

**AFRICAN CENTRE OF EXCELLENCE IN  
ENERGY FOR SUSTAINABLE  
DEVELOPMENT (ACEESD)**

**AUDIT REPORT ON FINANCIAL  
STATEMENTS**

*For the year ended 30 June 2018*

**OAG Core Values**

Integrity      Independence      Accountability  
Objectivity      Confidentiality  
In public Interest

**AFRICAN CENTRE OF EXCELLENCE IN  
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*For the year ended 30 June 2018*

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**AUDIT REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1. INTRODUCTION**

**1.1. Project information**

<b>Project Start Date:</b>	The project approval date is <b>26<sup>th</sup> May 2016</b>
	The project signature of agreement date is <b>17<sup>th</sup> June 2016</b>
	The project effectiveness date is <b>30<sup>th</sup> September 2016</b>
<b>Project End Date:</b>	The project last disbursement date is <b>30<sup>th</sup> June 2022</b>
	The project expected completion date is <b>31<sup>st</sup> December 2022</b>
<b>Project budget by donor</b>	World Bank: USD 5.5 Million
<b>Total cost of the project</b>	USD 5.5 Million
<b>Implementing Budget Agency</b>	University of Rwanda
<b>Line Agency of the project</b>	University of Rwanda
<b>Objective of the project/strategic goal.</b>	The objective of this project is to result in building capacity of the East and Southern African region through the University of Rwanda, College of Science and Technology to undertake interdisciplinary research and training in smart and micro-grid energy technologies tailored to serve remote and/or rural areas using renewable sources, power systems and energy management and trade policy, train 40 PhD and 120 MSc energy experts and improve research and teaching environment.
<b>Main component of the project/general achievement of strategic goals.</b>	The main component of the project is to create a world-class energy centre that will be a regional hub for research and training of African engineers, policy makers and energy utility managers (in micro-grid energy systems using renewable energy sources and interstate energy trading, management and policy); contribute to rural development through technology transfer; and nurture and promote entrepreneurship development in the energy sector towards sustainable development.
<b>Outputs of the project/specific achievement of strategic goals.</b>	<ol style="list-style-type: none"> <li>1. To provide national and regional capacity-building (MSc &amp; PhD) for the establishment and implementation of energy systems using local energy sources and appropriate technologies to cover energy needs for sustainable development.</li> <li>2. To develop and transfer appropriate energy technologies for sustainable development at the national and regional levels;</li> </ol>

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	<p>3. To contribute and strengthen cooperation between industry and academia in the field of clean energy.</p> <p>4. To provide energy research, consultancy and advisory services to both public and private organizations at national, regional and international levels;</p> <p>5. To provide policy development skills training for students, policy-makers and utility managers aimed at building policy and monitoring capacity in the region which is critical for effective interconnection of energy systems.</p>
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**1.2. Management of the Project**

The management who held the office during the year ended 30 June 2018 was:

#	Name	Position	Phone number
1	Françoise KAYITARE TENGERA	Deputy Vice Chancellor For Finance	(+250)788405859
2	Prof. Nelson IJUMBA	DVC for Academic Affairs and Research/University of Rwanda	(+250)783109848
3	Dr Ignace GATARE	Principal-College of Science and Technology/University of Rwanda	(+250)788300083
4	Prof. Etienne NTAGWIRUMUGARA	Centre Director	(+250)788353874
5	Landuard KIRIKIRI	Centre Administrator	(+250)788618490
6	Beline MUKARWEGO	Centre Monitoring & Evaluation Officer	(+250)788502945
7	Immaculate BUGINGO	Ag. UR SPIU Coordinator	(+250)788750114
8	Samuel NIZEYIMANA	UR SPIU DAF	(+250)788455332
9	Leandre NGIRUWONSANGA	Accountant	(+250)782030584

**1.3. Registered office**

The entity is domiciled in Kigali, Rwanda. The address of its registered office is:  
University of Rwanda, College of Sciences and Technology.  
Kigali, Rwanda

**1.4. Bankers**

National Bank of Rwanda

**1.5. Auditors**

The Office of the Auditor General of State Finances, Rwanda

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2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Article 19 of the Organic Law N° 12/2013 further stipulates that the Chief Budget Manager is responsible for maintaining accounts and records of the budget agency, preparing reports on budget execution, managing revenues and expenditures, preparing, maintaining and coordinating the use of financial plans, managing the financial resources for the budget agency effectively, efficiently and transparently, ensuring sound internal control systems in the budget agency and safeguarding the public property held by the budget agency.

As Chief Budget Manager, I accept responsibility for the annual financial statements, which have been prepared using appropriate accounting standards applicable to Public entities as determined by Article 99 of the Ministerial Order No. 001/16/10/TC of 26/01/2016 relating to financial regulations.

These financial statements have been extracted from the accounting records of **African Centre of Excellence in Energy for Sustainable Development (ACE-ESD)** and the information provided is accurate and complete in all material respects. The financial statements also form part of the consolidated financial statements of the Government of Rwanda.

In my opinion, the financial statements give a true and fair view of the state of the financial affairs of **African Centre of Excellence in Energy for Sustainable Development (ACE-ESD)**. I further confirm that ACE-ESD project maintained proper accounting records which can be relied upon in the preparation of financial statements. I also confirm that adequate systems of internal control were maintained and operated effectively during the year to safeguard the assets of the budget agency.

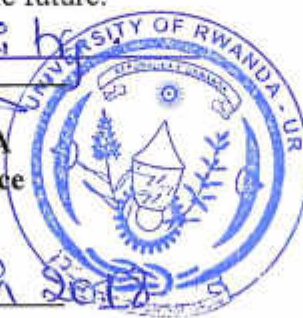
Nothing has come to the attention of Management to indicate that **African Centre of Excellence in Energy for Sustainable Development (ACE-ESD)** will not continue operating as a going concern for the foreseeable future.

