



Internal Audit Report

on

RWESCK

(July, 2021)

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INTERNAL AUDIT DEPARTMENT

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Date **July 9, 2021**

The Provost
College of Engineering
KNUST

INTERNAL AUDIT REPORT ON RWESCK

We have completed our audit review on the Regional Water and Environmental Sanitation Centre, Kumasi (RWESCK) of the College of Engineering for the year ended December 31, 2020.

The audit forms part of the Internal Audit fiduciary requirement to the ACE programme as specified in the Project Document. Our audit work took into account the testing of accounting procedures and internal controls on how funds received from the World Bank have been accounted for. The audit review is expected to be carried out annually for the duration of the ACE programme.

We welcome issues or questions that need further clarifications, and wish to express our appreciation to all staff who assisted us in various ways with information during the audit

MOSES TSIQUAYE
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Cc: Finance Officer
Centre Director, RWESCK
College Finance Officer

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1.0 Executive Summary

We have completed the audit review of the activities of the World Bank Donor Funded Project capped Regional Water and Environmental Sanitation Centre, Kumasi (RWESCK) and submit our report for your perusal. The period for the audit covered the financial year ending December 31, 2020. and covers both financial and non-financial. As a Donor funded Project, we paid more attention to the achievement of the Disbursement Linked Indicators (DLIs).

A summary of the DLIs and the progress made in terms of their achievement have been highlighted in this report. The main objective of the project is to strengthen the quality of postgraduate education and research and increase enrolment.

Summary of findings.

- ✓ The enrolment of students into PhD and MSc is progressing steadily.
- ✓ Regionalisation of students is on course, except the target has not been achieved.
- ✓ Quality of Education and Research has three components, namely gap assessments, international accreditation and research infrastructure, and all are in progress.
- ✓ There were no receipts to PVs for statutory payments like withholding taxes.
- ✓ Laptops procured have not been labelled for monitoring purposes.
- ✓ Payment vouchers were not filed in orderly manner and that needs improvement.

Below is the summary of receipts and payments.

Details	Amount US\$
<u>Receipts</u>	
Transfers from World Bank	2,105,000.66
<u>Payments</u>	
Expenditure in Cedi retranslated	820,634.55
Dollar payment	245,059.49
Total Payments	1,065,694.04
Cash Balance as at December 31, 2020	1,039,306.62

NB: Refer to **appendix 1** for details. We can confirm that the balances are correct.

Details of Pre-financed expenditure can be found in **appendix 2**.

2.0 Introduction

The Regional Water and Environmental Sanitation Centre, Kumasi (RWESCK) has been established as one of the Africa Centres of Excellence (ACE) for Development Impact, an initiative of the World Bank to address the shortage of high-level skills and applied research in Ghana and the sub-region. The ACE Impact is the second phase of the African Centre of Excellence Project, an initiative of the World Bank in Collaboration with Participating countries.

The primary objective is to improve quality, quantity and development impact of postgraduate education through regional specialisation and collaboration. The ACE Impact is a result-driven project with the achievement of key indicators linked to disbursement of funds. The IDA of the World Bank offered the Centre a grant amounting to SDR3,887,245.00 equivalent of US\$ 5,474,992.95 million to support the project.

There is a Leadership/Project team in place that is responsible for the day to day running of its operations, but many of the routine tasks are handled by the Project Director, Accountant and Manager. The project document allows for two sets of Boards to be established. A 9-member International Scientific Advisory Board with oversight responsibility, and a 12-member Sectoral Advisory Board to promote industry partnership. The two Boards are all in place.

The University's Accounting Policies and Procedure Manual, the Public Financial Management Act 2016, (Act 921), the Public Procurement Act 2003 (Act 663) serve as a guide for the preparation of financial transactions. The **Panacea** software is used for the recording of financial transactions. We examined the internal controls on the receipts and payments and can confirm they are working.

One of the thematic areas (DLIs), Timelines and Quality of Fiduciary Management relates to the review of the Internal Audit, oversight responsibility of the Audit Committee and the work of the External Auditors. It is for this reason that we have schedule the audit of this project to be reviewed annually.

