



UNIVERSITY of
RWANDA

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

AFRICAN CENTRE OF EXCELLENCE FOR INTERNET OF THINGS (ACE-IoT)

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 1st JULY 2019 TO 31st
DECEMBER, 2019**

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INTERNAL AUDIT REPORT**

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1. INTRODUCTION

1.1. PROJECTS BACKGROUND

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

They are competitive loan won by the University of Rwanda-College Science and Technology (CST), College of Education(CE) and College of Business and Economics (CBE) respectively, on behalf of the Government of Rwanda to overcome the identified gaps in handling big data, bio informatics, data mining, reliability modeling, research design and evidence-based policy analysis through delivering postgraduate studies, organizing professional courses and promoting collaborative research in the Eastern and Southern Africa.

The main objective of this project is to establish and strengthen specialization and collaboration among a network of higher education institutions in the Eastern and Southern Africa region to deliver quality post graduate education and build corroborative research capacity in the regional priority area to address key development challenges facing the region.

1.2. OBJECTIVES

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

1.3. SOURCES OF FUNDING

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

Their funding mode is performance based whereby plans and achievements must be guided by the set indicators to lead to funds disbursement (Disbursement Linked Indicators and Disbursement Linked results).

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1.4. STRUCTURE

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

1.5. RESPONSIBILITIES

1.5.1. Auditor's responsibility

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

1.5.2. Management responsibility

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

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

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1.6. AUDIT OBJECTIVES

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

1.7. SCOPE OF THE AUDIT

The audit exercise covered activities of UR-ACEs starting from **1st July to 31st December 2019**.

1.8. AUDIT APPROACH

The following approaches have been used.

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

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

2. EXECUTIVE SUMMARY

2.1. AUDIT ON FINANCIAL STATEMENTS

2.1.1. Basis of our independent audit observation

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

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2.1.2. Observations

2.1.2.1 Lower budget execution rate for the period ended 31/12/2019

The review of planned activities and the budget allocated to each activity revealed that the budget approved for Fiscal Year 2019/2020 was implemented at a very lower rate compared to the time of 6 months elapsed

2.1.2.2 Lower rate of disbursement

The review of implementation of the project implemented by ACEIoT revealed the funding amount of the project is USD 5,500,000 in 5 Years counted from January 2017 to December 2022. During our audit we noted that there is a lower rate of disbursement of funds related to the above project, it evidenced by the disbursement rate of 44% as on 31/12/2020. The assessment revealed this lower rate of disbursement is due to non-achievement and delays in achieving of Disbursement Linked Indicators.

2.1.2.3 Delays for payment of suppliers invoices

According to article 35 of Ministerial Order No 001/16/2016 of 26/06/2016 state that the payments shall be made with 45 days from the date of reception, contrary to that provision the audit revealed 2 invoices worth **Frw 2,082,400** paid with a delay ranged between 142 days to 258 days.

2.1.2.4 Partially supported expenditures

The review of expenditures incurred by ACEIoT for six month ended 31/12/2019 revealed expenditures worth to **Frw 2,760,625.65** which are not fully supported. Some of the missing documents are: Original distribution list of communication, original mission orders with visa of destination, original distribution list for communication. This is contrary to article 35 of financial regulations.

2.2. CONCLUSION.

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

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3. DETAILED FINDINGS

3.1 REVIEW OF FINANCIAL STATEMENTS

3.1.1 Lower budget execution rate

Observation

The review of planned activities and the budget allocated to each activity revealed that the budget approved for Fiscal Year 2019/2020 was implemented at very lower rate compared to the time of 6 months completed. *For more information, see the details in the table below*

S/N	Expenditure classification as per project implantation plan	Planned amount in USD	Actual as on 31/12/2019	Variance	% of execution
1	Learning and training Excellence	945,300.00	89,285.78	856,014.22	9.45
2	Research excellence	167,390.00	40,120.02	127,269.98	23.97
3	Regional/International partnerships & programs	75,000.00	17921.65	57,078.35	23.90
4	Management and Governance	97,149.00	64964.85	32,184.15	66.87
5	Sustainable financing	5,000.00	0	5,000.00	0.00
	Total	1,289,839.00	212,292.30	1,077,546.70	16.46

Risk

The non-achievement of Disbursement Linked Indicators will affect the disbursement of funds granted by World Bank and it will be a loss to the Government of Rwanda.

Recommendation


The management of ACEIoT should investigate the reasons which affect the execution of the budget and take corrective measure in order to speed up the budget execution

Management comment

As it is shown in the table above ACE-IoT had low budget execution due to its lab equipment purchase. The Lab is the one, which have been allocated a high budget, and we were not able to buy lab equipment due to negotiations, which were going at ministerial level to get Public Private Partnership approved so that Rochester Institute of Technology (RIT) can provide the lab equipment. Currently the Public Private Partnership have been approved and they are in the process of contract negotiations once the contract is signed it might take two months from the date of signature to deliver some lab equipment. Secondly, the low budget execution is due to the many activities that have been planned to be executed in the third and fourth quarter of the fiscal year 2019/2020.

3.1.2 Lower rate of disbursement as on 31/12/2019

The review of implementation of the project implemented by ACEIoT revealed the funding amount of the project is **USD 5,500,000** in 5 Years counted from January 2017 to December


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2022. During our audit we noted that there is a lower rate of disbursement of funds related to the above project, it evidenced by the disbursement rate of **44.5%** as on 31/12/2019. The assessment revealed this lower rate of disbursement is due to non-achievement and delays in achieving of Disbursement Linked Indicators. *For more information, see the table below*

S/N	Total project cost USD	Project period	Total amount disbursed after 3 years (31/12/2020)	Funds not yet disbursed	% of Disbursement
1	5,500,000	5 years	2,445,605	3,054,395	44.5%

Risk

With the above lower disbursement rate, the project may end up without achieving all the planned activities. The lower disbursement rate indicates that the management of ACEIoT was not achieved the disbursement Linked Indicators as planned.