Signature: \_\_\_\_\_

Françoise KAYITARE TENGERA  
Deputy Vice Chancellor for Finance  
University of Rwanda

Date: \_\_\_\_\_

December 11th 2018



### 3. REPORT ON THE FINANCIAL STATEMENTS

**Françoise KAYITARE TENGERA**

**Deputy Vice-Chancellor for Finance/University of Rwanda**

#### 3.1. Unqualified opinion on financial statements

As required by Article 165 of the Constitution of the Republic of Rwanda of 2003 revised in 2015, and Articles 6 and 14 of Law n° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances (OAG), I have audited the financial statements of African Centre of Excellence in Energy for Sustainable Development (ACE-ESD) for the year ended 30 June 2018. These financial statements comprise the statement of financial position as at 30 June 2018, and the statement of revenue and expenditure, statement of cash flows and budget execution report for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are set out on pages **7 to 16**.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of African Centre of Excellence in Energy for Sustainable Development (ACE-ESD) as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with the guidelines provided by Ministerial Order n° 001/16/10/TC of 26/01/2016 relating to financial regulations and Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property. In addition, proper books of account have been maintained and are in agreement with the financial statements prepared.

#### 3.2. Basis of unqualified opinion on financial statements

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under ISSAIs are described in section 3.4 of this report.

I am independent of **ACE-ESD** and have fulfilled my ethical responsibilities in accordance with the ethical requirements that are relevant to my audit of financial statements of public entities as determined by the *Code of ethics* for International Organization of Supreme Audit Institutions (INTOSAI). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### 3.3. Responsibilities of management and those charged with governance

According to Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, management of African Centre of Excellence in Energy for Sustainable Development (ACE-ESD) is responsible for keeping accounting records and books of account, and preparation of financial statements in accordance with the financial regulations prescribed by the Minister in Ministerial order n° 001/16/10/TC of 26/01/2016 relating to financial regulations. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management

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is responsible for assessing the African Centre of Excellence in Energy for Sustainable Development (ACE-ESD) project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Government either intends [to discontinue operations of the African Centre of Excellence in Energy for Sustainable Development (ACE-ESD) Project].

Those charged with Governance of this project are the members of National steering committee. They are responsible for overseeing African Centre of Excellence in Energy for Sustainable Development (ACE-ESD) Project's financial reporting process.

**3.4. Auditor General's responsibilities for the audit of the financial statements**

My objective when conducting an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Misstatements can arise from fraud or error and are considered material if individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

An audit conducted in accordance with ISSAIs requires an auditor to exercise professional judgment and maintain professional skepticism throughout the audit and involves:

- The identification and assessment of the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform procedures responsive to those risks and to obtain sufficient and appropriate audit evidence to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control.
- Evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the African Centre of Excellence in Energy for Sustainable Development (ACE-ESD) Project's ability to continue as a going concern as well as evaluating the presentation of the financial statements.
- Evaluation of the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieved fair presentation.

**BIRARO R. Obadjah**  
**AUDITOR GENERAL**

**KIGALI**

.....2018



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4. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4.1. STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED  
30 JUNE 2018

Description	Notes	12 months to 30 June 2018 Frw	12 months to 30 June 2017 Frw
<b>Revenues</b>			
Other Revenue	2	26,226,294	10,280,757
<i>Net operating revenue</i>		<b>26,226,294</b>	<b>10,280,757</b>
<i>Capital Receipts</i>			
<i>Loans and borrowings</i>			
Proceeds from borrowings		-	902,472,768
<b>Total Revenues (A)</b>		<b>26,226,294</b>	<b>912,753,525</b>
<b>Expenses</b>			
Use of Goods and Services	3	152,185,065	8,944,973
Other Expenses	4	33,142,274	-
<b>Total operating expenses</b>		<b>185,327,339</b>	<b>8,944,973</b>
Capital Expenditure	5	71,266,860	-
<b>Total expenses (B)</b>		<b>256,594,199</b>	<b>8,944,973</b>
<b>Surplus/deficit (C=A-B)</b>		<b>(230,367,905)</b>	<b>903,808,552</b>

The notes on pages 11 to 16 form an integral part of these financial statements.

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**4.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

<b>Description</b>	<b>Notes</b>	<b>Balance as at 30 June 2018 Frw</b>	<b>Balance as at 30 June 2017 Frw</b>
<b>Financial Assets</b>			
Bank Balances	6	679,438,024	903,808,552
Accounts Receivable	7	1,425,000	-
		<b>680,863,024</b>	<b>903,808,552</b>
<b>Less: Financial liabilities</b>			
Accounts Payables	8	8,562,952	-
<b>Net Financial Assets</b>		<b>672,300,072</b>	<b>903,808,552</b>
<b>Representing</b>			
Accumulated surplus (Deficit) from previous years	9	903,808,552	-
Net surplus / (Deficit) for current year		<b>(230,367,905)</b>	903,808,552
Prior year adjustment	11	<b>(1,140,575)</b>	-
<b>Total closing balances</b>		<b>672,300,072</b>	<b>903,808,552</b>

The notes on pages 11 to 16 form an integral part of these financial statements.

