IN THE THIRD SESSION OF THE SIXTH PARLIAMENT
OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

ON THE

PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL

ON THE

GETFUND FUNDED INFRASTRUCTURAL PROJECTS IN PUBLIC TERTIARY INSTITUTIONS

1.0 INTRODUCTION

The Performance Audit Report of the Auditor-General on the GETFund Funded Infrastructural Projects in Public Tertiary Institutions was presented to Parliament on Tuesday, 26th November 2013 in accordance with article 187(2) and (5) of the 1992 Constitution of the Republic of Ghana.

Pursuant to Order 165 (2) of the Standing Orders of the Parliament of Ghana, the Report was referred to the Public Accounts Committee (PAC) for examination and report.

2.0 PROCEDURE

2.1 To consider the Report, the Hon. Deputy Minister for Education, Mr. Samuel Okudzeto Ablakwa, the Administrator of the Ghana Education Trust Fund (GETFund), Mr. Sam Garba, the Executive Secretary of the National Council for Tertiary Education, Mr. Mahama Duniejua and officials of the under-listed organisations appeared before the Committee as witnesses to testify on behalf of their respective organisations.

i. Ministry of Education.
ii. Ghana Education Trust Fund (GETFund).
iii. National Council for Tertiary Education (NCTE).
iv. Central Tender Review Committee.
v. University of Ghana.
vi. University of Cape Coast.
vii. Kumasi Polytechnic.
viii. Tamale Polytechnic.
ix. Architectural and Engineering Services Limited (AESL).

2.2 On appearing before the Committee, the witnesses subscribed to the Oath of a Witness and answered questions relating to the issues raised by the Auditor-General in his Report.

2.3 The Deputy Auditor-General, Mr. Yaw Sifah and a Technical Team from the Audit Service were also present at the Committee's sitting to assist in its deliberations.

3.0 ACKNOWLEDGEMENT

The Committee is grateful to the Hon. Deputy Minister for Education, the Administrator of GETFund, the Executive Secretary of NCTE and all witnesses who appeared before the Committee and assisted in its deliberations. The Committee is equally grateful to the Deputy Auditor-General and his technical team for their immense contribution to the Committee's deliberations.

Finally, the Committee extends its appreciation to STAR-Ghana for supporting its activities; and the media (print and electronic) for broadcasting its proceedings.

4.0 REFERENCE DOCUMENTS

The Committee was guided in its deliberations by the following documents:

i. The 1992 Constitution of the Republic of Ghana.
ii. The Standing Orders of Parliament of Ghana.
iii. The Financial Administration Act, 2003 (Act 654).
iv. The Public Procurement Act, 2003 (Act 663.)
v. The Audit Service Act, 2000 (Act 584).
vi. The Internal Audit Agency Act, 2003 (Act 658).

vii. The Financial Administration Regulations, 2004 (L.I. 1802).

viii. The GETFund Act, 2000 (Act 581).

ix. The National Council for Tertiary Education Act, 1993 (Act 454).

5.0 BACKGROUND

Prior to the establishment of the GETFund, the Ministry of Education, through the Ghana Education Service (GES), was responsible for the provision of infrastructural development and the maintenance of essential academic facilities at all levels of education in the country.

Due to the increasing needs and demands of the educational sector, and its attendant effect on the budget of the Ministry of Education, the Government, through an Act of Parliament (Act 581) in year 2000, established the GETFund to provide a sustained source of funding for the educational sector. The Fund is resourced with 2½% Value Added Tax (VAT) levied on citizens of the country. This has since been the major source of funding for educational infrastructure, especially in public tertiary institutions.

To manage the Fund, a GETFund Secretariat was set up and mandated to receive the 2½% VAT from the Ministry of Finance and disburse the fund through a formula approved by Parliament. The role of GETFund Secretariat in the realisation of infrastructural projects is to ensure that funds are disbursed and used for projects they are intended for, and through NCTE, maintain supervision in the use of the funds disbursed to beneficiary institutions.

