



Internal Audit Report

on

RWESCK, 2021

(July, 2022)



Kwame Nkrumah
University of Science
and Technology, Kumasi

INTERNAL AUDIT DEPARTMENT

August 3, 2022

The Provost
College of Engineering
KNUST

INTERNAL AUDIT REPORT ON RWESCK

We have completed the audit of Regional Water Environment and Sanitation Centre, Kumasi (RWESCK) at the College of Engineering for the year ended December 31, 2021, and present our report for your consideration. This forms part of the Centres fiduciary responsibility. Significant issues that came up during the audit have been discussed with management, and their responses have been incorporated in the report.

We are grateful to management and the staff for their support in providing information to enable us complete the audit. We are also available to provide any further clarification that may arise.

MOSES TSQUAYE
(INTERNAL AUDITOR)

Cc: Project Director
College Finance Officer

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1.0 Executive Summary

We have completed the audit of the activities of World Bank Centre of Excellence (ACE) Impact Project at the College of Engineering capped Regional Water and Environmental Sanitation Centre, Kumasi (RWESCK) and submit our report for your consideration. The scope of the audit covered financial year 2021. The audit forms part of the Centre's fiduciary requirement. As a donor funded project, we paid more attention to the achievement of the Disbursement Linked Indicators (DLIs) as these are linked to monetary inflows.

Below is the summary of Receipts and Payments:

Details	Amount US\$
Opening balance	1,805,831.73
<u>Receipts</u>	
Transfers from World Bank	732,262.82
Other projects' Income	105,878.21
	2,643,972.76
<u>Less: Payments</u>	
Total Payments	2,414,578.97
<i>Cash Balance as at December 31, 2021</i>	<u>229,373.79</u>

NB:

- Details of the financial transactions can be found in **appendix 1 & 2**.

Below are summary of audit findings.

- ✓ With regards to the 30% regionalisation, the Centre has achieved 12%.
- ✓ Replacement for Project Manager has not been made as required by the Project Implementation Plan.
- ✓ Institutional impact for the University's involvement has not been achieved for the period.
- ✓ The Centre uses the Project's Bank account to receive other unrelated Project inflows into it.

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.

Its primary objective is to deliver high quality postgraduate programmes, conduct and disseminate international calibre applied research focused on addressing priority developmental challenges related to industrialisation, energy and digital development. The project has a budget of US\$5,474,992.95 for a five-year duration (i.e., 2019-2023).

There is a Management/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 (2) sets of Boards to be established. A 11-member International Scientific Advisory Board with oversight responsibility, and a 9-member Industrial Advisory Board to promote industry partnership. The two boards are all in place and meet regularly, minutes of meetings were assessed and reviewed.

The University's Accounting Policies and Procedures Manual, the Public Financial Management Act, 2016 (Act 921), the Public Procurement Act, 2003 (Act 663) as Amended with (Act 914) serve as a guide for the preparation of financial transactions. The Panacea software is used for the preparation of financial transactions including financial statement.

Included in the report is also a follow up of both internal and external audit issues raised to ensure actions are taken on the recommendations given.

3.0 Methodology and Scope

The period for the audit covered the financial year ending December 31, 2021. The audit forms part of the Centre's fiduciary requirement to the world Bank.

In performing the audit, the following were undertaken;

- ✓ Conducted entrance meeting with the Centre's Project team to gain understanding of the current happenings.
- ✓ Inquired of the significant changes that have occurred since the last audit with respect to the management structure, governance and risk management of the project.
- ✓ Obtained the necessary documents pertaining to the project to acquaint ourselves with the status of progress of the DLI's.
- ✓ Visited the Centre's Website to ascertain information pertinent to 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 have been completely followed.
- ✓ Expenditures may not have been approved by a senior official.
- ✓ Expenditures made may not be according to the project budget lines.
- ✓ Bank reconciliation statements prepared may not be reviewed, with irregular transactions causing disagreement between cash book and Bank balance.
- ✓ Assets acquired may not be labelled which may lead to a possible loss.

The risks identified above were factored into the audit programme to ensure that correct control measures exist to mitigate them. This involve assessing the operating internal controls to ensure they are working.

All issues raised during the audit have been discussed with the Project Management and their responses have been incorporated in the final report to the College Provost.

