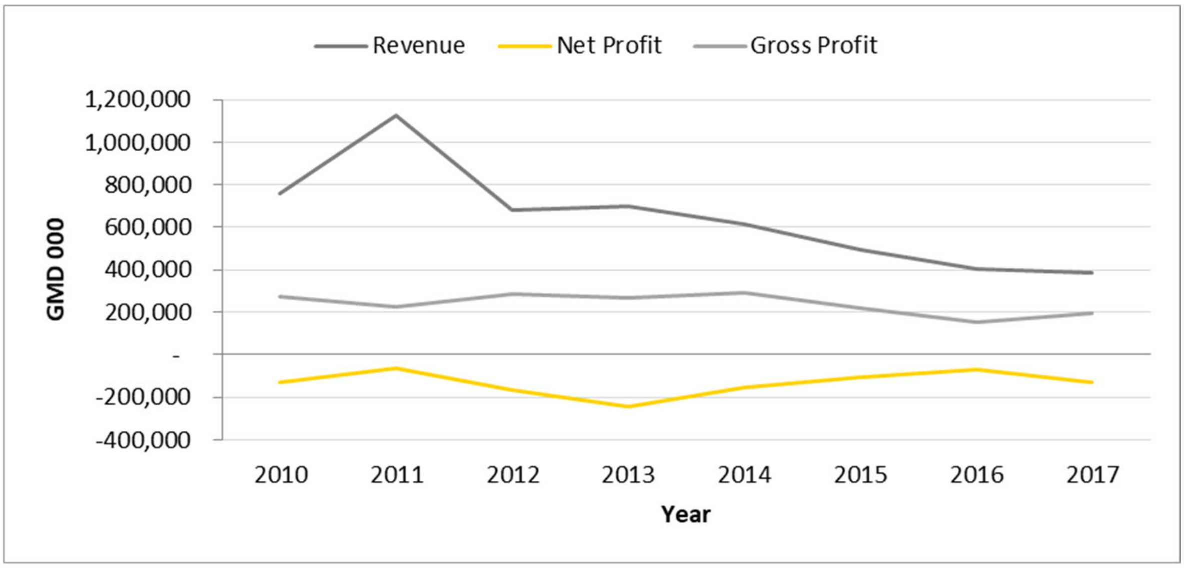
Figure 32: Analysis of GAMCEL's revenue streams



Source: GAMCEL's Financial Statements

5.241 As shown in the figure below, GAMCEL has experienced a dramatic revenue decline in recent years, falling by approximately 65% from 2011 to GMD 387.4m (USD 8m) in 2017. This was largely due to increasingly competitive market conditions and high market saturation, with four major network providers operating in The Gambia. This figure further shows that the gross profit has remained fairly consistent, despite the fluctuations in revenue over the same period.

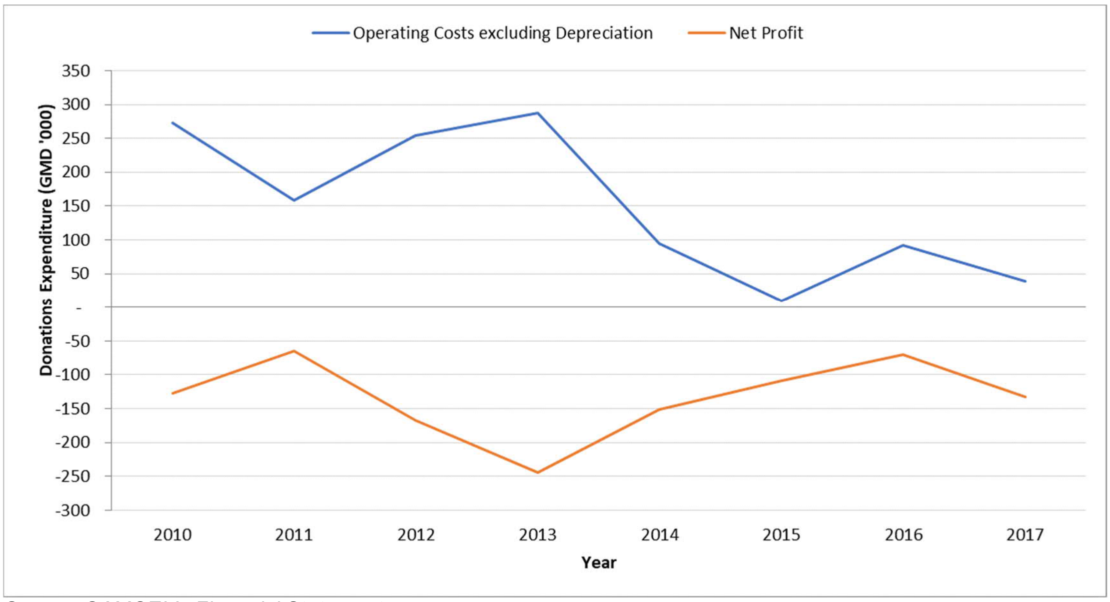
Figure 33: Revenue, Gross Profit and Net Profit 2010 – 2017



Source: GAMCEL's Financial Statements

5.242 We were informed by management that GAMCEL has undertaken cost reduction efforts in recent years, in an attempt to limit the impact of the declining annual revenue. Management further stated that many of these cost reduction efforts have been focused on operating costs, which can be seen in the figure below, which shows operating costs and net profit from 2010 – 2017. This clearly shows that from 2013 onwards, net profit increased in line with declining operating costs.

Figure 34: Revenue and Net Profit 2010 – 2017



Source: GAMCEL's Financial Statements

GAMCEL's billing system

5.243 A significant event impacted GAMCEL's revenue during July 2017, caused by a vendor (MGI) that had business relationships with GAMCEL. MGI was in charge of developing and providing support of GAMCEL's billing, roaming and short messaging systems.

5.244 MGI outsourced these services to a vendor called Redknee with which it had a contractual agreement. GAMCEL was the ultimate beneficiary of this agreement. On the other hand, MGI was also the Gateway manager of GAMTEL at this time. Upon the termination of MGI's contract as the Gateway manager in July 2017, MGI reacted by issuing invoices to GAMCEL related to the billing system. GAMCEL refused to pay these invoices within the allocated timeframe. Consequently, the billing system was switched off, thereby impacting both GAMCEL's billing operations and the customers' services (e.g., load airtime vouchers, scratch cards).

5.245 In response to this, GAMCEL reactivated the old billing system, and managed to restore some of its services to its customers almost three weeks later. This event had a significant effect on GAMCEL's revenue, as GAMCEL resorted to make all calls for free for its customers. The impact on the revenue was major as it dropped by 80% during the month of August.

5.246 According to the GAMCEL management, some of the value-add customer services that used to exist pre-August 2017 have still not been reinstated as of the period of our field work. This is due to constraints with the current billing system.

5.247 The management also explained to us that it took GAMCEL more than three months before it could recommence to bill its customers.

5.248 As set out in the approved minutes of the Second Ordinary Meeting of the Board of Directors of GAMTEL / GAMCEL held on March 29, 2018, the GAMCEL management received three letters regarding the Redknee billing platform, as explained below[206]:

- The Office of the President forwarded a letter from MGI. The letter from MGI proposed that GAMTEL pays the outstanding amount of USD 1.7m owed to Redknee;
- Courtesy copy (cc) of the Ministry of Information and Communication Infrastructure (MOICI) covering letter used to 'forward' managements' reaction to the MGI request; and
- The Office of the President urging GAMCEL's management to look into how the amount could be paid to repossess the Redknee billing system. The letter also highlights the advantages and disadvantages of the Mobilis and the Redknee billing systems, as well as provided a legal framework for GAMCEL to acquire again the Redknee platform.

5.249 During this Board meeting, the Board expressed concern on the implications of dealing with MGI as it has a direct relationship with Redknee. Furthermore, the GAMCEL Senior Management expressed discomfort in dealing with both MGI and Redknee. It also highlighted that caution should be taken as MGI had a build, operate and transfer arrangement with GAMCEL and this was aligned to the management of the international gateway contract effective for five years[207].

5.250 As set out in the approved minutes of the Meeting of the Board of Directors of GAMTEL/GAMCEL held on May 9, 2018, the procurement process to acquire a new billing system was halted as a result of the Office of the President's preference to revert to Redknee.

5.251 This situation had a severe impact on GAMCEL's revenue. Not only did their revenue decline during August 2017, their customers still do not have the same user experience as before. These limited services would continue impacting revenue in future months. Important management information is not available, as the billing system is unable to produce a current

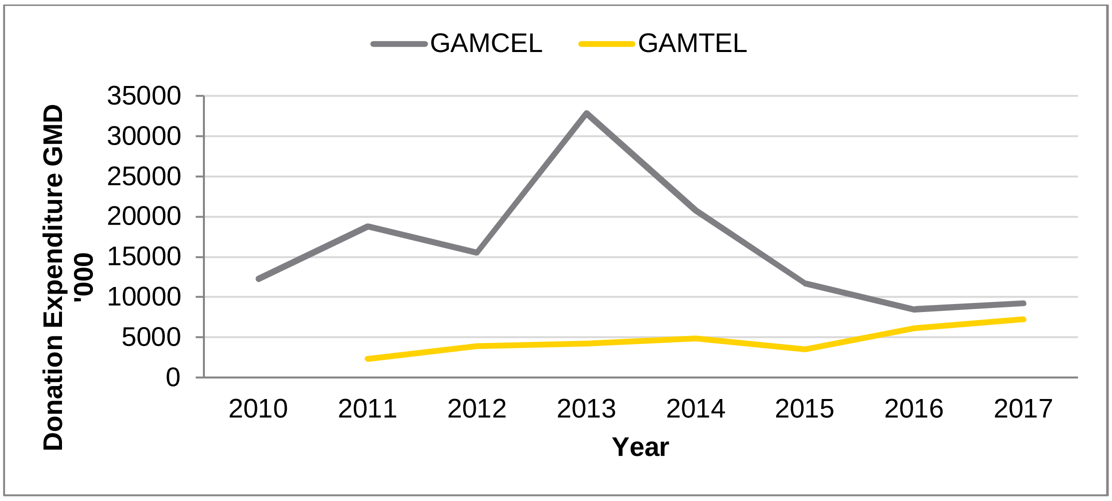
[206] Approved Minutes of the Second Ordinary Meeting of the Board of Directors of GAMTEL/GAMCEL held on March 29, 2018.
[207] Approved Minutes of the Second Ordinary Meeting of the Board of Directors of GAMTEL/GAMCEL held on March 29, 2018.

age analysis which will allow management to collect and follow up on bills, which attributes to poor collection of cash. This results in an overstated trade receivable balance. The current vendor of the billing system has a single staff member allocated to serve GAMCEL. The Youtap billing system has even less available functionalities than the Mobilis system, despite being the 'same system', as the vendor deem the current infrastructure fragile after the transition to Redknee.

Sponsorship / Donations

5.252 GAMCEL's Donations and Sponsorship expenditure is significantly higher than that of its parent company, GAMTEL, as shown in the figure below.

Figure 35: GAMCEL and GAMTEL Annual Donations and Sponsorship Expenditure



Source: GAMCEL's Financial Statements, GAMTEL's Financial statements / 2017Trial balance

5.253 We conducted our testing on a sample of 17 items that we selected from the 'Donations and Sponsorship' account. Below is a list of the most notable findings:

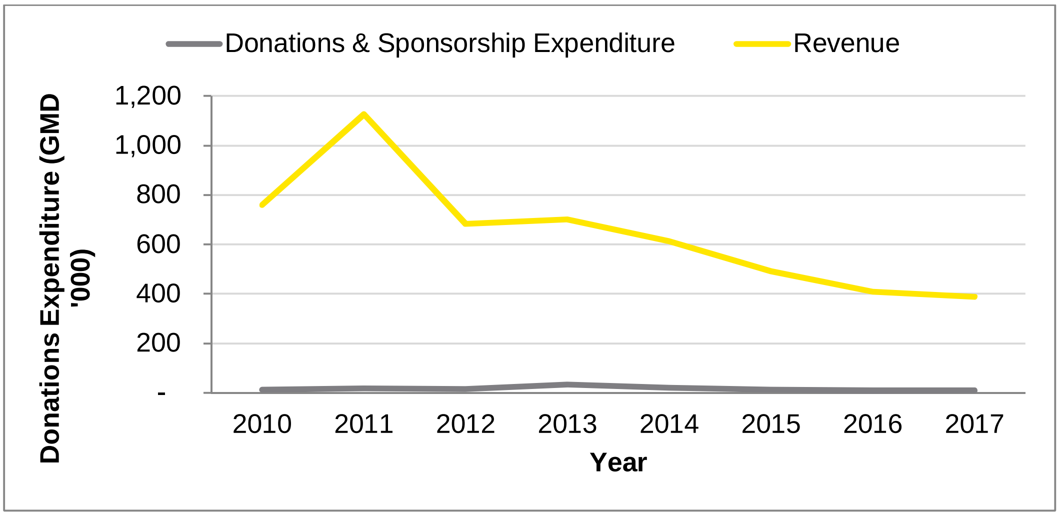
- One sample related to an expenditure of GMD 105,000 (USD 2.2k). The donation was meant to be distributed by the former First Lady to two new-born children in each Gambian hospital. Management informed us that GAMCEL received a letter of invitation to donate, from the Office of the President. The letter requested the creation of a bank account for each donation and suggested a minimum GMD 15,000 (USD 316) per child. The GAMCEL management explained to us that the team had no margin to discuss or refuse, which indirectly meant that this letter was the equivalent of an Executive Directive. The alleged partner charity, named in the letter, for this initiative was "Operation Save the Children", which, according to our internet research, is also the name of a frozen bank account that previously belonged to the Former President Jammeh. Management further informed us that GAMCEL has not continued this initiative under the new Presidential regime.

- Another sample involved the purchase of 16 assorted smartphones for newly appointed Ministers in President Adama Barrow's cabinet. GAMCEL informed us that this was for marketing purposes, due to Ministers' high phone usage and their subsequent purchase of GAMCEL services. This amounted to GMD 441k (USD 9.3k). Similarly, GAMCEL charged a cost of GMD 191,000 (USD 4k) to the 'Donations and Sponsorship account for the purchase of smartphones for the Board of Directors members.

- Another item in this account related to the sponsorship of a 2015 Gala Dinner for the Jammeh Foundation for Peace ("JFP"), an organization founded by the former President Jammeh. We understand that this foundation has allegedly bank accounts that are frozen as part of the former President's assets freeze. Our discussions with the GAMCEL management has indicated that this was also the result of an Executive Directive, which we also obtained. We were unable to confirm the exact value of this payment. However, Management's handwritten comments on the directive suggest this was approximately GMD 20k (USD 435).

- The nature of the remaining sampled items related to issues such as donations to flood victims, President Adama Barrow inauguration ceremony and corporate gifts. A summary of the annual movements of this account is shown in the figure below, for the period in scope.

Figure 36: GAMCEL Annual Donations and Sponsorship Expenditure v Revenue



Source: GAMCEL's Financial Statements

Payroll

5.254 During 2017, staff costs accounted for 19.6% of operating expenses. Based on our discussion with the GAMCEL management, we understood that GAMCEL is expected to create social employment for the people of The Gambia, similarly to other SOEs. Therefore, any attempts to downsize the organization and tackle the issue of overstaffing could have political repercussions.

5.255 The Director of the Human Resources oversees the Human Resources and Payroll departments, for both GAMTEL and GAMCEL.

5.256 Although GAMCEL has its own Head of Finance, the GAMTEL CFO is regarded as the most senior Accounting Officer, with ultimate authority over both entities. For the qualifications of the CFO, please refer to the GAMTEL report.

5.257 Mr Mustapha Conteh is the current Head of Finance at GAMCEL. He was appointed on June 20, 2016. Mr Conteh's personnel file reflected that he holds a BA in commence, majoring in Accounting, from the Saint Mary's University of Canada. His subjects also included finance, strategic management, marketing and business law. Mr Conteh has held various roles at GAMTEL / GAMCEL since joining in 1989, including being the Head of Procurement at GAMCEL and Senior Finance Manager at GAMTEL.

5.258 The December 31, 2017, payroll report showed that as at the same date, GAMCEL had 388 permanent employees. Moreover, this report showed that 26% of the employees were allocated as support services. However, the GAMCEL Senior Management confirmed to us that up to 45% of the GAMCEL employees were support services. A further 34% of the employees were allocated to customer services.

5.259 There is currently a high use of contractors, mainly due to the temporary freeze of internal recruitment. Management informed us that the freeze was expected to last until December 2018, which resulted in a higher number of contractors and key positions remaining unfilled.

5.260 GAMCEL follows the integrated pay scales as set by the Government. We understand that these scales have not been updated since 2006. The GAMCEL Senior Management advised us that GAMCEL faces difficulties in retaining skilled staff, due to its uncompetitive remuneration compared to the private market competitors.

5.261 The management repeatedly informed us of the lack of staff training. This included training on the use of systems, and more role-specific training.

5.262 GAMCEL currently uses manual information systems for some components of its payroll. Although it has an existing system for payroll (HR PLUS), GAMCEL experiences several issues with it, including inadequate monitoring of staff leave and notification of employees due to retirement.

5.263 There is currently no policy that sets out the required qualifications, expertise, and experience for each job (“scheme of service”). Human Resources informed us that this resulted in the qualifications of the GAMCEL employees often being inconsistent with the required qualifications for a certain job. We were informed that GAMCEL is aiming to create and use a scheme of service going forward.

5.264 The GAMCEL management informed us that it is very difficult for GAMCEL to track staff absences, as not all supervisors will update the Human Resources on these matters (especially in the provinces). The management thinks that this is caused by the fact that the supervisors fear that HR might terminate the employment of their staff.

5.265 GAMCEL conducts a full staff verification exercise every year. During the process, the Payroll and the Internal Audit departments physically count the all staff, per the staff listing. They also check the photo identification documents (e.g., passport, staff ID, national ID card) of the employees while conducting this verification exercise.

5.266 During 2016, an independent external consultant from the World Bank recommended GAMCEL to sub-contract the non-core services which form between 40 and 50% of the workforce. GAMCEL did not implement any of the recommendations, as it was estimated to cost GMD 437m (USD 10m) in compensation to reposition all of the staff members, based on these options[208]. We also noted through our review of the board minutes that the Board had discussed the matter of redundancies. However, Management informed us that the plan was never taken forward, by the Board, to be approved by the Ministry.

5.267 The GAMCEL Senior Management informed us that the recruitment process is being followed according to the Service Rules. The only exception to this is when Executive Directives are issued to require the appointment or termination of specific employees. These Executive Directives have historically been received in the form of notifications from the PMO or through the MD to hire or release specific employees. Management provided us with at least five examples of these directives at GAMCEL dated prior to December 2017.

5.268 We conducted staff verification testing on a sample of 21 GAMCEL employees, and could successfully verify all of them.

5.269 Numerous members of GAMCEL’s management have informed us that, in their opinion, GAMCEL suffers from overstaffing. According to them, one commonly suggested solution would be to “streamline” GAMCEL so that it only retains core staff to perform its core functions, i.e., telecommunications. The management has also alluded to the idea of

[208] The cost of GMD 437m (USD 10m) in compensation includes all of the staff members of both GAMTEL and GAMCEL

outsourcing GAMCEL's Support Services, such as security guards and drivers, claiming that this would remove some of the GAMCEL's burden

5.270 Members of management informed us that most of the core departments are also overstaffed. One director claimed that to have sent some employees on unapproved paid leave, without informing HR, simply to remove disruptive, unproductive staff and attempt to improve the efficiency of their department. We did not investigate this issue further.

5.271 A study published in July 2016 by the consultancy firm Senghore Associates, found that as at December 2014, GAMTEL employed 20% of the total staff of the Gambian leading Telecoms providers. This almost represented the double of any other competitor. Moreover, GAMTEL and GAMCEL combined employed 73% of the staff in the sector, at a time when they reportedly held a combined 21% market share.

Table 90: Total Employees per Telecoms Company

Year	GAMTEL	GAMCEL	Africell	QCell	Comium
2009	1,042	291	536	183	87
2010	1,224	328	546	193	93
2011	1,224	328	562	210	104
2012	1,223	351	571	224	119
2013	1,225	368	520	166	122
2014	1,092	408	250	180	140
Market share % (for 2014)	**53%**	**20%**	**12%**	**9%**	**6%**

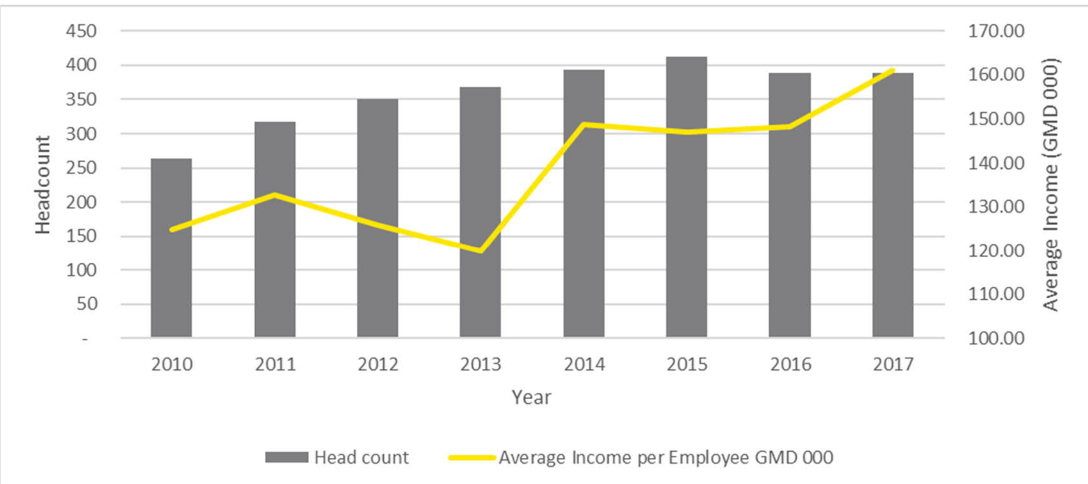
Source: Compiled by EY using data from 'Gamtel Human Resource Planning Audit' Report, Sengore Associates (July 2016)

5.272 We note that GAMTEL is the only landline entity in this comparison.

5.273 This report also suggests that *"the case for attaining the practical level of staffing is overwhelming given the real and present competitive threats to the organisation's survival"*.

5.274 As shown in the figure below, and despite an increase in the headcount from 2010 to 2015, the average pay did not increase proportionately. Moreover, despite a slight decrease in the headcount from 2015 to 2017, the average income rose by approximately GMD 15,000 (USD 300). This figure further shows that the average annual income per employee rose from 2013 onwards. This is despite a freeze on the basic salary, which suggests this is the result of an increase in allowances.

Figure 37: Headcount vs Average Pay per Employee



Source: GAMCEL's Financial Statements

Employee benefit schemes – staff allowances

5.275 GAMCEL provides building and car loans to its staff as mandated in the Service Rules. As at December 31, 2017, staff loans equated to 4.4% of the total annual revenue for 2017.

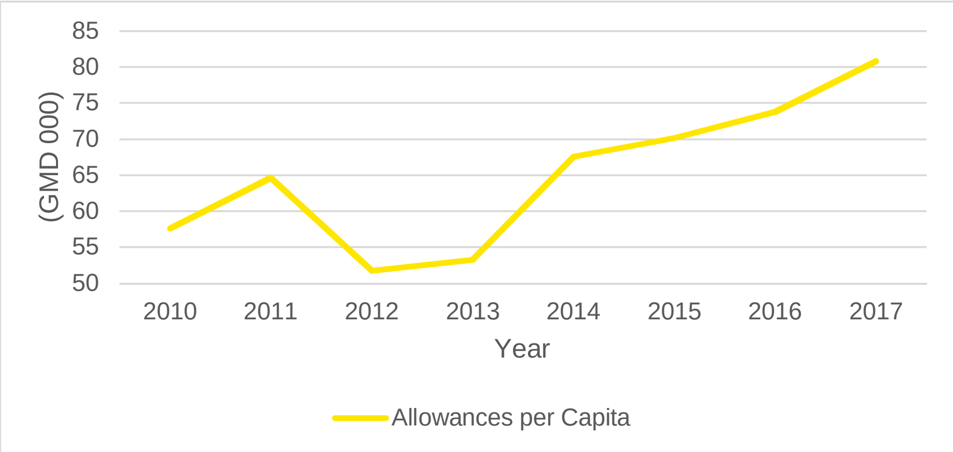
5.276 We analyzed of the External Auditors Management Letters that GAMCEL provided to us for the period 2011 to 2017. We noted that there is a trend regarding staff loans, which consists of having reconciliation differences between the ledger and the loan schedule. In addition to this, the letters highlight the fact that GAMCEL struggles to recover some of the loan balances, especially for the employees who have left the company. Management informed us that they had appointed an external lawyer to assist with the recovery of these funds, although progress is slow.

5.277 Payroll informed us that in certain cases staff loans are also awarded to employees without following the due process. For instance, applications were not approved by the Loans Committee and instead approved directly by the General Manager.

5.278 The auditors' 2017 assessment stated that, should these practices continue, GAMCEL's funds will be tied up for extended periods, while recovery of these loans is slim and risk becoming a source of financial loss to the entity.

5.279 The figure below summarizes the movement in average staff allowances per capita, from 2010 to 2017. It shows an increase of approximately GMD 23,000 (USD 490) across this period.

Figure 38: GAMCEL's Staff Allowances per Capita

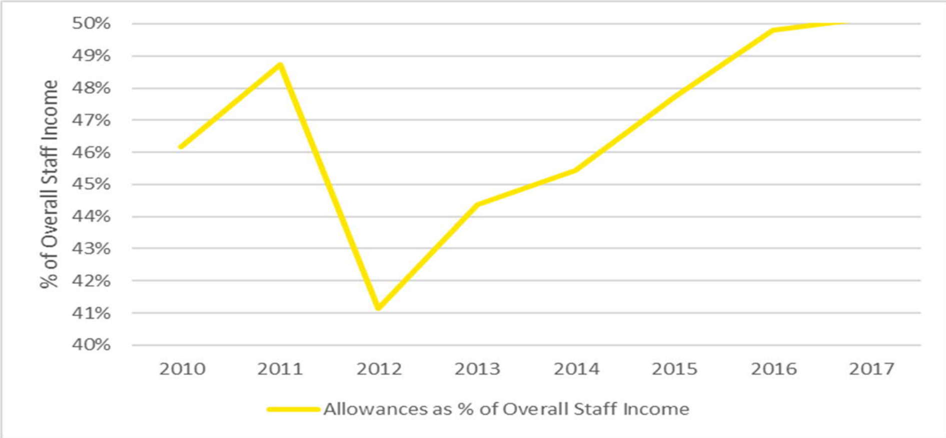


Source: GAMCEL's Financial Statements

5.280 Staff allowances accounted for approximately 50% of the average staff pay in 2016 and this figure has been steadily growing since 2011. The policies in place for the award of benefits are reflected in the Approved Service Rules guide.

5.281 Based on our discussions with the GAMCEL management, we understand that the high proportion of allowances is partially due to freeze in the increase of the basic pay. As such, allowances are the only way to increase the overall staff income. Management informed us that this was partly due to the tax benefits and reduced social security contributions associated with allowance income.

Figure 39: Allowances as a % of overall Staff Pay



Source: GAMCEL's Financial Statements

5.282 Regarding GAMCEL's adherence to HR policies, we have identified instances of multiple allowances being awarded simultaneously, in violation of the Service Rules. For instance, we found one employee receiving Mileage, Vehicle and Motorcycle allowance in the same month, which goes against Service Rules.

Recommendations

- Develop / procure a system for monitoring payroll reports, to reduce risk of Service Rules violations;
- Ensure that all staff loan applications follow due process and are adequately documented; and
- As the salary scale has not been updated since 2006, GAMCEL is offering uncompetitive remuneration. Accordingly, consideration should be given to revising the pay scale.

GAMCEL - Detailed findings – Quantification of diverted or misused funds

5.283 During the course of our forensic audit we have sought to identify any instances of historic fund diversion or misuse at GAMCEL. Through conversation and document review, we have collated the instances where GAMCEL funds were used for purposes other than originally intended, or because the management was instructed by the Office of the President to commit expenditure that does not have a direct benefit for GAMCEL.

5.284 Due to GAMCEL's declining profit over the period in scope of our review, it seems that its parent company, GAMTEL, was subject to more Executive Orders than itself. Management provided us with examples of influence by the Government, of GAMCEL's operations. Indirect Influence

5.285 Indirect interference by the Office of the President had severe repercussions for GAMCEL in 2017. As set out in the section relating to GAMCEL's billing system, the Government terminated MGI's contract as the Gateway manager in July 2017. When the Gateway contract was cancelled, MGI issued invoices to GAMCEL relating to the billing system. When GAMCEL did not pay the invoices within the allocated timeframe, the billing system was switched off.

5.286 This event had a significant effect on the revenue, as GAMCEL resorted to make all calls for free to its customers. Revenue dropped by 80% during the month[209].

5.287 Subsequently to the event, we understand that GAMCEL reverted to previous vendor Redknee and the halted the procurement process to acquire a new billing system, as a result of the Office of the President, despite the MD expressing his discomfort in dealing with both MGI and Redknee.

Approved waivers being annulled

5.288 We were provided documentation about a waiver on fees due between the Government, GRA, GAMTEL and GAMCEL, that had been granted as part of the 50:50 ownership agreement between Spectrum Management and the Government. The waiver was originally granted in 2007, however correspondence from GRA to GAMTEL during 2009 suggested that the waiver was annulled. The amount due from GAMCEL was GMD 209m (USD 5m), including an amount of GMD 178m (USD 4m) for corporation and sales taxes. MoFEA responded to the letter on March 14, 2014 with the conclusion that a waiver could not be granted. In a letter dated October 12, 2016 from MoFEA to GAMCEL, a payment plan is set out. The total liability due to the Government and GRA was confirmed at GMD 195m (USD 4m).

Direct Influence

5.289 We have only identified examples of diverted of misused funds prior to December 2016. These examples are discussed throughout the report, however for ease of reference, they are summarized below:

GIA Loan

5.290 A loan of GMD 15m (USD 0.5m) was provided by GAMCEL to GIA in 2006 following an Executive Order issued by MoFEA. The Gambia hosted the African Union Summit in 2006 and GIA required funds to procure equipment to be used during the summit, including three motorized steps, two baggage tugs and two conveyors.

[209] Approved Minutes of the Second Ordinary Meeting of the Board of Directors of GAMTEL/GAMCEL held on March 29, 2018.

5.291 MoFEA issued the Executive Order to GAMCEL to provide a loan of GMD 15m (USD 0.5m) to the GIA to procure the equipment, as the equipment was *"in dire need for the AU Summit"*. The Executive Order was dated April 12, 2006 and signed by the Permanent Secretary, Mr Abdou B Touray.

Sponsorship and donations

5.292 A donation of GMD 105,000 (USD 2.2k) to two new-born children in each Gambian hospital, to be distributed by the former First Lady. This letter appears similar to some of the Executive Directives we have been given sight of and we understand GAMCEL felt this was not a request which they could refuse. The alleged partner charity for this initiative is "Operation Save the Children", which, per internet sources, is the name of a bank account frozen as part of the Former President Jammeh's assets.

5.293 Another item in this account related to the sponsorship of a 2015 Gala Dinner for the JFP, an organization founded by former President Jammeh. We understand this foundation to allegedly have bank accounts frozen as part of the former President's asset freeze. Discussions with the client have informed us that this was also the result of an Executive Directive, which we were given sight of. We were unable to confirm the exact value of this payment, however comments on the directive suggest this was approximately GMD 20,000 (USD 435).

Recruitment

5.294 Senior Management stated that the recruitment process per the Service Rules is being followed, with the exception of when Executive Directives are issued to require the appointment or termination of employees. Directives have historically been received in the form of notifications from the PMO or through the MD to hire or release particular people. We were provided with at least five examples of these directives at GAMCEL dated prior to December 2017.

Staff Loans

5.295 As aforementioned, our initial testing identified inadequate documentation on many of the sampled items. Common errors included miscalculations on applications, ineligible staff being awarded loans and incomplete documentation. The Payroll team provided us with 12 additional loan applications that were incomplete or inaccurate. Payroll further informed us of instances where applications were not approved by the Loans Committee, instead, these applications were taken directly to the General Manager for approval. We were shown one example of this, whereby the General Manager had directly approved the application. The Payroll team also informed us that there many other applications exist with similar issues.

6. SSHFC

6.1 Our detailed findings in relation to our Special Audit of SOE as at December 31, 2017, are explained more fully in this section of the report.

6.2 We noted the net asset position of SSHFC has decreased from 2014 to 2017. The table below sets out the Net Asset position per the externally audited SSHFC Financial Statements for the year ending December 31, 2014 to December 31, 2017[210].

Table 91: SSHFC summary Balance Sheets for the year ending December 31, 2014 to December 31, 2017

Description	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
FPS	1,367,673	31,224	1,443,980	35,998	1,477,129	33,752	1,557,037	32,433
NPF	3,123,087	71,300	3,246,838	80,944	1,757,982	40,170	1,942,006	40,452
HFF	260,203	5,940	203,981	5,085	189,073	4,320	209,110	4,356
IICF	320,769	7,323	365,916	9,122	250,952	5,734	271,098	5,647
Net Assets / Equity	**5,071,732**	**115,788**	**5,260,715**	**131,150**	**3,675,136**	**83,977**	**3,979,251**	**82,887**

Source: SSHFC Annual Financial Statements for the year ending December 31, 2014, December 31, 2015, December 31, 2016 and December 31, 2017.

6.3 SSHFC administers and pays the following five types of benefits to its contributing members: Normal retirement benefits, Withdrawal benefit, Invalidity benefit, Survivors benefit, and Industrial Injuries Compensation. It accounts for contributions toward these benefits, the payment of benefits and the surplus on its investment activities through the Members Fund and Reserves.

6.4 The table below sets out the Member's Fund as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

Table 92: Member's Fund as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description	2017 (GMD'000)	2017 (USD'000)
1.	Opening balance	5,181,898	107,939
2.	Contributions paid	462,888	9,642
3.	Benefits and refunds	(118,262)	(2,463)
4.	Periodic pension payments	(57,613)	(1,200)
5.1	Surplus for the year (FPS)	14,302	298
5.2	Surplus for the year (IICF)	7,208	150
6.	Closing balance	5,490,420	114,366

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.5 The table below sets out the Reserves as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

[210] The four individual funds received an unqualified audit opinion. The FPS and IICF also received an Emphasis of Matter paragraph to highlight the overdue actuarial valuations for both funds.

Table 93: Reserves as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description	Revenue Reserve		Revaluation Reserve		Accumulated Reserve	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Opening balance	7,290	152	98,528	2,052	(1,613,159)	(33,602)
2.	Surplus for the year (HFF)					20,022	417
3.	Deficit for the year (NPF)	-	-	-	-	(22,849)	(476)
4.	Closing balance	7,290	152	98,528	2,052	(1,615,986)	(33,661)

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.6 We noted that the net surplus was GMD 17m (USD 372k) as per the SSHFC Consolidated Revenue Account for the year ending December 31, 2017. During the prior year, the net deficit was GMD 1.780m (USD 42m).

6.7 The Accumulated Reserve is a net deficit as at December 31, 2017 due to prior year's provisions for bad debts on loans of about (GMD 1.455m (USD 35m)) and impairment of equity investments (GMD 148m (USD 4m)), as per the NPF Income Statement for the year ending December 31, 2016.

6.8 The table below sets out the Member's Fund and Reserves as per the FPS Financial Statements for the year ending December 31, 2017.

Table 94: Member's Fund as per the FPS Financial Statements for the year ending December 31, 2017

	Description	Members Fund		Revenue Reserve		Revaluation Reserve	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Opening balance	1,451,372	30,232	3,932	82	21,825	455
2.	Contributions less benefits	67,204	1340	-	-	-	-
3.	Surplus for the year	12,704	265	-	-	-	-
4.	Closing balance	1,531,280	31,897	3,932	82	21,825	455

Source: FPS Financial Statements for the year ending December 31, 2017.

6.9 We noted that the Members fund balance is the total amount for the 'Members fund' general ledger account and 'Accumulated Surplus' general ledger account.

6.10 We noted that the 'Members fund general ledger account balance includes entries with the references 'FPS BENEFITS, PERODIC PAYTS & CONTRIBUTION TRANSFER TO MEMBERS FUNDS'.

6.11 We noted that the 'Accumulated Surplus' general ledger account balance includes the following entries:

- 'Close Income Statement' totaling GMD 4.263m (USD 97k) on December 31, 2016;
- 'BEING REV. OF GIA LOAN PROVIDED IN 2010' totaling GMD 18.633m (USD 426k) on December 31, 2016;
- 'Close Income Statement' totaling GMD 53.1m (USD 1.2m) on December 31, 2016; and

- ‘Close Income Statement’ totaling GMD 12.706m (USD 290k) on December 31, 2016.

6.12 The table below sets out the Contributions less benefits balance as per the FPS Financial Statements for the year ending December 31, 2016 and December 31, 2017.

Table 95: Summary of Contributions less benefits for FPS for the year ending December 31, 2016 and December 31, 2017

Description	2016 (GMD’000)	2016 (USD’000)	2017 (GMD’000)	2017 (USD’000)
Member Contribution	153,989	3,519	155,454	3,238
Benefit & Refunds	(36,874)	(843)	(31,024)	(646)
Periodic Pension Payments	(60,192)	(1,375)	(57,226)	(1,192)
Closing balance	56,923	1,301	67,204	1,400

Source: FPS Financial Statements for the year ending December 31, 2016 and December 31, 2017.

6.13 The table below sets out the Member’s Fund as per the NPF Financial Statements for the year ending December 31, 2017.

Table 96: Member’s Fund as per the NPF Financial Statements for the year ending December 31, 2017

	Description	2017 (GMD’000)	2017 (USD’000)
1.	Opening balance	3,349,157	69,763
2.	Contributions less benefits	206,878	4,309
3.	Prior year adjustment	5	0.104
4.	Closing balance	3,556,030	74,072

Source: NPF Financial Statements for the year ending December 31, 2017.

6.14 The table below sets out the Reserves as per the NPF Financial Statements for the year ending December 31, 2017.

Table 97: Reserves as per the NPF Financial Statements for the year ending December 31, 2017

	Description	Revenue Reserve		Revaluation Reserve		Accumulated Reserve	
		2017 (GMD’000)	2017 (USD’000)	2017 (GMD’000)	2017 (USD’000)	2017 (GMD’000)	2017 (USD’000)
1.	Opening balance	3,333	69	63,289	1,318	(1,657,797)	(34,532)
2.	Deficit for the year	-	-	-	-	(22,848)	(476)
3.	Prior year adjustment	-	-	-	-	(1)	(0.02)
4.	Closing balance	3,333	69	63,289	1,318	(1,680,646)	(35,008)

Source: NPF Financial Statements for the year ending December 31, 2017.

6.15 We understand that the Management has since 2016 suspended the practice of NPF contributions earning interest in order to address the negative reserves. As we have not performed an actuarial review, we cannot comment on the likely impact of this measure.

6.16 As stated above the Accumulated Reserve is a net deficit as at December 31, 2017 due to prior years provisions for bad debts as per the NPF Income Statement for the year ending December 31, 2016.

6.17 The table below sets out the Contributions less benefits balance as per the NPF Financial Statements for the year ending December 31, 2016 and December 31, 2017.

Table 98: Summary of Contributions less benefits for NPF for the year ending December 31, 2016 and December 31, 2017

Description	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Member Contribution	227,391	(5,195)	293,138	6,106
Benefit & Refunds	(100,153)	(2,288)	(86,260)	(1,797)
Closing balance	127,238	(2,907)	206,878	(4,309)

Source: NPF Financial Statements for the year ending December 31, 2016 and December 31, 2017.

6.18 The table below sets out the Reserves as per the HFF Financial Statements for the year ending December 31, 2017.

Table 99: Reserves as per the HFF Financial Statements for the year ending December 31, 2017

	Description	Accumulated Reserve		Revaluation Reserve		Total	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Opening balance	175,671	3,659	13,417	279	189,088	3,939
2.	Surplus for the year	20,022	417	-	-	20,022	417
3.	Closing balance	195,693	4,076	13,417	279	209,110	4,356

Source: HFF Financial Statements for the year ending December 31, 2017.

6.19 The table below sets out the Member's Fund and Reserves as per the IICF Financial Statements for the year ending December 31, 2017.

Table 100: Member's Fund and Reserves for IICF for the year ending December 31, 2017

	Description	Members Fund		Revenue Reserve		Total	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Opening balance	250,929	5,227	23	0.48	250,952	5,227
2.	Opening balance difference	8	0.17	-	-	8	0.17
3.	Contributions less benefits	12,928	269	-	-	12,928	269
4.	Surplus for the year	7,210	150	-	-	7,210	150
5.	Closing balance	271,075	5,646	23	0.48	271,098	5,647

Source: IICF Financial Statements for the year ending December 31, 2017.

6.20 The table below sets out the Contributions less benefits balance as per the IICF Financial Statements for the year ending December 31, 2016 and December 31, 2017.

Table 101: Summary of Contributions less benefits for IICF for the year ending December 2016, 31 and December 31, 2017

Description	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Member Contribution	12,435	284	14,296	298
Benefit & Refunds	(576)	(13)	(981)	(20)
Periodic pension payments	(479)	(11)	(387)	(8)
Closing balance	11,380	260	12,928	269

Source: IICF Financial Statements for the year ending December 31, 2016 and December 31, 2017.

6.21 Under Section 30 of the SSHFC Act, SSHFC should conduct periodic actuarial valuations at least every three years in relation to the Social Security Scheme. We understand that the Social Security Scheme consists of the FPS, NPF and IICF[211]. HFF forms part of the Housing Finance Scheme.

6.22 During December 2014, an actuarial valuation was conducted in respect of the FPS and IICF. We understand that an actuarial valuation was not conducted in respect of NPF. An emphasis of matter paragraph has been included as per the FPS and IICF Financial Statements for the year ending December 31, 2017 to draw the user's attention to the disclosure on the Actuarial Report in the Director's Report. The Actuarial Report was due in December 2017, however at the time of reporting, the Actuarial valuation of the FPS and IICF was not completed.

6.23 We noted that the 'State-owned Enterprises in The Gambia - A Country Policy Note' dated November 2015 states that "The main challenges reported by SSHFC are the timely collections of contributions from employers, particularly public sector employers, in many cases even when these contributions have already been collected by the employers from the employees…SSHFC believes this situation could create a serious problem for the funding of national pensions and social security if it is not reversed soon".

6.24 We noted that the Final Report for the Federated Pension Scheme of The Gambia dated December 30, 2015[212] states that:

"*The primary funding objective of the Fund which states that the existing assets should be sufficient to cover fully the value of the benefits in respect of service already completed has been achieved. The total value of the assets of the Fund represents the 72.7% of the total actuarial liabilities of the Fund i.e. the funding level is 73.7%. This means that the current value of the assets of the Fund is not enough to fully cover the actuarial liabilities arising from the current active and pensioner membership. As a result, the Fund has an actuarial deficit*."

"*The projections and analysis presented in this note suggest that FPS will soon face current account deficits, although it has reserves to help cushion those deficits for about 14 more years.*

The short run measures that SSHFC can take include (i) improve data collection and track benefit payments over time (ii) investigation of the cause behind the spike in administrative cost for 2016 (iii) reviewing its assets mix (debt versus equity holdings) and search for alternative investments which provide stable and positive real returns;

In the medium to long run, SSHFC should develop a road map to (i) introduce inflation indexation while gradually reducing accrual rate and (ii) transition to career average wage for pension benefit with wage valorization.

[211] Source: http://www.sshfc.gm/.
[212] An actuarial valuation of FPS has been conducted as at December 31, 2014.

While many actuaries would look at a deficitary pension fund and recommend raising contribution rates, we would not suggest such a measure."

6.25 We noted that the SSHFC 2017 Activity Report states that "The 2017 results is clear indication of Management's focus on cost control measures as well as increasing the net interest income to improve the Corporation's financial performance and vigorously pursuing the recoveries of debts, etc."

6.26 We noted that a document of the World Bank entitled "The Gambia Pension Valuation Report for Federated Pension Scheme (FPS)' dated January 2018 states that 'The Federated Pension Scheme (FPS) in Gambia which covers non-government public sector employees, is projected to face a situation by 2020 where current expenditure on benefits and administration exceeds income from contributions and investment assets if changes are not made".

6.27 We noted that the Minutes of the First Meeting of the SSHFC Reconstituted Board held on 4 July 2018 states that:

"*The Managing Director… emphasised that currently sustainability is the biggest challenge as the last actuarial review has revealed a 30% deficit on our liabilities against assets. Meaning that if the fund should cease to operate today, we may not be able to meet our total obligation, to our members based on our current assets.*

He made mention of the World Bank Study on the FPS fund which report also clearly states the un-sustainability of the fund in the coming years, if certain measures such as controlling cost or increasing the contribution level is not undertaken.

He revealed that none of the constituent funds made a profit in 2016 based on the Audited Accounts. He cited that non-performing loans among others as one of the key contributing factors in the poor performances of the funds over the past years".

6.28 We noted that the SSHFC has not performed the actuarial valuation for the year ending December 31, 2017. We were therefore unable to determine whether the total value of assets of the FPS and IICF would be sufficient to cover the total actuarial liabilities of the FPS and the IICF. Furthermore, we were unable to determine whether the FPS still has an actuarial deficit as stated in the Final Report for the Federated Pension Scheme of The Gambia dated December 30, 2015.

Recommendations

6.29 We recommend that as a matter of priority that SSHFC performs the valuation exercise of the FPS and IICF as required by Section 30 of the SSHFC Act to determine, inter alia, that SSHFC maintains adequate financial resources to meet future obligations to beneficiaries taking into account the current investment portfolio and expected returns.

6.30 We also recommend that Management determines whether it is required to perform a valuation exercise of the NPF in terms of Section 30 of the SSHFC Act.

Investments

6.31 Investments represent 69% of the total asset balance as per the SSHFC Consolidated Balance Sheet as at December 31, 2017. SSHFC's portfolio of investments include Equity Investments (shareholdings), Property Investments (principally hotels and guest houses) and Other Financial Assets (Gambia Government Treasury Bills, Gambia Government Bonds and Bank Term Deposits). Equity Investments represent 23% of the total asset balance and Investment Properties represent 22% of the total asset balance as at December 31, 2017. Financial Assets represent 25% of the total asset balance as at December 31, 2017.

6.32 The table below sets out a summary of SSHFC's Investments as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

Table 102: Investments as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017

Investments category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Equity investments	1,921,531	43,869	1,919,489	47,853	1,048,670	23,962	989,037	20,602
Investment properties	184,507	4,212	200,403	4,996	925,526	21,148	950,430	19,797
Other Financial Assets	349,133	7,971	455,471	11,355	717,069	16,385	1,086,156	22,625
Total	**2,455,171**	**56,052**	**2,575,363**	**64,204**	**2,691,265**	**61,495**	**3,025,623**	**63,024**

Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

6.33 The value of the total investments set out in the above table reflects significant provisions against Equity Investments in 2016 and 2017 (2016: GMD 81m (USD 1.8m) and 2017: GMD 188m (USD 4m)). Based on the issues identified to date, the total assets as per the SSHFC Consolidated Balance Sheet as at December 31, 2017 may be overstated.

6.34 We understand that SSHFC was directed to 'control and manage' all Government guest houses by the Department of State for Finance and Economic Affairs. Furthermore, SSHFC was expected to renovate the guest houses, charge a fee to customers and ensure proper use of the guest houses. We understand that the guest houses are situated in Basse, Mansakonko, Kerewan and Janjanbureh. However, we were unable to obtain supporting documentation to confirm ownership of the guest houses that are currently being managed by SSHFC.

6.35 From the above table it is evident that the most significant sub-category of Investment Properties by carrying value are hotels which comprise 77% of the carrying value as at December 31, 2017.

6.36 We understand that SSHFC does not have a documented accounting policy for investments. The Notes to the SSHFC Financial Statements for the year ending December 31, 2017, states that Equity Investments are at cost, Investment Properties are at their revalued amounts and Other Financial Assets are at cost plus accrued interest (and are held to maturity).

6.37 We noted that the FPS draft Report of the Independent Auditors for the year ending December 31, 2017 reflected a qualified opinion in respect of the non-consolidation of the shareholding in GTSC (100% shareholding), the Trust Bank (36.98% shareholding) and the Home Finance Company Limited ('HFC') (40% shareholding). However, this qualification is not repeated in the signed SSHFC Financial Statements for the year ending December 31, 2017 in the same respect.

6.38 In summary terms, international GAAP requires the consolidation of entities in which a company owns shares where the company exercises "control", as defined in GAAP, over the businesses in which it owns the shares where control is not exercised, the shares may be recorded as consolidated investments.

6.39 Whether or not an entity has 'control' can be a complex assessment and is not addressed here.

6.40 Under international GAAP, entities which might appear to be "controlled" because of a major shareholding do not have to be consolidated where the owning entity regards itself as an investment entity, by relevance to the international GAAP criterion. We have seen correspondence from the external auditors which sets out the view that SSHFC is an investment entity. However, investments of an investment entity should under international GAAP, be carried at fair value and not cost. SSHFC's balance sheet is showing these investments at cost. Consolidation is an accounting practice which shows the assets, liabilities and trading results of the company in which shares are held as if it were part of the company owning the shares.

6.41 We understand that provisions made against investments are at the recommendation of the auditors, rather independently applied by SSHFC management.

6.42 It appears that no valuation of investment properties was performed during the period in scope. As per the Notes to the FPS, NPF, HFF and IICF Financial Statements for the year ending December 31, 2017, it is the intention of SSHFC to hold investments valued at cost to maturity. The value is not adjusted whether market value is higher or lower than cost except for Treasury Bills and Discount Notes which are stated at cost plus accrued interest.

Equity Investments

6.43 The table below sets out a summary of SSHFC's Equity Investments as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

Table 103: Equity investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the shareholding (%of shares held	Original value		Impairment		Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Gam Petroleum (31%)	377,070	7,854	-	-	377,070	7,854
2.	GTSC (100%)	332,520	6,926	-	-	332,520	6,926
3.	Gallia Holdings	162,180	3,378	(121,635)	(2,534)	40,545	844
4.	GFFI (65%)	133,605	2,783	(66,803)	(1,392)	66,803	1,392
5.	Trust Bank (36.98%)	117,396	2,445	-	-	117,396	2,445
6.	SCB (insignificant)	39,632	825	-	-	39,632	825
7.	HFC (40%)	14,520	302	-	-	14,520	302
8.	NAWEC (1%)	4,000	83	(4,000)	(83)	-	-
9.	CFAO (21%)	550	11	-	-	550	11

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.44 There appears to be inadequate provision for impairment of equity investments of GMD 192m (USD 4m). The impairment relates to the GFFI Shareholding (i.e., GMD 66.803m, USD 1.392m / 50% of value of equity investment), Gallia Holdings Shareholding (i.e., GMD 121.635m, USD 2.534m / 75% of value of equity investment) and NAWEC Shareholding (i.e., GMD 4m, USD 83k /100% of value of equity investment) as detailed in the paragraphs below.

6.45 We were not provided with complete documentation to confirm that SSHFC is the owner of certain equity investments reflected as per the SSHFC Balance Sheet for the year ending December 31, 2017. For example, share certificates for 71% of SSHFC's holding in SCB and 4% of the holding in Trust Bank could not be located as detailed in the paragraphs below.

Gam Petroleum Storage Facility Company Limited ('Gam Petroleum')

6.46 Gam Petroleum is part of the Spectrum Group, and has a fuel storage facility at the Mandinari Fuel Storage Depot located on the Western Region of The Gambia[213]. We understand that from the share certificate issued by Gam Petroleum dated 10 February 2015 that SSHFC owns 31%[214] of the shares Gam Petroleum[215]. We understand that the original share purchase by SSHFC occurred in February 2008, with a further share purchase during 2014 or 2015. The initial share purchase was based on an Executive Directive from the Office of the President. The subsequent share purchase was made in order to obtain a combined majority shareholding between SSHFC, GPA and GNPC. We understand that Mr. Muhammed Bazzi ('Mr. Bazzi'), who is known to be a business partner and financier of the former President Jammeh, owns 31.5% of the Gam Petroleum shares.

6.47 We noted that a dividend totaling the amount of GMD 8m (USD 175k) was recorded as per the 'Income receivables dividend income' general ledger account for the year ending December 31, 2017. We understand that at the Commission of Inquiry evidence was presented that suggested that Gam Petroleum has a positive cash flow and revenue stream[216].

Gambia Transport Service Company ('GTSC')

6.48 We noted that as per the FPS, NPF and IICF Financial Statements for the year ending, December 31, 2017, SSHFC owns 100% of the GTSC issued shares (i.e., a subsidiary of SSHFC).

6.49 GTSC has not paid any dividends to SSHFC since 2013 when, it paid a dividend for the total amount of GMD 75k (USD 2.2k). The SSHFC management has explained to us that GTSC is operating at a loss, and that SSHFC does not expect any investment income in the near future. We recommend that SSHFC management considers the possibility of making a provision for the GTSC investment if it appears that the entity is no longer solvent.

Gallia Holdings Limited ('Gallia Holdings')

6.50 SSHFC entered into a joint venture with the GPA to purchase a ferry, i.e., the Kansala[217]. SSHFC also entered into a joint venture with the Gallia Holdings during 2011[218] to purchase a ferry, i.e., Aljamdu219. SSHFC was directed by the Government of Gambia to invest in the ferries[220].

6.51 SSHFC management stated that the abovementioned ferries are not fit for purpose and are sinking. The SSHFC management has stated that SSHFC will sell the abovementioned ferries for scrap, realizing only a nominal value, if any will be recovered for the scrap. No dividends have been received from this investment. The SSHFC Financial Statements for the year ending December 31, 2017, makes provision for impairment of this investment for an amount totaling GMD 122m (USD 2.5m) (i.e., 75% of the value of the investment). We

[213] Source: https://allafrica.com/stories/201806280404.html.
[214] SSHFC is the Registered Proprietor of 10,850,000 out of 35,000,000 shares.
[215] Source: http://www.winne.com/gm/company-profiles/gam-petroleum-gambia-ltd.
[216] Source: https://www.youtube.com/watch?v=BbAkW_CH6yg&t=235s.
[217] Source: http://thepoint.gm/africa/gambia/article/new-ferry-makes-maiden-trip-to-bambatenda.
[218] As per the NPF Financial Statements for the year ending December 31, 2017.
[219] Source: http://thepoint.gm/africa/gambia/article/new-ferry-makes-maiden-trip-to-bambatenda.
[220] As per the NPF Financial Statements for the year ending December 31, 2017.

therefore recommend that SSHFC considers increasing the impairment provision to GMD 162m (USD 3.4m) (i.e., 100% of the value of the investment).

Gambia Food and Feed Industries ('GFFI')

6.52 GFFI is a company which specializes in human and animal food production in the country, operating a rice mill and a feed mill. We noted that during 2010, the Office of the President directed SSHFC to purchase 65% of the Government's investment in GFFI[221].

6.53 We are aware that the GPA and the GNPC were also directed to invest in GFFI by the Office of the President. The value of the investment by SSHFC is GMD 118m (USD 4.5m) as per the Executive Directive, however the value of the investment as recorded is GMD 134m (USD 2.8m) as per the SSHFC Consolidated Financial Statements for the year ending December 31, 2017. We requested but were not provided with GFFI share certificates issued to SSHFC in order to obtain evidence that SSHFC owns shares in GFFI.

6.54 Our understanding is that the company has discontinued its operations and no dividends have been paid. The FPS and NPF Trial Balances for the year ending December 31, 2017 makes provision for impairment of this investment for an amount totaling GMD 67m (USD 1.4m) (i.e., 50% of the value of the investment). We recommend that SSHFC considers increasing the impairment provision to GMD 134m (USD 2.8m) (i.e., 100% of the value of the investment in GFFI).

6.55 We understand that the GFFI investment is also under investigation by the Commission of Inquiry into the Financial Dealings of former President Jammeh and his close associates ('Commission of Inquiry').

Trust Bank Limited ('Trust Bank')

6.56 According to the Trust Bank 2017 Financial Statements, SSHFC owns a total of 73,969,253 shares in Trust Bank, which represents a 36.98% shareholding. We understand that SSHFC is the largest shareholder in Trust Bank. We obtained Trust Bank share certificates issued to SSHFC for the total number of 71,352,757 shares and we were unable to obtain share certificates for the remaining 2,616,496 shares.

6.57 We noted that as per the FPS Trial Balance for the year ending December 31, 2017, a dividend of GMD 22.1m (USD 483k) was accounted for as investment income. The dividend was in respect of an interim and final dividend declared by Trust Bank. We noted that as per a Trust Bank credit note dated 8 June 2018 with the reference 'Payment of 2017 final dividend', an amount totalling GMD 11.095m (USD 241.5k) was credited to SSHFC's account. We were unable to identify the contra-entry for the accrual of the dividend as per the FPS Trial Balance for the year ending December 31, 2017. We are therefore unable to confirm whether the 'Income Receivable -Dividend Income-FPS' general ledger account is understated in the event that SSHFC is able to account for the dividend.

Standard Chartered Bank ('SCB')

6.58 We understand that SSHFC also owns shares in SCB. A letter of confirmation from SCB, dated August 2017, states that SSHFC owns 32,965,133 shares. We obtained the SCB share certificates issued to SSHFC during the period June 1985 to December 2005 for the total number of 9,592,819 shares. We noted that, as per the aforementioned letter, SCB paid dividends during 2017 in respect of the 2016 financial year for an amount totaling GMD 4,9m (USD 108k).

[221] As per the NPF Financial Statements for the year ending December 31, 2017.

Home Finance Company ('HFC')

6.59 HFC is a mortgage company in The Gambia. We understand that as per a letter dated 14 July 2015 from HFC to SSHFC that SSHFC owns 40% of the shares in HFC. During 2015, SSHFC sold 60% of their 100% holding of the HFC shares to Trust Bank. We noted that the HFC share certificate issued during July 2015 to SSHFC indicates that SSHFC owns 957,000 shares. We understand that HFC has not paid any dividend to SSHFC. We recommend that the SSHFC Management considers the possibility of making a provision for the HFC investment should the entity no longer be solvent.

National Water and Electricity Co. Ltd ('NAWEC')

6.60 According to the Management letter for the year ending December 31, 2017, SSHFC owns 1% of the shares in NAWEC. NAWEC is responsible for the generation and provision of electricity, water and sewerage services for domestic, public and industrial purposes in The Gambia. SSHFC was directed in terms of various Executive Directives from the Office of the President to settle NAWEC's debts, purchase generators and grant loans to NAWEC. These payments were recorded as loans between SSHFC and NAWEC.

6.61 It is unclear to us which directive resulted in a transfer to equity investment in the value of GMD 4m (USD 83k). We understand that SSHFC does not expect a return on the NAWEC investment. The SSHFC Financial Statements for the year ending December 31, 2017, make provision for an amount totaling GMD 4m (USD 83k) as an impairment of the investment (i.e., 100% of the value of the investment). We understand that NAWEC has not paid a dividend to SSHFC.

CFAO Motors Gambia Limited ('CFAO')

6.62 CFAO, is a subsidiary of the CFAO Group. The latter provides specialized distribution services in Africa and French overseas collectives.

6.63 We understand that SSHFC initially subscribed for 13.2% of the authorized shares. Subsequently, the shareholding was diluted to less than 1% due to CFAO issuing new shares.

6.64 We saw a letter of confirmation from CFAO dated June 22, 1998 and noted that SSHFC owns a total of 275,218 shares. SSHFC management were unable to produce the share certificates.

6.65 We understand that CFAO have not paid any dividends to SSHFC since 2012.

6.66 We recommend that the Management considers whether an impairment provision should be raised for the investment due to the lack of dividends paid. The SSHFC Senior Management indicated that SSHFC is aware of the non-performance of this investment, however, no provision has been previously made. They added that the auditors of CFAO are the same auditors employed by SSHFC, and this may have influenced the auditor's decision to refrain from impairing this equity investment.

Arab Gambian Islamic Bank ('AGIB')

6.67 Management is uncertain whether SSHFC owns 65,689 shares in AGIB, believing they have been sold. AGIB has however notified SSHFC of an upcoming dividend for 65,689 shares. This represents a 0.26% shareholding in AGIB. We noted that as per the FPS Trial Balance for the year ending December 31, 2017, a dividend of GMD 22k (USD 486) was accounted for as investment income, but the shareholding is not recorded as an asset.

6.68 We noted that as per a AGIB share certificate dated 24 March 2017, SSHFC is the registered holder of 65,689 shares valued at GMD 9,50 (estimated value GMD 624k, USD 13k). We understand that management intends to account for the AGIB shares in the SSHFC Financial

Statements for the year ending December 31, 2018. The SSHFC Financial Statements for the year ending December 31, 2017 are understated by the value of the shares, but the amount is not quantified, however for the purposes of this report it has been broadly estimated.

Recommendations

6.69 SSHFC should develop and implement an accounting policy in respect of Equity Investments covering, inter alia: the basis of recognition (cost or valuation), consolidation or non-consolidation, impairment reviews (in particular for investments not paying dividends or where the entity is known to be in financial difficulty and income recognition.

6.70 SSHFC should maintain a register of all Equity Investments (i.e., name of investment, total number of shares purchased, purchase date, value of shares purchased, share certificate number, etc.). SSHFC should obtain new share certificates for any that are missing.

6.71 SSHFC should ensure that all Equity Investments, including AGIB are accurately recorded and correctly valued as per the SSHFC Financial Statements. We recommend that SSHFC reviews all the Equity Investments against current valuations for potential impairment in accordance with the financial reporting framework in particular for investments not paying dividends or where the entity is known to be in financial difficulties. Equity investments should not be carried at more than their recoverable amount.

Investment Property

6.72 The table below sets out a summary of SSHFC's Investment Properties as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

Table 104: Property Investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the Investment Properties	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Ocean Bay Hotel Property	520,759	10,847	-	520,759	10,847
2.	Sun Beach Hotel Property	211,814	4,412	-	211,814	4,412
3.	NTC Complex Property	100,300	2,089	-	100,300	2,089
4.	Old Law Court Property	11,153	232	-	11,153	232
5.	No.1 Cotton Street Building Property	10,374	216	-	10,374	216
6.	BHE Investment Property	6,560	137	-	6,560	137
7.	Brusubi Apartment Building Property	1,733	36	-	1,733	36
8.	Janjanbureh Guest House Property	8,268	172	-	8,268	172
9.	Mansakonko Guest House Property	5,300	110	-	5,300	110
10.	Basse Guest House Property	2,590	54	-	2,590	54
11.	Tujereng Sample House Property	8,838	184	-	8,838	184
12.	Brusubi Sample House Property	5,443	113	-	5,443	113
13.	Kanifing Market Property	9,183	191	-	9,183	191

	Description of the Investment Properties	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
14.	Kanifing School Property	3,116	65	-	3,116	65
15.	Lamin Makumbaya Land	30,000	625	-	30,000	625
16.	Kanifing Land	15,000	312	-	15,000	312
	Total	**950,431**	**19,795**	**-**	**950,431**	**19,795**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

Hotels

6.73 The table below sets out a summary of SSHFC's Hotel Investments as per the FPS, NPF, HFF and IICF Trial Balances as at December 31, 2017.

Table 105: Hotel Investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the investment	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Ocean Bay Hotel Property	520,759	10,847	-	520,759	10,847
2.	Sun Beach Hotel Property	211,814	4,412	-	211,814	4,412
	Total	**732,573**	**15,259**	**-**	**732,573**	**15,259**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.74 SSHFC leases the Ocean Bay Hotel and Resort and the Sun Beach Hotel to BP Investment Group FZE ('BPI'). We understand that the Government instructed SSHFC to purchase out of liquidation the entities that owned these two hotels as per an Executive Directive. We were unable to obtain a title deed to confirm the ownership of the land and buildings.

6.75 We understand that there is a legal matter pending between SSHFC and BPI in respect of these two hotels that have been placed in receivership (receiver, Augustus Prom) due to the Commission of Inquiry.

6.76 Management were unable to provide us with any documented support for the carrying values of these hotels (e.g., recent valuations and/or assessments of the returns earned by SSHFC). In view of the fact that the hotels are in receivership, the likelihood of impairment needs to be addressed by Management.

Commercial Offices

6.77 The table below sets out a summary of SSHFC's Commercial Office Investments as per the FPS, NPF, HFF and IICF Trial Balances as at December 31, 2017.

Table 106: Commercial Office Investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the investment	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	NTC Complex Property	100,300	2,089	-	100,300	2,089
2.	No.1 Cotton Street Building Property	10,374	216	-	10,374	216
3.	Old Law Court Property	11,153	232	-	11,153	232
	Total	**121,827**	**2,537**	**-**	**121,827**	**2,537**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.78 The NTC Complex is located within close proximity to the SSHFC Head Office and is also utilized by SSHFC as a storage facility. The rental income is obtained from various tenants (e.g., banks and merchants). SSHFC management explained that the tenants are in arrears in respect of rental payments.

6.79 SSHFC leases the No.1 Cotton Street Building to Bollore. Bollore has agreed to pay SSHFC an annual rental for the amount totaling GMD 1m (USD 22k), until 2020 as per the Tenancy Agreement between SSHFC and Bollore dated 29 September 2016.

6.80 We understand that the Old Law Court Property is currently not generating income and SSHFC management explained that the building on the land has been demolished and that the land will not be developed in order to generate rental income.

6.81 In view of these circumstances, the likelihood of impairment needs to be addressed by Management.

Housing

6.82 The table below sets out a summary of SSHFC's Housing Investments as per the FPS, NPF, HFF and IICF Trial Balances as at December 31, 2017.

Table 107: Housing Investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the Investment Properties	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	BHE Investment Property[222]	6,560	137	-	6,560	137
2.	Brusubi Apartment Building Property[223]	1,733	36	-	1,733	36
	Total	**8,293**	**173**	**-**	**8,293**	**173**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.83 BHE Investment is a housing estate developed by HFF within the Bakoteh area. We understand that mortgages were granted to beneficiaries in respect of the property[224].

[222] As per the HFF Financial Statements for the year ending December 31, 2016, the last revaluation for Bakoteh was performed during 2009.
[223] As per the HFF Financial Statements for the year ending December 31, 2016, the investment is carried at cost.
[224] Refer to paragraphs below detailing findings in respect of Mortgages.

6.84 The Brusubi Apartment Building is an Investment Property within the Brusubi Estate developed by the HFF. We understand that the apartment building consists of six apartments that are currently occupied by tenants.

Guest houses[225]

6.85 The table below sets out a summary of SSHFC's Guest House Investments as per the FPS, NPF, HFF and IICF Trial Balances as at December 31, 2017.

Table 108: Guest House Investments held by SSHFC as per the HFF Trial Balance for the year ending December 31, 2017

	Description of the Investment Properties	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Janjanbureh Guest House Property	8,268	172	-	8,268	172
2.	Mansakonko Guest House Property	5,300	110	-	5,300	110
3.	Basse Guest House Property	2,590	54	-	2,590	54
	Total	**16,158**	**336**	**-**	**16,158**	**336**

Source: HFF Trial Balance for the year ending December 31, 2017.

6.86 As per a letter dated January 19, 2019, from the Ministry of Finance and Economic Affairs, the SSHFC was to 'control and manage' all Government guest houses. The income, expenses and net profit/loss in respect of the Government guest houses, namely the Janjanbureh Guest House, Mansakonko Guest House, Basse Guest House and Kerewan Guest House are summarized in the table below.

Table 109: Guest House Investment Properties held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the Investment Properties	Investment Property		Rental Income		Expense		Profit/(Loss)	
		(GMD'000)	(USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Janjanbureh Guest House	8,268	172	539	12	410	9	129	3
2.	Mansakonko Guest House	5,300	110	197	4	291	6	(94)	(2)
3.	Basse Guest House	2,590	54	995	22	798	17	197	4
4.	Kerewan Guest House[226]	-	-	8	0.17	4.5	0.09	3.5	0.08

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.87 Furthermore, renovations to existing accommodations in every region as well as building new guest houses (if applicable), and charging a fee to customers including Government was required by SSHFC.

[225] As per the HFF Financial Statements for the year ending December 31, 2016, the properties are measures and carried at cost and are yet to be revalued.
[226] SSHFC has not accounted for the guest house as Investment Property.

6.88 We understand that the Government handed over the guest houses to SSHFC without requesting any payment for the guest houses nor for the land. The SSHFC management has explained to us that SSHFC is responsible for the infrastructure development on the land. SSHFC has capitalised the costs incurred for the renovation and/or improvement of the guest houses.

6.89 Rental income is the only source of income on these properties.

Janjanbureh Guest House

6.90 The total historical expenditure incurred in respect of Janjanbureh Guest House of GMD 8m (USD 172k) has been capitalized and comprises the carrying value for this property. We understand that this comprised the costs of infrastructure improvements at the site (but these costs are not being amortized).

6.91 We were unable to obtain the title deed for the Janjanbureh Guest House.

6.92 SSHFC recorded a net profit of only GMD 129k (USD 3k) for the year ending December 31, 2017 in respect of this guest house. The occupancy rate is normally 25% to 30%.

6.93 We noted that a total amount of GMD 11k (USD 235) relates to rental income not paid by Governors, Deputy Governors and their guests for occupying rooms at the Janjanbureh Guest House, and so has not been accounted for by SSHFC.

Mansakonko Guest House

6.94 The total historical expenditure incurred in respect of Mansakonko Guest House of GMD 5,3m (USD 110k) has been capitalized and comprises the carrying value for this property. We understand that this comprised the costs of infrastructure improvements at the site (but these costs are not being amortised).

6.95 We were unable to obtain the title deed for the Mansakonko Guest House.

6.96 SSHFC recorded a net loss of GMD 94k (USD 2k) for the year ending December 31, 2017 in respect of this guest house. The occupancy rate is normally 25% to 30%.

Basse Guest House

6.97 The total historical expenditure incurred in respect of the Basse Guest House of GMD 2,6m (USD 54k), has been capitalized and comprises the carrying value for this property. We understand that this comprised the costs of infrastructure improvements at the site (but these costs are not being amortised).