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4.3.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

Description	12 months to 30 June 2018 Frw	Period ended 30 June 2017 Frw
<b>Cash flow from operating activities</b>		
Other revenue	26,226,294	10,280,757
<b>Total cash flow from operating activities</b>	<b>26,226,294</b>	<b>10,280,757</b>
<b>Payments for operating expenses</b>		
Use of Goods and Services	(152,185,065)	(8,944,973)
Other Expenses	(33,142,274)	-
<b>Total operating expenses</b>	<b>(185,327,339)</b>	<b>(8,944,973)</b>
<i>Adjusted for</i>		
Changes in receivables	(1,425,000)	-
Changes in payables	8,562,952	-
Adjustment during the period	(1,140,575)	
<b>Net cash flow from operating Activities (A)</b>	<b>(153,103,668)</b>	<b>1,335,784</b>
<b>Cash flows from Investing Activities</b>		
Purchase of capital items	(71,266,860)	-
<b>Net cash flows from Investing Activities (B)</b>	<b>(71,266,860)</b>	<b>-</b>
<b>Cash flow from Financing Activities</b>		
Proceeds from borrowing	-	902,472,768
<b>Net cash flow from financing activities (C)</b>	<b>-</b>	<b>902,472,768</b>
<b>Net increase/ Decrease in cash and cash equivalents (A+B+C)</b>	<b>(224,370,528)</b>	<b>903,808,552</b>
<b>Cash and cash equivalent at Beginning of the year</b>	<b>903,808,552</b>	<b>-</b>
<b>Cash and cash equivalent at end of the period</b>	<b>679,438,024</b>	<b>903,808,552</b>

The notes on pages 11 to 16 form an integral part of these financial statements.

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4.4. BUDGET EXECUTION REPORT FOR THE YEAR ENDED 30 JUNE 2018

Description	Approved budget	Revised Budget A	Actual B	Variance C = A-B	Performance (%) D = (B/A)*100
	Frw	Frw	Frw	Frw	
<b>Revenue</b>					
Other revenue	171,952,838	171,952,838	26,226,294	145,726,544	15%
<b>Total revenue</b>	<b>171,952,838</b>	<b>171,952,838</b>	<b>26,226,294</b>	<b>145,726,544</b>	
<b>Expenses</b>					
Other Expenses	84,106,712	84,106,712	33,142,274	50,964,438	39%
Capital expenditure	625,381,294	625,381,294	71,266,860	554,114,434	11%
Use of Goods and Services	189,807,561	189,807,561	152,185,065	37,622,496	80%
<b>Total expense</b>	<b>899,293,567</b>	<b>899,293,567</b>	<b>256,594,199</b>	<b>642,699,368</b>	<b>29%</b>

\*During the year under audit there was an opening balance on disbursed amount which was utilised to finance the ACE-ESD activities

Explanation on variances

- (i) **Revenue:** For the year 2017/2018 no funds received from donor and some expected partnerships between Centre and stakeholders did not sign, the expenses were covered by the balance from previous year because the first instalment received on 21<sup>st</sup> April 2017
- (ii) **Other expenses:** The planned stipends for masters students did not pay because no masters students during the year 2017/2018
- (iii) **Capital expenditure:** Planned laboratory equipment and related hardware and software did not pay during the financial year 2017/2018

The notes on pages 11 to 16 form an integral part of these financial statements.

Authorization Date

The financial statements were approved by the management of the project on 31/07/2018 and signed on its behalf by:

Prepared by: Leandre NGIRUWONSANGA  11/12/2018  
 Accountant Signature Date

Checked by: Samuel NIZEYIMANA  11/12/2018  
 UR SPIU DAF Signature Date

Checked by: Immaculate BUGINGO  11/12/2018  
 Ag.UR SPIU Coordinator Signature Date

Approved by: Françoise KAYITARE TENGERA  11/12/2018  
 Chief Budget Manager Signature Date



#### 4.5. NOTES TO THE FINANCIAL STATEMENTS

##### 1. Accounting policies

###### a. Basis of preparation

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the requirements of Article 66 of the Organic Law on State Finances and Property: Law No. 12/2013 of 12 September 2013 and Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis of accounting means financial transactions which are recognized in the books of account as follows:

- 1) Generally, transactions are recognized only at the time the associated cash flows take place;
- 2) The expenditure on acquisition of fixed assets is not capitalized. Thus fixed assets are written-off on acquisition and the wear and tear (depreciation) of those assets is not recorded in the books of account; and
- 3) Prepaid expenditure/advances are written-off during the period of disbursement.

###### The recognized “modification” is as follows:

- 1) Invoices for goods and services which are outstanding on the date of the closure of the fiscal year are recognized as liabilities for that specific fiscal year;
- 2) Loans and advances are recognized as assets/liabilities at the time of disbursement and related interest is recognized only when disbursed. Interest payable on public debt is accrued; and
- 3) Book balances denominated in foreign currencies are converted into the Rwanda Francs at rates of exchange ruling on that date issued by the National bank of Rwanda. The associated exchange losses are recorded as recurrent expenditure while the exchange gains are recorded as recurrent revenue.

###### b. Reporting entity

The financial statements are for **African Centre of Excellence in Energy for Sustainable Development**.

###### c. Presentation currency

The functional and reporting currency for financial statements is Rwanda Francs, being the currency of legal tender in Rwanda.

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Foreign currency transactions are translated into Rwandan Francs using the exchange rates prevailing at the dates of the transactions. Foreign missions and entities that deal in foreign currencies translate the transactions at average monthly exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions are treated as income and expense.

At the balance sheet date, book balances denominated in foreign currencies are converted into Rwandan Francs at the exchange ruling on that date as issued by BNR.

**d. Revenue**

Revenue represents cash received by the entity during the financial year and comprises Transfers from other reporting entities and other revenue.

• **Other income**

Other income includes scholarship for private PhD students and gain on currency exchange.

**e. Expenditure**

The main categories of expenditure include wages and salaries, goods and services, other expense and capital expenditure. Expenditure is recognized when payment is made.

**f. Cash**

Cash comprises cash at bank.

**g. Accounts receivable**

Receivables include administrative fees paid by PhD students and deposited on account of University of Rwanda.

**h. Accounts payable**

These mainly relate to invoices for goods and services which were outstanding on the date of the closure of the fiscal year.

