



**Kwame Nkrumah**  
University of Science  
and Technology, Kumasi

INTERNAL AUDIT DEPARTMENT

May 23, 2022

The Provost  
College of Engineering  
**KNUST**

### **INTERNAL AUDIT REPORT ON TRECK**

We have completed the audit of Regional Transport Research and Education Centre, Kumasi (TRECK) at the College of Engineering for the year ended December 31, 2021, and present our report for your consideration. This forms part of the Centre's 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 TSIQUAYE**  
**(INTERNAL AUDITOR)**

Cc: Project Director  
College Finance Officer



# **Internal Audit Report**

on

# **TRECK**

(May, 2022)

Content	Page #
Executive Summary	2
Introduction	3
Methodology and Scope	4
Audit Findings	9
Conclusion	12
Appendix	13

## 1.0 Executive Summary

We have completed the audit of the activities of Regional Transport Research and Education Centre, Kumasi (TRECK) at the College of Engineering. The scope of the audit was the 2021 financial year, and covered both financial and non-financial activities of the Centre. As a donor funded Project, we paid attention to the achievements of the Disbursement Linked Indicators (DLIs) as these are linked to monetary inflows.

Below is the summary of receipts and payments:

<u>Details</u>	<b>Amount US\$</b>
Opening balance	773,468.13
<u>Receipts</u>	
Inflows from World Bank	1,822,400.70
	<b>2,595,868.83</b>
<u>Less: Payments</u>	
Transfer to Cedi account	420,000.00
Other payments	313,107.39
	<b>733,107.39</b>
<b>Closing Cash Balance</b>	<b>1,862,761.44</b>

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

### Summary of audit Findings.

- ✓ Program accreditation and GAP Assessment have not been achieved.
- ✓ Construction of two-storey building under teaching and research infrastructure had also delayed.
- ✓ Institutional-wide Regionalisation strategy and international accreditation are also yet to be achieved.

## 2.0 Introduction

The KNUST Regional Transport Research and Education Centre, Kumasi (TRECK) has been established as one of the Africa Centres of Excellence (ACE) for Development Impact, an initiative of the World Bank in collaboration with Participating countries to undertake applied research with industry, train high calibre manpower at the postgraduate (MSc/PhD) level, run demand-driven short courses and undertake technology transfer for the transport sector in the region. The total grant for the project by the World Bank is SDR4,545,274.99 (equivalent to US\$6.3 million). The project is a 5-year term starting from January 2019 to December 2023.

KNUST Vision 2020 – 2024 - Theme 7 "Resource Generation and Management" Objective 7.5.6 "Hunt for projects that support the inclusion of foreign students training" is in line with the Project.

The Centre has a 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. There exist management team who meet once every month to take decisions for the Centre. Minutes of meetings reviewed indicated that the team met at least once in a month throughout the year. Project document allows for two sets of Boards to be established. The Centre has in place a 12-member International Scientific Advisory Board (ISAB) with oversight responsibility, and a 11-member Sectoral Advisory Board (SAB). The two Boards are all in place.

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

Included in the report is 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 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 and the project
- ✓ Obtained the necessary documents pertaining to the project to acquaint ourselves with the status of progress in the DLI's.
- ✓ Visited the Centre's Website to ascertain information pertinent to the Centre.

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 be approved by the spending officer.
- ✓ 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 a possible loss.

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

Draft report with issues raised are discussed with the Project management and their responses are incorporated into the final report to the College Provost.

#### **4.0 Analysis of Disbursement Linked Indicators (DLIs)**

The DLIs are the deliverables based on which the World Bank would transfer funds to the Centre. We therefore assessed each DLI to determine the status of progress made and where possible highlighted the shortcomings in the achievement of the DLIs.

##### **4.1.1 DLI #1 Institutional Readiness.**

This basically seeks to measure the readiness of the project to take off.

Under this, both Basic and Full readiness have been achieved in the first year of the programme i.e. 2019.

##### **4.1.2 DLI #2 Development Impact of ACE Centre**

This involves an independent, external evaluation of the development impact of the ACE Centre. This is expected to be conducted in year 4 (i.e. 2022). As at the time reporting, this has not been done.

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

This looks at the number of new PHD and Master's students enrolled onto the programme as well as professional short courses run by the centre.

