

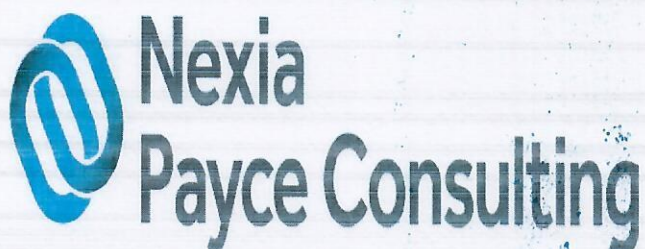
Second Africa Higher Education Centers of Excellence for Development Impact Project

Final Management Letter – Audit of Financial Year Ended 31st December 2022

Sponsor: The World Bank (International Development Association)

Grant No: IDA-5350

Project Reference No.: ACE/IMPACT/CS/008



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Second Africa Higher Education Centers of Excellence for Development Impact Project

Final Management Letter – Audit of Financial Year Ended 31st December 2022

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29th June 2023

The Project Manager
Project Coordinating Unit
Ministry of Basic and Secondary Education (MoBSE)
Banjul
The Gambia

Dear Sir

Final Management Letter: Audit of the Second Africa Higher Education Centers of Excellence for Development (ACE) Impact Project for the Financial Year Ended 31st December 2022

We have now completed the audit of the Second Africa Higher Education Centers of Excellence for Development (ACE) Impact Project for the financial year ended 31st December 2022.

Embedded in this report is the **final** version of our Management Letter containing the findings which we picked up during the fieldwork.

We have already discussed our findings with you at the exit meeting.

This Management Letter has the following grading system to indicate the various levels of importance for the implementation of the findings.

1. High Priority - Indicating that immediate action is needed. Failure to take immediate corrective action could result in major consequences and issues.
2. Medium Priority - Indicates that the issue is of moderate priority and considered necessary to avoid exposure to significant risks.



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3. Low Priority - The issue here is not critical and considered desirable, but it will result in enhanced control or better value for money.

Our audit observations/findings are listed below:

- **Accounting System Configured on Accrual Basis**
- **Unadjusted Budget Lines – Causing significant adverse variances**
- **Amounts paid from DA Account tan DLI US\$ Special Account**
- **Procurement Matters**
 - **60 Laptops Purchased**
 - **Contract Management**
 - **Duplicate Payment**
 - **Expenditure Control Lapses**
- **TomPro Accounting System**
- **Fixed Assets**

The prime objective of our audit was to enable us to express an opinion on the financial statements. The examination of the accounting records was carried out on a sample test basis and should not be relied upon to disclose errors and irregularities which are not material in relation to the financial statements.

We must emphasize that weaknesses in the accounting system and internal controls may facilitate defalcations, which normal audit test checks will not necessarily detect.





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We provide this report on the basis that it is for the information of **the ACE Impact Project** and should not be quoted wholly or partly without our prior written consent.

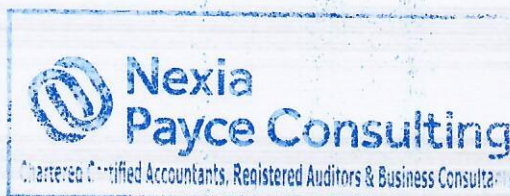
We provide the key below to guide you in the implementation of our recommendations.

| | |
|---|--|
| ✓ | Resolved |
| ○ | Ongoing issue, still in the process of being resolved. |
| ✗ | Open and not yet resolved. |

In conclusion, we would like to take this opportunity to thank you and your staff for the cooperation and assistance given to us during our audit. In the event you require any further information, please do not hesitate to contact us.

Yours faithfully

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2.1. Accounting System Configured on Accrual Basis

Ranking

1. High Priority

Observations

Despite this point being raised in the previous two audit cycles, the accounting software TomPro was configured to recognize transactions on accruals basis rather than cash basis. Examples of such are:

Fixed Assets:

US\$115,238.13 was also recorded on the Trial Balance. This practice is contrary to the project's accounting policy of cash accounting.

