
**AFRICA CENTRES OF EXCELLENCE PROJECT ON KNUST
ENGINEERING EDUCATION PROJECT (KEEP)**

MANAGEMENT REPORT

31 DECEMBER 2020

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DA

Donaldy Associates
Chartered Accountants
House of Excellence Annex
Adum –Kumasi

26th July, 2021

The Centre Leader
Africa Centres of Excellence
KNUST Engineering Education Project (KEEP)
KNUST

Dear Sir,

AUDIT OF 2020 FINANCIAL STATEMENTS

We have completed the audit of the Financial Statements of Africa Centres of Excellence Project on KNUST Engineering Education Project, (KEEP) for the year ended 31st December, 2020.

In accordance with our firm's practice, we are reporting on the matters which arose during our audit and you will appreciate that our audit procedures are designed primarily with the view to expressing an opinion on the project's financial statements and its internal control. Our comments therefore do not include all the possible improvements in internal controls which a special review might develop.

This report has been prepared for your information only and we accept no responsibility for any reliance that might be placed on it by third parties to whom it should not be shown without our prior written consent. Should such a third party obtain a copy without our prior written consent, we would not accept any responsibility for any claim that might be raised on it.

Finally, we wish to express our gratitude to the project management team for the co-operation extended to us during the audit.

Yours faithfully,



Donaldy Associates

1.0 INTRODUCTION

We have completed the audit of the Financial Statements of Africa Centre of Excellence Project on KNUST Engineering Education Project, (KEEP) for the year ended 31st December, 2020 and present this report which highlights, among others, certain information which came to our attention during the course of our audit.

2.0 OBJECTIVES OF THE AUDIT

The purpose of the audit was to express an independent professional opinion as to whether the financial statements of Africa Centre of Excellence Project on KNUST Engineering Education Project, (KEEP) present fairly, in all material respects, the state of the project's affairs as at 31st December, 2020 and the results of its operations and cash flows for the year then ended.

3.0 EXECUTIVE SUMMARY

Included in the major highlights of the regulatory and control compliance, risks and weaknesses that we found during the course of our audit are as follows:

- Regulations
- Preparation and submission of unaudited financial statements
- Disbursement Link Indicators
- Delay in Payment of Statutory Deductions
- Utilization of Funds
- Assessment of risk

4.0 THE SCOPE AND METHODOLOGY OF THE AUDIT

Included in the scope and methodology of the audit work are the following;

- Initial interaction with management to discuss the objective, scope and methodology of the audit.
- Understanding, documenting and evaluating the internal control systems to ascertain the levels of substantive and compliance tests to perform.
- Adoption of a substantive based approach for core processes including funds received from the International Development Association of the World Bank, bank and cash transactions, project expenditures including payroll and related costs, and other administrative expenses.
- Combination of system based and substantive approaches using analytical procedures to determine the risk of material misstatements.

- Perform analytical reviews, balances and transaction tests.
- Obtain confirmations from the project's bankers.
- Identify and record findings on risks and weaknesses in the internal control system of the project as well as exceptions, misstatements and non-compliances with laws, regulations and agreements.
- Exit meeting to discuss the outcome of the audit with project management team.
- Obtain response from auditees on our findings of weaknesses, non-compliances and exceptions identified during the audit.

5.0 REVIEW OF INTERNAL CONTROLS

Our review of internal control systems was aimed at ensuring that control processes and procedures adopted by management reasonably guarantee the achievement of the project's objectives in the following areas:

- Effectiveness and efficiency of operation.
- Reliability and accuracy of financial and related information.
- Compliance with applicable laws, regulations and agreement(s).

Specifically, we reviewed the following components:

- Management assessment and control of risks which affect the project's ability to perform efficiently and effectively.
- The environment in which controls are established and operated.

It is worthy to note, however, that the responsibility for maintaining an efficient and effective internal control system rests with the Participating University and the Project Management Team. Consequently, our audit and review of the internal control systems should not be relied upon to reveal all weaknesses in the systems and fraud activities if any.

6.0 LIMITATION OF SCOPE AND EXTENT OF WORK

There was no limitation in the scope and extent of work imposed on us by the Participating University and Project Management Team during the audit.

Expenditures on Regional Capacity Training and Governance and Administration reduced drastically from US\$107,693 and US\$130,594 to US\$19,130 and US\$79,709

. This was as a result of the non-execution of some planned activities due to COVID-19 pandemic. No fees and related expenses were paid for postgraduate and PhD students during the year and this accounted for the reduction in Regional Capacity Training.

7.3 ASSETS

7.3.1 PROPERTY, PLANT & EQUIPMENT

The Centre did not procure any fixed asset during the year

7.3.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise bank balances held with Stanbic Bank Limited. The balance at the end of the year was US\$982,928.

7.3.2 RECEIVABLES

This represent funds receivable from World Bank (IDA) in relation to disbursement link indicators that were achieved during the year of US\$1,833,956. Other receivables of US\$12,093 represent amount receivable from Gambia Technical Training Institute for students' fees and accommodation.

7.4 CURRENT LIABILITIES

7.4.1 PAYABLES

Payables comprise amounts to be paid to Donaldy Associates and the Ghana Revenue Authority for audit fees and income tax respectively. Expenditures that were prefinanced by the College of Engineering in 2019 were paid in 2020.

8.0 REPORT ON REGULATORY AND CONTROL COMPLIANCE

8.1 REGULATIONS

The Centre under the project agreement is to carry out the activities in accordance with the following Acts and Regulations;

- Public Financial Management Act, 2016 (Act 921)
- Public Procurement Act, 2003 (Act 663) and the Public Procurement (Amendment) Act, 2016 (Act 914)
- The Audit Service Act, 2000

- Income Tax Act, 2015 (Act 896) as amended
- National Pensions Act, 2008 (Act 766) and National Pensions (Amendment Act, 2014 Act 883)
- Project Agreement

A review of the implementation of the project activities indicated they were generally performed in accordance with the rules and regulations guiding the project.