Progress has been made in the respective areas. For PhD and Masters Students 70% and 90% was achieved respectively in 2021. For the short courses, the Centre was expected to achieve 60 students participation in 2021, a programme was undertaken in the year with 120 students' participation. However, this was verified in 2022 meaning nothing (0%) was achieved in 2021.

It is also expected that 30% of the students enrolled should come from the sub-region. This was achieved in the year under review.

#### 4.1.4 DLI #4 Quality of Education and Research

The above comprises of three (3) deliverables as follows:

##### i. Programme Accreditation (GAP Assessment International & National)

###### ↓ National

Payment has been made to Ghana Tertiary Education Commission (GTEC) for national accreditation, the commission is yet to visit the centre for inspection and offer full accreditation.

###### ↓ International Accreditation

This has not been achieved for the year. An independent international consultant has been contacted and a contract is expected to be signed in 2022. As at the time of reporting, the contract has not been signed.

###### ↓ GAP Assessment

Contract for the GAP Assessment was awarded in July 2021 however, this was not completed as at the close of the year. This has been included in the audit findings for monitoring.

##### ii. Research Publications.

The Centre is expected to do 10 publications in the year and they made 16 research publications. The target was met for the year.

##### iii. Teaching and Research Infrastructure (building and laboratories)

This has not been achieved. However, a request has been submitted to the Public Procurement Agency (PPA) seeking approval for Single sourcing since the building project is behind schedule. This has been included in the audit findings.

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

This has three (3) components as follows;

##### i. Generate external revenue



To generate revenue externally to support its activities. This is 100% achieved. In total, US\$567,367.22 was generated from external sources in 2020. As a result, the total allocation of US\$1.31m has been received in 2021.

### **ii. Student's internship.**

The target was achieved in 2021. A total of forty four (44) postgraduate students undertook internship in various organisations in Ghana and other West African countries.

### **iii. Entrepreneurship**

The Centre is to assist its trained students to register and operate a business in the transport industry. An evaluation report has been submitted and approved by the World Bank during the year. However, funding is yet to be received.

#### **4.1.6 DLI #6 Timeliness and quality of fiduciary management**

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

Internal audit report for 2021 has been submitted to management. Audit Committee has been functioning and evidence of minutes are available. External and Procurement audit have completed their audit and submitted reports to management.

#### **4.1.7 DLI #7 Institutional Impact**

This target seeks to involve the University in the ACE project and primarily covers four (4) areas.

- i. Openness and competitive selection of head of institutions
- ii. University-wide regionalisation strategy
- iii. Universities international accreditation
- iv. PASET Regional Benchmarking Participation
- v. Institutional impact.

At the time of reporting, only openness and competitive selection of heads of institutions and Deans had been achieved. The remaining four (4) targets have not been achieved. This has been included in our audit findings.

Conclusion

The University has not achieved the targets set for the year 2021. The University has not achieved the targets set for the year 2021. The University has not achieved the targets set for the year 2021.

Implications

The University has not achieved the targets set for the year 2021. The University has not achieved the targets set for the year 2021. The University has not achieved the targets set for the year 2021.

Recommendation

The University should ensure that the targets set for the year 2021 are achieved. The University should ensure that the targets set for the year 2021 are achieved. The University should ensure that the targets set for the year 2021 are achieved.

Comments from TRECK Manager

The University has not achieved the targets set for the year 2021. The University has not achieved the targets set for the year 2021. The University has not achieved the targets set for the year 2021.

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## 5.0 Audit Findings

### 5.1 GAP Assessment (DLI #4)

#### Condition

We observed that a contract signed with a consultant to undertake GAP assessment did not specify any timelines for completion even though there was a payment plan. Our review indicated that, a draft assessment report is expected to be received in February 2022, but this has not been done.

#### Implications

Without timelines it will be difficult to monitor progress made since it is linked to a deliverable.

#### Recommendation

- ✓ Subsequent contracts should include timelines and for this particular one that has been signed, management should make a follow up to ensure the assessment is completed on time.