Payables:

- As at the year-end, accounts payable of USD2,025,883.37 and student allowances payable of USD7.98 were reflected in the records. This practice is again contrary to the project's accounting policy of cash accounting basis.
- Amount of US\$1,139,988.94 relating to total expenditure in 2022 referred to by the accounting software in 2022 as Long-term liability.

Cash and Cash Equivalents

Cashbook balances were recorded in the Trial Balance rather than the actual bank balances as per bank statement for the DA account.

There were two unpresented cheques totaling US\$11,959 (US\$5,979.50) recognised in the 2022 cash book of the IDA DLI Account that cleared from the bank in January 2023.

The client had to make several adjustments during the audit to ensure compliance with cash accounting.

Second Africa Higher Education Centers of Excellence for Development Impact Project

Final Management Letter – Audit of Financial Year Ended 31st December 2022

Risk Implications

Mixing-up cash and accrual accounting methods in one report gives a completely inaccurate result and misleading information to the user.

Reconciliation of the Special Accounts (DA and DLI) will be impossible putting the internal control mechanism at risk.

Recommendations

TomPro needs to be reconfigured to account on cash basis making it a well-functioning accounting system.

Cash accounting should be strictly used i.e. expenditure incurred recognized only when cleared in the bank statement.

Benefits

Accounting for uses of cash will ensure the integrity of finances ensuring that all cash receipts and payments are authorized. Accounting treatment would be consistently applied, and information can be relied upon.

Comments from ACE Impact Project

The project accounting system TOMPRO is configured on a Cash Basis Accounting to recognize transactions. Some of the nomenclature used in the system makes mention of accrual terms but in reality, the concept of cash basis is what been used.

Fixed Assets: The project is required to maintain a Fixed Assets Register of all fixed assets acquired during the life of the project. The Accounting system was developed taking that into consideration and general ledger account codes were created with fixed assets in mind. The cash accounting principles are not deviated as all assets acquired are fully expensed in the year of purchase.

Payables: The payables general ledger codes are created in the system to help to create control accounts for all suppliers, students etc. The system allows for an invoice to be raised and then a payment voucher is done. The invoices and payments are done on the same day. The invoice is raised to capture all payments from a particular supplier or student as the case may be. No payment is captured on the system without immediate payment done.

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Cash and cash equivalent: Our Financial statements are prepared based on cash accounting. Expenses are recognized in our books immediately they are paid and our financial statements are prepared using the cash book balances not the Bank statement balance. Any differences are shown in the bank reconciliation.

There were no adjustments made during the audit to ensure compliance with cash accounting.

Auditor's Note

Indeed, corrections were made to the financial statements as the closing bank balances are reflected on the financial statements rather than the cashbook balances. This is in line with cash accounting whereby revenues and expenses are recorded when cash is actually received and paid, respectively.

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2.2. Unadjusted Budget Lines – Causing significant adverse variances

Ranking

1. High Priority

Observation

A variance analysis report was prepared and we realized that the budget was overspent on certain lines. For some lines there was no amount budgeted.

| Description | Budgeted Amount | Actual Amount | Variance | % Variance |
|--|-----------------|---------------|----------|------------|
| | US\$ | US\$ | US\$ | |
| Procurement of Vehicles | 60,000 | 109,132 | -49,132 | -81.89% |
| Annual Data Collection | 20,000 | 31,191 | -11,191 | -55.96% |
| Implementation Support Visits | 4,800 | 13,170 | -8,370 | -174.38% |
| Equipment and Fittings (Computer, Photocopier, Printers, AC) | - | 859 | -859 | -100.00% |
| Motor Vehicles (Insurance and Maintenance) | - | 5,651 | -5,651 | -100.00% |
| Fuel | 7,500 | 28,489 | -20,989 | -279.85% |
| Mentoring and delivering of curricula in Engineering (KNUST) | 694,620 | 680,028 | 14,592 | 2.10% |
| Office Supplies | 10,500 | 10,645 | - 145 | -1.38% |

Risk Implications

By not defining your budget, might expose the project to poor decision making, runaway spending and overestimating your revenue. Your company's survival could be at risk.