6.98 We were unable to obtain the title deed for the Basse Guest House.

6.99 SSHFC recorded a net profit of only GMD 197k (USD 4k) for the year ending December 31, 2017 in respect of this guest house. The occupancy rate is normally 50%.

Kerewan Guest House

6.100 The Kerewan Guest House was not disclosed as an Investment Property as per the HFF Balance Sheet as at December 31, 2017, but both rental income and expenses have been charged as per the SSHFC Consolidated Revenue Account. Management explained that funds were not invested to upgrade and/or maintain the Kerewan Guest House.

6.101 We were unable to obtain the title deed for the Kerewan Guest House.

6.102 SSHFC recorded a net profit of GMD 3.5k (USD 65) for the year ending December 31, 2017 in respect of this guest house.

6.103 We understand that SSHFC has requested the Ministry of Lands & Regional Governments to facilitate the processes of acquiring leases for these guest houses.

6.104 SSHFC has accounted for three of the four guest houses as Investment properties (i.e., without evidence of ownership). We noted that the rental income for the four above mentioned guest houses is incorrectly classified as 'Other income', as per the FPS, NPF, HFF and IICF Income Statements for the year ending December 31, 2017. Revenue generated from the guest houses should be treated as 'Rental income' as per the FPS, NPF, HFF and IICF Income Statements for the year ending December 31, 2017.

6.105 Upon our review of the SSHFC memo dated April 14, 2015, in respect of the '*Trek report on the guest* houses *accounts and handing over between the Basse and Mansakonko supervisors/cashiers',* we noted the following issues:

- SSHFC did not receive any payment from the guests of the Ministry of Health who occupied the guest rooms located at the Masakonko Guest House during the period March 15, 2015 to March 29, 2015. The charges for this period amounted to GMD 25k (USD 549), as per the Mansakonko Guest House receipt book (i.e., a receipt was issued without receiving money);

- Governors impose their guests and officials on the guest house supervisors to accommodate them without pay. This has an impact on the revenue that could be generated for the guest rooms. SSHFC does not account for these revenues which total GMD 34k (USD 740) for Basse guest house, GMD 111k (USD 2k) for Mansakonko guest house and GMD 11k (USD 235) for Janjanbureh guest house;

- Senior level government guests (e.g., Ministers) are usually accommodated gratis;

- The Deputy Governor permanently occupies one of the rooms located at the Basse Guest House. The Deputy Governor has failed to pay the discounted monthly rent of GMD 5k (USD 109) since December 2014;

- One governor only pays for the electricity at usually GMD 100 (USD 2) per night for guests and officials that occupy the guest rooms located at the Janjanbureh Guest House. The flat room fee is GMD 600 (USD 13) per night; and

- The guest house supervisors occupy guest rooms for living or office use. Various SSHFC employees occupy two guest rooms at the Basse Guest House, two guest rooms at the Janjanbureh Guest House and one in Mansakonko Guest House. In the event that the Basse Guest House would operate at full capacity, a total amount of GMD 438k (USD 10k) would be forfeited per annum. An additional amount of GMD 657k (USD 14k) would be forfeited per annum in respect of the Janjanbureh Guest House and the Mansakonko Guest House. Based on current occupancy rates, the rental forfeited is estimated at the amount of GMD 383k (USD 8k). However, in view of the fact that the occupancy rates are normally 50% or less, there is no real economic impact of these uncharged revenues.

6.106 In view of the fact that these guest houses are either loss making or earn minimal profits, the likelihood of impairment of the carrying value needs to be addressed by Management.

Demonstration Housing Models

6.107 The table below sets out a summary of SSHFC's Demonstration Housing Model Investments as per the FPS, NPF, HFF and IICF Trial Balances as at December 31, 2017.

Table 110: Demonstration Housing Model Investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the Investment Properties	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Tujereng Sample House Property[227]	8,838	184	-	8,838	184
2.	Brusubi Sample House Property[228]	5,443	113	-	5,443	113
	Total	**14,281**	**297**	**-**	**14,281**	**297**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.108 Both the Brusubi Sample House and the Tujereng Sample House are projects that were developed by HFF. They were initially built as demonstration models of the type of houses that could be purchased outright from the HFF. However, there was no market for this type of house. No further houses based on the initial design were built by the HFF. We obtained the title deeds for the Brusubi Sample House and for the Tujereng area.

6.109 We understand that SSHFC has been unable to obtain a buyer for the sample houses. SSHFC management has decided to make the sample house available for rental until the house is sold. However, no rental income has been earned in respect of the sample house since 2017.

6.110 In view of the failure to attract a buyer for these two assets or generate revenue from them, the likelihood of impairment needs to be addressed by Management.

Social amenities

6.111 The table below sets out a summary of SSHFC's Social Amenity Investments as per the FPS, NPF, HFF and IICF Trial Balances as at December 31, 2017.

[227] As per the HFF Financial Statements for the year ending December 31, 2016, the property is measured and carried at cost and yet to be revalued.
[228] As per the HFF Financial Statements for the year ending December 31, 2016, the property is measured and carried at cost.

Table 111: Social Amenity Investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the Investment Properties	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Kanifing Market Property[229]	9,183	191	-	9,183	191
2.	Kanifing School Property[230]	3,116	65	-	3,116	65
	Total	**12,299**	**256**	**-**	**12,299**	**256**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.112 The Kanifing Market is a market built within the Kanifing Estate developed by the HFF. SSHFC management's intention was to provide social amenities within the area and to generate rental income from merchants. We understand that the market is underutilized. The market was not considered for other housing projects undertaken by HFF.

6.113 We were unable to obtain a title deed as evidence that SSHFC owns the property where the Kanifing Market is located.

6.114 Kanifing School is a school also built within the Kanifing Estate developed by the HFF. SSHFC management's intention was to provide social amenities within the area and to generate rental income from the Kanifing School. We were unable to obtain a title deed as evidence that SSHFC owns the property where the Kanifing School is located.

6.115 In view of the fact that these two assets are underutilized, the likelihood of impairment needs to be addressed by Management.

Landbank

6.116 The table below sets out a summary of SSHFC's Lankbank Investments as per the FPS, NPF, HFF and IICF Trial Balances as at December 31, 2017.

Table 112: Landbank Investments held by SSHFC as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

	Description of the Investment Properties	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Lamin Makumbaya Land[231]	30,000	625	-	30,000	625
2.	Kanifing Land[232]	15,000	312	-	15,000	312
	Total	**45,000**	**937**	**-**	**45,000**	**937**

[229] As per the HFF Financial Statements for the year ending December 31, 2016, the last revaluation was performed during 2009.
[230] As per the HFF Financial Statements for the year ending December 31, 2016, the last revaluation was performed during 2009.
[231] As per the HFF Financial Statements for the year ending December 31, 2016, the property was initially recognized at cost, and yet to be revaluated.
[232] As per the HFF Financial Statements for the year ending December 31, 2016, the property was initially recognized at cost, and yet to be revaluated.

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.117 The Lamin Makumbaya Land is a plot of land in a joint venture with a local entrepreneur, Mr. Mam Sait Njie ('Mr. Njie'). In terms of the initial agreement, Mr. Njie would provide the land to SSHFC which was responsible for the infrastructure and development on the land. The plots of land would then be split between SSHFC and Mr. Njie, with SSHFC entitled to 70% of the plots and Mr. Njie would be entitled to 30% of the plots. A subsequent agreement between SSHFC and Mr. Njie made provision for SSHFC to purchase a total number of 300 plots from Mr. Njie for an amount totaling GMD 30m (USD 625k). We understand that Mr. Njie was found guilty of an economic crime and sentenced to pay fines for a total amount of GMD 4,5m (USD 94k)[233] and was ordered to serve a term of nine years in prison for failing to pay the capital gains tax accruing on the sale of 300 plots of land. Mr. Njie was later pardoned[234], however due to the political influence, the building of the infrastructure did not commence.

6.118 We were unable to determine whether the 300 plots of land were effectively acquired by SSHFC. We were unable to obtain title deeds as evidence that SSHFC owns the plots of land.

6.119 SSHFC management has explained to us that the land surrounding the 300 plots are subject to various encroachments. Consequently, SSHFC has not been able to access the plots of land for over 10 years. We understand that their value may have been inflated at the time of the initial agreement between SSHFC and Mr. Njie. We also understand that Mr. Njie has recently been in contact with SSHFC to reinstate the joint venture, however, the SSHFC management has indicated that they are no longer interested in the joint venture.

6.120 SSHFC was directed by an Executive Directive to purchase land located in Kanifing (i.e., a plot of land). SSHFC was required to assist the Government with funding gaps. We understand that the land is located in an industrial area and is highly encroached upon.

6.121 In view of the circumstances surrounding both of these land holdings, the likelihood of impairment needs to be addressed by Management.

Recommendations

6.122 We recommend that SSHFC compiles title deeds or other proof of ownership for all properties which SSHFC records as assets.

6.123 We recommend that Management consider disposing of the guest houses as they are generating minimal income.

6.124 We recommend that SSHFC develops and implements an accounting policy for the revaluation of investment properties, including but not limited to, defining the frequency of revaluations and impairment reviews.

6.125 We recommend that Management performs an impairment review in respect of all the above-mentioned Investment Properties in view of the fact that there is a likelihood of impairment identified in respect of almost all of them to ensure an accurate representation of investments as per the SSHFC Consolidated Balance Sheet at year end.

[233] Source: http://allafrica.com/stories/201203280944.html.

[234] Source: http://thepoint.gm/africa/gambia/article/jammeh-pardons-mam-sait-njie.

Trade and Other Receivables

6.126 Trade and Other Receivables represent 16% of the total asset value on the SSHFC Consolidated Balance Sheet for the year ending December 31, 2017. The table below sets out the Trade and Other Receivables balance as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

Table 113: Trade and Other Receivables as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017

Trade and Other Receivables category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Contributions receivable								
Contributions receivable	145,181	3,314	162,331	4,047	114,499	2,616	128,347	2,673
Contributions (unpaid check) receivable	-	-	-	-	-	-	43	0.886
Provision for contribution arrears	(48,172)	(1,100)	(48,172)	(1,201)	(48,172)	(1,101)	(48,172)	(1,003)
Dividend receivable	22,225	507	22,990	573	8,060	184	8,060	168
Rental income	2,947	67	3,672	92	5,106	117	6,269	131
Loans								
Staff Loans	96,892	2,212	106,842	2,664	127,972	2,924	130,806	2,725
Provision for Ex Staff Loans	(2,379)	(54)	(2,379)	(59)	(7,262)	(166)	(7,262)	(151)
Student Loan	1,141	26	1,216	30	1,213	28	1,203	25
Staff Club Loan	1,500	34	1,500	37	2,900	66	2,497	52
Interfund accounts								
Interfund current account – FPS/NPF/HFF/IICF	255,187	5,826	281,056	7,007	315,814	7,216	356,975	7,436
Sundry Debtors								
Sundry Debtors (Receivables)	107,725	2,459	174,152	4,342	37,571	858	26,197	546
Prepayments								
Prepayments	2,655	61	3,364	84	774	18	-	-
Withholding Tax								
General Suspense (Withholding Tax)	-	-	-	-	-	-	788	16
Other Receivables								
HFF GAM, Govt, AU Villas	7,830	179	-	-	-	-	-	-

Trade and Other Receivables category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Costs regarding Kanilai Village	101,475	2,317	101,475	2,530	101,475	2,319	101,475	2,114

Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

6.127 As is evident from the above table, the largest balance with Trade and Other Receivables is the Interfund Current Account. As these are balances between FPS, NPF, HFF and IICF wholly within SSHFC, there is an equivalent off-setting balance within Trade and Other Payables. Thus the most significant balances with third parties are Contributions Receivable and Staff Loans.

Interfund current accounts

6.128 In accordance with the SSHFC Act (i.e., Section 25), Management maintains separate General Ledger (and bank accounts) for each of the funds. Those Funds that have a recoverable balance from other Funds are disclosed within Trade and Other Receivables (and comprise about 50% of the total Trade and Other Receivables as at December 31, 2017 (GMD 357m, USD 7.4m)), and those Funds that have a payable balance to other Funds are disclosed within Trade and Other Payables (and comprise about 89% of the Total Trade and Other Payables as at December 31, 2017) (GMD 357m, USD 7.4m). The combined balances at any point in time should offset each other (i.e., result in a net nil position). The balances as at December 31, 2017 were as follows:

Table 114: Interfund current account balances as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017

Description	FPS (GMD'000)	NPF (GMD'000)	HFF (GMD'000)	IICF (GMD'000)
INTERFUND C/A FPS/NPF	79,313	-	-	-
INTERFUND C/A FPS/IICF	54,193	-	-	-
INTERFUND C/A FPS/HFF	220,278	-	-	-
INTERFUND C/A NPF/FPS	-	(79,313)	-	-
INTERFUND C/A NPF/IICF	-	(34,986)	-	-
INTERFUND C/A NPF/HFF	-	66,162	-	-
INTERFUND C/A IICF/FPS	-	-	-	(54,193)
INTERFUND C/A IICF/NPF	-	-	-	34,991
INTERFUND C/A IICF/HFF	-	-	-	13,518
HFF/FPS CURRENT ACCOUNT	-	-	(220,278)	-
HFF/NPF CURRENT ACCOUNT	-	-	(66,157)	-
HFF/IICF CURRENT ACCOUNT	-	-	(13,518)	-
INTERFUND LOAN NPF/FPS	-	24,124	-	-

Description	FPS (GMD'000)	NPF (GMD'000)	HFF (GMD'000)	IICF (GMD'000)
INTERFUND LOANS FPS/NPF	(24,124)	-	-	-
INTERFUND LOAN NPF/HFF	-	54,658	-	-
INTERFUND LOAN HFF/NPF	-	-	(54,658)	-
INTERFUND LOANS FPS/HFF	-	-	-	-
INTERFUND LOAN HFF/FPS	-	-	-	-
INTERFUND LOAN IICF/HFF	-	-	-	2,353
INTERFUND LOAN HFF/IICF	-	-	(2,353)	-
Total	**329,660**	**30,645**	**(356,964)**	**(3,331)**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.129 From the above table it is evident that there is in fact a difference between the Fund balances of GMD 10k (USD 208), rather than a net nil position. Whilst, this net difference is not material, the reconciliation is required in order to establish that the difference is not the net result of several more significant differences.

6.130 On a day-to-day basis, FPS, NPF, HFF and IICF is charged with expenditure, which specifically relates to it. Other recurrent expenditure that is not specific to one fund, is initially carried by FPS. The recurrent expenses are subsequently apportioned to FPS, NPF, HFF and IICF in the ratio 32:36:20:12 respectively by way of charges to the relevant Interfund current accounts.

6.131 We understand that the FPS, NPF, HFF and/or IICF would arrange for a transfer of funds when additional funds are required by either FPS, NPF, HFF and/or IICF. The amount transferred would be set off against the Interfund current account balance owing to either FPS, NPF, HFF and/or IICF.

6.132 We compared the balance of the Interfund current accounts for FPS, NPF, HFF and IICF for the period 2014 to 2017. We noted that there are year on year increases in the balance of the Interfund current accounts are not being settled on a frequent basis. If Management's ongoing practice is not to settle these balances within the year, then their disclosure should be as non-current assets/ liabilities rather than current assets/ liabilities.

6.133 Various Interfund current payable balances totaling GMD 193m (USD 4m) are also included in the Trade and Other Receivables balance as per the Balance Sheet for the year ending December 31, 2017.

Recommendation

6.134 SSHFC should determine why the Interfund receivable and payable balances as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017 do not net off to zero. Furthermore, SSHFC should determine whether the Interfund receivable and payable balances will be repaid within each year and if not the balances that will not be settled within the next 12 months should be reclassified as non-current assets/ liabilities.

Contributions receivable

6.135 FPS is a defined benefit pension scheme which mainly provides benefits for the employees of the public sector, and is optional for other private sector entities. NPF is a defined contribution fund that provides funding of savings scheme to its members. The NPF collects compulsory contributions from the private sector employees and employers towards the retirement savings of all the employees registered with the NPF. The IICF collects compulsory contributions from the all businesses. SSHFC is responsible for managing the FPS and NPF on behalf of its members, in accordance with the SSHFC Act and the IICCF in accordance with the Injuries Compensation Act 13 of 1990.

Contributions in Arrears

6.136 The Operations department maintains a schedule of contributions that are in arrears, either from institutions and/or individuals who are responsible for paying contributions to the FPS, NPF and IICF. Prior to April 2018 (i.e., subsequent to the period in scope for our review), the schedule tracked the number of months for which the contribution payments were outstanding. Subsequently, the schedule is updated with the payments made by the institutions and/or individuals. To maintain this schedule the Operations department obtains data from other employees in the Operations department which is responsible for the recordkeeping of contributions paid.

6.137 We obtained two versions of the file entitled 'DECEMBER' 2017 ARREAR SCHEDULE.xlsx' ('Arrear Schedule') from the Operations department. We noted that the total contributions in arrears for FPS, NPF and IICF, as per the first Arrear Schedule, did not correspond to the total amount of contributions receivable for the FPS (GMD 3m (USD 63k)), NPF (GMD 22m (USD 466k)) and IICF (GMD 5m (USD 95k)) Trial Balances for the year ending December 31, 2017. However, the total contributions in arrears for FPS, NPF and IICF, as per the second Arrear Schedule, corresponded to the total amount of Contributions receivable as per the FPS, NPF, and IICF Trial Balances for the year ending December 31, 2017. We noted that the totals, as per the second arrear schedule, corresponded to the journal entries raised by the Finance department for the December 31, 2017 year end, i.e., it appears that the general ledger has simply been adjusted to agree with the arrears schedule.

6.138 The table below sets out the 10 highest institutions with FPS contributions in arrears as per the Arrear Schedule as at December 31, 2017.

Table 115: Top 10 highest institutions with FPS contributions in arrears as per the Arrear Schedule as at December 31, 2017

	0-30 days (GMD'000)	30-60 days (GMD'000)	60-90 days (GMD'000)	90-120 days (GMD'000)	120+ days (GMD'000)
National Planning Commission	-	-	-	-	3,568
Gambia International Airlines	-	-	-	1,732	-
NAWEC	-	1,673	-	-	-
Gambia Civil Aviation Authority	-	786	-	-	-
Gambia Printing and Publishing Cooperation	-	-	-	-	521
Gambia National Petroleum Company	-	-	521	-	-
Senegalese High Commission	-	-	-	-	458
National Environment Agency	-	-	353	-	-
GIEPA	-	-		312	-

	0-30 days (GMD'000)	30-60 days (GMD'000)	60-90 days (GMD'000)	90-120 days (GMD'000)	120+ days (GMD'000)
West African Examinations Council	-	221	-	-	-
GMD total	**-**	**2,680**	**874**	**2,044**	**4,547**
USD total	**-**	**56**	**18**	**43**	**95**
% of total AR balance	**-**	**26%**	**9%**	**20%**	**45%**

Source: SSHFC Arrear Schedule.

6.139 The table below sets out the 10 highest institutions with NPF contributions in arrears as per the Arrear Schedule as at December 31, 2017.

Table 116: Top 10 highest institutions with NPF contributions in arrears as per the Arrear Schedule as at December 31, 2017

	0-30 days (GMD'000)	30-60 days (GMD'000)	60-90 days (GMD'000)	90-120 days (GMD'000)	120+ days (GMD'000)
Rising Sun Bar & Restaurant	-	-	-	-	5,692
Gambia Transport Service Company	-	-	-	-	2,111
Pristine Consulting Ltd.	-	-	-	-	1,996
Arezkissa	-	-	-	-	1,833
Arik Air Ltd	-	-	-	-	1,214
Uncle Sam International Security	-	-	-	-	1,144
Daily Observer Co.	-	-	-	-	1,044
G.P.A (Dock Workers)	-	-	939	-	-
School of Catering, Hotel Management, Fashion & Design	-	-	-	-	901
Dabanani Electrical Enterprise	-	-	-	-	817
GMD total	**-**	**-**	**939**	**-**	**16,752**
USD total	**-**	**-**	**20**	**-**	**349**
% of total AR balance	**-**	**-**	**5%**	**-**	**95%**

Source: SSHFC Arrear Schedule.

6.140 The table below sets out the 10 highest institutions with IICF contributions in arrears as per the Arrear Schedule as at December 31, 2017.

Table 117: Top 10 highest institutions with IICF contributions in arrears as at December 31, 2017

	0-30 days (GMD'000)	30-60 days (GMD'000)	60-90 days (GMD'000)	90-120 days (GMD'000)	120+ days (GMD'000)
The Gambia Government	-	-	-	-	5,500
Gambia Revenue Authority	-	-	-	-	3,798
Kanifing Municipal Council	-	-	-	-	410
Kanifing Municipal Council	-	-	-	-	342
Arezkissa	-	-	-	-	241
Coco Ocean	-	-	-	-	208
Uncle Sam International Security	-	-	-	-	68
Tri-Star Company Ltd	-	-	-	-	45
Gambia Transport Service Company	-	-	-	-	45
Tallinding Kunjang Islamic Institute	-	-	-	-	43
GMD total	**-**	**-**	**-**	**-**	**10,701**
USD total	**-**	**-**	**-**	**-**	**223**
% of total AR balance	**-**	**-**	**-**	**-**	**100%**

Source: SSHFC Arrear Schedule.

6.141 We also noted that the Arrear Schedule includes a calculation of contributions in arrears, in respect of dormant and closed institutions, specifically NPF contributions totaling GMD 18m (USD 370k) and IICF contributions totaling GMD 296k (USD 6k) were outstanding for dormant institutions. NPF contributions totaling GMD 71m (USD 1.5m) and IICF contributions totaling GMD 3m (USD 68k) were outstanding for closed institutions. We understand that the Arrear Schedule is used by the inspectors to identify the institutions with arrear contributions. The inspectors attend at the premises of the institutions and/or individuals and follow up on the outstanding contributions.

6.142 The SSHFC management explained to us that action would be taken to recover the arrear contributions from institutions and/or individuals that can be located in The Gambia. If the institutions and/or individuals which owes SSHFC contributions are untraceable (i.e., unable to locate representatives of the institution and/or individuals within The Gambia), no further action is taken. There is a risk that the contributions in arrears were not correctly calculated and/or a provision was not made for arrear contributions that SSHFC would be unable to recover.

6.143 Management were unable to provide us with reconciliations of the number of members (employers and employees) registered with FPS, NPF and/ or IICF movement in the number of members and contributions received and in arrears. It is therefore unclear to as if SSHFC has sufficiently detailed records to track contributions paid and in arrears per fund.

Provision for Contributions in Arrears

6.144 The table below sets out the balance for the Provision for Contributions in Arrears as at December 31, 2017.

Table 118: Summary of Provision for Contributions in Arrears

Description	FPS (GMD'000)	NPF (GMD'000)	IICF (GMD'000)	Total (GMD'000)	Total (USD'000)
Provision for Contributions in Arrears	11,907	21,219	15,046	48,172	1,003

Source: FPS, NPF and IICF Trial Balances for the year ending December 31, 2017.

6.145 We noted that there was no movement in the FPS 'Provision for Contributions in Arrears' balance at year end for the period 2012 to 2017, understanding that this liability has not been recently reassessed. We also noted that there was no movement in the NPF and IICF 'Provision for Contributions in Arrears' balances at year end for the period 2011 to 2017, understanding that this liability has also not been recently reassessed.

Recommendations

6.146 As it has not been part of our scope of work to perform any actuarial review of FPS, NPF and IICF, we have not needed to address with Management its policy for dealing with contribution arrears beyond the financial accounting e.g., the impact of contribution arrears on future benefit entitlement.

6.147 We recommend that SSHFC maintains a listing per fund of all arrear contributions from institutions and/or individuals (e.g., reconciliation between the number of members (employers and employees) registered with FPS, NPF and/ or IICF versus contributions received, movement in the number of members (employers and employees).

6.148 The outstanding balances should be monitored on a monthly basis to ensure that appropriate action is taken in respect of the institutions and/or individuals who have contributions in arrears.

6.149 We recommend that the SSHFC management performs a valuation in respect of FPS, NPF and IICF in order to determine whether any adjustment should be made to the 'Provision for Contributions in Arrears' general ledger account. There is a risk that the account is either overstated or understated as per the SSHFC Consolidated Balance Sheet as at December 31, 2017.

Loans to Member Institutions

6.150 Loans to Member Institutions totaled GMD 261.3m (USD 5.4m) some 6% of the total Asset balance as per the SSHFC Consolidated Balance Sheet as at December 31, 2017. The total Loans to Member Institutions reflected in SSHFC's books, including those provided against, may be set at as follows:

Table 119: Summary of Loans to Member Institutions for the year ending December 31, 2017

SOE	Description	FPS (GMD'000)	NPF (GMD'000)	IICF (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
NAWEC	NPF LOAN TO NAWEC (ITFC/ISDB)	-	821,501	-	(821,501)	-	-
NAWEC	NPF LOAN TO NAWEC	-	78,814	-	-	78,814	1,642

SOE	Description	FPS (GMD'000)	NPF (GMD'000)	IICF (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
NAWEC	NPF NAWEC GENERATOR (BOT)	-	74,517	-	(74,517)	-	-
Gambia Government	NPF LOAN TO GAM.GOV'T	-	152,611	-	(152,611)	-	-
Gambia Government	IICF LOAN TO GAM. GOVT/(OP)	-	141,573	-	(141,573)	-	-
Gambia Government	LOAN TO GAM. GOVT. (LC2012/008 JOHN DEERE)	52,226	4,866	-	(57,092)		-
Gambia Government	IICF LOAN TO GAM. GOVT/(GPTC)	-	-	15,000	(15,000)	-	-
Gambia Government	LOAN TO GAM. GOVT. (POLICE LINE BARRACKS	675	2,125	-	(2,800)	-	-
GCAA[235]	GCAA (FIRE TENDERS & AMBULANCE)	-	100,543	-	(100,543)	-	-
GCAA	IICF LOAN TO GCAA	-	-	35,250	(35,250)	-	-
GGC	NPF LOAN TO GGC	-	92,995	69,000	(161,995)	-	-
GGC	GGC LOAN GUARANTEE	-	19,720	-	(19,720)	-	-
GAMCEL	NPF LT LOAN: GAMCEL	-	87,712	-	-	87,712	1,827
GPA	NPF LOAN TO GPA	-	58,867	-	-	58,867	1,226
GRTS[236]	NPF LOAN (GAURANTEE) GRTS	-	46,950	-	(46,950)	-	-
GTSC	FPS LOAN TO GTSC	32,856	-	-	-	32,856	684
GIA[237]	LOAN TO GIA	16,253	-	-	(16,253)	-	-
GFFI	FPS CURRENT LOAN:GFFI	1,702	-	-	-	1,702	35
GFFI	NPF CURR. LOAN GFFI[238]	-	1,309	-	-	1,309	27

[235] Gambia Civil Aviation Authority.
[236] Gambia Radio and Television Services.
[237] Gambia International Airlines Limited.
[238] Balance is GMD 1,307.00 as per the NPF Trial Balance for the year ending December 31, 2017.

SOE	Description	FPS (GMD'000)	NPF (GMD'000)	IICF (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
GFPA[239]	LOAN TO GFPA	27[240]	-	-	(27)[241]	-	-
Total		**103,739**	**1,684,101**	**119,250**	**(1,645,830)**	**261,260**	**5,442**

Source: FPS, NPF and IICF Trial Balances for the year ending December 31, 2017 and FPS, NPF and IICF Financial Statements for the year ending December 31, 2017.

6.151 As is evident from the above table:

► SSHFC has extended 23 loans an all categorized as Loans to Member Institutions.

► 17 loans totaling GMD 1,6b (USD 34m), have been fully impaired. To the extent that these loans are indeed no longer recoverable, the total amount represents a significant diminution in the net assets of SSHFC.

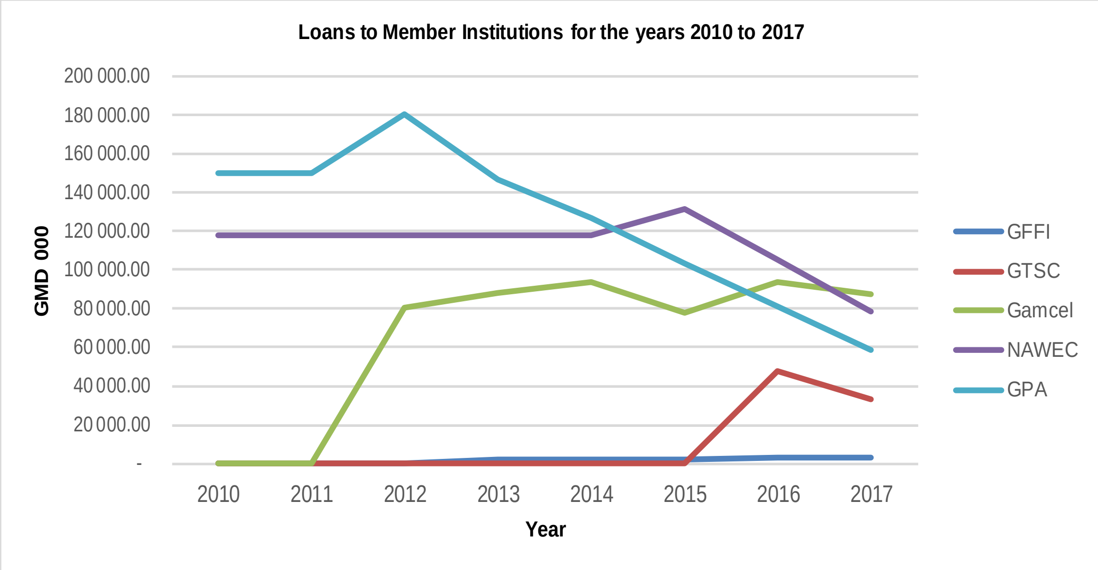
► 6 loans are considered by Management to still be performing comprise the total of GMD 261.3m (USD 5.4m) in the Consolidated Balance Sheet. We comment on these loans below.

6.152 From our work on other SOEs it is evident that the loan balances as recorded by the counterparties (as owing to SSHFC) seldom agree to these recorded by SSHFC, and tend to be significantly different. In order to ensure that all the SOEs are reflecting the correct loan balances with SSHFC and vice versa a full reconciliation exercise is required.

6.153 The chart below demonstrates the outstanding balances excluding accrued interest, of each of the abovementioned six performing Loans to Member Institutions per the relevant repayment schedules over recent years.

239 Gambia Family Planning Association.
240 Balance is GMD 0.00 as per the FPS Trial Balance for the year ending December 31, 2017.
241 Balance is GMD 0.00 as per the FPS Trial Balance for the year ending December 31, 2017.

Figure 40: Loans to Member Institutions for the years 2010 to 2017



Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017, FPS Loan Repayment Schedule for the year ending December 31, 2017 and NPF Loan Repayment Schedule for the year ending December 31, 2017.

6.154 The table below sets out the total loan repayments in respect of Loans to Member Institutions as per the FPS Loan Repayment Schedules.

Table 120: Summary of loan repayments for FPS for the year ending December 31, 2017

SOE	Description	Opening balance (GMD'000)	Repayments (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
Gambia Government[242]	LOAN TO GAM. GOVT. (LC2012/008 JOHN DEERE)	52,226	-	(52,226)		-
Gambia Government[243]	LOAN TO GAM. GOVT. (POLICE LINE BARRACKS	675	-	(675)	-	-
GTSC[244]	FPS LOAN TO GTSC	47,459	(14,603)	-	32,856	684
GIA[245]	LOAN TO GIA	16,253	-	(16,253)	-	-
GFFI[246]	FPS CURRENT LOAN:GFFI	1,702	-	-	1,702	35

[242] As per the FPS Financial Statements for the year ending December 31, 2017, SSHFC incurred expenditure on behalf of the Gambia Government with regard to improvements at the Police Barracks. The Gambia Government issued a directive to SSHFC. There is no repayment schedule or agreement and the loan carries no interest.
[243] As per the FPS Financial Statements for the year ending December 31, 2017, SSHFC was directed in terms of a Government directive to grant a loan to the Gambia Government. There is no repayment schedule or agreement and the loan carries no interest.
[244] As per the FPS Financial Statements for the year ending December 31, 2017, during March 2017, SSHFC granted a loan for an amount totalling GMD 65,712 to GTSC at an interest rate of 17%. The loan is repayable over a period of 36 months.
[245] As per the FPS Financial Statements for the year ending December 31, 2017, during 2006, SSHFC granted a loan to GIA at an interest rate of 15% for 30 months. However, the loan was restructured in July 2014 over a period of 5 years at an interest rate of 1%.
[246] As per the FPS Financial Statements for the year ending December 31, 2017, GFFI is a venture gone into by the Government to invest in the food and feed industry. The shareholders, SSHFC, GPA and GNPC agreed to carry the

SOE	Description	Opening balance (GMD'000)	Repayments (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
GFPA[247]	LOAN TO GFPA	27[248]	-	(27)[249]	-	-
Total		**118,342**	**(14,603)**	**(69,181)**	**(34,558)**	**719**

Source: FPS Trial Balance for the year ending December 31, 2016 and FPS Loan Repayment Schedules for the year ending December 31, 2017.

6.155 The table below sets out the total loan repayments in respect of Loans to Member Institutions as per the NPF Loans Repayment Schedules.

Table 121: Summary of loan repayments for NPF for the year ending December 31, 2017

SOE	Description	Opening balance (GMD'000)	Repayments/ additional loan (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
NAWEC[250]	NPF LOAN TO NAWEC (ITFC/ISDB)	821,501	-	(821,501)	-	-
NAWEC[251]	NPF LOAN TO NAWEC	105,392	(26,578)	-	78,814	1,642
NAWEC[252]	NPF NAWEC GENERATOR (BOT)	74,517	-	(74,517)	-	-
Gambia Government[253]	NPF LOAN TO GAM.GOV'T	152,611	-	(152,611)	-	-
Gambia Government[254]	IICF LOAN TO GAM. GOVT/(OP)	141,573	-	(141,573)	-	-
Gambia Government[255]	LOAN TO GAM. GOVT.	4,866	-	(4,866)		-

expenditures for the operation of GFFI. There is no repayment schedule or agreement and the loan carries no interest.

[247] As per the FPS Financial Statements for the year ending December 31, 2017, during 2002, SSHFC granted a loan to GFPA.

[248] Balance is GMD 0.00 as per the FPS Trial Balance for the year ending December 31, 2017.

[249] Balance is GMD 0.00 as per the FPS Trial Balance for the year ending December 31, 2017.

[250] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC settled loan repayments on behalf of NAWEC to the Islamic Trade Finance Corporation in which NAWEC did not meet up with repayment obligations. The Gambia Government issued a directive to SSHFC in respect of the guarantees. There is no repayment schedule or agreement and the loan carries no interest.

[251] As per the NPF Financial Statements for the year ending December 31, 2017, during the last quarter of 2007, SSHFC granted a loan to NAWEC for an amount totalling GMD 188m, at an interest rate of 17% per annum and repayable over four years from December 2008.

[252] As per the NPF Financial Statements for the year ending December 31, 2017, during 2010, SSHFC and the Gambia Government signed an engineering Procurement Construction ('EPC') in respect of an agreement for the installation, testing and commission of two existing HFO-fired generators at the Brikama Power Plant. There is no repayment schedule or agreement and the loan carries no interest.

[253] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC granted loans to the Gambia Government in respect of partial calls of guarantee in respect of loans taken by GAMTEL, Gamco and GRTS at Trust Bank which SSHFC guaranteed. The balance also relates to other loans taken by the government. The Gambia Government issued a directive to SSHFC in respect of the loans and guarantees. There is no repayment schedule or agreement and the loan carries no interest.

[254] As per the NPF Financial Statements for the year ending December 31, 2017, during the first quarter of 2010, SSHFC granted a loan to the Gambia Government for an amount totalling GMD 41.8m. During March 2011, SSHFC granted an additional amount totalling USD 1m. During June 2011 and August 2011, SSHFC granted additional amounts totalling USD 0.2m and GMD 6.4m, respectively. There are no repayment schedules or agreements. These loans carry no interest.

[255] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC granted loans to the Gambia Government. The Gambia Government issued a directive to SSHFC to settle the LC with regard to the John

SOE	Description	Opening balance (GMD'000)	Repayments/ additional loan (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
	(LC2012/008 JOHN DEERE)					
Gambia Government[256]	LOAN TO GAM. GOVT. (POLICE LINE BARRACKS	2,125	-	(2,125)	-	-
GCAA[257]	GCCA (FIRE TENDERS & AMBULANCE)	100,543	-	(100,543)	-	-
GGC[258]	NPF LOAN TO GGC	92,995	-	(92,995)	-	-
GGC[259]	GGC LOAN GUARANTEE	19,720	-	(19,720)	-	-
GAMCEL[260]	NPF LT LOAN: GAMCEL	93,446	(5,734)	-	87,712	1,827
GPA[261]	NPF LOAN TO GPA	81,367	(22,500)	-	58,867	1,226
GRTS[262]	NPF LOAN (GAURANTEE) GRTS	46,950	-	(46,950)	-	-
GFFI[263]	NPF CURR. LOAN GFFI	1,309	-	-	1,309	27
Total		**1,738,915**	**(54,812)**	**(1,457,401)**	**226,702**	**4,722**

Source: NPF Trial Balance for the year ending December 31, 2016 and NPF Loans Repayment Schedules for the year ending December 31, 2017.

6.156 The table below sets out the total loan repayments in respect of Loans to Member Institutions as per the IICF Loans Repayment Schedules.

Deere agricultural machinery ordered to boost the Agricultural Sector. There is no repayment schedule or agreement and the loan carries no interest.

[256] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC incurred expenditure on behalf of the Gambia Government with regard to improvements at the Police Barracks. The Gambia Government issued a directive to SSHFC. There is no repayment schedule or agreement and the loan carries no interest.

[257] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC was given a directive by the Government to finance the purchase of Fire Tenders and Ambulances for Banjul International Airport. There are no repayment schedules or agreements. These loans carry no interest.

[258] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC was given a directive to act as guarantee to GGC as collateral in the event of default in their loans. GGC defaulted and SSHFC had to settle the loan and capture it as a loan to GGC. There are no repayment schedules or agreements. These loans carry no interest.

[259] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC was given a directive to act as guarantee to GGC as collateral in the event of default in their loans. GGC defaulted and SSHFC had to settle the loan and capture it as a loan to GGC. There are no repayment schedules or agreements. These loans carry no interest.

[260] As per the NPF Financial Statements for the year ending December 31, 2017, SSHFC was given a directive to grant GAMCEL a loan to upgrade their Internet Facility.

[261] As per the NPF Financial Statements for the year ending December 31, 2017, during second quarter of 2010, SSHFC granted a loan to GPA for an amount totalling GMD 150m at an interest rate of 12% with a grace period of two years.

[262] As per the NPF Financial Statements for the year ending December 31, 2017, the loan to GTRS is in respect of a guarantee SSHFC made in respect of a loan granted by Trust Bank Limited ('Trust Bank') to GTRS. Trust Bank debited SSHFC's account when GTRS failed to meet the repayment obligations. SSHFC classified the amount as a loan to GRTS. There is no repayment schedule or agreement and the loan carries no interest.

[263] As per the NPF Financial Statements for the year ending December 31, 2017, GFFI is a venture gone into by the Government to invest in the food and feed industry. The shareholders, SSHFC, GPA and GNPC agreed to carry the expenditures for the operation of GFFI. There is no repayment schedule or agreement and the loan carries no interest.

Table 122: Summary of loan repayments for IICF for the year ending December 31, 2017

SOE	Description	Opening balance (GMD'000)	Repayments (GMD'000)	Provision for impairment (GMD'000)	Total (GMD'000)	Total (USD'000)
GGC[264]	NPF LOAN TO GGC	69,000	-	(69,000)	-	-
GCCA[265]	IICF LOAN TO GCAA	35,520	-	(35,250)	-	-
Gambia Government[266]	IICF LOAN TO GAM. GOVT/(GPTC)	15,000	-	(15,000)	-	-
Total		**119,250**	**-**	**(119,250)**	**-**	**-**

Source: IICF Trial Balance for the year ending December 31, 2016 and IICF Loans Repayment Schedules for the year ending December 31, 2017.

NAWEC

6.157 During October 2007, a loan was granted to NAWEC to assist with the purchasing of two 6.5 Mega Watt Deutz Generating Sets. In terms of the loan agreement, the repayment of the loan would be made in equal instalments over a period of four years. SSHFC would charge an interest rate of 17% per annum. Failure to make a repayment would accrue interest at a rate equal to 20% per annum. We understand that NAWEC defaulted on this loan. During July 2016, the original loan agreement was replaced and a new loan agreement made provision for 50% of the outstanding interest to be waived. The interest rate for the outstanding loan balance was reduced to 2%. Furthermore, the outstanding loan balance would be set off against the water and electricity invoices issued by NAWEC to SSHFC until the outstanding loan balance (i.e., principal and finance charges) is settled.

GGC guarantee

6.158 During February 2018, SSHFC instituted action against the National Food Security Processing and Marketing Corporation (successors of the GGC) for the amount of GMD 204m[267] (USD 4.2m). SSHFC instituted a claim in respect of the funds paid by SSHFC on behalf of GGC upon instruction of the Minister of Finance. The Minister of Finance had instructed SSHFC to provide guarantees for bank loans and overdrafts held by GGC with Trust Bank, Ecobank and BSIC. We noted that SSHFC has accounted for the funds paid on behalf of GGC as two loans with balances of GMD 19.7m (USD 411k) and GMD 162m (USD 3.4m) as per the SSHFC Consolidated Balance Sheet as at December 31, 2017.

GAMCEL

6.159 During January 2013, a loan was granted to GAMCEL through an Executive Directive. The purpose of the loan was to allow GAMCEL to purchase and install a 3G network to serve The Gambia for a period of at least five years. Equal instalments were to be paid over a period of 60 months. SSHFC would charge an interest rate of 15% per annum. We noted that the outstanding GAMCEL loan balance has not been settled as required by the loan agreement.

[264] As per the IICF Financial Statements for the year ending December 31, 2017, SSHFC was given a directive to act as guarantee to GGC as collateral in the event of default in their loans. GGC defaulted and SSHFC had to settle the loan and capture it as a loan to GGC. There are no repayment schedules or agreements. These loans carry no interest.

[265] As per the IICF Financial Statements for the year ending December 31, 2017, the loan was issued to GCAA in 2012 for lighting and pavement works contract at an interest rate of 12% for a period of 24 months.

[266] As per IICF Loans Repayment Schedules, on 28 September 2012 a loan was granted to Gambia Government with the description 'TBL IRO MRI PRESIDENTIAL PROJECT'.

[267] We noted a difference of GMD 8m (USD 167k) between the amounts of the guarantees provided in comparison to the amount claimed from SSHFC. As per discussion with SSHFC management, GGC had repaid the GMD 8m (USD 167k) to SSHFC.

GPA

6.160 During May 2010, SSHFC granted a loan to GPA to facilitate a portion of the financing of 2 ferries. In terms of the loan agreement, repayment of the loan would be made in 10 equal semi-annual instalments commencing May 2012. SSHFC would charge an interest rate of 12% per annum. Failure to make a repayment would accrue interest at an additional rate of 5% per annum. We understand that SSHFC has accounted for repayments of the loan balance outstanding, however the loan repayments are not in accordance with the loan agreement.

GTSC

6.161 SSHFC has a 100% equity shareholding in GTSC. The loan agreement between SSHFC and GTSC indicates that the purpose of the loan was to fund the purchase of 15 buses to be utilized in GTSC's operations. The loan agreement between SSHFC and GTSC also states that the loan was granted during February 2016, for a period of 36 months. The repayments were planned to commence mid-March 2016 over a period of 36 months. We noted that the principle rate on the loan is 17% per annum. We understand that any payments failed to be made within in 10 days of the due date would earn an additional interest charge at 3% per annum, on the defaulted amount. The GTSC loan repayment schedule reflects that only eight repayments were made during 2017. Therefore, GTSC is in arrears with the loan repayments.

GFFI

6.162 SSHFC provided funds to the GFFI as the entity was unable to settle its day-to-day expenses. SSHFC has treated this transaction as a loan, however, we were unable to obtain a loan agreement. We understand that no interest is accrued on the capital balance of the loan to GFFI. We were unable to ascertain whether any loan repayments were made by GFFI.

Recommendation

6.163 SSHFC should review all loans granted to SOEs, the Government and other SOEs for potential impairment in accordance with the financial reporting framework. The loans granted to SOEs, the Government and other SOEs should not be carried at more than the estimated recoverable amount (e.g., GFFI, NAWEC and GGC).

6.164 The balances on all loans with other SOEs should be reconciled and agreed in conjunction with the finance teams at those SOEs.

Mortgages

6.165 Mortgages represent 5% of the total asset value as per the SSHFC Consolidated Balance Sheet as at December 31, 2017.

6.166 The table below sets out the Mortgage Debtors (non-current and current mortgages balance) as at December 31, 2017. There were 1737 mortgage debtors at that date.

Table 123: Mortgage Debtors for the year ending December 31, 2017

	Description of the Mortgage	Total number of Mortgages	Original value		Impairment	Carrying value	
			2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Mortgage Debtors Brusubi phase 1 Ext	41	97,432	2,030	(2,307)	95,124	1,981
2.	Mortgage Debtors Brusubi[268]	105	49,899	1,039	-	49,899	1,039
3.	Mortgage Debtors Tujereng Housing Estate[269]	831	40,646	847	-	40,646	847
4.	Mortgage Debtors Jabang Housing Estate[270]	372	20,356	424	-	20,356	424
5.	Mortgage Debtors Brikama Jamisa Housing Estate[271]	277	12,410	258	-	12,410	258
6.	Mortgage Debtors Kanifing	85	5,733	119	(3,887)	1,845	38
7.	Mortgage Debtors Bakoteh Housing Estate	26	76	2	(62)	14	0.3
	Total	**1,737**	**226,552**	**4,719**	**6,256**	**220,294**	**4,587.3**

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017 and Customer-Repayment Control schedules for the year ending December 31, 2017.

6.167 We were unable to reconcile the outstanding mortgage balances as per the SSHFC Customer – Repayment Control schedule for the year ending December 31, 2017 to the SSHFC Consolidated Balance Sheet as at that date. The table below sets out a summary of the Mortgage Debtors as at that date.

[268] Total number includes 1 cash deposit.
[269] Total number includes 1 cash deposit.
[270] Total number includes 1 cash deposit.
[271] Total number includes 1 reference to 'ICB BRIKAMA /JAMISA A/C'.

Table 124: Summary of Mortgage Debtors for the year ending December 31, 2017

	Description of the Mortgage	Value as per Trial Balance		Value as per Customer – Repayment Control schedule		Difference	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Mortgage Debtors Brusubi phase 1 Ext	97,432	2,030	97,432	2,030	-	-
2.	Mortgage Debtors Brusubi	49,899	1,039	49,075	1,022	824	17
3.	Mortgage Debtors Tujereng Housing Estate	40,646	847	40,347	840	299	6
4.	Mortgage Debtors Jabang Housing Estate	20,356	424	20,356	424	-	-
5.	Mortgage Debtors Brikama Jamisa Housing Estate	12,410	258	12,695	264	(285)	(6)
6.	Mortgage Debtors Kanifing	5,733	119	5,733	119	-	-
7.	Mortgage Debtors Bakoteh Housing Estate	76	2	76	2	-	-
	Total	226,552	4,719	225,714	4,702	838	17

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017 and Customer-Repayment Control schedules for the year ending December 31, 2017.

Customer – Repayment Control schedules

6.168 We obtained the Customer – Repayment Control schedules for 2016 and 2017 and noted the following:

- ► We identified 897 out of 1737 mortgage debtors totaling GMD 138m (USD 2.9m) with no repayments during the period under review as per the Customer – Repayment Control schedules for the period January 1, 2017 to December 31, 2017;
- ► We identified three cash deposits totaling GMD 2.9m (USD 60k) as per the Brusubi and Jabang Housing Estate Customer – Repayment Control schedules for the period January 1, 2017 to December 31, 2017. One would expect that the unidentified mortgage repayments would have been recorded in the Reserve Fund;
- ► We identified 239 out of 897 mortgage debtors totaling GMD 5m (USD 104k) that were not charged interest as per the Customer – Repayment Control schedules for the period January 1, 2017 to December 31, 2017;
- ► We identified 105 out of 239 mortgage debtors that settled the balance owing to SSHFC as per the Customer – Repayment Control schedules for the period January 1, 2017 to December 31, 2017; and
- ► We identified 13 out of 1,737 mortgage debtors totaling GMD 9m (USD 187k) that are listed as per the undated SSHFC Cases schedule (i.e., listing of mortgage debtors that will be handed over to the attorneys) provided by the Housing department.

6.169 The above observations indicate that certain of the mortgage loans are not performing.

6.170 We understand that allocation letters stating the terms and conditions of the mortgage were not provided to the mortgage debtors for the Bakoteh Housing Estate and Kanifing.

6.171 We identified one mortgage debtor where the balance outstanding was incorrectly calculated as per the mortgage statement for the period. It appears that the system used to generate the mortgage statement incorrectly calculates the arrears and finance charges (i.e., no provision for total number of days per month and total days per year). We understand that Management are aware that the current system is incorrectly calculating the balances as per the Mortgage statements and is in the process of addressing the issue.

Provision for delinquent loans

6.172 We noted that there was no movement in the Provision for Mortgage Debtors as per the SSHFC Financial Statements for the year ending December 31, 2017 totaling GMD 6m (USD 125k). It appears that the impairment of the mortgage debtors' balances was not reviewed during the period. The general ledger accounts for the Provision for Mortgage Debtors only reflect entries during the period 2006 to 2015.

6.173 In terms of Section 64(2) of the SSHFC Act, SSHFC should recover any arrears or penalties within 10 years from the date when the arrears or penalties become due. We were unable to obtain a debtors age analysis to determine whether any mortgage debtors' balances have been outstanding for longer than 10 years, although we emphasize we would expect non-performing loans to be identified promptly and not after the passage of ten years. The inability of SSHFC to produce an aged debtor analysis and the incorrect calculation of outstanding balances, amongst others, are demonstrative of the poor accounting systems in place at SSHFC for mortgage loan accounting.

6.174 The SSHFC Internal Audit Memo dated January 29, 2015 related to '*Refund of Brusubi Phase 1 Extension (LOT 'D') Plot no 1049 iro Ida Mboob*', records *inter alia* the following:

- '*Accrued interest is not factored and charged to the defaulter's accounts when refunds are made. Prior to the repossession of the property, the accrued interest was treated as income but when the beneficiary's account becomes closed after the return, such accrued interest receivable income is reversed and treated as irrecoverable which results in a loss in the current period*'; and
- '*The accounting treatment is not financially prudent as the accumulated losses could run into millions as the plot repossession process rate keeps increasing'*.

6.175 Our understanding of this SSHFC Internal Audit Memo is that, the accrued interest on the outstanding balances of the mortgage debtors are reversed only in instances where the property is repossessed, and that the accrued interest income reflected in earlier years will be provided against only in the year the property is repossessed. This accounting treatment will have an unduly negative impact on SSHFC's future financial position if, as appears to be the case, SSHFC management does not actively monitor outstanding mortgage debtors' balances.

Security

6.176 We noted that as per a reallocation letter dated 10 August 2016 from SSHFC to a mortgage debtor, that a plot was allocated at the Tujereng Housing Estate. A loan was granted to the mortgage debtor at an interest rate of 15% per annum and repayable over a period of two years. The plot was allocated to the mortgage debtor subject to SSHFC reserving the right to re-enter and repossess the property for resale should the mortgage debtor default for a period of more than three months. SSHFC would only register the deed of Assignment for the plot upon full settlement of the house price and on fulfilment of all stipulated terms and conditions.

6.177 We did not examine whether security was provided by mortgage debtors as this was not within our Terms of Reference.

Recommendations

6.178 SSHFC should perform a reconciliation between the Customer – Repayment Control schedules and the accounting records to ensure that all mortgage debtors are accurately recorded and correctly valued as per the SSHFC Financial Statements.

6.179 We recommend that SSHFC takes corrective steps to ensure that the system is correctly configured to determine the closing balances (i.e., taking into account repayments and interest accrued) as per the Mortgages Debtors' monthly statements.

6.180 We recommend that SSHFC establishes a policy for identifying defaulting debtors and criteria for provisioning within the ten-year window envisaged by the SSHFC Act and that it reviews the mortgage debtors' balances for potential impairment in accordance with this policy.

6.181 We recommend that the SSHFC management designs and implements policies and procedures to make provision for standard terms and conditions of mortgage contracts (e.g., repayment terms, interest charged, breach of contract (i.e., penalties, repossession), etc.). The SSHFC management should also design and implement guidelines in respect of the refund process and repossession process in respect of mortgage debtors who have defaulted on payments to ensure that it is in line with the SSHFC Act.

Trade and Other Payables

6.182 The table below sets out the Trade and Other Payables balances as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

Table 125: Trade and Other Payables balance as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017

Trade and Other Payables category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
HFF Contract Creditor	10,447	239	17,931	447	10,926	250	10,927	228
Sundry Creditors Control	6,032	138	10,934	273	10,874	248	5,952	124
Gambia Govt. Royalty	6,783	155	7,883	197	9,352	214	8,896	185
NPF Loan from Trust Bank	97,222	2,220	63,889	1,593	37,647	860	-	-
HFF Client Legal Fees Payable	2,859	65	2,822	70	1,054	24	655	14
Deferred Income Compt. Houses	(2,044)	(47)	-	-	-	-	-	-
Deferred Income JHE	3,382	77	4,894	122	3,256	74	2,830	59
Deferred Income BJHE	11,503	263	4,801	120	4,130	94	-	-
Deferred Income on Mortgage Int.	(12,503)	(285)	-	-	-	-	-	-
Deferred Income The	16,804	384	7,534	188	519	12	-	-

Trade and Other Payables category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Deferred Income Brusubi	359	8	-	-	-	-	-	-
General Suspense	6,904	158	6,353	158	6,998	160	4,899	102
Interfund current account – FPS/NPF/HFF/IICF	255,178	5,826	281,161	7,009	315,805	7,216	356,964	7,436
Wages Payables	-	-	32	1	-	-	-	-
Staff Club Payables	188	4	-	-	-	-	-	-
Income Tax Payables	-	-	210	5	-	-	181	4
Unclaimed Pension	1,683	38	2,465	61	3,411	78	4,363	91
Deferred Pension	5,668	129	4,340	108	4,340	99	4,340	90

Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

6.183 We noted that the 'Interfund' general ledger accounts related to FPS, NPF, HFF and IICF account for 89% of the Trade and Other Payables balance at December 31, 2017.

6.184 As already described those balances are off-set by equivalent balances (GMD 356.975m (USD 7.436)) in Trade and Other Receivables. The remaining balance relates to the 'HFF Contract Creditor' general ledger account (GMD 11m (USD 228k)) which represents expenses to be incurred in respect of infrastructure costs in respect of the Jabang Housing Estate, Brikama Jamisa Housing Estate and Tujereng Housing Estate, amongst others.

6.185 We selected a sample of transactions from various bank accounts in respect of FPS, NPF, HFF and IICF for the period January 2018 to June 2018. We were unable to identify any unrecorded liabilities (i.e., liabilities in respect of the items selected for further testing).

6.186 We noted that there was no movement in the 'Deferred Pension' balance at year end for the period 2015 to 2017, understanding that this liability has not been recently reassessed.

Recommendations

6.187 SSHFC should determine whether the Interfund receivable and payable balances will be repaid in the next 12 months. The Interfund receivable and payable balances that will not be settled within the next 12 months should be reclassified as a non-current asset or non-current liability.

6.188 We recommend that the SSHFC management performs a valuation in respect of FPS in order to determine whether any adjustment should be made to the 'Deferred Pension' general ledger account. There is a risk that the account is either overstated or understated as per the SSHFC Consolidated Balance Sheet as at December 31, 2017.

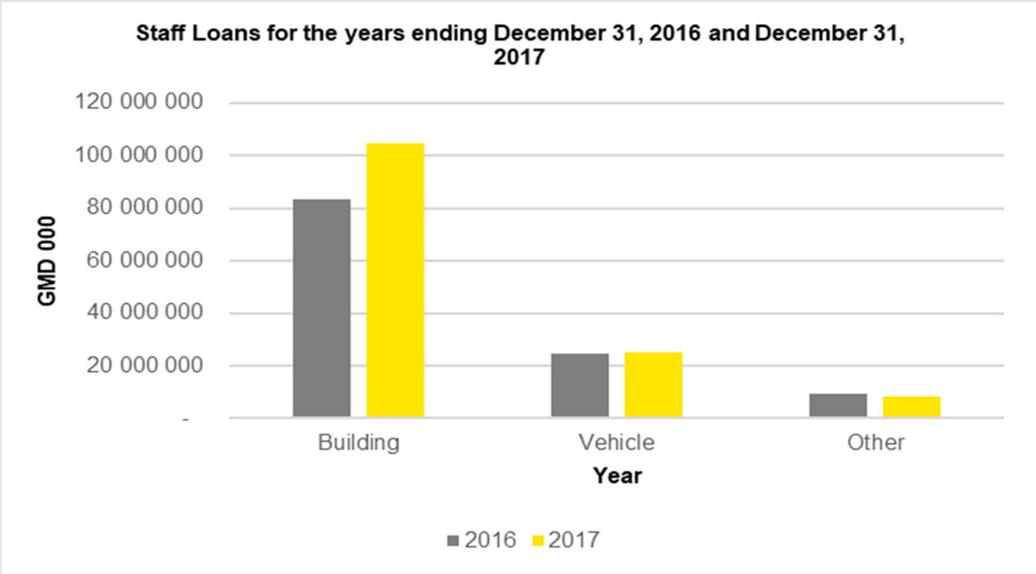
Staff Loans

6.189 The Staff Loans receivable balance as at December 31, 2017 is valued at GMD 131m (USD 2.7m) as per the SSHFC Financial Statements. The Staff Loans receivable balance as per the SSHFC Payroll Loan Information reports comprise GMD 138m (USD 2.9m) due from current employees and GMD 11m (USD 238k) due from former employees.

6.190 Staff Loans are offered to employees depending on the grade and length of service. Staff Loans are categorized into three categories, i.e., building, vehicle and personal.

6.191 The chart below demonstrates the split between the three categories, as well as the increase in Staff Loans granted between for the years 2016 to 2017 as per the FPS, NPF, HFF and IICF Trial Balances for these years.

Figure 41: Staff Loans as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2016 and December 31, 2017



Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2016 and December 31, 2017.

6.192 Employees are graded from 1 to 10, with 10 as the most senior. The SSHFC Corporate Service Rules 2016 ('Service Rules') detail the terms and conditions of service under SSHFC, and apply to all SSHFC employees, except for contractors. Under the Section XI of the Service Rules, vehicle loans are not available to grade three SSHFC employees and below. However, the MD of SSHFC has the discretion to extend a vehicle loan to grade three employees and below.

6.193 A building loan will only be granted to SSHFC employees who have completed two years of government service. The maximum building loan is set at 7 years gross salary, to be repaid in full plus interest within a maximum period of 245 months, as per the Service Rules. The SSHFC management explained to us that the repayment period is utilized regardless of remaining length of employment. Our understanding is that the interest is also frozen on the months during which breaks are permitted.

6.194 We understand that the Staff Loans are repaid by deducting the monthly repayments from the SSHFC employee's salary.

6.195 We noted that as per the SSHFC Payroll Loan Information reports provided, a total of 377 employees had Staff Loans outstanding, of which 87 are no longer employed by the SSHFC as at December 31, 2017. The Staff Loans payable by former employees represent 8% of the total Staff Loans balance.

6.196 The Service Rules effectively limit the amount and frequency of staff loan repayments. The section IX of the Service Rules makes provision for the take home pay to equal at least 50% of the employee's gross salary. Staff Loans repayments are only deducted from the SSHFC employees' salary for six months of the year. The SSHFC employees are not required to make any loan repayments during certain months of the year ('breaks'), i.e., the month when school fees are to be settled or months when religious celebrations are held. SSHFC Management is aware that the reduced number of repayments impacts the time required to settle the outstanding loan and has reduced the number of months where no repayment of the loan is required to four months per year.

6.197 We experienced significant delays with obtaining supporting documentation/information requested in respect of the staff loan balances disclosed as per the SSHFC Financial Statements for the period 2010 to 2017. The information we were able to retrieve from SSHFC, did not reconcile to the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017. Furthermore, we noted that SSHFC were unable to retrieve data from backup disks as the disks were unusable. Nor could Management provide analysis of the interest accrued on the loan balances granted to each SSHFC employee (i.e., current and former) were not provided. We were therefore unable to recalculate the loan balance outstanding as at December 31, 2017, including finance charges.

6.198 We were unable to reconcile the balance of the three categories of Staff Loans as per the SSHFC Payroll Loan Information reports provided to the balances stated as per the FPS, Trial Balance for the year ending December 31, 2017. We noted a variance of GMD 18m (USD 383k) for the year ending December 31, 2017. The table below sets out a summary of the variances identified:

Table 126: Summary of Staff Loans

Category	Staff Building Loan GMD'000	Staff Building Loan USD'000	Staff Vehicle Loan GMD'000	Staff Vehicle Loan USD'000	Sundry Staff Loan GMD'000	Sundry Staff Loan USD'000	Total GMD'000	Total USD'000
SSSHFC Payroll Loan Information report – Current employees	104,691	2,181	24,954	520	8,113	169	137,759	2,869
SSSHFC Payroll Loan Information report – Former employees	6,645	138	2,299	48	2,500	52	11,444	238
FPS Trial Balance	95,548	1,990	24,993	521	10,265	214	130,806	2,725
Difference	**15,788**	**329**	**2,260**	**47**	**348**	**7**	**18,396**	**383**

Source: SSHFC Payroll Loan Information reports for the year ending December 31, 2017 and the FPS Trial Balances for the year ending December 31, 2017.

6.199 Based on the SSHFC Payroll Loan Information reports provided, the average outstanding loan per current employee during 2017 was GMD 366k (USD 8k). The average Staff Loan increased by GMD 65k (USD 1.4k) from GMD 301k (USD 6k) during 2016. The average loan per former employee is GMD 114k (USD 2.4k).

6.200 We have calculated an average monthly gross salary by dividing the total pay for December 2017 by the number of employees. The total number of active employees is 394. We have calculated an average monthly gross pay of GMD 13k (USD 283). Taking into consideration the abovementioned rules that loan repayments should be a maximum of 50% of gross salary, and eight repayment months per year it would take on average seven years to repay a loan.

6.201 We noted that a total of 87 former employees are listed as per the SSHFC Payroll Loan Information reports for the year ending December 31, 2017.

6.202 We noted that since 2015, only 8 of the 87 former employees have made loan repayments to reduce the loan balance owing to SSHFC and that only one of the former employees has fully repaid the staff loan.

6.203 The SSHFC management is aware that the balance of the outstanding former Staff Loans has increased since 2015. The Staff Loans balance for former staff was GMD 9.8m (USD 246k) for the year ending December 31, 2015 and GMD 10.2m (USD 233k) for the year ending December 31, 2016.

6.204 In order to cap the size of the total staff loan debtor balance, SSHFC management confirmed that a decision was made to limit the granting of additional loans to the total value of expected loan repayments that will be received during the financial year. This revolving loan facility, which is overseen by the Loan Committee, effectively guarantees the debtor balance does not worsen.

6.205 We noted that there was no movement in the 'Provision for Staff Loans' balance at year end for the period 2016 to 2017, understanding that this liability has not been recently reassessed. The current Provision for Staff Loans' balance may have to be increased by an amount totaling GMD 4,182 (USD 87k) in the event that the outstanding former Staff Loans balances are irrecoverable.

Recommendations

6.206 We recommend that the Management considers whether the staff loan balances owing by former employees are still recoverable. This assessment should be primarily based on the recent history of repayment of each loan. Loans that are not being repaid or will not be repaid during, say, the next 24 months, should be provided against.

6.207 We also recommend that employee loans should have specific repayment periods rather than the abovementioned 245 months.

6.208 We recommend that Management continues to ensure that the Loan Committee maintains the integrity of the revolving loan fund concept, reassesses the repayment terms of all current loans and ensures that all Staff Loans are repaid before the retirement of the SSHFC employee.

6.209 We recommend that Management develops and implements a policy for providing against staff loan balances owing by current employees based on a formula that reflects the recent history of repayment of each loan (i.e., loans that are not be repaid at the prescribed rate should be provided against).

Other receivables

6.210 We noted that an amount totaling GMD 101,475m (USD 2.1m) relates to the infrastructure and building costs in respect of Kanilai, a village in southern Gambia (N.B. the former President Jammeh was born in this village). We understand that SSHFC constructed the Sulayman Junkung Housing Estate (i.e., Kanilai Housing Project) comprising 18 apartments and 21 three-bedroom bungalows[272].

6.211 The intention was that SSHFC would undertake the development of the Sulayman Junkung Housing Estate and the Government would reimburse SSHFC at a later date[273]. SSHFC Management explained to us that correspondence was sent to the Government indicating that an amount totaling GMD 86m was outstanding, but that this was the incorrect outstanding balance. The expense, as per the HFF Trial Balance is recorded in the 'HFF work-in-prog infrast. Cost" general ledger account as GMD 34,943 and GMD 66,532 in the

[272] Source: http://www.gambia.dk/forums/topic.asp?ARCHIVE=true&TOPIC_ID=12148.
[273] Source: http://www.gambia.dk/forums/topic.asp?ARCHIVE=true&TOPIC_ID=12148.

'Deferred Cost Compt. House Kanilai' general ledger account. Therefore, an amount totaling GMD 101,475m should have been communicated as the total cost of the Kanilai Housing Project.

6.212 We noted that a letter dated April 11, 2010 from the Permanent Secretary, S.A. Barry, stated that the former President Jammeh approved a payment plan of 20% down payment totaling GMD 17.2m (of the GMD 86m) to be paid during 2011 and five annual instalment payments of GMD 13.76m interest free.

Recommendation

6.213 SSHFC should determine the total final development costs in respect of the Sulayman Junkung Housing Estate and the amount to be reimbursed from the Government. SSHFC should assess whether the amount would be recoverable from the Government and if not provide for the irrecoverable amount.

Fixed Assets, Property, Plant and Equipment

6.214 The table below sets out a summary of SSHFC's Fixed Assets as reported in the SSHFC Financial Statements for the year ending December 31, 2017.

Table 127: Summary of Fixed Assets

Asset type	Buildings	Plant & Machinery	Motor vehicles	Motor bicycles	Computer equipment	Office equipment	Office furniture and fittings	Total
At cost (GMD'000)	51,007	5,602	31,869	354	109,261	9,023	13,775	220,891
Depreciation (GMD'000)	(4,550)	(3,873)	(22,396)	(272)	(97,255)	(5,078)	(4,684)	(138,108)
Net Book Value (GMD'000)	46,457	1,729	9,473	82	12,006	3,944	9,091	82,782
At cost (USD'000)	1,062	116	664	7	2,276	188	287	4,600
Depreciation (USD'000)	(95)	(81)	(466)	(6)	(2,026)	(106)	(98)	(2,878)
Net Book Value (USD'000)	968	36	197	2	250	82	189	1,724
% of Fixed Assets	56	2	11	0	15	5	11	100

Source: SSHFC Annual Financial Statements for the year ending December 31, 2017, SSHFC Fixed Asset Registers and FPS, NPF, HFF and IICF Trial Balance for the year ending December 31, 2017.

6.215 The Net Book Value of the Fixed Assets represents 2% of the total asset value as per the SSHFC Consolidated Balance Sheet as at December 31, 2017and is principally made up of Buildings (56% of Fixed Assets) and Computer Equipment (15% of Fixed Assets). We understand that SSHFC is focused on investing in Computer Equipment and Computer Software due to the nature of the business activities.

Depreciation policy

6.216 SSHFC does not maintain documented accounting policies applied in preparing and presenting Financial Statements. Consequently, the Finance department could not provide us with a documented depreciation policy. We understand that depreciation rates are obtained from the prior year's Financial Statements and applied in the current year to the Fixed Assets listed as per the SSHFC Fixed Asset Registers. Moreover, the Finance department could not provide us with supporting documentation or information in respect of the review of the depreciation rates.

6.217 We note that the Fixed Assets that are allocated to the Head Office Building category attract a depreciation rate of 1% (i.e., the asset would be used over a useful economic life of 100 years). However, we noted that ancillary equipment is likely to have much shorter useful economic lives are categorized under Head Office Building category (e.g., a water pressure pump is included which would be expected to have a shorter useful economic lifespan (e.g., 5 to 10 years). Therefore, there is a risk of misallocation of various assets to this category, resulting in the under-calculation of their depreciation.

6.218 The accounting policy should set out Management's consideration of the estimated useful lives of the principal fixed assets and sub-categories of fixed assets, whereas the rates set out in the Financial Statements are only in summary for brand categories of fixed assets. In the absence of a documented accounting policy, there is a risk that certain fixed assets may not be depreciated at appropriate rates to reflect their true estimated useful lives.

Fixed Asset Registers

6.219 We obtained the SSHFC Fixed Asset Registers for all but one of the categories listed as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017. We noted that the total carrying amount stated as per the SSHFC Fixed Asset Registers for the seven categories corresponds to the cost less depreciation as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.220 We were unable to obtain the SSHFC Fixed Asset Register for Plant and Machinery due to a system error encountered when the request was made to extract the report from SSHFC's accounting system. We were therefore unable to reconcile the Plant and Machinery balance as per the SSHFC Fixed Asset Registers to the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.221 The current year depreciation is automatically calculated by the system. In fact, we noted that the depreciation for the financial year ended December 31, 2017 was accurate based on the depreciation rates as per the FPS, NPF, HFF and IICF Financial Statements for the year ending December 31, 2017. However, we were unable to recalculate the total depreciation over the useful economic life of the Fixed Assets due to a lack of documentation in respect of the initial purchase of the Fixed Asset. The Finance department could not provide us with supporting documentation for 7 out of 12 Fixed Assets selected for further testing. However, the Fixed Asset verification testing described below suggests that any particular Fixed Asset Register is subject to various discrepancies.