**2. Other revenue**

<b>ID Account</b>	<b>Description</b>	<b>12 months to 30 June 2018 Frw</b>	<b>12 months to 30 June 2017 Frw</b>
144	Administrative fees	1,425,000	-
145	Gain of currency exchange translations	24,801,294	10,280,757
	<b>TOTAL</b>	<b>26,226,294</b>	<b>10,280,757</b>

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3. Use of goods and services

ID Account	Description	12 months to 30 June 2018 Frw	12 months to 30 June 2017 Frw
221	General Services	7,413,528	5,938,486
222	Professional, Research services	34,837,156	1,582,923
223	Transport and travel	36,530,058	1,423,564
224	Maintenance, Repairs and Spare Parts	32,917,313	-
225	Tools and Small Equipment	-	-
226	Training Costs	40,487,010	-
227	Supplies and services	-	-
228	Arrears	-	-
229	Other use of goods & services	-	-
	<b>TOTAL</b>	<b>152,185,065</b>	<b>8,944,973</b>

4. Other expenses

ID Account	Description	12 months to 30 June 2018 Frw	12 months to 30 June 2017 Frw
285	Miscellaneous Expenses	38,850	-
288	Stipends allowance to PhD students	33,103,424	-
	<b>TOTAL</b>	<b>33,142,274</b>	<b>-</b>

5. Capital expenditure

ID Account	Description	12 months to 30 June 2018 Frw	12 months to 30 June 2017 Frw
231	Acquisition of tangible fixed assets	71,266,860	-
	<b>TOTAL</b>	<b>71,266,860</b>	<b>-</b>

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6. Bank balances

ID Account	Bank name	Account No.	Account currency	Amount in foreign currency	Exchange rate	Balance as at 30 June 2018	Balance as at 30 June 2017
						Frw	Frw
<b>Local bank accounts</b>							
311420	UR ACE FOR ENERGY FOR SUSTAIN ABLE	1000038 055	USD	790,260.9	859.76418	679,438,024	903,808,552
	<b>Total</b>			<b>790,260.9</b>		<b>679,438,024</b>	<b>903,808,552</b>

7. Accounts receivable

	Description	Balance as at 30 June 2018 Frw	Balance as at 30 June 2017 Frw
3121 + 3221	Accounts receivable – third parties		
	University of Rwanda (College of Science and Technology)	1,425,000	-
<b>Total</b>		<b>1,425,000</b>	<b>-</b>

8. Accounts payable

ID Account	Creditor's name	Balance as at 30 June 2018 Frw	Balance as at 30 June 2017 Frw
4121 + 4221	Accounts payable – third parties		
	FYDESS	(8,908)	-
	MAGASIN KAJAL	596,855	-
	RWANDAIR	551,244	-
	MTN	80,000	-
	OUMA EMILY	1,684,009	-
	COMPUTER POINT	1,957,950	-
	COMPUTER POINT	460,991	-
	VIRUNGA HOTEL	711,306	-
	KATUNDU	1,388,930	-
	UNIVERSITY OF RWANDA	501,085	-



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ID Account	Creditor's name	Balance as at 30 June 2018 Frw	Balance as at 30 June 2017 Frw
	BAHORANIMANA BERNABE	450,565	-
	SORAS	49,725	-
	NDUWAMUNGU APHRODIS	139,200	-
		<b>8,562,952</b>	-

9. Accumulated surplus from previous year

ID Account	Description	Closing balances submitted for consolidation Frw	Adjustments Frw	Restated closing balances Frw
511101	Bank Balances	903,808,552	-	903,808,552
	<b>Total</b>	<b>903,808,552</b>	<b>-</b>	<b>903,808,552</b>

10. Changes in Accounts receivable and Accounts payable

Description	Balance as at 30 June 2017 Frw	Movement during the current year Frw	Balance as at 30 June 2018 Frw	Movement during the previous year Frw
Movement in accounts receivable	-	1,425,000	1,425,000	-
Movement in accounts payable	-	<b>8,562,952</b>	<b>8,562,952</b>	-

11. Prior Year Adjustments

Description	As at 30 June 2018 Frw	As at 30 June 2017 Frw
Accounts payable	1,140,575	
<b>Total</b>	<b>1,140,575</b>	<b>-</b>

*Note 1: Adjustments on accounts payable*

Adjustments made on accounts payable are explained as below

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Description	Frw
Non-compliance with cut off principle	501,085
Non-compliance with cut off principle	450,565
Non-compliance with cut off principle	49,725
Non-compliance with cut off principle	139,200
<b>Total</b>	<b>1,140,575</b>

12. Cash and Cash equivalents

Description	Balance as at 30 June 2018	Balance as at 30 June 2017
	Frw	Frw
Bank balances	679,438,024	903,808,552
<b>Total</b>	<b>679,438,024</b>	<b>903,808,552</b>

13. Important Disclosures

13.1. Undrawn loan balance

Source of funds	Donor Commitment	Amount received (drawn) to date – (30 <sup>th</sup> June 2018)	Undrawn balance to date (30 <sup>th</sup> June 2018)	Undrawn balance to date (30 <sup>th</sup> June 2018)
Loan	(USD)	(USD)	(USD)	(FRW)
	A	B	D = A-B	E
World Bank	5,500,000	1,092,328	4,407,672	3,789,558,547



**AFRICAN CENTRE OF EXCELLENCE IN  
ENERGY FOR SUSTAINABLE  
DEVELOPMENT (ACEESD)**

**COMPLIANCE AUDIT REPORT**

*For the year ended 30 June 2018*



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**1. INTRODUCTION**

The African Center of Excellence in Energy for Sustainable Development is one of 24 centers initiated by the World Bank (WB) in Eastern and Southern Africa Higher Education Centers of Excellence Project (ACE II).

It is a competitive soft loan won by the Government of Rwanda in collaboration with WB, through the University of Rwanda-College of Science and Technology (CST) to overcome the identified challenges in micro-grid energy systems, tailored to serve remote and/or rural areas using renewable sources and inter-state energy trading, management and policy.