Recommendation

The reason for the variance should be investigated for the over-spend. If the over-spending is the consequence solely of a timing difference then no immediate action is likely to be required. All other overspending will need to be resolved by identifying alternative sources of income/funds that could be used to cover the over-spend. Expenditure should then be transferred to the alternate source(s) to fix the over-spend.

Second Africa Higher Education Centers of Excellence for Development Impact Project

Final Management Letter – Audit of Financial Year Ended 31st December 2022

Benefits

Proper budgeting ensures an accurate tracking of expenditure lines.

Comments from ACE Impact Project

The procurement of the 15-seater bus was budgeted in the previous 2021 financial year and the procurement process took a long time to be completed which finally elapse in the current year when the payment is made, reason for the non-budgeted amount this year.

The budget for the mentoring and delivering of curricula in engineering KNUST was under budget. The cost of air tickets from Kumasi to Banjul is on the increase for visiting lecturers.

The PCU will ensure that better controls are put in place to regularly seek for the revision and update of its annual budget.

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2.3. Amounts Paid from DA Account rather than DLI US\$ Special Account

Ranking

1. High Priority

Observation

- There were numerous payments made from the IDA DA designated account that should have rather been paid from the DLI account and vice versa. This led to refunds being made to correct this.

| Description | Amount |
|--|---------------|
| | US\$ |
| Establishment of the USET Centre | 261 |
| Mentoring and delivering of curricula in Engineering (KNUST) | 4,954 |
| Long Term International Training | 7,223 |
| Total | 12,438 |

- Furthermore, fuel purchased worth US\$20,989 was wrongly paid from the DA account which should be refunded to the Project's account.

Risk Implications

By not defining your budget, might expose the project to poor decision making, runaway spending and overestimating your revenue. Your company's survival could be at risk.

Recommendation

The reason for the variance should be investigated for the over-spend. If the over-spending is the consequence solely of a timing difference then no immediate action is likely to be required. All other overspending will need to be resolved by identifying alternative sources of income/funds that could be used to cover the over-spend. Expenditure should then be transferred to the alternate source(s) to fix the over-spend.

Second Africa Higher Education Centers of Excellence for Development Impact Project

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Benefits

Proper budgeting ensures spending to be effectively monitored.

Comments from ACE Impact Project

As the table highlighted below these payments should be paid from the DA special account under Component three of the Project. For example, on 21st November 2022, a sum of US\$25,833.61 was paid to NAQAA and the DA designated cashbook was credited with the transaction. The activity debited was the 3104- Support to NAQAA. A No objection was also sought from the Bank indicating that the activity should be paid from the DA designated Account. There were another two transactions that relate to the Annual Data Collection, which we paid from the DA account and the auditor is claiming it to be paid from the DLI account. The auditor is asked to refer to the project document and also the project budget (see below extra from the DA cash book) shared.

| Account Date | Description | Debit | Credit | Cur. | Activity posted in CASH Book |
|--------------|--|----------|------------------|------|--|
| 11-Jan-22 | Stipend for January - March 2022 mistakenly paid from the DA it should have been paid from DLI | | 1,500.00 | USD | 2103- Long term training International |
| 13-Jan-22 | Refund of stipend Edward Mansal | | 1,502.85 | USD | 2103- Long term training International |
| 21-Feb-22 | Data collection exercise of the tertiary and higher education institutions (THEIS) | | 5,252.80 | USD | 3101- Annual Data Collection |
| 3-Mar-22 | Data collection exercise tertiary and higher education institutions | | 12,268.84 | USD | 3101- Annual Data Collection |
| 21-Mar-22 | Refund of allowance paid from this account PV 2 and 4 | 3,005.75 | | USD | |
| 20-Oct-22 | Payment for the request of air ticket for Mahzouba Maya Faal and Samba Sowe | | 2,797.16 | USD | 3228- Partnership and Networking Visits |
| 8-Dec-22 | Transportation and feeding allowance for placement of both first and second year college of | | 4,219.82 | USD | 3102- Short term training |
| | Long term training International | | 27,541.47 | | |
| 20-Sep-22 | Advert for the construction of centre of excellence | | 106.93 | USD | 3207- Operating Cost |
| 27-Sep-22 | Advertisement for the construction of USET | | 153.72 | USD | 3207- Operating Cost |
| | Establishment of USET Centre | | 260.65 | | |
| 4-Oct-22 | Payment for the Air ticket for MR BISMARCK DONKOR | | 1,176.26 | USD | 2101- Mentoring and delivering of Curricula in Engineering KNUST |
| 4-Oct-22 | Payment for the Air ticket for CONFIDENCE G SANKA | | 1,141.08 | USD | 2101- Mentoring and delivering of Curricula in Engineering KNUST |
| 8-Oct-22 | Air ticket for KNUST lecturer Francis Yankey | | 1,227.52 | USD | 2101- Mentoring and delivering of Curricula in Engineering KNUST |
| 11-Oct-22 | Advert for head of department Mechanical and Electrical/Electronic Engineering | | 354.65 | USD | 3207- Operating Cost |
| 20-Oct-22 | Advertisement for the recruitment of head, department of mechanical engineering | | 388.26 | USD | 3207- Operating Cost |
| 31-Oct-22 | Advertisement for the recruitment of head, Department of civil engineering | | 686.45 | USD | 3207- Operating cost |
| | Mentoring & delivery of curricula in engineering (KNUST) | | 4,954.22 | | |
| 21-Nov-22 | Training on quality assurance | | 25,833.61 | USD | 3104- Support to NAQAA |
| | Mentoring & delivery of curricula in quality assurance entrepreneurship | | 25,833.61 | | |