4.0 Performance of the Disbursement Linked Indicators (DLI's)

The DLIs are the deliverables based on which the World Bank would transfer funds to the Centre for its activities. We therefore assessed each DLI to determine the status of progress made and where possible highlighted the areas that needs improvement to enable management put in place the necessary actions to achieve them.

4.0.1 DLI #1 Institutional Readiness

This is not applicable to the Centre unlike the other ACE Impact.

4.0.2 DLI #2 Development Impact of ACE Centre

This is basically an evaluation exercise and it is expected to begin in the 4th year (i.e. 2022) by the World Bank. An assessment form has been submitted to the Centre for self-assessment based on which the World Bank will make verification before releasing any funds.

As at the time of reporting, the assessment has been done and submitted to World Bank for verification.

4.0.3 DLI#3 Quantity of Students with Focus on Gender and Regionalisation,

This looks at the number of new PhD and Master's students programme enrolled as well as professional short courses undertaken. The Centre is expected to enrol ten (10) PhD students, twenty (20) Masters' Students and sixty (60) participants for professional short courses for the year 2021.

In the year under review, the Centre achieved the target by enrolling twenty-two (22) PhD and thirty-six (36) Masters students. The Centre undertook a short course with 117 participants in the year, however, this was verified in 2022 for funding.

On 30% regionalisation of students, seven (7) students out of the fifty-eight (58) students enrolled were from the sub-region. This represents 12.06% of the target. The rate of achievement is low and needs to be improved. This has been included in the audit findings.

4.0.4 DLI #4 Quality of Education and Research

i. Programme Accreditation (GAP Assessment International & National)

↓ National Accreditation

The Centre intends to achieve accreditation for six (6) programmes. Two (2) of the programmes have already been accredited remaining four (4) new programmes which have been submitted to Ghana Tertiary Education Commission (GTEC) for accreditation.

As at the time of reporting, the Commission was yet to visit the Centre for site inspection and accreditation.

↓ International Accreditation

The Centre is seeking international accreditation for three (3) programmes. The Centre is about to engage a consultant (AQAS) for international accreditation of the three (3) postgraduate programmes. We understand, a contract is expected to be signed with the Consultant for the accreditation during the year.

↓ GAP Assessment

On GAP assessment, a draft report has been issued to the Centre for review. The Centre has received the full allocation of USD50,000 for programme accreditation.

ii. Research Publications

The Centre is expected to make ten (10) publications in the year 2021. A total of nineteen (19) research publications were made and verified by the world bank.

iii. Improved Teaching and Research Environment

The Centre has two milestones to achieve under this target;

- ↳ M1 is for the Centre to acquire laboratory equipment to facilitate teaching and research. The equipment has been acquired and has been verified by the World Bank. The Centre has received the funding of US\$300,000 for M1.
- ↳ M2 is for the Centre to put the acquired equipment to use. We can confirm that the equipment is in use and the report on usage has been submitted to the world Bank for verification.

4.0.5 DLI #5 Relevance of Education and Research through externally generated revenue.

This has two (2) components as follows;

i. To generate revenue externally to support the Centre's activities.

This was achieved in 2020, as a result a total allocation of US\$1.44m has been received from the World Bank.

ii. Student's internship.

The Centre is expected to put sixty (60) postgraduate students through a relevant industrial internship program. Our review showed that fifty-two (52) students undertook industrial internship representing 86%. An allocation of US\$53,749.00 has been received from the World Bank.

4.0.6 DLI #6 Timeliness and quality of fiduciary management

Under this, the Centre is expected to ensure timely fiduciary reporting, functioning Internal Audit Unit and Audit Committee, transparency of ACE expenditure and Procurement audit.

The Internal audit report for 2021 has been submitted to management. Audit Committee has been functioning and evidence of minutes are available. External and Procurement audits are ongoing.

4.0.7 DLI #7 Institutional Impact

This target is purposely to measure the ACE Impact on the University as a whole. It seeks the involvement of the University in the ACE project and primarily covers three (3) areas as follows:

- i. University-wide regionalisation strategy
- ii. Universities international accreditation
- iii. Institutional impact.