Fixed asset verification

6.222 We performed an asset verification exercise on a sample of 12 assets taken from the SSHFC Fixed Asset Register. The objective of this exercise is to confirm whether the assets recorded as per the SSHFC Fixed Asset Registers, exist. Furthermore, we inspected the current condition of the Fixed Assets to determine whether there are grounds for an impairment.

6.223 We identified 6 out of 12 items which were correctly tagged (i.e., the barcode number could be traced from the SSHFC Fixed Asset Registers for the year ending December 31, 2017 to the barcode displayed on the Fixed Asset).

6.224 We noted that two Fixed Assets recorded as per the SSHFC Fixed Asset Registers for the year ending December 31, 2017 should have been accounted for as scrap. In fact, SSHFC management informed us that these assets were sold a number of years ago. However, the Fixed Assets (i.e., motor vehicle and bicycle) and their corresponding depreciation were still recorded as per the SSHFC Fixed Asset Registers for the year ending December 31, 2017.

6.225 We also noted that more than one Fixed Asset were grouped as a single entry (e.g., six computers recorded as one Fixed Asset). The total number of Fixed Assets could be inaccurate and/or incomplete due to the incorrect capturing of the Fixed Assets purchased.

6.226 We performed further testing on 18 Fixed Assets that we located within the SSHFC Head Office building. The purpose of this testing is to verify that these physical assets were properly registered within the SSHFC Fixed Asset Registers for the year ending December 31, 2017.

6.227 We noted that a total of seven Fixed Assets were not tagged (i.e., without a visible barcode number that could be traced back to the SSHFC Fixed Asset Register). We also noted that five Fixed Assets (i.e., with tags) located at the SSHFC Head Office could not be identified as per the SSHFC Fixed Asset Registers for the year ending December 31, 2017. We were only able to reconcile six Fixed Assets with a visible barcode number identified within the SSHFC Head Office to the SSHFC Fixed Asset Registers for the year ending December 31, 2017. It therefore appears that the SSHFC Fixed Asset Registers for the year ending December 31, 2017 are incomplete.

Disposals

6.228 We were informed by the SSHFC management that Fixed Assets are disposed of by SSHFC employees without prior notification to the Finance department. Consequently, there is a likelihood that the carrying value of Fixed Assets as per the SSHFC Fixed Asset Registers may be overstated. Furthermore, the depreciation expense for the current year may be overstated in instances where depreciation was calculated on Fixed Assets that were disposed of in the prior or current year.

6.229 We were unable to obtain supporting documentation that the Finance department performs a reconciliation between the SSHFC Fixed Asset Registers and actual Fixed Assets that could be identified on the properties owned and/or occupied by SSHFC on a regular basis.

Revaluation of buildings

6.230 As noted, the principal Fixed Asset category (Buildings) is recorded at cost whereas the market value is likely to be different. Management was unaware if any revaluation has been performed.

6.231 The depreciation policy should confirm whether Buildings are accounted for at cost or valuation and, if the latter, an up to date valuation obtained.

Recommendations

6.232 SSHFC should document and implement a depreciation policy that reflects the anticipated useful economic life of all appropriate sub-categories of fixed assets. The depreciation policy should include performing procedures to design and implement a depreciation methodology, taking into account the expected useful economic life of the Fixed Assets.

6.233 The depreciation policy should confirm whether Buildings are accounted for at cost or valuation and, if the latter, an up to date valuation obtained.

6.234 SSHFC should perform a full Fixed Asset count at least once per year, in order to verify the Fixed Assets at a specific point in time and ensure that each fixed asset is appropriately tagged and recorded in the Fixed Asset Register. Furthermore, a valuation of the Fixed Assets carried at valuation other than cost should be performed to ensure that the Fixed Assets are correctly stated as per the SSHFC Consolidated Balance Sheet as at December 31, 2017.

Sundry Debtors

6.235 The table sets out the Sundry Debtors as per the FPS, NPF and HFF Trial Balances for the year ending December 31, 2017.

Table 128: Sundry debtors balance as per the FPS, NPF and HFF Trial Balances for the year ending December 31, 2017

	FPS (GMD'000)	FPS (USD'000)	NPF (GMD'000)	NPF (USD'000)	HFF (GMD'000)	HFF (USD'000)
Sundry Debtors (Receivables)	1,770	37	22,121	461	2,305	48

Source: FPS, NPF and HFF Trial Balances for the year ending December 31, 2017.

6.236 We understand that the 'Sundry Debtors (Receivables)' general ledger account are used to accrue for transactions prior to the relevant bank statement reflecting the transactions.

6.237 We noted that the 'FPS Sundry Debtors (Receivables)' general ledger account for the year ending December 31, 2017, includes transactions with the following descriptions:

- 'BEING ACC. OF INTEREST ON GTSC LOAN FOR MAY'17';
- 'GFPA- LOAN REPAYMENT'; and
- 'BEING WRITE-OFF INTEREST ON (GFPA LOAN)'.

6.238 It therefore appears that this general ledger account is used to account for accrued interest on loans and repayments in respect of various SOEs (i.e., GTSC and GFPA), in addition to the impairment of loans.

6.239 We noted that the 'NPF Sundry Debtors (Receivables)' general ledger account for the year ending December 31, 2017, includes transactions with the following descriptions:

- 'BEING ACCRUED INCOME ON RENTAL IRO OCEAN BAY HOTEL FOR JAN'17';
- 'BEING ACCRUED INCOME ON RENTAL IRO S/BEACH HOTEL FOR JAN'17';
- 'G.T.S.C PAYT OF NAWEC BILL IRO NOV'16';
- 'BEING SSHFC HEAD OFFICE & BRANCH NAWEC BILLS FOR FEB'17';
- 'BEING GPA LOAN & INTEREST ACCRUED FOR JAN'17'; and
- 'BEING PYT OF ACCRUED INTEREST ON GAMCEL LOAN DEC'15'.

6.240 It therefore appears that this general ledger account is used to account for: accrued interest on loans (i.e., GAMCEL and GPA), the electricity and water bills that are being offset against the NAWEC loan (e.g., GTSC) and the accrual of rental income for the Ocean Bay Hotel & Resort and the Sun Beach Hotel.

6.241 We noted that the 'HFF Sundry Debtors (Receivables)' general ledger account for the year ending December 31, 2017 includes transactions with the following descriptions:

- 'LAND RENT IRO BINTOU NDOW THE/170'; and
- 'BEING SUNDRY DEBTORS FOR THE PERIOD ENDED 31/12/17'.

6.242 It therefore appears that this general ledger account is used to account for the land rent charged to mortgage debtors.

Other Financial Assets

6.243 Other Financial Assets represents 25% of the total asset value on the 2017 Balance Sheet.

6.244 It comprises Gambia Government Treasury Bills and Bonds and the Bank Term Deposits, together with income accrued thereon (4% of the total balances).

6.245 The table below sets out the Other Financial Assets held by SSHFC for the years 2014 to 2017 as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

Table 129: Financial Assets as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017

Other Financial Assets category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Bank Term Deposits	310,711	7,094	377,860	9,420	626,604	14,318	715,390	14,902
Income Suspense Term Deposits	38,422	877	45,305	1,129	63,874	1,459	49,731	1,036
Government of Gambia Treasury Bills	-	-	32,009	798	22,484	514	172,111	3,585
Income Receivables Treasury Bills	-	-	0,297	7	4,108	94	8,456	176
Gambia Government Bonds	-	-	-	-	-	-	137,222	2,858
Income Receivable Government Bonds	-	-	-	-	-	-	3,246	68
Total	**349,133**	**7,971**	**455,471**	**11,354**	**717,070**	**16,385**	**1,086,156**	**22,625**

Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

6.246 We noted that the investment in Other Financial Assets has significantly increased during the period 2014 to 2017 due to increased holdings of Bank Term Deposits and Treasury Bills and Government Bonds during 2017.

6.247 We noted that journal entries are allocated to the 'General Suspense' general ledger account and relevant general ledger bank accounts when accounting for funds transferred between the FPS, NPF, HFF and/or IICF bank accounts in order to raise funds to purchase Other Financial Assets. The ''General Suspense' general ledger account is debited with the amount transferred from the relevant bank account. The general ledger account for the bank account from which the bank transfer initiated will be credited. Once the amount of the deposit is reflected on the relevant bank statement, the 'General Suspense' general ledger account is credited and the general ledger bank account for the relevant bank will be debited. When the funds are transferred to the relevant bank in order to settle the amount owing in respect of the purchase of the Other Financial Asset, the 'Other Financial Asset' general ledger account will be debited with the amount invested and the relevant general ledger bank account will be credited.

6.248 The table below illustrates an example of the accounting treatment for the recording of Bank Term Deposits purchased by FPS as per the FPS general ledger accounts:

Table 130: Illustrative example for accounting treatment for the recording of Bank Term Deposits by FPS during the year ending December 31, 2017

General Ledger account	Date	Description	Debit (GMD'000)	Debit (USD'000)	Credit (GMD'000)	Credit (USD'000)
General Suspense (FPS)	July 7, 2017	SSHFC-INTERBANK TRFS FROM FPS ZENITH TO FPS GTB	5,000	104	-	-
FPS ZENITH BANK	July 7, 2017	SSHFC-INTERBANK TRFS FROM FPS ZENITH TO FPS GTB	-	-	5,000	104
GUARANTY TRUST - FPS	July 14, 2017	INTERBANK TRF. FROM FPS ZENITH TO FPS GTB	5,000	104		
General Suspense (FPS)	July 14, 2017	INTERBANK TRF. FROM FPS ZENITH TO FPS GTB	-	-	5,000	104
FPS Bank Term Deposits	July 18, 2017	BEING FPS-GTB D5M NEW TERM DEPOSIT	5,000	104	-	-
GUARANTY TRUST - FPS	July 18, 2017	BEING FPS-GTB D5M NEW TERM DEPOSIT			5,000	104

Source: Compiled by EY as an illustrative example with reference to SSHFC memo dated 7 July 2017 in respect of investing funds, 'General Suspense (FPS)' general ledger account and 'FPS Bank Term Deposits' general ledger account for the year ending December 31, 2017.

6.249 The table above illustrates that the transfer of funds are accounted for in the 'General Suspense' general ledger account prior to creating a journal entry to debit the general ledger bank account with the funds received. One would expect that SSHFC would debit the general ledger bank account with the funds received and credit the general ledger bank account for the funds paid (i.e., no journal entries recorded as per the 'General Suspense' general ledger account). A suspense account is usually a temporary account used until the payee details are confirmed (e.g., name, account number, etc.). Management explained that the journal entries are posted to the 'General Suspense' general ledger account due to the time delay between transferring funds between different bank accounts.

Recommendations

6.250 We recommend that SSHFC management performs an assessment to determine whether the accounting treatment for the transactions is in compliance with GAAP.

Cash at Bank and in Hand

6.251 Cash at Bank and in Hand totaled GMD 78,5m (USD 1.6m) represent 2% of the total asset balance, as per the SSHFC Consolidated Balance Sheet as at December 31, 2017.

6.252 SSHFC holds bank accounts with 12 commercial banks in The Gambia as well as a bank account with The Gambia Postal Services Corporation. We were unable to ascertain whether SSHFC holds a bank account with the Central Bank of Gambia, but it has placed deposits with that institution.

6.253 We understand that FPS, NPF, HFF and IICF maintain separate bank accounts. We noted that a total of five bank accounts are held in currencies other than Dalasi, (i.e., USD, EUR and GBP) and are maintained by the HFF in order to receive deposits initiated from outside The Gambia.

6.254 We were unable to obtain a bank confirmation for three accounts held separately with First Bank of Nigeria, FIB, and SCB. We understand that these accounts are closed. However, we noted balances for the abovementioned bank accounts as per the HFF[274] and IICF[275] Trial Balances for the year ending December 31, 2017. We requested the SSHFC bank reconciliations and the related cashbooks for all the bank accounts held by SSHFC for the year ending December 31, 2017. We were unable to obtain a total of four bank reconciliations in respect of bank accounts held by the IICF.

6.255 We were unable to confirm whether the bank reconciliations prepared by SSHFC are accurate and complete as we have not obtained bank confirmations for the all of the bank accounts held by SSHFC. Evidence provided suggests that the reconciliations are performed on a monthly basis. We understand from discussions with the SSHFC management that any differences between bank statements and cash book amounts are investigated until resolved, unless the amount is minimal. The SSHFC Internal Audit reports indicate that internal reviews have identified errors with bank reconciliations.

6.256 We noted variances that were not material when comparing the closing balance as per the bank account as at December 31, 2017 as per the bank confirmation to the balance as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017. We noted that these variances were due to checks not presented for payments or receipts not yet processed by the relevant banks. We also noted the existence of inconsistencies between the account numbers provided by SSHFC and the account numbers listed as per the bank confirmations obtained.

6.257 We noted that the SSHFC management was unable to confirm whether 13 bank account numbers with an estimate value of GMD 41m (USD 858k) that are listed as per the bank confirmations are bank accounts held by SSHFC[276].

6.258 We noted that different item codes have been used for the same description as per the HFF Trial Balances for the year ending 2014 and 2016 and the FPS Trial Balances for the year ending 2016 and 2017 (e.g., GL code 15401 and GL code 15410 have the same description 'PETTY CASH', however GL code 15401 is listed as per the HFF Trial Balances for the year ending 2014 and 2016 and GL code 15410 is listed as per the FPS Trial Balances for the year ending 2016 and 2017).

Recommendations

6.259 We recommend that the SSHFC management obtains a listing of all the bank accounts that it holds with the 12 banks that operate within The Gambia and use this to ensure that all the SSHFC bank accounts are accounted for by SSHFC.

6.260 The SSHFC management should ensure that the decision to close a bank account is properly communicated to the relevant bank. Furthermore, the SSHFC management should obtain a confirmation that the bank account was closed by the relevant bank.

[274] The bank account balance (credit) for the two HFF accounts are GMD 653 and GMD 675, respectively.
[275] The bank account balance (debit) for the IICF account is GMD 593.
[276] The bank account numbers are in respect of Access, AGIB, First Bank of Nigeria, FIB, Guaranty Trust Bank, SCB and Trust Bank.

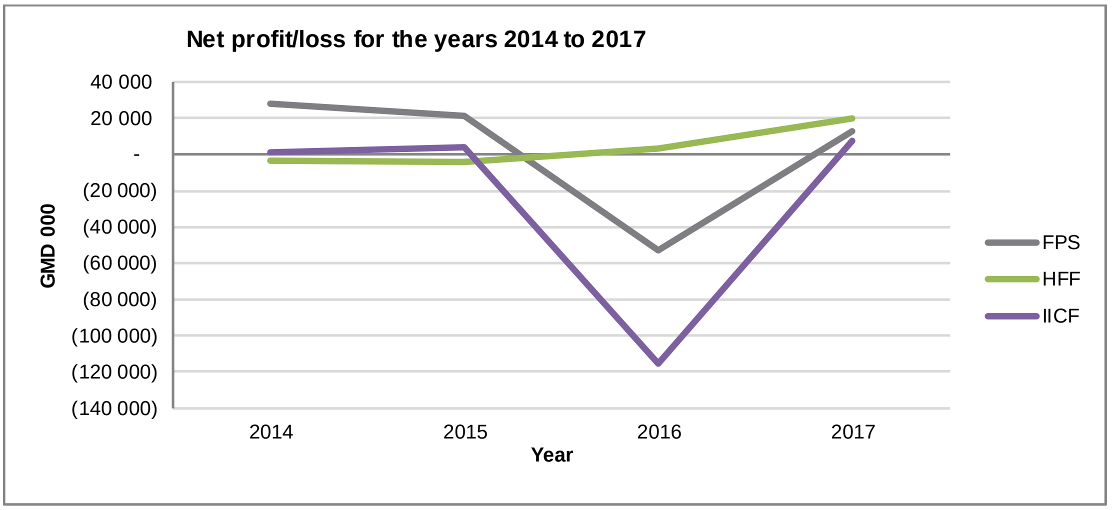
Detailed findings – Income statement analysis

Overall review of the trading position / revenue streams

Net profit (GMD 17m, USD 372k)

6.261 The chart below demonstrates the reported net profit/loss as per the FPS, HFF and IICF Financial Statements for the years ending December 31, 2014 to December 31, 2017.

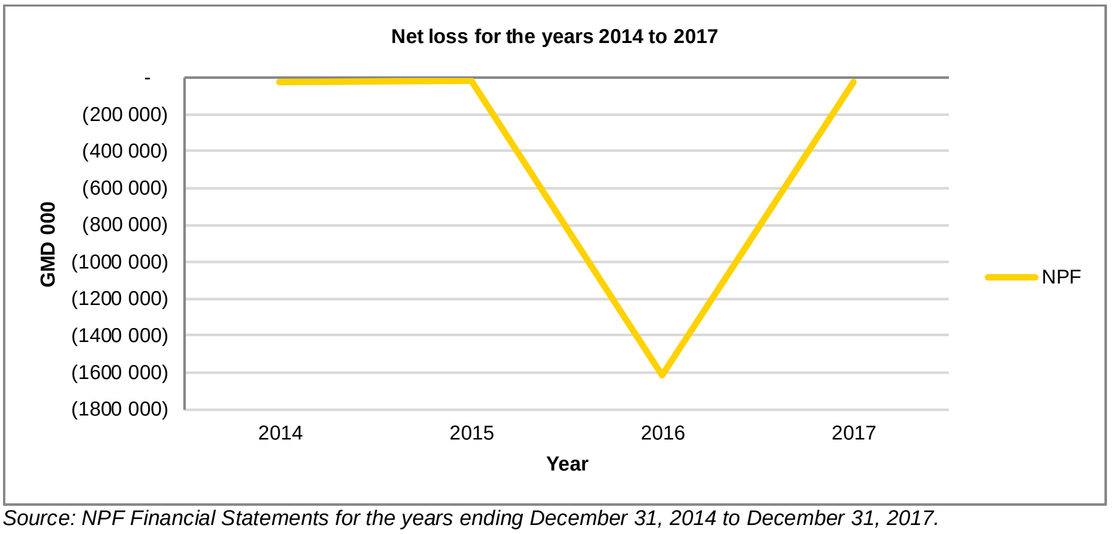
Figure 42: Net profit/loss as per the FPS, HFF and IICF Financial Statements for the years ending December 31, 2014 to December 31, 2017



Source: FPS, NPF, HFF and IICF Financial Statements for the years ending December 31, 2014 to December 31, 2017.

6.262 The chart below demonstrates the reported net loss as per the NPF Financial Statements for the years ending December 31, 2014 to December 31, 2017.

Figure 43: Net loss as per the NPF Financial Statements for the years ending December 31, 2014 to December 31, 2017



Source: NPF Financial Statements for the years ending December 31, 2014 to December 31, 2017.

6.263 The deviations in reported loss and the relatively large loss reported by NPF in 2016, largely reflect changes in the level of provisioning for doubtful loans.

Income

6.264 SSHFC has the following sources of income during the year ending December 31, 2017:

- ► Investment income, e.g., rental income, dividend income, income on bank term deposits, government bonds and government treasury bills (GMD 178m, USD 3.9m, 70% of income);
- ► Mortgage lending income, e.g., mortgage interest, sales of commercial plots, outright sales and mortgage sales (GMD 52m, USD 1.1m, 20% of income); and
- ► Other income, e.g., government bonds and government treasury bills, interest on loans, rental income for guest houses and other rental income[277] (GMD 25m, USD 553k, 10% of income).

6.265 We noted that income earned from government bonds and government treasury bills are disclosed as 'Other income' in the FPS Income Statement for the year ending December 31, 2017 but as 'Investment income' in the NPF, HFF and IICF Income Statements for the year. We also noted that income earned from the leasing of Ocean Bay Hotel and Resort is disclosed as 'Investment income' in the FPS, NPF and HFF Income Statements for the year ending December 31, 2017 but as 'Other income' in the IICF Income Statement for the same year. We have not adjusted for these inconsistencies.

Recommendation

6.266 SSHFC should ensure that the investment income, mortgage income and/or other income is consistently classified across all four funds.

Expenses

6.267 We noted that the general and administrative expenses account for 71% of the total expenses (GMD 168m (USD 3,7m), as per the SSHFC Consolidated Revenue Account for the year ending December 31, 2017. This account is split as follows:

- ► Staff costs account for 63% or GMD 105m (USD 2.3m);
- ► Other expenses account for 36% or GMD 61m (USD 1.3); and
- ► Guest house expenses account for 1% or GMD 1.5m (USD 33k).

Other expenses

6.268 We were only able to partially test the other expenses category due to a lack of documentation, as explained below:

- ► We selected a sample of 12 transactions from the 'Donations-General' general ledger account. We were unable to obtain supporting documentation/ information for 4 out of 12 transactions selected. 2 out of 8 donations for which documents were provided were payments for pilgrimages to Mecca and Rome (GMD 579k (USD 13k)). We noted that 6 out of 8 (GMD 1.3m (USD 29k)) were incorrectly classified as donations, payments in respect of retirement packages and staff entertainment cost. There is therefore a risk that the donations are overstated, and other expenses are understated;
- ► We selected a sample of 10 transactions from the 'Staff medical expenses/ Staff medical insurance' general ledger account. We were unable to obtain supporting documentation/ information for 2 out of 10 transactions selected. We noted that 7 out of 8 medical expense transactions were in respect of air tickets to travel for medical treatment and/or

[277] Rental income charged in instances where the property is repossessed by SSHFC and the mortgage debtor is charged rental for the duration that the property was occupied.

other medical expenses, and that the other transaction (GMD 19k, (USD 405)) was in respect of a business trip and not a medical expense.

Recommendations

6.269 SSHFC should ensure that the expenses are properly classified according to the nature of the transaction.

6.270 We recommend that SSHFC designs and implements a recordkeeping procedure to ensure that the documentation is properly archived and available for inspection.

Payroll

6.271 Staff costs include Salaries and Wages, Transport and Residential Allowance, Responsibility and Other Allowances, and Staff Pension and IICF costs, amongst other costs. Total Staff costs as per the Trial Balances have increased over the years 2014 to 2017 from GMD 104.553m to GMD 105.391m by 2017, an increase of GMD 837k (USD 18k).

6.272 An amount totaling GMD 40m (USD 871k) was allocated to General and administrative expenses, however the expense is in respect of employee wages and benefits (i.e., salary and wages expenses). Salary and wages expenses are therefore not properly classified, described, and disclosed in the SSHFC Financial Statements for the year ending December 31, 2017.

6.273 Total Staff Costs are inconsistently disclosed between the various source documents, are summarized as follows:

Table 131: Summary of Staff Costs for the year ending December 31, 2017

	Description	2017 (GMD'000)	2017 (USD'000)
1.	Per FPS, NPF, HFF and IICF Financial Statements	65,839	1,433
2.	Per FPS, NPF, HFF and IICF Trial Balance	105,391	2,294

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017 and FPS, NPF, HFF and IICF Financial Statements for the year ending December 31, 2017.

6.274 We note that there is an inconsistency in the classification of Staff Costs between the four Funds, as follows:

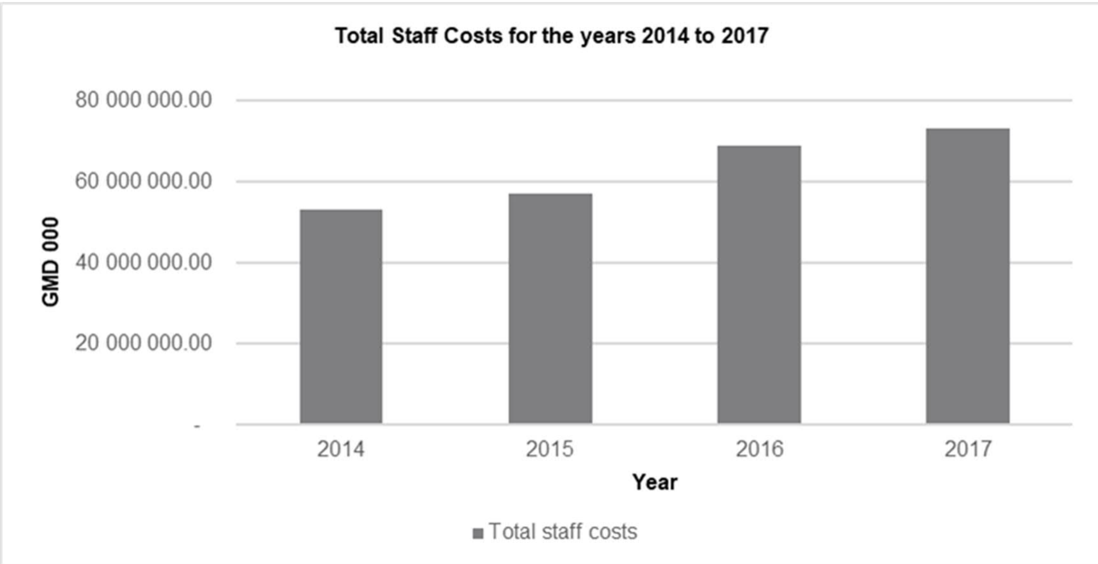
Table 132: Classification of Staff Costs between FPS, NPF, HFF and IICF for the year ending December 31, 2017

	Description	Staff costs	Included within General and Administration Expenses
1.	Salaries & Wages	FPS, NPF, HFF and IICF	-
2.	Transport & Residential Allowance	FPS, NPF, HFF and IICF	-
3.	Staff Pension/ IICF Cost	IICF	FPS, NPF and HFF
4.	Responsibility & Other Allowance	FPS, NPF, HFF and IICF	-
5.	Board of Directors Allowance	-	IICF, FPS, NPF and HFF
6.	Staff Medical Expenses	-	IICF, FPS, NPF and HFF
7.	Staff Dental Expenses	-	IICF, FPS, NPF and HFF
8.	Staff Training Expenses	-	IICF, FPS, NPF and HFF
9.	Staff Travelling Expenses	-	IICF, FPS, NPF and HFF
10.	Staff Vehicle Subsidy	-	IICF, FPS, NPF and HFF
11.	Staff Wages and Others	-	IICF, FPS, NPF and HFF

Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.275 The chart below sets out the Total Staff Costs as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

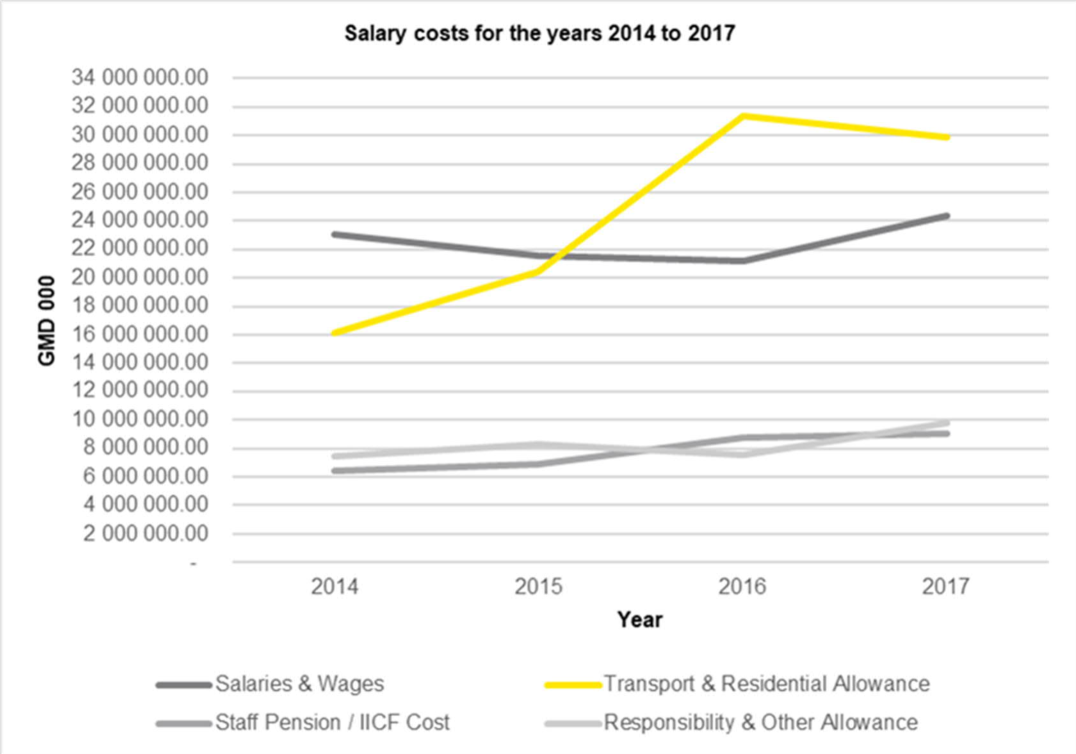
Figure 44: Total Staff Costs as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017



Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

6.276 The chart below sets out the salary costs and distinguishes base salaries, allowances and pension costs as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

Figure 45: Salary costs as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017



Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

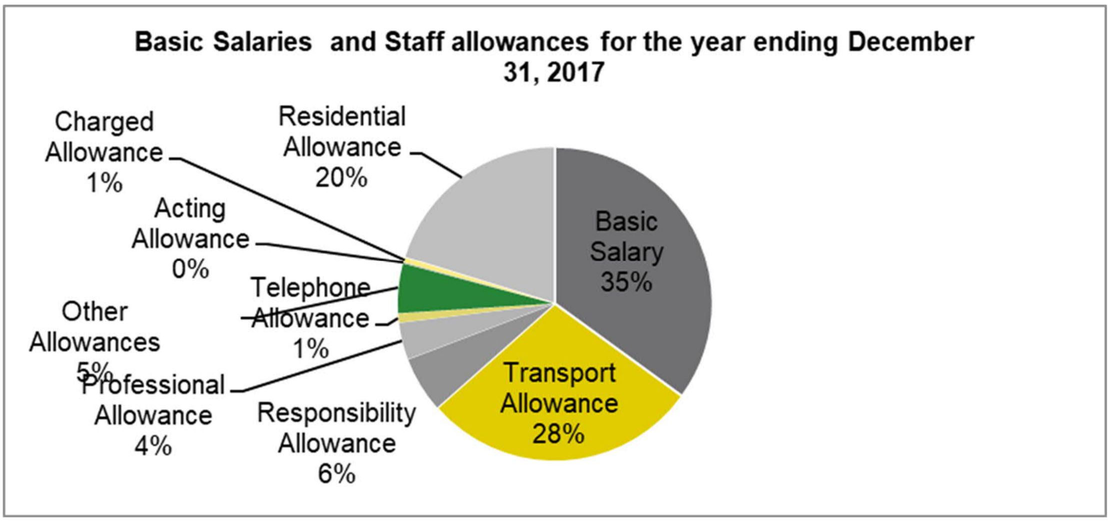
6.277 As is evident from the above table, the increase in Total Staff Costs between 2014 to 2017 is largely attributable to the marked increase in the use of Transport and Residential Allowances.

Allowances

6.278 SSHFC employees are paid various allowances on a monthly basis in addition to the basic salary. The allowances are categorized into: Transport, Responsibility, Professional, Telephone, Acting, Charged, Residential and Other allowances. The abovementioned eight allowances make up 65% of the overall remuneration, as demonstrated by the chart below.

6.279 The chart below sets out the Basic Salaries and Staff Allowances as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

Figure 46: Basic Salaries and Staff Allowances as per the FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017



Source: FPS, NPF, HFF and IICF Trial Balances for the year ending December 31, 2017.

6.280 The ‘Transport Allowance’ category relates to employees who are entitled to a Car Allowance or Transport Allowance. The ‘Responsibility Allowance’ is paid at a fixed amount for the SSHFC employees who are at a level of manager or above. The ‘Professional Allowance’ is paid to employees who have academic qualifications. The ‘Acting Allowances’ are paid to employees who act within a substantive post for more than 21 days. The ‘Charged Allowance’ is paid when an employee undertakes another role in addition to their own role (e.g., when another employee is on leave). The ‘Other Allowances’ category relates to miscellaneous amounts paid to SSHFC employees.

6.281 We selected a sample of employees to determine whether they were entitled to the allowances paid. We were able to conclude our testing based on their designation or perusal of supporting documentation located in the SSHFC employee file. We noted that employees were entitled to the allowances paid.

6.282 The Service Rules make provision for employees to receive medical treatment up to the amount of GMD 35k (USD 762) per annum. The SSHFC management has a discretion whether to charge the excess medical expenses to the employee. We observed documentation located in the SSHFC employees’ files relating to requests for the recovery of medical expenses incurred by SSHFC on behalf of the employee. These costs are not treated as Allowances, but rather as Donations.

Payroll records

6.283 We obtained a Payroll file from the Finance department. We also obtained a HR file from the Human Resources department. The Payroll file also includes former SSHFC employees. We noted inconsistencies between the two files (for example employees listed as per the Payroll file was not listed as per the HR file, missing bank details, missing date of birth, etc.).

6.284 There is a risk that the HR file may be incomplete or out of date as current employee details were not listed. For example, we could not find the current MD as per the listing. In each source we noted that for 48 out of 430 SSHFC employees, no date of birth was captured, amongst other information.

6.285 We selected a sample of 10 SSHFC employees. We performed testing in respect of the 10 employees’ monthly salary and allowances paid during December 2017. We obtained the December 2017 Pay Report prepared by the Human Resource department which provides a summary of the salaries and allowances paid per department during December 2017. The basic salaries paid as per the December 2017 Pay Report were higher than the salaries recorded as per the Payroll file. Management explained to us that the data recorded in the

Payroll file was prior to an increase in the salaries, as listed in the December 2017 Pay Report.

Ghost employees

6.286 We selected a sample of 10 employees to determine whether the employees exist. We were unable to physically verify 2 out of these 10 employees. We were told that 1 of the employees retired during 2018, and that the other was on study leave since September 2017. We were unable to obtain documentary proof of this study leave or ascertain whether the employee was entitled to a monthly salary for the duration of the study leave. The SSHFC management explained to us that the relevant documentation was in the SSHFC employee's possession. Due to lack of communication between the Human Resources department and the Finance department, the SSHFC employee received monthly allowances until February 2018 despite being on leave since September 2017. The salary payment to the SSHFC employee was subsequently reduced to basic salary (i.e., excluding any staff allowances).

6.287 We also selected a sample of 10 SSHFC employees from the Payroll file with the same fore name and surname and requested the employees' files. We selected the sample in order to determine whether there were any duplicate or 'ghost' employees listed as per the Payroll file. We noted that a separate file was maintained for each employee. We noted that each employee had a different date of birth and bank account details. We were able to physically verify 2 of the 10 employees with the same fore name. We did not physically verify 8 of the 10 employees due to 3 employees being on annual leave, 1 employee on maternity leave and 1 employee deployed by GTSC.

Staffing levels

6.288 The SSHFC management obtained an external '*Institutional Assessment and Human Resources Audit*' report which produced findings on key overstaffing areas and suggested redundancies. We noted that as per the Minutes of the First Meeting of the SSHFC reconstituted Board held on Wednesday, July 4, 2018 at Ocean Bay Hotel and Resort, the MD requested the SSHFC Board of Directors to review and implement the recommendations as indicated in the '*Institutional* Assessment *and Human Resources Audit*' report. However, the redundancies were not implemented due to protests initiated by the SSHFC employees.

Other staff matters

6.289 We understand that the former MD of SSHFC, Mr. Graham was interdicted from the public service during March 2017 by the Public Commission Service in terms of Public Service Regulation 35(1)[278]. The interdiction was following an initial assessment of government institutions and alleged case of fraud at SSHFC. Mr. Graham was instructed to handover to Mr. Mohamadou Manjang, the current MD of SSHFC.

6.290 We understand that Mr. Graham's service would have terminated during late July 2018[279]. We noted that SSHFC continued to pay Mr. Graham's basic salary and allowances subsequent to his interdiction from SSHFC.

6.291 A letter dated January 4, 2019 from SSHFC to Mr. Graham states that Mr. Graham's contract expired during July, 2018 and he was erroneously paid his salary during the period August 2018 to December 2018. Mr. Graham was requested to refund salaries paid to him during that period.

6.292 A letter dated January 14, 2019, from Mr. Graham to SSHFC states that any attempt to stop his half monthly salary without further directive from the PMO would be considered by him as

[278] Letter from Personnel Management Office to Mr Graham dated March 7, 2017.
[279] Letter from Personnel Management Office to Mr Graham dated July 21, 2014.

maladministration and abuse of office. We understand that Mr. Graham has not refunded anything to SSHFC.

6.293 During our site visits at SSHFC, we noted that various employees appear not to be occupied with SSHFC work related tasks (e.g., idle employees standing in corridors or sitting around in areas located in the office). We noted that there appears to be a skills gap between an employee's technical skills and what is required in terms of the employee's role. For example, SSHFC Management have indicated they frequently identify errors in respect of the recording of journal entries that are subsequently corrected.

Recommendations

6.294 The SSHFC management should re-address the classification of the Staff Costs (e.g., salaries, wages, allowances, etc.) and ensure that these expenses are appropriately classified and disclosed as per the SSHFC Financial Statements.

6.295 We recommend that a reconciliation is performed between the documentation held by the Payroll team in the Finance department and the Human Resources department, in order to ensure that accurate employee data is being utilized by both departments.

6.296 It is recommended that employees performing key roles are assessed on their ability to fulfil the role descriptions and performance criteria. A key skills gap analysis should be performed and a development plan put in place for key employees to address the identified skill gaps. We also recommend assessing the number of staff employed by SSHFC and considering whether these employees and their roles are essential to SSHFC.

Royalties

6.297 We understand that Royalties are charged on 1.5% of total investment and other income and are payable to the Government (i.e., Gambia Revenue Authority).

6.298 The SSHFC Consolidated Revenue Account reflects the following Royalties expense as per the SSHFC Financial Statements for the years ending December 31, 2014 to December 31, 2017.

Table 133: Royalties expense as per the SSHFC Financial Statements for the years ending December 31, 2014 to December 31, 2017

Expenditure category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Royalties	3,713	93	3,597	87	3,984	95	-	-

Source: SSHFC Financial Statements for the years ending December 31, 2014 to December 31, 2017.

6.299 The Director's report for the year ending December 31, 2017 states that royalties payable to the Government are computed on the basis of 1.5% of gross income, excluding contributions from employers and/or employees, of each fund.

6.300 We understand that in terms of Section 68 of the SSHFC Act, SSHFC is exempt from paying income tax (i.e., royalties). We were informed by the Management that they are planning to recover the royalties paid over to the Government.

National Sports Fund

6.301 We noted that the following National Sports Fund expenses as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

Table 134: Contributions to the National Sports Fund as per the FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017

Expenditure category	2014 (GMD'000)	2014 (USD'000)	2015 (GMD'000)	2015 (USD'000)	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
National Sports Fund	1,300	33	1,300	32	800	19	200	4

Source: FPS, NPF, HFF and IICF Trial Balances for the years ending December 31, 2014 to December 31, 2017.

6.302 We were not provided with any supporting documentation/ information in respect of the payments allocated to the 'National Sports Fund' general ledger account prior to 2016.

6.303 A letter from the Permanent Secretary, Anna Jobe (Ministry of Youth & Sports) dated January 5, 2017 makes reference to a reminder of the 2017 contributions. The letter was addressed to GPA, GCAA, Gambia Telecommunications Company Limited ('GAMTEL'), GAMCEL, SSHFC, NAWEC and GIA.

6.304 We obtained a SSHFC memo dated from March 23, 2016, in respect of contributions to the National Sports Fund. We noted that as per the memo, SSHFC is in arrears for the amount of GMD 4.7m (USD 102k) for the period 2014 to 2016.

6.305 It appears that SSHFC was instructed to make the contribution payments to the National Sports Fund. The contribution payments were charged to the SSHFC Consolidated Revenue Account for the period 2014 to 2016. However, we were unable to establish who instructed SSHFC to make the contributions to the National Sports Fund, whether the expenses incurred is in respect of the business activities of SSHFC or the benefit of the members. Furthermore, we were unable to determine whether the contributions in arrears were accounted for as a liability as per the SSHFC Consolidated Balance Sheet as at December 31, 2017.

Detailed findings – Quantification of diverted or misused funds

6.306 We understand that SSHFC is required to comply with general directives from the Minister responsible for the operations of SSHFC in terms of Section 16 of the SSHFC Act.

6.307 The Executive Directives we have reviewed and included in the table below date from 2010 to 2017. No later directives were provided. However, it is our understanding that they did continue past this date. The table below sets out a summary of the potentially diverted or misused funds identified as set out in the above-mentioned paragraphs.

Table 135: Summary of potentially diverted or misused funds identified during the Forensic Audit

Description	Pre- Dec 31, 2016 (GMD'000)	Pre- Dec 31, 2016[280] (USD'000)	Post Dec 31, 2016 (GMD'000)	Post Dec 31, 2016 (GMD'000)
Executive Directives:				
Equity Investments	118,300	4,500	-	-
Loans	1,756,351	55,010	-	-
Cash payments	302,092	9,686	-	-
Guarantees on loans / overdraft facilities	127,057	3,198	-	-
Asset misappropriation			-	-
Sponsorship	3,400	84	200	4
Total identified	**2,307,201**	**72,477**	**200**	**4**

Source: Compiled by EY based on the Executive Directive provided by SSHFC during the period of fieldwork.

[280] Value determined for the year ended December 31, 2017.

7. GPA

Introduction

7.1 The Gambia Ports Authority ('GPA') is a wholly owned government agency established by the Ports Act of 1972. It is responsible for the governance and maintenance of the ports and port facilities of The Gambia. The GPA is responsible for maintaining the port of Banjul on the Gambia River and is overseen by the Ministry of Transport and Works and MoFEA, for operational and financial activities, respectively.

7.2 The port of Banjul serves as an entry and exit point for approximately 80% of the country's international trade, with 60% of imports exported to the neighboring countries. The port of Banjul is a multi-purpose port that can accommodate containerized, break bulk, liquid and dry bulk as well as neo-bulk cargo's and terminal facilities. The port operates 24 hours per day, all year round.

The scope of our Forensic Audit

7.3 This report details the work, findings and subsequent recommendations identified based on our review of GPA's financial position as at December 31, 2017.

7.4 Our assessment was based on the records, documentation and information that the management and staff of GPA provided to us as well as other information obtained by us through interviews and specific enquiries made by us in the course of our work.

7.5 In line with our mandate, we performed the following procedures:

- ► Analysed the profit and loss statement and Balance Sheet of GPA for the period under consideration;
- ► Analysed relevant management reports like management letters, internal audit reports and Board minutes;
- ► Analysed supporting ledgers, schedules for big ticket items in GPA's profit and loss statement and Balance Sheet;
- ► Obtained relevant supporting documentation for transactions of interest; and
- ► Obtained relevant documents based on our understanding of the business.

Limitations of scope and our fieldwork

7.6 See the 'Limitations of scope' section of the Executive Summary for commentary on limitations that apply to all SOEs, in particular for how our work did not constitute a statutory audit.

7.7 GPA was unable to provide an accurate supplier listing download as at December 31, 2017, reportedly due to the limitation in its Accounting Software (the Access Accounting Software). The supplier report as at December 31, 2017, generated by the software includes transactions that occurred post 2017, making it difficult to ascertain the exact supplier balance as at December 31, 2017.

GPA - Detailed findings – Balance Sheet

7.8 As at December 31, 2017, GPA has a positive net assets position of GMD 2.7b (USD 56.7m), which is constituted predominantly by a Fixed Asset balance of GMD 2.1b (USD 44m), which represented 53% of total Assets and borrowings (both long and short term) totaling GMD 1.1b (USD 23m) representing 88% of total liabilities value.

7.9 Our analysis of GPA's Balance Sheet highlighted that Net Assets increased by 8% from GMD 2.5m (USD 57,592) in 2016 to GMD 2.7b (USD 56.7m) in 2017. The drivers of this increment include additional Fixed Assets purchased and additional loan facilities obtained in 2017.

7.10 The table below illustrates GPA's Balance Sheet as at December 31, 2016 and December 31, 2017.

Table 136: Summary Balance Sheet as at December 31, 2017, with 2016 comparatives

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Assets						
Non-current assets						
Property, Plant and Equipment	1,769,041	40,422	55	2,127,793	44,321	53
Investments	263,132	6,012	8	93,806	1,953	2
Long term receivable from Ferries	0	0	0	371,879	7,746	9
Current Assets:						
Inventory	110,278	2,519	3	86,390	1,799	2
Trade and other receivables	740,040	16,909	23	843,740	17,575	21
Cash and cash equivalents	353,473	8,076	11	455,485	9,487	11
Total assets	**3,235,963**	**73, 941**	**100**	**3,979,093**	**82,884**	**100**
Liabilities						
Non-current liabilities						
Borrowings	433,138	9,897	61	897,119	18,686	71
Current liabilities						
Borrowings within 1 year	80,364	1,836	11	215,898	4,497	17
Trade and other payables	116,971	2,673	16	58,427	1,217	5
Taxation	85,042	1,943	12	85,388	1,778	7
Total liabilities	**715,515**	**16,350**	**100**	**1,256,832**	**26,179**	**100**
Net Assets / Equity	**2,520,449**	**57,592**		**2,722,261**	**56,704**	

Source: Compiled by EY based on records provided by GPA

7.11 We have documented in subsequent paragraphs our findings and observations on the various components of GPA's Balance Sheet.

Fixed Assets

7.12 The table below sets out a summary of GPA's Fixed Assets, totaling GMD 2.1b (USD 44m), as reported in the Financial Statements as at December 31, 2017. The Net Book Value of the Fixed Assets represented 53% of the total asset value on the Balance Sheet and was principally made up of 'Land, Buildings & Infrastructure'.

7.13 Land, Building and Infrastructure accounted for 70% of GPA's Fixed Assets. In addition, Vessels, Lights and Buoys accounts for 22%. A summary of GPA's Fixed Assets categories is shown in the table below.

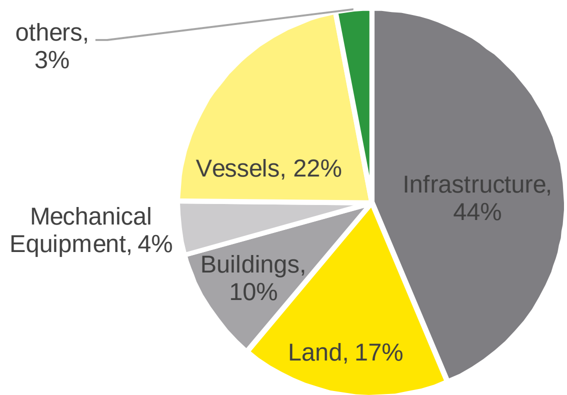
Table 137: Summary of Fixed Assets as at December 31, 2017

Asset type	Land, Building & Infrastructure	Work in progress	Plant, Equipment and Furniture	Motor Vehicles	Vessels, Lights & Buoys	Total
At cost (GMD'000)	1,663,442	8,254	417,369	72,211	578,130	2,739,406
Depreciation (GMD'000)	166,527	0	283,321	46,207	115,558	611,613
Net Book Value (GMD'000)	**1,496,915**	**8,254**	**134,048**	**26,004**	**462,572**	**2,127,793**
At cost (USD'000)	34,649	171	8,693	1,504	1,204	57,061
Depreciation (USD'000)	3,468	0	5,901	962	2,407	12,739
Net Book Value (USD'000)	**31,180**	**171**	**2,792**	**541**	**9,635**	**44,321**
% of Fixed Assets	70%	0.4%	6%	1%	22%	100%

Source: Compiled by EY based on the GPA 2017 Audited Financial Statements

7.14 The chart below illustrates the constituents of the various categories of Fixed Assets by Net Book Value. The largest category, Infrastructure, a constituent of the Land, Building & Infrastructure asset class, with a Net Book Value of GMD 924m (USD 19,247m), accounts for 44% of the total Fixed Asset value of GPA. Infrastructure includes improvements to Land such as pavement, fencing and container terminals.

Figure 47: Elements of Fixed Assets as at December 31, 2017



Source: Compiled by EY based on the GPA 2017 Fixed Asset Register

Fixed Asset verification

7.15 GPA maintains a Fixed Asset Register ("Asset Register") which contains the asset code and the asset description of each asset. However, the Asset Register does not contain the location of the various assets or a sufficient description of the assets. For example, four pavements are each described in the Asset Register as "pavement" and seven landed properties are each described in the Asset Register as "land". There is no additional description contained in the Asset Register to uniquely identify each asset.

7.16 Our review of the Fixed Asset Register reflects that the Net Book Value as at December 31, 2017 was GMD 2.120b (USD 44.2m). In contrast, the Net Book Value indicated in the Financial Statement reflects GMD 2.128b (USD 44.3m). Based on our discussion with the Finance Team, we understand that the difference of GMD 6.9m (USD 143,100) was due to an error in the Asset Manager Software. We understand that the Finance Team manually reviews the Fixed Asset Register to address errors from the Asset Manager Software. We sighted the Fixed Asset Schedule in the 2017 Audit file that agreed with the Asset value indicated in the 2017 Financial Statement.

7.17 We understand, based on our discussion with GPA's Finance team, that GPA has never performed a Fixed Asset verification exercise. Instead, GPA relied on DT (an Accounting firm based in the Gambia) in 2011/2012 to perform the last known verification exercise as part of the revaluation of GPA's Fixed Assets. The GPA Accounting Policy of 2012 places the responsibility for performing a Fixed Asset verification on the Internal Audit and Estate departments. The non-performance of timely asset verification poses a risk of GPA incorrectly stating its Fixed Assets.

7.18 We selected a sample of 75 assets from the Asset Register to perform a physical verification of GPA's Fixed Assets. Our sample size represented 95% of GPA's total Fixed Asset value of GMD 2.120b (USD 44.2m) and 3% of the numerical count of GPA's total Fixed Assets (numbering 2,883 items). We could verify the existence of only 31 Assets representing 71% of the GPA's total Asset value. The absence of asset tags made it difficult to identify the assets selected in our sample.

7.19 During a discussion with the Director of Finance and the Acting Director of Technical services, we identified eight assets that have been demolished and/or were no longer operational, but was still included in the 2017 Asset Register. The value of the eight assets amounts to GMD 89m (USD 1.9m), with demolished buildings accounting for 44% thereof GMD 39,768m (USD 828,367). The recognition of non-existent assets is inconsistent with the asset recognition criteria set out by International Accounting Standards.

7.20 We recommended that GPA removes assets that have been demolished or are non-operational from its Register to properly reflect GPA's Fixed Assets position. The table below details the eight Fixed Assets to be removed from the Asset Register:

Table 138: Non-operational Fixed Assets

Asset Class	Asset code	Asset description	Status	Net Book Value (GMD)	Net Book Value (USD)
Building	TEC/BL-10	Transit Shed	Demolished pre-2017	12,393,000	258,146
Building	TEC/BL-13	Steel portal frame	Demolished pre-2017	10,397,498	216,580
Building	TEC/BL-14	MEZ/Toilet	Demolished pre-2017	3,175,898	66,154
Building	TEC/BL-23	Toilet	Demolished pre-2017	714,000	14,873
Building	TEC/BL-24	Gate	Demolished pre-2017	82,620	1,721
Infrastructure	TEC/IN-11	Old pipeline	Not functional pre-2017	13,005,000	270,894
Sub-total pre-2017				**39,768,015**	**828,367**
Building	TEC/BL-18	Bonded Warehouse 1	Demolished post 2017	24,786,000	516,292
Building	TEC/BL-20	Bonded Warehouse 3	Demolished post 2017	24,786,000	516,292
Sub-total post 2017				**49,572,000**	**1,032,584**
Grand total				**89,340,015**	**1,860,952**

Source: Compiled by EY based on a discussion with management and EY review of the 2017 GPA Fixed Asset Register

7.21 In addition, Buildings worth GMD 49.572m (USD 1m) were demolished in 2018 (which is outside our scope period). Management should ensure that these Assets are removed from the current (2018/19) Asset Register to ensure an accurate presentation of the Fixed Assets held and utilized by GPA.

7.22 We noted that Fixed Assets amounting to GMD 4.3m (USD 89k), representing 0.2% of Fixed Assets that are listed in GPA's Asset Register, are utilized by entities that are financially separated from GPA, such as the Banjul Fisheries Jetty. GPA does not derive any benefit from these assets despite their recognition in GPA's Financial Statements. In addition to this, GPA does not charge rent to these entities on the usage of GPA's Fixed Assets. GPA's management indicated that the likelihood of rent recovery from these entities is low considering their financial position. The recognition of assets that GPA does not derive any economic benefit from is inconsistent with the asset recognition criteria set out by International Accounting Standards. The table below shows details of these assets.

Table 139: Summary of Fixed Assets utilized by related parties

Entity	Asset class	Asset Code	Asset description	Net Book Value (GMD)	Net Book Value (USD)
Gambia Ferry Services	Building	TEC/BL-27	Ferries Headquarters-2 story building	2,091,000	43,556
Gambia Ferry Services	Building	TEC/BL-28	Ferries Headquarters-single story building	2,197,590	45,776
Grand Total				**4,288,590**	**89,332**

Source: Compiled by EY based on the GPA 2017 Fixed Asset Register

Fixed Asset Revaluation

7.23 We were provided with GPA's revaluation reports of 1996 and 2012. The 2012 revaluation report reflected that there was a revaluation gain of GMD 1.417b (USD 29,512m) while the 1996 revaluation report reflected a revaluation gain of GMD 26m (USD 542k). The revaluation reports reflect a cumulative revaluation gain of GMD 1.443b (USD 30,054m) which is consistent with the revaluation surplus recognized in GPA's Balance Sheet.

7.24 We requested for the basis of cost recognition of the Assets contained in our Asset verification sample. We obtained evidence of ownership of Assets acquired after 2012 (the date of the last revaluation report). In contrast, we relied on the 2012 revaluation report as the basis of Asset recognition for Assets acquired prior to 2012. We did not identify any cost recognition discrepancies from our analysis.

7.25 GPA has not performed a revaluation exercise on its Fixed Assets since December 2011. The GPA Accounting Policy does not specify the frequency of the revaluation exercise of GPA's Fixed Assets. However, accounting best practice recommends that revaluation is conducted regularly (usually every three to five years) in order to ensure that the carrying value of the Assets are not materially different from its fair value.

Fixed Asset depreciation

7.26 As reflected in our Interim findings report, the Asset Manager software utilized by GPA for depreciation calculation purposes does not properly compute the depreciation charge for the year. To work around this issue, the Management Accountant exports the Fixed Asset schedule from the Asset Manager software and imports it into Excel, and manually re-computes the depreciation chargeable for the year.

7.27 We performed a sample test to confirm the accuracy of the depreciation charged in 2017. For the samples tested, we noted that the depreciation rates applied were consistent with GPA's depreciation policy.

Recommendations

7.28 Based on our procedures performed on GPA's Fixed Assets we recommend the following:

- Update GPA's Fixed Asset Register with a detailed description and location of the assets. An updated Fixed Asset Register provides comfort to GPA on the existence of the assets;
- Perform regular asset verification exercises to ascertain the existence and current state of the Fixed Assets that are recognized in the Financial Statements. This is necessary to prevent an overstatement of GPA's Fixed Asset position;
- GPA's management should consider adjusting the 2017 Fixed Asset carrying value by GMD 39.8m (USD 0.83m), in line with the value of non-existing and non-functional Assets in the 2017 Fixed Asset Register;
- GPA management should consider performing a revaluation exercise to properly restate the carrying value of its Fixed Assets. This is important to ensure that the Asset valuation in the Balance Sheet is a true representation of the fair value of the Assets; and
- As recommended in our interim report, it is important to fully automate the Asset depreciation calculation to prevent errors that can arise from manual depreciation calculation.

Investments

7.29 The table below details the investments held by GPA as at December 31, 2017, which represent 2% of the total Asset value.

Table 140: Investments held by GPA as at December 31, 2017

	Description of the investment	Original value		Impairment		Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
1.	Trust Bank Limited	16,990	354	0	0	16,990	354
2.	Gam Petroleum	191,716	3,993	115,500	2,406	76,216	1,588
3.	Gallia Holdings – Marshall Islands	169,319	3,527	169,319	3,527	0	0
4.	NAWEC	1,000	21	1,000	21	0	0
5.	GAMTEL	600	13	0	0	600	13
	Total investment	**379,632**	**7,908**	**285,826**	**5,953**	**93,806**	**1,955**

Source: Compiled by EY based on the GPA 2017 Audited Financial Statements

7.30 Based on discussion with GPA's Finance team and review of investment directives we noted that four out of five of GPA's investments were mandated through Executive Directives from the previous government (i.e. all except the Trust Bank Limited investment). None of these investments were performing as at the end of December 2017. The non-performing nature of these investments has necessitated a 75% provision for impairment on the investments' cost. These impairments have a significant impact on GPA's profit and loss position.

7.31 GPA does not have a documented investment policy as recommended by International Accounting best practices. Investments made by GPA are currently impaired based on management's discretion. It is recommended that GPA documents a policy that defines the types of investments permitted, approving authority, investment management procedure and impairment approach.

7.32 We have documented in subsequent paragraphs the nature of the respective investments made by GPA.

Trust Bank Limited

7.33 Based on our discussion with GPA's Finance team, we understand that GPA invested in Trust Bank Limited between 1997 and 1999. As reflected in the GPA 2017 Financial Statements, GPA owns 11,156,507 shares in Trust Bank Limited translating to 5.58% ownership. We were able to verify that this information is consistent with the information contained in the 2017 Financial Statements of Trust Bank Limited.

7.34 GPA recognizes its investment at cost. The Trust Bank Limited investment is valued at GMD16.99m (USD 354,000) in GPA's Financial Statements. Due to the absence of documentation, we could not validate the unit cost of shares as at the date of acquisition by GPA. Trust Bank Limited shares are traded on the Ghana Stock Exchange and the market price of a unit of Trust Bank shares as at December 31, 2017 was 0.35 Ghana cedi[281], translating to 3,904,777 Ghana cedi. The estimated value of GPA shares using the market price as at December 31, 2017 and a Cedi/GMD exchange rate of 1 cedi/GMD10.48 translates to GMD 40.9m (USD 851,947). This valuation is above the carrying value of GPA's investment in Trust Bank by GMD 23.9 (USD 498,045).

[281] As reflected in https://afx.kwayisi.org/gsegh/tbl.html

7.35 Based on our discussion with GPA's Finance team, we understand that this investment was made by the management of GPA with approval of the Board and not based on an Executive Directive. GPA receives annual dividends on its investment in Trust Bank Limited. Hence, no impairment provision has been made against the investment due to its viability.

GAM Petroleum

7.36 GPA invested in GAM Petroleum in response to an Executive Directive from the previous government in 2008. GPA's investment in GAM Petroleum of GMD 191.7m (USD 3.99m) represents 44% of GPA's total investment cost. GPA received its first return on investment from GAM Petroleum in 2014. The uncertainty of consistent return necessitated the impairment of the investment by GPA. As at 2017, 60% of the investment value has been impaired by GPA.

7.37 According to GPA's Deputy Director of Finance, we understand that GPA received a return on its investment on GAM Petroleum in 2018. Discussion with management however indicates that there is no certainty on the likelihood of consistent return from GAM Petroleum.

Gallia Holdings

7.38 GPA invested in the Gallia Holdings joint venture in 2011 through an Executive Directive from the previous government. The joint venture was between Gallia Holdings (55% ownership) and the Government of The Gambia (45% ownership). Gallia Holdings was expected to manage the operations of Kansala ferry and the Aljamdu ferry. The Executive Directive requested GPA's financing of a portion of the Government shareholding necessitating the investment recognized in GPA's Financial Statement.

7.39 The investment totaling GMD 169.3m (USD 3.5m), and representing 45% of GPA's total investment cost, did not yield any dividend return to GPA. We understand based on discussion with the Finance team that as at 2017, the transaction was the subject of arbitration due to disputes arising from the execution of the joint venture. As at December 31, 2017 the joint venture was no longer in existence and a full impairment provision has been made against the investment value.

NAWEC

7.40 GPA invested in NAWEC in 1994 based on an Executive Directive from the previous government. We understand from our discussion with GPA Finance that GPA paid GMD 1m (USD 21,000) to NAWEC for the purchase of 1% of its shares. However, we were not provided with support documents evidencing the share purchase.

7.41 NAWEC's Financial Statements do not indicate the shareholding structure of its authorized ordinary share capital. However, NAWEC's Memorandum of Association confirms that GPA owns 1% of NAWEC. The memorandum translates the value of GPA's shareholding to be GMD 684,660 (USD 14,261), in contrast to the investment value of GMD 1m (USD 21,000) recognized by GPA.

7.42 Despite the absence of returns from NAWEC since 1994, analysis of NAWEC's Audited Financial Statement as at December 31, 2016 highlights a positive net asset position. This implies that, NAWEC is not insolvent, hence GPA's investment cannot be considered worthless. GPA has recognized a 100% impairment provision against the NAWEC investment as at December 31, 2017.

GAMTEL

7.43 GPA invested GMD 600,000 (USD 13,000) in GAMTEL in 2014, reportedly based on an Executive Directive from the previous government. Based on discussion with the Director of Finance, we understand that GPA has not received a return on its investment since 2014. GAMTEL's 2015 and 2016 audited Financial Statement reflect a positive net asset, suggesting that carrying the investment without provision is reasonable.

Recommendations

7.44 Based on our procedures performed on GPA's Investments we recommend the following:

- Draft and implement an investment policy stipulating the nature of investments permitted, investment management methodology and impairment guidance, in line with international financial reporting standards; and
- Management should ensure that diligent and thorough evaluations/assessments are performed on investment opportunities. This will prevent avoidable impairment cost on non-preforming investments which impacts the profitability of GPA; and
- Management should engage the Government of Gambia to discuss how investments made through Executive Directives in ventures (for example, Gallia Holdings) that are no longer existing can be recouped from the Government.

Inventory

7.45 Inventory accounts for 2% of GPA's total Asset value on the Balance Sheet. It mainly consists of marine spares (35%), Mafi spares (39%) and tools & plants (14%).

7.46 We were informed that inventory counts occur on a monthly and quarterly basis for high value inventory items. In addition to that, a full inventory count is performed at the end of the year with the involvement of the internal and external auditors.

7.47 There are currently obsolete stocks valued at GMD 10.4m (USD 216,000) as at December 31, 2017. Based on our discussion with the Assistant Store Manager, we understand that there are ongoing plans to dispose of the obsolete stock.

7.48 Given the relatively minor value of inventory on the Balance Sheet, we have not performed further testing in this area.

Receivables

7.49 Receivables amounting to GMD 844m (USD 18m) account for 22% of GPA's total Assets as at December 31, 2017. The table below illustrates the various classes of receivables reflected in GPA's Financial Statements.

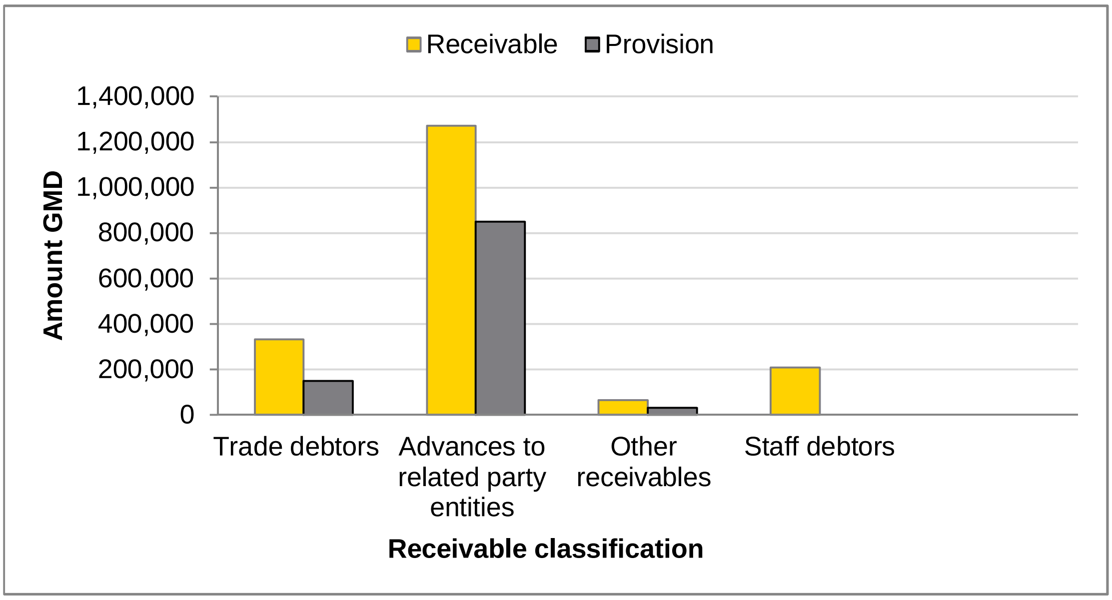
Table 141: GPA's Receivables Summary as at December 31, 2017

	Original value		Provision		Carrying value	
Receivable category	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Trade debtors	332,905	6,934	151,433	3,154	181,472	3,780
Advances to related party entities	1,272,276	26,501	851,237	17,731	421,039	8,770
Other receivables	65,122	1,356	32,712	681	32,410	675
Staff debtors	208,819	4,350	0	0	208,819	4,350
Total receivables	**1,879,122**	**39,141**	**1,035,382**	**21,566**	**843,740**	**17,575**

Source: Compiled by EY based on the GPA 2017 Audited Financial Statements

7.50 Due to the non-recovery of receivables from third parties and a prudent provision policy, GPA has accrued a substantial bad debt provision from 2010 to 2017. As at December 31, 2017 a total of GMD 1b (USD 21m) has been provided for in GPA's profit and loss accounts. The total provision provided for by GPA equates to approximately 55% of the original receivable value of GMD 1.9b (USD 39.5m). The chart below compares the level of provision made against GPA's various receivable balances as at December 31, 2017.

Figure 48: Provision on Receivables, as at December 31, 207



Source: Compiled by EY based on the GPA 2017 Audited Financial Statements

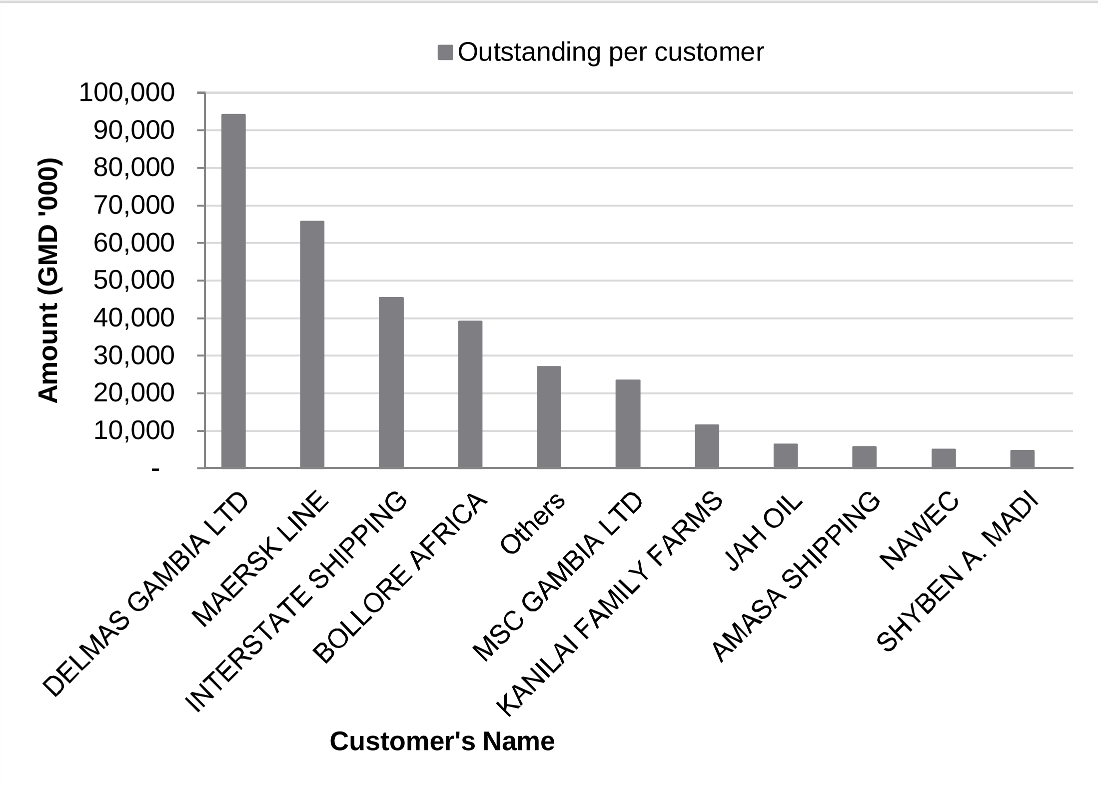
7.51 The various classes of receivables recognised by GPA as at December 31, 2017 are discussed in the paragraphs below.

Trade Debtors

7.52 GPA’s ageing schedule as at December 31, 2017 indicates that the total outstanding to GPA from its customers was GMD 327m (USD 6.8m). In contrast, the trade debtor balance in the 2017 Financial Statement was GMD 332.9m (USD 6.9m). We understand based on discussion with the Finance team that the difference of GMD 5.9m (USD 0.1m) is due to exchange valuation of foreign denominated outstanding.

7.53 As at December 31, 2017 GPA has made bad debt provision for 45% amounting to GMD 151m (USD 3m) on the trade debtor balance of GMD 332.9m (USD 6.9m) in its Financial Statement. Our analysis of the outstanding balance as at December 31, 2017 reflects that GMD 300m (USD 6.249m) was due from 10 customers, representing 90% of the total outstanding. The chart below is a pictorial representation of the outstanding balance of GPA’s top 10 debtors as at December 31, 2017.

Figure 49: Top 10 outstanding debtors as at December 31, 2017



Source: Compiled by EY based on the GPA 2017 Audited Financial Statements

7.54 We analysed the activities of the top 10 debtors from 2017 to determine if payments have been made by the debtors. In addition, we reviewed the accounts of these debtors in 2018 to ascertain if cash was received by GPA to estimate the possibility of future repayment of the amounts due. Based on our analysis, GPA did not receive any cash receipt from 3 out of the top 10 debtors in 2018, suggesting some level of provision is required.