Auditor's Note

The amounts were misclassified.

2.4. Procurement Matters

2.4.a. 60 Laptops Purchased

Ranking

1. High Priority

Observation

Our review of the contract awarded to Global Alliance USA Gambia, Limited of D2,958,228 for the supply 60 customized laptops for KNUST students highlighted the following.

- It was stated in a letter dated 23rd September 2021 that the laptops should be delivered within 3 weeks of signing the contract which was accepted by supplier.

50% payment of D1,479,114 was made in February 2022 (PV No.12) for the supply of 40 laptops.

On the 30th March 2022, a request for D548,344 (PV No. 28) was made when notification was received that the remaining 20 laptops had been shipped.

On the 14th April 2022, the remaining balance of D930,770 (PV No. 34) was made when the 20 laptops were delivered. The items delivered on the 6th April 2022 as per delivery note

There was a delay in the delivery of the laptops which exceeded the timeframe agreed.

Risk Implications

The late supply and delivery of goods could cause damage to various elements of the project.

Recommendation

The Project should consider applying the provision for liquidated damages stated on contracts for the breach that is delayed delivery.

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Liquidated damages clauses are an adequate way to deal with minor breaches (such as delay in delivery) in supply contracts. As the level of compensation is an agreed remedy, such clauses usually enable the parties to preserve the commercial relationship even if there has been a poor performance by one party.

Benefits

The interest of the project would be protected.

Comments from ACE Impact Project

The delivery was delayed as the Supplier communicated to the PCU the problems the Supplier was facing to ship the laptops to Gambia.

2.4.b. Contract Management

Ranking

2. Medium Priority

Observations

A review of some of the contracts were review and these lapses were noted:

- The consultancy contract with Fenta Consultants Architects stated that a professional liability insurance and bank guarantee should be provided by the consultant. There was no evidence that this was done.

Furthermore, a payment of D1,378,050 was made with PV Number 15 with no acceptance certificate confirming that the work undertaken was acceptable.

Risk Implications

Poor contract management processes foment inefficiency, impede communication and collaboration, and can trigger risk and other compliance issues.

Recommendation

The contract management processes in place would be enhanced.

Benefits

Losses would be minimized.

Comments from ACE Impact Project

We will engage the Consultant, Fenta Consultants Architects to provide the Professional Liability insurance.

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Final Management Letter – Audit of Financial Year Ended 31st December 2022

Also, this is a Consultancy Service and does not require an advance payment. The payments to the consultant are based on deliverables. The payment does not need an acceptance certificate as indicated but it has been accepted by management as indicated in writing on the payment request.

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2.4.c. Duplicate Payment

Ranking

2. Medium Priority

Observations

On the 1st March 2022, D90,968.02 (PV No. 18) was paid to Prime Insurance Company for insurance cover for vehicle WB ACE 03TA.