We understand the University has constituted a committee chaired by the Director of the Office of Grant and Research with a sub-committee for each of the targets under DLI 7 to ensure the centre achieves this DLI.

5.0 AUDIT FINDINGS

5.1 30% Regionalisation of students Not Achieved

Condition

The following were observed:

- i. Included in the DLI#3 is that 30% of the students enrolled should come from the sub-region. We observed during the audit that, out of the fifty-eight (58) postgraduate student's enrolment, seven (7) of the students were from the sub-region. This indicates an achievement of 12.06% which is far below the expected figure.
- ii. For internship, 52 students undertook internship, out of which 2 came from the sub-region. This implies that if the Centre is not able to achieve full compliance, they will not receive funding.

Recommendation

- ✓ Management should consider a blend of minimal online with substantial face-to-face learning programme, if getting students from the sub-region to move to Ghana is a challenge.
- ✓ Alternatively, the Centre can renegotiate with the World Bank on the target for the sub-region.

Response from RWESCK Management

Though school fees for regional students is expensive, Management is doing their best to achieve the target. Management will write to the Vice-Chancellor to reduce the fees for foreign students so that the Centre will be able to attract more foreign students.

5.2 Institutional Impact (DL1 #7)

Condition

We observed that, the Centre has not been able to achieve any of the targets below:

- ↓ University-wide regionalisation strategy
- ↓ University's international accreditation
- ↓ Institutional impact.

However, we understand the University has constituted a Committee to work on the target to ensure it is achieved.

Implication

The University stands to lose US\$300,000 funding allocation.

Recommendation

- ✓ Project management should vigorously follow up with the Committee to ensure they work on the target

Response from RWESCK Management

The University has constituted a committee to work on the target to ensure that it is achieved. Project Management is seriously following it up with the Committee to ensure they work on the target.

5.3 Absence of Project Manager

Condition

We observed during the audit that since the time (i.e. June 2021) the Project Manager resigned from the Centre, there has not been replacement. This does not comply with the Project Implementation Plan.

Recommendation

- ✓ The Centre Management should ensure a substantive Project Manager is hired in fulfilment of the Project Implementation Plan.

Response from RWESCK Management

The Centre has now officially recruited a substantive Project Manager to comply with the Project Implementation Plan. He has started working. Please, kindly find attached the letter issued to Deputy Registrar waiting for the appointment letter.

5.4 Centre Project Account Used for Other Projects Inflows**Condition**

We observed during the audit that the Centre's Bank Account is used to receive inflows from other unrelated projects. This apart from the fact that, it could mix up with the Centres funds, it makes reconciliation very cumbersome.

Recommendation

Even though a separate bank account has been opened in compliance with the previous year audit report, we entreat the Project Accountant to ensure other project inflows are not received into the Centre's World Bank Project account anymore.

Response from RWESCK Management

As confirmed by the Auditors, the Centre has opened a new account at Consolidated Bank Ghana (CBG) to receive inflows from other unrelated projects. Please find attached a copy of a request letter and Bank statement confirming the account opening

6.0 Conclusion

The activities of the Centre have been well managed especially when it comes to the achievement of the deliverables. There are still more to be done to achieve overall performance of the DLIs. It is an undeniable fact that the rippling effect of COVID-19 has had a significant impact on the achievement of the activities of the Centre. This means that, management needs to put in much effort to ensure the remaining activities are undertaken to ensure allocated funds are received.

The ACE under the College and the University need financial resources to undertake its objectives including infrastructural development. This is therefore a perfect opportunity not to be missed. We therefore request management to submit the environmental management report as required. All hands should be on deck to ensure the maximum funding allocation for the project are achieved.