8.2 PREPARATION AND SUBMISSION OF UNAUDITED FINANCIAL STATEMENTS

We noted that the Centre prepared and submitted to the Association of African Universities semi-annual unaudited interim financial statements as required by the contract with the International Development Association. We commend management for sending these reports and meeting the deadlines.

8.3 DISBURSEMENT LINK INDICATORS (DLI's)

Disbursement Link Indicators are the various activities in the contract which the Centre is required to execute. It is upon the achievement and verification of these activities that funds will be disbursed to the Centre.

DLI 1 – Institutional Readiness was achieved in 2019.

The Centre has achieved part of DLI 3 as shown in Table 3 below. Under DLI 3.1 (New PhD Students-Regional Women) and DLI 3.2 (New Masters Students-Regional Women) the Centre could not admit female regional students. Students were not admitted in 2020 though interviews for the admission of students were carried out.

Table 3: DLI 3.1 - 3.2 Number of Students with Focus on Gender and Regionalization

Disbursement Link Indicators (DLI's)		National		Regional		Total	Status/ Remarks
		Male	Female	Male	Female		
DLI 3.1	3.1 PHD						
	Target	8	3	3	1	15	
	Results Verified	25	6	2	0	33	Achieved except regional female
DLI 3.2	3.2 MSc						
	Target	10	4	4	2	20	
	Results Verified	54	9	8	0	71	Achieved except regional female

The Centre achieved DLI 4.1 – National Accreditation and DLI 5.1 – External Revenue. This is represented in the Table 4 below:

Table 4: Summary of Disbursement Link Indicators Achieved

Disbursement Link Indicators	Status
DLI 4.1 – National Accreditation	Achieved and verified by World Bank
DLI 5.1 – External Revenue	Achieved and verified by World Bank

The table below shows activities that have not been carried out or achieved fully by the Centre.

Table 5: Summary of Activities not executed

Activities	Status
DLI 3 – Number of students with focus on gender and regional	Students were interviewed during the year but reported in 2021.
DLI 4 – Quality of Education and Research	
DLI 4.1 – GAP Assessment, Curriculum Review, Development of new programmes	Program Accreditation was achieved excluding GAP assessment which was not carried out.
DLI 4.3 – Civil works and procurement of teaching and research infrastructure	The contract was awarded in 2020. However, civil works started in 2021.
DLI 5 Relevance of Education and Research through externally generated revenue, internships and entrepreneurship	
DLI 5.2 Faculty and student internships	Students did internships in 2020 but results could not be verified by World Bank during the year.

8.4 DELAY IN PAYMENT OF STATUTORY DEDUCTIONS

We reviewed the Project's expenditures and noted that, returns on withholding taxes deducted on the supply of goods and services were filed late at the Ghana Revenue Authority. Withholding taxes for the months of June, July and August were paid together in September (9th September, 2020). That of September, October, November and December were paid in January (14th January, 2020). This resulted in late filing of returns for the months of June, July, September, October and November, 2020.

According to the Income Tax Act, 2015 (Act 896) as amended, withholding taxes for a particular month is supposed to be filed on or before the 15th day of the following month.

We recommend to management to ensure that withholding taxes are filed on the specified date to avoid being penalized by the Ghana Revenue Authority.

8.5 UTILIZATION OF FUNDS

At the midyear review in 2021, the World Bank will assess funds received by the Centre and its utilization as per the financing agreement. So far, US\$3,111,887 which represents results of Disbursement Link Indicators achieved has been earned by the Centre for 2019 and 2020 and full amounts have been received. This represents 56.57%.

With utilization, the Centre has spent a total of US\$346,674 for 2019 and 2020 which represents only 11.14% and 6.30% of the earned amount and total funding amount respectively. Both rates are below the required utilization rate of 50%.

We recommend management to quickly carry out most of the activities needed to achieve the rest of the Disbursement Link Indicators (DLI's) and utilization targets.

9.0 ASSESSMENT OF RISK

9.1 LIQUIDITY RISK

Liquidity Risk is the risk that the Centre will encounter difficulty in meeting its financial obligations when they fall due. The Centre largely exceeded the current ratio benchmark for the period under review. The amount earned in 2020 has been received in 2021. The Centre had total bank balance of US\$982,928 to continue the project.

We wish to draw management's attention that non-achievement of DLI's and utilization rates could delay releases of funds by the World Bank.

Again, reporting and verification of the achievement of the DLIs need to be done in line with the schedule communicated by the Regional Facilitation Unit (RFU), so that funds will be disbursed on time to improve the Centre's liquidity to execute its activities and programmes.

9.2 OPERATIONAL RISK

Operational Risk is the risk that deficits will arise from operations associated with the Centre's activities in the areas of processes, controls, technology and infrastructure. The Centre's objective is to manage operational risk to minimize such deficits. From our assessment, the Centre appointed a Centre Leader, Deputy Centre Leader and Supporting Implementation teams with appropriate academic and technical qualifications and skills to manage the project effectively.

Our assessment of the risk of internal control processes of the Centre is rated satisfactory. The operations of the Centre are in compliance with the University's accounting policies and procedures manual.

We advise the project implementation team to continue ensuring that the activities of the Centre are carried out, in accordance with the policies and procedures of the University and as spelt out in the project agreement.

10.0 CONCLUSION

We would like to express our gratitude to the project management team for the cooperation we received in the course of our work and we are pleased to furnish you with any other information you may require.