

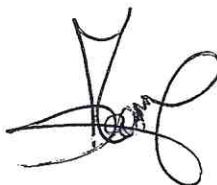
**EASTERN AND SOUTHERN AFRICA HIGHER EDUCATION CENTERS
OF EXCELLENCE (ACE II) PROJECT**

AFRICAN CENTER OF EXCELLENCE IN INTERNET OF THINGS (UR -ACE IoT)

INTERNAL AUDIT REPORT FROM JANUARY TO JUNE, 2019

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1. INTRODUCTION

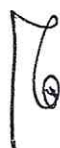
1.1. PROJECTS BACKGROUND

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 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. 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;

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, control 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 January to June 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 audit observations

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 observation as stated below.



2.1.2. Observation

Based on the results of our evaluation, there is reasonable assurance that as of 30th June 2019 information, we concluded the evaluation of its related documents, the internal control system at UR-ACEs by June 2019 was effective in design as required by Ministerial Order N° 003/17/10/TC of 27/10/2017.

2.1.2.1. The understatement of expenditures of USD 64, 162.77 for the period of six months ending 30th June 2019

We conduct the review of the financial statement of ACE IoT for the period of 1st January -30th June 2019, we realized that there is an understatement of expenditures of USD 64, 162.77. Both statement of source and uses of funds for the second semester of the fiscal year 2018/2019 and use of fund (breakdown) for the year ended 30 June 2019 show the spent amount of USD 85,800.44 while the exact expenditure for the six months is USD 149,963.21 as calculated in the table below.

2.1.2.2. Decrease in number of PHD students who received the Stipend allowances

ACIoT directorate fixed the living allowance rate to be paid to the regional students of USD 500/month for four years PhD Program. Reference is also made to the point 2. **“The PhD fellowship offer provide to you by AClOT will cater for the University Tuition fees, living expenses and return ticket”** of the admission letter of students for academic year 2018-2019. ACE IoT provided the monthly stipend allowances for PhD students from February to June 2019 with a significant decrease in number while they did not yet complete the four years programme.



2.1.2.3. Weakness noted for reporting the received amount from World Bank.

My review of transfers from World Bank IDA revealed a difference of USD 4,300.76. The statement of sources and uses of funds for the periods ending 30 June 2019 shows the amount of USD **695.619.51** (Total of receipt through the bank statement) received from World bank and while the statement of Reimbursable Eligible Programme for the year ended 30th June 2019 indicates the received amount in **USD 699.920.51** (Total of Confirmation for disbursement notification letter with Ref. CL: 031/2019 and Ref. CI: No 150/2019 dated January 21st, 2019 and April 29th, 2019 respectively).

2.1.2.4. Review of Eligible Expenditure Programme related to salaries of UR Staff for the financial year 2018-2019

We conducted the review of compensation of employees cost revealed that the reported compensation of employees amounting to Frw 20,076,164,492 in the financial statement of University of Rwanda during the financial year 2018 – 2019 did not include the salaries of contractual staff and expatriates staff. At the time of reported EEPs, they ignored the salaries for contractual, expatriate staff while they contribute important roles in academic and administration in the quality of education within University of Rwanda and African centers.

2.2. CONCLUSION

Based on the results of our evaluation above, 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.



3. DETAILED FINDINGS

3.1. Review of Financial management

3.1.1. The understatement of expenditures of USD 64, 162.77 for the period of six months ending 30th June 2019

Observation

We conduct the review of the financial statement of ACE IoT for the period of 1st January -30th June 2019, we realized that there is an understatement of expenditures of USD 64, 162.77. Both statement of source and uses of funds for the second semester of the fiscal year 2018/2019 and use of fund (breakdown) for the year ended 30 June 2019 show the spent amount of USD 85,800.44 while the exact expenditure for the six months is USD 149,963.21 as calculated in the table below.

CALCULATION OF EXPENDITURES FROM 1 ST JANUARY TO 30 TH JUNE 2019	
Description	Amount (USD)
Total expenditures as appeared on the bank statement	278,022.27
Total Returned payment	(17,001.06)
Letter UR-SPIU112/2019 OF 05/06/2019 (Receivable from RRA)	(111,058.00)
Total expenditures for the period of six months ending 30 th June 2019	149,963.21
Reported expenditure in the financial statement (DLI3)	85,800.44
Understatement of expenditures	64,162.77

Risk

There is a risk that, UR ACE IoT does not recognize all paid expenses in its statement of sources and uses of funds as the cash basis principals.

Recommendation

All incurred expenditures of UR ACE IoT should be reported in the statement of sources and uses of funds as appeared on the bank statement and cashbooks.

Management comment

Observation is noted. This will be reviewed and put the correct Total expenditure in google sheet. This was an issue of Google sheet being manipulated whereby some budgets were deleted yet they had some expenses and other budget lines not in Google sheet.

Moving forward we will be using EBMS data to prepare budget execution reports and other financial reports to be submitted to World Bank.

3.1.2. Decrease in number of PHD students who received the Stipend allowances

Observation

On 5th September 2017, the ACE-IoT directorate fixed the living allowance rate to be paid to the regional students of USD 500/month for four years PhD Programme. Reference is also made to the point 2. **“The PhD fellowship offer provide to you by ACIoT will cater for the University Tuition fees, living expenses and return ticket”** of the admission letter of students for academic year 2018-2019. ACE IoT provided the monthly stipend allowances for PHD students from February to June 2019 with a significant decrease in number while they did not yet complete the four years PhD Programme as follows

Period	Number of students	Decrease number compared to previous month	Names of Student and corresponding living allowances in USD
February 2019	11	-	-
March 2019	10	1	Nabujeje Liliane -550
April 2019	9	1	Mwanajuma Suleiman - 550
May 2019	9	0	-
June 2019	7	2	* Waheed Muhammed Ibrahim -500 *Kimutai Gibson -500

Risk

The above-unexplained difference in number of students cast to doubt on completeness and accuracy of disbursement of stipends.

Recommendations

- Management should provide explanation on the difference resulting into the decrease in number of students benefiting stipends.
- UR management should ensure that the change in number of students who are eligible to get stipend is regularly reported.

Management Comments:

The mentioned students Nabujeje Liliane Mwanajuma Suleiman, Waheed Muhammed Ibrahim didn't receive stipends as mentioned in the report. The above students dropped out of the PhD program see attached letters. In regard to the student Mr. Kimutai Gibson is still a student for the PhD program he was not paid stipends for June 2019 because he didn't attend the class. Moving forward we will ensure that the management of the Centre provides detailed explanation on any changes to the student's numbers.

3.1.3. Weakness noted for reporting the received amount from World Bank.

My review of transfers from World Bank IDA revealed a difference of USD 4,300.76. The statement of sources and uses of funds for the periods ending 30 June 2019 shows the amount of USD 695,619.51 (Total of receipt through the bank statement) received from World bank and while the statement of Reimbursable Eligible Program for the year ended 30th June 2019 indicates the received amount in USD 699,920.51 (Total of Confirmation for disbursement



contractual staff and expatriates staff. At the time of reported EEPs, they ignored the salaries for contractual, expatriate staff while they contribute important roles in academic and administration in the quality of education within University of Rwanda and African centers.

Risk

Understatement of the reported eligible expenditure of salaries paid to UR staff

Recommendations:

- All salaries have to be included in EEPs reports such as lumpsum, performance bonus, expatriates and contractual staff salaries
- Not basing on the chart of account (Only compensation of employees) when preparing the EEPs as it was done during the financial year under review.

Management comment

Observation noted. Moving forward, we will take into consideration the contractual and expatriate salaries in the EEPs reporting.

