

---

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

---

**MANAGEMENT REPORT**

**31 DECEMBER 2023**

# Table of Contents

1.0	INTRODUCTION .....	3
2.0	OBJECTIVES OF THE AUDIT .....	3
3.0	EXECUTIVE SUMMARY .....	3
4.0	THE SCOPE AND METHODOLOGY OF THE AUDIT .....	4
5.0	REVIEW OF INTERNAL CONTROLS .....	4
6.0	LIMITATION OF SCOPE AND EXTENT OF WORK.....	4
7.0	FOLLOW UP ON THE PREVIOUS YEAR'S AUDIT RECOMMENDATIONS .....	6
8.0	FINANCIAL STATEMENTS ANALYSIS .....	7
9.0	REPORT ON REGULATORY AND CONTROL COMPLIANCE.....	10
10.0	ASSESSMENT OF RISK .....	15
11.0	CONCLUSION .....	15

DA

Donaldy Associates  
Chartered Accountants  
House of Excellence Annex  
Adum –Kumasi

15<sup>th</sup> March, 2024

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

Dear Sir,

**AUDIT OF 2023 FINANCIAL STATEMENTS**

We have completed the audit of the Financial Statements of the Africa Centres of Excellence Project on KNUST Engineering Education Project, (KEEP) for the year ended 31<sup>st</sup> December, 2023.

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 that 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 cooperation extended to us during the audit.

Yours faithfully,

  
Donaldy Associates

## **1.0 INTRODUCTION**

The Africa Centre of Excellence – KNUST Engineering Education Project (KEEP) was selected as one of the Centres for the research and education in engineering for the implementation of the “First Africa Higher Education Centres of Excellence for Development Impact Project”.

The objective is to support the Republic of Ghana in promoting regional specialization among African Participating Universities in areas that address regional challenges and strengthen the capacities of these universities to deliver quality training and applied research. This resulted in a financing agreement between the Government of Ghana through the Ministry of Finance (M.O.F.) and the International Development Association (IDA) of the World Bank for the implementation of the “First Africa Higher Education Centres of Excellence for Development Impact Project”.

This report highlights among others, certain information which came to our attention during our audit of the financial statements of the Centre for the year ended 31<sup>st</sup> December, 2023.

## **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 the 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 31<sup>st</sup> December, 2023 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 our audit are as follows:

- Follow up on Previous Year’s Audit Recommendations
- Unpresented Cheques
- Assets Identification



#### **4.0 THE SCOPE AND METHODOLOGY OF THE AUDIT**

Included in the scope and methodology of the audit work we adopted 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 and budgetary control.
- Combination of system-based and substantive approaches using analytical procedures to determine the risk of material misstatements.
- Perform analytical reviews, balances confirmation and transaction tests.
- Identify and record findings on risks and weaknesses in the internal control system of the project as well as exceptions, misstatements and non-compliance with laws, regulations and agreements.
- Exit meeting to discuss the outcome of the audit with the Project Management Team.
- Obtain responses 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 that affect the project's ability to perform efficiently and effectively.
- The environment in which controls are established and operated.

It is worth noting, 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.

## 7.0 FOLLOW UP ON THE PREVIOUS YEAR'S AUDIT RECOMMENDATIONS

No.	Issue	Recommendation	Status
1.	Accounting Software	We recommend that the project management contact the accounting software developers to resolve the incorrect balances and high exchange variations the system provides. Alternatively, the University may consider acquiring new software capable of managing multi-currencies for all its foreign currency-denominated projects.	Implemented
2.	Vehicle Log Book	We recommend to the project management to ensure that the drivers fill the vehicle log books when the vehicles are assigned to official duties. The log books should also be inspected after every errand before overnight and duty allowances and other expenses relating are paid.	Implemented

## 8.0 FINANCIAL STATEMENTS ANALYSIS

### 8.1 TOTAL REVENUE

The Centre earned US\$1,033,669 which was equivalent to SDR733,904 in relation to the Disbursement Link Indicators (DLIs) 3.1, 4.1, 4.3, 5.1, 5.2, 6.1, 6.2 and 6.3 that were implemented and achieved during the year. This was recognized as revenue during the year. However, the amount transferred to the Centre from the World Bank was US\$1,010,116; a difference of US\$23,552 representing exchange loss. The summary is as follows;

**Table 1: Summary of Revenue**

Particulars	2023	2022
	US\$	US\$
Disbursement Link Indicator (DLI) 3	35,451	116,184
Disbursement Link Indicator (DLI) 4	607,620	607,619
Disbursement Link Indicator (DLI) 5	205,929	52,225
Disbursement Link Indicator (DLI) 6	184,669	66,845
<b>Grant Revenue</b>	<b>1,033,669</b>	842,873

Under DLI 3 relating to the number of students with a focus on gender and regionalization, the Centre achieved an income of US\$35,451. It also achieved US\$607,620, US\$205,929 and US\$184,669 under DLI 4 – Quality of Education and Research, DLI 5 – Relevance of Education and Research and DLI 6 – Timeliness and quality of fiduciary management respectively during the year.

The Centre also earned additional income from other sources of US\$2,425 relating to the hiring of vehicles.