However, on the 24th Aug 2022 (PV No. 74), insurance premium was again paid for 3 vehicles. A letter dated 28th July 2022 from Prime Insurance Company Limited showed that insurance coverage had again been provided for vehicle with registration WB ACE 03TA.

This indicates that a double payment was made to Prime Insurance for the same vehicle.

Risk Implications

Making the same payment twice or even more frequently can have devastating impacts on the project over time. The biggest risk is liquidity.

Duplicate payments could result to a possible misstatement which if timed, duplicate payments can remain undetected for some time, while shady characters fatten their pockets.

Finally, double payments can completely throw off the accounting books. This could cause them to not balance at all.

Recommendation

The insurer should be contacted immediate for either a refund or a credit note being issued.

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Benefits

The funds of the project would be safeguarded.

Comments from ACE Impact Project

The Auditor's observation is well noted and the PCU will ensure that Prime Insurance Company Limited issue us with a credit note towards our next premium charges.

Second Africa Higher Education Centers of Excellence for Development Impact Project

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2.4.d. Expenditure Control Lapses

Ranking

2. Medium Priority

Observations

The expenditure vouching of Payment Vouchers (PVs) highlighted the following observations:

- There were PVs not authorized.

| PV Date | PV No. | Supplier | Details | Amount |
|------------|-------------|--------------------|--|-------------------|
| | | | | GMD |
| 06/10/2022 | 88 | Satguru Travels | Being payment for air ticket | 71,000.00 |
| 04/10/2022 | 87 | Satguru Travels | Being payment for air ticket | 66,000.00 |
| 04/10/2022 | 86 | Euro World Travels | Being payment for air ticket | 66,000.00 |
| 12/12/2022 | PV49 - Rsvl | N/A | Rsvl. of long outstanding in Bank Reconciliation | 6,900.00 |
| 13/04/2022 | 33 | Roumieh Travel | Being payment for air ticket | 63,600.00 |
| 29/11/2022 | 105 | GRA | Income tax for November | 2,083.34 |
| 29/11/2022 | 104 | SSHRC | Social Security for November | 1,815.00 |
| 15/12/2022 | 115 | GRA | Income tax for December | 7,916.68 |
| | | | | |
| | | | | 285,315.02 |
| | | | | |

- There were PVs with no supporting documents attached i.e. Purchase Orders.

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| PV Date | PV No. | Supplier | Details | Amount |
|------------|--------|-----------------------------|---|---------------------|
| | | | | GMD |
| 15/03/2022 | 16 | CFAO | Being payment for the supply of Toyota coaster 30 Bus | 3,700,000.00 |
| 18/08/2022 | PV73 | Smile Business and Services | Being payment for the supply of stationery | 260,184.00 |
| 28/07/2022 | PV71 | The Voice | Being payment requested by MoBSE | 9,000.00 |
| 25/04/2022 | 35 | CFAO | Being payment for the Toyota 15 seater Bus | 2,100,000.00 |
| | | | | |
| | | | | 6,069,184.00 |
| | | | | |

Risk Implications

Inadequate financial controls have the potential of increasing the overall risk of the organization.

In the event of a dispute arising where source documents would be required, the Project could be in a very difficult situation to redeem itself.

Recommendation

All PVs raised should be authorized.

Supporting documents should also be filed for future reference.

Benefits

The control environment would be strengthened thereby minimizing losses to the Project.

Comments from ACE Impact Project

All the payment vouchers highlighted are now duly signed off with the authorized signatures.

No supporting documents ie Purchase Order - The Payments for CFAO vehicles has a signed contract binding the two parties and there is no need for purchase order. Likewise, we have a signed contract with Smile Business and Service.

