

**AFRICAN CENTRE OF EXCELLENCE
IN INTERNET OF THINGS (ACE IoT)**

AUDIT REPORTS

For the year ended 30 June 2019

OAG Core Values

Integrity Independence Accountability
Objectivity Confidentiality
In public Interest

**AFRICAN CENTRE OF EXCELLENCE
IN INTERNET OF THINGS (ACE IoT)**

AUDIT REPORTS

For the year ended 30 June 2019

**AFRICAN CENTRE OF EXCELLENCE IN
INTERNET OF THINGS (ACEIOT)**

**AUDIT REPORT ON FINANCIAL
STATEMENTS**

For the year ended 30 June 2019

UNIVERSITY OF RWANDA - AFRICAN CENTER OF EXCELLENCE IN INTERNET
OF THINGS (UR-ACEIoT)
AUDIT REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2019

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1. INTRODUCTION

1.1. Project Information

Project start date	The project approval date is 26th May 2016
	The project signature of agreement date is 17th June 2016
	The project effectiveness date is 30th September 2016
Project end Date:	The project last disbursement date is 30th June 2022
	The project expected completion date is 31st December 2022
Project budget by donor	World Bank: 5.5 Million (USD)
Total cost of the project	USD 5,500,000
Implementing budget agency	University of Rwanda

1.2. Project overview

Line Agency of the project	University of Rwanda
Strategic goals/objectives of the project	To train a critical mass of African Scientists and Engineers in the field of Internet of Things through Higher Education and Research. This provides a great opportunity for African students to enroll in multidisciplinary postgraduate programs in the field of Internet of Things. ACE in Internet of Things will build on University of Rwanda's existing collaborations with the local and international partners, including Carnegie Mellon University Africa, and the International Center for Theoretical Physics, Italy.
General achievement of strategic goals /main component of the projects	To educate and train African researchers in the field of Internet of Things, who will develop and deploy innovative Internet of Things-enabled services, to address development challenges across all Eastern and Southern African high-priority domains. For example, (i) remote monitoring and diagnosis technology to provide rural populations with access to quality healthcare; (ii) wide-area networked sensors could be used for precision agriculture to improve yield; (iii) smart metering in African households, could regulate the power usage and increase energy efficiency.
Specific achievement of strategic goals/outputs of the	(i) Build a critical mass of African scientists and engineers in Internet of Things through higher education and research, and

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projects	(ii) Set up an Internet of Things living lab in Rwanda for open innovation and co-creation of Internet of Things.
Current situation that the project was formed to intervene	To develop curricula to promote cutting-edge research in the field of Internet of Things; train high-level professionals and academics in the field of Internet of Things through Master's and PhD programmes in Wireless Intelligent Sensor Networks and Embedded Computing Systems; increase Internet of Things applied research output with relevance to the Eastern and Southern African priority domains, focusing on innovative, low-cost, open and sustainable solutions, and excel as a focal point for regional and international research collaborations, by providing a forum for researchers to share ideas and results on Internet of Things applications.
Other important background information of the project	ACE in Internet of Things will build on University of Rwanda-College of Sciences and Technology's existing collaborations with the local and international partners, including Carnegie Mellon University in Rwanda, and the International Center for Theoretical Physics, Italy. The 2015 Global Information Technology Report by World Economic Forum ranked Rwanda first globally in government success in ICT promotion.
Programmes offered by African Center of Excellence in Internet of Things	<ul style="list-style-type: none"> - Master's Program in Science Education: - Wireless Intelligent Sensors Networking (WiSeNet); - Embedded Computing System (ECS). - PhD by Research Programmes: - PhD by research in Wireless Intelligent Sensors Networking (WiSeNet); - PhD by research in Embedded Computing System (ECS).

1.3. Management of the African Centre of Excellence in Internet of Things

The managers that were involved in financial and administrative management of the Project during the year ended 30 June 2019 are as follows:

N°	Names	Position	Phone number
1	Françoise KAYITARE TENGERA	Deputy Vice Chancellor for Finance/University of Rwanda	(+250)788405859
2	Prof. Nelson IJUMBA	Deputy Vice Chancellor for Academic Affairs and Research/University of Rwanda	(+250)783109848
3	Dr. Ignace GATARE	Principal-College of Science and Technology/University	(+250)788300083

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N°	Names	Position	Phone number
		of Rwanda	
4	Prof. Santhi KUMARAN	Centre Director (up to 13 December 2019)	(+250)788594505
5	Dr. HANYURWIMFURA Damien	Centre Director (From December 2019 to date)	(+250)787394447
6	Frederic MASENGESHO	Centre Administrator	(+250)739579569
7	Immaculate BUGINGO	UR SPIU Coordinator	(+250)788750114
8	Samuel NIZEYIMANA	UR SPIU DAF (From July 2016 up to March 2019)	(+250)788455332
9	KANAMUGIRE Maurice	UR Ag. SPIU DAF (from March 2019 to date)	(+250)788534233
10	Beline MUKARWEGO	Centre M&E Officer (From July 2017 up to June 2019)	(+250)789841038
11	SIBOMANA Jean Jules	Centre M&E Officer (from May 2019 to date)	(+250)788624555
12	NGIRUWONSANGA Léandre	Centre Accountant (From June 2017 to November 2018)	(+250)782030584
13	BAGABE Godfrey	Centre Accountant (From July 2019 to date)	(+250)788217459

1.4. Registered office

University of Rwanda
College of Sciences and Technology
Kigali, Rwanda

1.5. Bankers

National Bank of Rwanda

1.6. Auditors

The Project is audited by the Office of the Auditor General of State Finances.

1.7. Funding Summary

The Project is for duration of 6 years from 2016 to 2022 with an approved budget of 5,500,000 USD as highlighted in the table below:

Source of funds	Commitment (A)	Cumulative amount requested to June 2019 (B)	*Cumulative net amount received to June 2019 (C)	Cumulative amount received to June 2019 D	Undrawn balance to June 2019 E=(A)-(B)	**Undrawn balance to June 2019 F=(E*898.28344)
	(in USD)	(in USD)	(in USD)	(in Frw)	(in USD)	Frw

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Source of funds	Commitment (A)	Cumulative amount requested to June 2019 (B)	*Cumulative net amount received to June 2019 (C)	Cumulative amount received to June 2019 D	Undrawn balance to June 2019 E=(A)-(B)	**Undrawn balance to June 2019 F=(E*898.28344)
	(in USD)	(in USD)	(in USD)	(in Frw)	(in USD)	Frw
Loan						
World Bank	5,500,000	1,799,290.32	1,787,947.51	1,517,380,937	3,700,709.68	3,324,286,222
Total	5,500,000	1,799,290.32	1,787,947.51	1,517,380,937	3,700,709.68	3,324,286,222

*Cumulative net amount received to June 2019 equal to total funds requested minus cumulative service charges amounting to USD 11,342.81 on withdrawals made since start of the project to date.

**The exchange rate that existed on 30 June 2019 was 1USD=Frw 898.28344

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 30th 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 the annual financial statements, which have been prepared using appropriate accounting standards applicable to Public Entities as defined 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 CENTER OF EXCELLENCE IN INTERNET OF THINGS/ACEIoT** 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 CENTER OF EXCELLENCE IN INTERNET OF THINGS/ACEIoT**. I further confirm that ACEIoT 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 Centre.

Nothing has come to the attention of management to indicate that **ACEIoT** will not continue operating as a going concern for the foreseeable future.

Signature:

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

Date: *17th January 2020*



3. REPORT OF THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

Mrs Françoise KAYITARE TENGERA

Deputy Vice Chancellor for Finance/University of Rwanda

3.1. Opinion

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 Center of Excellence in Internet of Things (ACEIoT)** for the year ended 30 June 2019. These financial statements comprise the statement of financial position as at 30 June 2019, 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 **10 to 21**.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of **African Center of Excellence in Internet of Things (ACEIoT)** as at 30 June 2019, 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.

3.2. Basis for Opinion

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 **ACEIoT** 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 Organisation 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 for the Financial Statements

According to Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, management of ACEIoT 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ACEIoT'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 ACEIoT.

Those charged with Governance of this African Center of Excellence in Internet of Things (ACEIoT) are the project Steering Committee as per establishing funding agreement. They are responsible for overseeing ACEIoT'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

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exists related to events or conditions that may cast significant doubt on the ACEIoT'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. Obadian
AUDITOR GENERAL
KIGALI
.....2020



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4 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**4.1 STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30
JUNE 2019**

Description	Notes	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
Revenues			
Transfer from other Government reporting entity	2	35,050,000	-
Other revenue	3	35,722,190	34,654,304
Proceeds from borrowings	4	618,153,063	-
Total revenue (A)		688,925,253	34,654,304
Expenses			
Use of goods and services	5	135,523,499	120,860,938
Other expenses	6	144,139,571	17,674,422
Capital expenditure	7	32,509,814	15,394,032
Total expenses (B)		312,172,884	153,929,392
Surplus/(Deficit) for the year (C=A-B)		376,752,369	(119,275,088)

The notes on pages 14 to 21 form an integral part of the financial statements.

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4.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Description	Note s	Balance as at 30 June 2019 Frw	Balance as at 30 June 2018 Frw
Financial assets			
Bank balances	8	1,116,684,614	762,305,092
Accounts receivable	9	99,639,995	1,310,000
Total financial assets		1,216,324,609	763,615,092
Less: Financial liabilities			
Accounts payable	10	76,305,069	327,921
Net Financial assets		1,140,019,540	763,287,171
Representing			
Accumulated surplus from previous years	11	763,287,171	883,556,544
Net surplus/(deficit) for current year		376,752,369	(119,275,088)
Prior year adjustments	12	(20,000)	(994,285)
Total closing balances		1,140,019,540	763,287,171

The notes on pages 14 to 21 form an integral part of the financial statements.

