



UNIVERSITY of
RWANDA

UR-SPIU

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

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

FINAL AUDIT REPORT FOR
FINANCIAL YEAR ENDED 30th JUNE 2020

Prepared by;

S/N	Names	Position	Signature
1	HABIYAREMYE Fulgence	UR Internal Auditor Specialist	
2	TUGIRUMUREMYI Daniel	UR Internal Auditor	
3	MURERA Steven	UR Internal Auditor	 25/8/2020

Reviewed by;

S/N	Names	Position	Signature
1	UWABABYEYI Diane	Ag Chief Internal Auditor	

August, 2020

**AFRICAN CENTER OF EXCELLENCE-ENERGY SUSTAINABLE DEVELOPMENT
INTERNAL AUDIT REPORT**

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1. INTRODUCTION

1.1. PROJECTS BACKGROUND

University of Rwanda Centers of Excellence composed of the African Center of Excellence in Energy for Sustainable Development (ACEESD), African Center of Excellence in the 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 Business and Economics (CBE) respectively, on behalf of the Government of Rwanda to overcome the identified gaps in handling big data, bioinformatics, 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.



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1.3. SOURCES OF FUNDING

The University of Rwanda, Centers of Excellence are financed through credit Agreement no 5796- RW signed on 17th June 2016 between the Government of Rwanda and the International Development Association. The credit is valued at 20 USD million for a period starting from 30th September 2016 to 31st December 2022, where funds allocated to ACE-ESD worth USD 5.5 million for the period of 5 years.

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 coordinates 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 the 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

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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 Centers of Excellence (ACEs) at UR, existing risk management, controls 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 1st January to 30th June 2020.



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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:

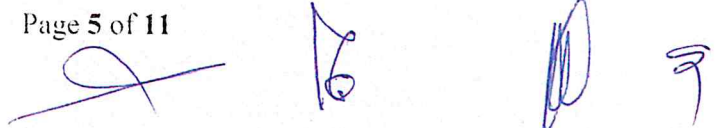
We have also performed audit procedures to obtain sufficient and appropriate evidence in order to provide reasonable assurance that resources deployed in UR-ACEs projects are properly managed;

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.



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2.1.2. Observations

2.1.2.1. In the review of UR- ACE's ESD financial report, we noted in the statement of sources and funds for the period of six months ending June, the outstanding payables from different suppliers equivalent to **779,017 Rwf** without supporting documents. *See detailed in the table annexed.*

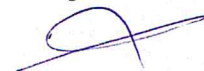
Further, during the review of the financial report ended in June 2020, we noted long outstanding payables equivalent to **3,539,908 Rwf** have been written off by the center management without any authorization from the competent authority. *see detailed in the table annexed.*

2.1.2.2. During the period under audit, we identified some assets reported in the ACE-ESD asset register without asset code/ tag numbers and serial numbers equivalent to **Rwf 6,220,936.**

2.2. CONCLUSION.

Based on the results of our evaluation above, in our opinion, 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 of June 2020, when we concluded its evaluation.

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3. DETALED FINDINGS

3.1. REVIEW OF FINANCIAL MANAGEMENT.

3.1.1. Unsupported Long outstanding and written off payables noted from financial report as at 30th June 2020.

According to Ministerial order n°001/16/10/tc of 26/01/2016 relating to financial regulations, Article 105; A current asset and current liability is deemed long outstanding when it remains unpaid for a period of two (2) years from the time it was recognized.

The Chief Budget Manager shall seek authorization from the Executive Head of the Central Government entity or the Council in the case of a decentralized entity to write-off from their books of accounts long outstanding and irrecoverable assets and long outstanding liabilities. An application for the write-off shall be in writing and supported by all relevant documentation and information, including justification and proof that such assets are no longer recoverable, and in case of liabilities, the claims are unlikely to arise.

Once the write-off has been approved, the Chief Budget Manager shall proceed to effect the necessary accounting adjustments in the books of accounts of the entity in consultation with the Accountant General, and retain evidence of approval and other documentation for future audit purposes.

The assets and liabilities written off during a particular fiscal year shall be reported in the annual financial statements with the necessary disclosure notes.

Article, 15.8.7.11, of PFM, Equally, the CBM should ensure that the accounts payable balances have adequate breakdown and support documentation to facilitate settlement of the account payable balances.

Contrary to this, during the review of UR- SPIU/ACEESD financial report, we noted in the statement of sources and funds for the period of six months ending June 2020, unsupported outstanding payables equivalent to 779,017 Rwf. See *detailed in the table below*.