7.55 Our review of the activities of the top 10 customers suggests that 19% of the outstanding balance amounting to GMD 64m (USD 1.3m) have remained unpaid for over 24 months. In line with the GPA provision policy, these amounts have been fully provided for. Based on our assessment, the provision made is adequate and consistent with GPA’s provision policy. Based on further assessment performed, we have commented in subsequent paragraphs our view on the application of GPA’s provision policy.

7.56 Considering that GPA's outstanding balance is driven by very few customers, it is important that GPA tightens and strictly enforces its credit control policy to ensure the liquidity of GPA. The table below details the activities of the top 10 debtors as at December 31, 2017.

Table 142: Top 10 Accounts receivable balances as at December 31, 2017

Customer	Up to 12 months	13 to 24 months	Old balances > 24 months	Total debt	Provision	Balance	Cash received in 2018
Delmas Gambia Ltd	94,040,065			94,040,065	23,510,016	70,530,049	469,725,091
Maersk Line	62,659,345		3,015,844	65,675,188	18,680,680	46,994,508	456,378,617
Interstate Shipping	847,650		44,477,977	45,325,627	44,689,890	635,738	
Bollore Africa	39,070,151			39,070,151	9,767,538	29,302,613	104,329,691
MSC Gambia Ltd	23,358,064			23,358,064	5,839,516	17,518,548	185,658,971
Kanilai Family Farms			11,480,194	11,480,194	11,480,194	-	
Jah Oil	6,333,469			6,333,469	3,166,735	3,166,735	43,716,871
Amasa Shipping	5,677,946			5,677,946	2,838,973	2,838,973	44,946,088
NAWEC			4,935,159	4,935,159	4,935,159	-	-
Shyben A. Madi	4,559,447			4,559,447	2,279,724	2,279,724	14,282,535
GMD total	**236,546,137**	**-**	**63,909,174**	**300,455,310**	**127,188,423**	**173,266,887**	**1,319,037,863**
USD total	**4,927,254**	**-**	**1,331,228**	**6,258,482**	**2,649,334**	**3,609,148**	**27,475,548**
% of trade debtor balance	**71%**		**19%**	**90%**	**38%**	**52%**	

Source: Compiled by EY based on the GPA 2017 Debtor ageing schedule and customer account

Trade Credit

7.57 A memorandum dated June 4, 2016, from GPA's management approved credit limits for a list of customers based on historic sales. Our review of GPA's ageing schedule reflects that 64 customers with an outstanding balance of GMD 52m (USD 1m), representing 16% of total customers with outstanding balances, do not have an approved credit limit.

7.58 Further analysis of the outstanding balances as at December 31, 2017 indicates that 9 customers exceeded their credit limit by GMD 232m (USD 4.8m), representing 71% of GPA's outstanding trade debtors. This non-adherence to the credit policy poses a risk of irrecoverable debts to GPA.

7.59 The GPA Finance team stated that management override contributed to the substantial amount of outstanding balances without a credit limit. GPA explained that some of the entities with outstanding balances are no longer existing or operational, and the possibility of recovery is remote. We understand that a proposal to write off GMD 7.5m (USD 155,225) from the existing trade debtor balance has been made for consideration by the Board.

7.60 GPA should consider documenting a credit control policy that defines the various categories of credit customers, the frequency of update of the credit limit amongst others. In addition, GPA management should update the credit limit for its customers, if required, to prevent the continuous exceeding of the credit limits. In addition, GPA management should prevent customers without limits from receiving credit facilities, by ensuring that all payments are made before consignment are cleared at the Ports. Also, the credit control unit should be strengthened by ensuring that regular reports are made to the management and Board on its compliance level with its credit control limit.

Trade debtor balances of related entities

7.61 Based on our discussion with GPA Finance and Banjul Fisheries management, we understand that Banjul Fisheries revenue billing is performed by the GPA Finance team. In addition, cash lodgements from Banjul Fisheries customers are made in GPA's Bank account. GPA keeps track of all receipts from Banjul Fisheries customers and payments made on behalf of Banjul Fisheries in a subsidiary account in the books of GPA.

7.62 While our analysis of GPA's trade debtor's balance as at December 31, 2017 suggests that GMD 1.1m (USD 22,913), representing 0.34% of the total outstanding of GMD 332.9m (USD 6.9m), is receivable from Banjul Fisheries customers, the inclusion of the receivable from Banjul Fisheries customers distorts GPA's trade debtor balance position. It is recommended that all transactions relating to Banjul Fisheries are managed and recorded separately by Banjul Fisheries in its own accounting system.

Bad debt provisioning

7.63 GPA makes provision for bad debt based on its customer classification and the age of the outstanding balance. The table below reflects GPA's bad debt provision policy as at December 31, 2017.

Table 143: Bad debt provision policy

Class of customer	Up to 12 months (%)	13 to 24 months (%)	More than 24 months (%)
Shipping agencies	25	50	100
Private consignees	50	75	100
Government of Gambia/agencies	50	75	100

Source: Compiled by EY based on the accounting policy as indicated on the 2017 GPA Audited Financial Statements.

7.64 We reviewed the bad debt provided for one of GPA's customers (Shyben A. Madi) to determine the accuracy and appropriateness of GPA's bad debt provisioning in 2017.

7.65 Shyben A. Madi's total outstanding debt as at December 31, 2017 was GMD 4.6m (USD 95,818). The balance comprises of a sales transaction of GMD 951,163 (USD 19,812) in November 2017 and another for GMD 3.6m (USD 75,161) in December 2017.

7.66 As per our understanding of GPA's bad debt provision policy, no bad debt provision should have been made on this customer, since the outstanding debts are not up to 12 months old. Our review of GPA's 2017 bad debt provision reflects that a 50% provision of GMD 2.2m (USD 45,826) was made on the outstanding balance of GMD 4.6m (USD 95,818), despite not being outstanding for 12 months. Review of subsequent transactions of this customer in 2018 indicates that this outstanding amount was paid in 2018. The Finance team explained that GPA makes provision on the outstanding balance at the end of the year irrespective of the number of months outstanding.

7.67 The current bad debt provision method adopted by GPA appears prudent and will result in the creation of a provision for balances that do not require provisioning. This will lead to an increase in the provision for bad debt on a yearly basis, if revenue increases. This will in turn translate to an under reporting of profit or loss for the year and the under valuation of debtor's balances on a yearly basis. In order to properly estimate the provision chargeable on outstanding debts, provision for bad debt needs to be charged accurately on the actual number of months outstanding, and in accordance with the stated bad debt provision policy.

Government related trade debtors

7.68 Our analysis of the debtor ageing schedule suggests that entities related to the government and former president totalled GMD 19.6m (USD 408,268) and represented 6% of GPA's trade debtor balance as at December 31, 2017. Based on our discussion with the GPA Finance team, we understand that some of these balances have been outstanding for over 10 years.

7.69 GPA has made full provision for bad debt on these outstanding which is consistent with its bad debt provision policy. GPA should consider resuming discussions with these entities to ensure full recovery of the amounts outstanding. The government related trade debtors as at December 31, 2017 is reflected in the table below:

Table 144: Related party and government related trade debtor balances as at December 31, 2017

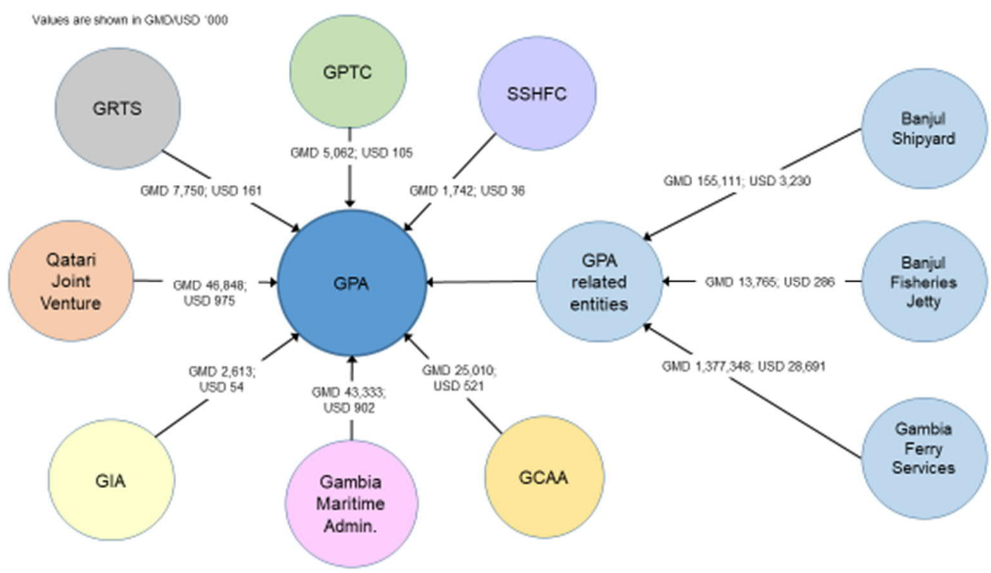
	+ 24 months	Cash received in 2018	Provision	Balance	Further provision required
Kanilai Family Farms	11,480,194	0	11,480,194	0	0
Gambia Milling Corp	1,050	0	1,050	0	0
Gamtel & Co	940	0	940	0	0
NAWEC	4,935,159	0	4,935,159	0	0
AMRC	2,621,798	0	2,621,798	0	0
Gamco Ltd	596,436	0	596,436	0	0
GMD total	**19,635,577**	**0**	**19,635,577**	**0**	**0**
USD total	**409,009**	**0**	**409,009**	**0**	**0**
% of trade debtor balance	**6%**	**0%**	**6%**	**0%**	**0%**

Source: Compiled by EY based on the GPA 2017 Debtor analysis schedule

Other Receivables from Government entities

7.70 Our analysis of GPA's receivables as at December 31, 2017 suggests that GMD 132,358m (USD 2,757m) is outstanding from various government entities. This aggregate balance represents 7% of GPA's total receivables. We understand based on discussion with GPA's Finance team that all the advances made to these entities were made based on Executive Directives. The diagram below illustrates the outstanding receivables balance in respect of Government entities:

Figure 50: GPA Receivables balances in respect of Government entities



Source: Compiled by EY based on the GPA 2017 Audited Financial Statements

7.71 Based on discussion with the GPA Finance team, we understand that no payment has been made by these entities (except Gambia International Airlines) in respect of the outstanding balances. The non-recovery of these advances has resulted in management providing against these balances. As at December 31, 2017 a total of GMD 83m (USD 1.728m), representing 63% of the amount advanced to these entities, has been provided for. As reflected in the table below, most of these balances are long overdue and have remained unpaid for a long period of time.

Table 145: Related party and government related receivable balances as at December 31, 2017

Government Entity	Year incurred	+ 24 months	Cash received in 2018	Provision	Balance	Further provision required
Gambia Radio and Television Services	1995	7,750	-	7,750	-	-
Gambia Maritime Administration	2001	43,333	-	35,400	7,933	7,933
Qatari Joint Venture	2010	46,848	-	7,450	39,398	39,398
Loan to GPTC	Pre-2000	5,062	-	5,062	-	-
Loan to GCAA	2007	25,010	-	25,010	-	-
Loan to GIA	2008	2,613	-	2,613	-	-
Loan SSHFC/Gallia Holdings	2018	1,742	-	-	1,742	-
GMD total		**132,358**	-	**83,285**	**49,073**	**47,331**
USD total		**2,757**	-	**1,735**	**1,022**	**986**
% of total AR balance		**16%**		**10%**	**6%**	**6%**

Source: Compiled by EY based on GPA 2017 Debtor analysis schedule

7.72 Based on discussion with the Finance team, we understand that the GIA remitted a total of GMD 1.6m (USD 43,840) to the Government of The Gambia as part of its outstanding repayment in August 2012 and September 2012. However, this payment has not been remitted to GPA despite communication between GPA's management and the Office of the President in 2015. GIA's outstanding balance in the books of GPA as at December 2017 is not an accurate representation of its receivable from GIA. We recommend that the Management of GPA explores all avenues to ensure that the amount paid by GIA is remitted to GPA by the Government.

7.73 GPA Management indicated that the outstanding from Gambia Maritime Administration should be recoverable, since the entity is generating revenue. GPA Management however expressed concern on the possibility of recovering the amount advanced to Qatari Joint Venture, since the venture has not been operational since 2010.

7.74 From discussion with GPA's Finance team, we understand that the advance of GMD 43,333 (USD 902k) to Gambia Maritime Administration ("GMA") was made by GPA through an Executive Directive, sometime in 2001. The advance was meant to settle operational requirements of GMA. No repayment has been made by GMA since 2001. We understand that the possibility of recovery of this amount from GMA is remote, since GPA has resumed its support of the entity in 2019. A subvention provision of GMD 2m (USD 41,660) was made in GPA's 2019 budget in this regard.

7.75 The Qatari Joint Venture contribution of GMD 46,848m (USD 976k) was made by GPA based on an Executive Directive in 2010. The Joint venture was between the Government of Gambia and PEARL Company. The investment and shares of the Government of Gambia's portion were split between GPA (20%), GNPC (15%) and SSHFC (65%). The venture was intended to build and manage agriculture related projects. We understand that since 2010, the venture has not been operational. Based on our discussion with GPA management, we understand that no contribution was made by the Joint venture partner. In addition, the possibility of recovery of the amount advanced is remote.

7.76 It is our view that GPA Management should consider making a full provision of GMD 47m (USD 979,010) representing the balances which have not been provided for with regards the Gambia Maritime Administration and Qatari Joint venture, since these amounts have remained outstanding since 2001 and 2010 respectively.

Other Receivables from GPA related entities

7.77 Per our review of the Financial Statements, three entities are related to GPA, namely; Gambia Ferry Services, Banjul Shipyard and Banjul Fisheries Jetty. GPA is actively involved in the operating, management and financing activities of these entities.

7.78 Our analysis of GPA's Receivable balances suggests that as at December 31, 2017, GMD 1.5b (USD 32,208m) is outstanding from these entities. As reflected in the table below, a 66% provision representing GMD 774,150 (USD 16,126) has been made on the outstanding balances from these entities. The related party Accounts Receivable balances are set out in the figure below:

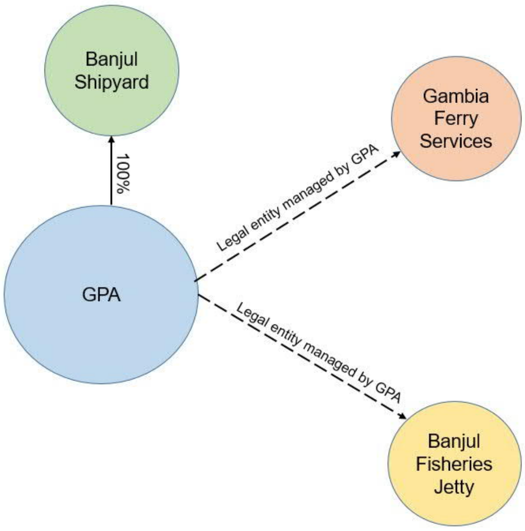
Table 146: Related party and government related Accounts Receivable balances as at December 31, 2017

Entity	Year of Support	0-365 days ('000)	365+ days ('000)	Total outstanding ('000)	Cash received in 2018 ('000)	Provision ('000)	Balance ('000)	Further provision required ('000)
Gambia Ferry Services- long term receivable	2017	371,879	-	371,879	-	-	371,879	-
long term receivable- subtotal		**371,879**	**-**	**371,879**	**-**	**-**	**371,879**	**-**
Gambia Ferry Services – short term	2001 till Dec 2017	71,245	934,224	1,005,469	-	658,450	347,019	347,019
Banjul Shipyard	1996 till Dec 2017	14,821	140,290	155,111	-	110,000	45,111	45,111
Banjul Fisheries Jetty	2001 till Dec 2017	3,484	10,281	13,765	-	5,700	8,065	8,065
Short term receivable- subtotal		**89,550**	**1,084,795**	**1,174,345**	**-**	**774,150**	**400,195**	**400,195**
GMD total		**461,429**	**1,084,795**	**1,546,224**	**-**	**774,150**	**772,074**	**400,195**
USD total		**9,612**	**22,596**	**32,208**	**-**	**16,126**	**16,082**	**8,336**
% of short term receivable AR balance		**5%**	**58%**	**62%**	**0%**		**21%**	**21%**

Source: Compiled by EY based on the 2017 GPA Audited Financial Statements.

7.79 We understand that GPA was instructed through Executive Directives from the previous government to oversee the activities of these entities. We have set out in subsequent paragraphs the nature of the relationship between GPA and these related parties.

Figure 51: Related party relationship



Source: Compiled by EY based on the GPA 2017 Audited Financial Statements

Gambia Ferry Services

7.80 In 1988, the Gambia Ferry Services Company Limited was set up as a semi-autonomous body with the GPA and the Government of The Gambia owning 51% and 49% of the shares respectively. The Ferry Services was transferred to the Gambia Public Transport Corporation in 1992. The Ferry services was again transferred to GPA under a caretaker management agreement in 2001. The signing of a joint venture agreement between Gallia Holdings of the Marshall Islands and the Government of the Gambia in 2011 led to the incorporation of the Gambia Ferry Services Management Company Limited. After the collapse of the joint venture, GPA assumed responsibility of the management of the Gambia Ferry Services. Per our discussion with GPA's management, we understand that GPA currently has 80% shareholding of the Gambia Ferry Services. However, we were not provided with any shareholding certificate in this regard.

7.81 The Gambia Ferry Services management is supervised by GPA's Board of Directors and GPA plays a key role in the activities of Gambia Ferry Services. GPA has consistently been assisting the Gambia Ferry Services in financing its capital expenditure over the years such as for the purchase of Ferries. For example, the most recent Ferry acquisition was made by GPA on behalf of Gambia Ferry Services in 2017 through a loan facility from Damen (a ship manufacturer) to GPA. An MOU was signed between GPA and Gambia Ferry Services mandating monthly contributions by Gambia Ferry Services to GPA in support of GPA's loan repayments. As at December 31, 2017 a total of GMD 372m (USD 7.748m) was recognised as a long-term receivable from Gambia Ferry Services.

7.82 GPA also supports the Gambia Ferry Services in financing its operating expenditure. No repayment has been made by Gambia Ferry Services in settling its outstanding debt with GPA. As at December 31, 2017, GPA reflected a short-term account receivable of GMD 1b (USD 20.9m) while the management accounts of Gambia Ferry Services as at December 31, 2017 reflects that the amount payable to GPA is GMD 922m (USD 19.2m). An analysis of the Gambia Ferry Services 2017 Management Accounts indicates that the amount recognised as payable to GPA by Gambia Ferry Services represents 94% of its Balance Sheet.

7.83 Management should consider GPA's role in the activities of Gambia Ferry Services as it relates to achieving its strategic objectives. In principle and practice, Gambia Ferry Services is a subsidiary of GPA. Considering that Gambia Ferry Services made a loss in 2017 and its Balance Sheet reflects an accumulated deficit, consolidating the Financial Statements will have a negative impact on the profit and loss and Balance Sheet position of GPA.

7.84 Failure to consolidate the Financial Statements gives the impression that there is a likelihood of recovering the amount receivable from GPA. It appears that there is little chance of repayment of this outstanding amount, considering that the amounts have remained outstanding over the years since 2001. In order to give an accurate representation of the account receivable position of GPA, GPA should consider writing off the amount receivable from Gambia Ferry Services or converting the debt to equity. Management has noted their intention to covert the related party debt to equity.

7.85 Management needs to decide the future financing model of Gambia Ferry Services as the continuous support of the entity without repayment and return of investment is impacting GPA's profitability.

Banjul Shipyard Limited

7.86 The Banjul Shipyard Limited was incorporated as a limited liability company in 1996 with GPA and The Gambian Government as the 99% and 1% shareholders respectively. Since then, the percentage of GPA's ownership of the Banjul Shipyard has changed, based on several Government joint ventures. Ultimately, in 2017, through a presidential Executive Directive, full ownership of Banjul Shipyard was transferred to GPA.

7.87 GPA has consistently assisted the Banjul Shipyard in the financing of its operational activities, for example, for the purchase of spares and salary payments. All procurements are processed in line with the GPA procurement procedure and approved by relevant GPA officers. Banjul Shipyard's major customers are GPA and the Gambia Ferry Services. Based on our discussion with the Banjul Shipyard management, we understand that the Shipyard has never invoiced GPA for services rendered to them. Shipyard has only recently started to invoice Gambia Ferry Services, but has never received any payment. The relationship between these entities inhibits the performance of transactions at arm's length basis.

7.88 As at December 31, 2017, GPA reflected an Account Receivable balance of GMD 155m (USD 3m) while the draft Financial Statements of Banjul Shipyard did not indicate a corresponding liability to GPA. An analysis of the GPA and Banjul Shipyard 2017 Financial Statements indicates that the GMD 155m (USD 3m) reflected as a Receivables by GPA in its books exceeds the entire Net Asset value of the Banjul Shipyard by GMD 106m (USD 2.2m).

7.89 In principle and in practice, Banjul Shipyard is a subsidiary of GPA, and consolidating the Financial Statements will have a negative impact on the Balance Sheet position of GPA. The current reporting of these balances without full provision in the books of GPA as receivables from Banjul Shipyard suggests that the balances can be recovered. In our view, the likelihood of recovering the amount receivable from Banjul Shipyard is remote, considering that no repayment has been made since 1996 and the outstanding balances are multiples of the entities' entire Balance Sheet value.

7.90 In order to give an accurate representation of the account receivable position of GPA, GPA should consider fully providing against the amount receivable from Banjul Shipyard, or converting the debt to equity.

7.91 Management needs to decide the future financing model of Banjul Shipyard as the continuous support of the entity without repayment and return of investment impacts its profitability on a yearly basis.

Banjul Fisheries Jetty

7.92 In 2001, the Fisheries Jetty was constructed for the berthing of fishing trawlers. A grant of USD 8.5 million was obtained from the African Development Bank leading to the establishment of the Gambia Artisanal Fisheries Development Project (GAFDP). The Jetty was commissioned in July 2013 and started operations in September 2013. On September 17, 2017, the GPA and GAFDP entered into an agreement for the implementation and management of the Banjul Fisheries Jetty.

7.93 GPA finances the operational activities of the Fisheries Jetty as it does not generate enough revenue to sustain itself. Most of the activities (for example invoicing, procurement, salary payment) of Banjul Fisheries Jetty are currently managed by GPA. We were informed by Banjul Fisheries Jetty management that Banjul Fisheries does not have a functional bank account, however, working capital of GMD 4.5 million (USD 93,735) was set aside from the initial grant, with the Managing Director of GPA and the Permanent Secretary of the Ministry of Fisheries as authorised signatories. All Banjul Fisheries transactions are done through GPA's Bank accounts.

7.94 In principle and practice, Banjul Fisheries Jetty is operating as a division of GPA. There are no separate books and records, or accounts prepared for, and on behalf of, Banjul Fisheries Jetty.

7.95 As the entity is treated as a division of GPA, recovery of the outstanding is remote and considering that no repayment has been made over the years since 2001, it is our view that, in order to properly state the account receivable position of GPA, the Banjul Fisheries Jetty Receivable balance of GMD 13.8m (USD 286,724) should be full provided for, if not written off.

7.96 Management needs to decide the future financing model of the Banjul Fisheries Jetty as the continuous support of the entity without repayment and return of investment impacts its profitability on a yearly basis.

Staff Loans

7.97 GPA staff loans of GMD 209m (USD 4.35m) account for 11% of account receivables as at December 31, 2017. This amount relates to receivables from 1,099 staff members and 89 ex-staff. Out of the staff loan balance, a total of GMD 197m (USD 4.1m) loans is receivable from active GPA employees while GMD 8.3m (USD 172,888) is receivable from ex-staff. Our analysis indicates that the average outstanding loan for an active GPA employee and an ex-GPA staff is GMD 178,946 (USD 3,727) and GMD 92,906 (USD 1,935) respectively compared to an average salary of GMD124,612 (USD 2,596).

7.98 Our analysis suggests that approximately 95% of GPA staff had an outstanding loan balance as at December 31, 2017. It typically takes between three to five years, dependent on the type of staff loan, to fully settle a loan obligation. However, in practice, before a loan is fully settled, GPA staff are permitted to top-up the existing facility.

7.99 Our review suggests that 4% of the outstanding loans are from GPA ex-staff. Most of these outstanding loans range from GMD 838,311 (USD 17,462) to GMD 1,000 (USD 21) and have remained unpaid since 2007. We understand from our discussion with the Finance team that, in the event of termination or resignation of a GPA staff member with a loan balance, GPA is expected to notify the SSHFC of the individual's loan balance to effect appropriate deductions before the pension benefit is paid to the individual. The Payroll officer explained that the reason for the significant ex-staff loan balance is attributed to low social benefit when compared to the loan balance and a high number of staff absconding.

7.100 Based on our discussion with the Payroll Officer, we understand that the chance of recovery of these amounts is remote. We recommend that GPA makes full bad debt provision against the outstanding loan balance of GMD 8.3m (USD 172,888), as most of these balances have been outstanding since 2007.

7.101 It is recommended that GPA's management strengthens its controls on loan recovery to prevent increase in outstanding loans to ex-staff. GPA should ensure that timely communication is made to SSHFC on deductions to be made from staff entitlements. In addition, GPA should consider ensuring that every loan-taking staff member has a loan surety to prevent instances of staff absconding without hope of recovery by GPA.

Cash and Bank

7.102 As reflected in the GPA 2017 Financial Statements, GPA maintains bank accounts with 14 banks. Our review of the December 31, 2017, bank reconciliations suggests that the reconciliations for all the bank accounts were prepared correctly, with reconciling items properly accounted for.

7.103 We sent out bank confirmations to all the commercial banks in The Gambia and non-Gambian banks that we understand have a banking relationship with GPA. As at the time of this report, we have received responses from 11 banks, with the exception of Central Bank of Gambia. Responses received from most of the banks confirmed that the bank balance used for the bank reconciliation statement is consistent with the balance confirmed by the bank. However, we noted differences between the bank balances for the banks shown in the table below. As at the time of this report, we have not received clarification from the GPA finance team on the reason for the differences. Subsequent to our fieldwork we have been informed by management that the Reliance (unknown account number) and Trust Bank (account number 1160008903) are belong to GPA Ferries and the GPA Staff Association respectively.

Table 147: Variances in Bank account balances

Bank Name	Account number	Amount per bank reconciliation/ Trial balance (GMD)	Amount per bank confirmation (GMD)	Difference (GMD)	Difference (USD)
ICB/FBN Bank	101203000007951	8,270,802	5,454,243	2,816,559	58,669
Trust Bank	11100068902	1,942,358	9,822,369	(7,880,011)	(164,141)
Sub-Total of Current Accounts		**10,213,160**	**15,276,612**	(5,063,452)	(105,472)
Reliance	Unknown	5,273,298	4,497,182	776,116	16,167
Trust Bank	11600068903	25,318,279	24,784	(25,293,495)	(526,863)
Sub-total of Fixed Deposits		**30,591,577**	**4,521,966**	(26,069,611)	(543,030)

Source: Compiled by EY based on 2017 GPA Trial Balance and bank account confirmations received from the respective banks

7.104 The GPA Finance Director stated that GPA utilized the statements provided by the banks in performing its year end reconciliation. He indicated that he could not comment on the reason for the differences noted.

7.105 In addition, our bank confirmation exercise revealed two accounts reported to be GPA by the banks, but which are not reflected in the Financial Statements. Subsequent investigation by management has discovered that the two accounts below to GPA Ferries and the GPA Staff Association respectively.

Table 148: Bank accounts reported by the banks as GPA but not reflected in the GPA trial balance

Bank Name	Account type	Account number	Balance (GMD)	Balance (USD)
Standard Chartered Bank	Current	100150034100	1,097,432	22,859
Reliance	Jula Savings Account	Unknown	772,532	16,091
Total			**1,869,964**	**38,950**

Source: Compiled by EY based on bank account confirmations received from the respective banks

7.106 The GPA Finance Director stated that the identified accounts are not GPA's bank accounts. However, the confirmation provided by the Banks indicated that the accounts are owned and maintained by GPA.

7.107 Furthermore, the bank confirmations indicate that the bank mandates have not been updated for some of the banks as former GPA directors and management are included in the authorized signatories list. We recommend that GPA updates its bank mandates with all its banks to prevent unauthorized transactions by former employees. The table below records the details of the banks and the identified former GPA directors.

Table 149: Former employees and directors listed as authorized signatories

Bank name	Signatory name	Designation
Standard Chartered Bank	Lamin L. Sanyang	Former GPA Managing Director for the period 2014-2017
Skye Bank	Abdourahman Bah	Former Deputy Managing Director for the period 2010-2012
	Abdoulie M. Tambedou	Former Managing Director for the period 2011/12 and 2017)
Guaranty Trust Bank	Abdoulie M. Tambedou	Former Managing Director for the period 2011/12 and 2017)
	Abdourahman Bah	Former Deputy Managing Director for the period 2010-2012
	Lamin L. Sanyang	Former GPA Managing Director for the period 2014-2017
Zenith Bank	Abdoulie M. Tambedou	Former Managing Director for the period 2011/12 and 2017)
Trust Bank	Abdoulie M. Tambedou	Former Managing Director for the period 2011/12 and 2017)

Source: Compiled by EY based on bank account confirmations received from the respective banks

Loans and securities

7.108 GPA Loan liabilities of GMD 1.1b (USD 23m) account for 88% of GPA's liabilities on the Balance Sheet as at December 31, 2017. Two out of the total of four existing loans were obtained by GPA on behalf of Gambia Ferry Services. In these instances, the loan liability was recognized in the books of GPA while the assets procured were recognized in the books of Gambia Ferry Services. GPA incurred a total loan servicing cost of GMD 78.5m (USD 1.6m) in 2017, which represented about 7% of GPA's total expenses in 2017.

7.109 The table below reflects a summary of GPA's loan position as at December 31, 2017.

Table 150: Summary of major loan positions as at December 31, 2017

Loan Description	Origination date	Original value (GMD'000)	Repayment details (GMD'000)	Outstanding loan position (GMD'000)	Outstanding loan position (USD'000)
Africa Development Bank	1994	208,000	475,282	314,876	6,559
SSHFC	2010	150,000	105,000	45,000	937
Damen / Kunta Kinteh Ferry	2016	515,656	109,318	406,338	8,464
Damen / Kankujerry Tug Boat	2017	416,926	70,122	346,803	7,224
Total loan exposure as at December 31, 2017 per the Financial Statements		**1,290,582**	**759,722**	**1,113,017**	**23,184**

Source: Compiled by EY based on the 2017 GPA Audited Financial Statements

Africa Development Bank

7.110 The facility was obtained by the Government of The Gambia on behalf of the GPA from the ADB in 1994. According to the Loan Agreement, the objective of this loan was to provide funding for the construction of a 177m concrete jetty, a roll-on, roll-off ("ro-ro") ramp for ro-ro vessels, three floating craft vessels, mooring launch, a harbor tug and consultancy services.

7.111 The facility was denominated in unit of accounts, totaling 16m units of account ("UA") which translated to GMD 208m (i.e., 1 UA=13 GMD) in 1994. The principal loan agreement for the facility was between the ADB and the Government of The Gambia. The facility was subsequently extended to GPA by the Government of Gambia through a subsidiary loan agreement.

7.112 The subsidiary loan agreement reflected that the facility was for a 23-year tenor (inclusive of a three-year moratorium) period with an expected bi-annual principal repayment. The subsidiary loan agreement provides for an interest rate of 8% on the facility, which was subsequently negotiated to 2%. We understand that GPA agreed with the Government of The Gambia to set its principal repayment at GMD 11m (USD 222,130) bi-annually. From our analysis of the principal loan agreement between the Government of Gambia and the ADB we could not determine the interest rate, if any, on the facility.

7.113 Our analysis of GPA's repayment in respect to this facility reflects that a total of 11,319,914 UA, representing 70% of the principal UA of 16m units obtained, have been repaid to the Government by GPA as at December 31, 2017. We could not ascertain the total amount subsequently remitted by the Government of Gambia to ADB in respect of the loan facility. The total repayments made by GPA over the years on this facility translates to GMD 475m (USD 9.9m). We noted that the amount repaid exceeds the initial GMD principal obtained by GMD 267m (USD 5.6m). This can be attributed to the steady depreciation of the GMD against the ADB's UA (i.e., 1 UA=13 GMD in 1994 to 1 UA=67.28 GMD in 2017). Our analysis has been reflected in the table below.

Table 151: ADB loan repayment analysis

Description	Year	Unit of Account	UA/GMD Rate	Amount (GMD)	Amount (USD)
Principal	1994	16,000,000	13	208,000,000	4,332,638
Principal Repayment	1994 to 2017	11,319,914	42	475,281,792	9,900,116
Principal Balance	**2017**	**4,680,086**	**67**	**314,876,194**	**6,558,869**

Source: Compiled by EY based on GPA's loan records

7.114 Considering that GPA's outstanding balance on the facility of GMD 314.9m exceeds the initial principal sum of GMD 208m (USD 4m), GPA's management should consider converting its outstanding loan balance from UA to GMD. This can help to prevent a further increase in the outstanding balance due to possible unfavorable fluctuations of the GMD against the UA.

SSHFC

7.115 The SSHFC and the GPA entered into a loan agreement on May 6, 2010, for GMD 150m (USD 5,403,770) to finance the procurement of new ferries for Banjul, Barra, Transgambia and other provincial crossings. The loan was obtained by GPA on behalf of the Gambia Ferry Services.

7.116 The terms of the loan stipulate a principal repayment over a period of 60 months with a moratorium of two years However, there is a discrepancy between the debtor and creditor balances in the accounting records of the respective SOEs. As reflected in GPA's SSHFC loan account, the outstanding principal payable to SSHFC as at December 31, 2017 is GMD 45m (USD 937,350). The SSHFC 2017 Financial Statements reflect that the principal amount receivable from GPA is GMD 58m (USD 1.2m). It is important that a reconciliation is performed between GPA and SSHFC to ensure that the appropriate outstanding balance is recognized in the books of both entities. Management believe that any discrepancy is purely presentational. We have not clarified this. Management plan to reconcile the loan in February 2020 towards the end of the loan's tenure.

7.117 Our review of the Financial Statements of GPA and Gambia Ferry Services reflects that the liability to SSHFC is recognized in the books of GPA while the Ferry is recognized as a Gambia Ferry Services Asset. Gambia Ferry Services is not responsible for repayment of the loan obligation and the interest due on the loan obtained by GPA. We would expect the asset and loan to sit in the accounting records of the same entity.

DAMEN

7.118 GPA entered into a ship building contract with B.V. Scheepswerf Damen Gorinchem ("Damen") in 2016 and 2017. The aim of the contract was to build a ferry (named Kunta Kinteh) for Gambia Ferry Services and a tug boat (Kankujerry) for GPA. GPA pre-financed the building contract by paying a percentage of the purchase price as an upfront payment to Damen. GPA paid the subsequent amount due to Damen over an agreed period.

7.119 The amount payable for the Kunta Kinteh ferry was recognized in the books of GPA as a long-term loan from Damen while the ferry was recognized in the books of Gambia Ferry Services. GPA and Gambia Ferry Services entered into an agreement on the Loan facility on January 27, 2016, through an MOU. The MOU sought to recognize Gambia Ferry Services as the owner of the financial liabilities and GPA as the guarantor of the liabilities.

7.120 The MOU stated that Gambia Ferry Services is required to remit a minimum of GMD 5m (USD 104,150) to GPA in furtherance of GPA's monthly repayment to Damen. Our analysis of the repayment schedule reflects that the monthly repayment of Gambia Ferry Services will not be sufficient to repay the principal sum. An additional GMD 169m (USD 3.5m) will be required as additional support from GPA in settling the principal outstanding to Damen. The loan repayment augmentation by GPA will negatively impact GPA's working capital position.

7.121 In a similar transaction, the Kanku Jerry tug boat was procured from Damen for the benefit of GPA in 2017. Based on our review of GPA's Loan account and repayment schedule, the outstanding on the facility as at December 31, 2017 was EUR 6,045,037, which when translated with GPA's closing exchange rate amounted to GMD 341.6m (USD 7,115m). However, the outstanding balance reflected in GPA's Financial Statements on this facility was GMD 346.8m (USD 7.224m). Comparison of the outstanding loan balance computed by EY and the outstanding loan balance reflected in the Financial Statement indicates that GPA's Loan balance was overstated by GMD 5.2m (USD 108,316). In order to properly state GPA's liabilities position, there is the need for yearly revaluation of foreign loan balances.

7.122 The Finance team indicated that the difference can be attributed to the different exchange rates used in recognizing the liabilities during the year and the omission to perform a revaluation of the foreign loan balance as at December 31, 2017. The Finance team indicated that revaluation of all outstanding loan balances will be performed yearly to prevent a future reoccurrence of this nature.

Recommendations

7.123 Based on our procedures performed on loans, it is recommended that:

- ► GPA should urgently discuss the repayment of the African Development Bank loan with the Government of The Gambia, including the potential conversion of the basis of the ADB facility to GMD;
- ► The assets purchased with loan facilities should be recognized in the same Financial Statements as the loan liability; and
- ► Management should consider revaluing the amount payable to foreign loans using the year-end foreign exchange closing rates as published by the Central Bank of The Gambia. This is important to properly ascertain the outstanding position of GPA.

Trading liabilities

7.124 GPA's Trade Creditors as at December 31, 2017, of GMD 23.4m (USD 488,360), account for 7% of GPA's current liabilities. The table below sets out GPA's payable position to its creditors in 2016 and 2017.

Table 152: GPA Trade Creditors

Account Description	2017 balance (GMD)	2017 balance (USD)	2016 balance (GMD)	2016 balance (USD)
Sundry Creditors	19,676,212	409,855	14,045,094	320,930
EUR Sundry Creditors	3,576,670	74,502	3,950,341	90,265
GBP Purchase Control	192,149	4,002	660,275	15,087
Trade creditors as at December 31, 2017	**23,445,031**	**488,360**	**18,655,709**	**426,283**

Source: Compiled by EY based on GPA's 2017 and 2016 Final Trial Balance

7.125 We obtained the 2017 supplier listing containing the respective supplier balances and noted that the balances did not reconcile with the Trial Balance. During the fieldwork we were provided with two different supplier listings which totaled GMD 30m (USD 624,900) and GMD 44m (USD 916,520), neither of which agreed to the Trial Balance position of GMD 23m (USD 479,090). Based on our discussions with the Finance team, we understand that the supplier listing spooled from the Access System includes all the transactions of the respective suppliers from inception date to the report generation date. They further explained that to get an accurate supplier listing as at December 31, 2017, the report will need to be generated on that day.

7.126 We also obtained the Supplier listing provided to the external auditors ("Augustus Prom) for the 2017 audit. However, we noted variances between both records. The management accountant explained that the Finance team omitted to print out the supplier listing on December 31, 2017, for the auditors, resulting in the variance noted. Our review of the 2017 GPA management letter issued by the Auditors reflected that this anomaly was included in their report.

7.127 We analyzed the first supplier listing provided to us which had a balance of GMD 30m (USD 624,900). We reviewed the supplier listing to identify debit balances. Our analysis suggested that 182 suppliers out of 441 suppliers had debit balances amounting to GMD 46.96m (USD 978,105). This indicates that these suppliers are owing GPA GMD 46.96m (USD 978,105), possibly due to advance payment made by GPA to these suppliers. Based on our discussion with the Finance team, we understand that these debit balances, most of which predate 2017, were a result of the posting of payments made to suppliers by the Finance team without the posting of the corresponding supplier invoices by the Procurement department. There is the need for appropriate adjustments of the supplier's accounts, after a thorough review, in order to properly state the supplier accounts.

7.128 We performed further analysis on one of the suppliers with a debit balance to understand the nature of transactions in the supplier account. We reviewed the transactions of Equa Energy and noted that relevant invoices for payments were not made in the Equa Energy account. In addition, there were instances when the Procurement team posted the wrong invoice amount for the payments made to the supplier. All the instances noted related to transactions between the period 2013 and 2016.

7.129 In order to properly state GPA's trade liabilities position, it is important that GPA performs a review of all the supplier accounts with debit balances. The Director of Finance explained that to prevent future occurrence of this nature, a member of the finance team has been stationed at the Procurement department to ensure that all invoices are posted in a timely manner. In addition to this, the entries posted by the Procurement team are reviewed by the Finance team before payments are made to suppliers.

Accruals for contingent liabilities

7.130 Accounting standards suggest that accruals should be made for all potential liabilities with reasonable likelihood of occurrence as long as they can be reasonably estimated. We reviewed the legal file to identify instances of this nature and to determine if adequate provision was made in the Financial Statements as at December 31, 2017. Our review reflected that the following liability was identified in 2017 but was not accrued for:

- ► Tally Clerks: The Tally Clerks sued GPA for payment of severance benefits due to them. In 2017 an out of court settlement estimated at GMD3.4m (USD 70,822) was proposed for the 116 tally clerks. This contingent liability hardened into a full liability in 2018, yet no amount was provided for in the Financial Statements as at December 31, 2017.

1.1 The Finance team explained that no provision was made in the books as at 2017 because the liability had no direct bearing on the activities of GPA. However, since GPA is likely to be financially impacted from these transactions, we believe a provision accrual should have been made to register the potential liability in the right period.

Recommendations

- ► In order to accurately state GPA's liability position, a thorough review of the supplier ledgers balances is required. For example, the transactions of all suppliers with debit balances should be thoroughly reviewed to ascertain the accurate position. In addition, GPA should consider upgrading its Accounting Software to enable it to generate a suppliers report containing transactions of a defined period; and

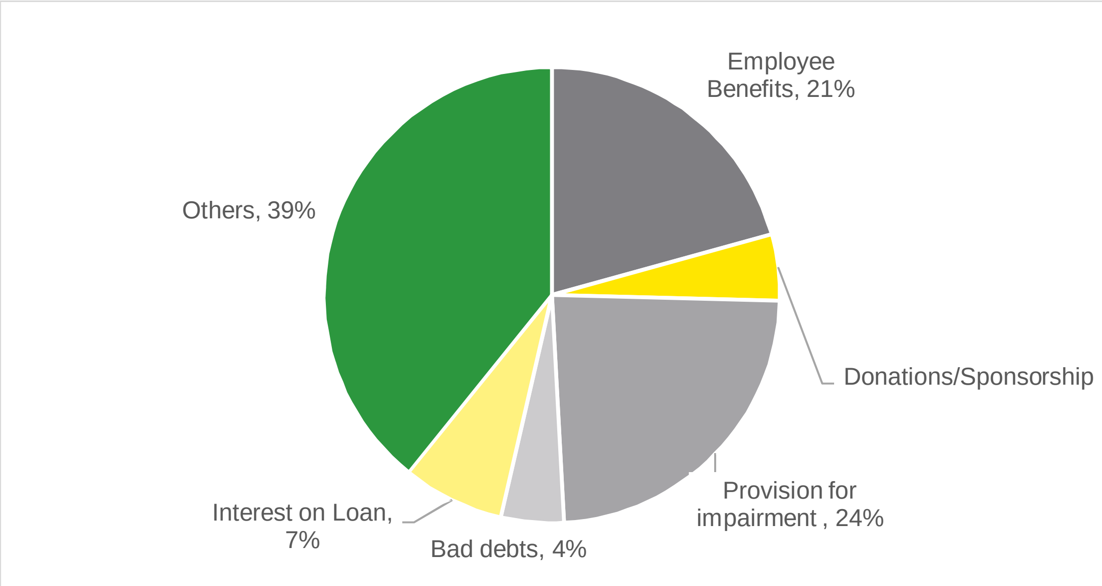
- ► In order to properly account for probable contingent liabilities, appropriate provisions should be made in the books on a timely basis. An estimated additional provision of GMD 37m (USD 770,822) should have been made in the books as at December 31, 2017 to cover legal cases underway for which there was a reasonable expectation of a future liability.

GPA - Detailed findings – Income statement analysis

Overall review of the trading position / revenue streams

7.131 From our review of the income statement, the provision for impairments of GMD 258m (USD 5,443m) is the singular major contributor to the expenses incurred by GPA in 2017. Employee benefits such as salaries, wages and pension accounts for 21% of GPA's expenses in 2017.

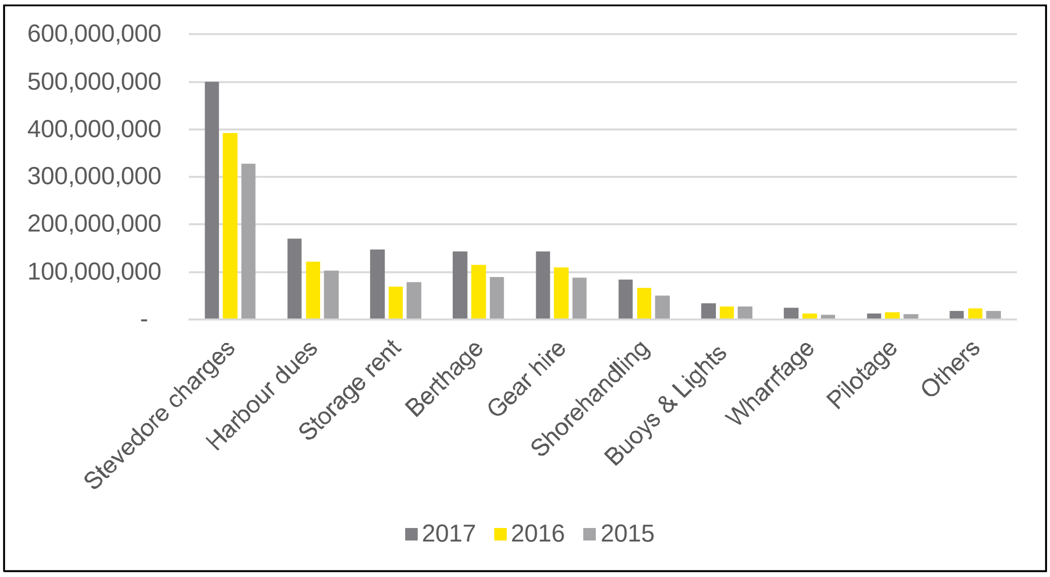
Figure 52: GPA 2017 expense distribution



Source: Compiled by EY based on 2017 GPA Audited Financial Statements

7.132 GPA's revenue streams are mainly related to the port and harbor activities (such as harbor dues, stevedoring dues and berthage dues), in addition to cargo handling dues (such as gear hire, shore handling and storage rent). Port and harbor dues accounts for about 70% of GPA's yearly revenue. There has been a year on year increase in GPA's revenue base for the majority of the revenue streams over the past three years, as illustrated below.

Figure 53: GPA Revenue per revenue stream



Source: Compiled by EY based on 2017 GPA Audited Financial Statements

7.133 GPA grants waivers on rent and other charges incurred by consignees for the handling and storage of containers. The consignee may request a percentage waiver from the Managing Director, and the Managing Director may, at his discretion, grant a waiver on the charges. The waiver granted (based on public holidays or long-standing relationship) is noted on the delivery order by the Managing Director and the rating office will recalculate the payable amount. In the event of a waiver on any class of dues/fees, the delivery note will contain such approvals from GPA's Management.

7.134 GPA recognizes revenue from stevedoring charges and storage rent on a cash basis, that is, revenue is recognized when payment is made. In recognizing revenue, GPA does not reflect the discount (waiver) allowed on the delivery notes (invoice) on its Accounting software ("Access System"). We could not determine the total discounts approved by management through our review of the Access System. In order to estimate the total discount awarded in 2017, we obtained the delivery notes issued to consignees during the period January to March 2017 which indicates the amount assessed as payable by the consignee and the amount subsequently paid. The GPA Internal audit department performed the same exercise for the period April to December 2017.

7.135 Our review of the January to March 2017 delivery notes highlighted that a total of GMD 468,850 (USD 9,891) was granted as waivers on storage rent. Our review of the January to March delivery notes amounting GMD 468,850 (USD 9,891) and the Internal Audit calculations for April to December 2017 amounting to GMD 7.2m (USD 150,904) suggests that a total of GMD 7.7m (USD 162,447) was granted as waivers by GPA's management in 2017. The total waiver granted represents 5% of the total revenue due from storage rent in 2017.

7.136 As reflected in our interim report, GPA should adopt a waiver policy stipulating the criteria for award of waivers in order to prevent abuse of the waiver process and possible loss of revenue. In addition, GPA management should consider recording the invoice amount and the discount allowed or waiver on its accounting system for transparency.

Payroll

7.137 As at December 31, 2017, GPA had a staff complement of 1153, with general staff and management staff accounting for 1086 and 67 staff members respectively.

7.138 The staff complement increased by 68% from 685 staff members in 2010 to 1153 staff members in 2017. In contrast, GPA's profit increased by 13% from GMD 26.3m (USD 949,000) in 2010 to GMD 198.4m (USD 4.186m) in 2017. In addition, the container throughput increased by 39% from 2010 to 2017. Despite the significant increase in staff count over the years, it did not translate to a corresponding increase in throughput and profit reported, as the GPA business model has not radically changed over the years.

7.139 The aggregate payroll costs for 2017 amounted to GMD 163m (USD 3.4m), and accounted for 39% of GPA's administrative expenses. As reflected in the table below, the average payroll cost per person increased from GMD 69,971 (USD 1,457) in 2010 to GMD 124,612 (USD 2,595) in 2017. This represented a 44% increase during the period.

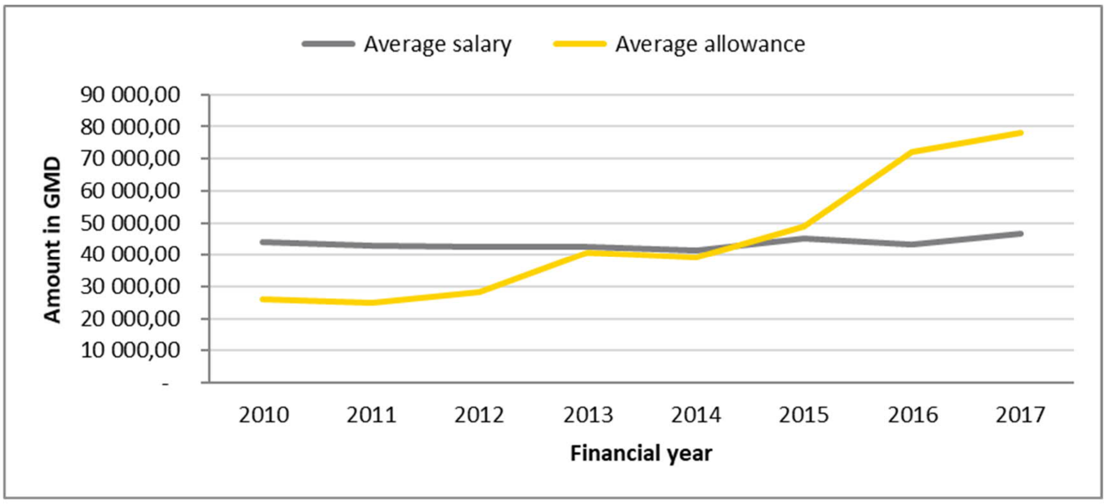
Table 153: Summary of wages, salaries and allowance expense per annum

Expense Description	2010 (GMD'000)	2011 (GMD' 000)	2012 (GMD'000)	2013 (GMD'000)	2014 (GMD'000)	2015 (GMD'000)	2016 (GMD'000)	2017 (GMD'000)
Wages and salaries	30,132	32,623	35,524	37,119	40,690	45,685	49,432	53,705
Allowances	17,798	19,005	23,458	35,670	38,264	49,417	82,452	89,973
Total payroll cost	**47,930**	**51,628**	**58,982**	**72,789**	**78,954**	**95,102**	**131,884**	**143,678**
Total staff members	685	759	832	874	980	1009	1146	1153
Average cost per staff member	**69,971**	**68,021**	**70,892**	**83,283**	**80,565**	**94,254**	**115,082**	**124,612**

Source: Compiled by EY based on 2010 - 2017 GPA Audited Financial Statements

7.140 The majority of the 44% increase was due to increases in allowances over the period, as the basic salary which is based on the Government Proposed Pay Scale has remained unchanged since 2006. Our analysis of GPA's basic salary and allowances indicates that the salary and wages expense increased from GMD 30,132m (USD 1,085m) in 2010 to GMD 53,705m (USD 1,133m) in 2017, representing an increase of 78%. In contrast, the allowance expense increased from GMD 17,798m (USD 641,175) in 2010 to GMD 89,973m (USD 1,898m) in 2017 representing an increase of 406%. The increase in average salary and allowance expenses per staff member for the period under review are illustrated in the figure below:

Figure 54: Average salary and allowance per staff member for 2010 - 2017



Source: Compiled by EY based on 2010 - 2017 GPA Audited Financial Statements

7.141 Based on the payroll information for January 2017, we noted that 86 staff members have duplicate first names and surnames. The only differentiator between these staff members is a staff ID which is assigned by GPA HR Software ("Paypro"), as well as a social security number which is issued by the SSHFC upon employee registration.

7.142 Our analysis from the payroll extract indicated that 16 staff members have duplicate staff ID numbers. Upon discussion with the relevant staff, they indicated that the Paypro platform has a profile for both general staff and management staff with each platform issuing a sequenced staff ID number. This implies that duplicate staff numbers may occur, but the duplicate staff ID numbers will either be on the management or general staff platforms. Based on our analysis, we confirmed that this was the case, however, in an entity with a staff complement of 1153 members, it is crucial for each staff member to have a unique staff ID for ease of identification and record keeping (such as, leave applications, loan repayments).

7.143 The payroll extract and the monthly schedule sent to SSHFC indicated that there are 34 staff members with duplicate social security numbers. We also further noted that 36 staff members have not been allocated social security numbers. Based on our discussion with the Finance team, we understand that pension contributions are allocated to respective staff members pension fund account based on their social security number. In both instances, in the event of retirement or termination of affected employees, SSHFC will be unable to determine the pension fund for each respective individual.

7.144 Management stated that they are currently liaising with the SSHFC to obtain unique social security numbers for each employee. Some of these employees have been employed since 2016 and have still not received a unique social security number.

7.145 We performed a proof of life test on a sample of 12 employees, based on the duplicate staff ID numbers, names and social security numbers. We requested to sight the selected 12 employees but only 8 individuals could be verified, hence, we could not verify the existence of the remaining four individuals. We also noted that the staff ID number on the Paypro system and the staff ID number reflected on the staff ID card, did not match for 3 of the individuals.

7.146 We obtained the files of 24 employees with duplicate staff ID, names and social security number for analysis. Based on our perusal of the 24 employee files, we noted that the files contained little or no mention of the allocated staff ID, social security numbers, or an employee registration form containing an address, contact number or next of kin information. We could also not sight the proof of banking details of the employees in their employee file.

7.147 Our review of the monthly payroll also reflected that some employees receive their monthly salary in bank accounts, whilst other employees receive through cash. For example, a total of 120 employees, amounting to GMD 623,950 (USD 13,163) were paid through cash in January 2017. Management informed us that it is not a requirement for all employees to open bank accounts. There is a risk of cash mismanagement if payment of salaries through cash is encouraged. Cash payments should be minimised and all staff members should be required to open a bank account.

Staff attendance

7.148 As per the Service rules dated November 2009, the hours of work for non-operative staff is from Monday – Thursday 08:00 hrs – 16:00 hrs and Fridays from 08:00 hrs – 12:30 hrs. In contrast, operative staff per the Service rules are required to work 24 hours a day on a shift basis. Based on our discussion with the HR team, we understand that all employees are required to sign the attendance register at their various departments on a daily basis when reporting for duty. We performed spot checks of the attendance registers in some units and noted that some staff members reported for duty at 10:30 and that the managers of the respective departments do not confirm whether all employees have signed.

7.149 Our review also revealed that some departments do not maintain an attendance register. In a bid to ensure the optimal efficiency of employees and compliance with the Service rules working hours, it is recommended that all department implement the use of staff registers. If necessary, punitive measures should be adopted for staff members who contravene the Service rule requirement. We suggest that in the long run GPA should consider implementing a time-clocking mechanism to monitor staff attendance and that set working hours are adhered to.

Employee benefit schemes – staff allowances

7.150 Due to the absence of an update of the basic salaries (as set out in the Proposed Pay Scale form) since 2006, GPA has approved a number of staff allowances to complement its staff net pay. The GPA Service Rules, dated November 2009 set out the various allowances available to staff members as well as the applicable grades and respective amounts. Some of the allowances in the Service Rules has been updated through various memorandums approved by the Board. Based on our discussion with the HR team we understand that a new Service Rule dated 2014 is being updated for consideration of the Board.

7.151 The allowances paid to GPA staff includes telephone allowance, vehicle allowance, house rent allowance, residential allowance, board allowance, responsibility allowance, overtime allowance, professional allowance and other allowances. Allowances, such as the risk and mileage allowance, are not separately accounted for in the Financial Statements. The expenditure in terms of each available allowance for the respective years are set out in the table below.

Table 154: Summary of allowance expense per annum

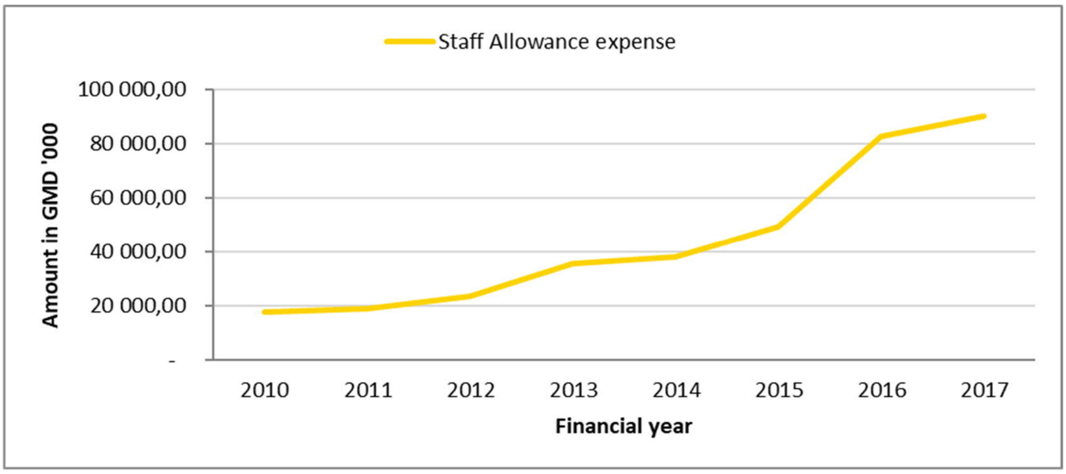
Allowance Description	2010 (GMD'000)	2011 (GMD'000)	2012 (GMD'000)	2013 (GMD'000)	2014 (GMD'000)	2015 (GMD'000)	2016 (GMD'000)	2017 (GMD'000)	% increase
Telephone	997	1,073	1,149	2,082	1,542	2,048	1,623	1,592	60
Vehicle	4,272	4,589	4,827	8,234	9,613	11,988	19,705	20,983	391
House rent	2,706	2,983	3,324	3,543	3,829	7,807	13,883	14,691	443
Residential	3,119	3,321	4,689	9,841	10,624	11,767	12,404	13,090	320
Board	149	160	219	527	548	554	741	680	356
Responsibility	2,066	2,336	2,566	3,814	4,218	4,762	6,998	6,580	218
Overtime	2,318	2,387	4,162	4,746	5,010	7,443	19,640	24,342	950
Professional	1,412	1,565	1,737	1,854	1,975	2,045	2,256	2,340	66
Other	759	591	776	1076	1,453	1,409	5,943	6,355	737
Total	**17,798**	**19,005**	**23,449**	**35,717**	**38,812**	**49,823**	**83,193**	**90,653**	**406**

Source: Compiled by EY based on 2010 - 2017 GPA Audited Financial Statements

7.152 As previously stated, the total allowance paid by GPA to its staff increased from GMD 17,798m (USD 641,175) in 2010 to GMD 89,973m (USD 1,898m) in 2017 representing a 406% increase. Overtime allowance increased with 950% from GMD 2,318M (USD 83,506) to GMD 24,342M (USD 513,544) in 2017 and accounts for 27% of the total allowance cost in 2017. The GPA staff is either classified as non-operational staff or shift workers, so one would not expect overtime cost to be this substantial.

7.153 On average, an employee receives a total allowance of GMD 78,034 (USD 1,646) per annum. The figure below reflects the total allowance expense incurred by GPA as recorded in the GPA Income statement for the period under review.

Figure 55: Summary of allowance expense per annum



Source: Compiled by EY based on 2010 - 2017 GPA Audited Financial Statements

7.154 Our analysis of salaries and allowances paid to GPA staff indicates that the average allowances paid to a GPA staff in 2010 amounts GMD 25,982 (USD 936) which represents 59% of the average salary of GMD 43,988 (USD 1,584). The ratio of annual salary to annual allowance increased to 168% in 2017 with the average allowance and salary expense amounting to GMD 78,034 (USD 1,646) and GMD 46,578 (USD 983) respectively. We have reflected in the table below a summary of the average salary and allowances over the years.

Table 155: Summary of average salary and allowance expenses per employee per annum

Description	2010 (GMD'000)	2011 (GMD'000)	2012 (GMD'000)	2013 (GMD'000)	2014 (GMD'000)	2015 (GMD'000)	2016 (GMD'000)	2017 (GMD'000)
Average annual salary	43,988	42,982	42,697	42,470	41,520	45,278	43,134	46,578
Average annual allowance	25,982	25,040	28,195	40,812	39,045	48,976	71,948	78,034
Percentage allowance of salary	59%	58%	66%	96%	94%	108%	167%	168%

Source: Compiled by EY based on 2010 - 2017 GPA Audited Financial Statements

7.155 Based on our analysis of the payroll data for January 2017, we noted an instance of payment of Project allowance for the amount of GMD 2,000 (USD 42). Per our review of the Service Rules and subsequent approvals, we found no approval for payment of this allowance to the respective staff. However, as per our discussion with Management, we were informed that the allowance must have been approved before it was paid.

7.156 The Service rule requires staff members who wish to apply for certain classes of allowance (for example vehicle allowance) to seek approval from the Managing Director in writing. An assessment is then done to verify that the criteria set out by the Service rules for the respective allowance type are met. Based on our discussions with management and perusal of supporting documentation contained in the employee files, we noted that GPA does not perform an annual review of previously approved allowances to ascertain that the pre-requisite conditions for the respective allowances are still being met. It is recommended that regular review of allowance beneficiaries is done to prevent value leakage.

7.157 Based on the January 2017 payroll list we noted the following:

- ► 210 GPA employees were listed as beneficiaries of vehicle allowance. However, due to the space constraint at GPA, there is not enough parking spaces for 210 vehicles nor did we observe more than 50 vehicles parked at GPA during our 5-week fieldwork period in November 2018 and January 2019; and

- We identified 22 general staff employees who were paid both overtime and responsibility allowance. Paragraph 0606.4, of the Service Rules permits the payment of responsibility allowance to Directors and Managers, however, the Service Rules did not specify that responsibility allowance can be paid to general staff. A total amount of GMD 526,516 (USD 11,108) responsibility allowance were paid to general staff in January 2017.

7.158 It is recommended that allowances payable to staff are reviewed on a regular basis to ensure that employees who receive the allowance still meets the criteria.

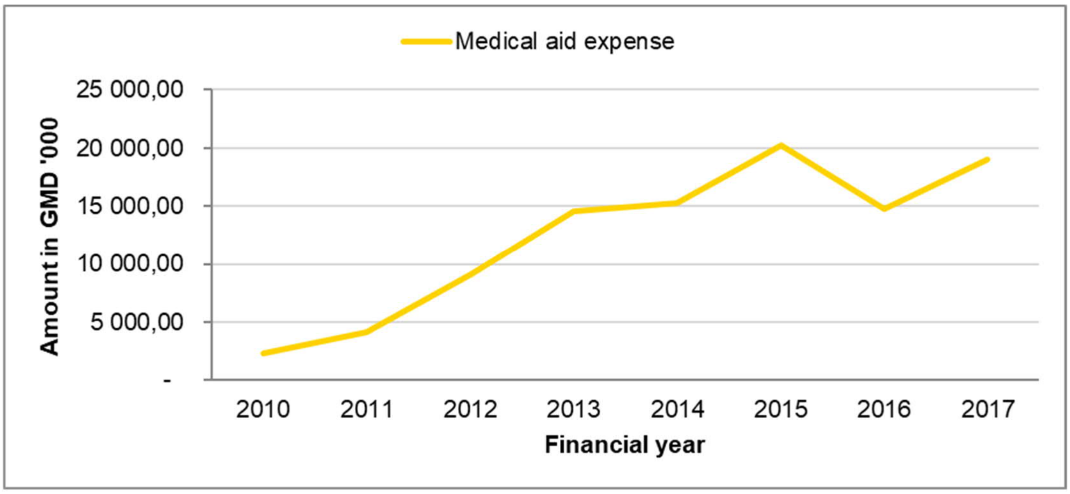
Employee benefit schemes – Medical aid

7.159 Paragraph 1001 of Chapter 10 of the Service Rules dated November 2009, indicates that GPA shall undertake a medical insurance scheme for all its permanent employees. The Service Rules further states that GPA shall be responsible for the payment of 80% of medical, dental and optical bill charges and that the remaining 20% will be recovered from the staff member. However, In the case of hospitalisation, 100% of the bill will be covered by GPA.

7.160 Paragraph 1003 of the Service Rules also states that the spouse and dependants of an employee will also be registered under the medical scheme. During discussions with the HR and admin department, we were informed that each employee is entitled to 5 medical dependants. Upon registration on the scheme, each staff member must submit either a marriage or birth certificate for the respective dependants at the security office. The Admin and HR department is not involved in the authorization procedure for staff registration for new and the replacement of medical aid cards.

7.161 Our analysis of the medical benefit costs for the period indicated that the medical benefit expense incurred by GPA employees increased by 708% from GMD 2,346m (USD 84,515) in 2010 to GMD 18,965m (USD 400,105) in 2017. This implies that GPA's average medical expense as at 2017 was GMD 16,448 (USD 347) per employee. We have set out in the figure below the medical expense for 2010 to 2017.

Figure 56: Summary of average salary and allowance expenses per employee per annum



Source: Compiled by EY based on 2010 - 2017 GPA Audited Financial Statements

7.162 During our field work in January 2019, we noted that the payroll staff were processing bills received from GPA's medical clinics/hospitals in October 2018. If medical expenses incurred in October are processed and deducted from Payroll in January, this implies that some staff members might have been retired or terminated from GPA without appropriate medical deduction from their salaries, resulting in a loss to GPA. We also noted that staff members, and their dependants, do not have to return their medical aid cards upon termination or retirement. This may result in ex-staff members and their dependants incurring medical expenses which will never be recovered by GPA. In the same vein, the 2017 Internal Audit report noted an increasing trend in the medical bills received from clinics in 2017. It is recommended that GPA tightens controls around the medical benefit process to prevent value leakage.

Recommendations

- Upon acceptance of the employee as a permanent and pensionable employee of the establishment, every employee should fill out an employee registration form which should include the basic, necessary information. This should include contact details, addresses, next of kin information, as well as bank account information. Management should consider ensuring all salaries are paid to employee bank accounts, rather than in cash;

- We were informed by management that GPA is in the process of procuring a new integrated enterprise management system. Management should ensure that the new system will integrate both the general staff and management staff and should ensure that every staff member has a unique staff ID, regardless of employment grade. The staff ID should be used as a unique identifier and should be referenced in all employee documentation, requests and approvals. All staff members should then be issued with new staff ID cards which corresponds with the staff ID number;

- In respect of staff attendance, GPA should consider procuring an employee access control system with which the employees can swipe in and out with their staff ID cards. This will ensure that GPA can monitor the movement and hours worked for each employee and that access to the premises can be monitored;

- In respect of social security numbers issued by the SSHFC, payroll staff should liaise with SSHFC to obtain social security numbers for all employees and should ensure that no duplicate social security number exist in the system. The said social security number should be loaded onto the new payroll system in order to track contributions paid by GPA;

- In respect of allowances, a periodic review should be performed on the beneficiaries of the respective allowances to ensure that the employee is still eligible and meets the criteria as set out in the service rules and subsequent memorandums. Spot checks should be conducted to ensure that the allowances are utilized according to the intended purpose;

- In respect of medical aid benefits, the Admin and HR department should be the custodians of the Medical Aid Scheme and should ensure that the registration of new dependents should be authorized by them, and not the security department. Copies of the supporting documentation (i.e. marriage or birth certificates) should be kept in the employee file to ensure that no employee exceeds the limit of 5 dependents;

- GPA should consider the recommendation made by the Internal Audit department with regards to medical cost and ensure that all employees visit the GPA clinic doctor for treatment. A referral letter should be issued by the clinic doctor for any additional treatment at the private clinics. This will ensure a reduction in the medical cost incurred by GPA;

- Furthermore, the turnaround time for the invoice and deduction processing should be increased to ensure that the medical aid expense is recovered from the employee in time. Upon termination or retirement of a GPA employee, the medical aid cards for both the employee and the dependents should be returned to GPA prior to the final salary being released. The clinics should be provided with an updated staff and dependent list to ensure that only authorized medical expenses are incurred.

GPA - Detailed findings – Quantification of diverted or misused funds

7.163 During the course of our audit we have sought to identify examples of historic fund diversion or misuse at GPA. Through conversation and document review, we have collated the instances where GPA's management were instructed by the Office of the President to commit expenditure that did not have a direct benefit for the SOE. We have also looked to quantify any known expenditure approved by GPA's management that did not benefit GPA directly. For ease of review we have provided a summary rather than list out each incidence of value leakage.