The financial statements were approved by **ACE in Internet of Things** and were signed on its behalf by:

The financial statements of **ACE in Internet of Things** were approved by management and were signed on its behalf by:

Prepared by: BAGABE Godfrey
(Accountant)

.....
Signature

17/01/2020
Date

Checked by: KANAMUGIRE P. Maurice
(UR SPIU Ag. Director of Finance)

.....
Signature

17/01/2020
Date

Confirmed by: Immaculate BUGINGO
(UR SPIU Coordinator)

.....
Signature

17/01/2020
Date

Approved by: Françoise KAYITARE TENGERA
(DVC for Finance/Chief Budget
Manager)

.....
Signature

17/01/2020
Date



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4.3 STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2019

Description	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
Cash flows from operating activities		
Transfers from other Government reporting entity	35,050,000	-
Other revenue	35,722,190	34,654,304
Payments for operating expenses		
Use of goods and services	(135,523,499)	(120,860,938)
Other expenses	(144,139,571)	(17,674,422)
Total operating expenses	(279,663,070)	(138,535,360)
Adjusted for		
Increase in receivables	(98,329,995)	(1,310,000)
Increase in payables	75,977,148	327,921
Prior adjustment	(20,000)	(994,285)
Net cash flows from operating activities (A)	(231,263,727)	(105,857,420)
Cash flows from investing activities		
Purchase of capital items	(32,509,814)	(15,394,032)
Net cash flows from investing activities (B)	(32,509,814)	(15,394,032)
Cash flow from financing activities		
Proceeds from borrowing	618,153,063	-
Net cash flow from financing activities (C)	618,153,063	-
Net decrease in cash and cash equivalents (A+B+C)	354,379,522	(121,251,452)
Cash and cash equivalent at beginning of the year	762,305,092	883,556,544
Cash and cash equivalents at end of the year	1,116,684,614	762,305,092

The notes on pages 14 to 21 form an integral part of the financial statements.

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4.4 BUDGET EXECUTION REPORT FOR THE YEAR ENDED 30 JUNE 2019

Description	Budget	Actual	Variance	Performance
	(Frw)	(Frw)	(Frw)	%
	A	B	C=A-B	(B/A)*100
Revenue				
Transfers from other Government reporting entity	35,050,000	35,050,000	0	100
Other revenue	50,937,510	35,722,190	15,215,320	70
Proceeds from borrowings	1,133,209,212	618,153,063	515,056,149	55
Total revenue	1,219,196,722	688,925,253	530,271,469	57
Expenses				
Use of goods and services	344,005,949	135,523,499	208,482,450	39
Other expenditure	182,991,318	144,139,571	38,851,747	79
Capital expenditure	692,199,455	32,509,814	659,689,641	5
Total expenses	1,219,196,722	312,172,884	907,023,838	26

Explanation on variances:

- (i) *Other revenue: There was funds planned to obtain during the year ended 30 June 2019 from grant proposals that were not received because our proposals were not selected;*
- (ii) *Proceeds from borrowings: The variance was due to the results achieved during the year which were not verified in the same period. Hence, the Center could not receive the related disbursement in the year ended 30 June 2019.*
- (iii) *Use of goods and services: The variance was mainly due to the salary that was supposed to be paid to lab engineers who were not on board during the year ended 30 June 2019. In addition, there were trainings related to IT lab that were planned to be done in the year ended 30 June 2019 that were not conducted.*
- (iv) *Other expenditure: The variance was due other miscellaneous related to the forum of knowledge transfer and community outreach that were not occurred.*
- (v) *Capital expenditure: The variance was due to the fact that the tender for lab equipment that was not concluded in period ended 30 June 2019. The total of 885,000\$ was planned for this activity which represent above 50% of the total budget.*

The notes on pages 14 to 21 form an integral part of the financial statements.

4.5 NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

These are the specific principles, bases, conventions, rules and practices adopted by the Government of Rwanda in preparing and presenting the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented and in all material aspects, unless otherwise stated.

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 No. 12/2014 of 12 September 2013 on State Finances and Property 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 on generally Accepted accounting Standards, except where stated otherwise. In the context of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to Financial Regulations, 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 is 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 Internet of Things (ACEIoT).

c) Presentation currency

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

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.

- **Grants from Development Partners**

These are funds received from partners including domestic grants and external grants. These funds are recognized as revenue when the institution receives the cash from the donors.

- **Other income**

Other income includes voluntary transfers other than grants in form of foods, medical, supplies relief contributions and gifts of capital items. It also include miscellaneous income such as refunds, deductions, scholarship recovery, gain of currency exchange and transactions, proceeds from sale of small items and equipment and funds received from repayment of car loans as well as unidentified revenues.

- **Proceeds from borrowings**

Borrowings includes external and domestic loans received from development partners

a) Expenditure

The main categories of expenditure includes compensation of employees, Use of Goods and Services, Capital expenditures, Transfers and subsidies, Loan and interest repayments, social benefits, Transfers to reporting entities and other expenses. A part from points of Modification which are mentioned clearly in the Ministerial Instructions, expenditure is recognized when payment is made.

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b) Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents comprise balances with banks and investments in short-term money market instruments.

c) Receivables

Receivables are carried at original historical cost. Receivables also include amounts due to the budget agency as at the end of the reporting period.

d) Inventories

Consumable supplies are expensed in the period in which they are paid for.

e) Accounts payable

These mainly relate to invoices for goods and services which were outstanding on the date of the closure of the fiscal year. They also include commitments arising from non-cancellable contractual or statutory obligations. These are recognized as liabilities for that specific fiscal year. This also relate to loans and advances to the institution which are recognized as liabilities at the time of disbursement.

f) Prior year Adjustments

Prior Year adjustments consist of different adjustments made to consolidated report of prior year.

g) Contingent liabilities

Contingent liabilities are disclosed as a note to the financial statements when the contingent liability become evident. Contingent assets are neither recognized nor disclosed.

2. Transfers from other Government reporting entity

Account code	Description	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
139	Transfer from University of Rwanda	35,050,000	-
	Total	35,050,000	-

3. Other revenue

Account code	Description	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
144	Administrative fees	0	1,310,000
145	Gain of currency exchange translations	34,907,783	33,344,304

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Account code	Description	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
145	Unidentified revenues	814,407	-
	Total	35,722,190	34,654,304

4. Proceeds from borrowings

Account code	Name of Lender	Date received	Amount in original loan currency (SDR)	Amount in disbursement currency USD	Exch. rate	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
162	Loan Borrowing – Foreign						
	World Bank	13/5/2019	97,012.03	135,000.00	883.972	119,336,220	-
	World Bank	13/5/2019	404,906.84	564,290.32	883.972	498,816,843	
	Total		501,918.87	699,290.32	883.972	618,153,063	-

5. Use of goods and services

Account code	Description	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
221	General services	12,484,957	12,833,103
222	Professional and research services	37,937,572	23,061,482
223	Transport and travel	62,801,805	38,023,966
224	Maintenance, repairs and spare parts	10,590,613	29,825,407
227	Training costs	11,708,552	17,116,980
	Total	135,523,499	120,860,938

6. Other expenses

Account code	Description	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
288103	Classified education scholarship (Student stipends)	77,474,988	-
288104	Students living allowances	66,664,583	17,540,232
289	Miscellaneous Expenses	-	134,190
	Total	144,139,571	17,674,422

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7. Capital expenditure

Account code	Description	12 Months to 30 June 2019 Frw	12 Months to 30 June 2018 Frw
231	Acquisition of tangible fixed assets	30,484,816	15,394,032
232	Furniture	2,024,998	
	Total	32,509,814	15,394,032

8. Bank balances

Account code	Bank name	Account No	Amount in foreign currency USD	Exch. Rate used	Balance as at 30 June 2019 Frw	Balance as at 30 June 2018 Frw
3113 01	BNR (USD)	100003807 1	1,174,581.59	898.2834 4	1,055,107,192	762,305,092
	Bank of Kigali (USD)	009407744 80178	28,665.67	898.2834 4	25,749,897	-
	Bank of Kigali (Frw)	009407744 80177	-	-	35,827,525	-
	Total		1,203,247.26		1,116,684,614	762,305,092

9. Accounts receivable

Account code	Debtor's name	Balance as at 30 June 2019 Frw	Balance as at 30 June 2018 Frw
3121 + 3221	Accounts receivable – third parties		
	University of Rwanda (College of Science and Technology)	1,350,000	1,310,000
	Other accounts receivable-RRA	98,289,995	-
	Total	99,639,995	1,310,000

10. Accounts payable

Account code	Creditor's name	Balance as at 30 June 2019 Frw	Balance as at 30 June 2018 Frw
4121	Accounts payable – third parties		
	Returned payment (mission allowance)	13,839,252	327,921
	Soft line design ltd	35,000	
	Rwanda tourism and travel Agency	876,800	
	Happy day bar and Resto ltd	565,400	

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Account code	Creditor's name	Balance as at 30 June 2019 Frw	Balance as at 30 June 2018 Frw
	Ubuzima Restaurant	892,000	
	Good friends papeterie ltd	219,600	
	Gorilland safaris ltd	986,400	
	Minute Intermediary services	20,000	
	Preview Solutions ltd	271,000	
	Other payables	54,260,000	
431106	Funds held on behalf of third part		
	Student living allowances (IUCEA)	4,339,617	
Total		76,305,069	327,921

11. Accumulated surplus/(deficit) from previous years

These include cash book reconciled bank balance existing at the beginning of the year.

ID Account	Description	Closing balances submitted for consolidation Frw	Adjustments Frw	Restated closing balances Frw
511101	Bank balances	763,287,171	0	763,287,171
	Total	763,287,171	0	763,287,171

The balances above are extracted from the signed financial statements submitted to MINECOFIN in FY 2017/18.