Appendix

APPENDIX 1: RECEIPTS AND PAYMENTS ACCOUNT (US DOLLAR)

	Amount GH¢
Opening Balance	1,001,018.62
Pre-finance from IGF	804,813.11
	1,805,831.73
Add: Receipts	
Transfers from World Bank	732,262.82
<u>Other Project's Income</u>	
TuDelft/iWASH PROJECT	58,790.00
AGROPARISTECH VIA RGF RUE	38,711.37
UCAD BP 5005 DAKAR FANN SENEGAL SGNS)	5,462.64
INSTITUT RECHERCHE ET DEVELOPPEME 2	2,914.20
	105,878.21
Available balance	2,643,972.77
Less: Payments	
Transfer to Cedi Account	1,600,000.00
IGF transfer	631,633.95
International travel	14,520.80
Publication printing & stationery	200.00
Students accommodation	3,000.00
Short courses	12,902.00
Exams Fee	480.00
Students award	422.24
Bank charges	882.30
Tuition fee	148,917.68
Licensing & renewal	1,620.00
	2,414,578.97
Closing balance as at 31.12.2021	229,393.80

APPENDIX 2: RECEIPTS AND PAYMENTS ACCOUNT (GHANA CEDI)

Details	Amount
	GH¢
Opening	21,611.92
Pre-finance from IGF	282,896.49
	304,508.41
Add: Receipts	
Transfer from Dollar	7,523,500.00
Reversed Stale Cheques	220,475.00
Other Income	28,780.94
	7,772,755.94
Available balance	8,077,264.35
Less: Payments	
Equipment	3,862,556.76
Transfer to IGF	708,079.00
Research support grant	568,608.56
Purchase of Toyota coaster	504,137.62
Students tuition fees	500,266.65
Allowances for Centre management	304,077.87
Salaries & wages	285,556.63
Accommodation for workshop	217,755.03
GRA WHT	197,238.34
Students stipends	152,596.94
Virtual meeting/workshop	140,692.09
Local & international travel	126,170.39
Meals & entertainment	83,779.00
Internship allowance	70,787.93
Repairs & maintenance	69,678.74
Audit fees	50,895.54
Office expenses	40,122.29
Sitting allowance	37,366.67
Institutional charges	34,958.30
Fuel and lubricant	30,945.26
Data allowance	18,285.00
Fixtures and fittings	16,921.76
Printing & stationery	15,891.97
Accreditation expenses	12,000.00
Publication of thesis	10,178.56
Cleaning & sanitation	8,709.00
Materials and consumables	5,343.02
Bank charges	1,525.00
Medical expenses	1,300.00
Registration & licensing	840.00
	8,077,263.92
Closing balance as at 31.12.2021	0.43

Follow up of 2020 External Auditors Recommendations

#	Findings	Recommendations	Status of Implementation as at May 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
1	<p>a) Permanent Membership of Procurement Structures</p> <p>Audit revealed that permanent committee membership was used for opening and evaluation of tenders instead of ad hoc committee on a case-by-case basis to ensure transparency</p>	<p>The centre must adhere to the use of the procurement structures for their procurement activities. Ad hoc committee for Tender opening and tender evaluation should be constituted and used on a case-by-case basis</p>	Unresolved	<p>AC: Management should ensure that the audit recommendation is adhered to both at the University and College level.</p>	College Procurement Sub-Committee	Immediate	<p>Review of the committees minute showed the same membership are used, except that some of the representatives are altered.</p>
	<p>c) Procurement Processes</p> <p>The Procurement plan of the project was not well-defined in terms of procurement methods, approving authority and processing steps and time</p>	<p>The official should collaborate with the University Procurement Unit to prepare a well-defined procurement plan on the annual</p>	Unresolved	<p>Procurement plan to be prepared</p>	Project Accountant	Immediate	<p>The Centre has updated their procurement plan on their website</p>

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#	Findings	Recommendations	Status of Implementation as at May 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
	<p>on the procurement processing steps and time on the procurement process as specified in Section 21(3) of the Public Procurement Act, 2003 (Act 663)</p> <p>ii) Sourcing and Tendering Processes</p> <p>√There was no evidence of submission Register which records the signature of suppliers who submitted their quotation at the Centre.</p> <p>√On the invitation of price quotation methods used by the College Procurement Unit for the Centre, even though the University's supplier's database was used, invitations were limited to</p>	<p>requirements of the project and the Plan must be regularly updated to give a complete picture of procurement performance for future decision-making.</p> <p>Tender submission by suppliers to the Centre should be recorded and signed in submission register</p> <p>The scope of supplier invitation should be widened for all categories of procurement to enhance</p>	<p>Partially Resolved</p> <p>Unresolved</p>	<p>AC: Management should ensure that the EAs recommendation is adhered to.</p>	<p>College Procurement Sub-Committee</p> <p>College Procurement Sub-Committee</p>		<p>Register for 2022 has been done but not for 2021</p> <p>They still use the suppliers list from the system.</p> <p>No bulk-breaking in the current audit i.e. 2021</p>