Further, during the review of the financial report ended June 2020, we noted unsupported long outstanding payables equivalent to 3,539,908 Rwf have been written off by the center UR- SPIU/ACEESD management without any authorisation from the competent authority. see *detailed in the table below*.



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S/n	CREDITOR'S	JUNE 2020	DECEMBER 2019	COMMENTS
1.	MAGASIN KARJAR		596,855	
2.	RWANDAIR		551,244	
4.	VIRUNGA HOTEL		711,306	
5.	KATUNDU		1,388,930	
6.	RETURNED PAYMENTS	247,773	247,773	
7.	Other payables	551,244		
	TOTAL	779,017	3,539,908	

Table above shows ACE-ESD list of debtors without supporting documents

Risk

Failure to keep supporting documents for all committed expenses to be incurred during the period of reporting may result in a misstatement of payables to be incurred and plan for unexpected payables.

Recommendation:

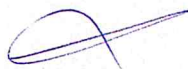
UR-SPIU/ACEESD Management should ensure that all Payables are regularly supported and filled based on exact supporting documents before a report in financial statements of the center. Also, we recommend that, before writing off any asset or liabilities, UR-SPIU management should seek advice from CBM/Senior management for approval whether it should be written-off or not.

Management comments

The Centre did not write off without Authorization instead the Payable amounting to 4,932,344 Rwf. We had support documents from different creditors confirming that the centre did not owe them any money.

According to Ministerial Order relating to financial regulations No 001/16/10/TC of 26/01/2016. Article 105: regarding writing off of liabilities this is done in case the liabilities are long outstanding and irrecoverable liabilities. In this case an application for the write-off shall be in writing and supported by all relevant documentation and information, including justification and proof that such assets are no longer recoverable, and in case of liabilities, the claims are unlikely to arise.

In regard to the long outstanding Payable of 779,017Rwf. This amount includes 551,244Rwf for Rwandair the centre has written to Rwandair but they have not yet responded we will continue to follow up. The balance of 247,773Rwf the centre is still investigating this amount






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3.2. REVIEW OF ASSET MANAGEMENT

3.2.1. Weakness noted in management of UR-ACE-ESD assets Register

Observation

Article 74 of the Ministerial Order N° 001/16/10/TC of 26/01/2016 on financial regulations states that the Chief Budget Manager, shall ensure that items of public property are properly recorded in an asset register in a format prescribed by the Minister containing at least the following; acquisition date, description, code, quantity, location, and the cost for acquisition and disposals.

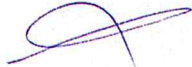
Further, Section 2.6 of UR SPIU Procedures Manual states that "The officer in charge of Logistics at the level of the PR, SPIU or SR shall keep a general register of all fixed assets acquired through project funds. For that purpose, a model template shall be designed as a separate document. The results will be compared to the contents of register of fixed assets. Contrary to this provision, the following weaknesses were noted;

During the period under audit, we identified some assets reported in the ACE-ESD asset register without asset code/ tag numbers and serial numbers equivalent to **Rwf 6,220,936**. *For more details, see the table below;*

S/n	Asset descriptions	Total number	U.C	Total amount	observation
1.	Projectors	3	1,281,715	3,845,145	Not codified
2.	Microphone without cable	1	191,212	191,212	Not codified
3.	Amplifier mixer 4 lines +line 121w	1	346,400	346,400	Not codified
4.	Wall mount sound rack/cabinet	1	620,000	620,000	Not codified
5.	Camera	1	1,062,755	1,062,755	Not codified
6.	Network tool kit	1	155,424	155,424	Not codified
7.					
	Total			6,220,936	

Table above shows ACE-ESD list of assets without asset tags

Risk






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There is a risk that. ACE's ESD assets may be missallocated unless properly coded and reported in asset register and labeled with permanent codes corresponding to their asset register. Otherwise, it would be difficult to track and monitor ACE-ESD assets location.

Recommendation

UR ACE's ESD management should ensure that all assets acquired are properly coded and reported in the asset register with its own code number and at least serial numbers where coding is not applicable for further reference and the allocation of the Assets in possession.

Management comments

- *The ACEESD has 3 projectors, 1 amplifier mixer and wall mount rack/cabinet which are not codified because these assets are suspended tightly on the roof and walls and at that time the team who codified our asset said that the tools they have to codify are not suitable for asset suspended for that we needed to remove it from where there are which was risk, we decide that we will find other codifier who has a suitable tools to use without risking our assets.*
- *The Other Asset (Microphone without cable, Camera and Network tool kit) these assets are very small and fragile on the tools they have to codify our asset and we decide that we will find other codifier who has a suitable tools to use without risking our assets.*