12. Prior Year Adjustments

The following is the prior year adjustments to opening balances:

Description	Notes	As at 30 June 2019 Frw	As at 30 June 2018 Frw
Cash and bank		-	-
Accounts receivable		-	
Accounts payable	1	(20,000)	
Total		(20,000)	-

Note 1: Adjustments on accounts payables

Adjustments made on accounts payables are explained as below

Description	Frw
Minute Intermediary services	(20,000)
Total	(20,000)

Adjustment explained above have been made in line with audit recommendations and other proposed adjustments and these have been approved by the CBM and approved journal vouchers supporting every adjusting transaction have been properly documented.

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13. Changes in accounts receivable and accounts payable

These comprise of changes in accounts receivable and accounts payable from previous year to this year. Once the change in accounts receivable is positive, it represents the cash outflow while the negative change in accounts receivable implies cash inflows. As far as accounts payable are concerned, the positive change implies more cash inflows whereas the negative trend of accounts payable implies the cash flowing outside the entity. Below is the movement within accounts receivable and accounts payable.

Description	Balance as at 30 June 2019 Frw	Movement during the current year Frw	Balance as at 30 June 2018 Frw
Increase in accounts receivable	99,639,995	98,329,995	1,310,000
Increase in in accounts payable	76,305,069	75,977,148	327,921

14. IMPORTANT DISCLOSURES

14.1. Statement of receipts and undisbursed balance

The following are the balances of undrawn loans and balances that currently exist as at 30 June 2019. The drawn balances have already been included as income during the current and previous periods.

Source of funds	Commitment (A)	Cumulative amount requested to June 2019 (B)	*Cumulative net amount received to June 2019 (C)	Cumulative amount received to June 2019 D	Undrawn balance to June 2019 E=(A)-(B)	**Undrawn balance to June 2019 F=(E*898.28344)
	(in USD)	(in USD)	(in USD)	(in Frw)	(in USD)	
Loan						
World Bank	5,500,000	1,799,290.32	1,787,947.51	1,517,380,937	3,700,709.68	3,324,286,222
Total	5,500,000	1,799,290.32	1,787,947.51	1,517,380,937	3,700,709.68	3,324,286,222

*Cumulative net amount received to June 2019 equal to total funds requested minus cumulative service charges amounting to USD 11,342.81 on withdrawals made since start of the project to date.

**The exchange rate that existed on 30 June 2019 was 1USD=Frw 898.28344

14.2. Disclosure of Revenue from Students of ACEIoT

The University of Rwanda is teaching different programs offered under IoT. Some students are self-sponsored and others are given scholarships by IoT Center. During the year the College under which the Center is located (College of Science and Technology) which is the supervising college registers those students.

In order to ensure the continuity and sustainability of the activities of the Center, the University of Rwanda has decided not to use the revenue generated by the center including the tuition fees paid by the students and those fees are given to the center in order to ensure the continuation of its activities after the funding from the World Bank.

Handwritten signatures and initials in blue ink.

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The expected amount of revenue receivable from the Students totals **Frw 82,672,000** as detailed in the table below:

Description	Number of students	Fees per activity Frw	Total Expected Revenue Frw
APPLICATION FEES			
Applied students for masters			
National and EAC	144	10,000	1,440,000
Internationals	11	12,000	132,000
Applied students for PhD			
National and EAC	27	10,000	270,000
Internationals	3	12,000	36,000
S/Total (A)			1,878,000
REGISTRATION FEES			
Masters			
National and EAC	29	85,000	2,465,000
Internationals	5	102,000	510,000
1st cohort PhD(continuing students)			
National and EAC	14	60,000	840,000
Internationals	2	77,000	154,000
2nd cohort PhD			0
National and EAC	13	85,000	1,105,000
S/Total (B)			5,074,000
Tuition fees			
Masters			
Local and EAC	29	1,500,000	43,500,000
Internationals	5	1,800,000	9,000,000
PhD 1st Cohort			
Local and EAC	14	1,400,000	19,600,000
Internationals	2	1,680,000	3,360,000
PhD 2nd Cohort			
Local and EAC	13	1,400,000	18,200,000
Internationals	0		0
S/Total (C)			93,660,000
S/Total (D=A+B+C)			100,612,000
Less: UR Staff with Tuition fees waiver Application Registration and Tuition (E)	12	1,495,000	17,940,000
Total receivables from the students (F=D-E)			82,672,000
Represented by:			
<i>Tuition fees to be paid by ACEIoT(G)</i>			<i>54,260,000</i>
<i>Receivables from students –UR(H=F-G)</i>			<i>28,412,000</i>

DETAILED AUDIT FINDINGS

5 REVIEW OF BANK BALANCES

5.1 Weakness noted under review bank reconciliation statements

Observations

- **Lack of monthly bank reconciliation:** The ACE-IoT is currently managing two (2) collection bank accounts and one account through which the disbursement from World Bank are received. This was required by section 4.2.1 of the Project Operational Manual which states that funds are collected through two different bank accounts (Specific account: specifically to receive money disbursed from World Bank to finance the project and Collection accounts: to receive money from different other sources). *Refer to table below for details of bank accounts opened:*

S/n	Bank Name	Account Number	Account Currency	Balance as at 30 June 2019 (Frw)
1	National Bank of Rwanda	1000038071	USD	1,055,107,191
2	Bank of Kigali	009407744800177	FRW	35,827,526
3	Bank of Kigali	00940774480178	USD	25,749,897

The review of bank balance of ACE-IoT as at 30 June 2019 noted that monthly bank reconciliations for some months were not prepared. This is contrary to Article 72 of Ministerial Order N°001/16/10/TC of 26/01/2016 relating to financial regulations, the Chief Budget Managers shall ensure that bank reconciliations are done for each bank account held in the name of public entity every month and submit a bank reconciliation statement along with financial statements to the Ministry no later than the 15th day of the subsequent month. *See details in the table below:*

S/n	Bank account	Currency	Monthly bank reconciliations not prepared
1	1000038071	USD	September, October and November 2018
2	009407744800177	Frw	January, February, March, April and May 2019
3	00940774480178	USD	January, February, March, April and May 2019

- **Limitation in re-performing bank reconciliation:** The review of General Ledger provided for audit purposes revealed that there was no proper books of account maintained through the system. This was evidenced by the fact that the general ledger provided for audit shows that all transactions of the year have occurred from 20 December 2018 to 18 November 2019 instead of 01 July 2018 to 30 June 2019. With this, it is difficult to know the cashbook balance at any date and to re-perform bank reconciliation in period ended 30 June 2019. This is an indicator that the recording of accounting transactions and preparation of bank reconciliation statements were done subsequently to the year under review with delay.

Discussion with management revealed that bank accounts were not linked with the accounting system in place (*Integrated Education Business Management Information Systems/IEBMIS*). As such, this new system could not recognize the actual date of transaction, instead it recognised the date of recording.

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2019**

Risks

- In absence of monthly bank reconciliations for ACE-IoT' bank accounts, any errors made or fraud perpetrated using these accounts may not be timely detected and corrected.
- Failure to link bank accounts with general ledger make it difficult to perform bank reconciliation from the system timely. Therefore, the cashbook balances used in performing bank reconciliation provided could not be ascertained and the bank reconciliations could not be re-performed. Hence, the accuracy and completeness of balances in ACE-IoT books of account could not be confirmed.

Recommendations

- Management should ensure that proper and complete books of account are kept on time.
- Management should ensure that monthly bank reconciliation statement is consistently and timely prepared for all bank accounts as required by financial regulations.
- Going forward, management in collaboration with the system developer of UR should follow up to ensure system is linked with bank accounts to facilitate timely recording of transactions and performance of the monthly bank reconciliation.

Management comments

- *The Bank reconciliations for the special account September –November 2018 were not prepared and a related disclosure note was made to the consolidated financial statements of University of Rwanda (UR). However, from December 2018 to June 2019 the reconciliations for the special account were done and given to auditors, The Bank reconciliations for the Collection account for June 2019 was given to auditors. This was due to the fact that there was staff turnover during the year 2018-2019 and the Centre did not have a full time dedicated staff to perform Bank reconciliations regularly. This issue was addressed, the centre recruited its accountant and moving forward monthly reconciliations will be performed.*
- *This was due to the fact that during the year 2018/2019 the UR started using a new financial management system- Integrated Education Business Management Information Systems (IEBMIS) and staff are still undergoing training on this new system. Going forward the challenges are being addressed in collaboration with the service provider.*

6 REVIEW OF BUDGET EXECUTION REPORT

6.1 Lack of detailed budget of ACEIoT

Observation

Annex 3 “implementation arrangement” of project appraisal document under section 23 states that budgets for the ACEs will follow guidelines/procedures/policies issued by their Universities that consider in some cases guidelines/regulations and Acts of their respective governments. The key aspect of budgeting for all institutions implementing this project is to prepare and approve budgets before the commencement of the financial year they relate to such that there is no hindrance to implementing programs due to having unapproved budgets. In addition Section 6 of ACE Project Operational Manual states that the M&E and procurement officers of ACE are responsible of compilation and drafting the planned to be approved by the National Steering committee before being submitted to the concerned authorities.

On 07 August 2018, the budget was approved by the National Steering Committee (NSC) as required by the Project Appraisal Document (PAD). However, the review of budget execution report provided for review could not be linked with the budget approved by the National steering committee. It should be noted that the budget lines for budget execution report included in the Center financial statements are different from the budget lines under budget approved by National Steering Committee.