As indicated in the Auditor-General's Report in year 2010, various concerns in the media purported that infrastructural designs of GETFund funded projects were not standardised, thus often resulting in disparities in cost. Again, GETFund was cited as not being a party to the contract awarding processes in beneficiary tertiary institutions from which claims for payment are made although, GETFund is held liable for contractual breaches. It was further stated in the Auditor-General's Report that stakeholders at the Third GETFund Consultative Forum held in Sogakope in year 2010 also raised concerns about the poor management of spending by GETFund. This was attributed to the lack of project due diligence and the absence of monitoring and evaluation of projects and programmes.

In view of these concerns and in line with section 13 (e) of the Audit Service Act, 2000 (Act 584), the Auditor-General commissioned a performance audit into GETFund funded infrastructural projects in the country.

5.0 PURPOSE AND SCOPE OF THE AUDIT

The purpose of the audit was to ascertain whether GETFund ensured that beneficiary public tertiary institutions have implemented planned infrastructural projects. It was also to ascertain whether the projects were completed on time, within budgetary allocation and the quality of infrastructural works were guaranteed.

The audit therefore focused on planning and implementation of infrastructural projects funded by GETFund in public tertiary institutions in Ghana from January, 2005 to December, 2010.

7.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee made the following observations and recommendations during its deliberations:

1. Statutory Payment of 2½% VAT into the GETFund

Section 4 of the GETFund Act, 2000 (Act 581) requires that monies paid into the Fund are to be lodged directly into GETFund's designated bank account(s) by the Ghana Revenue Authority within thirty (30) days after collection of such monies accruing from the 2½% VAT.

The Committee observed that from year 2005 to 2013, monthly disbursement into the Fund was usually in arrears between two and nine months. In the opinion of the Committee, this situation constitutes a breach of the GETFund Act, 2000 (Act 581).

According to the Administrator of the Fund, the sluggish disbursement into the Fund is the single most constraining factor confronting GETFund in ensuring efficiency, cost-effectiveness and timely delivery of projects.

The Committee considers this perennial situation as unacceptable and therefore urges the Ministry of Finance to ensure that the accumulated arrears owed to GETFund is paid as early as practicable. Again, the Ministry of Finance should strictly adhere to the provisions of section 4 of the GETFund Act, 2000 (Act 581).

2. Absence of Legislative Instrument (L.I.)

The Committee observed that the GETFund Secretariat, since its establishment in year 2000, has been operating without an L.I. which would indicate in detail the specific functions and activities to be undertaken by the Secretariat in managing the Fund. As a

result, the Secretariat is guided by prudence and good practice in the management of the Fund.

The Committee was informed that the Board of Trustees of the Fund has completed its work on the draft L.I. and has presented it to the Ministry of Education for presentation to Cabinet.

The Committee therefore urges the Minister for Education to ensure that the draft L.I. is presented to Cabinet for onward transmittal to Parliament for consideration and passage. This would ensure that bottlenecks confronting the Secretariat in the effective functioning and management of the Fund are removed.

3. Lack of Proper Planning and Budgeting for Projects

The Committee noted that tertiary institutions are autonomous regarding the utilisation of funds received from GETFund. This means that initiating, planning, conducting due diligence, prioritising and budgeting for all projects rest solely with the institutions.

The Committee also noted that GETFund has no role to play in the determination of projects to be executed by tertiary institutions. It only disburses funds to the institutions as per the approved formula by Parliament.

NCTE on the other hand, is involved in the approval of projects to be executed in tertiary institutions and also ensures that the project goes through the necessary processes. This stems from the fact that NCTE is represented on the Council and Entity Tender Committees of tertiary institutions.

The Committee observed that various projects were executed simultaneously in most of the tertiary institutions when there

were no funds to complete them. For instance, between year 2005 and 2010, the University of Ghana embarked on sixteen (16) projects concurrently. The Tamale Polytechnic also embarked on eleven (11) projects concurrently within the same period. As a result, projects which started as far back as year 2004 were still on-going as at year 2012.