The mission and vision of ACEESD is to create a World-class Energy Centre that will be a regional hub for research and training of African engineers, policy makers and energy utility managers (in micro-grid energy systems using renewable energy sources and interstate energy trading, management and policy); contribute to rural development through technology transfer; and nurture and promote entrepreneurship development in the energy sector towards sustainable development.

**1.1. Organization Structure**

African Centre of Excellence in Energy for Sustainable Development (ACEESD) is one of the ACEs under Single Project Implementation Unit (SPIU) of the University of Rwanda. The role of UR-SPIU is mainly to facilitate financial and administrative issues of ACEs. There are three (3) shared staff dedicated to ACEs' activities namely: an accountant; a procurement officer and an M&E officer. Apart from these staff, the whole team at SPIU is mandated to facilitate in the implementation of ACEs' planned activities

Academic activities are facilitated by the Principal of CST-UR. The centre is headed by a Centre Leader/Director assisted by Deputy Centre Director and implementation team is composed by:

- Executive Advisor
- MCs/PhD coordinators
- Associate Researcher
- Research Lab Engineers
- Accounting
- Procurement Officer

**1.2. Principal activities**

The principal activities of the African Centre of Excellence in Energy for Sustainable Development are as follows:

- To provide national and regional capacity-building (MSc & PhD) for the establishment and implementation of energy systems using local energy sources and appropriate technologies to cover energy needs for sustainable development;



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- To develop and transfer appropriate energy technologies for sustainable development at the national and regional levels;
- To contribute and strengthen cooperation between industry and academia in the field of clean energy;
- To provide energy research, consultancy and advisory services to both public and private organizations at national, regional and international levels;
- To provide policy development skills training for students, policy-makers and utility managers aimed at building policy and monitoring capacity in the region which is critical for effective interconnection of energy systems.

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**2. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

Article 66 of the Organic Law No. 12/2013 of 12/09/2013 on State Finances and Property requires budget agencies to prepare and submit to the Ministry annual financial statements in a period of one month from the end of the fiscal year and submit their annual financial statements to the Auditor General of State Finances not later than 30<sup>th</sup> September of the following fiscal year.

Article 19 of the Organic Law N° 12/2013 further stipulates that the Chief Budget Manager is responsible for maintaining accounts and records of the budget agency, preparing reports on budget execution, managing revenues and expenditures, preparing, maintaining and coordinating the use of financial plans, managing the financial resources for the budget agency effectively, efficiently and transparently, ensuring sound internal control systems in the budget agency and safeguarding the public property held by the budget agency.

As Chief Budget Manager, I accept responsibility for complying with all the provisions of the Organic Law, applicable public financial management regulations and other laws relating to public finance in incurring expenditure and managing the financial resources for **African Centre of Excellence in Energy for Sustainable Development (ACE-ESD)** effectively, efficiently and transparently as determined by Article 19 of the Organic Law No. 12/2013 of 12/09/2013 on State Finances and Property.

In my opinion, **African Centre of Excellence in Energy for Sustainable Development (ACE-ESD)** complied with all applicable laws, regulations and guidelines in incurring expenditure and I further confirm that financial resources were managed effectively, efficiently and transparently to enable the realization of value for money for public funds.

Signature: \_\_\_\_\_

**Françoise KAYITARE TENGERA**  
**Deputy Vice Chancellor for Finance**  
**University of Rwanda**



Date: \_\_\_\_\_

*December, 14th 2018*

### **3. REPORT OF THE AUDITOR GENERAL**

#### **REPORT ON COMPLIANCE**

**Françoise KAYITARE TENGERA**

**Deputy Vice Chancellor for Finance/University of Rwanda**

#### **3.1. Opinions**

In accordance with the Article 165 of the Constitution of the Republic of Rwanda of 2003 revised in 2015, and Articles 6 and 14 of Law n° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances (OAG), I carried out a compliance audit on whether ACE-ESD complied with applicable laws, regulations, guidelines and realized value for money in incurring expenditure for the year ended 30 June 2018 evaluated against the compliance with laws, regulations and guidelines regulating public expenditure. The evidence obtained is sufficient and appropriate to provide a basis for my opinion that ACE-ESD complied in all material respects, with applicable laws, regulations, guidelines and realized value for money in incurring expenditure. The opinions I expressed are described below:

##### **3.1.1. Unqualified opinion on compliance with applicable laws, regulations and guidelines regulating public spending**

In my opinion, based on audit work performed, ACE-ESD complied, in all material respects with applicable laws, regulations and guidelines regulating public spending in incurring expenditure for year ended 30 June 2018.

##### **3.1.2. Unqualified opinion on realizing value for money in utilization of public funds**

In my opinion, based on audit work performed, ACE-ESD complied, in all material respects with applicable laws, regulations and guidelines to realize value for money in utilization of public funds for year ended 30 June 2018.

#### **3.2. Basis for Opinions**

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of ACE-ESD and have fulfilled my ethical responsibilities in accordance with the ethical requirements that are relevant to my audit of public entities as determined by the Code of ethics for International Organization of Supreme Audit Institutions (INTOSAI). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions on whether the entity complied with applicable laws, regulations and guidelines regulating public spending and realized value for money in incurring expenditure.

**3.2.1. Basis for Unqualified Opinion on compliance with applicable laws, regulations and guidelines regulating public spending**

**3.3. Management's responsibility for compliance**

The Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property specifies that management of ACE-ESD is responsible for ensuring compliance with all the provisions of the Organic Law, applicable public financial management regulations and other laws relating to public finance, to manage economically, effectively, efficiently and in a transparent manner, all the public funds in accordance with relevant legal provisions.

**3.4. Auditor General's responsibility for compliance**

Article 166 of the Constitution of the Republic of Rwanda of 2003 as revised in 2015, requires the Auditor General to confirm that:

- Expenditure incurred was necessary and in conformity with the laws and regulations in force and sound management;
- Controls to safeguard the receipt, custody and proper use of public funds were put in place and that the laws and regulations in force were duly observed to prevent misappropriation of public funds; and
- ACE-ESD acquired and utilized human, material and financial resources economically, efficiently and effectively to prevent squandering of public funds.

My responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the above provisions of the Constitution implemented through Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property and other existing laws and regulations relating to public financial management in Rwanda. This responsibility includes performing procedures to obtain audit evidence about whether the entity's expenditure was incurred in accordance with applicable laws, regulations and guidelines and whether value for money was realized in utilization of public funds. Such procedures include the assessment of the risks of material non-compliance.

  
**BIRARO R. Obadiah**  
**AUDITOR GENERAL**  
**KIGALI**  
.....2018

#### **4. DESCRIPTION OF THE SUBJECT MATTERS AND SCOPE**

In accordance with the mandate vested in the Office of the Auditor General under Article 165 of the Constitution of the Republic of Rwanda of 4 June 2003, revised in 2015, and Articles 6 and 14 of Law n° 79/2013 of 11/09/2013 determining the mission, organization and functioning of the Office of the Auditor General of State Finances (OAG), I carried out a compliance audit on whether the ACE-ESD complied with laws, regulations and guidelines regulating public spending in incurring expenditure for the year ended 30 June 2018. I also evaluated whether ACE-ESD realized value for money in utilization of public funds for the year ended 30 June 2018.

##### **4.1. Audit Objective**

Article 166 of the Constitution of the Republic of Rwanda of 2003 as revised in 2015 and article 6 of Law n°79/2013 of 11/09/2013 determining the mission, organization and functioning of the OAG, require the Auditor General to confirm that:

- Expenditure incurred was necessary and in conformity with the laws and regulations in force and sound management;
- Controls to safeguard the receipt, custody and proper use of public funds were put in place and that the laws and regulations in force were duly observed to prevent misappropriation of public funds; and
- ACE-ESD acquired and utilized human, material and financial resources economically, efficiently and effectively to prevent squandering of public funds.

I conducted compliance audit to confirm whether ACE-ESD complied with applicable laws, regulations and guidelines regulating public spending in incurring expenditure and realized value for money in utilization of public funds.

##### **4.2. Audit Criteria**

Criteria refer to relevant acts /laws or resolutions of the legislature and guidance issued by the competent public authorities, with which the audited entity is expected to comply.

The following are applicable criteria:

###### **4.2.1. Compliance with applicable laws, regulations regulating public expenditure**

- Law N° 12/2007 OF 27/03/2007 on public procurement;
- Law n° 05/2013 of 13/02/2013 modifying and completing the law n°12/2007 of 27/03/2007 on public procurement;
- Ministerial order no 001/14/10/TC of 19/02/2014 establishing regulations on public procurement, standard bidding documents and standard contracts

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- Law N° 86/2013 of 11/09/2013 establishing the general statutes for public service;
- Law N° 003/2016 of 30/03/2016 governing maternity leave benefit scheme;
- Prime Minister's Order N° 121/03 of 08-09-2010 establishing the procedures of performance appraisal and promotion of public servants;
- Law no 016/2018 of 13/04/2018 establishing taxes on Income;
- Ministerial Order N° 03/MIFOTRA/15 of 09/06/2015 determining modalities for recruiting contractual staff in public service;
- Presidential Order N° 46/01 of 26/07/2011 governing modalities for the recruitment, appointment and nomination of Public Servants;
- Approved salary scales
- Law N° 37/2012 of 09/11/2012 establishing the value added tax;
- Law n° 25/2005 of 04/12/2005 on tax procedures;
- Signed loan agreement No. 5796RW between Government of Rwanda and International Development Association and related Project implementation plan;
- Performance and financing agreement regarding the provision of proceeds of IDA credit for Eastern and South Africa Higher Education Centres of Excellence-ACEII (Credit No.5796RW)
- Eastern and South Africa Higher Education Centres of Excellence-ACEII Customized Project Operational Manual

**4.2.2. Realizing value for money in utilization of public funds**

- Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations;
- Contracts signed between ACE-ESD and the suppliers.

**4.3. Summary of Work Performed and Methods**

To obtain sufficient and appropriate audit evidence on which I based on to express an opinion, I used different techniques in gathering evidence namely; inquiries, inspection of documents, inspection of fixed assets or constructed infrastructure and re-computation;

**Inquiries:** This method of gathering evidence involves seeking information from relevant persons, both within and outside the audited entity, and may include: Formal written inquiries; Informal oral discussions; Interviewing and asking questions of relevant persons, including experts; and preparing and sending questionnaires or surveys.

**Inspection of documents:** this method involves the examination of documents and records, both internal and external, in paper, electronic or other forms.

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**Inspection of fixed assets or constructed infrastructure:** this method involves Examining an asset or constructed infrastructure to determine its physical condition, its use and applicable required asset's specifications.

**Re-computation:** this method consists of confirming the mathematical accuracy of documents or records and can be performed through the use of Computer Assisted Audit Techniques (CAATs).

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**DETAILED AUDIT FINDINGS PER  
SUBJECT MATTER**



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**5. COMPLIANCE WITH LAWS, REGULATIONS AND GUIDELINES REGULATING PUBLIC SPENDING**

**5.1. REVIEW OF PROCUREMENT PROCEDURES IN INCURRING EXPENDITURE**

**5.1.1. Failure to award planned tenders**

**Observation**

During the review of procurement plan and procurement report submitted to RPPA I noted one tender worth **Frw 631,098,067 relating to supply of laboratory equipment (micro grid research labs)** which was not awarded while it had been included in the approved annual procurement plan for the year ended 30 June 2018. I was not provided with documented reasons justifying the inability to award that tender.

**Risk**

Failure to award the planned tender could be an indicator of poor planning and the related activities in the action plan were not carried out by the ACE in Energy for Sustainable development. Hence, the intended objectives were not achieved.