Risk

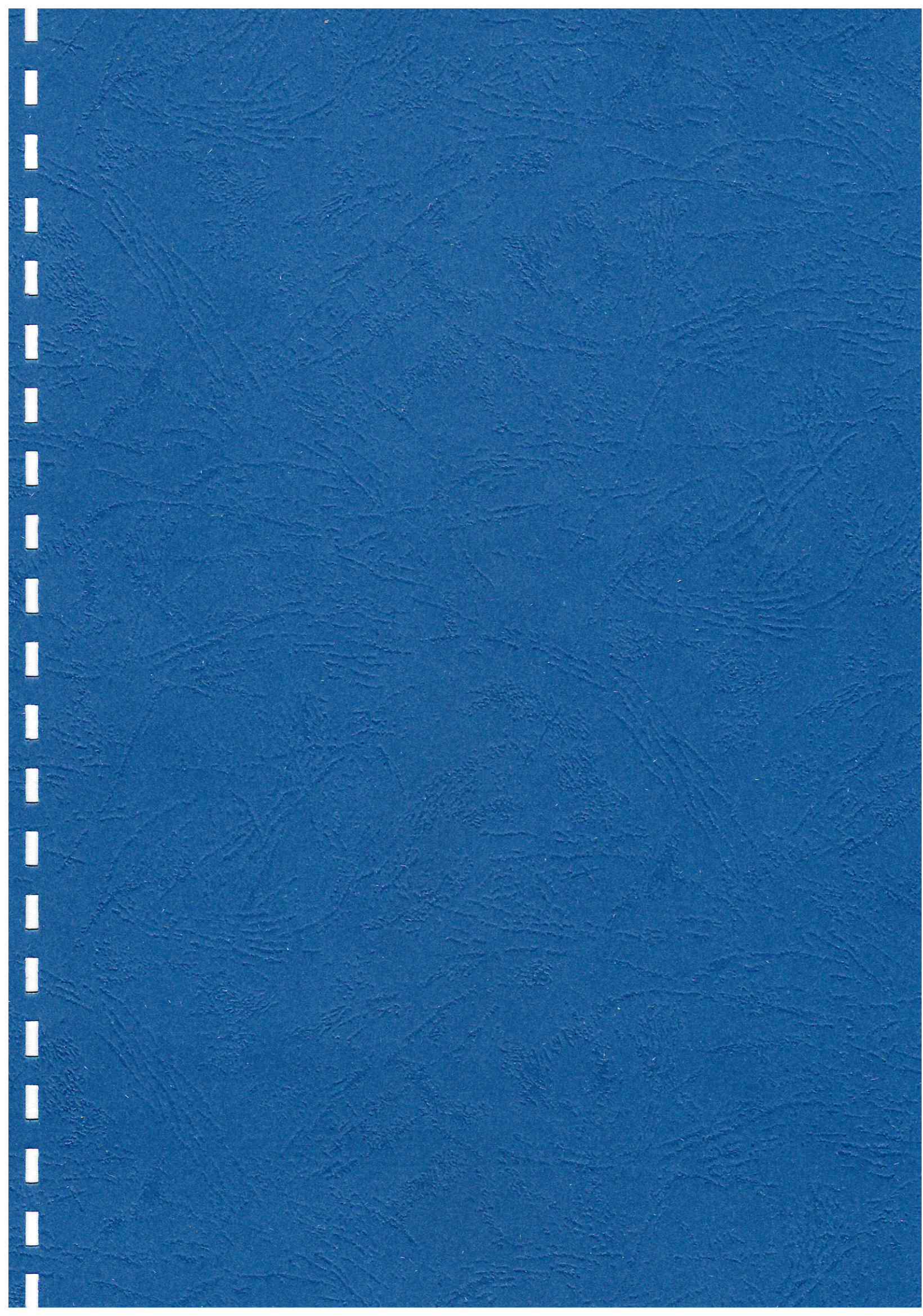
Due to lack of detailed budget it is difficult to confirm the source the block figure included in the execution report. Hence, this may be the source of significance variance noted under budget execution due to unrealistic estimations.

Recommendation

In future, detailed budget should be prepared and approved by responsible authority before commencement of the financial year.

Management comment

The budget and detailed action plan was prepared and approved by the National Steering Committee meeting of 7th August 2018 as per the Project Appraisal Document (PAD). Going forward, we will ensure that the budget is more detailed as recommended.



**AFRICAN CENTRE OF EXCELLENCE IN
INTERNET OF THINGS (ACEIOT)**

COMPLIANCE AUDIT REPORT

For the year ended 30 June 2019

UNIVERSITY OF RWANDA - AFRICAN CENTER OF EXCELLENCE IN INTERNET OF THINGS (UR-ACEIoT)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019

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1. INTRODUCTION

1.1. Project Information

Project start date	The project approval date is 26th May 2016
	The project signature of agreement date is 17th June 2016
	The project effectiveness date is 30th September 2016
Project end Date:	The project last disbursement date is 30th June 2022
	The project expected completion date is 31st December 2022
Project budget by donor	World Bank:5.5 Million (USD)
Total cost of the project	USD 5,500,000
Implementing budget agency	University of Rwanda

1.2. Project overview

Line Agency of the project	University of Rwanda
Strategic goals/objectives of the project	To train a critical mass of African Scientists and Engineers in the field of Internet of Things through Higher Education and Research. This provides a great opportunity for African students to enroll in multidisciplinary postgraduate programs in the field of Internet of Things. ACE in Internet of Things will build on University of Rwanda's existing collaborations with the local and international partners, including Carnegie Mellon University Africa, and the International Center for Theoretical Physics, Italy.
General achievement of strategic goals /main component of the projects	To educate and train African researchers in the field of Internet of Things, who will develop and deploy innovative Internet of Things-enabled services, to address development challenges across all Eastern and Southern African high-priority domains. For example, (i) remote monitoring and diagnosis technology to provide rural populations with access to quality healthcare; (ii) wide-area networked sensors could be used for precision agriculture to improve yield; (iii) smart metering in African households, could regulate the power usage and increase energy efficiency.
Specific achievement of strategic goals/outputs of the projects	(i) Build a critical mass of African scientists and engineers in Internet of Things through higher education and research, and

	(ii) Set up an Internet of Things living lab in Rwanda for open innovation and co-creation of Internet of Things.
Current situation that the project was formed to intervene	To develop curricula to promote cutting-edge research in the field of Internet of Things; train high-level professionals and academics in the field of Internet of Things through Master's and PhD programmes in Wireless Intelligent Sensor Networks and Embedded Computing Systems; increase Internet of Things applied research output with relevance to the Eastern and Southern African priority domains, focusing on innovative, low-cost, open and sustainable solutions, and excel as a focal point for regional and international research collaborations, by providing a forum for researchers to share ideas and results on Internet of Things applications.
Other important background information of the project	ACE in Internet of Things will build on University of Rwanda-College of Sciences and Technology's existing collaborations with the local and international partners, including Carnegie Mellon University in Rwanda, and the International Center for Theoretical Physics, Italy. The 2015 Global Information Technology Report by World Economic Forum ranked Rwanda first globally in government success in ICT promotion.
Programmes offered by African Center of Excellence in Internet of Things	<ul style="list-style-type: none"> - Master's Program in Science Education: - Wireless Intelligent Sensors Networking (WiSeNet); - Embedded Computing System (ECS). - PhD by Research Programmes: - PhD by research in Wireless Intelligent Sensors Networking (WiSeNet); - PhD by research in Embedded Computing System (ECS).

1.3. Management of the African Centre of Excellence in Internet of Things

The managers that were involved in financial and administrative management of the Project during the year ended 30 June 2019 are as follows:

Nº	Names	Position	Phone number
1	Françoise KAYITARE TENGERA	Deputy Vice Chancellor for Finance/University of Rwanda	(+250)788405859
2	Prof. Nelson IJUMBA	Deputy Vice Chancellor for Academic Affairs and Research/University of Rwanda	(+250)783109848
3	Dr. Ignace GATARE	Principal-College of Science	(+250)788300083

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N°	Names	Position	Phone number
		and Technology/University of Rwanda	
4	Prof. Santhi KUMARAN	Centre Director (up to 13 December 2019)	(+250)788594505
5	Dr. HANYURWIMFURA Damien	Centre Director (From December 2019 to date)	(+250)787394447
6	Frederic MASENGESHO	Centre Administrator	(+250)739579569
7	Immaculate BUGINGO	UR SPIU Coordinator	(+250)788750114
8	Samuel NIZEYIMANA	UR SPIU DAF (From July 2016 up to March 2019)	(+250)788455332
9	KANAMUGIRE Maurice	UR Ag. SPIU DAF (from March 2019 to date)	(+250)788534233
10	Beline MUKARWEGO	Centre M&E Officer (From July 2017 up to June 2019)	(+250)789841038
11	SIBOMANA Jean Jules	Centre M&E Officer (from May 2019 to date)	(+250)788624555
12	NGIRUWONSANGA Léandre	Centre Accountant (From June 2017 to November 2018)	(+250)782030584
13	BAGABE Godfrey	Centre Accountant (From July 2019 to date)	(+250)788217459

1.4. Registered office

University of Rwanda
College of Sciences and Technology
Kigali, Rwanda

1.5. Bankers

National Bank of Rwanda

1.6. Auditors

The project is audited by the Office of the Auditor General of State Finances.

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COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019

1.7. Funding Summary

The Project is for duration of 6 years from 2016 to 2022 with an approved budget of 5,500,000 USD as highlighted in the table below:

Source of funds	Commitment (A)	Cumulative amount requested to June 2019 (B)	*Cumulative net amount received to June 2019 (C)	Cumulative amount received to June 2019 D	Undrawn balance to June 2019 E=(A)-(B)	**Undrawn balance to June 2019 F=(E*898.28344)
	(in USD)	(in USD)	(in USD)	(in Frw)	(in USD)	
Loan						
World Bank	5,500,000	1,799,290.32	1,787,947.51	1,517,380,937	3,700,709.68	3,324,286,222
Total	5,500,000	1,799,290.32	1,787,947.51	1,517,380,937	3,700,709.68	3,324,286,222

*Cumulative net amount received to June 2019 equal to total funds requested minus cumulative service charges amounting to USD 11,342.81 on withdrawals made since start of the project to date.

