

EASTERN AND SOUTHERN AFRICA HIGHER EDUCATION CENTERS OF
EXCELLENCE (ACE II) PROJECT

AFRICAN CENTER OF EXCELLENCE IN ENERGY FOR SUSTAINABLE
DEVELOPMENT (ACE-ESD)

INTERNAL AUDIT REPORT FROM JANUARY TO JUNE, 2019

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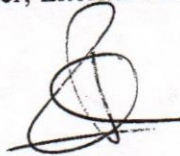


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1. INTRODUCTION

1.1. PROJECTS BACKGROUND

University of Rwanda Centers of Excellence composed of African Center of Excellence in Energy for Sustainable Development (ACE-ESD), African center of Excellence in Internet of Things (UR-ACEIoT), African Centre of Excellence for Innovative Teaching and Learning Mathematics and Science(ACE-ITLMS) and The African Center of Excellence for Data Sciences (ACE-DS) are 4 out of 24 centers initiated by the World Bank in Eastern and Southern Africa Higher Education Centers of Excellence Project (ACE II).

They are competitive loan won by the University of Rwanda-College Science and Technology (CST),College of Education(CE) and College of of Business and Economics (CBE) respectively, on behalf of the Government of Rwanda to overcome the identified gaps in handling big data, bio informatics, data mining, reliability modeling, research design and evidence-based policy analysis through delivering postgraduate studies, organizing professional courses and promoting collaborative research in the Eastern and Southern Africa. The main objective of this project is to establish and strengthen specialization and collaboration among a network of higher education institutions in the Eastern and Southern Africa region to deliver quality post graduate education and build corroborative research capacity in the regional priority area to address key development challenges facing the region.

1.2. OBJECTIVES

To strengthen selected Eastern and Southern African higher education institutions to deliver quality post-graduate education and build collaborative research capacity in the regional priority areas.



1.3. SOURCES OF FUNDING

University of Rwanda Centres of Excellence are financed through credit Agreement no 5796- RW signed on 17 June 2016 between the Government of Rwanda and International Development Association. The credit is valued at 20 USD million for a period starting from 30 September

2016 to 31 December 2022. Their funding mode is performance based whereby plans and achievements must be guided by the set indicators to lead to funds disbursement

(Disbursement Linked Indicators and Disbursement Linked results).

1.4. STRUCTURE

The daily activities of the University of Rwanda African Center of Excellence academic programs are coordinated by Directors while the Deputy Vice Chancellor for Finance SPIU coordinator coordinate the Finance and administrative services of ACEs.

1.5. RESPONSIBILITIES

1.5.1. Auditor's responsibility

Article 10 of Ministerial Order N° 003/17/10/TC Of 27/10/2017 setting out Regulations for Internal Audit and Audit Committees in Public Entities states that Internal Auditor must evaluate the adequacy and effectiveness of controls of governance, operations and information systems; provide assurance to management and the Audit Committee on the adequacy and effectiveness of the risk management process, provide appropriate recommendations for improving the governance process in accomplishment of its objectives; make recommendations to avoid waste and fraud and investigate the suspected fraud or irregularity; provide consulting services through training, support implementation of accounting systems, internal control documentation, risk management facilitation and other similar services on the



request of management, Audit Committee or other high level authorities; communicate opportunities for improving management control, viability and sustainability of services or profitability identified during the audit to appropriate level of management.

1.5.2. Management responsibility

Article 19 of Organic Law No 12/2013 of 12/09/2013 on State Finances and Property requires the chief budget manager:

- To manage effectively, efficiently and in a transparent manner all the public funds for the public entity under his/her responsibility in accordance with relevant legal provisions;
- To establish and maintain effective, efficient and transparent systems of internal controls and risk management;
- To supervise and ensure proper use of public funds at the disposal of subsidiary entities under his/her responsibility

1.6. AUDIT OBJECTIVES

The general objective of the review was to evaluate the adequacy and effectiveness of Africa Centres of Excellence (ACEs) at UR, existing risk management, control and governance processes in order to provide, Independent opinion whether these processes are functioning as intended and will enable the UR ACEs' objectives and goals are met. We intended to provide recommendations for improving both efficient and effective performance.

1.7. SCOPE OF THE AUDIT

The audit exercise covered activities of UR-ACES starting from January to June 2019.