## 8.2 TOTAL EXPENDITURE

A summary of total expenditures for the year is given below:

**Table 2: Summary of Expenditure Incurred**

Particulars	2023	2022
	US\$	US\$
Regional Capacity Training	405,488	346,376
Governance and Administration	372,802	118,713
Learning & Teaching Environment	249,645	692,023
Centre Visibility	40,180	9,839
Industrial Partnership	29,216	14,058
Regional Research Capacity Building	26,896	8,100
Academic Partnership	26,670	4,273
Exchange loss on project income conversion	23,552	7,476
Loss on current expenditure conversion	21,805	-
<b>Total</b>	<b>1,196,254</b>	<b>1,200,859</b>

During the year of review, the Regional Capacity Training expenditure was the highest and it accounted for 33.89% of the total expenditure. It constitutes mainly of Students' Fees of US\$191,805. This was followed by Governance and Administration expenditure which is mainly made up of Foreign Travels and Subsistence of US\$145,731 representing 31.16% of the total expenditure. Learning and Teaching Environments of US\$249,645 representing 20.87% was the third highest of the total expenditure.

### 8.3 ASSETS

#### 8.3.1 PROPERTY, PLANT & EQUIPMENT

The Centre procured the following assets during the year:

**Table 3: Summary of Assets Purchased**

<b>Class of Assets</b>	<b>Asset Description</b>	<b>Amount (US\$)</b>
Motor Vehicle	Toyota Hilux	54,098.36
Building	Centre Building Construction	26,353.81
Furniture and Fittings	Office Desks, Swivel Chairs and Conference Tables	46,709.42
Equipment	Laboratory Equipment	61,094.58
Computers & Accessories	Computers, Television & Printers	29,141.61
<b>Total</b>		<b>217,397.78</b>

The assets were expensed during the period in line with the project agreement.

#### 8.3.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise bank balances held with Stanbic Bank Limited. The balance at the end of year 2023 was US\$1,004,171 as against the 2022 balance of US\$1,206,700.

#### 8.3.3 RECEIVABLES

This represents funds expected from the World Bank (IDA) in relation to disbursement link indicators achieved during the year amounted to US\$580,952. College of Engineering/The University of Science, Engineering and Technology (USET – Gambia) is also yet to pay the Centre US\$229,775 for providing teaching services on their behalf to USET-Gambia.

## **8.4 CURRENT LIABILITIES**

### **8.4.1 PAYABLES**

Payables comprise sundry deposits from the University of Science, Engineering and Technology (USET-Gambia) of US\$13,623; Other Payables (Accrued Charges & Sundry Creditors) US\$157,610; Owings to West African Sustainable Engineering Network for Development (WASEND) project of US\$21,172 and Audit Fees of US\$10,000. The balance at the year-end was US\$202,405 as compared to US\$88,250 in the previous year showing an increase of US\$114,155.

## **9.0 REPORT ON REGULATORY AND CONTROL COMPLIANCE**

### **9.1 REGULATIONS**

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

- Project Agreement
- KNUST Regulations
- Public Financial Management Act, 2016 (Act 921)
- Public Procurement Act 2003 (Act 663) and the Public Procurement (Amendment) Act, 2016 (Act 914)
- Income Tax Act, 2015 (Act 896) as amended.

A review of the implementation of the project activities indicated that they were generally implemented in accordance with the above rules and regulations guiding it.

### **9.2 PREPARATION AND SUBMISSION OF UNAUDITED FINANCIAL STATEMENTS**

We noted that the Centre prepared and submitted to the Association of African Universities the semi-annual unaudited financial statements as required by the project agreement with the International



Development Association. The Centre also displayed on its website procurement reports, audited financial statements and some procurement contracts to enhance its financial transparency. We commend management for submitting these reports and meeting the deadlines.

### **9.3 DISBURSEMENT LINK INDICATORS (DLIs)**

Disbursement Link Indicators are the various activities in the agreement that the Centre is required to execute. Based on the achievement of the activities funds were not disbursed by the World Bank to the Centre. The current year and cumulative achievements are as follows:

DLI 1 relating to Institutional Readiness was achieved in 2019.

DLI 4 Quality of Education was achieved in 2022.

DLI 3 Quality of Students was achieved in 2023.

Under DLI 3.1 relating to the number of students, the Centre received US\$35,451 for enrolling 91 MSc students and 42 PhD students in 2023.

DLI 4.1 relating to Program Accreditation, the Centre earned a total amount of US\$303,813 with US\$101,268 being Self Evaluation/Gap Assessment submitted on 8<sup>th</sup> January 2023. The Centre also received GH¢202,545 from the International Accreditation of 5 postgraduate programmes which are MSc Renewable Energy Technologies, MPhil Renewable Energy Technologies, PhD Sustainable Engineering Technologies, MPhil Power Systems Engineering, PhD Electrical/Electronic Engineering.

Under the third section of DLI 4 relating to Teaching and Research Infrastructure, the Centre executed Milestone 3 (M3) and earned US\$303,803 during the year.