**The exchange rate that existed on 30 June 2019 was 1USD=Frw 898.28344

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 30th 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 CENTER OF EXCELLENCE IN INTERNET OF THINGS/ACEIoT** 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, **ACEIoT** 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/UR



Date: 17th January 2020

3. REPORT OF THE AUDITOR GENERAL

REPORT ON COMPLIANCE

Mrs 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 **African Center of Excellence in Internet of Things (ACEIoT)** complied with applicable laws, regulations, guidelines and realized value for money in incurring expenditure for the year ended 30 June 2019 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 **ACEIoT** complied in all material respects, with applicable laws, regulations, and guidelines and realized value for money in incurring expenditure. The opinions I expressed are described below:

3.1.1 Qualified opinion on compliance with applicable laws, regulations and guidelines regulating public spending

In my opinion, based on audit work performed, **except for** the effect of the matter (s) described in the *Basis for qualified opinion* section 3.2.1 of my report paragraph (1) to (3) below, **African Center of Excellence in Internet of Things (ACEIoT)** complied, in all material respects with applicable laws, regulations and guidelines regulating public spending in incurring expenditure for year ended 30 June 2019.

3.1.2 Unqualified opinion on realization of value for money in utilization of public funds

In my opinion, based on audit work performed, **African Center of Excellence in Internet of Things (ACEIoT)** project 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 2019.

3.2 Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of **ACEIoT** 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.

3.1.1 Basis qualified Opinion on compliance with applicable laws, regulations and guidelines regulating public spending

REVIEW OF PROJECT IMPLEMENTATION PLANS RELATING TO LOAN AGREEMENT NO. 5796RW BETWEEN UR/PROJECTS AND IDA

1) Delayed achievement of agreed disbursement linked indicators (DLIs) and results as planned in Project implementation Plan

On 17th June 2016 the Republic of Rwanda (“*Recipient*”) and International Development Association (“*Association*”) signed a financing agreement (No 5796RW) for the Eastern and Southern African Higher Education Centres of excellence Project- ACE II project. The ACE II project financing approach is results-based to incentivize the ACEs institutions to focus on delivering the agreed upon results. Disbursement is based on the achievement of the agreed disbursement linked indicators (DLIs). The DLIs/DLRs agreed upon are documented in Project Implementation Plan for each Centre.

Section 4.B of the above financing agreement states that no withdrawal will be made for any Disbursement Linked Indicator (DLI) or Disbursement Linked Result (DLR) until and unless the association has received from the independent verifier, the Eligible Expenditure Program (EEP) spending reports conforming that DLI and DLR have been achieved and containing a proposal for disbursement under each withdrawal. Further, Section 6.3 of the Project Operational Manual states that the results achieved by the ACEs will be verified independently for disbursement. Independent verifier(s) hired by Inter University Council for East Africa/ Regional Facilitation Unit (IUCEA /RFU) is expected to verify the results achievement of the agreed DLIs/DLRs for all the ACEs in every six months during the project implementation period.

ACEIoT Project started operating since April 2017 and from then to 30 June 2019 there have been some DLIs and DLRs that ACEIoT should have achieved in three years and get the disbursement amount allowed for these three consecutive years. However, the review of the project implementation on of activities for the year ended 30 June 2019, noted that ACE IoT has not yet achieved some DLRs with value of **USD 364,000** from the start of the project up to the year ended 30 June 2019 (3 Years after commencement date). This could result into loss of funds amounting to **USD 364,000** that would be collected if these DLRs were performed and verified during the period of three years.

Management attributes this non achievement to delays in starting project activities and in procurement processes occurred in specialized of lab equipment.

Therefore, delay to achieve agreed disbursement linked indicators (DLIs) and related results as planned in Project implementation Plan may lead to loss of project funds expected from the World Bank. Consequently, the intended project objectives may not be fully achieved.

Refer to section 5.1.1 for details.

2) Slow pace of disbursement of Project funds

On 17th June 2016 the Republic of Rwanda (“*Recipient*”) and International Development Association (“*Association*”) signed a financing agreement (No 5796RW) for the Eastern and Southern African Higher Education Centres of excellence Project- ACE II project. The Association availed a credit amounting to **SDR 14,500,000** (Special Drawing Right) equivalent to **USD 20,000,000** to strengthen selected Eastern and Southern African Higher Education institution.

Under this financing agreement, IDA Loan amount of **USD 5,500,000** was allocated to ACEIoT to be disbursed within five (5) years from June 2016 to December 2022.

Review of implementation of project activities of this Center revealed that there was slow pace of disbursement of the above loan amount. This is evidence by the fact that out of the loan amount of **USD 3,853,789** committed/availed by the bank to implement the Center activities within three years (from 2017 to 2019), only **USD 2,431,772** representing **63%** was disbursed by December 2019.

The above low rate of disbursement is mainly attributed to slow implementation of the Center activities and inefficiency in implementation of the project plan from the start of the projects activities up to December 2019.

Consequently, low rate of disbursement could be an indicator that ACE-IoT is achieving its results at a slow pace, since disbursement of funds is done on achieved results basis. Hence, there is risk that the project will not be able to withdraw all the remaining portion of the funds allocated to the Project within agreed time. As result, all the project activities may not be implemented within the planned time frame, which poses a high likelihood of not attaining project objectives as planned.

Refer to section 5.1.2 for details.

REVIEW OF EXPENDITURE

3) Failure to recover the amount of tax overpaid

Article 33, point 5 of ministerial order n°001/16/10/TC of 26/01/2016 relating to financial regulations states the Chief Budget Manager of a public entity is responsible for management of receivables and other amounts due to the public entity including maintaining proper records for follow up and recovery of outstanding amounts.

Contrary to this requirement, on 2nd April 2019 UR (University of Rwanda) signed a contract with a visiting lecturer where the contracted period was 7 days from 21st April to 27th April 2019. The lecturer would receive a net payment of **US 300** per day including accommodation. With this, 40% of total payment should be paid after three days of teaching and remaining amount be paid after submitted all modules results approved by the Head of Masters studies.

Review of project expenditure noted that on 24th May 2019, in line with the above contract UR-ACEIoT paid erroneously 15% withholding tax amounting to **Frw 98,401,463**

RK *B*

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(equivalent to **USD 111,184** @exchange rate of Frw 885.032587/USD) to RRA instead of **Frw 111,184**. Hence, an overpayment of **Frw 98,290,279**.

Further, on 5th June 2019, UR (University of Rwanda) wrote a letter to RRA requesting for the refund of overpaid taxes amount of **USD 111,058** equivalent to **Frw 98,290,279**. However, by the time of audit in December, 30, 2019 that is after **220 days** after payment of the above tax, the money was not yet recovered and no any further follow up was made by UR (University of Rwanda) to recover this money. Further, ACEIoT did not avail key reasons why these funds were not yet claimed.

Therefore, overpaid taxes amounting to **Frw 98,290,279** may be an indicator of weaknesses in review of payments made, hence any error and/or fraud may not be detected timely. As result, the overpayment made amounts to illegible expenditure. Further, failure to recover the overpaid amount may affect the cash flow of the Center which may lead to delay in implementing some project activities. Therefore, delays in achieving project objectives as planned.

Refer to section 5.2.1 for details.

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 **African Centre of Excellence in Internet of Things (ACEIoT)** 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
- **ACEIoT** 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.

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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. Obadian
AUDITOR GENERAL
KIGALI
.....2020

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 **African Centre of Excellence in Internet of Things (ACEIoT)** complied with laws, regulations and guidelines regulating public spending in incurring expenditure for the year ended 30 June 2019. I also evaluated whether **ACEIoT** realized value for money in utilization of public funds for the year ended 30 June 2019.

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
- **ACEIoT** 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 **ACEIoT** 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

- 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);
- Ministerial order no 001/14/10/TC of 19/02/2014 establishing regulations on public procurement, standard bidding documents and standard contracts
- Law n° 05/2013 of 13/02/2013 modifying and completing the law n°12/2007 of 27/03/2007 on public procurement;
- Law N° 12/2007 of 27/03/2007 on public procurement;
- Law N° 003/2016 of 30/03/2016 governing maternity leave benefit scheme;

- Ministerial Order N° 03/MIFOTRA/15 of 09/06/2015 determining modalities for recruiting contractual staff in public service;
- Law N° 86/2013 of 11/09/2013 establishing the general statutes for public service;
- Presidential Order N° 46/01 of 26/07/2011 governing modalities for the recruitment, appointment and nomination of Public Servants;
- Prime Minister's Order N° 121/03 of 08-09-2010 establishing the procedures of performance appraisal and promotion of public servants;
- Approved salary scales;
- Ministerial Order N° 001/16/10/TC of 26/01/2016 relating to financial regulations;
- Law no 016/2018 of 13/04/2018 establishing taxes on Income;
- Law N° 37/2012 of 09/11/2012 establishing the value added tax;
- Law n° 25/2005 of 04/12/2005 on tax procedures;
- Eastern and South Africa Higher Education Centres of Excellence-ACEII Customized Project Operational Manual

4.2.2 Realization of value for money in utilization of public funds

- Ministerial Order No 001/16/10/TC of 26/01/2016 relating to financial regulations;
- Contracts signed between African Center of Excellence in Data Sciences (ACE IOT) and the suppliers

4.2 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; inquires, inspection of documents, inspection of fixed assets or constructed infrastructure and re-computation.

Meaning of methods of gathering audit evidence

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.

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).

DETAILED AUDIT FINDINGS PER SUBJECT MATTER

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

5.1 Review of Project Implementation Plans Relating to Loan Agreement No. 5796RW between UR/Projects and IDA

5.1.1 Delayed achievement of agreed disbursement linked indicators (DLIs) and results as planned in Project implementation Plan

Observation

On 17th June 2016 the Republic of Rwanda (“*Recipient*”) and International Development Association (“*Association*”) signed a financing agreement (No 5796RW) for the Eastern and Southern African Higher Education Centres of excellence Project- ACE II project. The Association availed a credit amounting to **SDR 14,500,000** (Special Drawing Right) equivalent to **USD 20,000,000** to strengthen selected Eastern and Southern African Higher Education institutions. That is under UR- College of Science and Technology/CST: there are African Centre of Excellence (ACE) in Internet of Things and ACE- Energy for Sustainable Development ; under UR- College of Business and Economics/CBE: ACE- Data Science and under UR-College of Education/CE : ACE- Innovative Teaching and Learning Mathematics and Science.