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2.5. TomPro Accounting System

Ranking

2. Medium Priority

Observations

Payment Voucher (PV) numbers are generated by the TomPro accounting system in use. However, our review showed that there were transactions that had the same PV numbers reflected on the said document meaning that PV numbers were duplicated, which should not be the case.

| Date | PV Number | Description | Payee | Amount GMD |
|----------|-----------|---------------------------------|--|---------------|
| 24/08/22 | 74 | Insurance for 3 Motors | Prime Insurance | 157,603.93 |
| 31/08/22 | 74 | Service for design review | Fenta Consultants Architects | 837,400.00 |
| 01/03/22 | 18 | Insurance for 30 Seater Coaster | Prime Insurance | 90,968.02 |
| 22/03/22 | 18 | Motor insurance renewal | Prime Insurance | 43,291.84 |
| 05/08/22 | 72 | Advert for tender | XL Standard Co. Ltd. | 14,375.00 |
| 10/08/22 | 72 | Audit payment | Augustus Prom | 110,000.00 |
| 20/06/22 | 63 | Salary for June 2022 | IDA 3 rd Education Phase II | 205,400.00 |
| 27/06/22 | 63 | Air ticket KNUST lecturer | ISA Travel Agency | 271,656.00 |
| | | | | |

Risk Implications

Incorrect details of a PV increase the risk of misstatement/ misconduct as the possibility of collusion is high.

It would be difficult for an audit trail to be formed on the transaction.

Recommendation

A PV being such an important feature of the internal control mechanism ensures that each payment made is authorized and that it is appropriate for the goods or services received based on the pre-existing agreements.

Benefits

The risk of misstatement would be reduced and deter them from colluding to steal assets. The vouchers create a paper trail, which documents all of the people involved with that particular transaction, as well as their tasks associated with that transaction.

Comments from ACE Impact Project

The payment voucher numbers are presently not generated by the accounting system and are manually done. The PCU will ensure that the two Cashbooks, that is the DLI and DA respectively are handled by different Assistant Accountants to reduce the error rate. We will also reengage the software consultant to configure the system for automation of the payment voucher numbering on the system.

2.6. Fixed Assets

Ranking

1. High Priority

Observations

Our review of the Fixed Assets Register (FAR) highlighted the following:

- Only 40 laptops were recorded on the FAR as additions rather than the 60 laptops purchased. The remaining 20 were not accounted for/ reflected on the FAR.
- Also on the FAR, it showed that laptops were in Store which is incorrect as laptops had been issued to different recipients. The FAR should be updated.
- There was a difference between the reference code used on the FAR when compared to the reference code indicated on the laptop itself. As a result of this the condition of the laptops concerned could not be confirmed.
- Furthermore, during the verification exercise, we realised that some of the laptops were not in good working condition. Furthermore, the brand of laptops purchased is not one of the reputable brands available.

Risk Implications

Assets could go missing if not properly tracked.

Recommendation

The FAR should be regularly updated and reviews carried out by independent person.

Benefits

The Project's assets would be safeguarded and at any given point the location of assets known.

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Comments from ACE Impact Project

The Fixed Assets Register was duly updated with the additional 20 laptops and the recipient names are also updated on the FAR. There was a communication breakdown between the PCU and USET when the laptops were issued to students. USET tagged the assets using their coding method and now the FAR has been updated using the tagged fixed assets numbers used by USET.

The PCU will have to verify with the students on working condition of the laptops. As at reporting, no student complained or returned any of these laptops. USET also accepted the laptops based on the specifications provided during the procurement process.

Auditor's Note

PCU should indeed confirm the condition of each asset as the status should be reflected on the FAR. During our verification exercise, concerns were expressed about the working conditions of the laptops.

3. Review of Previous Management Letters

The tables below gives a summary of the observations raised in the previous audit cycles of 2021 and 2020 as well as the status of the progress made to implement the recommendations. A guide to the symbols used in the remark column of this table can be found at Page 5.

a. Review of the 2021 Management Letter

| Reference As Per 2021 Management Letter | Observations Highlighted | Status after the 2021 Audit | Remarks |
|---|--|-----------------------------|---|
| | Governance | | |
| 2.1 | <p><u>Infrequent Steering Committee Meetings</u></p> <p>It is our understanding that the Project Steering Committee (PSC) and National Steering Committee (NSC) have been merged into one committee. The PSC and NSC having responsibility for providing guidance and oversight to regional level initiatives, met only in January 2021. This is not in line with section I of the Financing Agreement which states that meeting should be held annually and semi-annually.</p> <p><u>Audit Committee</u></p> <p>The audit Committee also met only once during the year.</p> | <p>✓</p> <p>X</p> | <p>Regular meetings now held.</p> <p>No meetings held in 2022</p> |