**Recommendation**

Management should award planned tenders to achieve the intended objectives.

**Management comments**

*After the training of a month held at Colorado State University in April 2018 of the centre staff and PhD students, and after receiving the first phase of energy laboratory equipment, we found that the Micro-Grid tender will not be awarded because the needed equipment of micro-grid is incorporated in the first tender, and this was seen after the revision of the procurement plan.*

**5.1.2. Failure to charge penalty for delay in execution**

**Observation**

Article 51 of Law N° N°05/2013 of 13/02/2013 modifying and completing the article 109 of Law n° 12/2007 of 27/03/2007 on public procurement states that unless it results from reasons provided for by this law the successful bidder shall incur a penalty equivalent to one thousand (1%) of the total of the contract for each day of delay; such penalty shall not exceed five per cent (5%) of the value of the contract. If the penalty reaches five per cent (5%) the total value of the tender may be subject to termination.

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Contrary to the above provision, I noted that ACE-ESD did not charge penalty amounting to **Frw 1,645,175** on two (2) tenders for delay in supply of furniture and desktop computers. One tender for supply of furniture was awarded to **Magasin Kajal** for an amount of **Frw 8,525,000** and another one for supply of computer desktops was awarded to **Dimension Technology** for an amount of **Frw 30,900,000**. However, I noted a delay of 19 days and 48 days respectively in delivering those furniture and computer desktops. *Refer to the table below for more details*

Title of tender	Name of supplier	Amount as per purchase order	Date of Delivery period per contract	Actual Date of supply	Days of Delay	Penalty not charged
		Frw				Frw
		A	B	C	D	E= D*1/1000*A
Supply of furniture for Msc students supplied.	Magasin Kajal	8,525,000	14/02/2018	06/03/2018	19	161,975
Supply of computer desktop supplied.	Dimension Technology	30,900,000	29/01/2018	15/03/2018	48	1,483,200
		<b>39,425,000</b>				<b>1,645,175</b>

**Risk**

Failure to charge penalty for delay is non-compliance with the procurement laws and regulations.

**Recommendation**

ACE ESD management should recover the amount of penalty not charged, way forward penalty should be charged on time.

**Management comment**

*The penalty not charged will be charged on Local Purchase order No. 553 that has a value of Frw 20,100,000 issued to the same supplier.*

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**5.2. REVIEW OF HUMAN RESOURCE PRACTICES**

**5.2.1. Non-compliance with UR SPIU Salary Structure approved by Board of Governors**

**Observation**

On 25 February 2015, the Board of Governors approved consolidated UR SPIU salary Structure including salary that are applied to different services offered by UR SPIU. However, during the review of salaries for staff of ACE-ESD Project for the year ended June 2018 I noted 3 paid position which are not on the list of approved UR SPIU salary Structure. **For more details see the table below:**

<b>Positions as per contract not found on salary scale</b>	<b>Net salary in Frw</b>
Associate researcher	850,000
Researcher Laboratory Engineer	600,000
Administrator of ACE-ESD	501,101

**Risk**

There is non-compliance with approved UR SPIU salary Structure which resulted into payment of salaries for unauthorized positions.

**Recommendation**

Management should ensure that the project positions are in line with the approved UR SPIU salary Structure positions.

**Management comments**

*Basing on the nature of UR projects that vary depending on funding opportunities, positions may not necessarily follow SPIU structure. The UR-SPIU as supporting unit for UR/ACEs, its structure mostly comprises general administrative positions with the mandate to facilitate all UR projects' implementation. Therefore, the above positions were budgeted for and were recruited specifically for ACEESD not for SPIU.*

**Auditor's comment**

*I was not provided with a documented approval for such an arrangement before signing contracts with these staff.*

### 5.3. REVIEW OF TERMS AND CONDITIONS OF DEVELOPMENT PARTNERS' FUNDING AGREEMENTS

#### 5.3.1. Failure to open collection account of centre of excellence in energy for sustainable development (ACE-ESD)

##### Observation

According to the project customised operational manual of centre of excellence in energy for sustainable development, section 4: sub section 4.2 point 4.2.1, the project should have at least 2 bank accounts:

- First one is **specific account** designed to receive the money disbursed from the World Bank for financing ACE project or any other transfer of funds that may occur from realization.
- The second one is the **collection account** which should be opened in a given commercial bank design to receive money from different beneficiaries like students, partners.

The funds to be deposited on collection account shall include, but not limited to school fees of students belonging to the concerned Centre, administration fees, short-courses' fees, tuition fees from private candidates, fundraised funds.

In addition ACE-ESD Project Implementation Plan includes an indicator in the Results Framework, "**Externally generated revenue**" (DLRs 2.7) for the purpose of ACE financial sustainability.

However my review operational activities of the ACE in Energy for Sustainable Development revealed that since the project opened in 30 September 2016 the collection account was not yet opened; Specifically, the administration fees amounting to **Frw 1,425,000** collected by the project were deposited to UR bank account due to lack of a designated account of the Centre.

##### Risk

ACE-ESD did not comply with the Project Operational Manual and this may denies the project from achieving the result framework.

##### Recommendation

Management of Ace in Energy for Sustainable development should open the collection account for easy tracking and transparency in the revenue collection system of the project.

##### Management comment

*The application to open the Collection Bank account has been initiated.*

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**5.3.2. Lack of regular management meeting**

**Observation**

According to African Centre of Excellence (ACEII) Operational Manual, the management committee is composed by all members of implementing team and is chaired by the centre director. The operational manual states the terms of reference of management committee meeting as follows:

- Review of appointment or approval of employment contract; and
- Review of activity progress report as opposed to action plan.

The operational manual states also that management committee shall meet once every two weeks. Contrary to the above requirements, I noted that the management committee of ACEII met only 2 times during the year under review as evidenced by the minutes of meetings held on 11 January and 11 May 2018 respectively.