Recommendation

The management of ACEIoT is advised to speed up the implementation of their activities and ensure that project activities are timely monitored and achieved

Management comment

The project was supposed to start in 2016, however the first disbursement delayed to be provided to ACE-IoT and the project started in 2017. Looking at the time the project started and the disbursement made so far, there is no lower rate of disbursement. World Bank normally does the disbursement after verification of submitted results. The centre has submitted results after December 2019 and the results were verified and approved by NSC for disbursement. There is no risk the project will implement the activities as planned. University of Rwanda through the Ministry of Finance has requested for the project extension period. There is no doubt that the centre will achieve 100% of disbursement rate.

3.1.3 Delays for payment suppliers invoices.

According to article article 35 of Ministerial Order No 001/16/2016 of 26/06/2016 state that the payments shall be made with 45 days from the date of reception, contrary to that provision the audit revealed 2 invoices worth **Frw 2,082,400** paid with a delay ranged between **142 days** to **258 days**. *For more details, see the table below*

Invoice No	Supplier	Invoice amount	Invoice reception date	Payment dates	Expected pyt date	Delays in days
1139	Gorilland		9/11/2018	13/8/2019	9/12/2018	258

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	SAFARI Ltd	986,400				
INV 14645	RWANDA TOURSISM AND TRAVEL AGENCY	1,096,000	19/12/2019	8/6/2020	18/01/2020	142
Total		2,082,400				

Risk

Failure to settle supplier invoices may affect the relationship contractors and lead to non-compliance with financial regulation.

Recommendation

The management of ACEIoT should ensure that suppliers' invoices are paid within deadline highlighted in the financial regulation or in contract signed with contractors

Management comment

Observation Noted. In regard to Gorilland Safari Ltd the problem was caused by lack of employee because in 2019 before June all centres had one accountant. This affected the centre to process payments on time. Due to this problem, each centre hired its own accountant with intention to resolve these issues, so in financial year 2019- 2020 Moving forward no delays in processing supplier's invoices.

3.1.4 Partially supported expenditures

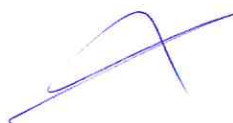
The review of expenditures incurred by ACEIoT for six month ended 31/12/2019 revealed expenditures worth to **Frw 2,760,625.65** which are not fully supported. Some of the missing documents are: Original distribution list of communication, original mission orders with visa of destination, original distribution list for communication. This is contrary to article 35 of financial regulations. *The table below shows details*

S/N	GL ACC	GLA Name/Description	Date	Value	Missing documents
1	223105	UR ACEIINTERNET OF T International Per Di	23-DEC- 2019	2,760,625.65	lack of training report submitted by beneficiaries (Dr Frederic Masengesho)
	Total			2,760,625.65	

Risk

The accuracy and completeness of highlighted expenditures may be doubtful due to lack of supporting documents stated

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Recommendation

The management of ACEIoT is recommended to avail original supporting documents highlighted above and going forward all original supporting documents should be properly file for future reference.

Management comment

Mr. Masengesho Frederic has absconded from his duties without notice and left the centre one week after his mission. The centre contacted him, he could not respond, and later the vice chancellor issued contract termination letter.

3.3 PHYSICAL VERIFICATION OF ASSETS

3.3.1 Weaknesses noted in management of fixed assets

The physical verification of assets maintained by ACEIoT conducted on 5/8/2020 revealed the following weaknesses:

- **Fixed assets not codified**

The sample taken for physical verification we noted assets purchased by ACEIoT but not engraved for differentiation purposes as shown in the table below

S/N	Description of Assets	No	Location	Asset Value
1	Tablet IPad 9.7 Inch	1	103	1,245,000
2	HP Laser jet Printer	1	103	1,346,400
3	High back executive chair	1	104	1,020,000
4	Visitors chairs	5		200,000
5	Drones	5		USD 3,819.1
6	Camera	1	JB	1,065,755
7	Printer	1		336,000

Risk

It is hard to trace assets in case they are misallocated or they are missed

Recommendation

The management of ACEIoT should ensure that all fixed assets are codified for differentiation purposes.

Management comment

The machine that was used to label the physical items of the centre cannot label small items. This is why the Tablet IPad 9.7 Inch, Drones and Camera are not labeled. The visitor chairs are labelled except that they used metals to label them. Printer in the row 7 have a code however, HP Laser jet Printer does not have code, the time they labelled other items this printer was under maintenance. The centre will ensure that the items that are not tagged are tagged. The tender for electronic tagging is underway. Tagging will be fully implemented as soon as the successful bidder signs the contract in the financial Year 2020-2021.

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Risk

In absence of sufficient verifiable supporting documents, it is difficult to confirm the validity and authenticity of expenditures incurred. This increases the risk that invalid payments may have been made which may result in misuse of public funds.

Recommendation

The UR ACEESD management should ensure that all expenditures are fully and sufficiently supported. Otherwise, the amount should be recovered from the respective staff if the intended purpose was not met.

Management comment

*The supporting documents have been provided to the auditors. Attached is a copy.
{Audit;still not supported, no approved Mission received}*