Table 156: Summary of potentially diverted or misused funds identified during the Forensic Audit

	Pre Dec 31, 2016 (GMD'000)	Pre- Dec 31, 2016 (USD'000)	Post Dec 31, 2016 (GMD'000)	Post Dec 31, 2016 (USD'000)
Executive Directives:				
Ad hoc requests from Office of President	160,182	3,660	13,792	287
Investments	362,635	8,286	-	-
Loans	130,616	2,985	-	-
Related entities support	1,084,795	24,788	89,550	1,865
Total identified	**1,738,228**	**39,719**	**103,342**	**2,152**

Source: Compiled by EY based on Financial Records provided by GPA

7.164 We noted a reduction in the level of Executive Directives in GPA post 2016 compared to previous years. Our analysis reflects that these Directives resulted in the loss of cash to GPA as no return was received by GPA on the outflows. The ad hoc requests related to random financing support of GPA to various government expenditure. These expenditures had no direct bearing on the activities of GPA.

7.165 Our review of documents provided to us by GPA reflects that GPA still receives funding requests from the Presidency and the Ministries. For example, GPA received a funding request of EUR 15m in 2018 for the purchase of two fisheries inspection vessels for the use of the Ministry of Fisheries and Water Resources. The request was from the Ministry of Fisheries and Water Resources and the Ministry of Finance and Economic Affairs. We understand that as at the time of this report, the request has not yet been acceded to.

Sponsorship and Donations

7.166 GPA's donations and sponsorship ledgers indicates a 96% decline from GMD 38m (USD 1.368m) in 2010 to GMD 1.4m (USD 29,536) in 2017. A total of GMD 166.5m (USD 3.5m) has been paid towards donations since 2010. We noted a 199% increase in donation and sponsorship activities from 2016 to 2017. GPA's educational sponsorship scheme was responsible for the increase from GMD 17m (USD 396,896) in 2016 to GMD 51m (USD 1,076m) in 2017. Our further review of GPA's 2017 donations and sponsorship file reflects the various categories of some of the donations incurred by GPA. We have illustrated the types of donations noted in the table below.

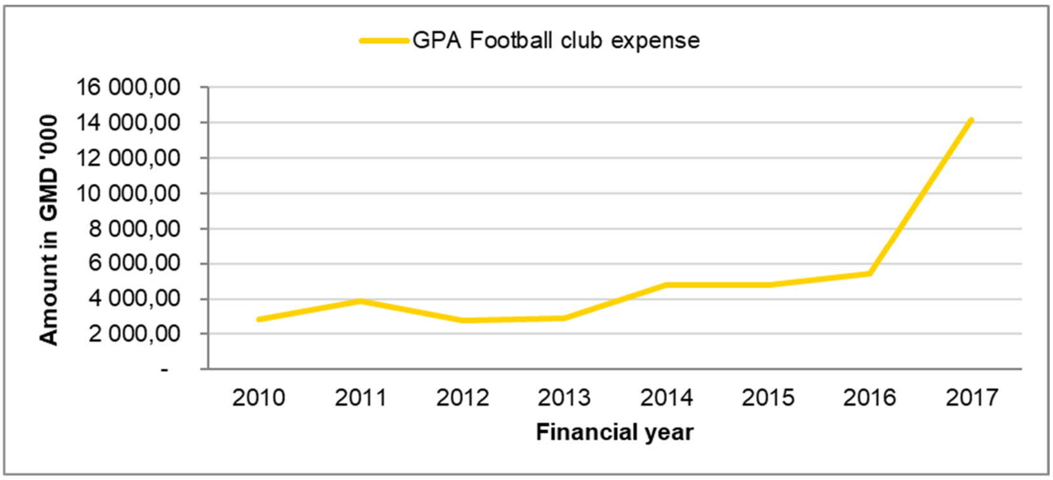
Table 157: GPA Donations for 2017

Type of donation	Amount GMD'000	Amount USD'000
Education	263,665	5,563
Humanitarian	2,053,800	43,329
Political	45,465	959
Religious	309,650	6,532
Total	**2,672,580**	**56,383**

Source: Compiled by EY based on donation file provided by GPA

7.167 The sponsorship of the GPA football club also forms a major part of GPA's sponsorship activities. The amount spent by GPA in sponsoring the football club has been on a steady increase from GMD 2.8m (USD 110,870) in 2010 to GMD14.166m (USD 298,861) in 2017. To date, an amount of GMD 41.5m (USD 875,527) has been paid to the football club. We understand that the support of the club is seen as part of GPA's social responsibility. We have reflected in the figure below a pictorial representation of GPA's donations to the GPA football club. We recommend that GPA's management define its sponsorship and donations activities, to prevent value leakages. The figure below details the annual expense for the period under review:

Figure 57: GPA Football club expense for 2010 - 2017



Source: Compiled by EY based on 2010 - 2017 GPA Audited Financial Statements

Non-recognition of revenue earned in the appropriate period

7.168 Our review of the 2017 internal audit reports reflected that some bulk cargo consignees are not paying the amount due to GPA on shore handling fees as and when due. We reviewed the bulk shore handling invoices and payments for 2017 till date in order to quantify the bulk shore outstanding. Based on our analysis, we noted an outstanding of GMD 4.4m (USD 92,827) bulk shore handling fees payable by GaCem Limited between January 2017 and July 2018.

7.169 We requested for an approved waiver, if any, exempting GaCem Limited from paying these dues (shore handling charges), but we were not provided with any. We understand that due to pressure from the Internal Audit and Traffic Departments, GaCem Limited has commenced paying its shore handling dues from August 2018. Since GPA recognises revenue from shore handling on a cash basis, the outstanding of GMD 4.4m (USD 92,827) is not captured in GPA's records as revenue/receivable from GaCem Limited. GPA recognises the revenue from shore handling when cash is received no matter when goods or services are sold, as against, when they are realized and earned irrespective of when cash is received.

7.170 GPA utilises both the accrual and the cash method in recognising revenue. The revenue method utilised is dependent on the revenue stream. The use of the cash method for its revenue stream (such as shore handling fees) raises the risk of non-recognition of revenue earned in the appropriate period if payment is not received in the period the revenue was earned. This practice may result in an understatement/overstatement of GPA's revenue/receivable position.

7.171 It is recommended that in line with International Accounting Standard, GPA should be consistent in its application of accounting principles. Since GPA uses the accrual accounting system for other revenue streams (such as harbour fees, pilotage fees), it should consider, implementing the accrual system in recognising revenue from shore handling.

Salary payment for other entities

7.172 During our review of the payroll data, we noted that GPA is paying salaries to various related entities and parties as a result of Executive Directives. The total amount paid for each entity for the 2017 year is summarised in the table below:

Table 158: Summary of salary expenses paid to related parties in 2017

Related party description	2017 (GMD)	2017 (USD)
Arch 22	481,824	10,165
Banjul Fisheries Jetty	3,805,454	80,284
Banjul Shipyard	9,178,785	193,645
Total	**13,032,363**	**274,944**

Source: Compiled by EY based on 2017 GPA Audited Financial Statements

Arch 22 employees

7.173 Upon enquiry, we were notified that GPA was instructed through an Executive Directive to construct a pavilion located next to the Arch 22. Arch 22 is a commemorative arch on the road into Banjul in the Gambia. It was built in 1996 to mark the military *coup d'état* of July 22, 1994, through which Yahya Jammeh overthrew the democratically elected Gambian government. GPA was further instructed via an Executive Directive to employ staff to maintain and clean the pavilion. Since 2014, 17 cleaning staff have been employed by GPA. As of December 31, 2017, a total of GMD 1,575,638 (USD 33,241) have been paid in respect of their salaries.

7.174 The Arch 22 employees receive the same staff benefits as the other staff members stationed at GPA. This means that these employees also receive the allowances, medical aid benefit and is also eligible for staff loans. Based on the annual approved budget for 2017, the following allowances were budgeted for the Arch 22 employees:

Table 159: Summary of allowances budgeted for to Arch 22 employees in 2017

Allowance description	2017 (GMD)	2017 (USD)
Residential allowance	312,000	6 582
Vehicle allowance	36,000	759
Responsibility allowance	156,000	3 291
Telephone allowance	6,000	127
House rent allowance	388,800	8 203
Overtime allowance	252,000	5 316
Total	**1,150,800**	24 278

Source: Compiled by EY based on 2017 GPA Audited Financial Statements

7.175 As the Arch 22 employees are regarded as part of GPA staff, the Arch 22 staff debtor loans were not listed as a separate line item on the Financial Statements. However, from our analysis of the January 2017 payroll extract, we noted that 15 out of the 17 individuals have loans with GPA. The total outstanding loan balance amounted to GMD 407,823 (USD 8,604).

7.176 Considering that these individuals render services that does not benefit GPA, we recommend that GPA considers transferring the responsibility of payment of these staff to the Banjul City Council. However, based on discussions held with management, we understand that the Banjul City Council does not have the budget or capacity to employ the Arch 22 staff.

Banjul Fisheries Jetty

7.177 The Banjul Fisheries Jetty was established as a project in 2013 and GPA has been financing the operational activities of the Banjul Fisheries Jetty since inception as the Fisheries Jetty do not generate enough revenue to sustain itself. The Banjul Fisheries Jetty has never been incorporated as a separate legal entity. The Banjul Fisheries Jetty staff are included in the overall payroll cost of GPA and therefore the payroll costs have not been accounted for as a separate line item in the Financial Statements.

7.178 As per the January 2017 payroll extract, we noted that the Banjul Fisheries staff are receiving allowances as well as staff loans. However, we noted that no provision has been made for the Fisheries Jetty staff in the annual labour budget. Based on the assumption that allowances are paid as a set monthly amount, the total for 2017 was calculated as per the below table:

Table 160: Summary of allowances paid to Banjul Fisheries Jetty

Allowance description	Number of individuals receiving allowance	Total paid for the month of January 2017	2017 (GMD)	2017 (USD)
Extra duty allowance	4	9,500	114,000	2,405
Housing allowance	34	40,800	489,600	10,329
Mileage allowance	2	3,000	36,000	759
Overtime allowance	26	38,100	457,200	9,645
Professional allowance	2	3,500	42,000	886
Project allowance	1	7,000	84,000	1,772
Residential allowance	35	35,000	420,000	8,861
Responsibility allowance	17	24,500	294,000	6,203
Risk allowance	3	3,000	36,000	759
Telephone allowance	4	3,250	39,000	823

Allowance description	Number of individuals receiving allowance	Total paid for the month of January 2017	2017 (GMD)	2017 (USD)
Vehicle allowance	3	10,000	120,000	2,532
Total		**209 150**	**2,509,800**	52,949

Source: Compiled by EY based on 2017 GPA Audited Financial Statements

7.179 From our analysis of the January 2017 payroll extract, we further noted that 29 Banjul Fisheries Jetty employees have loans with GPA. The total outstanding loan balance amounted to GMD 1,774,913 (USD 37,445).

7.180 It is recommended that GPA management should consider the role of Banjul Fisheries Jetty in relation to its strategic goal, as it currently incurs huge cost in financing its operations.

Banjul Shipyard

7.181 The Banjul Shipyard is wholly owned by GPA but has not been consolidated as a subsidiary. The Banjul Shipyard does not generate enough revenue to sustain itself and therefore relies solely on GPA for operational and capital expenditure. We noted that no provision has been made for payroll costs (including allowances) for the Banjul Shipyard staff in the annual labour budget.

7.182 As of December 31, 2017, the Banjul Shipyard staff debtor loan balance is recorded as GMD 13,4m (USD 278,000) which represents a 12% increase from GMD 12m (USD 262,000) in 2016. The comparative staff debtor loans are illustrated in the table below:

Table 161: Summary of staff debtor loans for Banjul Shipyard

	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)
Housing loan	6,437	150	8,232	174
Vehicle loan	5,539	129	5,143	109
Total	**11,976**	**279**	**13,375**	**283**

7.183 *Source: Compiled by EY based on 2017 GPA Audited Financial Statements*It is recommended that GPA management should consider the role of Banjul Shipyard in relation to its strategic goal, as it currently incurs huge cost in financing its operations.

Procurement irregularities

7.184 Based on a memorandum from the Director of Audit to the Managing Director on November 2, 2017 with subject "*RE; Procurement issues*" we noted that the Internal Audit department observed that one of the selected bidders, Mutina Trading Enterprises had not delivered the full quantities ordered. The memorandum further records that, even though the prices were quoted in bulk, most of the items had lower retail prices than what is currently being paid by GPA. Internal audit suggested that a discount should be negotiated as only half of the products were delivered. A GPA procurement/contract committee meeting was held with the supplier on December 14, 2017 and a discount of GMD 500,000 (USD 10,4548) was negotiated, however, no mention was made of the inflated prices initially quoted.

7.185 During discussions, the internal audit department also mentioned that staff members are circumventing the procurement process by signing for products as "received" on the departmental requisition form when, in fact, the goods or services have not been provided. By circumventing the process, GPA may incur a loss as payment is made without receiving the goods/services.

Recommendations

- The GPA procurement department should compile a product list with approximate retail values for each product. The product list should be reviewed periodically to ensure that the prices reflect market value and should be available to all relevant parties. This will ensure that suppliers quoting inflated retail values will not be appointed as service providers. Contracts with service providers quoting over-inflated prices should be re-negotiated or cancelled;

- All products should be delivered to the stores, regardless of the end-user, to ensure that both the procuring officer, and stores representative signs for the goods. Upon completion of services rendered, the procuring officer as well as procurement department representative must sign on the requisition as proof of service delivery.

8. GNPC

Introduction

Background

8.1 The Gambia National Petroleum Corporation ("GNPC") is a petroleum products and distribution company selling petroleum and other gasoil based products and supplementary services. The entity was established as a national oil company in 2003. Revenue for the period from 2003 to 2009 was comprised of fees collected from licensing The Gambia's petroleum exploration blocks. The income from this period funded GNPC's subsequent expansion into the downstream petroleum sector.

8.2 GNPC began its retail and distribution activities in 2009 and presently operates nine petroleum stations in The Gambia. All current operations are performed domestically. GNPC is currently looking to expand its downstream operations.

8.3 GNPC is not a monopoly in respect to fuel retail and has several competitors in the downstream petroleum market, including Atlas Energy and PetroGas. For comparison purposes, Atlas Energy reportedly has 28 retail stations nationwide with 12 of those stations operating 24 hours.

8.4 Management is of the view that GNPC faces an inability to negotiate prices for inputs and products as flexibly as the private sector, and as a result tends to purchase fuel and other products at higher prices than the private sector due to their status as an SOE. This leads to squeezed margins for the downstream business. Another critical factor for the business is that fuel purchases are made in USD dollar against which the local currency has greatly depreciated over recent years.

8.5 HFO sales, which represented 64% of 2016 revenue and 28% of 2017 revenue, will no longer be a revenue stream for GNPC. This will place increased pressure on the downstream business.

Limitations of scope and information provided

8.6 See the 'Limitations of scope' section of the Executive Summary for commentary on limitations that apply to all SOEs, in particular for how our work did not constitute a statutory audit.

8.7 GNPC was unable to provide draft 2017 Financial Statements during the course of our fieldwork. Given the reporting situation at the entity during our fieldwork, GNPC was only able to provide us with a set of draft Management Accounts for the year ended December 31, 2017 ("Management Accounts" or "2017 draft Management Accounts"). These draft Management Accounts were provided on January 7, 2019. By way of comparison, a well-established finance function would ordinarily be able to produce Management Accounts in the month following the period to which they relate.

8.8 We were informed by GNPC Senior Management that the balances in these accounts would continue to change as further adjustments and key financial procedures were performed. We note that consistently changing figures and incomplete financial processes greatly limits the integrity of these management accounts and therefore the scope of the review procedures we could perform.

8.9 The External Auditors issued a "Disclaimer of Opinion" for the 2016 Financial Statements. They stated they were unable to obtain sufficient and appropriate audit evidence to provide an opinion on the Financial Statements due to the significance of the matters they discovered. These issues have been highlighted in the 2016 Management Letter and our interim report.

GNPC - Detailed findings – Balance Sheet

8.10 GNPC was unable to provide draft 2017 Financial Statements throughout the course of our fieldwork. The delay is a result of a large backlog of key accounting controls and procedures, including 2017 bank reconciliations, customer reconciliations and supplier reconciliations.

8.11 In the absence of 2017 Financial Statements, audited or otherwise, GNPC provided us with a set of draft Management Accounts on January 7, 2019 along with an underlying Trial Balance for the year ended December 31, 2017. However, the Trial Balance was subject to significant over-ride adjustments, as described below, as the Finance Team did not have confidence in the final balances from the underlying GL.

8.12 A summary of the Financial Statements from 2016 and the 2017 draft Management Accounts is shown below.

Table 162: GNPC summary Balance Sheet as at December 31, 2017, with 2016 comparative

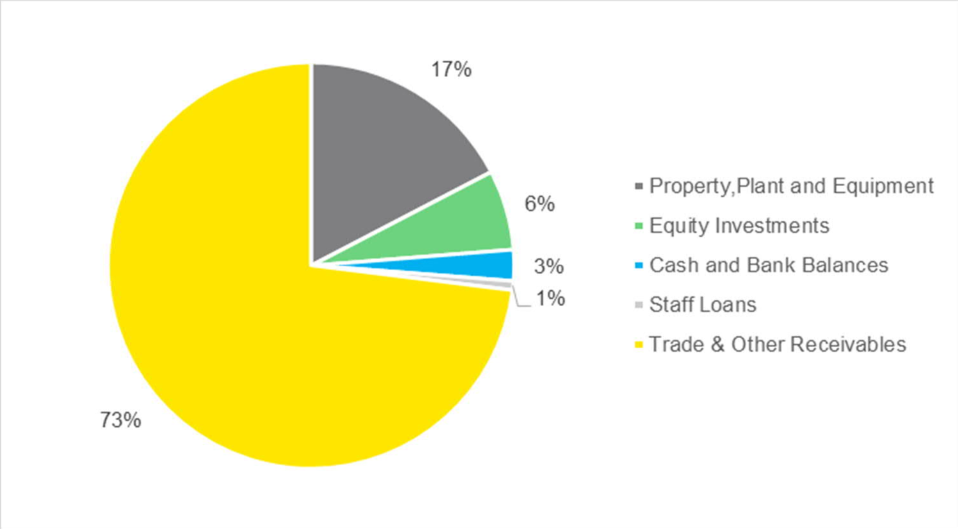
	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Non-Current Assets						
Fixed Assets	379,704	8,676	13%	429,011	8,936	17%
Equity Investments	128,210	2,930	4%	157,295	3,276	6%
Current Assets						
Cash	185,186	4,232	6%	61,958	1,291	3%
Trade and Other Receivables	2,043,178	46,687	67%	1,804,607	37,590	73%
Staff Loans	12,556	287	1%	17,840	372	1%
Inventory	284,148	6,493	9%	-	-	0%
Liabilities						
Trade Payables	1,722,152	39,351	87%	1,515,511	31,568	94%
Other Payables	185,828	4,246	9%	88,692	1,847	6%
Corporation Tax	83,867	1,916	4%	-	-	-
Net Assets / Equity	**1,041,135**	**23,790**		**866,508**	**18,049**	

Source: EY analysis of GNPC 2016 Financial Statements and 2017 draft Management Accounts

8.13 GNPC Senior Management informed us in January 2019 that the figures presented in the Management Accounts were in draft form and were highly subject to change, pending ongoing review and reconciliation procedures by the GNPC Finance team.

8.14 GNPC's asset base mainly consisted of current assets, which accounted for 76% of the total assets as at December 31, 2017. Trade Receivables were recorded at GMD 1.8b (USD 37.6m), and accounted for 73% of the total asset balance. The remainder of current assets accounted for approximately 3% of the total asset base and was comprised of cash (2.5% of total assets) and staff loans (less than 1% of total assets).

Figure 58: Total asset composition per 2017 draft Management Accounts



Source: EY analysis of 2017 draft Management Accounts

8.15 The 2017 draft Management Accounts do not have a value for Inventory. We queried the GNPC management about this absence. The GNPC Finance team indicated that while final Inventory counts were conducted for the year, the valuation exercise has not yet been performed. Management added that Inventory is normally recognized as part of a top-side adjustment, performed outside of the Navision accounting system, as part of the Financial Statement Closing Procedures. Accordingly, we are unable to comment on Inventory. We note that Inventory comprised approximately 9% of total assets in the 2016 Financial Statements, accounting for GMD 284.1m (USD 6.5m). We note that the 2016 External Auditors were unable to conclude on the Inventory value due to GMD 407.4m (USD 9.3m) of discrepancies between the GL and the stock valuation report.

8.16 In the current draft Management Accounts, Non-Current Assets account for approximately 23% of the remaining asset base. Fixed Assets comprise 17% of total assets and an investment in Gam Petroleum Storage Facility Company Limited (“Gam Petroleum”) represents the final 6%.

8.17 According to Senior Management, GNPC does not have any long-term liabilities. Under current liabilities, Trade Payables are valued at GMD 1.5b (USD 31.6m) and account for 94% of total liabilities. The remaining 6% of total liabilities is comprised of various GL accounts that contribute to the “Other Payables” line on the face of the Financial Statements. The largest of these GL accounts is related to “Coupons Sold” which represents a deferred income liability which is recognized during the sales of fuel coupons.

8.18 We note that GNPC currently has difficulty in providing complete and verifiable documentation from both a technical and physical perspective. GNPC’s Navision accounting system, which maintains GNPC’s financial reporting information, suffered a failed migration in 2017 which caused several financial reporting issues. The Finance team at GNPC has also noted that the system is unable to generate several key reports expected in any accounting system. These include, but are not limited to:

- An aged Trade Receivables listing as at December 31, 2017;
- A verifiable Trade Payables sub-ledger as at 31 December 2016; and
- A breakdown of the depreciation rates assigned to each asset class in the system.

8.19 GNPC was unable to provide supporting documentation for several samples that we selected. Generally, the unavailable documentation is related to activities which took place in the period under the previous regime. We note that the inability to produce supporting documentation will cause difficulties for GNPC as they will be unable to substantiate existing balances for the 2017 Statutory Audit.

8.20 Based on our findings during the Forensic Audit, it appears that any Financial Statements that Management provide for the period ended December 31, 2017 could not be satisfactorily subject to External Audit, given the significant absence of supporting documentation.

8.21 We also note that several key financial year-end exercises and the final top-side adjustments for the Financial Statements are still to be performed. These include but are not limited to:

- Revaluations of all FX balances in Cash, Trade Receivables and Trade Payables;
- Trade Receivables and Trade Payables sub-ledger reconciliations;
- Fixed Asset reconciliations and depreciation adjustments; and
- The booking of final provisions for key balances.

8.22 During our review, the Finance team at GNPC was overseeing a migration from Navision to FinEx, a new accounting system provided by DT. This delayed the receipt of information and key reports until the final week of fieldwork.

Fixed Assets

8.23 The table below sets out a summary of GNPC's Fixed Assets as reported in the draft Management Accounts as at December 31, 2017. The Net Book Value of the Fixed Assets is GMD 429m (USD 8.9m) and represents 17% of the total asset value on the Balance Sheet. The asset balance is comprised of several categories including Land and Buildings, Plant, Machinery and Equipment (PM&E), Motor Vehicles, WIP and a collection of several "Other Assets" which have been combined for review purposes. These include Computers and Fixtures and Fittings.

8.24 According to the 2017 draft Management Accounts, the Petroleum House Headquarters ("HQ") is the largest category of Fixed Assets. The asset is valued at GMD 259.2m (USD 5.4m) and accounts for 60% of the total Fixed Asset Net Book Value in the 2017 Management Accounts. Other Land and Buildings assets comprise 24% of the remaining Fixed Asset balance. WIP, Motor Vehicles, PM&E and the collection of "Other Assets" respectively comprise 4% each of the remaining Net Book Value.

Table 163: Summary of Fixed Assets as at December 31, 2017

Asset type	HQ	Land and Buildings	WIP	Plant, Machinery and Equipment	Motor Vehicles	Other Assets	Total
At cost (GMD'000)	259,234	127,503	19,709	41,266	28,317	25,145	501,175
Depreciation (GMD'000)	-	(26,229)	-	(23,023)	(13,278)	(9,634)	(72,164)
Net Book Value (GMD'000)	259,234	101,275	19,709	18,244	15,039	15,511	429,011
At cost (USD'000)	5,400	2,656	411	860	590	524	10,439
Depreciation (USD'000)	-	(546)	-	(480)	(277)	(201)	(1,503)
Net Book Value (USD'000)	5,400	2,110	411	380	313	323	8,936
% of Fixed Assets	60%	24%	4%	4%	4%	4%	100%

Source: EY Analysis of GNPC GL

8.25 The HQ sits in WIP within the Fixed Asset Register maintained in Navision, where it attracts zero rate depreciation. GNPC has informed us that HQ capitalization and subsequent depreciation is treated as a top-side adjustment during the preparation of the 2017 and 2016 Financial Statements for the Statutory Audit.

8.26 During the first phase of our work, the GNPC Finance team indicated that the Fixed Asset balance in the 2016 Financial Statements and 2017 draft Management Accounts may not be fully reflective of the entity's physical assets. The Finance team highlighted several issues impacting the completeness of assets, which are discussed in the subsequent sections.

Discrepancies in the Fixed Asset Register and GL

8.27 The GNPC Finance team indicated that the Fixed Asset Register potentially contained assets which do not exist or had no residual value. This issue was identified during reviews of the Fixed Asset Register by the Finance team in 2017 and 2018. We were informed that several Fixed Assets may have been posted directly into the GL by the Finance team, with no corresponding entry made into the Fixed Asset Register module within Navision. This has resulted in discrepancies between the two balances.

8.28 Consequently, there is no single source or listing which contains a complete record of all the Fixed Assets. GNPC indicated that as part of the reconciliation exercises underway in 2019, the Finance team will attempt to perform a bi-directional reconciliation. This will involve reconciling both the GL to the Fixed Asset Register and the Fixed Asset Register to the GL, taking the GL as their primary source of information.

Untagged assets

8.29 The current Fixed Asset tagging system is insufficient in capturing and evaluating the entity's asset base. During our asset verification testing of a sample of ten items 'each way', our sheet-to-floor testing identified one item from the Fixed Asset Listing that could not be found (HP ProDesk Desktop: tag GNPC/FA-0713). We enquired where this desktop was located with the staff at the Fajara petrol station who were responsible for the asset. The station supervisor stated that the computer had been replaced with another one that was transferred from the former head office. Given this narrative, and the fact that the computers were untagged, we were unable to confirm if the selected asset existed.

8.30 Out of the 20 items we selected for asset verification, 16 did not carry a unique identifier which allowed us to verify the asset back to a corresponding value in the Fixed Asset Register or the other way around. This was due to either a missing tag, or the tag having worn off the asset. We note that 15 assets were presented by GNPC which corresponded with the item descriptions in the register. However, without a unique identification and a corresponding tagging, it was not possible for us to confirm that these assets were related to a specific value in the Fixed Asset Register.

8.31 The inability to trace assets from both floor-to-sheet and sheet-to-floor poses uncertainties around the integrity and completeness of the Fixed Asset Register.

Depreciation

8.32 The GNPC Finance team indicated that depreciation is automatically calculated by Navision using the rates established for each asset class. These rates are applied to the assets in the Fixed Asset Register and automatically entered in to the GL.

8.33 We requested a system confirmation in order to verify that the rates set up in Navision were consistent with those declared in the accounting policies and in the 2016 Financial Statements. However, the GNPC Finance team indicated that they were unable to provide this evidence due to Navision system constraints.

8.34 The GNPC Finance team also indicated that as the depreciation is calculated based on the values in the Fixed Asset Register, it will likely be incorrect due to the incompleteness of the Register. This will lead to an incorrect depreciation charge being applied for the year and the misstatement of the final Fixed Asset value.

8.35 We reviewed the depreciation charge in the draft Management Accounts and noted that the system generated a figure of GMD 8.5m (USD 185k). The GNPC Finance team manually multiplied this number by 2.25 to arrive at a revised depreciation figure of GMD 19m (USD 415k). The GNPC Finance team noted that this multiplier was used to create an estimate. We were not provided with a rationale for the use or size of the multiplier at the time of our fieldwork. Management has subsequently documented the rationale in its management response.

8.36 The GNPC Finance team are yet to perform a manual depreciation reconciliation and recalculation which would produce a more accurate figure. We were informed that the depreciation calculation and reconciliation would only be performed after the team has completed the more critical 2017 reconciliations for Cash, Trade Receivables and Trade Payables. No timetable has been provided for the completion of that priority work.

Governance of substantial purchases

8.37 Our review of the 2018 Board minutes indicated that the GNPC Board expressed concerns over the transparency of large transactions conducted by management. The minutes detail their specific concerns in relation to a land deal entered into by GNPC management.

8.38 GNPC Senior Management informed us that all the land for its existing stations has been gifted by the Government of The Gambia. However, in our review of the March 2018 Board minutes, we noted that GNPC had begun the process of purchasing a piece of land in Banjul in order to construct a new station as part of their land banking initiative. This is an initiative to purchase strategic land for future GNPC petrol stations and GNPC has a committee of Managers who advise on various aspects of property deals.

8.39 The price discussed was GMD 17m (USD 354k), with the board minutes indicating GNPC had already paid 50% of this price. The vendors of the land per the sales agreement are Wilfred I.N Anderson and Mathias George. They are described as the beneficial owners of the property which forms part of the estate of the deceased Mr. Wilfred Manly-Rollings. Per the minutes, one of the Board members set forth their opinion that "…the price in question was exorbitant for the property in question."

8.40 The minutes note that no prior approval was sought from the National Environment Agency ("NEA") to construct a service station, and no feasibility study was conducted. The minutes also note that a financial and business model was not performed or evaluated prior to the investment. The minutes indicate that the land was purchased while the current Minister of Finance, Mr. Mambury Njie, was the Managing Director of GNPC.

8.41 The minutes indicate that the Board wished to be guided on the procurement limit of the Board and Management so that a threshold could be established which would require involvement of the Board in certain operational activities. Per the Board minutes we reviewed, we note this issue was not fully resolved.

8.42 Per the minutes Mr. Njie defended not having involved the board earlier by stating that based on his experience (as the former Managing Director) at SSHFC "…operational matters are handled by the Management and they later present their findings to the Board".

8.43 In our subsequent meeting with Mr. Njie, he explained the strategic importance of that particular site to central Banjul sales and highlighted the need to move quickly and without Board approval. He noted this was because GNPC had lost several previous strategically advantageous sites, and that he wanted to maintain commercial confidentiality around the purchase.

8.44 In our meeting Mr. Njie further noted that a valuation was done before the first payment was made in December 2017. He indicated the valuation figure was GMD 19m (USD 396k). We attempted to independently verify the amount with the valuation company, Sphinx Associates Gambia Co. Ltd. The company informed us a valuation had been performed on the property, however they would only disclose this information to a third party, upon receipt of permission from their client. They clarified that their client was not GNPC.

8.45 A copy of the valuation report was instead provided to us by MoFEA. The report confirmed the total value of the land and buildings to be GMD 19.27m, with the land constituting GMD 16.57m of that total.

8.46 We identified a potential purchase of land for a second Banjul station in the 2017 Management Accounts. GNPC Finance team indicated that the remaining portion of the sale price discussed in the minutes had been paid.

8.47 We note that independent valuation advice and scrutiny of large transactions, such as land deals, is a key control in managing corruption risk. Independent scrutiny and segregation of duties are also important controls that help to mitigate transactions which may be disadvantageous or harmful to the business.

Recommendations and current efforts

8.48 We recommend that GNPC engages a third party to perform a full verification and valuation of their existing asset base. This will allow the entity to construct a complete and verifiable Fixed Asset Register, which can be used as a reliable driver of the figures in the GL. We note that GNPC has recognized the need to perform this third party Fixed Asset verification. The GNPC Finance team noted that the Terms of Reference to perform the exercise are currently being drafted. We recommend GNPC proceeds swiftly with this initiative to aid in the rebuilding of the GNPC Balance Sheet.

8.49 We recommend GNPC implements the 'Four Eyes Principle' (i.e., two independent performing a review) and restricts permissions around any potential entries to the GL accounts for Fixed Assets. This will aid in reducing discrepancies between the GL and a verifiable Fixed Asset Register.

8.50 We recommend that a full asset verification exercise is undertaken at least annually by GNPC to aid in identifying assets requiring impairment or write-off.

8.51 We recommend enforcing that all land purchases are accompanied by an independent valuation from a third-party. Moreover, purchases above a certain threshold must be approved by the Board prior to any funds being pledged.

Investments

8.52 Investments represent 6% of the total asset value within the 2017 draft Management Accounts.

8.53 The table below shows the actual investments held by GNPC in their accounting system as at December 31, 2017.

Table 164: Investments held by GNPC as at December 31, 2017

	Description of the investment	Original value		Impairment	Carrying value	
		2017 (GMD'000)	2017 (USD'000)	2017 (GMD'000)	2017 (GMD'000)	2017 (USD'000)
1.	10% investment in Gam Petroleum Storage Facility Company Limited	128,173	2,670	-	128,173	2,670
2.	50% Stake in Rice and Feed Mill	28,948	603	28,948	-	-

Source: EY analysis of GNPC 2016 Financial Statements and 2017 GL

8.54 During our review of the accounts, GNPC noted that there was an entry for GMD 29.1m (USD 606k) which, upon enquiry of the Finance team, was performed by an external consultant and posted at December 31, 2015. The finance team did not understand the reason for the posting. The entry is a debit to the investments account with the corresponding credit to other receivables. We reviewed the entry in the GL data for both accounts and noted that this was indeed an isolated entry, in line with the Finance team's understanding. The GNPC Finance team has confirmed to us that they will reverse this entry as it inflates the investment account and understates other receivables. We note unclear and unsupported entries to the financial records indicate weak financial controls with respect to journal entries.

Gam Petroleum Investment (GMD 128m, USD 2.7m)

8.55 In February 2008, the Managing Directors of SSHFC, GPA and GNPC were copied into communications between the Office of the President and Gam Petroleum, a petroleum storage business located in The Gambia. These communications indicated that shareholdings of the company would be made available to purchase. The former Managing Director of GNPC informed us that the Office of the President wrote to the GNPC Managing Director to request that GNPC invest in 9% of Gam Petroleum shares.

8.56 According to our discussion with the former Managing Director, he informed us that he responded to the Office of the President by saying that GNPC could only afford to invest 7% at the time. GNPC therefore purchased 7% of the EUR 35m share capital, for a total investment of EUR 2.45m. The former Managing Director indicated to us that the settlement of this amount took place over several payments, with resulted in a final investment cost of approximately GMD 80m (USD 2.9m).

8.57 In 2014 and 2015, GNPC and the other original investing SOEs were then instructed to aid in purchasing a 10% share of another Gam Petroleum investor. In response to this, GNPC purchased 3% of the Gam Petroleum share capital in 2015 from the investor in question. This additional investment was valued at GMD 48m (USD 1.2m) and gave the Government entities a controlling share in Gam Petroleum. We reviewed the supporting documentation related to this investment and analyzed two copies of the Gam Petroleum share certificates, indicating that GNPC held 7% and 3% stakes, respectively.

8.58 We were unable to tie back the reported investment of GMD 80m to the initial EUR 2.45m investment. This is likely due to the 29m GMD (USD 1m) worth of investment payment being rolled up into the opening balance of the account. Additionally, there was no supporting information on the FX rates utilized to arrive at the figure. GNPC did not have any supporting information on the opening balance.

8.59 In considering whether this investment should be impaired, the GNPC Finance team informed us that Gam Petroleum has only recently begun paying dividends to its investors. According to the same source, Gam Petroleum recently paid two dividends:

- In November 2017, Gam Petroleum reduced GNPC's outstanding payable amount by GMD 2,201k (USD 45.8k) in lieu of paying a cash dividend. We requested to see official communication of this dividend. GNPC was only able to produce an account statement showing the dividend netting off their payable amount; and
- A dividend net of withholding tax for GMD 10.2m (USD 204k) was paid on November 28, 2018.

8.60 Additionally, the former Managing Director of GNPC testified before the Commission of Inquiry that Euro African Group Limited ("EAGL") was managing Gam Petroleum at the time of the initial investment. However, upon increasing their investment, the Government was able to separate the management of EAGL and Gam Petroleum, which led to the investment turning a profit. He also testified that there was no Management Letter provided by the External Auditors for Gam Petroleum prior to the increased investment. We have not yet been provided with the Financial Statements of Gam Petroleum.

Rice and Feed Mill (GMD 28.9m, USD 603k)

8.61 In 2010 GNPC paid GMD 28.9m (USD 603k) as part of a joint venture investment in a Rice and Feed Mill supported by a group of investors which were reported in the GNPC Financial Statements as being from Qatar. This investment was made as an Executive Directive to the Managing Directors of GNPC, GPA and SSHFC.

8.62 The Commission of Inquiry is currently reviewing the financial activities of the former President during his time in office. As part of their inquiry, The Commission investigated this investment. We note that GNPC has fully provided for this investment, and that this investment represents a leakage of the GNPC funds into a business that is not in line with their mandate, as per the GNPC Act.

8.63 The former Managing Director of GNPC testified before the commission and noted the following:

- He indicated that that the former Managing Directors of GPA, SSHFC and GNPC were invited to the Office of the President to meet with the investors who expressed interest in investing in and managing the mills;
- The Office of the President asked these three institutions, through an Executive Directive, to invest in the venture;
- The Office of the President asked the SOEs between them to contribute 50% of the investment in the rice mill, and 80% of the feed mill investment between them. GNPC contributed 15% of the total investment paid by the SOEs. GNPC's contribution was valued at GMD 28.9m (USD 603k);
- All construction and management operations were reported to be handled by the non-SOE investors; and
- The former Managing Director noted that these investors had failed to pay staff at the mills and that the investment reportedly required an additional EUR 180k of funds for completion[282].

8.64 The former Managing Director further testified that he sat on the Board of Directors for the venture. He also indicated that the Board requested the foreign investors provide proof that they fully contributed their share into the account. However, he testified that this was never verified. He also noted that GNPC's contribution was intended to be purely financial.

8.65 The former Managing Director stated he had not seen a business plan or projections for the venture. He added that he was unaware of the rationale behind the investment.

8.66 The commission also asked him to comment on why GNPC committed to the investment. He noted that GNPC did not want to invest.

8.67 The commission queried the former Managing Director on why the three Managing Directors did not challenge the Office of the President on the viability of the investment. He noted:

"If I was sitting in a different environment where everything is left for the Managing Directors to make their decisions accordingly, it would have been different. But this is a situation where you are called, and you are told 'Pay this.' And you are given a date to pay and you are told that if you don't pay then heads will roll and also it is going to be sabotage or something like that…You have to do it."[283]

Recommendations

8.68 We recommend that GNPC conducts an analysis of the carrying value of the Gam Petroleum investment in order to determine if the cash flow from the investment is sufficient to justify the existing carrying value. GNPC should consider Gam Petroleum's Financial Statements as well as any forecast information made available. If the analysis determines the investment cannot justify the current valuation, we recommend making a provision against the carrying value of the investment.

[282] https://www.youtube.com/watch?v=qXFDE5aD_Qg
[283] https://www.youtube.com/watch?v=qXFDE5aD_Qg (18:38)

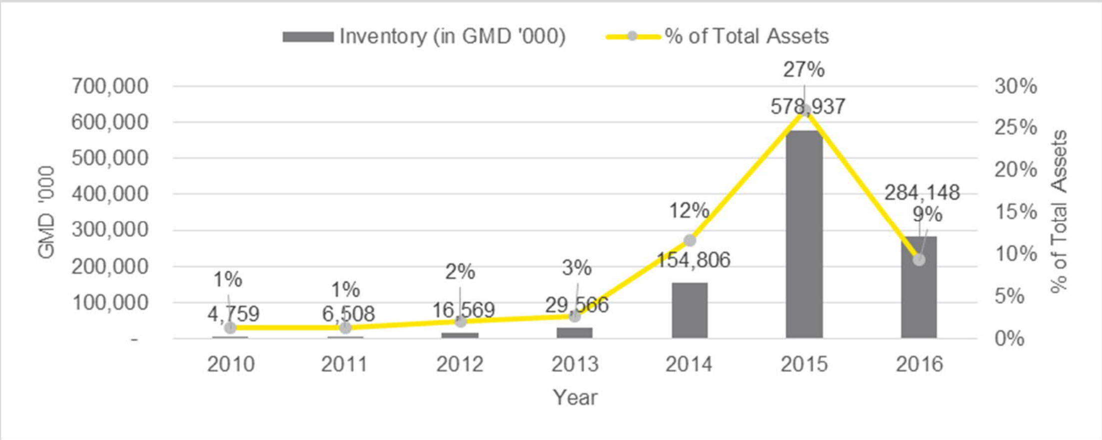
Inventory

8.69 Inventory is a critical asset to manage and report for downstream oil companies. Failure to properly account for and manage Inventory can lead to Inventory shortages, unexpected business interruptions, unjustified margins, profit fluctuations, reporting inconsistencies and misrepresentative accounts. The draft Management Accounts provided by GNPC did not include an Inventory figure as at December 31, 2017.

8.70 Our review has indicated that Inventory has been treated inconsistently by GNPC across the period in scope. In the period prior to 2015, the Inventory balance appears to have been utilized in line with common practice to capture the purchase of fuel. From 2015 onward, the practice varies.

8.71 From 2010 to 2017 the Inventory balance has fluctuated markedly. The figure below illustrates the total Inventory balance as a percentage of total assets, over time.

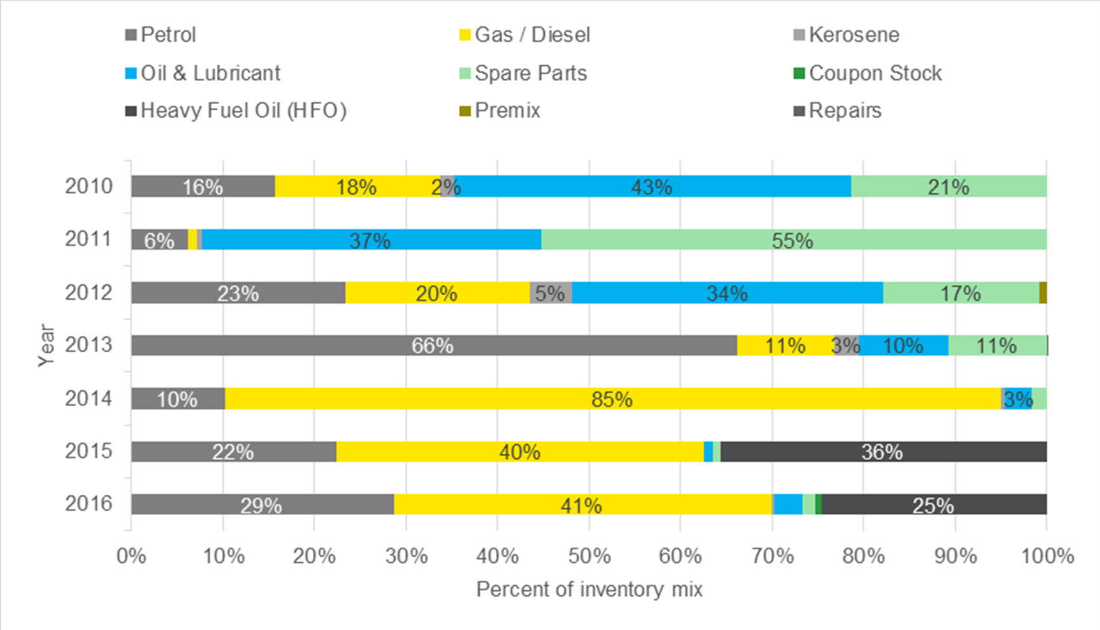
Figure 59: Inventory balance and % of total assets 2010-2017



Source: EY Analysis of GNPC Financial Statements 2010 to 2016 and 2017 draft Management Accounts

8.72 Over the period in scope, Inventory at GNPC has mainly comprised of the fuel stocks for petrol, diesel and HFO. Other Inventory items include oil and lubricants, spare parts, coupon stock, premix, repairs and kerosene. The percentage contribution for each of these products has changed over time due to both the expansion of the business and changes in product offerings. This is evidenced by the increased contribution of HFO in both 2015 and 2016. The figure below illustrates the changes in Inventory mix over time.

Figure 60: GNPC Inventory mix from 2010-2016



Source: EY Analysis of GNPC Financial Statements

8.73 Bulk Inventory (e.g., petrol and diesel) is stored at Gam Petroleum. Fuel held at the stations is dipped every morning and recorded into the designated log books at the stations. Quarterly counts are also performed by IA for all stock items. At year-end, a final Inventory count is performed by the business, in the presence of IA, during which all fuel tanks are dipped, and all other Inventory items are counted. The Inventory valuation is then prepared by the finance assistant and reviewed by the assistant finance manager, before any adjustments are posted to the GL.

8.74 GNPC has completed their year-end stock counts for 2017. We reviewed the sign-offs and noted that all nine stations and the Fajara warehouse have been counted, and the tanks have been measured. However, GNPC has not performed the Inventory valuation for 2017, and as a result, has not calculated the Inventory balance. The GNPC Finance team informed us that this exercise has been delayed due to the need to conclude the reconciliation activities related to cash, Trade Receivables, and Trade Payables.

8.75 We also note that historical inconsistencies in the accounting treatment for Inventory, as well as improper recognition practices, have led to uncertainty surrounding the balance in 2017. These issues are discussed further in the sections below.

Gam Petroleum Nominations

8.76 According to GNPC Senior Management, GNPC's current fuel supplier is Trafigura, which stores both its diesel and petrol stocks at Gam Petroleum. When GNPC requires fuel, the bulk supply department request a formal nomination from Trafigura for a specific quantity of fuel to be made available to GNPC at Gam Petroleum. Fuel is then provided either as part of an in-tank transfer ("ITT"), or supplied to GNPC 'Ex Works'. This means the fuel is made available at a named location for GNPC to collect. Completion of the ITT or the moment the fuel is made available Ex Works marks the moment the rights and obligations of the product transfers to GNPC.

8.77 GNPC has not recognized any of the fuel nominations as part of Inventory in the 2017 draft Management Accounts. This means that any fuel stock which is stored at the Gam Petroleum depot and that belongs to GNPC, will remain unaccounted for. We obtained a copy of an email from Gam Petroleum to GNPC indicating that GNPC had the following stock balances, as of December 31, 2017:

Table 165: Stock balances in Litres ("L") at Gam Petroleum, at December 31, 2017

Nominated Supplier	Diesel ("AGO") in L	Petrol ("PMS") in L
EAGL	527	3,094
Trafigura	202,230	114,875
Total	202,757	117,969
Dec 2017 CIF Banjul Dal/L	26.36	26.10
Potential Value GMD	5,344,675	3,078,991
Potential Value USD	111,330	64,135

Source: EY analysis of Gam Petroleum email confirmation and MoFEA price structure

8.78 We note that this stock would hold an approximate value of GMD 8.4m (USD 175k), if the Cost, Insurance, Freight ("CIF") Banjul cost from the Ministry of Finance and Economic Affairs Pricing Structure would be applied to the closing balance.

Inventory accounting treatment

8.79 As GNPC has not yet accounted for the purchases of their fuel supplies or for the final valuation of their Inventory, we enquired about the accounting treatment for Inventory and all related accounts. GNPC provided us with the following explanation for how fuel purchases are accounted for in the Financial Statements.

Payments to Suppliers

8.80 GNPC has not yet accounted for invoiced fuel purchases for the 2017 Management Accounts. The GNPC Finance team noted that some of the invoices are held and not entered into Navision until year-end procedures are performed. When we enquired about the way the payments to suppliers are performed and accounted for during the year, GNPC noted that this was done as a credit to the cash account, and a debit to the Trade Payables sub-ledger (which does not yet have the associated invoice accounted for).

8.81 The practice of not processing all invoices upon receipt has created a large debit balance in the Trade Payables sub-ledger, which grows with each subsequent payment, as there is no invoice to allocate the cash to. It also understates the payables balance and does not recognize the asset (fuel) that GNPC has obtained. We note that this practice results in understatement of both assets and liabilities. Additionally, this means that GNPC would have difficulty in monitoring and reconciling the amount owed to their suppliers at a given point in time. We note that this practice is also not in line with similar companies in the downstream petroleum sector. This issue is discussed further in the "Trading Liabilities" section of the report.

Year-end invoicing

8.82 As stated above, GNPC has not entered their fuel supply invoices from 2017 into Navision, more specifically in the Trade Payables sub-ledger. The GNPC Finance team have indicated that they will perform this at the year-end, at which time they will debit the Inventory account and credit the Trade Payables ledger for the value of the invoices (thereby reducing the debit balance of the supplier in the Trade Payables sub-ledger and increasing the Inventory balance).

Adjusting for Stock Volumes at year-end

8.83 After all invoices have been entered in Navision, GNPC then needs to account for the stock volumes at December 31, 2017. According to the GNPC Finance team, this will be done by adjusting the Inventory balance to reflect the final volumes, at the “Platts plus premium” value per liter of fuel, issued by MoFEA. This step would result in a debit or credit to the Inventory account and the corresponding entry to cost of sales on the Income Statement. This adjusts the Inventory balance in the GL to reflect the final volumes and accounts for the period’s cost of sales.

8.84 We note that the accounting treatment used above does result in an Inventory balance which will reflect a cost per liter on the Financial Statements. However, we note that this treatment is not in line with best practices and carries several risks. A key risk is that GNPC is not monitoring the physical receipt, transfer and usage of inventory from nomination to final sale at the stations. We note that physical losses could be overlooked in the financial exercise it performs. An additional risk is cut-off in relation to unrecognized nominations of fuel (i.e., nominations which have been performed but not invoiced to the entity as at year-end). As it stands, GNPC does not have a defined process or mechanism to capture fuel or GRNI in Navision. Accordingly, actual fuel purchases and costs for the year may not be factored into the final cost of sales released to the Income Statement.

Additional work performed and observations

8.85 During our Fixed Asset verification review, we dipped the petrol and diesel tanks at two petrol stations. We then attempted to reconcile the movement in the dip levels (from the morning dips recorded) to the total liters sold as recorded by the pump attendants, for the day. This exercise was successful at the Abuko station. The Fajara station had a difference of approximately 500L for diesel and 200L for Petrol. Having said this, we note that there might exist a small margin of error on the dipstick that could have resulted in a difference of 500L. Additionally, the Fajara station was still at full operation while we performed the dips which might have contributed to the margin of error that we noted.

8.86 During our visit to the Fajara station, we also observed several bottles and barrels of different lubes on the store shelves and in the warehouse. The station staff indicated that several of these lubes were not being sold. We note several lubes are still counted in the Fajara station year-end stock count. We queried the Finance team if there was a plan to create an Inventory provision to account for the slow-moving lubes. The GNPC Finance team indicated that no Inventory provision was planned as they were optimistic the lubes could eventually be sold on. In 2016, oil and lubes were valued at GMD 8.9m (USD 204k).

Current efforts and recommendations

8.87 We recommend that GNPC begins recognizing the fuel nominations in the Inventory accounts immediately.

8.88 We also advise GNPC to revise the accounting procedures for the purchase, receipt and issues of fuel in line with the best industry practices. This includes recognition of the assets in the Inventory account, and a corresponding liability in Trade Payables upon the receipt of the fuel and its related invoice in both physical and financial terms. For the fuel that has been receipted but not yet invoiced, we recommend that GNPC establishes a process to account for it in the GRNI.

8.89 We also recommend that GNPC recognizes a cost of sale and a reduction to their Inventory with each sale of fuel made. This should only be done upon performing a sale to a customer, and not upon the issuance of fuel from the depot to one of GNPC’s petrol stations.

8.90 We note that GNPC is aware of these accounting issues. GNPC Senior Management have indicated that the new FinEx accounting system has helped in capturing and rectifying these issues. We recommend GNPC continue working on resolving the issues captured above.

8.91 Stations do perform a daily reconciliation of the fuel levels and daily sales. However, we note that the follow-up of the differences and the explanations of these differences should be more rigorously estimated.

8.92 We also recommend that GNPC reviews and reconciles the Inventory balance at least quarterly, and creates a provision for any slow-moving goods.

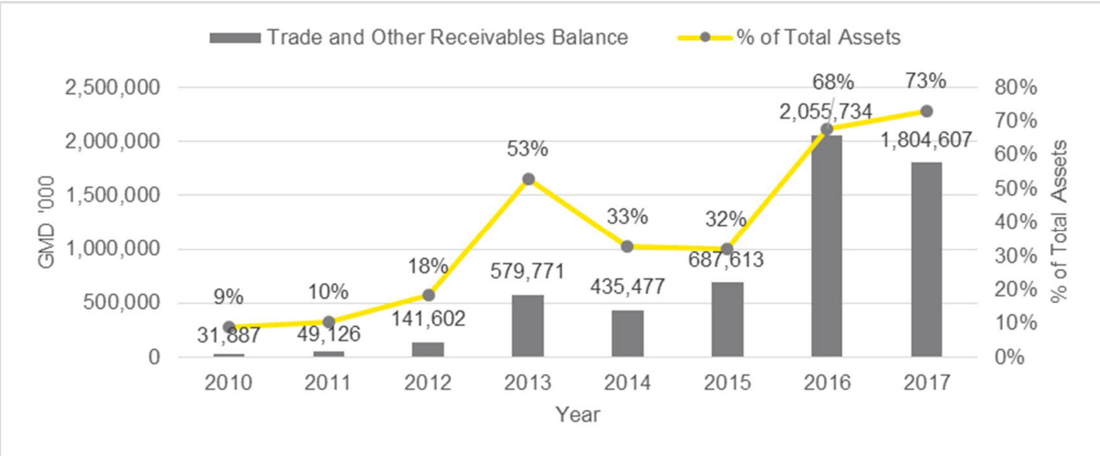
Trade and Other Receivables

8.93 Trade and Other Receivables has been the largest asset on the GNPC Balance Sheet since 2013. In the 2017 draft Management Accounts, it is valued at GMD 1.8b (USD 37.6m) and accounts for 73% of the total asset base. The percentage rose most significantly in 2016 and in 2017, due to the increase in the HFO sales.

8.94 In recent years, GNPC did not perform a detailed reconciliation of the Trade Receivables sub-ledger and the customer accounts to the GL. In addition to this, GNPC has a large backlog of unperformed bank reconciliations. Both issues lead to GNPC having a weak financial reporting environment in which GNPC is unable to verify the balances owed by their respective customers. The lack of supervision over the balances owed by a customer prevents the business from reliably chasing and collecting settlements due to it. This can also lead to larger problems, such as liquidity issues, and can eventually interrupt the entity's ability to operate.

8.95 The current GNPC Finance leadership team recognized several problems with respect to their Trade Receivables data and has dedicated a team to perform a detailed customer-by-customer reconciliation of the receivables balance. This balance continues to change daily as the Trade Receivables team reconciles and adjusts each of the customer balances.

Figure 61: Trade and Other Receivables in GMD '000 and as a % of total assets, per year



Source: EY Analysis of GNPC Financial Statements and 2017 draft Management Accounts

8.96 We obtained a breakdown of the Trade and Other Receivables balances based on the draft Management Accounts. We noted that it is predominately composed of the receivables from fuel customers, data sales, and coupon sales. The "Fuel Customer" GL balance alone accounts for 86% of the total balance.

Table 166: 2017 Trade and Other Receivables breakdown

Receivable category	2017 (GMD'000)	2017 (USD'000)	% of total balance
Fuel Customer	1,553,382	32,357	86%
Data Sales Customers	107,771	2,245	6%
Coupon	77,178	1,608	4%
Corporate Tax	27,796	579	2%
President's Office	22,040	459	1%
Central Government	12,370	258	1%
Others	2,803	58	0%
Prepayments	1,633	34	0%
Station Rental	959	20	0%
Mop Prefinancing	299	6	0%
Spare Parts	217	5	0%
Output Vat	(423)	(9)	0%
Oil & Lubricant	(1,418)	(30)	0%
Total	**1,804,607**	**37,590**	**100%**

Source: EY analysis of GNPC GL

8.97 We examined the formulas driving the balances in the breakdown above. Upon our review, we identified that the value of GMD 585m (USD 12.2m) was manually added to the to the system-generated Fuel Customers balance of GMD 968m (USD 20.2m). We enquired the Finance team as to the rationale behind this addition outside the accounting system.

8.98 The GNPC Finance team indicated that this was manually overridden by their team. They also explained that the posting corresponds to an estimated adjustment to account for the difference in the FX balance on the foreign currency receivables (most notably NAWEC) in the accounting system, and the balance at current FX rates.

8.99 GNPC has invoiced NAWEC in USD throughout their supply of HFO from 2015 to 2017 (a period in which the Dalasi weakened significantly). This has resulted in Trade Receivables increasing significantly in GNPC's books. According to the Finance team the FX rate in Navision does not accurately reflect the GMD equivalent of this balance, therefore a manual revaluation has to be conducted as part of year-end procedures.

8.100 GNPC has not yet determined the Trade Receivables amount due from NAWEC as part of their Trade Receivables reconciliation exercise. Therefore, the manual addition is simply an estimate as to what the balance could be under present day rates, based on the assumed balance at the time of preparation. We note that this estimate will have to be revised once the balance with NAWEC is finalized. As a result of the incompleteness of this balance, no further review of the recalculation was performed as part of our work. The NAWEC receivable is further discussed further in this section.

8.101 We obtained the Trade Receivables sub-ledger as at December 31, 2017. GNPC provided the Navision extracted report as at December 31, 2017. However, the values per the report had changed in the period since the production of the management accounts due to ongoing reconciliation efforts. Additionally, the Trade Receivables sub-ledger contained information from several GL accounts as well as credit balances totaling GMD 28.9m (USD 602k). Given the constant changes and entries being posted into the system, we were unable to tie the Trade Receivables sub-ledger back to the draft Management Accounts or to the GL. In discussions with our team, the GNPC Finance team noted that the Trade Receivables sub-ledger balance should approximately total 1.2b GMD (USD 25m) according to their analysis.

8.102 We noted that the Trade Receivables sub-ledger had several accounts for the same customer. GNPC explained that this was to account for the different types of receivables that the same customer owed (e.g., a coupon sale to a customer versus a bulk supply). We combined the accounts for each customer to provide an overall view of their total balances, as per Navision. The results can be seen in the table below.

Table 167: Top 10 Trade Receivables balances as at December 31, 2017

Note: NAWEC balance is shown prior to FX correction adjustment

Customer	Receivable (GMD '000)	% of 2017 sub-ledger	Movement in 2018 (GMD '000)	Current 2018 balance	Current Prov'n	2017 balance	Further Prov'n Required per EY
NAWEC	643,877	52%	4,983	648,860	-	643,877	TBD
TGS	107,771	9%	-	107,771	-	107,771	TBD
Office of the President / Vice President	82,901	7%	-	82,901	(26,388)	56,513	56,513
GTSC	50,199	4%	(11,236)	38,963	-	50,199	-
Farafenni Station	31,598	3%	-	31,598	-	31,598	31,598
Basse Station	29,945	2%	-	29,945	-	29,945	29,945
Gamtel	24,545	2%	-	24,545	-	24,545	24,545
Fajara Station	19,456	2%	-	19,456	-	19,456	19,456
Bundung Station	15,223	1%	-	15,223	-	15,223	15,223
Brikama Station	11,304	1%	(2,224)	9,080	-	11,304	11,304
GMD '000 total	**1,016,819**	**83%**	**(8,477)**	**1,008,342**	**(26,388)**	**990,431**	**188,584**
USD '000 total	**21,180**	**83%**	**(177)**	**21,004**	**(550)**	**20,631**	**3,928**

Source: EY analysis of GNPC 2017 Trade Receivables sub-ledger

8.103 The GNPC Finance team were unable to provide a reliable Trade Receivables aging as at December 31, 2017. GNPC was able to extract an aging report as at December 31, 2018. We analyzed this report and noted that 89% of the Trade Receivables sub-ledger balance was aged over 90 days. This indicates that the business is still struggling to recover debts quickly and could cause additional working capital issues and liquidity constraints for the business.

Table 168: 2018 Trade Receivables sub-ledger aging

	Not Due	0-30 days	31-60 days	61-90 days	Over 90 days	Total
In GMD '000	4,820	71,804	42,380	11,302	1,075,692	1,205,999
In USD '000	100	1,496	883	235	22,407	25,121
% of Trade Receivables sub-ledger	0%	6%	4%	1%	89%	100%

Source: EY analysis of GNPC 2018 Trade Receivables sub-ledger

NAWEC Receivable

8.104 The NAWEC receivable is the single largest asset on GNPC's draft 2017 Balance Sheet. Based on management estimates, it represents approximately 54% of the balance for fuel customers. The system indicates that NAWEC's total 2017 debt totaled approximately GMD 643.9m (USD 13.4m). However, GNPC has a different estimate of this debt, at approximately GMD 833m (USD 17.35m). GNPC attributes the difference between the two estimates to an incorrect FX rate being used by Navision in revaluing NAWEC's USD debt.

8.105 Our queries of the NAWEC Finance team indicate that NAWEC currently has a payable to GNPC of GMD 773.5m (USD 16.1m). NAWEC indicated it plans to pay GMD 5m (USD 104k) a week to service the debt. Both GNPC and NAWEC note that some payments have been made in 2018, though GNPC noted that the payments have ceased in recent months.

8.106 Given the financial difficulties at NAWEC, it is highly likely that GNPC might not be able to recover this debt. In our review of the centralized plans to resolve NAWEC's financial obligations, we saw no mention of a formal plan to settle their trade payables liability to GNPC.

8.107 The NAWEC receivable is so significant that should GNPC be unable to recover any payment at all, GNPC could become close to technical insolvency. The draft Management Accounts of GNPC currently has an estimated value of GMD 847m (USD 17.6m) in Retained Earnings. If the entirety of the NAWEC receivable is written-off or provided for, this alone would reduce the Retained Earnings balance to GMD 13.5m (USD 281k). We understand that both the GNPC Managing and Finance Directors are in regular communication with NAWEC to reach a resolution on the amount owed.

8.108 Additionally, we note that the draft Management Accounts of GNPC may require several additional write-offs which could quickly cause the Retained Earnings balance to go into the debit. For example, if GNPC writes-off all the GNPC station receivables from the Trade Receivables sub-ledger, this alone would constitute a write-off of GMD 131.9m (USD 2.7m). This would clear any remaining Equity following a NAWEC write-off.

Stations

8.109 DT Associates, GNPC's Statutory Auditors in 2017, noted that GNPC treat their own petrol stations as customers[284]. This means that whenever fuel is issued from the depot to one of the stations, GNPC posts a credit to the revenue account and a receivable for the station account. We note that this practice is not in line with International Accounting Standard 18 (the relevant revenue accounting standard as at December 31, 2017) and likely overstates both revenue and receivables as not all fuel transferred was sold during the period, nor does it account for stock losses.

8.110 We note that these balances account for GMD 131.9m (USD 2.7m) which represents approximately 11% of the Trade Receivables sub-ledger total. A breakdown of the receivables by station can be found below.

Table 169: Station Receivables balances as at December 31, 2017

Station	GMD'000	USD '000	% of Trade Receivables sub-ledger
Farafenni	31,598	658	3%
Basse	29,945	624	2%
Fajara	19,456	405	2%
Bundung	15,223	317	1%
Brikama	11,304	235	1%
Soma	9,472	197	1%
Banjul	7,807	163	1%
Bansang	4,359	91	0.4%
Abuko	2,742	57	0.2%
Total	**131,906**	**2,748**	**11%**

Source: EY analysis of GNPC 2017 Trade Receivables sub-ledger

[284] GNPC Management Letter for the Year Ended 31 December 2016 (Page 15)

8.111 These balances should not be included as Trade Receivables in the Balance Sheet of GNPC, as no sales have been made to customers. It is our view that the fuel transfers to the stations should be treated as Inventory transfers and not as sales as the conditions for revenue recognition under IAS 18 had not been satisfied. We noted the following:

- GNPC had not transferred to a third-party buyer the significant risks and rewards of ownership of the goods;
- GNPC retained both continuing managerial involvement to the degree usually associated with ownership and effective control over the goods sold; and
- It was not yet probable that the economic benefits associated with the transaction would flow to GNPC.

8.112 Our conversations with the GNPC Finance team have also indicated that many of these balances continue to grow due to reported stock losses, theft, fraud and other fuel shortages which cannot be recovered by the business.

Other significant Receivables

8.113 We met with the Credit Control Manager to understand the collectability of significant receivable balances and the initiatives being undertaken to recover them.

TGS

8.114 TGS is a multinational subsurface data vendor headquartered in Norway and the TGS receivable arises from data sales relating to offshore blocks A1 and A4. The Credit Control Manager indicated that this balance was collectible and might have already been paid. We could not verify any cash receipt associated to TGS in the 2018 customer statement.

8.115 Additionally, we noted that while the receivable had been included in the Trade and Other Receivables balance on the face of the Balance Sheet, GNPC had intentionally excluded the associated revenue entry from the Income Statement. This indicates that the corresponding credit from the Receivable has been included in Retained Earnings as this was calculated as a balancing figure.

8.116 We note that the inclusion of the receivable without including its corresponding revenue or liability reduces the transparency of the Financial Statements and misstates the Trade and Other Receivables value. GNPC indicated that this was an oversight and that the receivable would be removed from the Financial Statements. We recommend that GNPC defines and implements an accounting policy for the treatment of all upstream funds.

Office of the President and Vice President

8.117 GNPC has a long established a receivable with the Office of the President and Vice President. The receivable balances were in place when the Office of the President took control of the GNPC USD bank accounts in 2013. GNPC accounted for the cash payments made out of the USD bank accounts as well as the Office of the President's fuel convoy purchases. This was done to maintain the traceability of the transactions so that the corresponding amounts could be recollected in the future. The control of these bank accounts is discussed further in the Retained Earnings section of the report.

8.118 Given that the Finance team was still posting entries during our fieldwork, the remaining receivable balances from the Office of the President, Vice President and Central Government are between GMD 57m and GMD 83m (USD 1.2m and USD 1.7m) according to system and management estimates. We obtained a breakdown of the receivable balances in two specific GLs assigned to the Office of the President and the Central Government. We noted that they were comprised of items dating from 2012 to 2016. In 2016 GNPC provided for GMD 26.4m

(USD 550k), or approximately 46% of the system balance and 32% of the balance estimated by management.

8.119 The Finance team indicated that, despite current efforts, this balance is proving difficult to recover and that no payment has been received from the Office of the President in the past two years. Since February 2017 this balance has increased by GMD 37m (USD 771k). This is attributed to LFO purchases by the new regime. We note that the aging of this debt suggests that it should be provided for.

8.120 We reviewed a sample of 10 transactions in the specific receivable GL accounts for the Office of the President and the Central Government to understand the nature of the transactions. All the transactions in the GL were dated prior to 2017. GNPC was only able to provide the bank statement for 8 of the 10 items selected. No additional supporting evidence was provided. The GNPC Finance team informed us that these were transactions occurring during the former regime, and accordingly no additional supporting documentation was available. We note that the inability to substantiate these balances beyond a bank statement will make them difficult to support during an External Audit. Additionally, it challenges the collectability of the receivable from these institutions.

GTSC

8.121 GTSC has established a repayment plan with GNPC to reduce their 2017 liability by GMD 850k a month (USD 17.7k). GTSC has also agreed a payment plan to settle their 2018 liability which includes a 25% immediate payment and the remaining balance three months later. We note that GTSC's liability was reduced by GMD 11m (USD 221k) in the 2018 Trade Receivables sub-ledger, indicating that GTSC is paying GNPC.

GAMTEL

8.122 The Credit Control Manager noted that GAMTEL used to pay on a regular basis, however, they have been struggling to pay lately, reportedly following the removal of the Gateway revenue. GNPC recently wrote to GAMTEL setting out a deadline of late January 2019 to pay or agree to a payment plan. GNPC is still awaiting the commitment from GAMTEL and noted they have ceased providing fuel to GAMTEL in 2019. The GAMTEL balance is disclosed in the table below.

Premix and Techworld

8.123 There is a combined receivable for approximately GMD 7m (USD 146k) from Premix and Techworld. The Credit Control Manager noted that it has been very difficult to collect this balance and GNPC has subsequently taken them to court to try and claim the funds. It is likely uncollectable.

Provisioning

8.124 GNPC has a policy for bad debts which states:

- All significant debts older than 30 days shall be chased up;
- Debts older than six months will be reviewed annually by the Managing Director and a report presented to the Board recommending debts to be provided for or written off;
- The Board reserves the right to write off and make provisions against debts[285].

8.125 No thresholds have been defined in the accounting policy. GNPC informed us that there is currently no bad debt provision in place for the major Trade Receivables balances. GNPC

[285] Gambia National Petroleum Company Accounting Policy & Procedures Manual (page 39)

noted that the Board would need to approve a provision for 2017 accounts but that this can only be established after Trade Receivables, Cash and Trade Payables are fully reconciled and understood.

8.126 As we have indicated in our commentary above, several of the Trade Receivables balances are potentially uncollectable, including the debt related to the Office of the President and GAMTEL. Some are also crucial to the entity as a going concern (e.g., NAWEC), or should be written off completely due to their incompatibility with the International Accounting Standards (e.g., the debt related to the GNPC Stations).

8.127 We note that the provisioning policy as it stands does not encourage critical examination of all receivables balances in determining the amount to be provided for. Additionally, the age of the receivables indicates that the procedures being performed around credit control are not robust enough to collect cash in a timely manner.

SOE and government ministry debt

8.128 In addition to the major balances with NAWEC, Office of the President and Vice President and GTSC already noted, GNPC has several receivable balances from other SOEs and government ministries, as GNPC is often used as the primary fuel supplier. We estimate that GNPC has over 50 government-related receivables. We requested the balances for all government SOEs and have included several of the larger government related balances as of December 31, 2017 in the table below. GNPC provided us with both a management estimate for some of these balances, as well as what was recorded in the Trade Receivables sub-ledger.