The ACE II project financing approach is results-based to incentivize the ACEs institutions to focus on delivering the agreed upon results. Disbursement is based on the achievement of the agreed disbursement linked indicators (DLIs). The DLIs/DLRs agreed upon are documented in Project Implementation Plan for each Centre.

Section 4.B of the above financing agreement states that no withdrawal will be made for any Disbursement Linked Indicator (DLI) or Disbursement Linked Result (DLR) until and unless the association has received from the independent verifier, the Eligible Expenditure Program (EEP) spending reports conforming that DLI and DLR have been achieved and containing a proposal for disbursement under each withdrawal. Further, Section 6.3 of the Project Operational Manual states that the results achieved by the ACEs will be verified independently for disbursement. Independent verifier(s) hired by Inter University Council for East Africa/ Regional Facilitation Unit (IUCEA /RFU) is expected to verify the results achievement of the agreed DLIs/DLRs for all the ACEs in every six months during the project implementation period.

ACEIoT Project started operating since April 2017 and from then to 30 June 2019 there have been some DLIs and DLRs that ACEIoT should have achieved in three years and get the disbursement amount allowed for these three consecutive years. However, the review of the project implementation on of activities for the year ended 30 June 2019, noted that ACE IoT has not yet achieved some DLRs with value of **USD 364,000** from the start of the project up to the year ended 30 June 2019 (3 Years after commencement date). This could result into loss of funds amounting to **USD 364,000** that would be collected if these DLRs were performed and verified during the period of three years.

Through discussion with management, they explained that this was due to delays in starting project activities and in procurement processes occurred in specialized of lab equipment. *The details of these activities are shown in appendix 1.*

Risks

Delay to achieve agreed disbursement linked indicators (DLIs) and related results as planned in Project implementation Plan may lead to loss of project funds expected from the World Bank. Consequently, the intended project objectives may not be fully achieved.

Recommendations

Management should make properly follow up and monitor the ACEIoT planned activities in line with set DLIs and DLRs to ensure they are timely executed and related disbursed amounts are fully realized.

Management comments

There are some DLIs and DLRs were not achieved within planned time such as:

*DLR 2.1: **Timely annual implementation of plans**: Due to the nature of this result which is hard to measure, during Mid-Term Review meeting held in Malawi November 2019, it was recommended that the result be reviewed and its funds be reallocated to another DLRs that contribute more directly to achievement of project activities.*

Regarding the amount allocated to the activities not achieved in the first year, this was due to delay to start the project operations which actually started in year 2017/2018 after first disbursement in April 2017. We will consult World Bank to see how this should be addressed.

5.1.2 Slow pace of disbursement of Project funds

Observation

On 17th June 2016 the Republic of Rwanda ("**Recipient**") and International Development Association ("**Association**") signed a financing agreement (No 5796RW) for the Eastern and Southern African Higher Education Centres of excellence Project- ACE II project. The Association availed a credit amounting to **SDR 14,500,000** (Special Drawing Right) equivalent to **USD 20,000,000** to strengthen selected Eastern and Southern African Higher Education institution.

Under this financing agreement, IDA Loan amount of **USD 5,500,000** was allocated to ACEIoT to be disbursed within five (5) years from June 2016 to December 2022.

Review of implementation of project activities of this Center revealed that there was slow pace of disbursement of the above loan amount. This is evidence by the fact that out of the loan amount of **USD 3,853,789** committed/availed by the bank to implement the Center activities within three years (from 2017 to 2019), only **USD 2,431,772** representing **63%** was disbursed up to December 2019. *See details in the table below:*

Period	Planned annual disbursement A	Actual annual disbursement B	% of actual disbursement vis a vis planned disbursement $C=(B/A)*100$
	USD	USD	
2016-2017	1,112,059	1,092,328	98

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Period	Planned annual disbursement A	Actual annual disbursement B	% of actual disbursement vis a vis planned disbursement $C=(B/A)*100$
	USD	USD	
2017-2018	1,849,535	-	-
2018-2019	892,195	1,339,444.32	150
	3,853,789	2,431,772	63

The above low rate of disbursement is mainly attributed to slow implementation of the Center activities and inefficiency in implementation of the project plan from the start of the projects activities up to 30 June 2019. *Refer to appendix 2 for details.*

Risks

- The low rate of disbursement could be an indicator that ACE-IOT is achieving its results at a slow pace, since disbursement of funds is done on achieved results basis. Hence, there is risk that the project will not be able to withdraw all the remaining portion of the funds allocated to the Project within agreed time.
- Consequently, all the project activities may not be implemented within the planned time frame, which poses a high likelihood of not attaining project objectives as planned.

Recommendations

The Project's Management should devise an appropriate strategy to enable it to absorb the project funds. This will require to implement timely the project activities and also to achieve expected results within planned period.

Management comment

There has been late starting of the planned activities, which was about 6 months behind the schedule, from the effectiveness date of 16th October 2016 to 21st April 2017, the date to which the first instalment of disbursement reached to the ACEIoT bank account which affected the implementation of planned activities in first year. However, the Center is on track considering the only 2.5 years of its implementation and also taking into consideration that most of remaining results are annual based results.

5.1.3 Low performance of the budget for year ended 30 June 2019

Observation

The comparison of the budgeted amounts to the actual amounts noted a low realization rate of budget for proceeds from borrowings and low utilization rate for use of goods and services, other expenses and capital expenditure, whereby the rate of actual other revenue and proceeds from borrowings and expenditures was significantly low compared to the budgeted amount. The revenue was only realized at **55%** while expenditure was executed at **26%** as at year ended 30 June 2019.

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Through discussion with management it was noted that this low absorption of the budget was mainly caused by delays in procurement processes of tender related to lab equipment for expenditure. *See the table below for details:*

Budget line	Budgeted amount	Actual amount	Variance	% of performance
	(A)	(B)	C=(A-B)	(D= B/A)*100
Revenue	Frw	Frw	Frw	Frw
Other revenue	50,937,510	35,722,190	15,215,320	70
Proceeds from borrowings	1,133,209,212	618,153,063	515,056,149	55
Total revenue	1,184,146,722	653,875,253	530,271,469	55
Expenses				
Use of Goods and Services	344,005,949	135,523,499	208,482,450	39
Other Expenses	182,991,318	144,139,571	38,851,747	79
Capital Expenditure	692,199,455	32,509,814	659,689,641	5
Total expenses	1,219,196,722	312,172,884	907,023,838	26

Consequently, the above low rate of budget execution was mainly attributed to planned activities related to specialized laboratories not implemented as shown in the table below:

Project	Description of activity	Budgeted cost USD	Status by the time of audit in December 2019
<i>Setting up the two specialized laboratories & equipment's for prototyping the applied research results, to excel as focal point in IOT</i>	Lab equipment maintenance	50,000	Not yet done
	Purchase of software licenses and other learning support equipment's	50,000	Not yet done
	Purchase of Lab equipment to expand Fab Lab	240,000	Not yet done
	Purchase of cohort 1 and cohort 2 students research and prototyping equipment	50,000	Not yet done
	Dedicated fiber /4G connectivity for the labs and ACE IoT staff offices	100,000	Not yet done
	IoT equipment/trainings for collaborative research	30,000	Not yet done
	% rate of setting up of WiSeNet and ECS laboratories-equipment's purchases	270,000	Not yet done
	Number of staff/students facilitated for special trainings to be attended to handle the laboratories	15,000	Not yet done
	% rate of the installation of Labs and related trainings	50,000	Not yet done
	Number of visit/training conducted to high-tech established laboratories for staff and students	30,000	Not yet done
	S/Total (A)	855,000	
<i>Recruit an associate researcher and increase the number of research assistants to handle</i>	Number of Lab engineer. One local and one expert with masters or two national with masters	38,400	Not yet done
	In house/external staff trainings for labs and experiment manual preparations	19,000	Not yet done

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Project	Description of activity	Budgeted cost USD	Status by the time of audit in December 2019
<i>specialized research laboratories and support applied research by students(B)</i>			
	S/Total(B)	57,400	
<i>Conduct advisory board meetings conducted</i>	Conduct advisory board meetings conducted	27,640	Established in subsequent year 2019/2020
	S/Total(C)	27,640	
Total(D=A+B+C)		940,040	

Risk

The above budget underperformance implies delay to implement planned ACEIoT activities. Hence, the Project objectives may not be achieved within its planned period.

Recommendation

ACEIoT Management in collaboration with relevant stakeholders should identify and examine causes of low execution rate of the budget in line with Project activities and take corrective measures to ensure proper and timely implementation of ACEIoT activities.

Management comment

Observation noted. Low execution of the budget was due to the delayed procurement processes that affected purchase of laboratory equipment and other related costs whose budget was not spent as initially planned. The total of USD 885,000 was planned for laboratory related activities.

ACE IoT was awarded a Single Source by Rwanda Public Procurement Authority (RPPA) to procure equipment from Field Cloud but they failed to provide bank guarantee hence contract was not signed. Since failure to have laboratory in place has negatively impacted timely enrolment of students, the matter was brought to the attention of the Senior Management of the Ministry of Education (MINEDUC). A meeting was convened and approved the use of unconventional method to procure this highly specialised equipment through a Public Private Partnership with Rochester Institute of Technology (RIT). The contract is under review by Rwanda Development Board (RDB) before its signature by UR and RIT.

5.1.4 Delay in establishing Advisory Board for ACEIoT

Observation

According to ACEIoT implementation plans, ACEIoT should have an Advisory board that should meet twice a year. The Advisory Board should comprise of the Senior Management of

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the College, representatives of partners, representatives of the Government, and representatives of the industry.