The Committee is of the opinion that commencing new projects when on-going projects have not been completed gives little room for planning. This results in unexpected and unforeseen expenditure thereby increasing the estimated cost of the project. Consequently, if GETFund has the responsibility of ensuring the proper utilisation of funds, it should be involved in the various stages of project implementation to enable it conduct effective monitoring of the projects to achieve value for money.

The Administrator of the Fund informed the Committee that the Secretariat is also concerned about the execution of many projects simultaneously when there are no funds to complete them. However, against the backdrop that tertiary institutions are autonomous regarding the utilisation of funds received from GETFund, GETFund in collaboration with the NCTE, intends to hold discussions with tertiary institutions with a view of setting up Joint Project Implementation Committees of an advisory nature on the various campuses. This is to ensure that all stakeholders are involved throughout the project cycle.

The Committee recommends that GETFund should put a mechanism in place to demand from the institutions, justification for undertaking any project. GETFund should also ensure that projects are duly planned and all necessary due diligence conducted before funds are released to the institutions.

4. Inefficient Management of Project Schedule

Project management involves reviewing and comparing planned to actual progress and taking steps to mitigate delays and also manage cost.

The Committee observed that GETFund's delay in payment for works done and failure on the part of the institutions to manage their project schedules efficiently resulted in cost overruns due to price fluctuations, interest on delayed payments and project variations.

a. Fluctuations

The Committee observed that there were significant cost overruns of projects due to price fluctuations of construction materials. This situation was attributed to delays in payment to contractors. The Committee noted that payments to most contractors delayed between three (3) and six (6) months contrary to the twenty-eight (28) days payment period provided for under clause 43 of the Public Procurement Act and adopted in GETFund funded project contract documents. In the opinion of the Committee, this situation stalled work on the project thereby preventing contractors from working according to schedule.

As reported by the Auditor-General, analysis of five (5) projects completed on time showed that price fluctuations of projects could be achieved within the contract permissible range of 0 to 15%. However, due to delays in payment to contractors which resulted in extension of time, price fluctuations on some projects increased the original cost of the project by about 44%.

For instance, the Performing Arts Theatre Project at the University of Ghana was scheduled to commence in year 2005.

The Committee noted that the price of a bag of cement increased from GH₵5.70 in year 2005 to GH₵10.60 in year 2006 when the project was scheduled to have been completed. As at April 2012, the Project was still on-going and a bag of cement had risen to GH₵19.00. Under such situations, the contractor will not be able to control cost overruns.

b. Interest on Delayed Payment

The Committee further noted that because payments to most contractors delayed between three (3) and six (6) months contrary to the 28 days payment period, the institutions paid interest on delayed payment at a rate equivalent to the prevailing commercial rate.

For instance, KNUST paid a total sum of GH₵96,560.55 as interest on delayed payment for the construction of an Examination Hall, while Kumasi Polytechnic paid GH₵847,917.00 as interest on delayed payment for the construction of an Academic Complex. The University of Cape Coast also paid GH₵13,297.17 and GH₵83,935.50 as interest on delayed payment in year 2008 and year 2009 respectively for the construction of the School of Business.

c. Variations

Again, the Committee observed that most GETFund projects underwent constant variations to add additional works without consideration to the original cost of the project. It was noted that most of these variations increased the contract sum between 16% and 44%, which in the opinion of the Committee, was contrary to the acceptable level of 15%.

The Administrator of the Fund informed the Committee that excessive variations occurred due to increases in the scope of works during implementation of projects.

From the foregoing, it is evident that GETFund do not have measures in place to reduce cost overruns relating to fluctuations, variations and interest on delayed payment. The institutions on the other hand, failed to review and compare planned to actual progress of projects. There was no evidence of measures put in place to mitigate delays and manage cost by the institutions.

The Committee therefore recommends that GETFund through NCTE should put measures in place to ensure that no Head of Institution/Department is allowed to vary any on-going project without the approval of Project Committees. Projects that have to be varied should be justified, and the availability of funds guaranteed before approval is granted.

GETFund should also demand a work schedule which should be matched against a payment schedule in a form of a contract register to guide GETFund in the payment of cost of projects.