Table 170: Selected government-related Trade Receivables balances as at December 31, 2017

("X" = Estimate not provided by GNPC Finance team)

Receivable	Per sub-ledger GMD '000	Per GNPC Estimate GMD '000	Per sub-ledger USD '000	Per GNPC Estimate USD '000
NAWEC	643,877	832,977	13,412	17,351
Office of the President / Vice President	82,901	60,129	1,727	1,252
GTSC	50,199	X	1,046	X
GAMTEL	24,545	23,933	511	499
GPA	11,138	13,941	232	290
SIS	9,860	X	205	X
Police	9,471	X	197	X
NaNA	7,504	X	156	X
MOJ	6,238	X	130	X
GAMCEL	6,009	4,375	125	91
A.M.R.C	2,191	477	46	10
GCAA	1,874	0	39	X
GRTS	1,866	X	39	X
GIA	766	766	16	16
Gambia Printing & Publishing Corporation	515	X	11	X
SSHFC	325	325	7	7
Total	**859,278**	**936,923**	**17,899**	**19,516**

Source: EY analysis of GNPC 2017 Trade Receivables sub-ledger

Recommendations

8.129 We recommend that GNPC, NAWEC and the Government of The Gambia meet to agree a formalized plan of action in respect to the NAWEC's debt to GNPC. GNPC has noted that if no formalized plan is adhered to, or the debt is not converted into another collectible instrument for GNPC, this could bring GNPC close to technical insolvency.

8.130 We recommend that a robust bad and doubtful debt provisioning policy is designed and applied at GNPC. This policy should allow the business to provide for specific potentially uncollectable debts, and should critically examine the recoverability of significantly aged debt.

8.131 We recommend that the debt from the Office of the President is fully provided for. No cash has been collected for the last two years and any receivables accrued under the former regime are likely to be uncollectable.

8.132 We recommend that all the petrol station receivables balances should not be included in the Balance Sheet of GNPC. It is our view that the fuel transfers to the stations should be treated as Inventory transfers and not as sales.

8.133 We recommend that a defined accounting treatment policy is developed to clarify the treatment of all upstream funds.

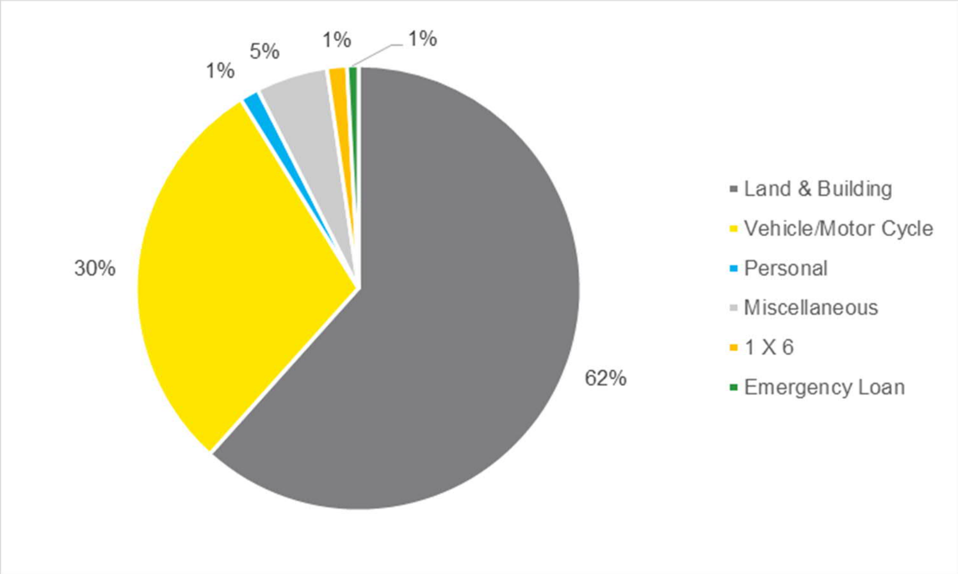
Staff Loans

8.134 In the 2017 draft Management Accounts, the staff loans receivable is valued at GMD 17.8m (USD 371k), which represents 1% of the total asset base at GNPC. The loans comprise several different categories including land and buildings, vehicles, personal and other miscellaneous loans.

8.135 We requested a breakdown of the loans report by employee. The Finance team provided us with a report extracted from Navision. The closing loan balance shown on the report is GMD 3.7m (USD 77k) below the value of loan balance shown in the GL and the report was unable to detail the aging for the individual staff loans. The difference in the reporting values and the limited access indicate that the financial systems are not well equipped to give the Finance team the information they require to monitor and follow-up on the various staff loans.

8.136 The staff loans report indicated that there were approximately 175 employees with loans, and a total of 349 loans outstanding as at December 31, 2017. In other words, an employee who has borrowed from the company has in an average of approximately two loans. The average lending amount is GMD 81k (USD 1.7k), per borrowing employee. A breakdown of the closing balance by loan type, as per the loan report, can be found in the figure below.

Figure 62: Breakdown of 2017 staff loans report by loan type



Source: EY Analysis of 2017 GNPC staff loans report

8.137 The largest total employee loan balance was for a member of the IA team who had a closing balance of GMD 1,070k (USD 22k) and was reported as having eight different loans.

8.138 We also noted that the loans report contained five individuals who were reported by GNPC as no longer part of the organization. Their total closing balance totals GMD 420k (USD 8.7k). GNPC does not have a provision for any staff loans.

8.139 We note that the average annual wage (basic pay plus allowances) per the 2017 payroll report of an employee at GNPC is GMD 78.7k (USD 1.6k). This indicates some GNPC employees may have difficulty paying back their loan balance over the short term.

Recommendations

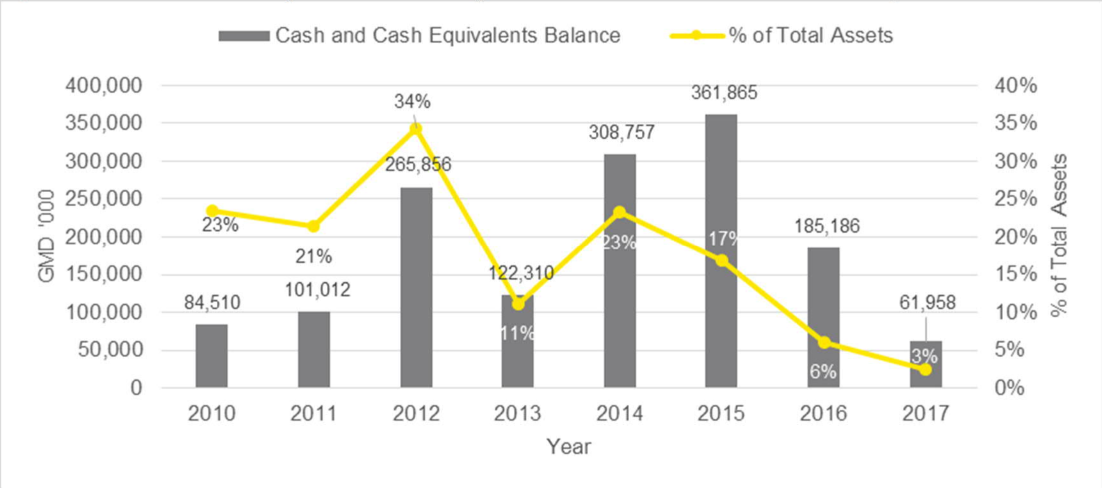
8.140 We recommend that GNPC implement a provision accounting policy for staff loans and evaluates it regularly. The policy on provisioning should consider recoverability by reference to factors including employee salaries. We also recommend the Finance team formalize a reporting structure for staff loans in the new accounting system. The structure should allow a detailed analysis and full traceability of both the supporting documentation and the GL.

8.141 We also recommend that GNPC implement a system or control which will flag a breach of the deduction thresholds for staff loans defined in the staff service rules.

Cash and Bank

8.142 GNPC has had a positive cash balance throughout the period from 2010 to 2017. Since 2014, the cash balance has steadily declined as a percentage of total assets. Cash and cash equivalents per the 2017 draft Management Accounts is valued at GMD 61.96m (USD 1.29m) which represents 3% of total assets.

Figure 63: Cash and Cash Equivalents balance per Financial Statements and draft Management Accounts



Source: EY Analysis of GNPC Financial Statements and 2017 draft Management Accounts

8.143 Currently, GNPC's 2017 cash position cannot be confirmed. The main reasons for this include:

- A manual adjustment to the system balances to reach a best estimate on the total cash value per the Management Accounts;
- Ongoing bank reconciliation review and adjustments in the accounting system during fieldwork;
- Difficulty faced in reconciling the total number of accounts declared by GNPC to the accounts we confirmed; and
- The presence of bank accounts where we were not provided with a corresponding cashbook in the accounting system.

Manual adjustment to the system figures

8.144 We examined the formulas driving the total for the "Cash and Cash Equivalents" GL accounts. Upon our review, we concluded that the value on the face of the Balance Sheet was calculated based on an incomplete selection of cash GL accounts and a manually added figure. We enquired of the Finance team as to the rationale behind this calculation outside the accounting system. They explained that the manual entries were made to bring the balance in line with their current estimates as bank reconciliation procedures continued and cashbook adjustments were posted.

Ongoing bank reconciliation review and adjustments

8.145 We also note that the December 2017 bank reconciliations were still ongoing during our fieldwork. This meant the cash balances were consistently moving as the Finance team posted adjustments identified from the bank statements. At the conclusion of fieldwork, GNPC indicated that the bank reconciliation exercise had been completed, though these reconciliations were yet to be reviewed by the Assistant Finance Manager and the final postings were still ongoing.

8.146 We requested all bank reconciliations performed for the GNPC bank accounts. GNPC was unable to provide the finalized reconciliations for several accounts due to the issues previously discussed. We also noted that GNPC had not performed reconciliations for accounts which they deemed to be dormant. We noted that one of the accounts listed as dormant had activity in 2017 and therefore noted a reconciliation should be performed. Due to the continuing activities of the bank reconciliation exercise, we did not conduct any further testing in this area.

Bank account status

8.147 We met with the GNPC Finance team to understand the current number and nature of bank accounts at GNPC. The Finance team indicated that GNPC had several bank accounts with each of the domestic banks in The Gambia. The Finance team performed an exercise in 2018 to confirm the number and status of accounts held by GNPC at each of the domestic banks. Their analysis identified that GNPC had 51 bank accounts (excluding a related debit card). The GNPC Finance team acknowledged the number of accounts was excessive for the entity and indicated they were in the process of identifying accounts to be closed.

8.148 We attempted to confirm the status of these bank accounts. In our independent bank circularization exercise, we received confirmation for 43 bank accounts. The reconciling accounts have been detailed below.

Table 171: Reconciliation of GNPC bank accounts and EY Confirmations

Reconciling items	Number of bank accounts
Bank Accounts Confirmed by GNPC	**51**
Accounts at banks which did not reply to EY (Zenith, FBN, SCB)	*(6)*
Accounts declared by GNPC but not confirmed by banks responding to EY	*(7)*
Central bank accounts confirmed by EY but not in GNPC system	*5*
Access bank accounts confirmed by EY but not in GNPC system	*2*
BSIC escrow Accounts opened in 2018 confirmed by GNPC	*(2)*
Bank Accounts Confirmed by EY	**43**

Source: List of bank accounts provided by GNPC Finance team and EY bank circularization exercise

8.149 We note the likely number of bank accounts is 51. This is comprised of the 51 accounts GNPC declared, less seven accounts not confirmed by responding banks, plus seven accounts confirmed by EY but not present in the GNPC system.

8.150 We note that several of the bank accounts have nil balances, have been listed as dormant, or have no transaction history during the scope period. The existence of numerous dormant accounts increases the risk they can be used to channel illicit funds or record payments which are not fully captured by the Finance team.

Accounts not evidenced in Navision cash books

8.151 GNPC has not presented us with corresponding Navision cashbooks for 12 bank accounts. These 12 accounts are divided into two categories.

- Seven accounts were confirmed by external banks but not GNPC. This was comprised of two access bank accounts, which have a nil balance and have been dormant for all of 2017, as well as 5 accounts confirmed by the Central Bank of The Gambia (all of which have no transactions or balance from 2010 to 2017);
- We also identified an additional five bank accounts which had been declared by GNPC, where we were unable to find a corresponding cashbook in Navision;

- GNPC noted that one of these accounts, at BSIC, had no cashbook in the system but was believed to be dormant;
- The other four accounts were from GT bank. We queried the Finance team whether these accounts had a cashbook in Navision. Their response was, "The current account exercise will address some of these issues and a reconciliation will be done once confirmed;"
- GT bank confirmed the balance of three of these accounts to EY, one of which was for only GMD 119 (USD 2). A summary of the remaining missing cashbooks can be found in the table below.
- We reviewed the bank statements for three of the four GT accounts. We were not provided with the statements for one GT Bank account.

Table 172: Balances confirmed by banks for accounts with no corresponding cashbook

Accounts without confirmed cashbook in Navision	Balance as at December 31, 2017 confirmed in GMD'000	Balance as at December 31, 2017 confirmed in USD'000
7 Accounts confirmed by external banks but not GNPC	-	-
BSIC account confirmed by GNPC	Not confirmed	Not confirmed
GT Bank USD Account (201-108127-2 4000 1)	Not confirmed	Not confirmed
GT Bank USD Account (201-108127-2 4000 0)	76,873	1,601
GT Bank EUR Account (201-108217-46 4000 0) *Note: Balance EUR 47k*	2,668	56
Total	**79,541**	**1,657**

Source: GNPC Finance team and EY analysis of bank circularization exercise

Former employees as signatories

8.152 We noted that the confirmations for several GNPC bank accounts still included former employees as signatories. These included the former Managing Director, and the former acting Managing Director. Other accounts did not have the current Finance Director or Managing Director listed as signatories on the account. GNPC noted they were in the process of updating the signatories at all banks, and provided evidence that the update of signatories at one bank (Standard Chartered) had recently been requested.

High Value Cash Transactions

8.153 We combined the cashbooks of GNPC and selected a sample of seven high value cash transactions from the cashbooks. These transactions totaled GMD 480m (USD 10m) and comprised approximately 5% of the total cash credits in the cash books provided at the time[286].

- GNPC was able to provide bank statements for 6 of the 7 transactions;
- GNPC was only able to provide additional payment support for three of the transactions. The support provided for the transactions was only a letter from the Finance Director and Managing Director requesting that the bank transfer the funds. One selection was an ITFC payment though the other transactions had no additional information. The GNPC Finance team noted this was likely due to the lack of documentation maintained for transactions during the period from 2010 to 2016.

[286] We note that three additional cashbooks were subsequently provided though no additional item was deemed riskier in nature to warrant further testing.

Recommendations

8.154 We recommend that GNPC continue with the bank reconciliation exercise as well as the consolidation of their bank accounts. Additionally, we recommend that GNPC investigate all discrepancies between the cashbooks in Navision and the current listing of bank accounts.

8.155 We recommend that all signatories which are former employees are removed from the respective bank accounts.

8.156 We recommend that GNPC maintain supporting documentation for all bank payments.

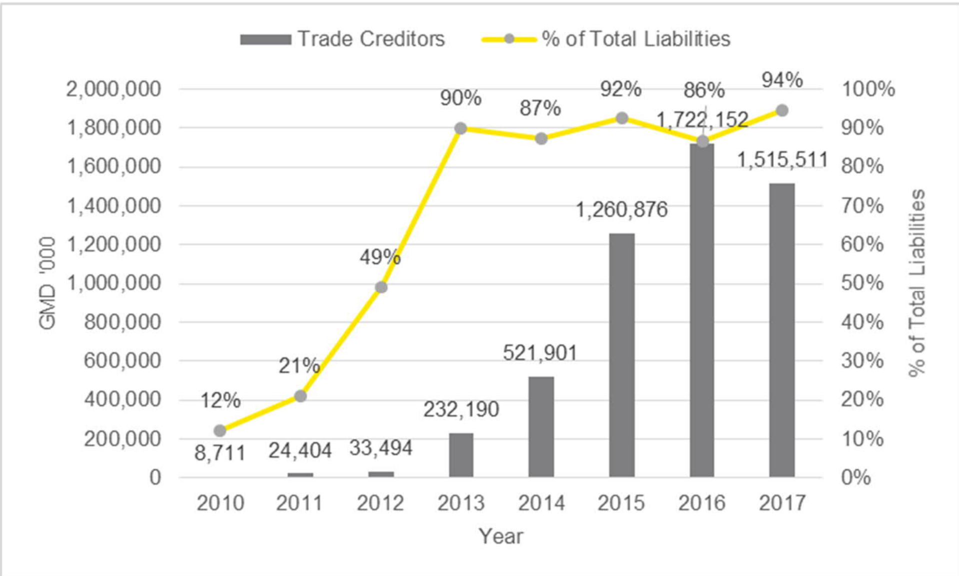
Loans and securities

8.157 GNPC Senior Management informed us that they do not hold any loans or other long-term liabilities, and we uncovered no evidence of any during the course of our fieldwork. As at December 31, 2017 GNPC held a USD 20m (GMD 960m) Murabaha agreement with ITFC. GNPC has entered into agreements with ITFC in previous financial periods as well, in order to source their fuel purchases. This facility is discussed further in the section on the Lending Facility.

Trading liabilities

8.158 In the 2017 draft Management Accounts, Trade Payables are valued at GMD 1.5b (USD 31.6m) and account for approximately 94% of Total Liabilities on the face of the Balance Sheet. This balance grew sharply from 2013 to 2016, and has represented a majority of the liabilities since 2016. The figure below details the change in the Trade Payables balance over time.

Figure 64: Trade Payables in GMD '000 and as a % of total liabilities, per year



Source: EY analysis of GNPC Financial Statements and 2017 draft Management Accounts

8.159 Given the high percentage of total liabilities the balance represents, we reviewed the Trade Payables sub-ledger to understand its composition and the key drivers. A breakdown of the total Trade Payables can be found below.

Table 173: Trade Payables GL account breakdown

Receivable category	2017 (GMD'000)	2017 (USD'000)
Trade payables/Suppliers	(1,536,014)	(31,995)
Corporate Tax	15,501	323
Input VAT	5,002	104
Total	**(1,515,511)**	**(31,568)**

Source: EY analysis of GNPC 2017 GL

8.160 We examined the two debit balances offsetting the liability total shown above. Based on our discussions with the GNPC Finance team, we understood that both the debit value for Corporate Tax and Input VAT, per the draft Management Accounts, were incorrect. The Finance team further informed us that a more accurate figure could only be presented upon the completion of both the Trade Payables reconciliation and the year-end exercises. We note that the reconciliation of these balances is necessary to understand if these balances, which would ordinarily comprise liabilities, are stated at the correct amount. Given the value of the Tax and VAT balances, as well as the inability to review an accurate figure, we did not perform any further work on these balances.

8.161 We also examined the formulas that drive the calculation of the total amount for the "Trade payables/Suppliers" GL account. Upon our review, we identified that the value of GMD 709m (USD 14.8m) was manually added to the Trial Balance figure for Trade Payables of GMD 827m (USD 17.2m). We enquired the Finance team to understand the analysis behind this manual adjustment, outside of the accounting system. The GNPC Finance team confirmed that this was performed manually by their team. We were informed at fieldwork and subsequently by management that the figure was manually journaled to counteract negative balances in the AP ledger, but GNPC was unable to provide a detailed analysis supporting the calculation of this figure.

8.162 We requested the Trade Payables sub-ledger as at December 31, 2017. GNPC was able to provide a Navision extracted report as at December 31, 2017. However, GNPC was unable to provide a reliable system report as of December 31, 2016.

8.163 We note that the Trade Payables sub-ledger that was provided is not representative of the liability positions as at December 31, 2017. This is due to the following factors:

- An inability to reconcile the Trade Payables sub-ledger to the Trial Balance in the draft Management Accounts, or to the figure presented in the face of the Financial Statements;
- A consistently shifting balance during the on-site fieldwork due to ongoing reconciliations;
- Our review of the ledger indicates that it may also contain 2018 entries;
- We located debit balances for suppliers in the sub-ledger totaling GMD 842.7m (USD 17.6m); and
- An inability to match early 2018 cash payments to liabilities in the 2017 Trade Payables records.

8.164 Further details of key issues can be found in the sections below.

Significant debit balances

8.165 As discussed in the section covering Inventory, GNPC has not accounted for their fuel purchase invoices in 2017. Rather, GNPC has continued the practice of debiting the Trade

Payables sub-ledger whenever a cash payment to a supplier is made (even if no invoice has been raised). The result of this has created several large debit balances in the Trade Payables sub-ledger. The largest of these balances is for EAGL which is valued at GMD 796m (USD 16.6m) and comprises 94% of the debit balances.

8.166 We obtained a breakdown of the EAGL supplier account and performed a detailed review of its line items. According to the breakdown, the large debit accumulated is due to a large number of part payments for LFO and HFO supplied to GNPC. These payments have not been allocated to invoices entered into Navision and require reconciliation to the EAGL invoices received. The GNPC Finance team noted that the EAGL account reconciliation was still ongoing and this would match the payments made to the invoices received and resolve any outstanding dispute.

8.167 The large debit balances in these accounts likely understate GNPC's true total liability as they comprise payments to the supplier rather than invoiced amounts. The process by which GNPC accounts for the invoices related to these payments also means that the accounting system cannot be reliably queried to confirm the remaining balance of a certain supplier. This can lead to increased losses for the business through overpayment or double-payment. Additionally, limited vision over the final balance for a supplier exposes the entity to a greater possibility of loss through fraud or error as discrepancies in supplier payments cannot be easily identified. This can also lead to disputes with suppliers which can cause business disruptions or reputational damages to GNPC.

8.168 We emphasize that the amount the liability is understated can only be determined once a full reconciliation of the balance and the invoices received have been completed.

Unrecorded liabilities testing

8.169 We note that the liability position in the 2017 draft Management Accounts is not complete. Our search for unrecorded liabilities highlighted the challenge that GNPC faces in this regard. We selected a risk-based sample of 23 items from the cash books of GNPC during the period from January 1, 2018 to June 30, 2018. The aim of the test was to check whether the cash payments related to 2017 activities and were properly accounted for as a liability in the draft Management Accounts. We stratified the sample across the different bank accounts and currencies.

- GNPC was able to provide the support or commentary for all of the 23 items selected.

- 17 items selected related to 2017. The total value of these 17 payments was GMD 93.3m (USD 1.9m). For these items, we were unable to confirm an associated liability in the 2017 draft Management Accounts. This was attributed to incomplete supplier reconciliations, incomplete Financial Statement Close Procedures, or the unforeseen nature of the liability in 2017.

8.170 The inability to trace the majority of the sample back to a specific liability in Trade Payables indicates that the Trade Payables sub-ledger requires a thorough supplier-by-supplier reconciliation. This is required to identify any misstated balances and confirm the invoices which remain unpaid for each supplier.

Lending Facility

8.171 Based on our discussions with Senior Management, GNPC only held one lending facility as at December 31, 2017. This was a USD 20m (GMD 960m) Murabaha Agreement with ITFC. Based on our review of the agreement, we understand that the purpose of it is to supply GNPC with refined petroleum products through ITFC, which purchases these products. The agreement is between the Government of The Gambia and ITFC.

8.172 The Finance team further indicated that under these types of Islamic Financing agreements, an entity (e.g., GNPC) petitions the bank (e.g., ITFC) to purchase an item on their behalf. Consequently, the bank purchases the goods, and in turn, establishes a contract (in this case with the Government) setting the cost and profit for the item, with the repayments made typically using installments. The Government has designated GNPC as the “executing agency”, as per the agreement, for the purchase and delivery of fuel on behalf of ITFC.

8.173 GNPC makes Dalasi payments into a Central Bank of the Gambia (“CBG”) account where the funds are held until an FX rate has been agreed upon with the lender. The payment into this account is captured in the suspense account in cash and bank.

8.174 Our discussions with management indicate that this facility is used by GNPC when it requires funds to purchase fuel inputs. For this reason, they have not treated it as a loan but as a Trade Payable.

8.175 GNPC has entered agreements with ITFC, which is a member of the Islamic Development Bank Group, in previous periods as well in order to source their fuel purchases. We were unable to confirm which years had an active ITFC agreement. We noted that in the Trade Payables sub-ledger we were provided with, the single largest value is a credit balance to the Islamic Development Bank for GMD 3.3b (USD 68.7m). In our discussions with GNPC, Senior Management noted that this balance was largely historical and not representative of the actual liability. Moreover, Senior Management explained that the facility had been largely paid down, and a large portion of the balance was supposedly paid off. In addition to this, the GNPC Finance team indicated to us that a part payment of this liability was accounted for as part of a suspense account sitting in cash and bank. Additionally, the GNPC Senior Management noted that ITFC would not reengage into the latest facility agreement in October 2017, if such a large balance was still outstanding with the bank.

8.176 We note that, given the size and importance of this balance, a complete reconciliation between the Gambian Government, ITFC and GNPC would be required to understand what, if any, liability still exists in relation to the agreement. GNPC has requested the required information from the aforementioned parties in order to perform this reconciliation.

8.177 As it stands, no reliance can be placed on the Trade Payables sub-ledger. The fact that it includes substantial balances that management informs us are not valid is a source of concern.

Recommendations

8.178 We recommend that GNPC performs a full supplier-by-supplier rebuild of the Trade Payables sub-ledger. This will allow GNPC to identify their actual liability to all suppliers as of December 31, 2017. It will also allow GNPC to better manage their working capital and resolve any potential supplier disputes.

8.179 We also recommend that GNPC immediately cease the practice of directly debiting any cash payments into the Trade Payables sub-ledger when they are not associated to a specific invoice which has been entered into the ledger. This will prevent the build-up of debit balances in the ledger and assist in maintaining a more accurate view on the Trade Payables figure.

Retained earnings

8.180 Retained Earnings is currently used by the finance team as a balancing figure with a value of GMD 846.5m (USD 17.6m) in the 2017 draft Management Accounts. This means the value of the figure has been manually calculated and inserted in order to equate GNPC's Net Assets to the Total Equity (with no basis) on the Balance Sheet. The GNPC Finance team confirmed this figure will be adjusted as financial reconstruction procedures continue.

8.181 In recent years, several adjustments declared in GNPC's Financial Statements have directly impacted the Retained Earnings figure. We reviewed the Retained Earnings disclosure for each of the in-scope years. We noted that there are several adjustments and write-offs in the disclosure prepared by the Finance team. These kinds of adjustments direct to Retained Earnings are indicative of the inconsistencies in the Financial Statements except to the extent they relate to changes in accounting policies (which are not applicable here). Furthermore, these might indicate potential diversions of funds from GNPC. The table below 15 lists these adjustments and write-offs.

Table 174: List of adjustments to Retained Earnings disclosed in the Financial Statements

Year	Description per Financial Statements	GMD'000	USD'000
2010	No adjustments	-	-
2011	No adjustments	-	-
2012	Overstatement of 2010 and 2011 Tax Liabilities	85,916	2,354
2012	Differences in 2011 Profit being transferred from Retained Earnings	(2,403)	(66)
2013	Prior Year Adjustment	21,254	551
2014	Write-off GOG	(251,737)	(5,747)
2014	Write-off Special Adjustment Account	895	20
2014	Increase of Share Capital	(20,000)	(457)
2014	Retained Earnings Reconciliation	(10,459)	(239)
2015	Retained Earnings Reconciliation	43,837	1,093
2016	Prior Year Adjustment	(18,721)	(428)
2016	Retained Earnings Reconciliation	6,477	148
Total		**(144,941)**	**(2,770)**

Source: EY Analysis of GNPC Financial Statements 2010 to 2016

8.182 Adjustments to the prior year figures generally indicate that potentially incorrect accounting treatments have been applied, or that controls around the Financial Statement Close Procedure have failed. Reconciliation adjustments also suggest that the balances within the system may not be closed in a timely manner, leading to a lack of transparency around the financial figures and uncertainty about the health of the company. Additionally, this also indicates that the accounting system may have weak controls, allowing the backdating of journal entries or the manual correction of existing balances.

8.183 We have reviewed the Government of The Gambia write-off in further detail below.

Write-off Government of The Gambia balances (GOTG)

8.184 Based on our review of the GL entries that are related to this adjustment, we concluded that this is a write-off of the debts accrued by the Office of the President and the Government of The Gambia, totaling GMD 251.7m (USD 5.7m) up to the year ended December 31,2014. These amounts are separate to the current outstanding Trade Receivables balances for these institutions. The Office of the President has had a customer account and its own specific GL account in GNPC since 2008. This account has three transactions in the period from 2010 to 2012.

8.185 In 2013, the Office of the President wrote an Executive Directive to GNPC to transfer the signatories of GNPC's USD accounts to the Office of the President. In discussions with the former Managing Director, we understood that the Office of the President discovered that GNPC had significant cash reserves when GNPC approached the Government in regards to the taxation of some of their funds.

8.186 Once the signatories were effectively transferred to the Office of the President, several large cash outflows began accumulating in GNPC's bank accounts. GNPC Senior Management informed us that these transactions were performed independently by the Office of the President. Therefore, GNPC was not informed of the nature of these transactions. From a financial reporting perspective, the GNPC Finance team indicated that they could only account for cash movements in the accounts. We note that in 2013, the activity related to these movements began to accumulate in the GL accounts labelled "Onshore Blocks", "Central Government" and "President's Office". These accounts recorded the debit side of each cash disbursement made from one of the Office of the President controlled accounts. These debits were made to reflect a debt GNPC would later attempt to collect from the Government of The Gambia and/or the Office of the President.

8.187 By the end of 2014, GNPC estimated that these accounts had accumulated GMD 251.7m (USD 5.7m) of debit balances. The former Managing Director of GNPC informed us that these debts were raised to the Board and then written-off in 2014. This write-off was performed as an adjustment to the "Central Government" GL account and Retained Earnings, rather than being released through the Income Statement. We note that while the net effect to Retained Earnings is the same, the accounting treatment is not as transparent to the users of the Financial Statements, as they would have to review the Retained Earnings note to understand the movement in the balance. Additionally, the note accompanying the write-off in the Financial Statements does not appear to give adequate detail as to the nature of the write-off.

8.188 When the Office of the President took control of the GNPC USD accounts in 2013, funds from upstream activities due to GNPC were diverted from their intended use. Parts of these funds are intended to aid in the development of the Petroleum sector of The Gambia and therefore have a public interest. The former Managing Director of GNPC indicated that accounts at Skye Bank, Trust Bank, GT Bank and Access Bank were the main accounts used by the Office of the President. We obtained the bank statements for multiple USD accounts to confirm the narrative provided by the former and current GNPC team. In our view, the USD account at Skye Bank illustrates the lack of transparency between GNPC and the Government's activity, which will need to be investigated further to establish the financial loss through these channels to the former regime. The transaction activity in the Skye Bank account is further detailed below:

- The Skye account had no activity until 2012, at which point, two large cash receipts were detailed which relate to signature bonuses from Camac Energy for the exploration license on blocks A2 and A5. The total of this inflow was approximately USD 2.4m (GMD 73m) and took place in June 2012. The account continued to accumulate funds up to USD 5.3m (GMD 168.9m) as at August 2013.

- At this time, cash disbursements began to reduce the account balance. Check and cash withdrawals (and related charges) from August 2014 to December 2016 account for USD 2.4m (GMD 103m) in cash disbursements. There is also a large payment to "MICHELA CONSTRUZIONI S R L" for USD 2m (GMD 65m) in November 2013. Our research indicates that this was an Italian construction company which filed for bankruptcy in 2018. GNPC Senior Management informed us that they do not have any supporting documentation for any transaction made under the control of the Office of the President, besides the bank statements.

- The bank statement indicates that the balance continues to decline throughout the period under the former regime. By December 2016, the balance of the account was reduced to USD 67 (GMD 3k).

8.189 We note this was the diversion from only one of the USD accounts handled by the Office of the President. A further quantification of the combined diversions out of the remaining GNPC accounts requires further analysis.

Recommendations

8.190 We recommend that GNPC continue the current financial reconstruction efforts in order to reach a final Retained Earnings figure which would be representative of the 2017 financial period.

GNPC - Detailed findings – Income Statement analysis

Overall review of the trading position / revenue streams

8.191 The 2017 draft Management Accounts currently show a net profit of GMD 38.3m (USD 834k). However, we note that this figure was changing daily as further Balance Sheet reconciliations were performed and entries were added during the time of our fieldwork.

Table 175: GNPC summary Income Statement as at December 31, 2017, with 2016 comparative

	2016 (GMD '000)	2016 (USD '000)	2017 (GMD '000)	2017 (USD '000)
Revenue	2,199,681	52,330	1,161,459	25,280
Cost of Sales	(1,711,525)	(40,717)	(1,033,107)	(22,486)
Gross Profit	488,156	11,613	128,352	2,794
Operating Expenses				
Administrative Expenses	(32,521)	(774)	(25,368)	(552)
Staff Cost	(21,993)	(523)	(20,058)	(437)
Interest & Similar Expenses	(6,285)	(150)	(11,027)	(240)
Depreciation	(20,072)	(478)	(19,088)	(415)
Total Operating Expenses	**(80,871)**	**(1,924)**	**(75,541)**	**(1,644)**
Other Income / (Loss)	(24,200)	(576)	1,900	41
Operating Profit before tax	**383,085**	**9,113**	**54,711**	**1,191**
Tax Charge for the year	(101,452)	(2,414)	(16,413)	(357)
Profit after tax	**281,633**	**6,700**	**38,298**	**834**

Source: EY analysis of GNPC 2016 Financial Statements and 2017 draft Management Accounts. For the 2017 results we have applied the weighted average exchange rate of GMD 45.944: USD 1.

8.192 Additionally, the figures used in calculating the final profit contain several assumptions, manual edits and changes to arrive at an estimated figure, as indicated to us by the Finance team. Some of these changes include:

- The manual exclusion of GMD 107.8m (USD 2.3m) in upstream exploration data sales from top line revenue;
- A GMD 11m (USD 239k) figure for "Interest and Similar Expenses" which is manually inserted into the Income Statement instead of being driven by transactions recorded in the GL; and
- A depreciation expense which is estimated at 2.25 times the Fixed Asset Register-generated expense.

8.193 Further review of the Income Statement accounts indicated that several important Financial Statement Close Procedures need to be concluded before an accurate figure can be derived. These key procedures include:

- Conducting revaluations of all liquid balances (e.g., Cash, Trade Receivables, Trade Payables) in the Balance Sheet to arrive at a final gain or loss position on FX;
- Performing Trade Receivables, Trade Payables, depreciation and Inventory reconciliations; and
- Accounting for the cost of fuel purchases into cost of sales.

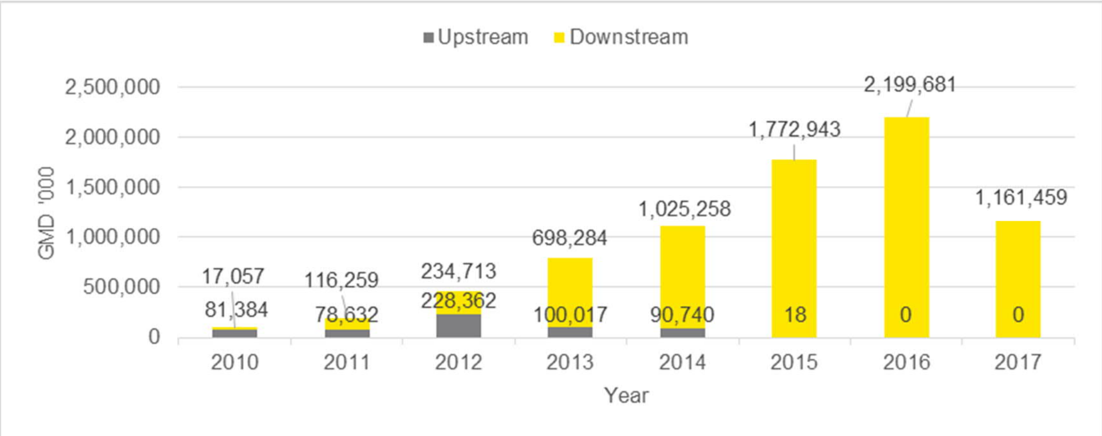
8.194 We note that any profit or loss figure calculated before the completion of the Financial Statement Close Process will change with each subsequent posting to the entity's Income Statement. Therefore, we conducted analysis on the available information to date, in order to understand the correct state of the key balances and operational drivers within the business.

Revenue

8.195 The revenue streams at GNPC have changed over the history of the entity. In the period prior to 2010, income was primarily comprised of fees that were charged for licenses on the offshore exploration blocks as well as income from the sales of seismic data ("Upstream Income"). This activity was done in conjunction with MoPE. The revenue in the financial statements for this activity terminates in 2016.

8.196 In 2010, GNPC constructed its first petrol station. Downstream petroleum sales and related services ("Downstream Income") have since become a greater proportion of revenue. Since 2016 it has been the sole source of revenue. A breakdown of revenue contribution can be found below.

Figure 65: Revenue stream contribution 2010 to 2017, in GMD'000



Source: EY analysis of GNPC Financial Statements and 2017 draft Management Accounts

Upstream Income

8.197 Upstream income is generated from two major categories. These include the license fees charged to petroleum companies for rights to drill and explore in The Gambia's six offshore oil exploration blocks ("exploration licenses"). It also includes license payments from the sales of seismic and exploration data relating to the exploration blocks ("data sales"). Exploration licenses generate signature bonuses, rental payments as well as specific payments relating to Training and Resources. Data sales often originate from multi-client agreements where portions of externally made sales are collectible by MoPE.

8.198 The figure above indicates that no upstream income was booked in the 2016 and 2017 financial years. As previously stated, GNPC has manually excluded the income from data sales in the 2017 period given the relationship between MoPE, who own the data and generate the sales, and the receipt of cash by GNPC. We made enquires of the Senior Management as to whether any additional fees have been collected in 2017 in relation to the upstream income. Their response was that approximately USD 4.9m (GMD 225m) was collected during that year. GNPC Senior Management have not detailed the accounting treatment for these funds. Discussions with Senior Management indicate the treatment of these funds is a question of substance over form as well as a function of the rights given to GNPC under the GNPC Act.

8.199 Additionally, the upstream revenue had traditionally been recognized on the cash basis rather than the accruals basis. The Senior Management concluded that the entity would need to depart from this practice going forward and replace it with an accruals basis accounting treatment, knowing that the latter could be difficult for some aspects of the licensing fees.

8.200 We note that the inconsistent treatment and exclusion of this revenue is not compliant with GAAP and reduces the transparency and effectiveness of the Financial Statements for its users. At the same time, we recognize the uncertainty faced by GNPC Senior Management in establishing the correct accounting treatment given the legal and commercial implications for the parties involved in generating the upstream funds.

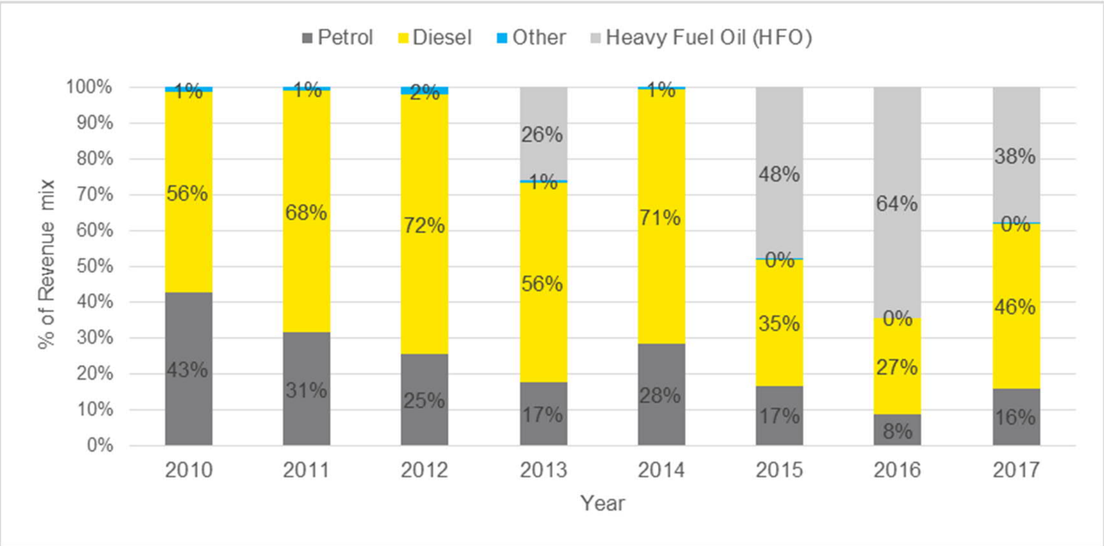
8.201 GNPC Senior Management reaffirmed that their understanding of the GNPC Act dictates that the upstream receipts accrued to them are considered as part of the entity's funds. GNPC Senior Management noted that upstream funds have been included in the 2019 GNPC budget.

8.202 We met with GNPC Senior Management to understand what role GNPC played in the awarding of petroleum licenses. Senior Management confirmed that they did not award any licenses, and were not the owners or vendors of any seismic data. However, GNPC has representatives on several of the committees and subcommittees which decide the awarding of exploration licenses. On February 4, 2019, we requested a list of committees where GNPC has a presence for upstream activities along with the individuals who sit on that committee. This list was outstanding at the conclusion of our fieldwork period.

Downstream Income

8.203 Downstream income predominantly consists of diesel, petrol and HFO sales to bulk and petrol station customers. GNPC also recognized revenues from supplementary services such as the sale of spare parts, oil and lubes and other related goods and services. The contribution of these different revenue streams has changed over time, as indicated in the figure below.

Figure 66: Downstream revenue contribution by product (figures presented exclude trade discounts)



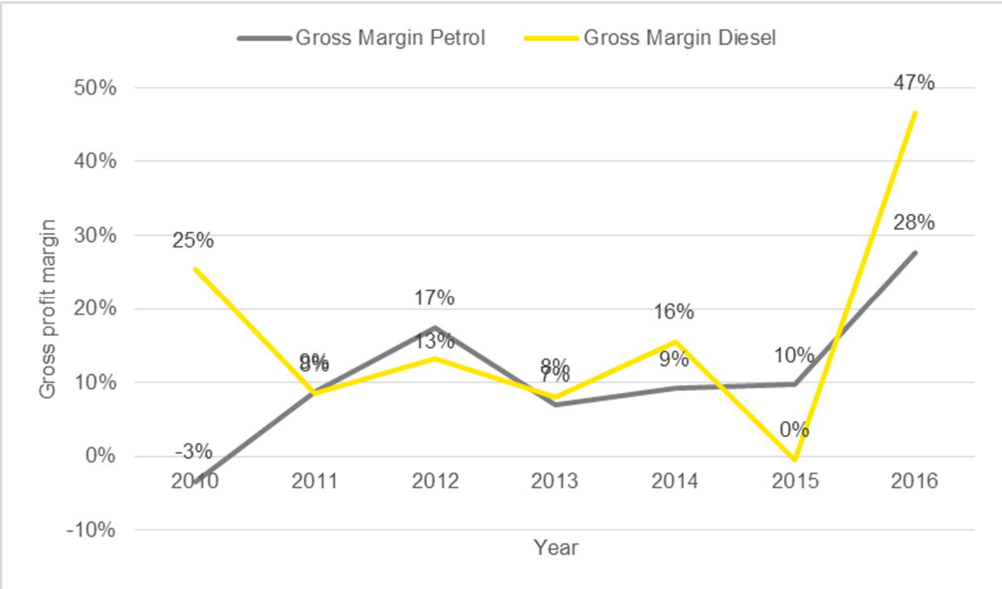
Source: EY analysis of GNPC Financial Statements and 2017 draft Management Accounts

8.204 The revenue figures from diesel and petrol sales are inflated due to the improper recognition of fuel transfers to petrol stations as revenue. GNPC invoiced each of their stations whenever fuel was transferred from the storage depot, which triggers a revenue entry in the accounting system despite no sales being made to customers. The quantification of the overstatement requires further investigation.

8.205 GNPC lost the tender to provide NAWEC with HFO in mid-2017. This stream represented 38% of the total revenue for GNPC in 2017 and 64% of total revenue in 2016, but will no longer be collected. Consequently, GNPC will have to rely on petrol and diesel sales (or other compensating revenues) if their downstream operations are to continue.

8.206 We attempted to calculate and review the gross margins on GNPC's petrol and diesel sales (e.g., excluding HFO sales) for the period 2010 to 2017. The figure below shows the movement in margin based off the Revenue and cost of sales lines for each product in the Financial Statements. The figures are presented without factoring in any trade discounts.

Figure 67: Gross profit margin for petrol and diesel sales (excluding trade discounts)



Source: EY analysis of GNPC Financial Statements

8.207 The figures per the Financial Statements show a volatile margin for both products which swings wildly throughout the period. The diesel sales notably make a gross loss in 2015. We attempted to obtain a volume breakdown to understand how this margin had been impacted by the changes in the price and volume. However, GNPC was unable to supply the volume data for the period in scope. We conclude that little or no reliance should be placed on this margin data.

8.208 We also queried the margins in 2016 as these were significantly higher than in the previous years. The current GNPC Finance team noted that they did not have confidence in the margins derived from the Financial Statements and could not provide any further clarification.

8.209 We note that maintaining detailed accounts which easily enable profitability analysis are crucial for an entity to monitor and react to fluctuations in the business. In addition to this, failures to monitor and understand the margins on products indicates a fundamental absence of commercial control of the business (e.g., the impact of price and volume movement can prevent the business from identifying inefficient business practices as well as products which are loss making). Moreover, the lack of monitoring of profitability fluctuations increases the risk of misreporting to key stakeholders as well as within the Financial Statements.

8.210 The margin figures for 2017 have not been presented as the cost of sales figure per the draft Management Accounts is incomplete. The GL codes do not have any of the fuel purchases for 2017 included in their transaction history. This is still to be performed as part of the Inventory and Trade Payables exercises described in the sections above. The magnitude and the impact of this alteration is not yet known and requires further investigation.

HFO

8.211 HFO sales represented 64% of revenue in the 2016 Financial Statements, and 38% of sales in the 2017 draft Management Accounts. The sales of HFO were discontinued mid-2017 following an unsuccessful bid to continue supplying the fuel to NAWEC. In reviewing the draft Management Accounts, our analysis of the figures noted that HFO sales are showing a gross loss of GMD 450.7m (USD 9.8m). For reference, the HFO margin in 2016 was reported as GMD 720.5m (USD 17.1m).

Table 176: Detail of HFO loss per draft 2017 Management Accounts

Balances per draft 2017 Management Accounts	GMD ‘000	USD’000
HFO Revenue	440,577	9,589
HFO Cost of Sales	(891,312)	(19,400)
Gross Loss	(450,735)	(9,810)

Source: EY Analysis of 2017 draft Management Accounts and GL

8.212 We raised this potential issue to the GNPC Finance team. The response that we received was that they were unsure of reason behind these figures, and noted that they hope to resolve all HFO related issues as a part of the Trade Payables reconciliation exercise. We note the 2017 gross loss could indicate that material invoices have been posted in the incorrect period.

Recommendations

8.213 We recommend that GNPC, MoPE and the Government of The Gambia review the mechanism under which GNPC and MoPE earn and account for upstream funds. We also recommend that any policy or agreed upon accounting treatment is implemented as soon as possible into the financial accounts. This should include a review of how to account for the different aspects of the licensing fees on an accruals basis.

8.214 We recommend that costs of sales are accounted for throughout the financial period as this will better inform key stakeholders on the performance and profitability of the business.

8.215 We recommend that GNPC continue the current financial reconstruction efforts in order to reach a final profit or loss figure which would be representative of the 2017 financial period.

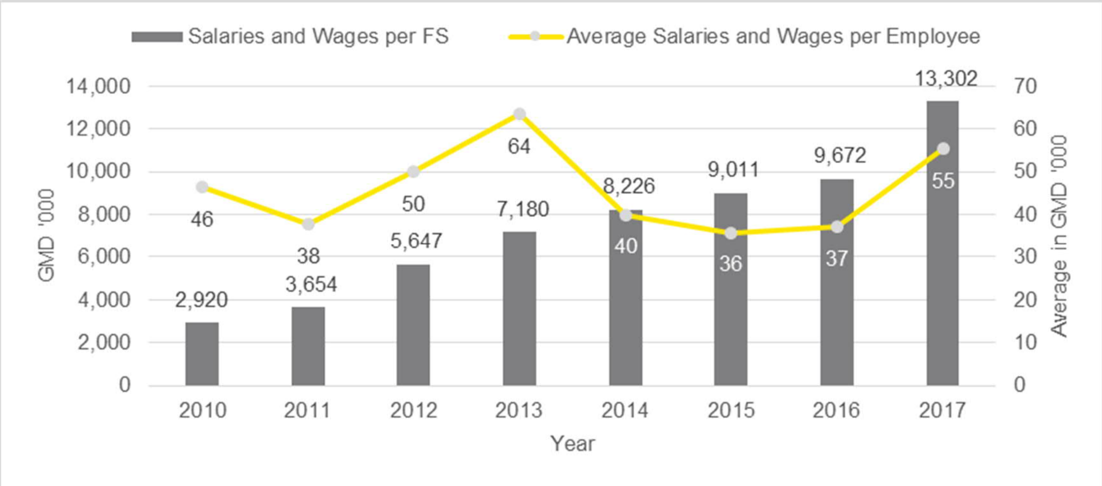
8.216 We recommend that GNPC begins collecting and storing key information concerning volumes bought and sold, as well as the different prices paid for their fuel purchases so they can properly understand and track the margin contribution for each of these products.

Payroll

8.217 The staff salaries that are reported in the Financial Statements have continuously grown since 2010. This is largely attributed to the growth of the business from 2010 to 2017. However, we note that the average salary/wage per employee has fluctuated over the same period, which appears to reflect inaccuracy in the headcount numbers.

8.218 The draft Management Accounts had a total salaries and wages figure of GMD 6.1m (USD 134k). The GNPC Finance team indicated that this figure was incomplete and was subsequently updated to GMD 13.3m (USD 290k). We requested the payroll report from the GNPC Finance team for 2017 to enable a calculation of the average wage per employee. The Payroll report listed 240 employees as of December 2017. We noted that this figure is lower than 2016 (where 261 employees were declared in the Financial Statements). Moreover, the GNPC Finance team explained to us that the number should be closer to the total from the list of current staff provided to us in December 2018. This list includes 305 individuals as GNPC staff. We note that the GNPC Finance team was unable to confirm the final staff number to be used in the 2017 Financial Statements.

Figure 68: Salaries and wages, and average salaries and wages per employee per the Financial Statements ("FS") and GNPC estimates (in GMD '000)



Source: EY analysis of GNPC Financial Statements 2010 to 2016, employee listing payroll report and GNPC GL

8.219 We noted the total figure for Basic Pay in 2017, per the Payroll report, is GMD 2.3m (USD 49k) below the figure in the "Basic Pay" GL account. The GNPC Finance team indicated that the difference was likely due to payroll amounts which require processing outside of the Paypro system:

- The GNPC Finance team indicated that this was done for new Managing Directors and Finance Directors while they were on boarded onto the system; and
- They added it is also done for the incremental staff drawback. This drawback is the payment of staff salary increases which were not approved until June and accounts for GMD 1.4m (USD 30k) of the difference.

8.220 We note that any employee payments that are made outside of the defined payroll process carry additional fraud risks. We therefore recommend GNPC to cease this practice immediately.

8.221 As part of our payroll review, we selected a sample of 10 employees to verify as part of a proof of existence test. We were able to verify 8 of the 10 employees selected, who presented either their employee ID card or their national ID. For the remaining 2 employees, one of the employees was abroad on study leave so a replacement sample was selected and that employee was verified. The other selected employee has left the firm according to the GNPC Finance team. We therefore confirmed that the employee was indeed not being paid by reviewing the pay slips in the payroll system.

8.222 The presence of a former employee in the active employee listing and GNPC's inability to provide an accurate figure for the number of employees suggest that the current payroll management and staff processes are not sufficient to serve the needs of the entity.

8.223 We note that GNPC's lack of a formalized HR function increases the risks of payroll fraud and the risk that the organization overpays its payroll expense. We note that HR is normally responsible for employee record maintenance and properly implementing important segregation of duties principles in respect to employee pay. Finance is currently responsible for both of these processes at GNPC.

8.224 In 2018, an external consultancy firm called SaHel performed a staff salary review for GNPC. According to their report, many of the staff salaries were significantly below the sector average. The consultants also recommended that GNPC drafts a pay policy. They highlighted that such a policy should detail the principles under which the pay is determined, and should include the creation of an internal pension fund policy.

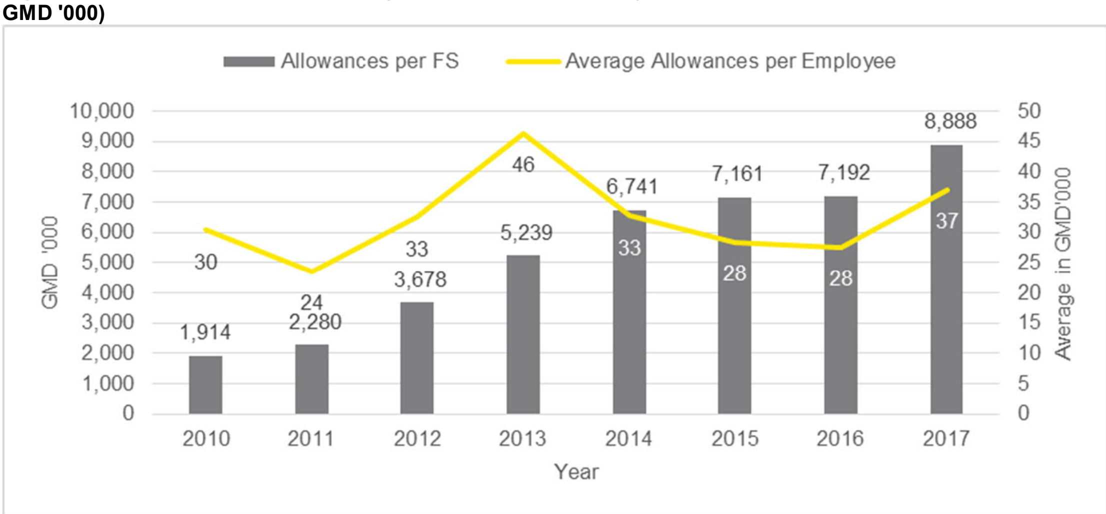
8.225 Based on this, we note that GNPC will continue to face difficulties to recruit and retain qualified staff. This is due to competition from private sector operators which offer higher salaries for similar positions.

Employee benefit schemes – staff allowances

8.226 The staff allowances that are declared in the Financial Statements and 2017 draft Management Accounts have followed a similar pattern to staff salaries. The total expense has grown consistently since 2010, however, the average allowances per employee has fluctuated in the period from 2010 to 2017.

8.227 The draft Management Accounts provided have an allowances figure of GMD 3.5m (USD 76.8k). However, the GNPC Finance team indicated to us that this figure was incomplete and was subsequently updated to GMD 8.9m (USD 193k). The movement of this expense over the in-scope period is detailed in the figure below.

Figure 69: Staff allowances and average allowances per employee per the FS and 2017 GNPC estimates (in GMD '000)



Source: EY analysis of GNPC Financial Statements 2010 to 2016, employee listing, payroll report and GNPC GL

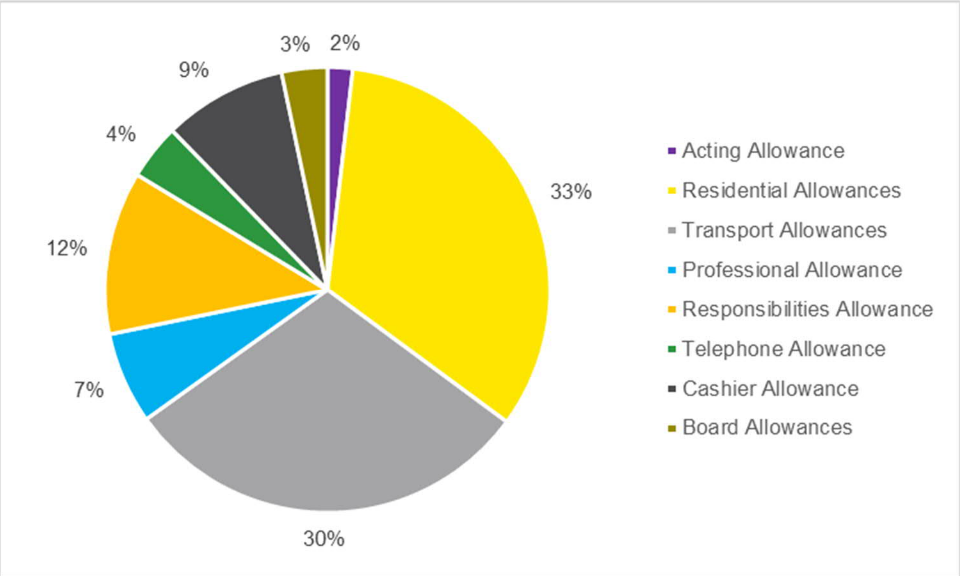
8.228 Currently, GNPC has staff service rules which detail the guidelines for the awarding of allowances. This policy details which employee categories are entitled to each type of allowance. It also details who is responsible for approving the allowance attribution (e.g., the

Board, the Managing Director). The staff service rules detail 18 different types of allowance, in addition to “additional benefits” regarding phones, pilgrimage and Ramadan. They also detail the conditions under which allowances are awarded. For example, car allowances require that employees supply a certificate that their car is roadworthy.

8.229 Moreover, the staff service rules state that the Board reserves the right to amend, increase or reduce the allowance rates as it deems fit, provided a resolution is passed and issued in a written form.

8.230 The allowances for 2017 are split into eight respective GL accounts. A breakdown of the accounts can be found in the figure below.

Figure 70: Breakdown of 2017 Staff Allowances by GL Account



Source: EY analysis of GNPC GL

8.231 Residential and transport allowances account for the majority of the total allowances expense, in keeping with previous years. In 2017, the responsibilities allowances expense tripled due to staff carrying out higher job position related duties. Our analysis of the 2017 payroll GL accounts indicates that allowances comprise approximately 40% of the total gross pay. We note that this is in line with the percentage figure that is present in the Financial Statements, from 2013 to 2016.

8.232 Due to the size of this line item in the Income Statement, no further work was performed on this area.

Recommendations

8.233 We recommend that GNPC conducts a full staff audit, including a reconciliation of their current employee listings and payroll report. The GNPC Finance team has indicated that they are looking to perform this audit in the near future.

8.234 We recommend that GNPC reviews the current awarding of the responsibility allowance as its balance has grown significantly in the past two years.

Additional Terms of Reference Points

NAWEC Revenues and Pricing

8.235 As noted in section on HFO above, HFO was a significant driver of revenue in the period from 2015 to 2017. The mechanism through which GNPC delivered fuel to NAWEC is the primary driver of this revenue as well as the large NAWEC receivable, which is now the largest asset on GNPC's Balance Sheet.

8.236 Given the importance of this balance, we obtained the agreement from 2015 detailing the provision for the supply of HFO to NAWEC. We noted the following key terms from the agreement:

- GNPC was awarded the NAWEC HFO contract on February 26, 2015;
- Negotiations took place on July 2, 2015 with the Managing Director of GNPC and the Deputy Managing Director from NAWEC. The agenda was to agree the discount on the bidders quoted price, the payment terms, as well as the delivery schedule;
- The former Managing Director of GNPC indicated that they could not really offer a discount as the contract was loss making with several of the associated costs, but eventually agreed to offer a USD 5 discount to NAWEC upon receiving a waiver for the throughput charges. The documentation does not specify how this discount was to be applied;
- Invoicing was to be performed monthly and paid 60 days after delivery. The throughput charges and GNPC's premium were agreed to be paid in GMD at the CBG rate and the Platts and supplier premium would be paid using the commercial bank rate;
- The 2015 HFO supplied to NAWEC were done as an Executive Directive; and
- Delivery of 10,000 metric tons was to be completed every 2 months or 45 days. GNPC agreed to handle the deliveries within the greater Banjul area, and NAWEC agreed to take care of the deliveries to the provincial stations.

8.237 The final contract was signed on November 1, 2015. The terms and pricing per the agreement is as follows:

- The supplier's premium on the Platts price is USD 70;
- The original agreement is only dated for seven months; and
- Deviations from the agreement required NAWEC and GNPC to meet 1 month prior to the agreed upon deviation.

Table 177: Composition of HFO price charged to NAWEC per 2015 agreement ("MT" = Metric Ton)

Component	USD / MT
Supplier Premium	70
Throughput Charges	25
GNPC Markup	60
Total Markup on Platts Price	155
Platts Price (Fuel Oil 1% CIF NWE/Basis ARA)	**Variable**

Source: EY Analysis of 2015 NAWEC and GNPC HFO agreement

8.238 We aimed to review the execution of this agreement during the in-scope period by selecting a sample of invoices and agreeing it to the pricing structure and the global Platts price for HFO.

8.239 We requested the file which contained all the HFO invoices for NAWEC in order to select a sample. GNPC was only able to provide a portion of the invoices from 2017. The Finance team noted that several of the 2015 and 2016 invoices could not be located. This was also noted by the Statutory Auditors in the 2016 Management Letter.

8.240 Accordingly, we note that the testing we performed is limited to the 2017 financial period and the invoices which could be provided by the client. We therefore selected five of the 2017 invoices from the suppliers at the time (EAGL and Trafigura) and reviewed the pricing structure from those invoices.

8.241 We were unable to tie any of the 2017 invoices to the exact details per the NAWEC agreement.

8.242 We reviewed the structure of the invoices in 2017 and noted that the supplier premium fluctuated between USD 68 USD and USD 110 depending on the supplier. GNPC's subsequent markup on this amount would fluctuate with this premium. For supplies from EAGL, the final price charged by GNPC would fluctuate between a 10% and 11% markup. For supplies from Trafigura, the markup would be reduced to 3% due to the higher supplier premium charged. All the invoices selected had a five-day average Platts price which was supported by the appropriate Platts reports.

8.243 We note that for the 5 invoices tested, the difference in cost from the supplier and GNPC accounted for approximately USD 469k (GMD 21.5m). This indicates that there was a potential for NAWEC to source fuel at a more beneficial price than the ones served under the former HFO agreements.

8.244 In our discussions with the former Managing Director, he indicated that under the former importing agreements with SAMIR and March Petroleum, he was able to obtain much lower premiums. These importing agreements lasted from throughout 2014 until September of 2016. He noted the supplier premium for SAMIR was around USD 42 pet MT and as low as USD 20 per MT with March. We were unable to verify these statements due to the lack of supporting documentation at GNPC.

Recommendations

8.245 We recommend GNPC maintain documentation for all transactions in a secure and retrievable location as any failure to produce crucial documents will cause difficulties in substantiating their financial or legal position to the External Auditors and regulators.

Awarding of fuel contracts and contract terms

8.246 We enquired both the former Managing Director and the current Finance Director about the process by which contracts for fuel have been awarded at GNPC. The former Managing Director was able to provide commentary concerning the award of contracts during his time at GNPC.

8.247 Per our discussion, the monopoly imposed on the petroleum industry to buy their supplies from EAGL was lifted in 2014. This allowed GNPC to go to the market in search of a direct supplier for fuel. GNPC first engaged SAMIR (a refinery in Morocco) to supply their fuel. SAMIR shut down in 2015[287] though GNPC had already begun a new supplier search in 2014. The former Managing Director noted that GNPC sent out for several quotations and

[287] https://www.reuters.com/article/us-morocco-economy/long-shutdown-casts-shadow-over-sale-of-moroccan-refinery-idUSKBN1IB1DQ

engaged March Petroleum due to their low premiums and high-quality fuel. This contract ran until September of 2016, at which point EAGL was re-engaged as the main supplier.

8.248 We note that GNPC were unable to produce any of the formal tender documents for these contracts as the current finance and procurement staff had only been with the organization since 2017.

8.249 GNPC's latest supplier (Trafigura) was engaged due to difficulties faced by GNPC in tendering for a new supplier at the end of the EAGL contract in 2017. The 2017 Board minutes indicate that GNPC was unable to find a supplier who could meet the requirements of the tender and had limited time to secure fuel in order to prevent operations from pausing.

8.250 The Finance Director indicated that GNPC reached out to Gam Petroleum in October 2017 to understand who was supplying the diesel and petrol stocks on-site. Gam Petroleum noted that they had been using Trafigura as a supplier and GNPC reached out to negotiate a supply. Once initial terms had been agreed, GNPC wrote to the Major Tender Board to obtain approval for the supply. GNPC Senior Management provided us with the approval from the Major Tender Board at MoFEA to use the single source method for procurement. This approval was listed for 4000 MT of diesel and 1100 MT of petrol.

8.251 GNPC received a full approval from GPPA in May 2018 to continue single sourcing fuel from Trafigura. We asked to review the agreement from Trafigura. GNPC Senior Management noted they could only provide us with one contract from Trafigura in 2018.

8.252 The terms of this contract indicate that the pricing is set at the mean of the Platts price for the selected commodity as well as well as a "differential" per MT. The differential is listed as USD 55 for petrol and USD 32 for diesel. The contract also states that the national oil infrastructure company pipeline/admin/storage and handling fees are payable to the seller for the costs up to depot of in the ITT. Payment for the supply is due 90 days after the ITT.

GNPC - Detailed findings – Quantification of diverted or misused funds

8.254 During the course of our Forensic Audit we have sought to identify examples of historic fund diversion or misuse at GNPC. Through conversation and document review, we have collated the instances where SOE funds were used as instructed by the Office of the President or for uses that do not have a direct benefit for the SOE.

Table 178: Summary of diverted or misused funds identified during the Forensic Audit

2017 Year-end FX rates have been used in calculating investments paid out over several years

	Pre Dec 31, 2016 (GMD'000)	Pre Dec 31, 2016 (USD'000)	Post Dec 31, 2016 (GMD'000)	Post Dec 31, 2016 (GMD'000)
Executive Directives:				
Cash removal	251,737	5,747	-	-
Investments	157,121	3,273	-	-
Loans	37,854	1,342	-	-
Political donations	465	11	-	-
Personnel expenditure	39	1	-	-
Total identified	**447,216**	**10,375**	**-**	**-**

Source: EY workings

8.255 We note the figures above are constructed from the directives and information provided by management. During the course of our review, we noted that several key directives, including the dissolution of the Board in 2016 and the handover of the USD accounts were not available or presented to us.

8.256 The detailed list of Executive Directives highlights contributions towards to the President's former political party, the Alliance for Patriotic Reorientation and Construction ("APRC"), as well as other organizations aligned to the former regime such as the President's Empowerment of Girls Education Project ("PEGEP").

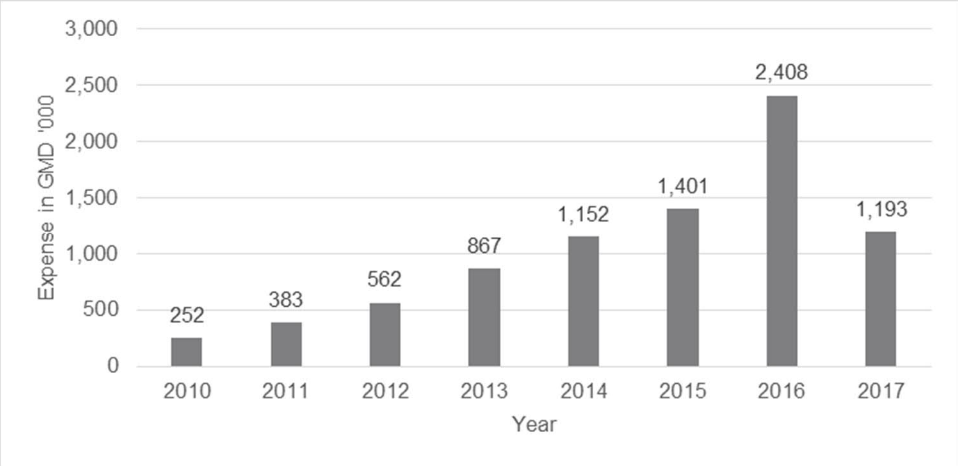
8.257 We note the "Cash removal" figure tabled above is only the amounts which GNPC and EY have identified and that were subsequently written-off. We note there exists additional expenditure by the Office of The President in the different USD accounts subsequent to the transactions tabled above which require further investigation and quantification, as supporting documentation was not available during the Forensic Audit. This quantification will require GNPC's completion of the 2017 Financial Statements and the Balance Sheet rebuilding exercise.

8.258 We note the "Investments" line above includes the investment in Gam Petroleum. This has been included as a diversion of funds given the executive influence in this investment. We note that the investment is beginning to pay dividends but due to the nature of the investment, it still represents a diversion of funds.

Donations Testing

8.259 Donations accounts for GMD 1.19m (USD 25.96k) in the 2017 draft management accounts. We obtained a breakdown of the GL account for the period from 2010 to 2017. The expense in each period can be seen in the figure below.

Figure 71: Donations expense in GMD'000 per GL download, by year



Source: EY analysis of GNPC GL

8.260 As part of our review of potentially diverted funds, we selected a sample of 10 transactions from the "Donations" GL account for review.

- GNPC provided documentation for 8 out of the 10 items selected;
- Our review indicated that 5 of the items selected were linked to requests from the Government. This includes donations to the 20th Anniversary of the Revolution Celebration, APRC, The Jammeh Foundation for Peace, and The Operation Save the Children Foundation. We note that the donations for these items do not appear to be given as Executive Directives, but are requests for funding from the Government. Accordingly, they have not been included in the table above.

8.261 However, we note that several of these organizations are beneficiaries from 2010 to 2017. We identified line item descriptions related to these foundations and initiatives and then summarized them in the table below.

Table 179: Total donations identified in "Donations" GL account for selected beneficiaries

Beneficiary	Amount in GMD'000	Amount in USD'000
APRC	1,128	23
Operation Save The Children Foundation	700	15
Office of the President	254	5
Jammeh Foundation for Peace	100	2
Total	**2,182**	**45**

Source: EY Analysis of GNPC GL

8.262 We note that these donations do not appear to have had any direct benefit for GNPC.

Recommendations

8.263 We recommend that GNPC create a formalized policy and associated governance process in respect to all sponsorships and donations to reduce the risk of diverted funds disguised as charitable donations or sponsorships.

9. GCAA

Introduction

Background on GCAA

9.1 The GCAA was founded in July 1991 under the Public Enterprises Act of 1989. The GCAA Act was most recently updated in 2018, following previous revisions in 2001 and 2004.

9.2 The GCAA is wholly owned by the Government of The Gambia. The entity has no subsidiaries or investments in other businesses.

