



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

AFRICAN CENTER OF EXCELLENCE IN INTERNET OF THINGS  
UR-ACEIoT

INTERNAL AUDIT REPORT FOR SEMI-ANNUAL  
FINANCIAL YEAR ENDED 30<sup>th</sup> JUNE 2021

**Prepared by;**

S/N	Names	Position
1	MUSABYIMANA Moise	UR Internal Auditor

**Reviewed by;**

S/N	Names	Position	Signature
1	NDAYAMBAJE Justin	UR Internal Auditor	

**Supervised by;**

S/N	Names	Position	Signature
1	UWABABYEYI Diane	Ag. Chief Internal Auditor	

September, 2021

<b>1. INTRODUCTION.....</b>	<b>2</b>
<b>1.1. PROJECTS BACKGROUND .....</b>	<b>2</b>
<b>1.2. OBJECTIVE OF ACEs.....</b>	<b>2</b>
<b>1.3. SOURCES OF FUNDING .....</b>	<b>2</b>
<b>1.4. STRUCTURE.....</b>	<b>3</b>
<b>1.5. RESPONSIBILITIES .....</b>	<b>3</b>
<b>1.5.1. Auditor’s responsibility .....</b>	<b>3</b>
<b>1.5.2. Management responsibility .....</b>	<b>3</b>
<b>1.6. AUDIT OBJECTIVE.....</b>	<b>4</b>
<b>1.7. SCOPE OF THE AUDIT .....</b>	<b>4</b>
<b>1.8. AUDIT APPROACH.....</b>	<b>4</b>
<b>2. EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>2.1. AUDIT ON FINANCIAL STATEMENTS .....</b>	<b>4</b>
<b>3. DETAILED FINDING .....</b>	<b>6</b>
<b>3.1. Lower rate of funds disbursed compared to useful life of the project .....</b>	<b>6</b>
<b>3.2. REVIEW OF COMPLIANCE WITH LAWS AND REGULATIONS.....</b>	<b>7</b>
<b>3.2.1. Planned Tenders not awarded as planned.....</b>	<b>7</b>

## **1. INTRODUCTION**

### **1.1. PROJECTS BACKGROUND**

University of Rwanda, Centers of Excellence are 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 Science (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 respective colleges, 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. OBJECTIVE OF ACEs**

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<sup>th</sup> 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<sup>th</sup> September 2016 to 31 December 2023 where funds allocated to ACEIoT 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).

#### **1.4. STRUCTURE**

The daily activities of the University of Rwanda, African Centers of Excellence academic programs are coordinated by Center Director while the Deputy Vice Chancellor for Finance and Administration, and 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 OBJECTIVE**

The general objective of the review was to evaluate the adequacy and effectiveness of African centers of Excellence in Internet of Things (UR-ACEIoT) at UR, existing risk management controls, and governance processes are in order to provide, independent opinion whether these processes are functioning as intended and the ACE IoT 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 Semi-Annual financial statement of ACEIoT starting from **1<sup>st</sup> January to 30<sup>th</sup> June 2021.**

## **1.8. AUDIT APPROACH**

The following approaches have been used;

Documentations desk reviews and Interviews where applicable: we reviewed different documents and discussed with SPIU, ACE management, and Center different staff 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 ACEIoT are properly managed.

## **2. EXECUTIVE SUMMARY**

### **2.1. AUDIT ON FINANCIAL STATEMENTS**

#### **Basis of our independent audit observation**

We conducted an independent evaluation of the internal control system at ACE-IoT 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 ACE-IoT 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 ACE-IoT risk analysis. The management of ACE-IoT 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:

#### **Lower rate of funds disbursed compared to useful life of the project**

The review of implementation of the project implemented by ACEIoT revealed that funds amounting to \$ 5,500,000 were allocated for project in 6 Years counted from January 2017 to December 2023. 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 59.9% as on 30/06/2021.

#### **Planned Tenders not awarded as planned**

We noted 1 tender for hiring a consultant to develop a business plan for the center with the total of **20,000 USD** planned to be awarded before June 2021, but up to the time of audit exercise in September 2021 were not awarded as planned.

#### **CONCLUSION.**

Based on the results of our evaluation above, in our opinion, the weaknesses noted bear medium risk on the operations of and except for the implications of few weaknesses, the internal control system at ACE-IoT was satisfactory in design as of June 2021 when we concluded its evaluation.