The board will advise the administration of Centre on the following:

- Teaching, learning, innovation, and research activities;
- Maintaining effective liaisons with the industry and the community;
- Make recommendations that could help to ensure that the curricula offered at the centre meet needs in the national, regional, and international job markets;
- Assess the currency of curricula and teaching practice and provide recommendations in bettering them; and
- Assist in the identification and acquisition of external funding and resources to support the students and programs of the Centre.

Contrary to above, the review of available documentation revealed that the Advisory Board members were appointed on 19 December 2019, in the 3rd year of implementation of Center activities and this implies the board didn't start operating. Management did not provide the key reasons why there was delay in establishing the members of this board.

Risk

The ACE-IoT has delayed to benefit from the oversight and strategic direction of the Advisory Board, which may have negatively affected the operations of the Center.

Recommendation

ACE-IoT Management with the help of University of Rwanda should ensure that the Advisory Board starts its operations as quickly as possible. This Board should fulfil its oversight and strategic direction responsibilities of the ACE-IoT as planned.

Management comment

Members of Advisory Board were appointed in November 2019. Members will be meeting as required.



5.2 REVIEW OF EXPENDITURE

5.2.1 Failure to recover the amount of tax overpaid

Observation

Article 33, point 5 of ministerial order n°001/16/10/TC of 26/01/2016 relating to financial regulations states the Chief Budget Manager of a public entity is responsible for management of receivables and other amounts due to the public entity including maintaining proper records for follow up and recovery of outstanding amounts.

Contrary to this requirement, on 2nd April 2019 UR (University of Rwanda) signed a contract with a visiting lecturer where the contracted period was 7 days from 21st April to 27th April 2019. The lecturer would receive a net payment of **US 300** per day including accommodation. With this, 40% of total payment should be paid after three days of teaching and remaining amount be paid after submitted all modules results approved by the Head of Masters studies.

Review of project expenditure noted that on 24th May 2019, in line with the above contract UR-ACEIoT paid erroneously 15% withholding tax amounting to **Frw 98,401,463** (equivalent to **USD 111,184** @exchange rate of Frw 885.032587/USD) to RRA instead of **Frw 111,184**. Hence, an overpayment of **Frw 98,290,279**. *See details in the table below:*

Description	Rate per day in A	No of days B	Installment payment C	Total cost in D=(A*B*C) USD	Withholding tax E=D*15% USD	Amount of withholding tax to be paid F*= (D*885.032587) Frw	Actual amount of withholding paid Frw	Amount of withholding tax overpaid Frw
Consul tancy fees	300	7	40%	840	126	111,184	98,401,463	98,290,279

Further, on 5th June 2019, UR (University of Rwanda) wrote a letter to RRA requesting for the refund of overpaid taxes amount of **USD 111,058** equivalent to **Frw 98,290,279**. However, by the time of audit in December,30, 2019 that is after **220 days** after payment of the above tax, the money was not yet recovered and no any further follow up was made by UR (University of Rwanda) to recover this money. Furthermore, ACEIoT did not provide key reasons why these funds were not claimed.

Risks

- Overpaid taxes amounting to **Frw 98,290,279** may be an indicator of weaknesses in review of payments made, hence any error and/or fraud may not be detected timely. Further, the overpayment made amounts to illegible expenditure.
- Failure to recover the overpaid amount may affect the cash flow of the Center and this may lead to delay in implementing some project activities. Therefore, delays in achieving project objectives as planned.

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Recommendations

- UR-ACEIoT Management should engage RRA and ensure this money are recovered and used for Center activities.
- Going forward UR-ACEIoT should enforce review process and ensure that all payments made are adequately reviewed before their payment to avoid any error that may occur.

Management comments

This was an error done by the inputter when making transfer of taxes to RRA for Prof. Dr. KAYALVIZHI Jayavel. Instead of transferring Frw 111,184 he forgot to change the currency in the BNR system and an equivalent amount of USD 111,184 was transferred. On 5th June 2019, UR (University of Rwanda) wrote a letter to RRA requesting for the refund of overpaid taxes. Thereafter several follow ups were made but no formal feedback was provided but RRA promised to meet the UR team on 6th January to discuss the modalities for the refund. The project will continue to work closely with RRA in order to get the refund of the overpaid amount.

5.2.2 Delays in payment of contractors/suppliers' invoices

Observation

Paragraph 10 of the article 35 of Ministerial Order no. 001/16/10/TC of 26/01/2016 on financial regulations stipulates that the Chief Budget Managers shall ensure that all invoices received by the entity are acknowledged and recorded as soon as they are received and that all requests for direct payment are submitted to the Ministry before the due date indicated on the invoices. In the case where a due date is not indicated in a contract document, the payment shall be made within forty-five (45) days from the date of receipt of the claim. Contrary to above, the audit noted that there were delays ranging between 22 to 232 days in settling contractor's/supplier's invoices worth Frw 21,535,752. Management didn't provide the reason why supplier's invoices were not settled on time. *See details in table below.*

#	Description	Refer ence	Amount (Frw)	Supplie rs/Cont ractors	Date Of receiving invoice	Expected date of payment	Actual payment date	Dela ys in days
					A	B = A+45 days	C	D=C -B
1	Payment for Transport company Gorilland Safaris Ltd of invoice Number1139	OP203 031	986,400	Gorillan d Safaris	9/11/2018	24/12/2018	13/08/2019	232
2	Payment for Happy day Bar and Resto Ltd	OP203 032	565,400	HAPPY DAY &REST O Ltd	26/04/2019	10/6/2019	13/08/2019	64
3	Payment of transport company (Rwanda tourism & Travel Agency)	OP203 033	876,800	RTTA	26/04/2019	10/6/2019	13/08/2019	64

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#	Description	Refer ence	Amount (Frw)	Supplie rs/Cont ractors	Date Of receiving invoice	Expected date of payment	Actual payment date	Delays in days
					A	B =A+45 days	C	D=C -B
4	Payment of IT equipment	10000 11272	17,082,152	Preview Solutio n LTD	23/4/2019	7/6/2019	17/7/2019	40
5	Payment of student chairs and steel cabinet	10000 10994	2,025,000	Magasi n Kajar	12/4/2019	27/5/2019	18/6/2019	22
	Total		21,535,752					

Risk

Failure to settle invoices/requests issued to the Project as they fall due may adversely affect the reputation of the project as well as damaging its relationships with the contractors/suppliers.

Recommendation

ACEoIT Project management should investigate reasons for delay payment and take resolutions accordingly. Going forward Management should ensure that all invoices/requests for payment received are settled within the required deadlines.

Management comment

Recommendation is noted. However, the delay occurred because during the period July 2018-June 2019 all ACEs had only one Accountant who was working for all the four Centers. Presently, ACE-IoT has a full time Accountant. Going forward payments will be processed on time.

6. REALIZATION OF VALUE FOR MONEY IN UTILIZATION OF PUBLIC FUNDS

6.1 REVIEW OF FIXED ASSET MANAGEMENT

6.1.1 Lack of periodical physical verification

Observation

Article 74 under paragraph 4 of N°001/16/10/TC of 26/01/2016 requires to conduct periodic physical verification of public property against asset registers at least annually. Contrary to this requirement, there is no evidence provided by Center Management to confirm whether periodical physical verification was conducted in the year ended 30 June 2019. Further, Management didn't provide the reason why the periodical physical verification of assets was not conducted.

Risk

In absence of periodical physical verification, any loss of fixed asset may not be easily detected and the physical location, condition and existence of available assets cannot be ascertained hence an increased risk of misuse and misappropriation of public assets.

Recommendation

Periodical physical verification should be conducted to reconcile results from physical verification and fixed assets register and physical condition of the asset should be ascertained. Any identified difference (s) should be investigated and resolved properly.

Management comments

Observation noted. Going forward, timely physical verification of assets will be ensured and asset register updated accordingly.

6.1.2 Weaknesses noted in management of Project assets

Observation

- Article 74, section 1 of the Ministerial Order n°001/16/10/TC of 26/01/2016 relating to financial regulations states that the Chief Budget Manager shall ensure the following regarding the custody of assets; that items of public property are properly recorded in an asset register in a format prescribed by the Minister containing at least:
 - the date of acquisition;
 - the description;
 - the code;
 - the quantity;
 - the location;
 - the cost for acquisition and disposals;

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Contrary to the above requirement, the review of ACEIoT asset register revealed that some project assets were not codified and their cost of acquisition of those assets was not included in ACE IoT assets register. *See details in the table below:*

No	Description	Serial number	Quantity	Unity cost	Value	Missing information
1	Drones	P5A2F9D, P5A2F9B, P5A2F8L, 08QEEAP 02281XC, 08QCEAG0227552	5	USD 597.72	USD 1,793.16	Not codified and no acquisition cost
2	Drones	08QEEAP02281XC, 08QCEAG0227552	2	USD 1,012.97	USD 2,025.94	Not codified and no cost of acquisition
3	TV Screen (CAT2)	Not given	3	3,516,652	10,549,956	Serial number not indicated and no acquisition cost
4	Camera	Not given	1	1,062,755	1,062,755	Serial number not indicated and no acquisition cost
5	Projection Screen	Not given	1	230,000	230,000	Not codified, Serial number not indicated and no acquisition cost
6	Project Cat 1	Not given		1,281,715	1,281,715	Not codified, Serial number not indicated and no acquisition cost

Risk

Assets without unique identification tags may easily be misplaced, lost or stolen without notice.

Recommendation

The project management should ensure that all assets are codified and all required information is included in the asset register.

Management comments

Camera and Projection screen cannot be tagged using the engraving machine that was used to codify other assets. Since the University of Rwanda is in the process of hiring a company that will do electronic tagging, assets like projectors and other small assets will be tagged by then.