9.3 The mission statement of the GCCA is: “To provide the best airport and air navigation facilities in the sub-region and regulate air transport to international standards while generating a reasonable return on investments”.

9.4 The GCAA’s business is centered on three core areas. The GCAA is the sole operator in these areas in The Gambia.

- Regulation of the air transport industry;
- Providing Air Navigation Services; and
- Monitoring and developing the Banjul National Airport.

9.5 GCAA is governed by The International Civil Aviation Organization (“ICAO”), which is a UN specialized agency, established in 1944 to manage the administration and governance of the Convention on International Civil Aviation (“Chicago Convention”)[288]. ICAO perform regular audits of GCAA, with an audit conducted by the ICAO Universal Safety Oversight Audit Program (USOAP) in 2018. Per ICAO’s 2018 Safety Report, The Gambia has a USOAP Overall Effective Implementation (“EI”) of above 60%.

9.6 The GCAA is facing a number of strategic and operational challenges, primarily that an airport footfall of 500,000 passengers per annum is required to enable the airport operations to break even. Currently, annual passenger throughput is approximately 300,000, which prevents the airport from collecting the required Airport Development Fees and Passenger Service Charges to generate sufficient revenue to turn a profit.

9.7 GCAA Management have noted that the lack of required footfall is in part due to a number of events out of GCAA’s control. A drop-in passenger throughput occurred in 2010 as a result of the volcanic ash eruption in Iceland, and in 2015 the Ebola crisis impacted tourist numbers flying to parts of the West African sub-region. In 2017 visitor numbers were impacted by the post-election impasse.

Scope of our Forensic Audit

9.8 This report details the work, findings and subsequent recommendations identified based on our review of GCAA’s financial position as at December 31, 2017.

9.9 Our work was based on records, documentation and information provided to us by various departments within GCAA, as well as information gathered through interviews and specific enquiries with employees of GCAA.

9.10 We performed the following procedures as part of our fieldwork:

[288] https://www.icao.int/about-icao/Pages/default.aspx (accessed February 25, 2019)

- Analysed the Profit and Loss statement and Balance Sheet of GCAA for the period under consideration;
- Analysed relevant management reports, including management letters, Internal Audit reports and Board minutes;
- Analysed supporting ledgers and client maintained schedules for significant items in both GCAA's Profit and Loss statement and Balance Sheet;
- Obtained relevant supporting documentation for transactions and areas of interest; and
- Held discussions with other SOE's and Government departments to further develop our understanding of the unique situation facing GCAA.

Limitations of scope / availability of information

9.11 See the 'Limitations of scope' section of the Executive Summary for commentary on limitations that apply to all SOEs, in particular for how our work did not constitute a statutory audit.

9.12 During our fieldwork at GCAA, we were not provided with the following information, which restricted our ability to fully investigate certain areas:

- 2017 Bad debt provision;
- Full and complete list of IPCs;
- Loan agreement for the Government of The Gambia loan from 1997;
- Aged Trade Receivables listing as at December 31, 2017 (it should be noted that this is due to system constraints); and
- Sample items requested in relation to testing of Unrecorded Liabilities, Donations and Sponsorship, and Advertising and Promotions.
- The Fixed Asset Register maintained by the Finance Team was provided in March, several weeks after our fieldwork had finished.

GCAA - Detailed findings – Balance Sheet

9.13 At December 31, 2017, GCAA had a positive net asset value of GMD 779m (USD 16.2m). This is comprised predominantly by a Fixed Asset balance of GMD 3,961m (USD 82.5m), which represented 95% of total Assets and non-current liabilities totaling GMD 2,156m (USD 45m).

9.14 GCAA revalued their Fixed Asset balance in 2014, which resulted in an increase to the Fixed Asset value of 211%. 95% of the Fixed Assets of GCAA are Land and Buildings, as at December 31, 2017.

9.15 The total Asset balance decreased from 2016 by a total of GMD 82m (USD 1.7m), or 2%. This was driven by a decrease in several asset balances, predominantly Fixed Assets, which decreased 2%, or GMD 92.6m (USD 1.9m). Another notable decrease was in the cash balance, which fell 86% from GMD 28m (USD 583k) to GMD 4m (USD 77k).

9.16 GCAA had a small inventory balance of just under GMD 9m (USD 185k), which was 0.21% of Total Fixed Assets. There was a stock obsolescence provision of GMD 5.1m (USD 105k) which decreased 53% from the previous year. The inventory held by GCAA is a mixture of stationary, hardware, spare parts, electrical, lubricants, plumbing, gas oil and miscellaneous items.

9.17 The largest Current Asset value was Receivables, which totaled GMD 96.9m (USD 2m) and accounted for 85% of Current Assets, which comprises both Trade Receivables and Staff Loans. There was a provision for bad debts, totaling GMD 57.9m (USD 1.2m), down 1% from the previous year. This provision accounts for long Trade Receivables and Staff Loans.

9.18 GCAA had a large Trade Receivable outstanding with the GIA. The balance was GMD 27.7m (USD 577k) as at December 31, 2017, and discussions with the Finance Team indicate the balance will never be settled. The Finance Team also notes that this balance is potentially higher than stated, due to invoices that were not properly raised against GIA for baggage handling services.

9.19 From a liabilities perspective, 64% of the total Liabilities position is a result of both long-term loans of GMD 953m (USD 19.8m) and Airport Regularization of GMD 1.2b (USD 25m). Whilst Airport Regularization has not moved year on year, long term loans are up 7% by GMD 66.1m (USD 1.4m) from 2016 to 2017.

9.20 Short term loans are valued at GMD 507m (USD 10.5m) and interest payable was GMD 559m (USD 11.7m), making up 15% and 17% of the total Liabilities respectively. Both balances have increased from 2016, with interest payable increasing 11%, up by GMD 54.8m (USD 1.1m).

9.21 Total Liabilities have increased 5% from the previous year, up GMD 147m (USD 3.1m). This is a result of the increase to both loans and interest payable outlined above.

9.22 Our review of financial information was limited by the Access Accounting system used by GCAA, which does not allow for an aged debtors listing, and was unable to provide a snapshot of the Trade Receivables and Trade Payables balances as at December 31, 2017.

9.23 Additionally, the Finance Team was unable to provide a breakdown of the provisions recorded against the receivables balance. We were able to obtain the 2016 breakdown of the receivables provision, in the form of a manual working paper from the current auditors.

9.24 The Finance Team provided a new draft of the Financial Statements on January 21, 2019, in which several key balances had moved. According to the Finance Team, the draft Financial Statements are not likely to be finalized before the end of our fieldwork. Therefore, it must be noted that the numbers used in this report may not reflect the final 2017 GCAA figures.

9.25 The table below sets out a summary of GCAA's 2017 year-end Balance Sheet, per the latest draft Financial Statements obtained on January 22, 2019.

Table 180: GCAA reported Balance Sheet as at December 31, 2017 with December 31, 2016 comparative

	2016 (GMD'000)	2016 (USD'000)	% of asset / liability total	2017 (GMD'000)	2017 (USD'000)	% of asset / liability total
Non-Current Assets						
Fixed Assets (PPE)	4,053,693	92,627	95%	3,961,072	82,509	95%
Project Development	91,420	2,089	2%	92,639	1,930	2%
Current Assets						
Inventories	9,308	213	0.2%	8,878	185	0.2%
Receivables	62,315	1,424	2%	116,715	2,431	3%
Corporation Tax	5,503	126	0.1%	4,634	97	0.1%
Cash	27,536	629	1%	3,734	78	0.09%
Non-Current Liabilities						
Loans	887,052	20,269	27%	953,191	19,855	28%
Airport Regularization	1,202,285	27,472	37%	1,202,285	25,044	35%
Current Liabilities						
Loans	506,906	11,583	16%	507,228	10,566	15%
Interest Payable	504,630	11,531	16%	559,437	11,653	17%
Bank Overdraft	22,109	505	1%	33,930	707	1%
Trade Payables	118,966	2,718	4%	133,183	2,774	4%
Net Assets / Equity	**1,007,827**	**23,029**		**798,418**	**16,631**	

Source: Draft 2017 Financial Statements

Fixed Assets

9.26 The table below sets out a summary of GCAA's Fixed Assets as reported in the draft Financial Statements as at December 31, 2017. The Net Book Value of the Fixed Assets represents 95% of the total Asset value on the Balance Sheet and is principally made up of Buildings and Leasehold land.

9.27 Buildings make up 89% of the Fixed Asset balance. The remainder of the balance primarily includes Leasehold land as well as Furniture and fixtures, representing 6% and 3% of the total Fixed Asset base respectively.

9.28 During our fieldwork, a balance identified as Work in Progress ("WIP") of GMD 1,342m (USD 28m) was reclassified to Buildings. This WIP was in relation to the Phase II Airport Development Project.

Table 181: Summary of Fixed Assets as at December 31, 2017

Asset type	Leasehold land	Buildings	Furniture & fixtures	Motor vehicles	IT equipment	Fire tenders	Total
At cost (GMD'000)	245,500	3,690,977	174,731	6,307	13,732	73,708	4,204,955
Depreciation (GMD'000)	(7,365)	(167,392)	(48,064)	(4,276)	(5,507)	(11,279)	(243,883)
Net Book Value (GMD'000)	**238,135**	**3,523,585**	**126,667**	**2,031**	**8,225**	**62,429**	**3,961,072**
At cost (USD'000)	5,114	76,883	3,640	131	286	1,535	87,589
Depreciation (USD'000)	(153)	(3,487)	(1,001)	(89)	(115)	(235)	(5,080)
Net Book Value (USD'000)	4,961	73,396	2,639	42	171	1,300	82,509
% of Fixed Assets	6%	89%	3%	0.05%	0.2%	2%	100%

Source: Draft 2017 Financial Statements

Fixed Asset Register and Fixed Asset verification

9.29 During the Phase I fieldwork, it was outlined that the Fixed Asset Register is maintained by the Procurement Team, and is compiled on a year to year basis, i.e., there is a separate Excel document for each year. During our fieldwork on Phase II, we were able to obtain three of these Fixed Asset Registers from the Procurement Team, from 2014 to 2017.

9.30 After the end of our Phase II fieldwork, we were made aware that the Finance Team also maintain a Fixed Asset Register. It was explained that this file is a comprehensive listing of all assets maintained by the business.

9.31 We have inspected the Fixed Asset Registers provided by both the Finance Team and the Procurement Team, to ensure a detailed review of Fixed Assets has been performed. Below is the summary of our work on both registers.

Procurement Fixed Asset Register

9.32 The Procurement Team is responsible for updating the Fixed Asset Register on an ad-hoc basis when assets are purchased and arrive. The Procurement Team is also responsible for the tagging of Fixed Assets.

9.33 Based on the approach by the Procurement Team to separate Fixed Asset purchases by year, there is no way to tie the Fixed Asset Register to the Trial Balance. This is because each Fixed Asset Register would need to be compiled in order to obtain a comprehensive list of the Fixed Assets maintained by GCAA. This means that any asset bought before 2014 would not be present in the Fixed Asset Register that we obtained. As such, the Procurement Team does not possess a comprehensive sub ledger for their Fixed Assets, and there is currently no way to accurately confirm the balances stated in the Financial Statements.

9.34 The review of the Fixed Asset Register showed that, in some cases, not all the information is recorded. In fact, several assets are missing important information, such as the 'user/officer' description which indicates who is responsible for the asset.

9.35 During our fieldwork, we performed a Fixed Asset verification in an attempt to match physically identifiable Fixed Assets to the Fixed Asset Register we obtained. This involved tracing 11 assets that we sampled from the Fixed Asset Register back to their physical location (sheet-to-floor). We then performed the reverse procedure, and traced 6 assets from their physical location back to the Fixed Asset Register (floor-to-sheet). During this exercise, we were accompanied by a member of the GCAA Procurement Team to ensure that we had identified the correct asset, per the Fixed Asset Register.

9.36 With regards to the 11 assets traced from the Fixed Asset Register to their physical location, 9 of them either had no Fixed Asset tag, or the tag was not readable. The remaining 2 items had clearly identifiable Fixed Asset tags, yet their tags did not correlate to those selected from the Fixed Asset Register for testing. We then confirmed with the Procurement Team that we had been taken to the correct asset, per the listing.

9.37 All the 11 items inspected appeared to be in working order. Some of them had been replaced by newer pieces of equipment. For example, one of the x-ray machines was not in use as a newer machine had recently been bought. This would indicate that an impairment review may be required. Assets no longer in use may need to be recorded at net realizable value, as this may be lower than cost.

9.38 With regards to the six assets tested from floor-to-sheet, four of the six assets had readable Fixed Asset tags. We were not able to trace two of these assets to the Fixed Asset Register. The employee from the Procurement Team noted that durability of asset tagging posed a significant problem for them. During our testing, we noted that both permanent markers and laminated labels had been used to tag assets.

9.39 Of the four items with readable tags, three were not present in the Fixed Asset Register that we obtained. The employee from the Procurement Team highlighted that an underlying reason could be that these assets were purchased before 2014, in which case they would not be present in the Fixed Asset Register that we had obtained from the Procurement Team. This reinforces the point above indicating that GCAA does not maintain a comprehensive listing of their Fixed Assets.

9.40 The one remaining asset with a readable Fixed Asset tag was successfully located in the register. In this instance the tag was allocated to a television in the register, while the Fixed Asset in question was a desk.

9.41 Throughout this exercise, we noted that significant Fixed Assets, such as the Fire tenders, are not present in the Fixed Asset Register we had obtained, despite their arrival in 2015. Given the substantial value assigned to the Fire tenders of GMD 60m (USD 1.3m), this particular instance was queried with the Procurement Team. They explained to us that Fire tenders were not tagged as they were provided by the Government/SSHFC, and were not purchased as part of the normal procurement process. No reason was provided to us as to why they had not been subsequently tagged in recent years.

9.42 In summary, of the 17 items tested as part of our Fixed Asset verification, there was not one instance of a successful match up from either the register to the asset, for from the asset to the register. The inability to trace assets from both floor-to-sheet and sheet-to-floor raises uncertainties around the integrity and completeness of the Fixed Asset Register. The current tagging system is insufficient in capturing and evaluating the entity's asset base.

Finance Fixed Asset Register

9.43 After receiving feedback on our Phase I report, we were made aware of a Fixed Asset Register maintained by the Finance Team. Despite asking for this register at the beginning of our fieldwork, we were informed that the files maintained by Procurement were the only ones in existence. Receiving this file at such a late stage in our fieldwork has limited our ability to perform a detailed review.

9.44 The file separates the assets by class, with tabs for Buildings, Leasehold Land, Fire Tenders, Motor vehicles and others. There is no tab detailing the balance of the WIP asset class, which makes it impossible to verify the balance that was transferred from WIP to the Buildings asset class in 2017.

9.45 Inspection of these tabs indicates that there is no standardized format in the register, and that all assets acquired prior to 2014 have been recorded per the value identified in the 2014 Revaluation report performed by Francis Jones Associates ("FJA") and DT. Therefore, any assets acquired prior to 2014 are noted as being acquired in 2014, and the value stated is the revaluation value, not the original cost.

9.46 It was also noted some assets have no fixed asset tag per the register, and the in some case assets have two fixed asset tags.

9.47 The Fixed Asset Register maintained by Finance also contains a copy of the 2016 Fixed Asset note, which in part ties to the 2016 Financial Statement numbers, with differences in the Net Book Value of several Fixed Asset classes. For example, the IT equipment asset class appears to be understated by GMD 81m (USD 1.7m), the Furniture and fittings balance is overstated by GMD 69m (USD 1.4m) and the WIP balance appears overstated by GMD 153m (USD 3.2m)

9.48 With regards to additions to the register, they are recorded in a similar format to the Fixed Asset Register provided by the Procurement team. We compared the two registers for additions in relation to 2017, noting that the register maintained by Procurement had 264 additions across all asset classes for a total value of GMD 6,801k (USD 142k). The register maintained by the Finance team had additions in 2017 of 261 items, for a total value of GMD 6,954k (USD 145k). This is a difference of 3 items, with a value of GMD 153k (USD 3k). Neither of these additions figures, per either register, tie to the additions figure per the draft 2017 Financial Statements, which states a figure of GMD 9.8m (USD 204k).

9.49 The delivery of the Fixed Asset Register maintained by the Finance team after out audit, impacted our work in relation to Fixed Asset verification.

9.50 From our sheet-to-floor sample of 12 items, we were unable to find 3 of these items in the Fixed Asset Register maintained by Finance. These are a giant photocopier and equipped trailer, both acquired in 2014, and a water dispenser acquired in 2016.

9.51 Furthermore, an asset tag relating to an item labelled as a 'lift self-propelled' in the Procurement Fixed Asset Register, related to an air con unit in the Finance Fixed Asset Register. This indicates that there is a poor control environment surrounding Fixed Asset recognition, with notable discrepancies between both registers.

9.52 With regard to our floor-to-sheet testing of 6 items, 4 items had readable asset tags. 3 of these were not present in the Procurement Fixed Asset Register, but were located in the Finance Fixed Asset Register.

9.53 The one remaining asset with a readable Fixed Asset tag was successfully located in both the Procurement and Finance Fixed Asset Registers, but in both instances the tag was allocated to a television in the register, while the Fixed Asset in question was a desk.

9.54 As mentioned in our testing of the Fixed Asset Register maintained by the Procurement Team, the Fire tenders acquired in 2016 were not present in the register. We note that in the Fixed Asset Register maintained by the Finance Team, there is an entry for Fire tenders in 2016. However, this entry simply quotes the value of GMD 60m (USD 1.3m). The entry is not itemized, so it is not clear how many Fire Tenders were acquired, and there is no asset tag associated to the Fire Tenders. Therefore, the entry into the Fixed Asset Register maintained by Finance is not sufficient, and still leads to the inability to track assets from both floor-to-sheet and sheet-to-floor, reaffirming the issues around the integrity and completeness of the Fixed Asset Register.

9.55 The Internal Audit department does not currently perform any Fixed Asset testing. We understood through a discussion with the Internal Audit department that they plan to perform an exhaustive check in February 2019 of all the Fixed Assets purchased in 2018, and will perform this check in subsequent years. Whilst this check will help to confirm Fixed Asset additions going forward, this check does not fully address the current risk, as it excludes all of the historic assets owned by GCAA.

Recommendations

9.56 GCAA should investigate alternative asset tagging measures that are reliable and will not result in Fixed Asset tags becoming unreadable. Alternatively, periodic checks on assets should be performed to reapply the Fixed Asset tag if a better solution cannot be found.

9.57 We recommend that GCAA engages a third party to perform a complete overview of their Fixed Asset base in order to obtain and construct a complete and verifiable Fixed Asset Register, which can be used as a reliable basis for the Fixed Asset value carried in the Financial Statements.

9.58 GCAA should determine the most effective way of maintaining a record of their Fixed Assets going forward, as there are differences between the registers maintained by Procurement and Finance, which created difficulty when attempting to accurately determine the Fixed Asset balance.

Revaluation

9.59 One of the most significant movements in relation to Fixed Assets during the scope period was the revaluation that occurred in 2014, which resulted in an increase to the Fixed Assets of GCCA by GMD 1,978m (USD 45.2m).

9.60 We requested the revaluation report during the first week of our fieldwork in 2019, the week commencing January 7, 2019. The report was not provided to EY until after the completion of our fieldwork, on January 31, 2019, which has limited our ability to perform a detailed review.

9.61 This revaluation was carried out by two parties. The first, DT, a known auditing firm in The Gambia, and FJA, a company of chartered quantity surveyors. The revaluation report is made up of the work of both companies.

9.62 The table below shows the Fixed Asset classes and the impact of the revaluation, per the report from DT, which ties through to the 2014 Financial Statements of the company.

Table 182: Summary of existing net book values and revalued amount

Asset class	Cost (GMD'000)	Accumulated Depreciation (GMD'000)	Net Book Value (GMD'000)	Revaluation Balance (GMD'000)	Balance (USD'000)	Gain/Loss (GMD'000)	% Change
Land	11,840	2,540	9,300	245,500	5,605	236,200	2540%
Buildings	750,035	154,703	595,332	2,328,652	53,163	1,733,320	291%
Fixed Equipment	107,900	28,585	79,315	86,955	1,985	7,640	10%
Furniture & Fittings	28,812	9,723	19,089	15,954	364	(3,135)	-16%
Motor Vehicles	14,484	13,541	943	4,407	101	3,464	367%
Computers	15,325	4,543	10,782	7,327	167	(3,455)	-32%
Fire tenders	17,422	6,806	10,616	13,708	313	3,092	29%
Generators	8,153	2,278	5,875	7,324	167	1,449	25%
Total	953,970	222,719	731,251	2,709,827	61,865	1,978,576	271%

Source: 2015 Fixed Asset Revaluation Completion Report by Francis Jones Associates and DT Associates

9.63 It should be noted that the asset classes outlined above don't directly correlate to the asset classes present in the 2017 Financial Statements, with the 2017 asset class of Furniture and fixtures comprising the Generators, Fixed equipment and the Furniture & fittings asset classes noted above.

9.64 It should also be noted that we were unable to reconcile the 271% increase for Fixed Assets per the table above, and the 2014 Financial Statements which provided an increase of 211% as provided in paragraph 9.14. Further inspection of this anomaly identified that the Net Book Value presented in the Fixed Asset note in both the 2013 and 2014 Financial Statements does not cast.

9.65 The valuation method used in the exercise was the replacement cost method. This means that the revaluation amount is the net replacement cost of structures, machines and equipment and the value of the land in its current use.

9.66 Upon inspection of the report section relating to the work done by FJA, several key notes were identified in conjunction with the revaluation exercise.

9.67 The first was that FJA note that the cost for Furniture, fittings & equipment are to be excluded from the revaluation exercise. This indicates that their report provides revaluation on both Land and Buildings, but not on the other asset classes. In the report, FJA provides support for the revalued balance of GMD 2,574m (USD 58.8m) relating to Leasehold land and Buildings, which represents 95% of the total revaluation balance.

9.68 There is an additional revaluation sum in relation to Plant, Machine & Equipment for GMD 113m (USD 2.6m) that appears in the report, but it is not clear how this revaluation per FJA ties to the schedule above provided by DT.

9.69 The second key note raised by FJA is that the pricing of specialist items which were donated to GCAA, and for which prices are not readily available, have been assessed on an intelligent guess estimate. FJA note that the Fire tenders are an example of this. This implies that FJA were responsible for the revaluation assessment on the Fire tender class, but this is not evidenced within their report.

9.70 Therefore, it is not clear how the revaluation balance for the other six asset classes, other than Land and Buildings, has been reached. Given the current maintenance of the Fixed Asset Registers as mentioned in the section above, it is not possible to confirm the Fixed

Asset balances in relation to the 2017 Financial Statements as there is no way to substantiate the 2014 revalued balances.

Recommendations

9.71 Under IAS 16 Property, Plant and Equipment revaluations need to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value. Therefore, GCAA should assess their Fixed Asset position and determine at what stage a revaluation may need to be made. We understand from management that the GCAA intends to conduct another revaluation in 2019.

9.72 GCAA should also ensure that all items within a certain Fixed Asset class are revalued simultaneously to prevent selective revaluation of assets.

Depreciation and WIP Asset class

9.73 According to the Finance Team, the depreciation charge for 2017 is calculated based on the total asset class value as at December 31, 2017, multiplied by the relevant depreciation factor. The rates currently used by the Finance Team are outlined in the table below.

Table 183: Depreciation rates per the 2016 GCAA Accounting Policy Manual

Asset type	Leasehold Land	Buildings	Furniture & fixtures (Inc. generators)	Motor vehicles	IT equipment	Fire tenders
Depreciation %	1%	2%	10%	25%	15%	7%

Source: 2016 Accounting Policy Manual

9.74 The Accounting Policy Manual provided by the Finance Team has two different sets of depreciation rates for the same asset class. Moreover, these rates are inconsistent with each other. The Finance Team explained to us that one of the two tables held the correct rates. However, the proposed rates in the table above did not include the depreciation rate used for Fire tenders. The rate used by the Finance Team for Fire tenders as shown in the table was determined based on our discussions.

9.75 The depreciation charge for 2017 is GMD 102.4m (USD 2.2m) according the Financial Statements. This represents an increase of 37% compared to 2016. The main reason behind the increase is due to the reclassification of the WIP balance to the buildings Fixed Asset class. This relates to improvement works in relation to the Phase II Airport Development Project. During our fieldwork, the entirety of the WIP balance was reclassified to Buildings, as the Phase II Airport Development Project was deemed to be completed as at the end of 2017.

9.76 A review of the WIP asset class highlighted that there are several important balances that made up the value that was reclassified in 2017.

9.77 The first of these was a balance of GMD 238.4m (USD 8m), present since the beginning of 2010, the start of the period in scope of our review. Our discussions with the Finance Team indicate that this is in relation to the dual carriageway linking the airport to the highway. This project was completed prior to 2010, and as such this balance should have been reclassified out of WIP upon completion and into the appropriate asset class. As this balance was not reclassified until 2017, the balance had not been depreciated correctly, at least during the entirety of the period in scope of our review. The total amount of the depreciation charge that was not accounted for in relation to this balance from 2010 to 2016 is GMD 31.4m (USD 718k). This is based on our calculations of the value of the asset against the appropriate depreciation rate.

9.78 The second important balance is a portion of the Phase II Airport Development Project which was recognized in 2015. This occurred after the External Auditors outlined that both the asset and its opposing liability should be recognized, given that GCAA was benefiting from the asset. This resulted in an increase to the WIP balance of GMD 950.4m (USD 23.7m) in 2015.

This means that GCAA's Financial Statements have fairly reflected the ongoing work of the Phase II Airport Development Project, as significant asset and liability balances have not been present on the Balance Sheet.

9.79 A further sum of GMD 134m (USD 3.1m) was later recognized in 2016 under the continuation of the airports development.

9.80 As the balance was reclassified in the 2017 Financial Statements, a full year's depreciation was charged. Our conversations with the Finance Team indicate that the project was completed in June 2016. Consequently, the WIP balance should have been reclassified and depreciation calculated from that point. The value of this depreciation is 2% of GMD 1,085m (USD 23m), which equates to an unrecognized depreciation charge of GMD 10.9m (USD 248k) in 2016.

9.81 The Finance Team indicated to us that they do not plan to historically depreciate the balance. They further explained that the Airport Development Project was funded by the Gambian Government. Therefore, GCAA did not want to assume as to how the balance should be treated, and awaited instruction from the Government. Following the completion of the project GCAA now plans on recognizing the asset, but discussions with the Finance Team indicate that they are not planning to account for the six months depreciation in 2016, and no clear reasoning was provided for this decision.

9.82 We conclude that the WIP balance that has been present from 2010 to 2017 should have been reclassified and depreciated at various stages, depending on the physical completion of the projects. We re-performed a depreciation calculation of this balance, which results in an estimated additional depreciation charge of GMD 42.3m (USD 881k) that has accumulated over this period.

9.83 Furthermore, there are additional challenges around verifying the value of this WIP. This has been outlined in the Airport Regularization section as part of the overall loans discussion below.

Recommendations

9.84 GCAA should revisit and clarify its existing depreciation policy, and ensure either that the policy correlates to their current approach, or they adopt their approach to meet the requirements of the policy.

9.85 GCAA should regularly monitor their WIP asset class, and determine whether any balance currently present can be reclassified and appropriately depreciated, once it meets the necessary criteria to be deemed a Fixed Asset.

Project Development - GOTG

9.86 One of the Fixed Asset balances present in the 2017 Financial Statements is Project Development, which has a carrying value GMD 92.6m (USD 1.9m).

9.87 Discussions with the Finance Team indicated that this relates to the fee paid to the consultant NACO for the Phase II Airport Development Project. This was the reason why GCAA obtained the commercial loan from Megabank, which is discussed in the loan section below.

9.88 To verify the value presented on the Balance Sheet we obtained the contracts in relation to the work of the consultant. The contracts stipulated a Phase I cost of USD 1,115,075 and a Phase II cost of USD 2,147,143. Both contracts were dated in 2011, but the value was not recognized by GCAA until 2016. Discussions with the Finance Team indicated that this was due to contractual disputes with UNITEC, the first consultant that was fired as a result of significant delays and overspending. As a result, work by NACO could not begin until late 2015, early 2016.

9.89 We obtained the GL for this account to determine how the balance was recognized, and review of this account showed that it was recognized as one lump sum of GMD 91.4m (USD 1.9m), with an additional amount of GMD 1.2m (USD 25k) added to arrive at the total of GMD 92.6m (USD 1.9m) as at December 31, 2017.

9.90 We requested support on how this balance was recognized, but the Finance Team were not able to provide the necessary supporting information to determine at what dates payments were made to the consultant. Furthermore, they were unable to provide the FX rate used to make the conversion from US Dollar, per the contract, to the Dalasi value recognized in the Trial Balance. Therefore, it is not possible to determine whether or not GCAA recognized the asset accurately or appropriately.

9.91 Under IAS 16, professional fees are directly attributable costs which comprise part of the total cost of an item of PPE. Therefore, recognition of the consultancy fees as an asset is correct, but the fees should be directly attributed to the specific asset, and not kept isolated from the sub asset class of Buildings. The consultant costs should have been charged to WIP at the invoice date, using the FX rate from that day. Once the asset meets the necessary criteria for recognition under the accounting standards, the entire balance should be moved from WIP to Fixed Assets.

9.92 There is not enough information provided to determine at what stage the consultant costs should be capitalized and put in the WIP asset class in relation to the Phase II Airport Development Project. The impact is that the consultant costs will have potentially been converted at the incorrect FX rate, and therefore the value presented in the Financial Statements is not accurate or representative of the correct value.

9.93 Furthermore, by not reclassing this balance at the appropriate time GCAA have not charged depreciation on this balance. This should have been done once the balance was capitalized, at the relevant depreciation rate of the asset class to which the balance is assigned. For example, if the balance relates to Buildings, one year of depreciation at 2% on this balance amounts to GMD 1.8m (USD 39k).

9.94 There is a clear lack of the proper accounting treatment by GCAA in relation to this balance, who have not been depreciating this Fixed Asset balance. The depreciation charge not recognized by GCAA could be higher than GMD 1.8m (USD 39k), as the professional fees may have needed to be depreciated from an earlier date.

Recommendations

9.95 GCAA should work with the consultant to determine whether there were fixed milestones for the project work and whether they are then able to identify the correct points at which certain elements of the contract costs can be converted to Dalasi and subsequently capitalized.

Inventory

9.96 Inventory accounts for 0.2% of the Balance Sheet assets at GCAA, and 8% of the Current Assets balance. It mainly consists of spare parts, stationery, and electrical items.

9.97 The Internal Audit team informed us that inventory counts are undertaken on a yearly basis by the Internal Audit team, with the External Auditors in attendance.

9.98 We did not undertake detailed inventory testing, given the small amount of the inventory balance. We inspected the warehouse to determine whether the inventory held was in line with the listing obtained, to assess the physical state of the inventory, and to review the environment in which inventory is held.

9.99 We note that the warehouse is kept in good condition, and the inventory appears to be in working condition. The inventory stored is in line with the inventory listing, with no obvious exceptions. Each section of inventory is kept segregated, within locked cages. Each section is managed by a different employee, who holds the only key to the lock up he is responsible for.

9.100 The focus of our work on the inventory balance was the stock obsolescence provision, which was GMD 10.9m (USD 226k) in the first draft of Financial Statements that we received, but has subsequently dropped to GMD 5.1m (USD 106k) in the latest draft 2017 Financial Statements.

9.101 We obtained the original inventory listing, which does not feature the dates of arrival for stock, or the date at which stock last moved. When we inquired the Finance Team about the method used to calculate the stock obsolescence provision, the team responded by providing us with an inventory listing of slow-moving items.

9.102 This slow-moving inventory listing is extracted from the Access Accounting system, and maintained in an Excel document by the Stores team. It includes information such as the date at which the stock last moved, which allows the Finance Team to identify slow moving items.

9.103 GCAA have chosen to provide for all items that have not moved since 2014. However, the Accounting Policy Manual maintained by the Finance Team does not clearly define what constitutes obsolete stock. It only indicates that obsolete stock should be provided for at a rate of 25% per annum. At the moment, GCAA is not following this policy.

Recommendations

9.104 We recommend that GCAA amends its Accounting Policy Manual to clearly define what constitutes as obsolete stock, and then ensures that accounting practice mirrors the policy.

Receivables

9.105 As at December 31, 2017, net receivables represent 3% of the total Assets and 87% of Current Assets, totaling GMD 116.7m (USD 2.4m) in 2017. The balance is composed of Trade Receivables totaling GMD 159m (USD 2.9m), staff receivables (loans) totaling GMD 15.7m (USD 328k), and a bad debt provision of GMD 57.9m (USD 1.2m).

9.106 We note that this balance of GMD 116m (USD 2.4m) does not tie to the most recent 2017 draft Financial Statements we have obtained, as the balance was updated during our fieldwork. We obtained the most up to date Trade Receivables listing, which has been used for our testing and analysis.

9.107 Staff Loans make up 16% of the total receivables balance. We noted that this balance has remained relatively stable over the period 2010 to 2017, peaking at GMD 18.2m (USD 0.4m) in 2014.

9.108 The total receivables balance, inclusive of both Trade Receivables and Staff Loans is offset by a substantial bad debt provision of GMD 57.9m (USD 1.2m). The bad debt provision is equivalent to 37% of the overall receivables balance.

9.109 The receivables position for GCAA has changed throughout the Phase two fieldwork, with the latest debtor's breakdown and balance being provided January 30, 2017. This resulted in an increase to the receivables balance of approximately GMD 20m (USD 417k). GCAA explained that this was due to a series of posting errors, with cash receipts being incorrectly matched against 2017 receivables when they related to 2018 balances. The 2017 position for receivables is outlined in the table below:

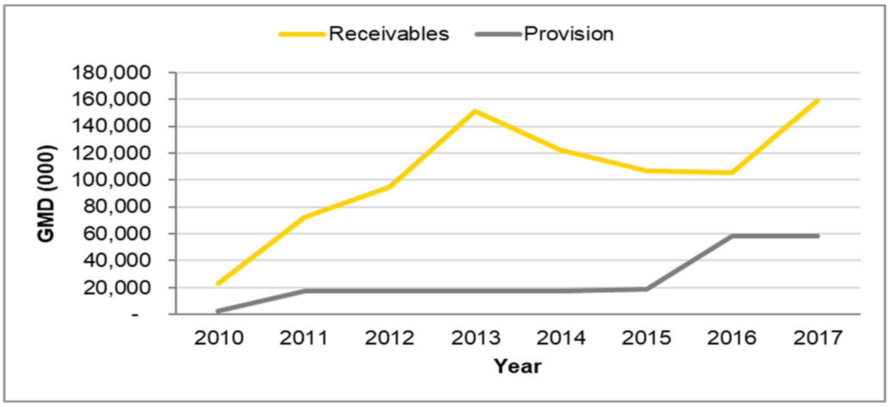
Table 184: Breakdown of the Receivables balance as at December 31, 2017

Receivable category	2017 (GMD'000)	2017 (USD'000)
Trade Receivables	158,894	3,310
Staff	15,752	328
Less: Provision for bad debt	(57,931)	(1,207)
Total	**116,715**	**2,430**

Source: Draft 2017 Financial Statements

9.110 As shown in the figure below, Trade Receivables has risen substantially over the period, with the greatest increase between 2012 and 2013, where Receivables increased by GMD 56.5m (USD 1.3m), a 60% increase. The Receivables balance since then has been lower, but has increased to surpass the 2015 figure, reaching a record high of GMD 159m (USD 3.3m) for the scope period. However, this has been offset by the increase in provision for bad debt, which has risen by 206% since 2015, reaching GMD 57.9m (USD 1.2m) in 2017.

Figure 72: Receivables and Provision movement from 2010 to 2017



Source: Financial Statements 2010 to 2017

9.111 We obtained a breakdown of the Trade Receivables balance as at December 31, 2017, to determine the top 10 debtors, and assess the make-up. A review of the significant balances showed that the primary Trade Receivables balances related to airline companies, which is in line with expectations given the nature of the Airport's operations.

9.112 The table below shows the top 10 Trade Receivables by value, and the relative proportion of the overall receivables balance, with the top 10 Trade Receivables accounting for 67% of the balance.

Table 185: Top 10 Trade Receivable balances as at December 31, 2017

Customer	Receivable (GMD '000)	% of 2017 AR sub ledger	Net Movement in 2018 (GMD '000)	Current 2018 balance
GIA	27,683	17%	1,769	29,452
Mid Africa Aviation	17,855	11%	(11,587)	6,267
Thomas Cook	16,365	10%	9,849	26,214
Brussels Airlines	11,841	7%	32,742	44,583
TUI Fly	7,639	5%	16,122	23,761
Royal Air Maroc	7,131	4%	25,284	32,414
Thomas Cook Airlines	4,902	3%	8,337	13,239
PetroGas Co Ltd	4,901	3%	9,889	14,790
Condor Flugdienst	4,434	3%	0	4,434
Corendon Airlines	4,416	3%	(3,560)	816
GMD ('000) total	**107,167**	**67%**	**88,803**	**195,970**
USD ('000) total	**2,232**	**67%**	**1,850**	**4,082**

Source: 2017 Trade Receivables Listing

9.113 As at December 31, 2017, the largest pending receivable was GIA. Given the SOE nature of GIA, this particular receivable is discussed in greater detail below. Of the remaining nine debtors, eight relate to airlines, with the final debtor being PetroGas, which supplies fuel for aircraft and whom GCAA charge for Fuel Throughput fees.

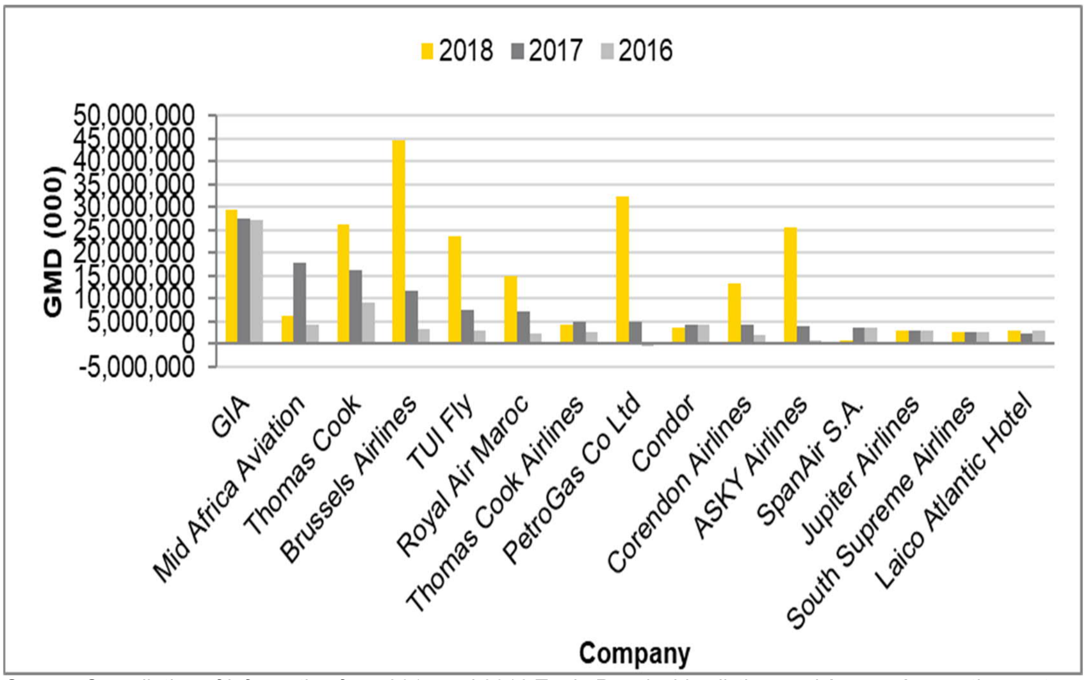
9.114 We discussed these balances with the Finance Team, who highlighted their belief that major airlines, such as Brussels Airlines, Thomas Cook and Royal Air Maroc always settle their debts in full, and that they pose no risk in terms of outstanding debts. GCAA do provide for some of their receivables balances, as discussed below.

9.115 We also inspected the Access Accounting system to obtain the 2018 figure to understand whether these balances are increasing significantly. We note that the total receivables balance for the top 10 debtors in 2017 is up GMD 88.8m (USD 1.9m) to GMD 196m (USD 4m), an increase of 83%.

9.116 While this seems significant, management note that the largest debtor increases are in relation to major airlines, who historically have always paid off their debts. This is an optimistic approach, given that several airlines who owe money to GCAA have gone bust with outstanding balances still due. One balance deemed uncollectable, GIA, did not increase substantially, up GMD 1.8m (USD 38k), or 6%.

9.117 The figure below provides a comparison of 2018 to 2017 and 2016, which shows that the largest debtor companies tend to stay the same, and more importantly highlighting that the GIA balance has not moved, reinforcing the notion that it is not recoverable.

Figure 73: Comparison of year end Receivables position for 2016, 2017 and 2018



Source: Compilation of information from 2017 and 2016 Trade Receivables listing, and Access Accounting system

9.118 The Finance Team noted that they were unable to provide a list of the ageing Trade Receivables as at December 31, 2017 due to system constraints. We note that the inability to produce this report is indicative of a substantial weakness in the financial reporting system. We were able to obtain an ageing report from the client, but it was not clear as at what date it was run.

9.119 We held discussions with the Finance Team around the aged Trade Receivables balances, and they outlined that they do have a Credit Control Department of one employee. It is his responsibility to chase any outstanding debtors, and monitor the current outstanding debts owed to the company. As a result, outstanding debtors are chased once they exceed the standard payment period of 30 days, with the exception of Thomas Cook. Discussions with the Finance Team outlined that this is because Thomas Cook represent the largest customer for GCAA, and historically have always paid the amount they owe. Whilst this represents the current practice of GCAA, proper cash collection, following the 30-day payment period, would result in a better commercial practice and ease GCAA's continuing cash shortage.

9.120 The Internal Audit reports further highlight the cash collection issues faced by GCAA. Each quarterly audit report consistently highlights the revenue that has not been collected. For example, in the 2017 fourth quarter Internal Audit report, it is highlighted that revenue in relation to the Airport Development Fees and Passenger Service Charge remains outstanding. These are the two main revenue streams for GCAA, and the balances outstanding were EUR 607k (GMD 34m) and GBP 279k (GMD 18m) respectively.

9.121 GCAA do provide for their bad debts, evidenced by the bad debt provision present in the 2017 accounts.

Provisioning

9.122 GCAA has a policy for bad debts, which was updated in 2016, which notes that the Finance Manager is responsible for identifying overdue debts at the end of the financial year.

9.123 Any overdue debts between one and three years are provided for at a rate of 10%. Any overdue debts between four and six years are provided for at a rate of 20%, and all overdue debts greater than seven years are to be written off entirely. The exception to this is Central

Government and other SOE's, which can be provided for, but not written off as they could always be set-off against amounted owed to them by GCAA.

9.124 The rates at which bad debts are provided for per the policy are extremely conservative, with seven years required before the balance is provided for in full.

9.125 Discussions with the GCAA Finance Team confirm that this Accounting Manual policy is not adhered to. We were informed during the audit that the bad debt provision is driven primarily by the External Auditors, who will indicate which balances need to be provided for. This has subsequently been challenged by GCAA management. Discussions with the Finance Team indicate that the current practice is that all debtor balances which have not moved during the course of the year are provided for in full.

9.126 We requested the bad debt provision calculation during our first week of fieldwork, but it has not been provided. As such, we are unable to determine which debtor's balances have been provided for, and for what amount. Furthermore, this prevents us from assessing whether any aged debtors should be provided for that haven't been provided for.

9.127 Despite not being able to obtain the breakdown of the bad debt provision, we went through the top 20-30 Trade Receivables balances with the Finance Team, to determine whether or not the Finance Team deemed them collectible. We noted that a balance relating to SpanAir is not collectible as the company no longer exists, and in one instance, Elton Oil, the company was bought by another company and GCAA is unsure on the collectability of the debt.

9.128 We identified all the Trade Receivables balances over GMD 400k (USD 8k) that had no net movement from 2016 to 2017, as an indication of what balances GCAA should be assessing as part of their bad debt provision, and potential write off. Upon inspection of this listing, we note that a number of the companies are no longer in business, and this indicates the debt is unlikely to be collectable, as follows:

Table 186: 2017 Receivables identified as non-moving from 2016 to 2017

Name	Outstanding Balance (GMD)	Outstanding Balance (USD)	Company in business
Condor Flugdienst	4,433,918	92,359	Yes
SpanAir S.A.	3,771,283	78,556	No
Jupiter Airlines	2,953,340	61,518	Yes
South Supreme Airlines	2,548,704	53,090	No
Germania Fluggesells	2,301,266	47,935	No
Mauritania Airlines	1,360,159	28,332	Yes
Air Europa	826,486	17,216	Yes
Ethiopian Airlines	709,485	14,779	Yes
Viking Airlines AB	618,381	12,881	No
Castle Oil Gambia	537,442	11,195	Yes
Jordan Aeronautical	518,827	10,807	Yes
Atlantic Express Air	480,000	9,998	Yes
Senegal Airlines	412,569	8,594	No
Ghadames Air Transport	409,679	8,534	Yes
Total	**21,881,540**	**455,792**	**-**

Source: 2017 Debtors Listing

9.129 Writing off bad debts requires Board approval, and the Finance Team highlight that they will never write off bad debts, but rather provide for them in full. The Finance Team did not provide any further justification for not writing off the bad debts.

SOEs and Government ministries

9.130 A review of the debtors listing indicated that GCAA has outstanding balances with 3 SOE's, and 3 Gambia Government debtors.

Table 187: Receivables breakdown of SOE and Government ministries

Name	Outstanding Balance (GMD)
GIA	27,682,978
GAMCEL	967,354
GAMPOST	350,038
Gambia Tourism Board	1,030,911
Gambia Tourism Authority	230,860
Gambia Police Force	60,000
Total	**30,322,141**

Source: 2017 Debtors Listing

9.131 As shown in the table above, the highest value outstanding debtor is GIA, which has an outstanding balance representing 17% of GCAA's Receivables balance.

9.132 Conversations with the Finance Team indicate that GIA are currently providing baggage handling services to the airport. As a result, there is a contract whereby GIA pay GMD 2.7m (USD 56k) per year to GCAA to be able to provide these services. It was highlighted that GIA has not been paying the fee in the last few years, and the Finance Team are unable to indicate exactly when payment stopped.

9.133 The Finance Team also indicate that whilst the balance per the Trade Receivables listing is GMD 27.6m (USD 575k), it is likely to be much higher, and could be as high as GMD 48m (USD 1m). This is a result of GCAA no longer invoicing GIA, not wanting to incur additional income tax on a balance that will never be recovered. We understand that GCAA are currently in discussions with the Government over the tender process for new baggage handlers.

9.134 It was outlined that the Government mandated that GIA act as baggage handlers for the airport, and therefore GCAA has no choice but to continue to use GIA.

9.135 In order to ascertain whether GIA recognises the debt that GCAA is showing as a recoverable asset, we obtained a copy of GIA's 2016 Financial Statements. However, we were unable to identify whether the creditors balance included any amounts owed to GCAA. Consequently, we reached out to the Managing Director of GIA to try and establish what balance GIA are recording as owing to GCAA, to determine whether there was any disparity between the two amounts. We did not receive a response.

Recommendations

9.136 We recommend that a more robust bad debt provisioning policy is designed and adhered to by GCAA. The policy should allow for the provision of potentially uncollectable debts, and should challenge the recoverability of other aged debt. The assessment of the provision should be driven by the Finance Team, and reviewed by the External Auditor for reasonableness.

9.137 We recommend that the relevant line ministries act as an intermediary between both GIA and GCAA to ensure that the appropriate outstanding balance due to GCAA is identified and then subsequently paid.

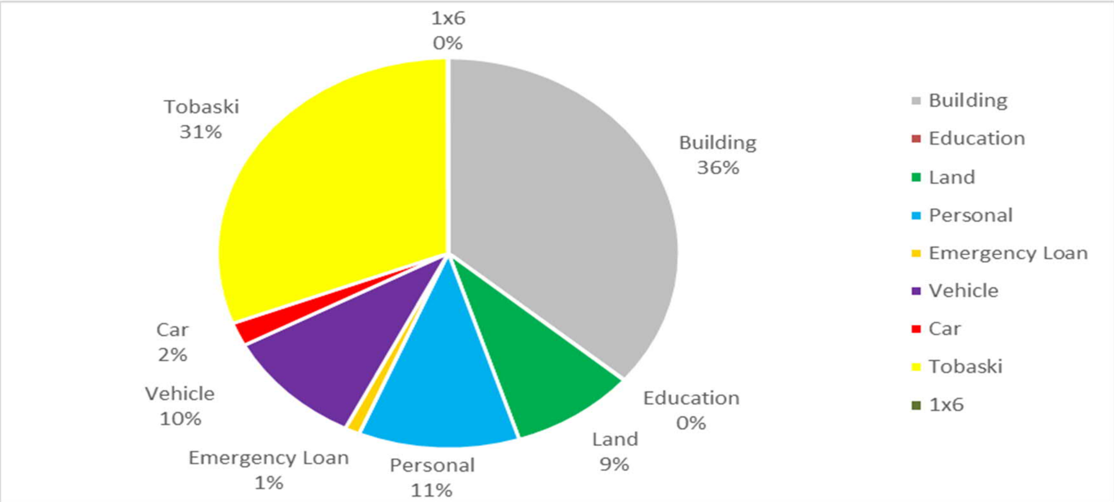
Staff Loans

9.138 In the 2017 Financial Statements, the balance associated to Staff Loans is GMD 15.7m (USD 328k), which represents 16% of the total receivables balance, and 14% of the Current Asset base. The loans are broken down into several different categories including land, buildings, vehicles, personal and other miscellaneous loans.

9.139 We requested a breakdown of the loans report by employee, which was obtained from the Payroll department. The report obtained itemized each employee's individual loans, highlighting their total loan balance, and the amount they owed in relation to each loan category. The total of this loan balance was GMD 14.6m (USD 304k). The difference of GMD 1.1m (USD 23k) related to the Staff Association Loan, but we were unable to obtain a breakdown of this balance, or further detail on what it related to.

9.140 The figure below details the different loan types and their contribution to the overall Staff Loans figure for GCAA.

Figure 74: Breakdown of Staff Loan by percentage of value type



Source: 2017 Staff Loan Breakdown

9.141 The Staff Loans report indicated that there were 779 employees with loans, made up of 628 employees, 35 former employees, and 116 temporary staff.

9.142 The largest total employee loan balance was for GMD 240k (USD 5k) and was made up from 4 different loans, with vehicle and land purchase the most significant. The table below shows the average loan size per employee, as well as the smallest and largest balances.

Table 188: Breakdown of Staff Loans by current and former employee

Staff Type	Value (GMD)	Percentage	Average (GMD)	High (GMD)	Low (GMD)
Current (includes Temporary)	13,194,099	91%	17,734	240,417	667
Former	1,374,352	9%	39,267	190,937	883
Total	14,568,451	100%	-	-	-

Staff Type	Value (USD)	Percentage	Average (USD)	High (USD)	Low (USD)
Current (includes Temporary)	274,833	91%	369	5,008	14
Former	28,628	9%	818	3,978	18
Total	303,461	100%	-	-	-

Source: 2017 Staff Loan Breakdown

9.143 While the average loan for former employees is substantially higher, it should be noted that temporary staff have an average loan size of GMD 693 (USD 14) across the 116 individuals. Removal of this for comparison results in the average loan size for current employees increasing to GMD 21k (USD 437).

9.144 The loans report contained 35 individuals that are acknowledged by GCAA as having left the company. The total closing balance in relation to these loans is GMD 1.4m (USD 29k). GCAA has a provision for their Staff Loans, but we were not able to obtain this calculation for 2017. As such we are not able to determine which staff balances have been provided for. Discussions with the Finance Team indicated that they provide for all Staff Loans that have not been reduced over the course of the year, but we were unable to verify this approach.

9.145 To put the loan balances into perspective, we note that the average annual wage (not including allowances) of an employee at GCAA is GMD 67.9k (USD 1.4k). This indicates some employees may have difficulty paying back their loan balance in a short period of time, especially if they were to retire.

9.146 Our discussion with the Payroll department indicated that both HR and Legal are responsible for chasing overdue loan balances from former employees, and are successful in reclaiming some of these balances. This is evidenced by a reduction of the loan balances held by former staff, in one instance as much as GMD 25k (USD 521) in the last year.

9.147 We were unable to obtain an ageing of the Staff Loan balances from GCAA, or a breakdown of the balances in previous years. Consequently, we are unable to perform an ageing analysis and effectively quantify recoveries of loan balances. Discussions with the Finance Team highlighted that any employee who has a loan with GCAA will have loan deductions made from his salary each month. This means that the risk of unrecoverable loans lies primarily with former employees, who, as outlined in the table above, represent 9% of the balance.

9.148 No testing was performed to identify whether or not loans were provided to employees in line with the staff service rule.

Recommendations

9.149 We recommend that GCAA create a policy around the provision for Staff Loans, and evaluate the provision each year. The Finance Team should also ensure that there is a formalized structure in place to track any additional Staff Loans that may not be recoverable or relate to former employees, which is communicated to the Legal or HR department who can work on collecting any outstanding debts.

Cash and Bank

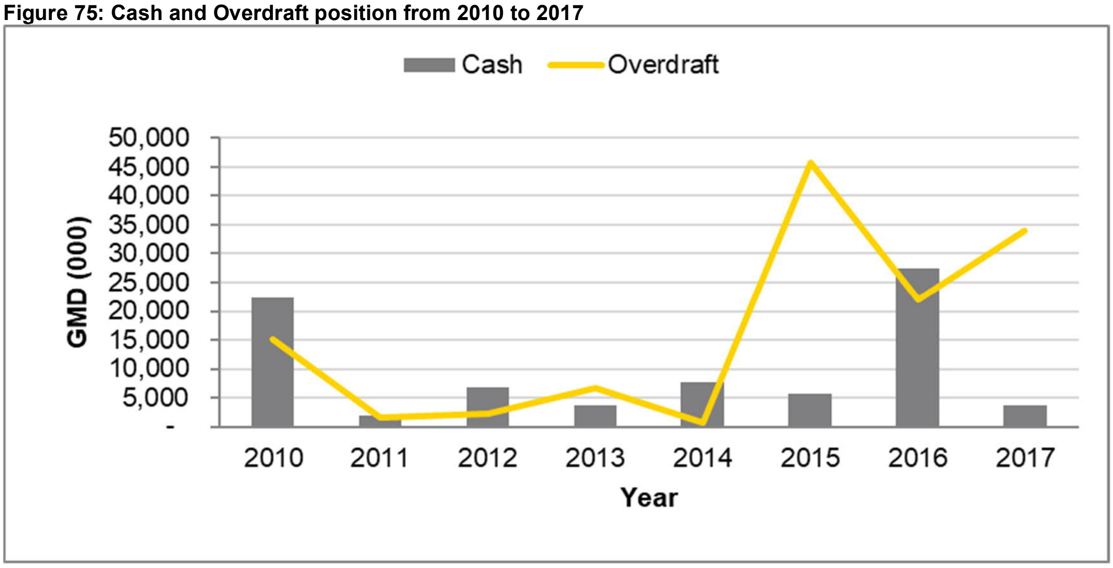
9.150 GCAA's cash position fluctuated significantly over the in-scope period. At the end of 2017 GCAA was in a negative cash position, reliant on an overdraft facility.

9.151 In 2016, the net cash position was GMD 5.4m (USD 124k), but this decreased by 657% to GMD -30.1m (USD -629k) by 2017. This was due to a combination of a large overdraft facility of GMD 34m (USD 706k), up by 53% from the previous year, and a reduction in cash at bank by 86%, with a balance of GMD 3.7m (USD 77k) at the end of 2017.

Bank overdraft and fees

9.152 The figure below shows the movement of both GCAA's cash and overdraft position. The most noticeable trend is that in the 3 years to 2017, the overdraft balance was significantly higher than in previous years.

Figure 75: Cash and Overdraft position from 2010 to 2017



Source: Financial Statements 2010 to 2017

9.153 The overdraft is used to manage the operational aspects of business and GCAA have one official overdraft with Zenith Bank as at 2019. We obtained the overdraft agreement to understand the key facts.

9.154 The overdraft facility is for GMD 10m (USD 201k) and the purpose of the overdraft is to finance payment of staff salaries and other operational expenses pending receipt of airport charges from airlines. The agreement was dated from May 12, 2017, for a 12-month period, and the interest is 25% per annum. Per the agreement the rate is subject to upward and downward review in line with money market realities. Additionally, the overdraft is repayable on demand. The Finance Team indicated that the overdraft is still in place despite the contract being for a 12-month period from May 2017.

9.155 This poses a potential risk to GCAA, as it is consistently exceeding its overdraft facility, and could therefore be asked to repay the balance in full immediately. This issue has been raised by the External Auditors on a regular basis, who flagged the risk in their 2016 Management Letter.

9.156 Discussions with the Finance Team indicate that GCAA has a very good working relationship with the Zenith Bank. As a result, because GCAA has always managed to reduce the balance to within the facilities limits if they have exceeded them, the Finance Team are confident that the Bank will not recall the facility.

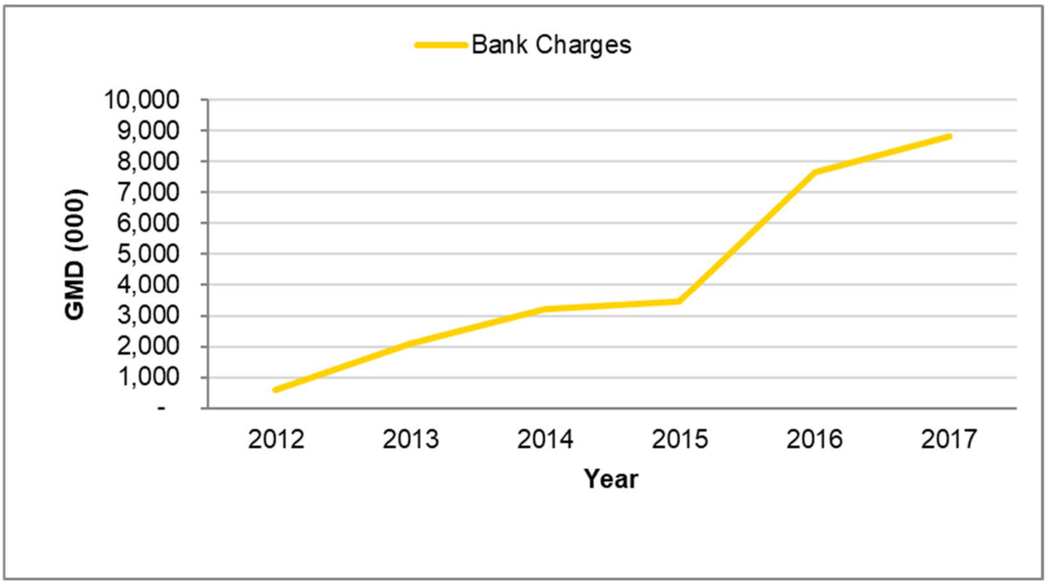
9.157 Discussions with the Finance Team indicate that they also obtain credit from Trust Bank, but we were unable to obtain an official contract to support this arrangement. We were able to identify that a bank account with Trust Bank had a negative balance, indicating the existence of the overdraft. The Finance Team highlighted that the interest rate for this facility would be the same if not slightly higher than the rate as part of the official agreement with Zenith.

9.158 The other concern around the overdraft agreements, despite the potential risk of immediate repayment, is the associated charges and costs to GCAA for utilization of the overdraft facility.

9.159 GCAA incurs significant costs in relation to the bank charges and overdraft fees, which have increased year on year, up GMD 8.2m (USD 171k), or 1373%, from 2012. The figure below clearly indicates that the cost to GCAA is rising, and given the cash position in 2017, is unlikely to change in the foreseeable future.

9.160 The charge for 2017 was GMD 8.9m (USD 183k) which represents 4% of the Gross Profit figure for 2017.

Figure 76: Bank Charges for 2012 to 2017



Source: Financial Statements 2012 to 2017

Recommendations

9.161 GCAA needs to reduce the use of its overdraft facility. The charges incurred could be avoided through better cash management or cash collection from outstanding debtors.

9.162 GCAA should also ensure that they do not breach their overdraft limit, as the Bank could choose to recall the entirety of the outstanding balance, which has been raised in the past as a potential business risk by the External Auditors.

Cash Reconciliation

9.163 As part of our testing in the area of cash, we also obtained the bank reconciliations performed by GCAA as at December 31, 2017 in order to verify the cash position.

9.164 It is important to note that the recorded cash position has changed during our testing, with the 2017 year-end balance changing from GMD 5.2m (USD 109k) to GMD 3.7m (USD 77k). We inquired of the Finance Team as to the reason for this movement, but we did not receive a response.

9.165 According to the Trial Balance we obtained from the Finance Team, there were a total of 14 cash accounts listed. We were able to obtain bank reconciliations for 13 of these. The Finance Team explained that the one missing was in relation to Cash in Transit. We held discussion with the Finance Team who explained that this was in relation to coins obtained in Euros, which local banks in the Gambia were not willing to take. The balance was EUR 52 (GMD 3k). The Finance Team indicated that they were having discussions with Banks to try and determine whether this sum could be deposited.

9.166 One of the cash reconciliations performed was in relation to petty cash. We were aware that the Finance Team maintain a petty cash float and that this is used in the day to day running of GCAA. We inspected the reconciliation, which had been performed at the year end and signed by the External Auditors.

9.167 Discussions with the Finance Team also indicated that they are slightly behind their bank reconciliations for 2018, with November 2018 onwards outstanding as at January 2019.

9.168 Inspection of these cash reconciliations showed that all had been performed correctly, with some showing various reconciling items, or in some cases, unidentified credits. We did not perform any testing in relation to the reconciling items or the unidentified credits. Initial review of the documentation detailing the reconciling items and unidentified credits indicated that the bank reconciliation process was being performed correctly.

Bank Confirmations

9.169 To further test the cash position of GCAA, we requested bank confirmations from all Banks within The Gambia, to determine whether any bank accounts were not disclosed on the Financial Statements of GCAA.

9.170 As the Finance Team indicated that we had obtained all the bank reconciliations available, and we had determined all the cash accounts on the Trial Balance, we were expecting a total of 13 accounts across 6 banks.

9.171 The results of the bank confirmation exercise can be found in the table below. The exercise revealed an additional six bank accounts that are not shown on the 2017 Trial Balance.

Table 189: List of Banks and expected number of accounts compared to actual number of accounts

Bank	Number of Accounts per Trial Balance	Number of Accounts per Bank Confirmation
Guaranty Trust Bank	1	5
Megabank	2	2
Zenith Bank (Gambia)	2	2
Zenith Bank (UK)	3	4
Trust Bank	5	5
First International Bank	0	1
Total	**13**	**19**

Source: 2017 Draft Trial Balance and Bank Reconciliation exercise

9.172 Once we had obtained the confirmations from the Banks, we challenged the Finance Team on the reason for the differences between our initial expectations and the results of our confirmation exercise.

9.173 The Finance Team explained that when they provided the 2017 Trial Balance to us, the zero value accounts were removed, in order for the file to be more manageable. As a result, some of the bank account lines were removed, as the accounts have no money in them and the accounts themselves are old and not currently in use by GCAA. We have provided a summary of each Bank and the results of the confirmation exercise below.

9.174 Guaranty Trust Bank – Per the Trial Balance and the bank reconciliations obtained, we were expecting one bank account when we obtained the Banks confirmation, yet five were present. The four accounts that were not expected were all zero value as at December 31, 2017. Two related to Dalasi current accounts, with the other two relating to Pound and Euro accounts. The Finance Team explained that these four accounts are not being used, and were not present on the Trial Balance due to the removal of zero value accounts during the Trial Balances preparation.

9.175 Megabank – In line with our expectations, the bank confirmation outlined that GCAA had two accounts. These relate to both a current account and a loan account held with Megabank. We noted that the loan account had a different value compared to the Trial Balance. The bank had a balance of GMD 47.4m (USD 987k), a difference of GMD 1.8m (USD 38.7k) to the balance recorded by GCAA. We did not obtain an explanation for this difference during our audit work but have subsequently been informed by management that the difference relates to the monthly repayment default penalty charged to the account after the GCAA failed to meet its obligation. We have not verified this explanation.

9.176 Zenith Bank (Gambia) – In line with expectations, the Bank confirmed the existence of two bank accounts held by GCAA. Both of these were Dalasi current accounts, and the balances presented by the Bank per their confirmation tied to the bank reconciliations performed by GCAA.

9.177 Zenith Bank (UK) - Per the Trial Balance and the bank reconciliations obtained, we were expecting three accounts yet the bank confirmation indicated four accounts. These represented call and current accounts in both Euro and Pound. The balances presented by the bank per their confirmation tied to the bank reconciliations performed by GCAA for the three accounts mentioned. The Finance Team explained that the one account not present in the Trial Balance was due to the removal of zero value accounts during the Trial Balances preparation.

9.178 Trust Bank – In line with expectations, the Bank confirmed the existence of five bank accounts held by GCAA. These related to two Dalasi accounts, and then one account for each of Euro, US Dollar, and Pound. The balances presented in the bank confirmations matched the bank reconciliations performed by GCAA.

9.179 First International Bank – Unexpectedly, by reaching out to all the banks in The Gambia, we were made aware of the fact that GCAA had an account with First International Bank, whose account and subsequent balance of GMD 9k (USD 197), a liability, was not present in either the Trial Balance, or the draft Financial Statements. Additionally, no bank reconciliation had been performed in relation to this account. We queried the Finance Team on this occurrence, who outlined that the account had been set up when GCAA were looking for loan finance in 2015. GCAA reached out to First International Bank with regards to taking out a loan, but were required to set up an account before discussions could commence. Once the account was set up, GCAA did not end up using the Bank for a loan, and the Finance Team did not monitor the account as it was never used. To verify this, we obtained the bank statements in relation to this bank account, which shows that the account was opened in November 2015, and service fee charges began accumulating. The charges reached a total of GMD 9k (USD 197) by the end of 2017. There was no movement in the account until April 2018, when the Finance Team outlined that the account began being used.

9.180 In every instance where a zero-value account was identified, and the Finance Team informed us that it was not in use, we were unable to verify whether or not this was the case. Management has confirmed post-fieldwork (but we have not been able to verify) that GCAA has removed all zero-balance bank accounts from the Trial Balance because they have been closed by the bank.

Recommendations

9.181 GCAA should endeavor to complete bank reconciliations in a timely fashion, and not allow a backlog of reconciliations to occur, as this could result in significant errors during the year end reporting period.

9.182 GCAA needs to improve the control framework around their bank account processes, to ensure that any account set up is recorded and subsequently monitored by the Finance Team. Furthermore, GCAA should close down any dormant bank accounts that are not being used as this could lead to potential errors regarding disclosure, as evidenced by the account with First International Bank.

Bank signatories

9.183 The bank confirmations also provided a list of signatories in relation to all accounts. We compared the list of signatories to the 2019 employee listing we had obtained from payroll. This was done both to determine whether the person was currently employed by GCAA, and whether their job title indicated the level of seniority normally associated with bank signatories.

9.184 Our review of the signatories indicated 3 people who were not present on the 2019 employee listing and one employee who, whilst in the Finance Department, does not appear to be a senior member of the team.

9.185 It is possible that the employees not present on the 2019 listing are former employees, and we were not able to verify whether or not this is the case. The three signatories who currently don't appear to be employees of GCAA are signatories on all five of the accounts held with Guaranty Trust Bank.

Table 190: List of unusual signatories

Employee name	Employee per 2019 listing	Job title
Abdoulie Gassama	Yes	Accountant
Herbert Jaw	No	n/a
Maimuna Taal	No	n/a
Malick Cham	No	n/a

Source: Bank confirmation letters and 2019 employee listing.

9.186 The employee from the Finance Team has the job title accountant, indicating that he is not in a senior position within the Finance Team. This raises a concern around whether his ability to act as a signatory is appropriate. We were unable to verify whether or not there were extenuating circumstances around his status as a signatory, but he is currently a signatory on all five of the accounts held with Guaranty Trust Bank.

Recommendations

9.187 GCAA should review the signatories on accounts on an annual basis and remove any unnecessary or inappropriate signatories. GCAA should also ensure there is a process in place to ensure that when a signatory leaves GCAA, he/she is removed from the approved signatory list immediately.

Loans and securities

9.188 The Terms of Reference ("TOR") identified loan balances as a significant area of concern within GCAA, due to both their size and domination in foreign currency, which is having a substantial impact on both the Balance Sheet and Income Statement position.

9.189 The table below shows the current loan position for GCAA as at December 31, 2017, which comprises seven loans, with the two SSHFC loans being combined on the face of the

Financial Statements. Of these, three are denominated in US Dollar, and the others in Dalasi. Each of the loans is discussed in greater detail below.