**Risk**

ACEII management did not comply with the operational manual regulating its internal rules and regulations; accordingly lack of regular meeting may affect the ACE in energy for sustainable development activities.

**Recommendation**

ACEII management committee should comply with the operational manual regulating its internal rules. In addition the meeting should be conducted to ensure smooth management of the project activities.

**Management comment**

*ACEESD has conducted some management meetings and their minutes have been provided to auditors.*

**Auditor's comment**

*The minutes provided indicated that the meetings were held two times only during the year under audit, in January and May 2018 while the operational manual states that management committee shall meet once every two weeks.*

### 5.3.3. Lack of Advisory Board for ACE-ESD

#### Observation

According to ACE-ESD implementation plans, ACE-ESD should have International Scientific Advisory board to advise the Centre leader and management. However, no evidence was provided to me to confirm that the board exist and started operating as planned.

#### Risk

This denies ACE-ESD from benefiting the oversight and strategic direction responsibilities provided by Advisory Board and this may negatively affect the Centre.

#### Recommendation

ACE-ESD should ensure that the Advisory Board is established and that it independently discusses affairs of the Centre and provide strategic direction and oversight for activities of ACE-ESD.

#### Management comment

*The centre was looking for the potential partners, after the signature of the MoUs with partners, members of advisory board will be appointed.*

### 5.3.4. Internal audit work not performed

#### Observation

Section 8 of Project Operational Manual states that the SPIU team in collaboration with university internal audit unit should conduct audit of ACEs at least on a semi-annual basis if the risk is low or moderate or on a quarterly basis if the risk is high or substantial. However, I noted that during the year ended 30 June 2018, no audit work was carried out by SPIU team in collaboration with UR internal audit unit.

#### Risk

In absence of review of ACE-ESD daily activities, there is a risk that the Centre internal controls systems may not be properly working or complied with.

#### Recommendation

ACE-ESD should make follow up and ensure that internal audit of the Centre is performed to enhance effectiveness of its internal controls system.

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**Management comment**

*Recommendation is noted and the internal audit will be carried out.*

**5.4. REVIEW OF PHD STUDENTS SCHOLARSHIP AWARD**

**5.4.1. Lack of evidence of payment of tuition fees**

**Observation**

During the year under review, ACEESD awarded the PhD scholarship whereby **33 PhD students** were admitted to start the programs. I noted that **twelve (12)** students were offered full scholarship, nineteen (19) obtained partial scholarship (student pays Administration fees and ACE pays tuition fees). However, I was not provided with any evidence indicating that the PhD students who were offered partial scholarship have paid the fees that they were supposed to pay; In addition, Management did not provide any reason why they did not pay the tuition fees for them.

**Risks**

Without evidence indicating whether the payment was made by private students, it is difficult to confirm whether the tuition fees and all other required fees have been fully paid. This may lead to loss of funds of Centre and may also affect its sustainability.

**Recommendation**

Management should make follow up and ensure that all students pay the required tuition and other administrative fees.

**Management comment**

*The centre could not afford to give full scholarship to all PHD students. Therefore, students under partial scholarships will pay the uncovered tuition fees and administrative fees. Payment modalities are being put in place to allow them paying within the duration of their PhD program.*

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5.5. REVIEW OF BUDGET EXECUTION

5.5.1. Underperformance of budget

**Observation**

The review of budget execution report of African Centre of Excellence in Energy for Sustainable Development revealed under performance on some budget lines related to other revenue (15%), other expenses (40%) and capital expenditure (11%). No explanations were provided by management for that low performance. Consequently, budget allocations to these lines amounting to **Frw 604,615,881** representing 85% have not been utilized, while other revenue was executed at only 15% *as shown in the table below:*

Budget line	Revised budget amount	Actual amount	Allocated budget not utilised/received	Performance
	(A)	(B)	(C = A-B)	(D=B/A*100)
	Frw	Frw	Frw	%
<b>Revenue</b>				
Other revenue	171,952,838	26,226,294	145,726,544	15
<b>Expense</b>				
Other expenses	84,104,712	33,603,265	50,501,447	40
Capital expenditure	625,381,294	71,266,860	554,114,434	11
<b>Sub-total</b>	<b>709,486,006</b>	<b>104,870,125</b>	<b>604,615,881</b>	<b>15</b>

**Risks**

The concerned activities that were planned to be executed by ACE-ESD using these funds could not be implemented as expected; hence, the associated objectives could not be achieved within the planned timeline.

**Recommendations**

Management should investigate the causes of budget underperformance. Going forward, management should set proper measures to ensure that the budget is utilised as planned to achieve the planned objectives. In case of under or over performance, adequate explanations should be properly documented by management and included in the budget execution report attached to the financial statements.

**Management comments**

*Low execution on capital expenditure was due to delayed delivery of Laboratory equipment which has about 60% of the estimated total budget. On other expenditure, low execution rate was due to activities linked to Masters' Programs that were not accredited in the planned time. For other*



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*revenues, there are only few revenues generated in the fiscal year under audit as the centre was in its first year. Taking into consideration various activities the centre has performed, it will generate more revenues in the future.*

**5.6. MANAGEMENT OF FIXED ASSETS**

**5.6.1. Assets not codified**

**Observation**

On 24 August 2018, I carried out a physical inspection of ACE-ESD assets located at University of Rwanda College of Science and Technology and noted that the assets do not have an identification number. Thus, it is difficult to differentiate them from other assets not belonging to the project.

**Risk**

The absence of identification codes/numbers makes it difficult to keep proper track and easy identification of ACE/ESD assets in case of theft or misappropriation.

**Recommendation**

ACE/ESD should tag /codify all its fixed assets to facilitate easy monitoring and identification in the event of their theft.

**Management comment**

*Desktop computers and chairs are tagged; ACE/ESD will do the fixed codification of all assets.*