The project objective has been structured as (DLI) and therefore our review and report are along the lines of DLI

3.0 Methodology & Scope

We have completed the audit review of the activities of Regional Water and Environmental Sanitation Centre, Kumasi (RWESCK) and submit our report for consideration. The period for the audit covered the financial year ending December 31, 2020. The audit forms part of the Centres fiduciary requirement to the world Bank.

In performing the audit, the following were undertaken;

- ✓ Conducted entrance meeting with the Centre Project team to understand and update the audit team's knowledge on current happenings.
- ✓ Inquired of the significant changes that have occurred since the last audit with respect to the management structure of the project.
- ✓ Obtained the necessary documents pertaining to the project to acquaint ourselves with the Donors requirements (i.e. DLIs).
- ✓ Visited the Centre's Website to ascertain information and corroborate information of progress made on the project.

In developing the audit programme for the assignment, we also considered the following risks;

- ✓ Some DLIs may be missed out leading to non-disbursement of project funds.
- ✓ Procurement Laws may not be followed in the acquisition of items.
- ✓ Disbursement or transfers from the Dollar account to the local Cedi account may not have been approved.
- ✓ Expenditures may not be approved by the senior officials.
- ✓ Expenditures made may not be according to the project budget lines.
- ✓ Bank reconciliation statements prepared may not be reviewed, with irregular transactions causing disagreement of cash book balance with the bank balance.
- ✓ Assets acquired may not be labelled which may lead to loss.

The above were therefore factored into the audit programme to ensure that risks arising from weak internal controls have been detected and recommendations given to correct them. This also involves assessing the operating internal controls to ensure they are working.

A draft report is expected to be issued to enable us obtain responses from the Project Management which would be incorporated in the final report to the College Provost.

4.0 Relevant Information

The following were some of the Disbursement Linked Indicators (DLIs) we focused on during the audit.

- ✓ **DLI #2 Development Impact of ACE Centre.** This involves an independent, external evaluation of the development impact of the ACE Centre and it is expected to be conducted in Year 3 and 4, i.e. 2021/2022.
- ✓ **DLI #3 Quantity of Students with Focus on Gender and Regionalisation,** this looks at the number of students to be enrolled onto the programme. The following have been achieved;
 - 19 out of 56 PhD students have been enrolled.
 - 43 out of 100 MSc students have also been enrolled.
 - 66 out of 280 targeted students have benefited from the Short term courses.
 - At the time of audit, the Centre had enrolled seven (7) Regional Female students.

In total, US\$589,415.14 was paid on behalf of students in respect of tuition fees and other costs such as stipends.

- ✓ **DLI #4 Quality of Education and Research.**
 - *Programme Accreditation.* For National accreditation, the Centre has received certification for 2 MSc and 3 PhD courses. With the International accreditation, a draft accreditation document has been prepared and is yet to be approved by the Centre Management.
 - *Research Publications.* The Centre has made sixteen (16) research publications and are available on the website.
 - *Research Infrastructure (building and laboratories).* At the time of reporting, the Centre has received approval for pre-contract processes to begin for the construction of the Phase II building.
- ✓ **DLI #5 Relevance of Education and Research through externally generated revenue.**
 - With this target, the Centre is supposed to generate external revenues to support its activities. As at the time of the audit, an amount of US\$724,311.11

has been generated through projects and consultancy from external sources for 2019.

- Number of students on internship. At the time of audit, fifty (50) students undertook internship with various industries.

✓ **DLI #7 Institutional Impact**

- This target is purposely to involve the University in the achievement of the ACE result. Primarily, it covers the openness and competitive selection of head of institutions. The Centre has written to set up a committee to implement the activities to achieve this deliverable.

✓ **Others**

- The closing cash balance of US\$**1,039,306.62** agrees with the bank balance, except that, the bank balance was more (i.e. US\$1,805,000). The reason is that the cash book ledger is a Pool account with other funds. We confirmed that a reconciliation has been performed to indicate the various balances in the account.
- The closing cash balance of US\$1,039,306.62 did not agree with the balance of US\$1,010,087.07 quoted on the returns sent to the Donor (IFR). The difference is US\$29,219.55. The Project accountant should ensure the inconsistency is resolved by reconciling the balances to agree.