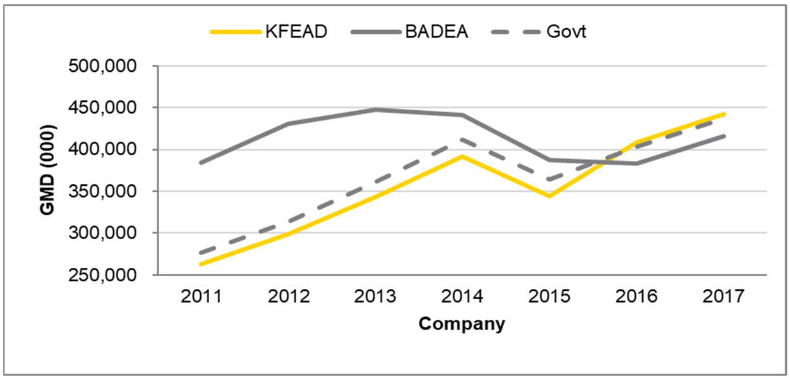
Table 191: Summary of major loan positions as at December 31, 2017

	Title	Origination date	Original value	Repayment details	Outstanding loan position (GMD)	Outstanding loan position (USD)
1	Government Loan	1997	USD 10m	No repayment being made	436.7m	9.1m
2	GPA Loan	1996	GMD 25m	No repayment being made	25m	0.5m
3	SSHFC Loan	2012	GMD 35m	Combined repayment of GMD 800k per month being made in 2018	35m	0.7m
3	SSHFC Loan	2015	GMD 60m	Combined repayment of GMD 800k per month being made in 2018	60m	1.3m
4	BADEA Loan	2000	USD 8.7m	No repayment being made	415.4m	8.7m
5	KFEAD Loan	1999	USD 10m	No repayment being made	442.7m	9.2m
6	Megabank Loan	2016	GMD 100m	GMD 3.9m per month	45.5m	0.9m
Total loan exposure as at December 31, 2017 per the Financial Statements					**GMD 1,460m**	**USD 30.4m**

Source: Draft 2017 Financial Statements

9.190 The figure below shows the impact of the FX revaluation, with the three loans denominated in US Dollar increasing from 2011 to 2017. The Kuwait Fund for Arab Economic Development ("KFEAD") and the Government Loan both track a very similar pattern. They increase steadily over the period, before dropping in 2015, which is a result of the Government pegging the Dalasi to the US Dollar for 2015. Once the currency is unpegged in 2016, the trend continues as the Dalasi continues to depreciate, driving the loan values higher. The BADEA loan does not follow the expected trend, but the overall position matches our expectations, in so much as the GMD value of the loan drops in 2015 and then proceeds to rise in subsequent years.

Figure 77: Loan movements for foreign currency denominated loans



Source: Financial Statements 2011 to 2017

Government of The Gambia Loan

9.191 One of the loans on the GCAA Balance Sheet is directly with the Government of The Gambia, and was taken out in 1997. This loan was for USD 10m (GMD 437m) and was repayable over an 18-year period at a rate of 7.5% interest per annum. The Finance Team were unable to provide any supporting documentation for this loan, providing the age of the loan (over 20 years old) as reasoning behind the inability to source documentation.

9.192 The current practice of GCAA in regards to this loan is to calculate the FX movement each year based on the rates from the CBG, and revalue the loan. The interest portion is calculated and posted to both the P&L as interest expense, and the Balance Sheet as interest payable. GCAA currently make no repayments in relation to this loan.

9.193 We held discussions with staff at the Department of Loans within the MoFEA, who were not aware of the existence of this loan, or able to provide any documentation in relation to it.

Recommendations

9.194 Our work suggests that GCAA may be carrying a significantly liability in its Financial Statements that is not recognized as a receivable by the original loan provider, the Government of The Gambia. Further enquiries should be made to confirm this position. If it is confirmed, the liability should be extinguished in the accounting records of GCAA.

Phase I Airport Development Project Loans

9.195 Of the six loans on GCAA's Balance Sheet, two relate to the Phase I Airport Development Project which was undertaken in early 2000. To finance this project, the Government sourced funding from two different sources. The first was the KFEAD and the other was the BADEA. KFEAD provided USD 10m and BADEA provided USD 8.7m. For both of these loans, there is a contract between the respective lenders and the Gambian Government, but there is no lending agreement between the Gambian Government and GCAA.

9.196 Over the last 19 years, GCAA has not made any repayment in relation to these two loans, with the Gambian Government making the required payments. GCAA has recognized a loan liability on its Balance Sheet for the respective loan amounts, and performs a revaluation of this balance on a yearly basis.

9.197 GCAA calculates the loan interest on the balance on a yearly basis. More specifically, one side of the entry is allocated to Interest Payable in Current Liabilities, and the other side is expensed through the P&L.

9.198 Given the continued depreciation of the Dalasi compared to the US Dollar in recent years, the current impact of this practice is that both the loan liability and Interest Payable balance are increasing year on year, with interest and FX losses flushed through the P&L.

9.199 For 2017, the combined value of the loans increased by GMD 66.1m (USD 1.4m) as a result of the FX movement. The interest expense in relation to these loans for 2017 was GMD 21.6m (USD 450k). For comparison, GCAA made a loss of GMD 229m (USD 5m) in 2017.

9.200 To determine the current status of these loans, we held discussions with the Department of Loans within MoFEA. They indicated that the Government has been making repayments in relation to these loans. They also provided us with the current loan balance for both the KFEAD & BADEA loans. The outstanding balance of each loan is USD 2.1m and USD 3.9m, respectively.

9.201 Using the balances provided by the Department of Loans, at the US Dollar rate for 2017, the KFEAD loan of USD 2.1m is valued at GMD 101m and the BADEA loan of USD 3.9m at GMD 187m. The difference between loans recorded by GCAA and their current outstanding balance per MoFEA would represent a reduction in loan position of GCAA by GMD 570m (USD 11.9m).

Recommendations

9.202 GCAA need to liaise with the Government to determine whether or not they are expected to repay these loans. Given the poor cash position of GCAA it seems unlikely that repayment would be a viable option for either party.

9.203 The Government should consider GCAA's proposal to convert the existing loans to equity, as outlined in the World Bank Report, which would improve the Net Asset position of GCAA, and significantly reduce the Interest Payable and FX losses expensed to the P&L each year.

Commercial Loans

9.204 According to the Finance Team, GCAA obtained a loan from Megabank in February 2016, which is a bank 100% owned by the Gambian Government. The purpose of the loan was to finance the airport consultant, NACO, as part of the Phase II Airport Development Project.

9.205 Our discussions with the Finance Team indicate that the consultant was initially due to be paid from the funding obtained from overseas lenders, such as BADEA, KFEAD and OPEC. However, GCAA discovered that the consultant, NACO, was not on the approved list of consultants. Consequently, the overseas funders would not pay the associated cost.

9.206 The Finance Team explained that the Gambian Government was unwilling to shoulder this additional cost, and instructed GCAA to take out a loan in order to pay the consultant. Given the financial position of GCAA in 2016, no banks were willing to provide the loan. As a result, the Government instructed Megabank to provide GCAA with the necessary loan.

9.207 Following our review of the loan agreement with Megabank, we noted that the interest rate is 24% per annum, with a loan term of 3 years. As a result, GCAA is currently making monthly repayments of GMD 3.9m (USD 82k). This is composed of the repayment of the loan principal totaling GMD 2.8m (USD 58k), and the interest charge totaling GMD 1.1m (USD 24k).

9.208 GCAA has made every single repayment as per the loan agreement, despite the negative effect that the loan repayments are having on it. The annual repayment amount made under this loan equates to GMD 47m (USD 981k), which represents 22% of GCAA's Gross Profit figure for 2017.

Recommendations

9.209 GCAA must continue to repay the loan to Megabank, but should maintain an open dialogue with the bank, and reach out should repayment become unlikely.

9.210 Going forward, it is inadvisable for GCAA to take out commercial loans given the level of interest on these loans, and the impact this has on GCAA.

SOE-related Loans

9.211 Two of the loans listed on the GCAA's Balance Sheet are with other SOEs, namely the GPA and the SSHFC, which are owed GMD 25m (USD 521k) and GMD 95m (USD 2m), respectively. It is important to note that the SSHFC balance of GMD 95m (USD 2m) is a combination of two separate loans, one for GMD 35m (USD 700k) and the other for GMD 60m (USD 1.3m).

9.212 We held discussions with the Finance Team which indicated that in both instances, these loans were the result of Executive Directives. Through our work we were unable to locate a documented Executive Directive in relation to either the GPA loan of GMD 25m (USD 521k) provided to GCAA or the SSHFC loans for GMD 35m (USD 730k) and GMD 60m (USD 1.3m).

9.213 The Finance Team explained that GPA provided GCAA GMD 25m (USD 2.5m[289]) in 1996, with a loan term of three years, and an interest rate of 0.5% per annum. GCAA has not made any repayments in relation to this loan, and continues to recognize the interest charge of

[289] Value per OANDA at December 31, 1996.

GMD 125k (USD 2.6k) each year, in both the P&L as part of the interest charge, and the Balance Sheet in the Interest Payable. We have not been able to obtain the loan agreement for this loan, but we have noted that the balance is reflected in GPA's accounts, which has subsequently been fully provided for.

9.214 The SSHFC loan was provided to GCAA in two parts. The first part totaled GMD 35m (USD 960k) and was received in 2012. This loan is in relation to the improvement of the lighting and car park facilities of the airport. We were able to obtain the loan agreement from the GCAA Finance Team, which outlines that the loan is repayable over 2 years, with an interest rate of 12% per annum.

9.215 Discussions with the Finance Team indicated that GCAA made the interest repayments during the two-year tenure of the loan, but did not make any payment against the principal. As a result, GCAA made GMD 5.4m (USD 135k) in interest payments between March 2013 and February 2015, but the entire principal balance of GMD 35m (USD 960k) remains. Presently, GCAA are not currently accruing any interest in relation to the outstanding loan amount and plan on repaying just the GMD 35m (USD 730k) principal.

9.216 The second loan was provided in 2015 for a total of GMD 60m (USD 1.3m) and is related to the acquisition of fire trucks and ambulances. We were able to obtain the loan agreement from the GCAA Finance Team, which outlines that the loan is repayable over 5 years. The structure of this loan is different to the previous SSHFC loan, and instead of charging interest, a markup was built into the repayment amount.

9.217 Per the loan agreement, the loan repayments would technically be for a total of GMD 1m (USD 25k), with GMD 980k (USD 24.5k) paid off against the principal, and GMD 20k (USD 498) representing the mark up. This is an effective interest rate of 2%.

9.218 At the end of 2017, GCAA has not made any repayment in relation to the overall SSHFC loan, and therefore the full amount of GMD 95m (USD 2m) remains outstanding.

9.219 GCAA and SSHFC have been in contact to discuss the repayment terms of both loans. Discussions with the Finance Team indicate that the total outstanding balance is GMD 95m (USD 2m), and SSHFC are in agreement with this figure. These discussions also highlighted that GCAA is currently in the process of repaying these loans, aiming for a monthly repayment of GMD 800k (USD 17K) per month. Inspection of the GL's and bank statements confirm that in 2018 three payments of GMD 800k (USD 17k) were made, and the Finance Team indicate payment will resume in 2019. At this rate of repayment, it will take GCAA just over ten years to fully repay the balance.

Recommendations

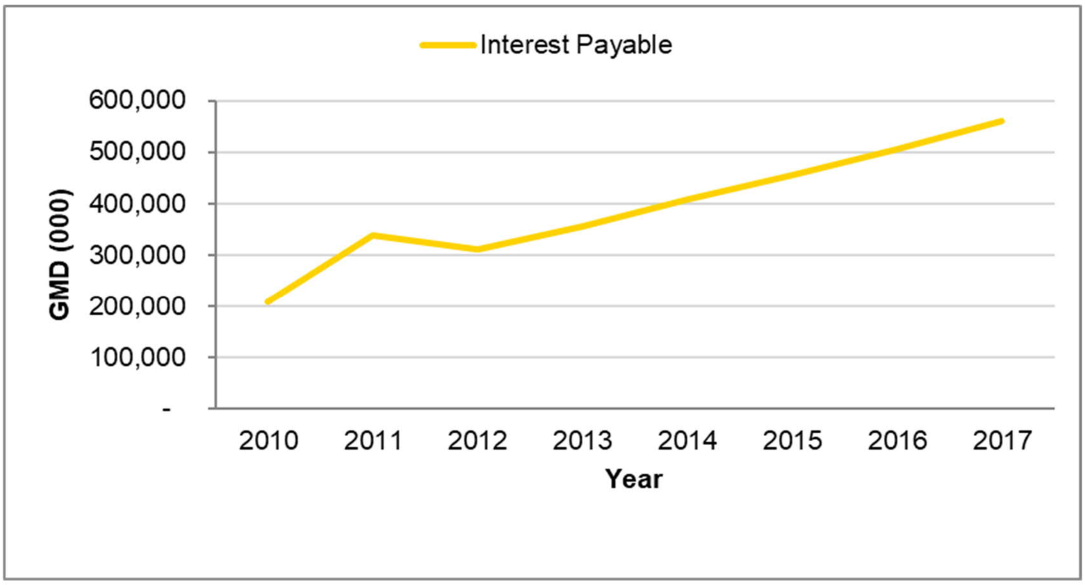
9.220 GCAA need to ensure that they meet the current repayment plan agreed with SSHFC. A review of the payments made in 2018 identified that just three payments had been made. Discussions with the Finance Team indicated that payment would commence again in 2019, and GCAA should endeavor to maintain this level of repayment.

Interest Payable

9.221 At the end of December 31, 2017, the Interest Payable balance was GMD 559m (USD 11.6m), an increase of GMD 54.8m (USD 1.2m) from 2016, which represents an increase of 11%. Interest Payable represents 45% of Current Liabilities, and poses a significant liability to GCAA.

9.222 The Interest Payable balance has grown steadily over the period, up 169% from 2010, and will only continue to increase year on year while no interest payments are made. As mentioned in the loans section, GCAA is currently not making payments in relation to loans for which interest is charged. The impact is that posting the interest payable year on year continues to worsen GCAA's Balance Sheet position.

Figure 78: Interest payable liability 2010 to 2017



Source: Financial Statements 2010 to 2017

9.223 Discussions with the Finance Team outlined that each year they simply calculate the interest due on each of the loans, convert it to Dalasi, and then book it to the accrued interest account.

9.224 We obtained the breakdown of this GL account, and noted four entries for 2017, but it was not clear what loans these balances related to. Furthermore, the FX rate used to calculate the Dalasi amount that was posted was not mentioned.

9.225 To try and understand the account, we also inspected the 2016 period. The 2016 period included a line item in relation to interest on the GPA loan, which was not present in 2017. This suggests that it has not been recorded by GCAA for the year ended December 31, 2017.

9.226 We performed a recalculation of the balance for 2017, as shown in the table below. We used the FX conversion per the CBG for the December 31, 2017 year end period, which was 47.88 Dalasi to 1 US Dollar.

Table 192: Recalculation of GCAA 2017 loan interest payable

	Loan Amount	Interest Rate	Interest Amount	Conversion to GMD
USD Loans				
BADEA	8.7m	2.5%	217.5k	11.9m
KFEAD	10m	2.5%	250k	10.4m
GOTG	10m	7.5%	750k	35.9m
GMD Loans				
GPA	25m	0.5%	-	0.125k
Total	-	-	-	**58.3m**
Total per FS	-	-	-	**54.8m**

Source: Information from the Note 13 of the draft 2017 Financial Statements

9.227 We note that our recalculation results in an interest payable for the year of GMD 58.3m (USD 1.2m). This represents a difference of GMD 3.5m (USD 73k) that understates the current interest payable balance. We did not receive an explanation from the Finance Team for the difference, but it is possible that a different FX rate was used.

9.228 No interest is accrued to the SSHFC loan as mentioned in the loans section, and as the Megabank loan repayment is made each month, no outstanding interest amount accrued for the period.

9.229 Both the BADEA and KFEAD loans are being paid down by the Government of The Gambia. Therefore, whilst GCAA continues to recognize the increasing liability, the interest payments due to both BADEA and KFEAD are actually being addressed by the Government.

Recommendations

9.230 Further to the recommendations made in relation to the section on loans, the Government must work together with GCAA to determine whether the loans balances and the associated loan interest are expected by the Government as due to it. If GCAA is not expected to pay the loan balances, and consequently the interest payable in relation to them, this will reduce the company's liability position.

Airport Regularization

9.231 The Airport Regularization balance was GMD 1,202m (USD 25m) as at December 31, 2017. There was no movement in relation to this balance from 2016 to 2017, but there was an increase of GMD 152m (USD 3.2m) between 2015 and 2016, which represented a 15% increase.

9.232 The Finance Team outlined that the Airport Regularization balances relates to the funds disbursed in relation to the Phase II Airport Development Project.

9.233 The Finance Team explained the scenario, outlining that GCAA received IPCs from NACO, the consultant. These are requests for payments as a result of ongoing works on the Phase II Airport Development Project. GCAA sign the IPC, which is sent to MoFEA who will organise payment. The Finance Team clearly indicated that they do not have any control over the money for the project, their only role is to verify that the work has been completed, and then instruct MoFEA to make the payment.

9.234 GCAA then proceed to recognise the IPC balance as an asset, in WIP, and the corresponding liability entry is posted to the Airport Regularization account. The Finance Team further explained that the payments made by the Government of The Gambia are loan finance, which had been sourced from a series of funders.

9.235 Discussions with the Finance Team outlined that there is no loan agreement in place between GCAA and the Gambian Government. Therefore, as there are no clear terms in relation to how to treat the funds used to pay for the project, GCAA has recognised only the IPCs received to date, converting the US Dollar amount to Dalasi at the invoice date.

9.236 GCAA has a disclosure note in the 2017 draft financial statements, stating; *"The amount so far spent by Government of The Gambia on phase II of the Airport Development Project is classified as Airport regularisation until such a time that the Government decides whether the amount should be treated as a loan, grant or additional capital"*

9.237 Furthermore, due to the unclear situation regarding this balance, GCAA are not currently revaluing the balance at each year end. Additionally, there is no accounting for any interest payments in relation to this balance.

9.238 To determine whether the balance stated in the Financial Statements was accurate, we asked for the IPC's from the Finance Team. It should be noted that the Finance Team were not able to provide a schedule of the IPC's, and instead we were provided with a file of paperwork, which contained assorted documentation, including the IPCs. This could mean that we were not provided with every IPC, as there is no way to determine how many IPCs exist.

9.239 Once we obtained the IPCs available, we converted them to Dalasi at the CBG month end rate. The table below details the payments and their corresponding value.

Table 193: List of Interim Payment Certificates and converted Dalasi value

Interim Payment	Date	Amount (USD)	CBG Rate	Converted Amount (GMD)
Advance Payment	09/09/2014	3,198,469	43.05	137,694,096
IPC 1	10/12/2014	2,495,518	45.28	112,997,039
IPC 2	13/03/2015	2,593,842	49.71	128,939,874
IPC 3	30/04/2015	9,234,019	52.02	480,353,651
IPC 4	10/06/2015	6,860,768	39.66	272,098,076
IPC 5	30/06/2015	2,375,574	39.66	94,215,283
IPC 6	21/12/2015	2,750,191	39.77	109,375,097
IPC 11	13/01/2016	2,750,191	41.32	113,637,893
IPC 7	09/03/2016	1,890,981	42.02	79,459,036
IPC 8	04/07/2016	1,575,891	43.87	69,134,339
Total	**-**	**35,725,445**	**-**	**1,597,904,385**

Source: Interim Payment Certificates

9.240 As the table above shows, the recalculation we performed results in a much higher value, totalling GMD 1,598m (USD 33.3m), which represents a difference of GMD 396m (USD 8.2m) or 33%.

9.241 The Finance Team did not provide an explanation in relation to the difference, but noted that a different FX rate might have been used which would account for the difference. The Finance Team were unable to provide the FX rate used by GCAA, and were therefore unable to justify the recalculation difference.

9.242 It is also noteworthy to highlight IPC 11, which is not in keeping with the number order of IPCs and indicates that there may be additional IPC's that were not provided to us, or have not been recorded by GCAA. Equally, we have not been presented with IPC 9 or 10. When we discussed this topic with the Finance Team, they were unable to provide any reasoning for the difference in IPCs, stating that they had provided us with all the IPC's they could locate.

9.243 We obtained the GL breakdown for the Airport Regularization account in order to try to identify the recording of the IPCs, identify any that were missing, and determine what FX rate was used to convert the balances from US Dollar to Dalasi.

9.244 Our review of this account showed that GMD 1b (USD 25m) was posted in 2015, but no further information regarding which IPC it related to, or the FX rate used. There was an additional posting in 2016 for GMD 153m (USD 3.5), but similar to the movement in 2015, no detail is provided to indicate the relevant IPC or the FX rate used.

9.245 As the Finance Team explained to us that the money in relation to the Airport Regularization account was managed by the Government of The Gambia, we held discussions with the Department of Loans to ascertain what loans had been obtained to fund the airports development.

9.246 We obtained a series of loan agreements and Excel files from the Department of Loans. Some of the loan agreements related to the Phase I Airport Development Project, and have been discussed in the Loans section. Using the information provided by the Loans Department, we proceeded to identify the loans in relation to the Phase II Airport Development Project. These have been summarised in the table below.

Table 194: List of foreign currency loans used to facilitate airport development

Lender	Amount	Date	Amount in USD	Converted Amount (GMD)
USD denominated Loans				
OPEC	8,000,000	2009	8,000,000	384m
SAR denominated Loans				
Saudi Fund	37,500,000	2009	9,995,140[290]	480m
KWD denominated Loans				
KFEAD	3,100,000	2008	10,850,000[291]	521m
Total	**-**	**-**	**28,845,140**	**1,385m**

Source: Loan schedule from Department of Loans

9.247 As the table above indicates, the loans obtained by the Gambian Government total approximately GMD 1,385m (USD 28.8m). These loans represent the funds used to facilitate the Phase II Airport Development Project.

9.248 Similar to the loans for the Phase I Airport Development Project, GCAA have not been making any repayments in relation to these loans, and they are currently being managed by the Loans Department. The Loans Department was also able to provide the current debt position in relation to these loans, as at December 31, 2018 which is outlined below.

Table 195: List of foreign currency loans and their current repayment value

Lender	Amount	Amount Due	Amount in USD	Converted Amount (GMD)[292]
USD Denominated Loans				
OPEC	8,000,000	3,442,452	3,442,452	168m
SAR[293] Denominated Loans				
Saudi Fund	37,500,000	31,499,500	8,385,360[294]	410m
KWD[295] Denominated Loans				
KFEAD	3,100,000	2,890,000	9,477,930[296]	464m
Total	**-**	**-**	**21,305,742**	**1,042m**

Source: Loan schedule from the Department of Loans

9.249 This shows that the Government are currently repaying the loans, as the current loan balance is lower than the original loan amount by a total of GMD 343m (USD 7.5m).

9.250 Discussions with the Loans Department indicated that unless on there was a lending agreement between both GCAA and the Government, it was the Government who were responsible for making the repayments. The Loans Department was only able to provide one lending agreement between GCAA and the Government, which was in relation to the KFEAD loan of KWD 3.1m (USD 9.5m).

9.251 In this agreement, the Government reference the Kuwait Fund, and outline that they are providing USD 10m (GMD 191m)[297] to GCAA so that they can carry out the Phase II Airport

[290] Value per OANDA at April 30, 2009.
[291] Value per Loan Agreement.
[292] Value per OANDA at December 31, 2018.
[293] SAR refers to currency identifier for Saudi Riyals.
[294] Value per OANDA at December 31, 2018.
[295] KWD refers to currency identifier for Kuwaiti Dinars.
[296] Value per OANDA at December 31, 2018.
[297] Value per OANDA at March 28, 2008.

Development Project. We note that the US Dollar amount on the loans is different to the value in the table above, but were not able to obtain any reasoning for this.

9.252 This agreement is dated March 28, 2008, and has been signed by the Minister of Finance and the Director General of GCAA. It is important to note that the agreement states that the Government authorises MoFEA to withdraw and disburse the amount of the loan on their behalf.

9.253 This means that GCAA, similar to the arrangement outlined in the IPC section above, does not hold or control how the money is spent. Whilst GCAA sees this as justification for the current recognition process of the loan in the Airport Regularization account, as this balance is a loan, it should be treated as such. GCAA should look to revalue the outstanding loan balance each year, and calculate the necessary annual interest payments calculated.

9.254 Given the likelihood that GCAA have made no repayments in relation to this loan, the current loan liability would be approximately GMD 473m (USD 10m), and the interest liability would be GMD 87m (USD 1.8m). Additionally, the cumulative P&L impact would be GMD 297m (USD 6.2m). This balance is driven by the continuous year end revaluations of the US Dollar balance, and the interest expense per the interest rate of 2.5% per the contract.

Recommendation

9.255 Similar to the recommendations in relation to the Phase I Airport Development Project, the Government should consider converting the loan amounts to equity, especially in relation to the loan with the signed lending agreement. Forcing GCAA to recognise this balance as a loan would have a crippling effect on GCAA and only proceed to exacerbate their situation with regard to significant foreign currency loans, the consequent yearly FX revaluation, and Interest Payable charges.

Other and Future Loans

9.256 Discussions with the Loans Department also identified a loan that was obtained as recently as July 2017. We obtained the loan agreement, which outlines that the loan is between The Republic of the Gambia and the Saudi Fund for Development.

9.257 The purpose of the loan is detailed as assistance with regard to the Phase II rehabilitation of the Banjul International Airport. The loan is for a total of SAR 71.25m, (contemporaneously valued at USD 19m in the contract), or GMD 912m.

9.258 Discussions with the Department of Loans outlined that not all of the loan facility had been drawn down, and that the current exposure in relation to this loan was SAR 24.6m, which is the equivalent of 317m GMD (USD 6.6m)

9.259 We queried this with the Finance Team, who outlined that this money was obtained in relation to continuation of the Phase II Airport Development Project. The Finance Team highlighted that Phase II has been completed, but to avoid having to re-tender the project work per GPPA legislation, further development on the Airport is being treated as continuation of the Phase II Airport Development Project.

9.260 Discussions with the Finance Team also confirmed that the plan to treat the expenditure on the continued airport works in the same way, by recognizing an asset in WIP, and the other balancing entry under Airport Regularization within Non-Current Liabilities.

9.261 Discussions with the Loan Department indicated that going forward, the Ministry of Finance will not obtain any more loans for GCAA and they will be required to sort out any required loan finance themselves. This will ensure that all future financing agreements will make GCAA accountable, and responsible for payment of the loans.

Recommendations

9.262 Similar to the recommendations in the loans section regarding the Phase I Airport Development Project, both GCAA and the Gambian Government need to determine a viable solution together. Based on our review of GCAAs financial situation, and the rate of repayment in relation to the SSHFC loans, holding GCAA accountable for repayment of any of the existing loans will likely not result in any substantial repayment in the short term.

9.263 Conversion of the loans to equity would allow GCAA to reduce finance costs, and improve its Net Asset position. This would result in an improved financial position for GCAA but would not necessarily lead to GCAA becoming profit-making immediately. The equity conversion would be part of a long-term goal to allow GCAA to become a profit-making entity.

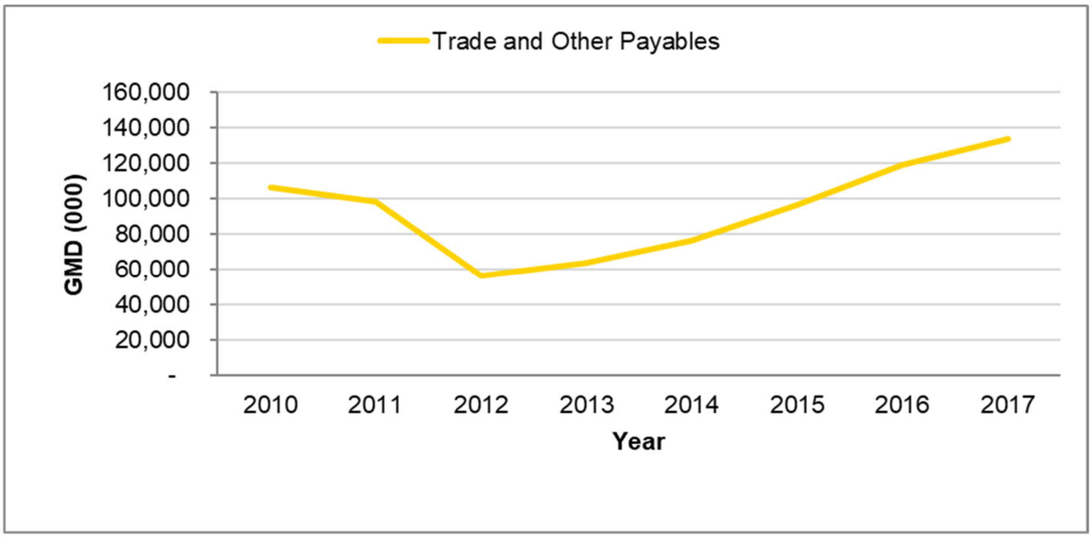
9.264 Furthermore, as GCAA have indicated that the loans are Government mandated, in so far as they had no say in obtaining the loans, we recommend that any future loans are at the sole initiative of GCAA. This means that they will be financially liable and responsible for repayment. Where GCAA is unable to source enough funding for any planned projects, the Government should only source overseas funding if proper lending agreements are put in place, clearly identifying the responsible party. This should involve a level of due diligence by the Government, to ensure that repayment of the loan by GCAA is plausible, and they will not default on their payments.

9.265 Where necessary improvement works are required, and GCAA are not in a position to make the potential repayments, the treatment of the loans by both parties should be clearly defined from the beginning. This will prevent a similar scenario with regard to the Phase I Airport Development Project.

Trading Liabilities

9.266 Trade and Other Payables have increased throughout the scope period, up from GMD 106m (USD 3.6m) in 2010 to GMD 133m (USD 2.8m) in 2017, which represents an increase of 25%. This is not the most representative indicator though, as the Trade and Other Payables balance has fluctuated throughout the period, as highlighted in the figure below.

Figure 79: Trade and Other Payables balance from 2010 to 2017



Source: Financial Statements 2010 to 2017

9.267 As at December 31, 2017, Trade and Other Payables represented 4% of the total Liabilities and 11% of Current Liabilities, but this is skewed by the presence of both interest payable and the short-term loan balance. The Trade and Other Payables balance is composed of Trade Payables totaling GMD 131m (USD 2.7m), Accruals totaling GMD 725k (USD 15k), Other Payables totaling GMD 262k (USD 5k) and Staff Payables totaling GMD 1.6m (USD 33k).

9.268 Trade Payables make up 98% of the total Trade and Other Payables balance. Given the minor nature of the 'Other' items within the Trade and Other Payables balance, we did not perform any testing on these balances. We noted that this balance has fluctuated over the period 2010 to 2017, as the balance decreased from 2010 to 2012, before beginning a steady increase to 2017 which has seen Trade Payables reach its highest position during the scope period in 2017.

9.269 The Trade Payables position for GCAA has changed throughout the Phase two fieldwork, with the latest draft Financial Statements showing GMD 130m (USD 2.7m), compared to the latest creditors listing, which details a value of GMD 131m (USD 2.7m). We were not provided with an updated Trade Payables listing, which has meant that we are unable to reconcile the breakdown by creditor to the Financial Statements. The current breakdown per the draft 2017 Financial Statements is outlined below.

Table 196: GCAA Trade and Other Payables as at December 31, 2017

Trade and Other Payables category	2017 (GMD'000)	2017 (USD'000)
Trade Payables	130,611	2,721
Staff	1,585	33
Accruals – Audit Fee	725	15
Other Payables	262	5
Total	**133,183**	**2,774**

Source: Draft 2017 Financial Statements

9.270 We obtained a breakdown of the Trade Payables balance as at December 31, 2017, to determine the top 10 Trade Payables balances. A review of the significant balances showed that the primary balances relate to NAWEC, and various aviation governing bodies.

9.271 The table below shows the top 10 Trade Payable balances by value, and the relative proportion of the overall Trade Payables balance, with the top 10 companies accounting for 85% of the total payables account.

Table 197: Top 10 Trade Payable balances as at December 31, 2017

Customer	Receivable (GMD ‘000)	% of 2017 TP sub ledger	Net Movement in 2018 (GMD ‘000)	Current 2018 balance
NAWEC	29,015	22%	(2,813)	26,202
Banjul Accord Group	22,453	17%	-	22,453
AFCAC	21,683	17%	-	21,683
ICAO	12,517	10%	-	12,517
GAMTEL	8,330	6%	(1,140)	7,190
Brikama Area Council	6,279	5%	(2,400)	3,879
QCell	5,961	5%	437	6,398
Jaiteh Kaba Distribution	2,544	2%	(944)	1,600
Alieu B.M. Faye	1,740	1%	(768)	972
Lalas Cleaning Service	1,599	1%	(793)	806
GMD (‘000) total	**112,120**	**85%**	**(8,420)**	**103,700**
USD (‘000) total	**2,335**	**85%**	**175**	**2,160**

Source: 2017 Trade Payables Breakdown

9.272 As at December 31, 2017, the largest Trade Payable balance was NAWEC. We held discussions with the Finance Team who indicated that this balance is currently under negotiation with both NAWEC and the Gambian Government. GCAA have been unable to pay NAWEC, and the Finance Team highlighted that in a previous meeting, GCAA would pay the NAWEC bills as they fall due, and the Government would pay the historic balance. The Finance Team also noted that the current total balance due to NAWEC was closer to GMD 40m (USD 833k) but were unable to provide an exact figure.

9.273 We also determined that the next three largest balances, totaling GMD 56.6m (USD 1.2m) were all due to aviation governing bodies, the Banjul Accord Group (“BAG”), African Civil Aviation Commission (“AFCAC”), and ICAO. These balances have not moved between 2017 and 2018, and we held discussions with the Finance team who outlined that GCAA are currently in negotiations with the Gambian Government about them, as GCAA view these creditors as the responsibility of the Government. This balance was outstanding at the end of 2018, and failure to pay could result in GCAA’s membership to these governing bodies revoked or restrictions applied.

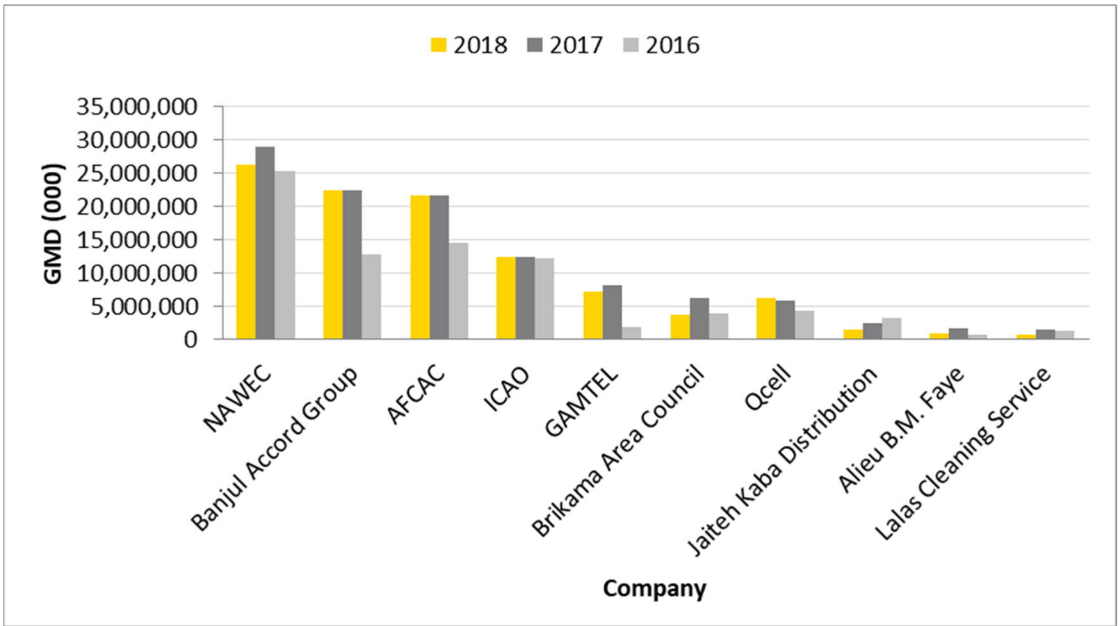
9.274 We discussed the other creditors in the table above, and all of them were creditors transacted with in the normal course of business. We did not identify any exceptional creditors in the listing.

9.275 We also inspected the Access Accounting system to obtain the 2018 figure to understand whether these balances are increasing significantly. We note that the total Trade Payables balance for the top 10 creditors in 2017 has decreased by GMD 8.4m (USD 175k) to GMD 103.7m (USD 2.1m), a decrease of 8%.

9.276 Comparatively, the figure below provides a comparison of 2018 to 2017 and 2016, which shows that the largest Trade Payables have stayed relatively stable over the three-year period. More importantly, this highlights that the balances in relation to ICAO, AFCAC and BAG have not moved, reinforcing the notion that GCAA are either struggling to pay major creditors, or that discussions regarding responsibility have been ongoing for quite some time.

Figure 80: Trade Payable balance for top 10 creditors at 2016 - 2018

Source: Trade Payables breakdown for 2016 and 2017, and the Access Accounting system



9.277 During our Phase 1 work we investigated whether any Board members had conflicts of interest regarding their commercial interests. This was in relation to companies, employed by GCAA, who had links to these Board members. As a result of our testing, we did not identify any instances of companies employed by GCAA, with whom Board members had a commercial interest.

Unrecorded Liabilities Testing

9.278 As part of our work to test the liability position of GCAA, we undertook unrecorded liabilities testing designed to test Trade Payables cut off. We obtained a list of all the cashbooks for GCAA that had transactions in 2018, and would therefore be exposed to the unrecorded liabilities risk. It should be noted that the Access Accounting system used by GCAA made exporting this information incredibly difficult, and this lack of functionality severely inhibits the company.

9.279 We identified a total of 16 cash accounts that had transactions in 2018. After reviewing these cash accounts, we selected a sample of 20 items from the period of January 1, 2018 to December 31, 2018. The aim of the test was to check whether the cash payments related to 2017 activities were properly linked to a liability or other appropriate account in the draft Financial Statements.

9.280 GCAA were able to provide support for 14 out of the 20 transactions selected. Of the 14 transactions, 1 was not associated to a liability, and a total of 3 were related to transactions in 2017. For all 3 of these transactions, we were unable to identify a liability in the accounting records for 2017, with the 3 transactions totaling GMD 7,279 (USD 152k).

9.281 Our inability to trace these transactions back to a specific liability in Trade Payables indicates that the liabilities position of the company is understated.

Recommendations

9.282 It is imperative that GCAA determine whether they themselves or the Government is responsible for addressing the top four Trade Payables, as the balances are a substantial proportion of the overall Trade Payables position.

9.283 Working with the Government to determine an effective payment structure for NAWEC is critical, as the liability is likely to continue to build if GCAA are unable to pay off the historic debt, and NAWEC will need to provide for the balance, which will have a negative impact on that SOE.

9.284 Furthermore, the monies owed to the various aviation governing bodies pose a significant risk to GCAA's ability to operate, as failure to pay may result in sanctions or limitations to their membership. Once again, it is important to work with the Government to determine an effective payment approach, and GCAA should look to prioritize these creditors to ensure that this potential risk isn't realized.

9.285 Based on the outcome of the unrecorded liabilities testing, GCAA must show greater diligence when recording liabilities towards the year-end and improve their Financial Statement Close Procedures. Failure to do so will result in an unrepresentative liabilities position, and given that GCAA is currently loss making, this lack of transparency around the Financial Statements may cause significant problems in the future.

GCAA - Detailed findings – Income statement analysis

Overall review of the trading position / revenue streams

9.286 The draft Financial Statements currently show a loss of GMD 229m (USD 5m) for the year ended December 31, 2017. This figure has changed slightly over the various drafts received, with the loss increasing by GMD 21m (USD 437k) from the first draft received back in December 2018. This is due to an increase to the depreciation charge, which was increased due to the reclassification of WIP to the Buildings Fixed Asset class.

Table 198: GCAA reported Income Statement as at December 31, 2017 with December 31, 2016 comparative

	2016 (GMD'000)	2016 (USD'000)	2017 (GMD'000)	2017 (USD'000)	% change 2016 to 2017
Revenue	334,399	7,955	313,534	6,824	(6%)
Direct costs	(71,283)	(1,696)	(97,343)	(2,119)	37%
Gross profit	**263,116**	**6,259**	**216,191**	**4,705**	**(18%)**
Administrative expenses	(60,966)	(1,450)	(85,630)	(1,864)	40%
Staff Costs	(120,515)	(2,867)	(140,897)	(3,067)	17%
Depreciation charge	(74,630)	(1,775)	(102,424)	(2,229)	37%
Other operating income	36,224	862	37,389	814	3%
Operating (loss) / profit	**43,229**	**1,028**	**(75,371)**	**(1,640)**	**(274%)**
Net financing cost	(144,472)	(3,437)	(148,999)	(3,243)	3%
Provision for bad and doubtful debts	(39,341)	(936)	373	8	(101%)
Loss before taxation	**(140,584)**	**(3,344)**	**(223,997)**	**(4,875)**	**59%**
Income tax expense	(5,559)	(132)	(5,264)	(115)	(5%)
Loss for the year	**(146,143)**	**(3,477)**	**(229,261)**	**(4,990)**	57%

Source: Draft 2017 Financial Statements. For the 2017 results we have applied the weighted average exchange rate of GMD 45.944 : USD 1. For the 2016 results we have applied the weighted average exchange rate of GMD 42.035 : USD 1.

Revenues

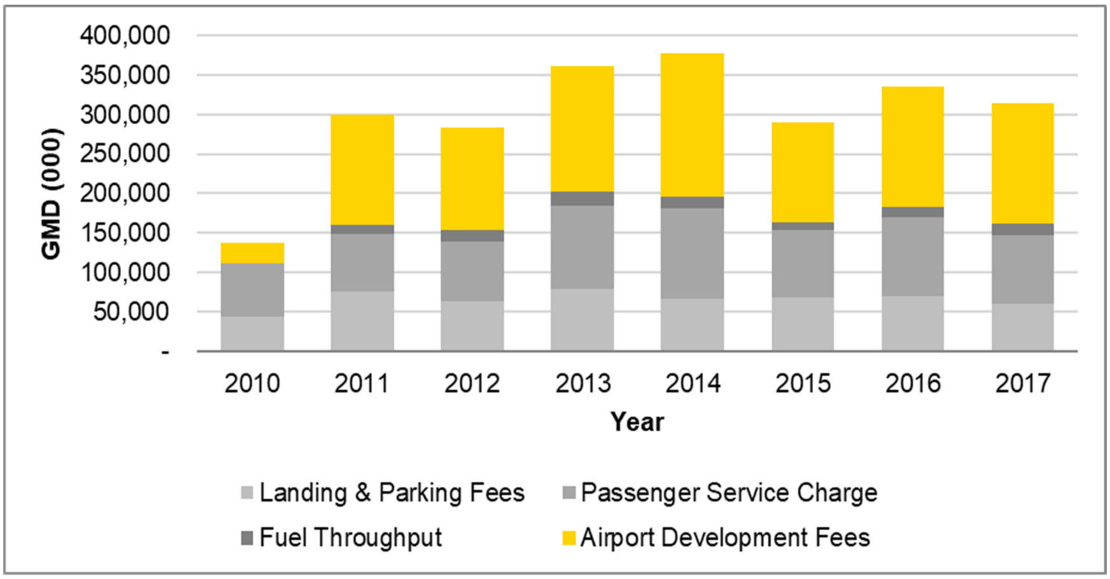
9.287 Over the period 2010 - 2017, revenue has increased from GMD 138m (USD 4.9m) in 2010 to GMD 314m (USD 6.5m) in 2017, an increase of 128%, although this growth has not been consistent year-on-year. This revenue growth has been matched by cost of sales, as the Gross Profit margin has remained relatively stable over the period. In 2010 Gross Profit margin was 70%, reaching a high of 81% in 2012, before declining to 69% in 2017.

9.288 Revenue is generated primarily through Passenger Service Charge and Airport Development Fees. These two streams jointly provided upwards of 67% of GCAA revenue since 2010. Discussions with the Finance Team highlighted that the rates that drive these revenue streams have not changed since 1999. These rates are currently mandated by the Government.

9.289 Discussions with the Finance Team highlighted the key revenue streams. Passenger Service Charge is GBP 10 per passenger older than 12 months, and the security fee of GBP 1.5 per passenger is also added. Airport Development Fees are charged at EUR 20 per passenger older than 12 months, and this is incorporated into the airline ticket price. The other revenue drivers are fuel throughput, and landing and parking fees.

9.290 The figure below shows the revenue split across the 4 categories of revenue, evidencing that Airport Development Fees constitutes the main source of revenue for GCAA.

Figure 81: Revenue mix from 2010 to 2017



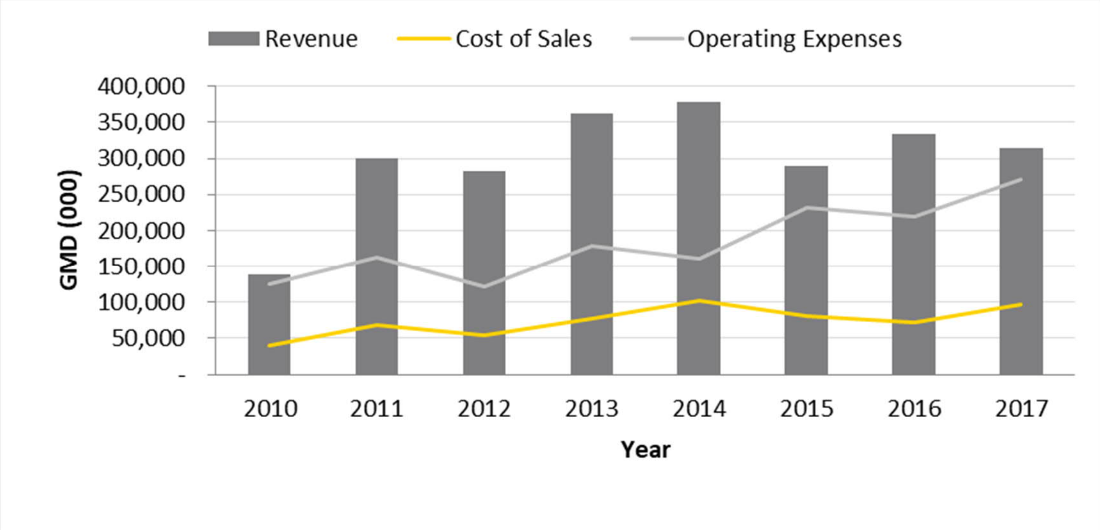
Source: Financial Statements 2010 to 2017

9.291 The figure above also highlights an anomaly in 2010 with regard to the revenue mix, as the Airport Development Fees make up a much smaller percentage than expected. We discussed this with the Finance Team who explained that the Airport Development Fee rate was halved as a result of an Executive Directive in 2005, and this decision was not reversed until the end of 2010. We were not able to obtain the Executive Directive in this instance.

9.292 Operating profit margin has fluctuated significantly, but is currently -65%, the worst margin during the 2010 - 2017 period. In 2015, a margin of 10% was achieved as a result of the Government pegging the Dalasi to the US dollar.

9.293 The current operating profit margin is due to several compounding factors. Revenue fell significantly due to the Ebola scare in West Africa, and hasn't yet recovered to 2014 levels. Staff costs have increased year on year as GCAA continues to expand, and this is coupled with an increased depreciation charge after GCAA revalued its Fixed Assets in 2014. Collectively, this has resulted in operating expenses rising 68% from 2014 to 2017.

Figure 82: Revenue compared to cost of sales and operating expenses from 2010 to 2017



Source: Financial Statements 2010 to 2017

9.294 The figure above indicates, costs are rising at a much greater rate than revenue, which indicates that GCAA will continue to struggle to make a profit, unless it is able to reduce its costs effectively. Furthermore, the continued rise of cost of sales from 2016 to 2017, despite a decrease in revenue, is an indication that GCAA is not effectively managing its variable costs.

9.295 The operating margin is predominantly made up of the depreciation charge for the year, and staff costs, which together account for 83% of the total net operating expense. As outlined in the Fixed Asset section above, GCAA have not accounted for depreciation correctly, and if they were to recognize this historic charge in 2017, the net operating expense would increase.

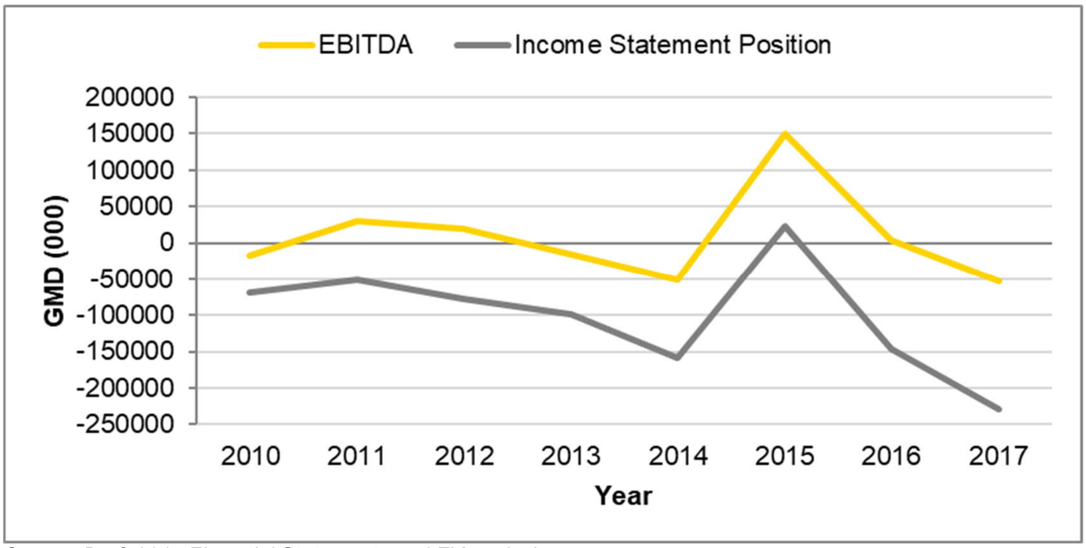
9.296 Costs for the business are up significantly, with both administrative expenses and staff costs up by 40% and 37% respectively. Compared to the decrease in revenue, this is a concerning trend, and GCAA should look to reduce these wherever possible to improve their operating efficiency.

9.297 The net financing cost of GMD 149m (USD 3.2m) in 2017 continued to worsen GCAA's net asset position. The Loss before taxation is largely being driven by the foreign currency revaluation on the loans, and the interest payable in relation to these. If these costs were not included, the net financing cost for the year would reduce by GMD 126m (USD 2.7m), a reduction of 85%.

9.298 Given the significant interest payments made by the business as well as the depreciation recognized, the Earnings before interest, tax, depreciation and amortization (EBITDA) figure provides useful insight into the revenue generated by GCAA, and its operating proficiency. EBITDA outlines the operating performance of GCAA, highlighting earnings before the influence of accounting and financial deductions.

9.299 During the in-scope period EBITDA fluctuates, and even with depreciation and interest added back to the net income figure, the result is not always positive. This suggests that even without the interest occurring as a result of significant loan balances, GCAA would struggle to operate at a profit.

Figure 83: EBITDA compared to Income Statement position from 2010 to 2017



Source: Draft 2017 Financial Statements and EY analysis

9.300 For certain years, based on the EBITDA figure, the business was able to operate effectively within the period. The most significant anomaly in the figure above is 2015, and this is a result of the Dalasi being pegged to the US Dollar, which limited the finance expense to the business for that year.

9.301 As the figure above shows and in line with expectations, EBITDA and the Income Statement position for the period run in direct correlation. The distance between the two lines is most prominent in 2017, which is indicative of an increase in both the interest and depreciation charged for the year. Furthermore, the distance between both lines also highlights that the interest and depreciation balance has increased from 2010 onwards.

Recommendations

9.302 As outlined in the sections above, GCAA would greatly benefit from conversion of existing loans to equity. This would remove all the FX losses and Interest Payable charges being expensed to the P&L each year. Furthermore, a comprehensive and coherent funding plan for the airports development would prevent excessive interest payments.

9.303 GCAA should continue to work with the Government and the Gambia Tourism Board to develop a year-round tourist strategy, with the aim of increasing airport footfall, and ultimately revenue. This should be done in conjunction with a business review, as GCAA should look to cut costs around both administrative expenses and staff costs, which increased 40% and 37% respectively, against a declining revenue position.

9.304 GCAA should ensure that they charge GIA for the baggage handling services each year, and work with the Government to ensure that GIA make the necessary payment. If GIA refuse to pay the balance per the contract, the Government should allow GIA to tender for baggage handling services, so that they are able to collect additional revenue which is currently being denied to them.

Restricted revenue schemes

The Hajj

9.305 One area that was specifically brought to our attention in the TOR of our special audit review in relation to GCAA is the existence of potential restricted revenue schemes, which includes that for the Hajj pilgrimage.

9.306 Our discussions with both the Finance Team and the Department of Air Transport and Commerce (“DATRAC”) indicated that GCAA has not collected any funds in relation to the Hajj since 2012. Prior to this period, the airport was able to recover its costs, as this was allowed by the Government. The costs they recovered were in relation to maintenance of the old terminal which is used solely for pilgrimage passengers, and other costs directly attributable to facilitating the Hajj pilgrimage. Discussions with the Finance Team indicated that the Government was responsible for preventing both the collection of revenue and cost recovery.

9.307 Additionally, during our discussions we were informed that in cities such as Dakar, these costs are fully recoverable, as they are obtained from the airline which would provide the service. In this case, up to 2017, GIA was the airline responsible for managing the Hajj, and was not providing the cost coverage that GCAA required.

9.308 With regards to revenue and income, the main drivers are landing, lighting, parking fees, passenger service charge, security service charge and the Airport Development Fee. These revenue streams are calculated based on passenger throughput, airplane weight and time spent on the ground.

9.309 We held discussions with the Finance Team in order to quantify these numbers, and account for ad-hoc costs incurred by GCAA in direct relation to the Hajj. Calculations across the primary revenue streams mentioned above result in the estimated lost revenue amounted to GMD 12m (USD 248k) over a five-year period.

9.310 The Finance Team further outlined that for future flights, GIA is no longer responsible for the flights, and that a Saudi company is being used. Given that both GIA and the Government no longer have any involvement in the Hajj pilgrimage, GCAA expects to collect revenue through the billing of external and overseas companies for their incurred costs.

Government Charter Flights not paying landing fees

9.311 This area was also referenced in the TOR as an area of interest. To understand the nature of this issue, we held conversations with the Finance Team to determine whether there had been any flights for which GCAA were prevented from collecting revenue, the reasoning behind this, and the approximate value associated to this.

9.312 We liaised with DATRAC in order to obtain a list of flights that had associated costs waived as a result of Government intervention. This list indicates a total of 65 flights from 2015 to 2018, representing 27 flights waived in 2015, 31 waived in 2016, and a further 3 and 4 flights waived in 2017 and 2018, respectively. The charges waived were solely in relation to parking, landing, lighting and temporal air service fees.

9.313 Unbilled revenue from these flights accounts for just over GMD 4m (USD 91k), over the period from 2015 to 2018. It should be noted that these calculated costs do not include the Airport Development Fee, and Passenger Service & Security Fee. These costs represent amounts in relation to the number of passengers. With a conservative estimate of 5 people on board of each flight throughout the period, this would generate an additional GMD 700k (USD 15k) in unbilled revenue. It should be noted that the number of passengers on each flight could be higher, and this would lead to a much larger figure in relation to lost revenue.

Payroll

9.314 The total number of GCAA employees has risen by 31% over the scope period, with the increase resulting from a gradual climb over the 8-year period. The growth rate has been between 4% and 6% from 2011 onwards, with 2013 to 2014 the only year with no employee growth.

9.315 As expected, the increase in employee numbers has had a knock-on effect for the total staff salaries, which have increased by 38% over the same period.

9.316 The table below shows this movement for both staff salaries and staff numbers, which are also used to calculate the average salary per employee. This indicates that staff salaries per employee have stayed relatively stable over the period in scope, with a slight increase from 2010 to 2017. Our conversations with the Payroll department outlined that employees gain additional salary for each year spent at the same grade. This helps further explain the trend, as employees hired throughout the period would see their salary gradually increase the more time they spend at the company.

Table 199: Total staff salaries compared to the total number of staff from 2010 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Total staff salaries (GMD'000)	22,717	23,282	24,661	26,637	26,684	28,732	29,763	31,441
No. of Staff	543	548	569	606	606	634	673	711
Average (GMD'000)	41.8	42.5	43.3	44.0	44.0	45.3	44.2	44.2

Source: Financial Statements 2010 to 2017

9.317 We note that staff salaries represent 22% of the total staff costs, with both staff training and staff allowances representing a larger portion of overall staff costs, at 26% and 37% respectively. Given the size of staff allowances relative to staff salaries, this has been an area of focus, and is discussed below.

Employee benefit schemes – staff allowances

9.318 Staff allowances have grown significantly over the years 2010 to 2017, rising by 118%, from GMD 23.7m (USD 885k) to GMD 51.7m (USD 1.1m), respectively.

9.319 The greatest year on year change occurred in 2013, with staff allowances increasing by 65%, or GMD 15.1m (USD 442k). Post fieldwork we were informed by management that the increases followed Board level approval for the augmentation of various allowances paid to staff.

9.320 There are a total of 15 allowances that are made available to GCAA employees. Not all employees are entitled to certain allowances, and some allowances are for fixed values per month, whereas others are discretionary or involve a calculation. An increase headcount is linked to an increase in the overall allowances expense.

9.321 Allowances include but are not limited to: residential, car, additional duty, risk, shift and responsibility. These allowances are the most significant, accounting for 87% of the total allowances expense for 2017.

9.322 Allowances are provided to employees based on the terms set out in the staff service rule. An example is the residential allowance, which is an allowance of GMD 1k (USD 22) per month to all employees who are not provided accommodation by GCAA. Some 710 out of the total 711 GCAA staff benefitted from this allowance in 2017.

9.323 The table below indicates the total number of employees benefitting from each of the specific allowances available. This has been used to determine the average balance each employee receives, per allowance type.

Table 200: Breakdown of staff allowances by category for 2017

Allowance	Balance for 2017 (GMD)	Number of Employees receiving the allowance	Average amount per employee per year (GMD)
Board	192,000	4	48,000
Car	8,748,000	217	40,313
Responsibility	2,921,992	84	34,786
Acting	972,693	36	27,019
Additional	10,080,000	420	24,000
Transport	1,416,000	59	24,000
Motor bike	120,000	5	24,000
Cashiers	36,000	2	18,000
Risk	7,344,000	408	18,000
Professional	2,478,000	151	16,410
Residential	8,532,000	710	12,017
Editors	36,000	3	12,000
Shift	5,953,200	497	11,978
Telephone	806,400	87	9,269
Heavy Duty	438,000	73	6,000

Source: Allowances breakdown report

9.324 We held discussions with the Payroll department in order to understand some of the significant allowances.

- Residential: this allowance is for any employee who does not receive accommodation from GCAA;
- Car: the car allowance is granted to all employees who drive a car and is to subsidize petrol costs. Employees are not able to claim more than one allowance in relation to transport;
- Risk: this allowance is for employees who have a risk element involved in their work, includes security, fire staff, engineers, payroll, cashiers and air traffic control;
- Additional duty & transport: this allowance has the largest balance for 2017, and the Payroll department explained that this benefit is the same as the transport allowance. It is for all employees who do not possess a car or a motorbike, and is a flat rate per employee. Employees are not able to benefit from more than one transport related allowance, i.e., if employees have a car, they cannot claim car allowance and transport allowance;
- Shift: this allowance is for employees who work on a shift pattern. This applies to almost all staff within the operations of the airport, such as security, fire staff, air traffic control, engineers, drivers, and cleaners;
- Responsibility: this is a scaled allowance provided to all employees who are currently employed at Grade D and above. Each grade receives this allowance in relation to having a level of responsibility within their role; and
- Board: this allowance is restricted to the Board members only, but does not include Board members who are not employees of GCAA. Therefore, it is only paid to the

Director General, Deputy Director General, Board Secretary and Staff representative, but not to the non-executive Board members.

9.325 Our discussions with the Payroll department indicate that it is possible for allowances rates to be updated. However, this occurs infrequently for most of the allowances, with shift allowance being the only allowance to have changed in recent years, increasing by GMD 500 (USD 10) per employee. The Payroll department also explained to us that they are notified of any changes in relation to allowances by the HR department.

9.326 The table below illustrates the rise in average allowance for employee over the period.

Table 201: Average allowances balance per employee from 2010 to 2017

Year	Allowances (GMD'000)	Number of Employees	Average allowance per employee
2017	51,659	711	72,657
2016	48,925	673	72,697
2015	48,851	634	77,052
2014	45,425	606	74,959
2013	38,405	606	63,375
2012	23,343	569	41,025
2011	23,988	548	43,774
2010	23,731	543	43,704

Source: Financial Statements 2010 to 2017

9.327 The 2017 allowances expense of GMD 51.7m (USD 1.1m) is 64% higher than the total salary cost for the year (GMD 31.4m), and accounts for 37% of the overall staff costs for the year.

9.328 From a wider perspective, the 2017 staff allowances figure represents 24% of the Gross Profit value.

9.329 Our conversation with the Payroll department indicated that each new employee is informed which allowances they are eligible for. The Payroll department assigns the relevant allowances to each position within GCAA. For allowances that are not provided automatically, such as professional allowance, the employees are required to provide proof to the HR department that they meet the necessary requirements.

9.330 We did not perform any testing to determine whether allowances had been granted correctly or incorrectly to staff.

Ghost Employee Testing

9.331 We performed a staff verification exercise as part of our work on payroll. We obtained a list of all current GCAA employees, as at January 2019, which we used to identify a sample. Employees were also tested randomly, ensuring that employees encountered featured on the payroll.

9.332 The report that we obtained from the Payroll department listed a total of 730 employees. We selected a sample of 10 employees from the report, and then proceeded to verify their existence by:

- ► Physically locating the staff;
- ► Verifying the staff's GCAA photo ID card in order to confirm the identity; and
- ► Verifying the payroll number as an additional check, and comparing it to the payroll report.

9.333 From our original sample of ten employees, three employees were not present. The reasoning provided was maternity leave, work retreat, and annual leave. We selected another three employees from the staff listing.

9.334 During our testing we encountered challenges in relation to several employees being on shift. A total of ten employees selected, both as part of the original sample and the replacement selection, were not at work during the time we performed our testing, as they were on different working shifts. These employees represented a mix of departments, namely security, fire staff and air traffic control. We confirmed with both Finance and HR that these departments used shift patterns for their workers. For both the fire staff and air traffic control staff that were on shift, we confirmed their absence with the Chief Fire Officer. The security personnel not present were confirmed as off shift by a Security Officer.

9.335 Given the time constraints faced to perform our audit, we were not able to locate these ten employees at an alternate time.

9.336 For the final sample of ten employees tested from the payroll report, all ten had staff ID cards, and provided the correct payroll number when queried.

9.337 In addition to this, we performed a floor-to-sheet testing on five other random employees. Our sample aimed to test employees from numerous areas within GCAA, such as finance, security, firefighters, procurement and air traffic control.

9.338 Out of the five employees that we randomly tested, all of them had staff ID cards and were able to provide their payroll number.

9.339 Based on our testing, we note that all employees matched, both from sheet-to-floor and floor-to-sheet, though it should be highlighted that 13 employees could not be verified due to the reasons stated above.

9.340 Our discussions with the Internal Audit department outlined that they perform an annual employee verification exercise due to a request from the External Auditors. We obtained the Internal Audit reports for 2016 and 2017 which noted no ghost employees. The report highlighted that several employees were misclassified under the wrong department, and that the HR system is not routinely updated to reflect staff movements.

9.341 In conclusion, our testing did not substantiate the possibility that ghost employees are present at GCAA. We also note that the Internal Audit department performs an annual review of the current employees which helps to mitigate the risk of ghost employees.

9.342 With regards to possible overstaffing, we held conversations with several people within the company, who indicated that the department with the greatest potential for overstaffing was operations, specifically security. Given the shift nature of the work, any security position identified requires three people, as there are three shifts a day. It was highlighted that if steps were taken to implement automated and machine based security measures, this would have a significant impact on the total number of security staff required.

Recommendations

9.343 GCAA needs to ensure that all staff allowances align with staff service rule, as there is currently a discrepancy between what the staff service rule states, and the actual value and criteria for payment. Therefore, GCAA needs to update the staff service rule to reflect the current staff allowances position.

9.344 We understand from Management that the HR, Finance and Audit departments all review the payroll on a monthly basis to ensure that all payments are accurate. This practice should be continued to ensure that no excess allowances are being provided to employees, or more importantly that employees are not claiming multiple allowances they are not entitled to.

Advertisements & Promotions

9.345 As part of our work to identify any fund misuse or diversion of funds within GCAA, we inspected accounts that were more likely to include potential fund misuse or diversion, and if identified, the value associated to it. One of the accounts inspected was the Advertisements & Promotions account. This account had a charge for the year of GMD 1.5m (USD 31k). We were able to obtain the yearly charges from 2012 onwards, and this shows that from 2012 to 2017, expenditure in this account has been relatively minimal, fluctuating from a low of GMD 1.3m (USD 27k) to a high of GMD 4m (USD 83k).

9.346 From 2016 to 2018, there were a total of 151 transactions posted, for a combined value of GMD 7m (USD 146k). Expenditure that was clearly identifiable to the GCAA football team accounted for 53 of the transactions across the period, with a total value of GMD 2.3m (USD 48k). Examples of the higher value transactions are GMD 300k (USD 6k) for travel to Senegal, and GMD 100k (USD 2k) for football boots.

9.347 We selected a sample of seven items to ensure the accuracy of the entries. Of this sample of seven, we were unable to obtain support for three of these items. Of the four sample items tested, all were in line with expectations, with the support behind each transaction verifying both the amount and nature of the transaction.

9.348 Based off the work performed in relation to this balance, there was no clearly identifiable fund misuse or diversion from this account, though the amount spent in relation to the GCAA football team is noteworthy.

Donations & Sponsorship

9.349 As outlined above for Advertisements & Promotions we inspected the Donations & Sponsorship account to determine whether there had been any potential fund misuse or diversion, and if identified, the value associated to it.

9.350 This account had a charge for the year of GMD 1.9m (USD 40k). We were able to obtain the yearly charges from 2012 onwards, and this shows that from 2012 to 2017, expenditure in this account has been relatively minimal, fluctuating from a low of GMD 1.6m (USD 33k) to a high of GMD 3.2m (USD 67k).

9.351 From 2016 to 2017, there were a total of 46 transactions posted, for a combined value of GMD 3.5m (USD 73k). Examples of the higher value transactions are GMD 450k (USD 9.3k) for industrial carpet, and GMD 100k (USD 2k) for a donation towards the rehabilitation of the Banjul International Airport Mosque.

9.352 We selected a sample of ten items to ensure the accuracy of the entries. Of this sample of ten, we were unable to obtain support for one of these items. Of the nine sample items tested, all were in line with expectations, with the support behind each transaction verifying both the amount and nature of the transaction.

9.353 Based off the work performed in relation to this balance, there was no clearly identifiable fund misuse or diversion from this account.

GCAA - Detailed findings – Quantification of diverted or misused funds

9.354 During the course of our fieldwork we have sought to identify examples of historic fund diversion or misuse at GCAA. Through conversation and document review, we have collated the instances where SOE funds were used for purposes other than originally intended, or because management were instructed by the Office of the President to commit expenditure that does not have a direct benefit for the SOE.

9.355 As part of this review we looked at Executive Directives. We held discussions with the GCAA HR department who provided us with all the Executive Directives they had retained. The files included a total of 86 Directives, spanning the period 2012 to 2018.

9.356 We note that there were no Executive Directives in the file for the years 2016 and 2017. Based on discussions with the HR Department we understand that no orders were issued, which is consistent with financial performance of GCAA during that time.

9.357 Upon review of the Executive Directives, the following are deemed noteworthy due to their potential to cause leakage at GCAA.

Table 202: Summary of Executive Directives with potential for leakage

Date	Description of Executive Directive	Impact	Identifiable Cost
10/12/2012	All Permanent Secretaries, Head of Departments and Senior Officers have to ensure that they are driven by designated drivers and not drive themselves. Including the spouses and family members.	GCAA are required to hire or maintain a certain number of drivers, which could increase staff costs.	n/a
19/05/2013	Monthly stipend required for all overseas students.	GCAA send employees abroad for training and development, and this may result in additional costs.	n/a
12/03/2014	Heavy Equipment Operators shall be paid D500 per day. Machines must be kept clean. Provide proper security. Provide fuel for each machine and they must not operate below 40 liters.	The impact is not clear, as GCAA may meet this requirement. If they do not, it will incur additional staff costs for GCAA.	n/a
10/04/2014	Airlines serving Banjul and the sub-region are not to pick up passengers in Freetown, Monrovia and Conakry as in bound passengers to Banjul.	Impact is not clear, as GCAA may have no airlines servicing these companies. Any airlines that do would result in lost revenue for GCAA.	n/a
27/06/2018	Ministry of Transport, Works and infrastructure and Public Enterprises retreat. Each PE under the domain is to contribute to the retreat and provide one bus for the transportation of the participants.	GCAA must contribute money and transport to the retreat, and is not their own decision.	GMD 150,000
18/12/2018	Granting of exclusivity right to the Gambia Printing and Publishing Corporation for printing of Government revenue/receipt books.	GCAA may have to pay more for this product than is the going market rate.	n/a

Source: Executives Directives obtained from GCAA

9.358 It is not possible to quantify the cost to GCAA in this regard, but it is important to note that several business-related decisions have been made without their input and agreement, which could impact the running of GCAA, and have a negative financial impact. None of the schemes appear to be of a nature that would direct material amounts of funds out of GCAA for use elsewhere.

9.359 Upon discussion with various GCAA employees, we have been made aware of other instances where the Office of the President was responsible for certain decisions that have impacted GCAA, and these have been mentioned throughout the sections of this report where they have been relevant topics of discussion. For ease of reference, they have also been listed below:

- Unable to collect revenue in relation to the Hajj pilgrimage from 2012 to 2017;
- Unable to collect revenue from certain charter flights as a result of Government involvement;
- Substantial foreign currency loans taken out for airport development without GCAA's approval;
- Acquisition of Fire tenders and the corresponding loan now due to SSHFC;
- Development of the carpark of the airport and the corresponding loan now due to SSHFC;
- Reduction of Airport Development Fees by half for the period 2005 to 2010;
- Inability to tender for baggage handling services at the airport, resulting in GIA performing the work, which in turn is currently not paying GCAA the required amount; and
- Restriction on the changing of their rates with regard to key revenue streams such as Airport Development Fee, Passenger Service and Security Charge, and others.

We have also looked to quantify any frauds that are known to GCAA. Upon discussion with various departments across GCAA, and detailed conversations with the Finance Team across numerous topics, we were not made aware of, nor have identified any fraud schemes or diverted funds that are not covered under the Executive Directives mentioned above.