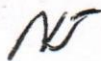


1.8. AUDIT APPROACH

The following approaches have been used:

Documentations desk reviews and Interviews where applicable: we reviewed different documentation and discussed with SPIU and ACE management, staff from planning, Procurement and finance units in order to understand the programs;

We have also performed audit procedures to obtain sufficient and appropriate evidence in order to provide reasonable assurance that resources deployed in UR-ACEs projects are properly managed;



2. EXECUTIVE SUMMARY

2.1. AUDIT ON FINANCIAL STATEMENTS

2.1.1. Basis of our independent audit observation

We conducted an independent evaluation of the internal control system at UR-ACE in accordance with the internal audit standards issued by the government of Rwanda and in compliance with the requirements of the Ministerial Order N° 003/17/10/TC of 27/10/2017. The Order setting out regulations for internal audit and audit committees in public entities. In accordance with those regulations, the evaluation entailed the assessment of the design and implementation of the different elements of the internal control system at UR-ACE notably; its control environment, risk assessment, control activities, information and communication, and internal control monitoring. Our audit approach was risk-based and as such our tests were tailored according to ACEs risk analysis. The management of *UR-ACEs* provided us the information we deemed necessary for the audit, and we believe that we obtained sufficient evidence to support our independent opinion as stated below.

2.1.2. Observation

Based on the results of our evaluation, there is reasonable assurance that as of 30th June 2019 information, we concluded the evaluation of its related documents, the internal control system at UR-ACEs by June 2019 was effective in design and implementation as required by Ministerial Order N° 003/17/10/TC of 27/10/2017.

Our audit approach was risk- based and as such our tests were tailored according to UR-ACEs which provided to us the information we deemed necessary for the audit, and we believe that, we obtained sufficient evidence to support our independent audit observation stated below;



2.1.2.1. Decrease in number of PhD's students who received the monthly stipend allowances

Comparison of the number of students who benefited the stipends in respective months from January to June 2019, revealed the decrease in number from 10 (January, February, March, April) to 8 (May and June).

2.1.2.2. Weakness noted in calculation of use of funds (Break down) for the year ended 30th June 2019

During the review of use of funds (Breakdown), I noted the positive difference of USD 6,750.16 in cumulative for financial year ended 30th June 2019.

2.1.2.3. Weakness noted for reporting the received amount from World Bank.

My review of transfers from world Bank IDA revealed a difference of USD **5,067.07**. The statement of source and uses of funds for the period ending 30 June 2019 shows the amount of USD **876,034.20** (Total of receipt through the bank statement) received from World bank and while the statement of Reimbursable Eligible Programme for the year ended 30th June 2019 indicates the received amount in USD **881,101.27** (Total of Confirmation for disbursement notification letter with Ref. CL: 031/2019 and Ref. CI: No 150/2019 dated January 21st, 2019 and April 29th, 2019 respectively).

2.1.2.4. Differences noted in reported expenditures from statement of source and use of funds for July 2018-June 2019.

During the review of financial statement (DLI3), statement of source and uses of funds, I noted the understatement of USD 209,000.39 due to USD 232,630.39 resulting from the total closing balance semi-annual period July to Dec 2019 which was wrongly brought down as opening balance Semi-annual period January to June 2019 USD 23,630.

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2.1.2.5. Overpayment of registration fees

During my review for the registration fees paid by the Center, I observed the overpayment totaling 130,000 Rwf; due incorporation of application fees into registration fees. It means the required fees for international students is 104,000 Rwf and 85,000 Rwf for Local, however the center paid 114,000 Rwf and 95,000 Rwf for nine international students and four local students respectively.

2.1.2.6. Review of Eligible Expenditure Programme related to salaries of UR Staff for the financial year 2018-2019

We conducted the review of compensation of employees cost revealed that the reported compensation of employees amounting to Frw 20,076,164,492 in the financial statement of University of Rwanda during the financial year 2018 – 2019 did not include the salaries of contractual staff and expatriates staff. At the time of reported EEPs, they ignored the salaries for contractual, expatriate staff while they contribute important roles in academic and administration in the quality of education within University of Rwanda and African centers

2.2. CONCLUSION

Based on the results of our evaluation above, the weaknesses noted bear modest risk on the operations of ACEs and except for the implications of those weaknesses, the internal control system at UR-ACEs was satisfactory in design as at June 2019 when we concluded its evaluation.



3. DETAILED FINDINGS

3.1. Review of Financial management

3.1.1. Decrease in number of PhD's students who received the monthly stipend allowances

Observation

After comparing the number of students who benefited the stipends for the months from January to June 2019, I observed the difference of two students. See details in the table below:

Period	Number of students	Decrease in number compared to previous month	Names of students and corresponding living allowances in USD
January 2019	10	-	n/a
February 2019	10	-	n/a
March 2019	10	-	n/a
April 2019	10	-	n/a
May 2019	8	2	1) June Chiaka Levi-Oguike -550 2) Chrish Kavuma- 500
June 2019	8	2	1) June Chiaka Levi-Oguike -550 2) Chrish Kavuma- 500

Risk

The above unexplained difference in number of students cast to doubt on completeness and accuracy of disbursement of stipends.