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| 2.2 | USET Administrator's All-inclusive Emoluments | | |
| | <p>"Section 3 (A) of the signed contract states that the fee established is based on the understanding that it includes all of the consultant's costs, profits as well as any tax obligation that may be imposed".</p> <p>"Section 89 of the Income and Value Tax Act 2012 states that withholding tax should be applied on payments made to contractors for services rendered".</p> <p>However, in this case of the USET Administrator's monthly emoluments from September to December 2021, withholding tax was not applied on each of the months mentioned.</p> | X | Still not resolved. |
| 2.3 | Internal Audit | | |
| | The Memorandum of Understanding (MOU) signed with the Directorate of Internal Audit states that reviews should be carried out every six (6) months. However, there were no reviews carried out in 2021. | o | Efforts made for reviews to be carried out. One review carried out in 2022. |
| 2.4 | Imprests | | |
| | <p>A few observations were highlighted from our review of the imprest account.</p> <ul style="list-style-type: none"> - The financial management manual states that all imprest should be retired on or before the | O | |

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| | <p>last working day of the financial year. However, at the end of the 2021 financial year, a balance of USD 2,626 was outstanding (DA – US\$2,043 and DLI – US\$583).</p> <p>- Imprests should not be issued/ approved for an applicant who at the time of making the application has an imprest due for retirement. Again, from our review of the imprest account, imprests were issued to an Implementing Officer that had not retired previous imprests issued.</p> | O | Some of these outstanding balances were retired in 2023. |
| 2.5 | Departure from Cash Basis of Accounting | | |
| | <p>Based on our review, we observed that the cash accounting principle/concept is not consistently applied. The accounting software TomPro was configured to recognize transactions on accruals basis rather than cash basis. Examples of such are:</p> <p><u>Payables:</u></p> <p>- As at the yearend, accounts payable of USD2,761.93 and student allowances payable of USD7.98 were reflected in the records. This practice is contrary to the project's accounting policy of cash accounting basis.</p> <p>- Amount of US\$236,203 relating to total expenditure in 2020 referred to by the accounting software in 2021 as Long-term liability.</p> | X | This matter is still unresolved. |

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| | <p><u>Cash and Cash Equivalents</u></p> <p>Cashbook balances were recorded in the Trial Balance rather than the actual bank balances as per bank statement for the DA account.</p> <p>There were unrepresented cheques of USD11,959 recognised in the 2021 cash book of the IDA DLI Account that actually cleared from the bank in January 2022.</p> | | |
| 2.6 | Control Environment Matters | | |
| | <p>Our control environment assessment highlighted certain lapses:</p> <ul style="list-style-type: none"> - In November 2021, an instruction was sent to the bank for the transfer of USD22,508 to De Montfort University. In processing the payment at the bank, US\$30,245 was transferred instead, resulting in an excess payment of USD7,737. <p>On the 13th January 2022, although communication of this error was sent to CBG and the University, this error should have been picked up by the control and monitoring mechanisms put in place to be specific during the monthly bank reconciliation process of November 2021.</p> <ul style="list-style-type: none"> - Furthermore, the IDA DLI designated account cashbook showed an amount of USD571.10 | O | Progress made on this. |

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| | <p>deposited on the 31st December 2021 which was not actually deposited into any of the Project's accounts. This amount was showing on the December bank reconciliation statement as unreconciled receipts.</p> <ul style="list-style-type: none"> - An instruction was sent to the bank in April 2021 for the payment of April 2021 salaries of USD3,755 from the IDA designated account but it was not paid. However, in September the transaction was reversed without raising of a PV as it kept appearing on the bank reconciliation statement. Evidence that follow ups had been made could not be provided. - There were numerous payments made from the IDA DLI designated account that should have rather been paid from the DA account and vice versa. This led to refunds being made to correct this. | | |
| 2.7 | Expenditure Matters | | |
| | <p>The expenditure vouching of Payment Vouchers (PVs) highlighted the following observations:</p> <ul style="list-style-type: none"> - There were PVs not authorized; and - There were PVs with no supporting documents attached i.e. Receipts. - Payments without 3 quotations | <p>O</p> <p>O</p> <p>O</p> | <p>Some progress has been made but instances of these lapses still remain.</p> |