5.0 Audit Findings

Observation	Recommendation	High/Medium/ Low Risk
<p>5.1 Receipts not Obtained for Payments for Goods and Services</p> <p>During the audit we realised that some of the payment vouchers did not have receipt attached to them to show that payments have been made. For example, receipts for the payment of Statutory deductions i.e. Withholding taxes to GRA. Find details in appendix 3. It is a normal accounting principle that whenever a payment is made, a receipt is obtained and attached to the payment voucher as evidence of payment.</p> <p>Implication</p> <ul style="list-style-type: none"> - Without receipts, the payment could be seen as fictitious. 	<p>The Accountant should ensure that receipts are obtained and attached to the PVs when payments are made.</p>	<p>Low</p>
Response		Responsibility
		Project Accountant

Observation	Recommendation	High/Medium/ Low Risk
<p>5.2 Labelling of Project Assets</p> <p>Laptops and Samsung tablet acquired during the period for the Centre have not been labelled with unique numbers as required by the University's Policy that, Donor funded Assets (plants, vehicles, equipment or furniture) shall be identified and labelled before they are put to use. Find details in appendix 4.</p> <p>Implication</p> <ul style="list-style-type: none"> - Difficulty monitoring the assets which could lead to possible loss. 	<p>The Project Accountant should ensure that the assets acquired for the Project have been labelled with unique numbers and the numbers written in the assets register.</p>	<p>Low</p>
Response		Responsibility
		Project Accountant

Observation	Recommendation	High/Medium/ Low Risk
<p>5.3 Orderly Filing of Payment Vouchers</p> <p>It was observed that the payment vouchers were not filed in an orderly/sequential manner, to enable us easily retrieve them for audit examination of the supporting documentation.</p> <p>Implication</p> <ul style="list-style-type: none"> - Difficulty in tracing or locating specific transactions from the lots of PVs. 	<p>Going forward the accountant should properly file all the PVs in an orderly manner for easy retrieval of document for audit examination.</p>	<p>Low</p>
Response		Responsibility
		Project Accountant

6.0 Conclusion

The activities of the centre were well managed especially with the deliverables. There has been a significant progress in the achievement of most of them (DLIs) with the exception of few ones which needs intense management effort.

It could be seen that intake for female regional students is on the lower side and therefore management should intensify effort to absorb more female regional students to achieve its deliverable objective and benefit from the funds associated to it.

The Centre management should ensure the issues raised are corrected to strengthen the internal control environment.

Appendix

1. Receipts and Payments from World Bank

Details	Amount US\$
Receipts	
Transfer from World Bank	463,653.94
Transfer from World Bank	1,641,346.72
Amount Available	2,105,000.66
Less Payments	
Pre-finance Cedi payments retranslated	820,634.55
Tuition fees	227,675.80
Local & International Travel	16,063.69
	1,065,694.04
Cash Book Balance as at December 31, 2020	1,039,306.62

2. Analysis of Ghana Cedi Transactions

Payments	Amount GH¢
Tuition fees	568,516.75
Conference and research	567,831.80
Equipment	492,814.98
Staff salaries	253,043.55
Students stipends	225,326.68
Student accommodation	215,191.48
Students research	215,097.44
Allowance	189,280.25
Withholding taxes to GRA	105,321.63
Local and international travel	96,360.32
Fuel and lubricant	60,673.56
Gasses and laboratory materials	59,694.16
Entertainment and meals	48,177.14
Audit Fees	42,834.68
Internship allowance	40,000.00
Repairs and maintenance	30,606.14
Printing and stationery	29,807.17
Insurance and licensing	29,800.25
Internet/Wifi/Data bundle	29,268.08
Cleaning and sanitation	25,114.74
Accreditation expenses	15,000.00
End of Year Package	6,385.00
Bank Charges	1,004.00
Total Payments	3,347,149.80