To considerably curtail cost overruns and payment of interest arising from price fluctuations, project variations and delay in payments, the Committee reiterates its recommendation that the Ministry of Finance should ensure that timely payments are made into the GETFund Account in accordance with section 4 of the GETFund Act, 2000 (Act 581).

5. Management of Project Quality

The structure and operations of GETFund require the Technical Department of GETFund Secretariat to monitor and demand from

all consultants, detailed progress reports on all GETFund projects to ensure that they conform to technical specifications so as to promote quality assurance.

The Committee however observed that the Technical Department of GETFund Secretariat do not have monitoring schedules in place to enable them conduct regular monitoring of all on-going projects and also ensure regular reporting by consultants. The Department only conducts yearly monitoring of GETFund projects across the country and occasionally, when there is a problem. The Committee further noted that monitoring was not done as required because the Technical Department do not have adequate staff. Currently, the Fund Secretariat is staffed with three (3) Technicians who support the Head of the Technical Department in reviewing and monitoring all GETFund projects in the primary, secondary and tertiary institutions.

The Administrator of the Fund informed the Committee that the Board of Trustees of the Fund together with the Technical Department embark on project site visits to pre-tertiary institutions. He indicated that these visits are yet to be extended to the tertiary institutions considering the fact that the tertiary institutions are autonomous regarding the utilisation of the funds allocated to them. Again, Development Offices of the tertiary institutions are staffed with qualified personnel who are able to supervise the projects and ensure project quality. Thus, GETFund relies on the institutions for project quality assurance.

That notwithstanding, GETFund has put measures in place to strengthen the capacity of the Technical Department for effective monitoring and evaluation of projects, by setting up two (2) zonal offices in Kumasi and Tamale respectively. The Kumasi zonal office is expected to take care of Ashanti and Brong-Ahafo Regions

and some parts of the Western Region whiles the Tamale zonal office is to take care of the Northern, Upper East and Upper West Regions. He indicated that the opening of the zonal offices will be done in tandem with recruitment efforts to enhance the skills required of the Department. Also associated with the setting up of the zonal offices, is a planned re-equipping of the Technical Department with vehicles to enable staff travel around safely and conveniently.

The Committee could not fathom why GETFund would allocate funds to institutions for projects and not monitor the projects to ascertain whether the projects conform to technical specifications or not. For instance, Development Offices of the Polytechnics were noted not to have the full complement of staff to monitor and supervise works. An underground water tank of a computer laboratory in Tamale Polytechnic had to be demolished due to poor quality of work.

The Committee is of the opinion that inasmuch as GETFund is responsible for disbursing funds to the institutions, it should consider monitoring of projects as part of its responsibility and also demand formal reporting on projects from consultants. This would enable GETFund ascertain whether the quality of projects are guaranteed.

The Committee therefore recommends that the Ministry of Education should ensure that the Technical Department of GETFund has a monitoring schedule in place to monitor on-going projects. The Ministry of Education should also ensure that the GETFund through NCTE, demand regular progress reports throughout the life of a project and not only when certificates are prepared. The Committee further urges the Ministry of Education to ensure that the Technical Departments of both GETFund and

NCTE are adequately resourced to enhance their efficient and effective monitoring of projects.

6.0 CONCLUSION

The provision of quality education is an important part of Ghana's development agenda and this goes in tandem with the provision of infrastructure in pre-tertiary and tertiary institutions. Thus, the purpose of the establishment of GETFund cannot be overemphasised.

It is therefore imperative for the Ministry of Finance to ensure that releases into the Fund are made on time and in accordance with section 4 of the GETFund Act, 2000 (Act 581). The Ministry of Education on the other hand, should also ensure that GETFund and NCTE are involved in the project cycle of institutions and also conduct regular monitoring of projects to ensure value for money of all GETFund projects.

To this end, the Committee recommends to the House for adoption, its Report on the Performance Audit Report of the Auditor-General on GETFund Funded Infrastructural Projects in Public Tertiary Institutions.

Respectfully submitted.

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HON. KWAKU AGYEMAN-MANU
(CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE)

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ABIGAIL ABA ANSO
(CLERK TO THE COMMITTEE)

JULY, 2015