#### Response from TRECK Management

*The Consultant after signing the agreement was made to indicate timelines for submitting and conducting various surveys through email correspondence. He has since submitted the following draft reports which have been shared with the Sectoral Advisory Board for review prior to presentation at a stakeholder validation workshop and finalization:*

- *TRECK programmes funding availability report, April2022*
- *TRECK Programmes accessibility report, April2022*
- *TRECK Programmes quality report, April2022*

## 5.2 DLI #4 Teaching and Learning Infrastructure

### Condition

We observed during the audit that, a request had been made to the Public Procurement Authority (PPA) seeking approval for a Single-Sourcing Procurement method for the construction of two-storey building for the Centre. We understand that if the Centre is unable to secure approval from PPA by the close of year 4 (i.e., 2022) the allocation of US\$600,000 will be lost.

### Implications

The Centre stands to lose significantly on the funding as well as facility for teaching and learning.

### Recommendation

- ✓ Management should make it a priority and follow up to ensure the approval is granted for the construction of the building.

### Response from TRECK Management

*The single-sourcing procurement process was completed in February 2022 after persistent follow-up by TRECK management. The Vice-Chancellor on behalf of the TRECK management has awarded a contract to Messrs. Antartic Limited for the construction of a two-story building at a contract sum of GH¢6,383,656.68 and for an initial contract duration of twelve months since April 2022. The project is likely to be completed before the end of the ACE project in December 31, 2023.*

## 5.3 DLI #7 Institutional Impact

### Condition

We observed that apart from the Openness and Competitive selection of Institutional Heads or Deans, the other four (4) deliverables remain unachieved. They are:

- ↓ University Wide Regionalisation Strategy
- ↓ Institutional Accreditation

- ↓ PASET Regional Benchmarking Participation
- ↓ Institutional Impact

At the time of the audit, a draft regionalisation strategy had been prepared and was yet to receive approval from the Vice-Chancellor.

### **Implication**

The University stands to lose US\$375,000 funding allocation.

### **Recommendation**

- ✓ Project management should vigorously follow up with the relevant Institutions to ensure the above is achieved.

### **Response from TRECK Management**

*The registrar has constituted a committee under the Chairmanship of the International Programmes Office (IPO) to execute to develop the regional strategy under the coordination of the Director of the Office of grants and Research (OGR) the office responsible for achieving all the indicators under DLI7. TRECK is a member of the committee and will also monitor progress and provide the needed support to facilitate the work of the Committee.*

*The University has constituted a committee to be responsible for achieving all the indicators under DLI 7. The Centre will monitor progress and provide the needed support to facilitate the work of the Committee. The University has already engaged and formalized agreement with AQAS of Germany to undertake the assignment. Gap assessment has been completed for the International accreditation, a major step for verification and disbursement of funds. The entire process will take about 12 months to be completed.*

## 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 unachieved activities are undertaken to ensure funding allocated are received

With regards to the other deliverables to be undertaken by the University, it takes collaborative effort to achieve them. It is therefore important that project management follow up with responsible officials to ensure they perform specific task assigned to them.

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. All hands should be on deck to ensure the maximum funding allocation to the project are achieved.

# Appendix

## 1. Details of Receipts and Payments in Foreign Currency (US Dollar)

Details	Amount US\$
Opening balance	732,485.82
Add: other CCSTL project's income	40,982.31
Adjusted cash book balance	<b>773,468.13</b>
<b>Receipts</b>	
transfer from world bank	1,822,400.70
	<b>2,595,868.83</b>
<b>Less: Payments</b>	
Transfer to cedi account	420,000.00
Tuition fees	120,596.75
Conference & workshop	78,294.49
Payment to University on DLI7	50,000.00
CSSTL project funds	24,350.03
Student expense	24,270.00
Internship allowance	5,000.00
SAB meeting	3,687.92
Bank charges	2,392.20
Foreign travel	1,986.00
Membership subscription	975.00
Meeting allowance	630.00
IT expense	550.00
Research and publication expenses	375.00
	<b>313,107.39</b>
<b>Closing Balance as at 31 December, 2021</b>	<b>1,862,761.44</b>