**3. DETAILED FINDING**

**3.1. Lower rate of funds disbursed compared to useful life of the project**

**Observation:**

The review of implementation of the project implemented by ACEIoT revealed that funds amounting to \$ 5,500,000 were allocated for project in 5 Years counted from January 2017 to December 2023. 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 **59.9%** as on 30/06/2021. The assessment revealed that, this lower rate of disbursement is due to non-achievement and delays in achieving of Disbursement Linked Indicators. During the audit at the end of June 2021 the total amount disbursed was USD 3,294,105 compared to the total amount of USD 5,500,000 allocated to the project in 6 years of activities which represent the total amount of USD 2,205,894.9 amount undisbursed in which represent the rate 40.1%. **For more details refer to the table below in USD:**

<b>Total Amount allocated to IoT project in 5 yrs(A)</b>	<b>Amount disbursed at the 4 years( end June 2021) =B</b>	<b>% of Disbursement amount =(B/A)*100</b>	<b>Amount undisbursed C=A-B</b>	<b>% of amount undisbursed at the end of 4 years activities</b>
5,500,000	3,294,105.10	59.9	2,205,894.9	40.1

**Source:** Interim Financial Report for the period ended June 2021

**Risk**

- ✓ There is a risk that, non-achievement of Disbursement Linked Indicators will affect the disbursement of funds and hence, the center may not achieve the intended goals in real time.

**Recommendation**

- ✓ To speed up activities which lead to achievement of result. As the Disbursement is result Linked Indicators.

**Management Comments**

*ACE-IoT is a results-based where all results achieved by the Centre are submitted to the Inter University Council for East Africa (IUCEA) for verification, then the disbursement comes after*

based on approved results. 59.9% equivalent to USD 2,205,894.9 considers results achieved before March 2020. Results achieved between April 2020 and March 2021 have been submitted in March 2021 and verified. The center has received notification letters from World Bank and IUCEA respectively on 24<sup>th</sup> June 2021 and 25<sup>th</sup> August 2021 of achieved results. The amount of 1,301,496.65 \$ was approved for disbursement from the results achieved. This implies that the disbursement rate has now increased from 59.9 % to 85.1 %. Disbursement letters are attached.

### 3.2. REVIEW OF COMPLIANCE WITH LAWS AND REGULATIONS

#### 3.2.1. Planned Tenders not awarded as planned

Article 6 of Law N° 12/2007 of 29/03/2007 on Public Procurement states that, 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.

Contrary to this, during the review of UR- ACE-IoT procurement plan for financial year ended June 2021, we noted 1 tender for hiring a consultant to develop a business plan for the center with the total of **20,000 USD** planned to be awarded before June 2021, but up to the time of audit exercise in September 2021 were not awarded as planned. **For more details see in the table below**

S/N	Tender title	Planned Method	Tender value (USD)	Completion date
1.	Hiring consultancy firm to develop UR-ACE ACE-IoT	Open tender	20,000	12/02/2021
<b>Total</b>			<b>20,000 USD</b>	

*Source: Procurement plan and reports end June 2021*

#### **Risk**

Failure to award the planned tender related to the core business of the Centers may be an indicator that the related activities were not executed as planned and hence, the centers objectives may not be achieved within time frame and an indicator of poor planning.

#### **Recommendation**

UR- ACE-IoT Management should ensure that all planned tenders are awarded as planned in order to achieve the intended objective.



**Management comments:**

*As indicated in the procurement Progress report provided during the audit; Initially, this tender was entitled “Hiring a consultant to develop business plan for UR-ACEs”, after the revision of the associated terms of reference, the centers decided to change the name of the tender to better express the needs of the centers.*

*During the revision of the center’s procurement plan, the concerned tender was planned under the new title of “Hiring consulting firm to develop ACEs Sustainability strategic plans with their associated annexes”.*

*This tender was advertised on 15-01-2021 into two-stage tendering process but the first step (Shortlisting) failed, no firm was shortlisted because we only received two (2) firms that responded to the expression of Interest (EoI) which is contrary to the provisions of the law governing public procurement (in particular its article 68, paragraph 3).*

*This tender with a new title (1 step) has been re-advertised on 02-04-2021 and the 3 proposals were opened on 23/04/2021 and recommended to be shortlisted.*

*Now the tender is under contract negotiation phase with the First ranked consultant.*