In relation to DLI 5.2 which is for internships, a total number of 62 students were enrolled in the year 2023 which was more than the targeted number of 50. Cumulatively, the Centre has achieved 160 internships which has earned an amount of \$103,437 against allocated amount of US\$213,639. The Centre, however, is left with 50 internships to achieve the total target of 210.

The Centre is on track with “DLI 6: Timeliness and Quality of Fiduciary Management”. The Centre has subjected itself to the audit of its financial statements and procurement activities during the year.

We entreat management to ensure that all the set targets as indicated in the agreement are achieved before the project comes to an end on 30<sup>th</sup> June, 2025.

## 9.4 INTERNAL CONTROL REVIEW

### 9.4.3 Unpresented Cheques

#### *Findings*

We reviewed the year-end Bank Reconciliation Statements and noted that three cheques amounting to USD1,576 issued for payments of goods and services had gone stale. They are over six months old and have not been presented to the bank by the recipients for payments. They are as follows

**Table 6.0: Stale cheques for Stanbic Dollar - 9040008248553**

<b>Date of Cheque</b>	<b>Cheque No/ Payment Instruments</b>	<b>Particulars</b>	<b>Amount (US\$)</b>
31/01/23	Letter	Payment of DSA to Faculty members	408.00
10/02/23	000001	Kwadwo Nyataki Marfo	720.00
29/06/23	Letter	Payment of DSA to Faculty members	448.00
<b>TOTAL</b>			<b>1,576.00</b>

#### **Criteria**

Best accounting practices require that cheques issued but not presented to the bank for payment become stale after six months, and should be reversed and new ones issued to the recipients after they have submitted them to the issuer.

#### **Effect**



The bank's balances per the books of accounts may be overstated when stale cheques are not reversed from the books. We have reversed the cheques and we advise management to reissue fresh ones to the payees.

### **Recommendation**

We advise management to ensure that cheques issued but not presented to the banks after six months from the date of issue are cancelled or reversed from the books.

### **9.4.4 Assets Identification**

#### **Findings**

We noted during the Audit that, a total number of 62 assets amounting to US\$173,314.40 the centre procured during the year is yet to be embossed with the Centre's unique identification numbers. Details are below:

**Table 7.0: Assets not embossed**

<b>Location</b>	<b>Type of Assets</b>	<b>Quantity</b>	<b>Status</b>
Dipper Lab	Computer and Accessories	15	Not Embossed
Renewable Energy Lab	Laboratory Equipment	15	Not Embossed
Innovation Lane	Computer and Accessories	4	Not Embossed
Power Systems	Laboratory Equipment	1	Not Embossed
Keep Finance Office	Computer and Accessories	11	Not Embossed
Keep Boardroom	Furniture and Fixtures	16	Not Embossed
<b>TOTAL</b>		<b>62</b>	

## **Criteria**

Section 8.9.1 of the University's accounting policies and procedures manual states that all plants, vehicles, equipment or furniture belonging to the University shall be marked and numbered with the University's name or initials before they are put to use.

## ***Effects***

There is a difficulty in keeping track of assets when they are moved from one location to the other. It does not also identify ownership.

## ***Recommendation***

We recommend management ensure that all moveable assets acquired are marked and numbered to identify ownership of the assets and to halt possible pilferages.

## **9.5 REVIEW OF FINANCING AGREEMENT**

The Centre earned a DLI Achievement Rate of 96.00% which represents the total income of US\$5,563,718 earned up to the end of year 2023 against the total revised contract sum of US\$5,784,484.

The Centre's Fund Utilization rate is a function of the amount of funds spent by the Centre over the total income earned. Out of the total amount earned of US\$5,563,718, the Centre utilized US\$3,958,200. The Utilization rate (i.e. amount spent plus committed divided by the amount earned), therefore, stood at 71.14%.

The project implementation rate (i.e. achievement rate plus utilization rate divided by 2) at the end of the year was 83.57%. This represents the total DLI Achievement Rate and Fund Utilization Rate divided by 2.

The Centre is therefore above the implementation rate required by the World Bank as at 2023 of 50%. Management is commended for this milestone. Although the required implementation rate has been achieved, management is encouraged to continue to work towards achieving the remaining DLIs.

## **10.0 ASSESSMENT OF RISK**

### **10.1 LIQUIDITY RISK**

Liquidity Risk is the risk that the Centre will encounter difficulty in meeting its financial obligations when they fall due. The Centre had substantial funds in its bank account and recorded a favourable current ratio of 9:1 for the year. The Centre is advised to undertake the rest of the activities going forward to be able to access additional funds. Again, reporting and verification of the achievement of the DLIs need to be done in accordance with the calendar 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.

### **10.2 OPERATIONAL RISK**

Operational Risk is the risk that the Centre's operational activities in the areas of processes, controls, technology and infrastructure would be influenced and compromised. The Centre's objective is to manage operational risk to minimize such shortfalls. In achieving this, the Centre in the formation stage 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 satisfactory. The operations of the Centre comply with the University's accounting policies and procedures manual.

- We advise the project implementation team to continuously ensure that the activities of the Centre are carried out in line with the policies and procedures of the University and as spelt out in the project agreement.

## **11.0 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.