






UNIVERSITY of  
RWANDA

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


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

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 1<sup>st</sup> JANUARY 2020 TO 30<sup>th</sup>  
JUNE, 2020**

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# **AFRICAN CENTER OF EXCELLENCE-INTERNET OF THINGS INTERNAL AUDIT REPORT**

## **1. INTRODUCTION**

### **1.1. PROJECTS BACKGROUND**

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

They are competitive loan won by the University of Rwanda-College Science and Technology (CST), College of Education(CE) and College of 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 Centers 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.



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

## **1.4. STRUCTURE**

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

## **1.5. RESPONSIBILITIES**

### **1.5.1. Auditor's responsibility**

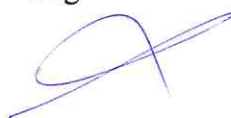
Article 10 of Ministerial Order N° 003/17/10/TC Of 27/10/2017 setting out Regulations for Internal Audit and Audit Committees in Public Entities states that Internal Auditor must evaluate the adequacy and effectiveness of controls of governance, operations and information systems; provide assurance to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

### **1.5.2. Management responsibility**

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

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

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## **1.6. AUDIT OBJECTIVES**

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

## **1.7. SCOPE OF THE AUDIT**

The audit exercise covered activities of UR-ACEs starting from **1<sup>st</sup> January to 30<sup>th</sup> June 2020**.

## **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



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information we deemed necessary for the audit, and we believe that we obtained sufficient evidence to support our independent opinion as stated below:

### **2.1.2. Observations**

#### **2.1.2.1 Lower execution rate of action plan and budget allocated to the activities**

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 52.24%.

#### **2.1.2.2 Lower rate of disbursement**

The review of implementation of the project implemented by ACEIoT revealed that funds amounting to USD 5,500,000 were allocated for project 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 **49.6%** as on 30/06/2020. 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 Planned tenders not awarded**

The review of procurement plan submitted by ACEIoT for fiscal year 2019/2020 we noted 3 tenders worth **Frw 13,878,784** planned to be awarded but up to the time of audit conducted on 3/8/2020 were not yet awarded and the time planned for signing contracts was expired

### **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 2020 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 of action plan and allocated budget**

**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 **52.24%**. *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 30/06/2019	Variance	% of execution
1	Learning and training Excellence	695,543.00	302,765.00	392,778.00	43.53
2	Research excellence	70,000.00	64,635.00	5,365.00	92.34
3	Regional/International partnerships & programs	44,300.00	25419.86	18,880.14	57.38
4	Sustainable financing	10,000.00	0	10,000.00	0.00
5	Management and Governance	156,642.00	117326	39,316.00	74.90
	<b>Total</b>	<b>976,485.00</b>	<b>510,145.86</b>	<b>466,339.14</b>	<b>52.24</b>

**Risk**

- This significant lower budget execution indicates that the activities planned by ACEIoT for the period ended 30/06/2020 was achieved as planned.
- 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.*



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- *Sustainable financing :Variance was mainly caused by outbreak of Covid 19. Which hindered Centre activities*

### 3.1.2 Lower rate of disbursement compared to useful life of the project

The review of implementation of the project implemented by ACEIoT revealed that funds amounting to USD 5,500,000 were allocated for project 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 **49.6%** as on 30/06/2020. 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 (30/6/2020)	Funds not yet disbursed	% of Disbursement
	5,500,000	5 years	2,725,605	2,774,395	49.6%

#### 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 center has submitted results in March 2020 and the results were verified and approved by NSC for disbursement. Up to now the total of 3,178,564\$ have been verified. 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.*

### REVIEW OF COMPLIANCE WITH LAWS AND REGULATIONS

#### 3.1.1 Planned tenders not awarded

Article 16 of the law N°62/2018 of 25/08/2018 relating to Public procurement planning states that every procuring entity must produce an annual procurement plan indicating the objectives to be achieved in accordance with public procurement regulations. Further, the preparation and



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approval of public procurement plan is based on the budget definitively adopted by the relevant organ. However, from the review of procurement plan for financial year 2019/2020 reveals that there are tenders worth **Frw 13,878,784** not awarded as detailed in the table below:

Tender Titles	Planned method	Estimated cost (Frw)	Planned contract signing date	status as on 31/7/2020
Hiring a consultant to develop a business plan for the center	Open	13,878,784	22/7/2020	This tender has not been advertised because the terms of references is still under review
<b>Total</b>		<b>13,878,784</b>		

### Risk

Non awarding tenders and delays in tendering process affect the achievement of planned activities and affect the objective of the project.

Planned tenders not awarded it is an indicator of poor planning

### Recommendation

The management of ACEIoT should ensure that all planned tenders are timely awarded in order to implement the other planned activities

### Management comment

- *Terms of Reference for the firm to develop the business strategy (Sustainability plan) of all the 4 centres. It was observed that the TOR that were submitted to procurement department were of low standard and hence there was a need to provide inputs from different stakeholders in order to have quality Terms of reference and during the meeting of 12th June 2019 it was decided that this tender be shifted to the next financial year 2020-2021 in order to have quality ToR.*

## 3.4 PHYSICAL VERIFICATION OF ASSETS

### 3.4.1 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**

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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 center 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.*