Recommendations

- Management should provide explanation on the difference resulting into the decrease in number of students benefiting stipends.
- UR management should ensure that the change in number of students who are eligible to get stipend is regularly reported

Management Comments

The two students are still active However during the month of May 2019 and June 2019 Mr. Chrish Kavuma didn't attend classes therefore we couldn't pay for his Living allowances. Mrs. June Chiaka requested the supervisor to be conducting her research in her home country therefore couldn't get living allowances provided when a student is in Rwanda. Moving forward we will ensure that the management of the Centre provides detailed explanation on any changes to the student's numbers.

3.1.2. Weakness noted in calculation of use of funds (Break down) for the year ended 30th June 2019

Observation

- During the review of use of funds (Breakdown), I noted the positive difference of USD 6,750.16 in cumulative for financial year ended 30th June 2019, as shown below;

Expenditure classification as per project implementation plan	Semi Annual Period July to Dec. 2018	Semi Annual Period January- June 2019	Cumulative for Financial Year End 30 June 2019	Difference USD
	Actual USD (A)	Actual USD (A)	Actual USD (A)	
Host Educational and outreach programs and seminar at the regional level (with a focus on female students)	0.00	0.00	6,750.16	6,750.16

- In addition, the recalculation for the actual amount for January- June 2019 gives USD **252,223.74**. The other way to get this figure is to make difference between the Cumulative for Financial year July 2018-June 2019 (USD **820,201.90**) and the Actual (A) December 2019 (USD **561,228**); the difference is equal to USD **258,973.90**; Thus the difference is USD **6,750.16** (USD 258,973.90 minus USD 252,223.73)

Risk

- The use of funds (Break down) for the year ended 30th June 2019 did not show the accuracy calculation for horizontal information of the “Host Educational and outreach programs and seminar at the regional level (with a focus on female students)”

- Consequently, the report on the use of funds (Break down) for the year ended 30th June 2019 shall be affected with the inaccurate information;

Recommendation

Management should ensure if the calculation of planned activities, actual expenditures incurred as well as cumulative is well computed both vertically and horizontally.

Management comment

Observation Noted. This was an issue of Google sheet being manipulated whereby some budgets lines were deleted by Centre staff. Moving forward we will be using EB MIS data to prepare budget execution reports and other financial reports to be submitted to World Bank.

3.1.3 Weakness noted for reporting the received amount from World Bank.

My review of transfers from world Bank IDA revealed a difference of USD **5,067.07**. The statement of sources and uses of funds for the periods ending 30 June 2019 shows the amount of USD **876,034.20** (Total of receipt through the bank statement) received from World bank and while the statement of Reimbursable Eligible Programme for the year ended 30th June 2019 indicates the received amount in **USD 881,101.27** (Total of Confirmation for disbursement notification letter with Ref. CL: 031/2019 and Ref. CI: No 150/2019 dated January 21st , 2019 and April 29th , 2019 respectively).

Risk;

- The use of bank statement as source document for transfers and deposits may violate the accounting standards

- Consequently, the completeness and accuracy of financial statement could not be confirmed

Recommendations

- Management should perform reconciliation basing on source document instead of bank statement
- Management should exercise adequate reviews before reporting.

Management Comments:

Observation noted. We recorded disbursed amounts based on funds received on the bank statement see attached bank statement. The difference is a service charge payable to World Bank, as stipulated in the financing agreement article II 2.04 which stipulates that a service charge of ¾ of 1% will be charged on the withdrawn amount. Moving forward we will disclose the service fee charges by the World Bank in the disclosure notes.

3.1.4. Differences noted in reported expenditures from statement of sources and use of funds as at 30th June, 2019.

During the review of financial statement (DLI3), statement of source and uses of funds, I noted the understatement of USD 209,000.39 due to USD 232,630.39 resulting from the total closing balance semi-annual period July to Dec 2018 which was wrongly brought down as opening balance Semi-annual period January to June 2019 USD 23,630

Risk:



Failure to report the true and exact opening balance may result into the inaccurate information and thus the financial statement may be misstated.

Recommendation:

The management should verify the Brought down amount before any report which will enable to confirm the accuracy of balance reported in financial statement

Management comment:

Observation Noted. This was an issue of Google sheet being manipulated whereby some budgets lines were deleted by Centre staff. Moving forward we will be using EB MIS data to prepare budget execution reports.

3.1.5. Overpayment of registration fees

During my review for the registration fees paid by the Center, I observed the overpayment totaling 130,000 Rwf; due incorporation of application fees into registration fees. It means the required fees for international students is 104,000 Rwf and 85,000 Rwf for Local, however the center paid 114,000 Rwf and 95,000 Rwf for nine international students and four local students respectively.

Risk

Overcharging registration fees may break the compliance with fees structure

Recommendations

UR ACE-ESD may charge the registration fees as fixed by the revised UR fees structure