## 2. Analysis of Transactions in Local Currency (Ghana Cedi)

Details	Amount GH¢
Opening Balance	133,202.24
<b>Receipt</b>	
Transfer from Dollar Account	2,451,000.00
	<b>2,584,202.24</b>
<b>Less: Payments</b>	
Research grant	802,765.30
Staff remuneration	283,537.57
Maintenance of building	244,810.07
Local travel	231,514.75
Student stipend	225,787.20
Internship allowance	121,500.00
Accommodation expensés	100,477.88
Workshop & seminars	81,509.11
Meeting allowances	64,663.51
GRA- WHT & VAT	60,555.13
Meals and entertainment	54,400.49
Audit fees	52,515.54
Call credit	30,540.00
Academic short courses	29,700.00
Foreign travel	27,164.94
Consultancy- gap assessment	23,338.42
Student admission expenses	21,224.37
Accreditation fees	15,050.00
SAB meeting expenses	13,975.81
Office expenses	12,000.00
Fuel and lubricants	10,655.19
Transport allowance	6,600.00
Direct postgraduate training cost	4,554.00
Bank charges	3,898.75
IT expense	3,665.64
Cleaning & sanitation	3,510.00
Membership subscriptions-professional body	2,653.89
Students medical expenses	1,200.00
	<b>2,533,767.56</b>
<b>Closing Balance as at 31 December, 2021</b>	<b>50,434.68</b>

Follow up of 2021 External Auditors findings

#	Findings	Recommendations	Status of Implementation as at March 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
1	<p><b>i) Renewal of Contract</b> There was no letter of renewal of appointment from Human Resource Division for two contract staff</p> <p><b>ii) Annual Work Plan</b> The Centre was not able to carry out all the activities to completion. As a result, revenues were not earned on the uncompleted activities because the various DLI's were not achieved, mainly due to COVID-19</p>	<p>Management to follow up on the renewal of the contract and also speed up the process for the appointment of a third member of staff.</p> <p>Management should undertake the required activities in the year ahead to ensure that revenue is earned.</p>	<p>Resolved</p> <p>Partially Resolved</p>	<p>The external auditor's recommendation is endorsed</p> <p>The external auditor's recommendation is endorsed</p>	<p>Centre Director</p> <p>Centre Director</p>	<p>Immediate</p> <p>On-going</p>	<p>Issue resolved</p> <p>With the achievement of the DLI's and the Utilisation rate, all appropriations are now being received.</p>

#	Findings	Recommendations	Status of Implementation as at March 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
	<p><b>iii) Review of Financing Agreement</b></p> <p>The Centre as at the end of 2020 had utilized US\$425,803 representing 6.65% of the total grant of US\$6.4million. At mid-year review in 2021, the IDA will assess whether the Centre is behind its implementation and also assess whether less than half of the funding has been spent or committed in line with section 3.4 of the financing agreement. If the ACE implementation is behind and less than half of the funding has been spent or committed the total grant amount of US\$6.4million will be reduced by 50% of the uncommitted amount that is above half of the grant.</p>	<p>Management should speed up the process of awarding the building contract.</p>	<p>Partially Resolved</p>	<p>The main setback for the Centre building has been the prolonged procurement processes that the Centre has to go through before awarding the contract</p>	<p>Centre Director</p>	<p>Immediate</p>	<p>Approval has been obtained from PPA and the Contractor is yet to commence the construction of the building</p>

#	Findings	Recommendations	Status of Implementation as at March 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
	<p><b>iv) Assets Acquired</b> Assets acquired by the project have not been labelled with unique numbers for monitoring purposes.</p>	<p>Management was advised to emboss all assets as soon as possible.</p>	<p>Resolved</p>	<p>AC: IA to verify and report</p>	<p>Project Manager</p>	<p>Immediate</p>	<p>All assets of the projects have been embossed with unique identification numbers</p>
	<p><b>v) Liquidity Risk (TRECK)</b> The Centre did not receive much of the funds from the donor agency (World Bank) in 2020 and this resulted in an expected receivable balance of US\$1,373,008 which was later received in the 1<sup>st</sup> quarter of the 2021.</p>	<p>The Centre should undertake more activities going forward to be able to have access to funds. Reporting and verification of the achievement of the DLI's should be done in accordance with the calendar communicated by the Regional Facilitation Unit (RFU) so that funds</p>	<p>Resolved</p>	<p>AC: Management should take seriously the External Auditors observations and address them.</p>	<p>Project Director</p>	<p>On-going</p>	<p>With the achievement of the DLI's and the Utilisation rate, all appropriations are now being received.</p>

#	Findings	Recommendations	Status of Implementation as at March 2022	Action Taken or Proposed to Be Taken to Implement Recommendations	Officer Responsible	Timeline for completion of Outstanding Recommendations	Comments / Remarks
		will be disbursed on time to improve the Centre's liquidity to execute its activities and programmer.					