7. STATUS OF IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS

Observation

Article 69 of the Organic Law No. 12/2013/OL of 12 September 2013 on State Finances and Property states the Chief Budget Managers shall be responsible for implementing the recommendations of the Auditor General of State Finances aimed at improving the effective management and use of public funds. Contrary to this provision, an assessment of the status on the implementation of previous audit recommendations revealed that **40%** of the audit recommendations made in the previous audit were implemented, **40%** of the audit recommendations were partially implemented while the **20%** are yet to be implemented. *See the summary in the table below:*

No	Particulars	Number of findings
1.	Total no. of findings raised in previous report:	5
2.	No. of recommendations that have been fully implemented as at time of current audit:	2
3.	No. of recommendations that have been partially implemented as at time of current audit:	2
4.	No. of recommendations not implemented as at time of current audit	1
5.	Percentage of previous findings fully implemented ((no. 2)/no. 1)*100	40%
6.	Percentage of previous findings partially implemented ((no. 3)/no. 1)*100	40%
7.	Percentage of previous findings not implemented ((no. 4)/no. 1)*100	20%

Detailed status on implementation of prior year audit recommendations is provided in *appendix 3*.

Risk

Non-implementation of some of the previous audit recommendations results in the persistence of weaknesses in internal control systems and management of public funds and therefore the desired improvements may not be realized.

Recommendation

Management should ensure that proper action plan for implementation of current and prior year audit recommendations is put in place and followed up to ensure full implementation of audit recommendations as soon as practicable.

Management comment

Recommendation is noted. Going forward, proper action plan for implementation of current and prior year audit recommendations will be put in place and followed up to ensure fully implementation of audit recommendations.

APPENDICES

UNIVERSITY OF RWANDA - AFRICAN CENTER OF EXCELLENCE IN INTERNET OF THINGS (UR-ACEIoT)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019

Appendix1: Delayed achievement of agreed disbursement linked indicators (DLIs) and results as planned in Project implementation Plan

Disbursement Linked Indicator	Action not yet completed	Allocated amount for year 1	Allocated amount for year 2	Allocated amount for year 3	Total amount allocated to three years
		USD	USD	USD	USD
		A	B		(C=A+B)
DLI #2: Excellence in education and research capacity and development impact	DLR# 2.1: Timely annual implementation of the plans	92,000	92,000	92,000	276,000
DLI#3: Timely, transparent and institutionally reviewed Financial Management					
	<i>DLR#3.1: Timely Withdrawal Application supported by financial reporting on the ACE account for the period</i>	11,000	-	-	11,000
	<i>DLR#3.2: Functioning Audit Committee under the university council</i>	11,000	-	-	11,000
	<i>DLR#3.3: Functioning internal audit unit for the university</i>	11,000	-	-	11,000
	<i>DLR#3.4: Transparency of financial management (audit reports, interim financial reports, budgets and annual work plan are all web accessible)</i>	11,000	-	-	11,000
DLI#4: Timely and audited Procurement	<i>DLR# 4.1 Timely procurement audit report for each ACE</i>	22,000	-	-	22,000
	<i>DLR#4.2: Timely and satisfactory procurement progress report for each ACE</i>	22,000	-	-	22,000
Total		180,000	92,000	92,000	364,000

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COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019**

Appendix 2: Inefficiency implementation of the project plan from the start of the projects activities up to 30 June 2019

Disbursement Linked Indicator	Action not yet completed	Allocated amount	Targeted results in two years(30 June 2019)	Achievements in two years (30 June 2019)	Targets not achieved in two years (30 June 2019)	Cumulative amount to be allocated	Cumulative disbursement amount allocated	Cumulative disbursement amount that will not be allocated
		USD				USD	USD	USD
		A	B	C	D	E	F	(G=E-F)
DLI#3: Timely, transparent and institutionally reviewed Financial Management	DLR#3.1: Timely Withdrawal Application supported by financial reporting on the ACE account for the period	11,000/year = 55,000	2	1	2	22,000	11,000	11,000
	DLR#3.2: Functioning Audit Committee under the university council	11,000/year = 55,000	2	1	2	22,000	11,000	11,000
	DLR#3.3: Functioning internal audit unit for the university	11,000/year = 55,000	4	2	4	22,000	11,000	11,000
	DLR#3.4: Transparency of financial management (audit reports, interim financial reports, budgets and annual work plan are all web accessible)	11,000/year = 55,000	4	2	4	22,000	11,000	11,000
DLI#2:	DLR#2.1: Timely annual implementation of the plans (% of execution of the budget)	460,000	Above 85%	0	0	460,000	0	460,000
Total								504,000

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COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019

Appendix 3: Status on implementation of previous audit recommendations

No	Observation and recommendation	Recommendation implemented	Recommendation partially implemented	Recommendation not implemented
	COMPLIANCE WITH LAWS, REGULATIONS AND GUIDELINES REGULATING PUBLIC SPENDING			
1	<p>Absence of specific bank account for other generated revenue</p> <p>ACEIoT Project Implementation Plan includes an indicator in the Results Framework, “Externally generated revenue” (DLRs 2.7) for the purpose of ACE financial sustainability. Further, in the framework of the above, section 4.1 of the Project Operational Manual (POM) states that there is a need of having specific collection bank account which is different from the disbursement bank account (which is specific to the funds disbursed from World Bank). The collection account shall be specific to each centre and be opened in one of national commercial banks. This account will be exclusively dedicated to collection of funds out of project funds. These funds 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 and raised funds.</p> <p>During the year ended 30 June 2018, ACEIoT collected Frw 1,310,000 from short courses; however, I noted that the specific bank account on which to deposit these fees is not yet opened. The collected amount was deposited to UR bank account and reported as receivable in ACEIoT financial statements.</p> <p>Recommendation</p> <p>ACEIoT Management should make follow up and ensure that the collection bank account is opened as required by the Project Operational Manual.</p>	<p>✓</p> <p>Two Specific bank accounts of other generated revenues were opened on 21 December 2019</p>		
	REVIEW OF CORPORATE GOVERNANCE			
2	<p>Lack of Advisory Board for ACEIoT</p> <p>According to ACEIoT implementation plans, ACEIoT should have an Advisory board that should meet twice a year. The Advisory Board should comprise of the Senior Management of the College, representatives of partners, representatives of the Government, and representatives of the industry. The board will advise the administration of Centre on the following:</p> <ul style="list-style-type: none"> • Teaching, learning, innovation, and research activities; • Maintaining effective liaisons with the industry and the community; 		<p>✓</p> <p>Advisory board was established on 19 December 2019, the board didn't start operating by the time of audit in</p>	

**UNIVERSITY OF RWANDA - AFRICAN CENTER OF EXCELLENCE IN INTERNET OF THINGS (UR-ACEIoT)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019**

No	Observation and recommendation	Recommendation implemented	Recommendation partially implemented	Recommendation not implemented
	<ul style="list-style-type: none"> • Make recommendations that could help to ensure that the curricula offered at the centre meet needs in the national, regional, and international job markets; • Assess the currency of curricula and teaching practice and provide recommendations in bettering them; and • Assist in the identification and acquisition of external funding and resources to support the students and programs of the Centre. <p>However, no evidence was provided to me to confirm that the board exist and started operating as planned.</p> <p>Recommendation</p> <p>University of Rwanda management should ensure that the Advisory Board is established and that it independently discusses affairs of the ACEIoT and provides strategic direction and oversight for activities of the Centre.</p>		<i>December 2019. Refer to section 5.1.4</i>	
3	<p>Review of internal Audit function</p> <p>Section 4.1 and 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, during the year ended 30 June 2018, no audit work was performed by SPIU team and UR internal audit unit.</p> <p>Recommendation</p> <p>Management should make follow up and ensure that internal audit of the Centre is carried out.</p>	<p>✓</p> <p><i>Internal audit function conducted audit report of two semesters (January to June 2019 and July to December 2018)</i></p>		
	REVIEW OF BUDGET EXECUTION			

**UNIVERSITY OF RWANDA - AFRICAN CENTER OF EXCELLENCE IN INTERNET OF THINGS (UR-ACEIoT)
COMPLIANCE AUDIT REPORT ON EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019**

No	Observation and recommendation	Recommendation implemented	Recommendation partially implemented	Recommendation not implemented
4	<p>Low execution rate of budget for the year ended 30 June 2018</p> <p>I compared the budgeted amounts to the actual amounts and noted low execution rate of budget for other revenue, use of goods and services, capital expenditure, other expenses whereby the rate of actual expenditure/revenue was significantly low compared to the budgeted amount. The expenditure only realized at 12% while other revenue stood at 39% as at year ended 30 June 2018.</p> <p>Recommendation</p> <p>ACEIoT Management should identify causes of low execution rate of the budget and take corrective measures to ensure proper and timely implementation of ACEIoT activities.</p>			<p>✓</p> <p><i>Similar issue of low budget execution was noted during the current year audit. Refer to section 5.1.3 of compliance audit report</i></p>
5	<p>REVIEW OF PROCUREMENT PROCEDURES IN INCURRING EXPENDITURE</p> <p>Tenders not awarded though included in the approved procurement plan</p> <p>Article 6 of Law no 12/2007 of 27/03/2007 on public procurement relating to the establishment of procurement unit (ITC), states that every procuring entity shall produce an annual procurement plan indicating the objectives to be achieved in accordance with procurement regulations. During the procurement planning process and the preparation of the bidding documents, the procuring entity shall ensure that there is sufficient budget allocation and shall respect regulations governing budget execution.</p> <p>My review of annual procurement plan and procurement report of African Centre of Excellence in Internet of Things for the year ended 30 June 2018 noted that out of ten (10) planned tenders, four (4) tenders related to the core business of the project with estimated costs of Frw 473,123,551 included in annual procurement plan were not executed by ACEIoT during the year ended 30 June 2018. <i>See details in table below:</i></p> <p>Recommendations</p> <p>In future, the management of ACEIoT should ensure that tenders are awarded in accordance with the approved annual procurement plan. The annual procurement plan should be periodically revised and updated as new priorities and/or needs occur, and then be included the revised procurement plan.</p> <p>Total number of prior year recommendations: 5</p>		<p>✓</p> <p><i>For the year under review planned tenders were awarded using framework contract and one tender of supplying lab equipment is under contract negotiation.</i></p>	
		2	2	1