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#	Findings	Recommendations	Status of Implementation as at May 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
	<p>few suppliers for the supply of I.T related equipment and stationery</p> <p>√ Documents reviewed showed that procurements which could have been aggregated and together procured once was divided and procured separately.</p>	<p>competition and transparency</p> <p>Breaking of bulk must be stopped. Items should be consolidated in bulk and procurement done to reduce cost associated piecemeal purchases.</p>	Resolved		College Procurement Sub-Committee	Closed	
	<p>d) Contract Management</p> <p>i) Notification of award letters and contract agreements did not indicate delivery periods. This had effect on the monitoring of delivery schedules to ensure that</p>	<p>Specific delivery periods should be indicated in the Notification of Award and Contract Agreement for effectively</p>	Unresolved	AC: Management notes the exception and assured the committee that the Central Procurement Office	College Sub-Procurement Committee	Immediate	Still pending. Contract agreements not having delivery periods. However, the tender

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	<p>goods were delivered on time.</p> <p>ii) delayed deliveries were recorded on some contracts for the project handled by the central Procurement Office.</p> <p>iii) No formal documents of follow-ups on the delivery were available.</p>	<p>expediting delivery of goods</p>		<p>will be involved in all aspect of the procurement processes in future.</p>			<p>document states the delivery period</p>
	<p>e) Record keeping on Procurement Activities</p> <p>No chronological record-keeping as per the contract package was done at the College Procurement Office. This did not help the effective</p>	<p>Records on the procurement processes at the Centre must be enhanced as per</p>	<p>Unresolved</p>	<p>AC: Management to ensure that the EA's recommendation is adhered to</p>	<p>College Procurement Sub-Committee</p>	<p>Immediate</p>	<p>Still unresolved.</p>

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#	Findings	Recommendations	Status of Implementation as at May 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
	management of procurement activities and the verification of audit trail.	each package separately.					
2	<p>i) Differences between Cashbook balance and Bank Statement Balance</p> <p>The closing cashbook balances for the Centre's US Dollar and Cedi Accounts of US\$1,001,019 and GH¢21,612 respectively did not agree with the reconciled bank statement balances of US\$1,805,832 and GH¢21,912</p>	<p>Management should open separate accounts to manage project as stated in the project agreement, this will ensure that the project accounts and bank statement reflect project funds received and utilized at any given point in time.</p>	<p>Even though a separate account has been opened, the amount for the other project has not been transferred into the account opened.</p>	<p>The US\$ and Cedi accounts contained monies from other projects</p>	<p>Project Accountant</p>	<p>Immediate</p>	<p>The transfer has still not been effected.</p>

#	Findings	Recommendations	Status of Implementation as at May 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
	<p>ii) Review of Expenditure</p> <p>a) Withholding tax was not deducted and paid to the GRA on the purchase of laboratory equipment.</p> <p>b) The purchase of a water pump and services amounting to GH¢800 was made from non-registered VAT supplier</p>	<p>Management should ensure that withholding taxes are deducted on goods and services procured with special advances. Also, goods and services must be procured from VAT registered supplier.</p>	<p>Resolved</p> <p>Partially Resolved</p>	<p>Resolved</p> <p>Partially Resolved</p>	<p>Project Accountant</p> <p>College Procurement Officer</p>	<p>Immediate</p> <p>Immediate</p>	<p>The policy on withholding taxes is implemented by the University. The issues reported are minor and isolated cases.</p> <p>Current audit showed that purchases are made from VAT Registered suppliers</p>
	<p>iii) Long outstanding items in the Bank Reconciliation</p> <p>The Centre had long outstanding items in the Cedi bank reconciliation statements which had become stale</p>	<p>Management should contact the supplier to return stale cheques for new ones to be issued to them.</p>	<p>resolved</p>	<p>The Bank has been informed to reverse those cheques.</p>	<p>Project Accountant</p>	<p>Immediate</p>	<p>The outstanding cheques have been reversed. Reconciliation has been done</p>