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| | <ul style="list-style-type: none"> - Goods Received Notes/ Service Delivery Notes were no prepared in file. | O | |
| 2.8 | Fuel Management System | | |
| | <p>Bulk fuel worth USD10,364.85 (Equivalent of D530,000) was purchased. However, from our assessment the mechanism in place to maintain, control and monitor consumption and stock was lacking. Further details are provided below:</p> <ul style="list-style-type: none"> - The fuel register maintained is inadequate. There is no column for fuel stock receipts, issues made balance remaining and so on; - There are no guidelines developed on how fuel should be issued and to whom. - One of the recipients of the fuel did not sign the register as received. | √ | Efforts have been made |
| 2.9 | Human Resources Matters | | |
| | <p>The following observations were noted from our review of the HR procedures in place:</p> <ul style="list-style-type: none"> - Section 7 "Standards and Evaluation of Performance" of the Contract of Employment states that there should be a | | |

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| | <p>process for evaluating staff performance at periodic intervals. We received no evidence that staff appraisals were conducted during the year 2021.</p> <ul style="list-style-type: none"> - Furthermore, the practice adopted by the Project is that Gratuity is paid to staff on a monthly basis which is contrary to the signed contracts of employment. However, section 3(E) "Payment" of the contract states that gratuity should only be paid at the end of each year (12 months from the start date of employment). | | |
| 2.10 | Fixed Assets | | |
| | <p>The following observations were noted:</p> <ul style="list-style-type: none"> - There were assets not captured in the Fixed Asset Register (FAR). - A visitor's chair 3 in one with a center table referenced ACE IMPACT/DA/V.Chair3in1/2021/59 costing D68,000 was reflected in the FAR but during the verification exercise it was not seen. We were informed that this item was never delivered. - There were items shown on the supplier's invoice that should have been supplied but evidence that it was could not be ascertained. One particular example is the supply of 2 | | |

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| | bookcases 4 drawer cabinet with glass, complete set for the Vice Chancellor's office costing D80,000. Evidence that only one was supplied was seen. | | |
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b. Review of the 2020 Management Letter

| Reference As Per 2020 Management Letter | Observations Highlighted | Status after the 2020 Audit | Remarks |
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| 2.3 | HR Lapses - Gratuity of USD1,692.01 was paid to the staff concerned. However, section 3(D) "Payment" of the contract states that gratuity should only be paid on termination of the contract not during the contract. | X | This matter is not resolved |
| 2.4 | <p>Expenditure - (Non-Competitiveness of Prices & Awarding of Contracts - Furthermore, our assessment highlighted the following:</p> <ul style="list-style-type: none"> - There were contracts awarded for the purchase of office furniture, equipment and appliances. Unit prices on several of the purchase invoices showed that the values paid by the Project were far higher when compared to market prices for similar or higher quality goods. - Another observation is that some of the suppliers' awarded contracts were not well-known or | <p>O</p> <p>X</p> | |

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| | reputable wholesale/retail suppliers for the items purchased. | | |
| 2.4 | <p>Expenditure - (Non-Competitiveness of Prices & Awarding of Contracts</p> <ul style="list-style-type: none"> - There were contracts awarded for the purchase of office furniture, equipment and appliances. Unit prices on several of the purchase invoices showed that the values paid were far higher when compared to market prices for similar or higher quality goods. - Another observation is that some of the suppliers' awarded contracts were not well-known or reputable wholesale/retail suppliers for the items purchased. | O | Progress made |
| 2.5 | <p>Expenditure Matters - the following observations came to light:</p> <ul style="list-style-type: none"> - There were Payment Vouchers (PV) not authorized; and - There were PVs with no supporting documents attached i.e. Receipts. | X | Remains the same |

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| 2.6 | Apart from motor vehicles, the remaining assets of the Project worth USD39,374 were not insured. | O | This is a work in progress |
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