



ACALISE INTERNAL AUDIT REPORT

BY:



NALUMU JANE
INTERNAL AUDITOR

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INTERNAL AUDIR REPORT ON THE ACTIVITIES OF UMU'S AFRICAN CENTRE FOR AGROECOLOGY AND LIVELIHOOD SYSTEMS(ACALISE)

1.0 Background

The African Centre for Agro-Ecology and Livelihood Systems (ACALISE) is one of the African Centre of Excellence in the East and Southern Africa (ACEs) under the World Bank-funded ACE II Project. ACALISE is hosted by Uganda Martyrs University (UMU), Faculty of Agriculture. ACALISE project is a five year project which commenced in August 2016. It is funded by the Ugandan Government through a World Bank loan to a tune of USD 6 Million.

Overall ACE II Project Development Objective (PDO) is to strengthen selected ACEs to deliver quality post-graduate education and build collaborative research capacity in the region's priority areas of Industry, Agriculture, Health Education and Applied Statistics.

At ACALISE the specific development area is Agriculture, i.e climate-smart agriculture and livelihood systems

The main focus objective of ACALISE is to better streamline the production of high level, well motivated and ethically conscious critical mass of Agro-ecology and Livelihood systems experts through teaching, learning and research excellence.

The project funds are disbursed twice a year through a disbursement system depending upon fulfilling the project set obligations, the Disbursement Linked Indicators and results (DLI/DLR).

2.0 Engagement Objective

The purpose of the audit is to evaluate control, risk management and governance processes of the project. Specifically, the exercise aimed at;

- Assessing whether the project operate as per the approved work plan
- Assessing project compliance with applicable laws, rules and regulations as per the performance and financing agreement.

- Ascertaining whether project funds are used as intended and specified in the performance and financing agreement.
- Confirming whether project funds are properly accounted for as per the signed financing agreement.
- Verifying whether project procurements (goods, works and services) were done as per the University procurement regulations/guidelines.
- Confirming whether monitoring and evaluation of the project was done and project reports prepared.
- Assessing project sustainability.

3.0 Scope

The scope of the audit covered the period from 1st July 2017 to 30th June 2018.

4.0 Methodology

A risk based approach was used to enable us to address general and specific identified risky areas. The following methods were used:

- Voucher examination
- Interviews
- Observations
- Enquiry
- Verification of supporting documentation
- Computations and run through
- Payment vouchers and related books of Accounts, the Cash Books were examined to ensure compliance with the regulations in force
- Explanations were obtained from the relevant officers and below are the major findings of this report.

6.0 Findings and Recommendations

The following observations and recommendations were made during the audit exercise.

6.1 Project performance or execution

Section I (b) of the financing agreement requires the project to prepare annual work programs or program of activities during project implementation.

The annual work plan for 2017/18 was prepared and approved. The project executed most of the planned activities as per the approved work plan.

The progress made on planned activities in the period under review, among others includes the following:

- Existing curricula (Msc. Agro Ecology programme) was reviewed and approved by University Senate on its sitting of 26th July 2018. It is ready for submission to National Council of Higher Education for review and approval.
- 267 students were enrolled. 263 National and 4 Regional students were enrolled. However, 14 students seem to have dropped out which may affect the disbursement.
- Award of scholarships to PhD and Msc students was done.
- Regular project management meetings were held to review implementation progress, Annual Work Plans and budgets.
- Recruitment of project staff.
- Re-tooling non academic University staff in soft skills, financial management and risk management workshops were conducted.
- New programmes were developed. These include; Masters in Microfinance Management and Masters in Bio-Ethics
- Ten articles were published.

However, some activities were not implemented as planned. These include; upgrading research facilities, skilling the community in agro-ecology and livelihood systems and re-tooling Faculty staff in agro-ecology and livelihood systems.

Without undertaking the planned activities within the stipulated timelines, there is a likelihood that the project may not achieve its objective.

Furthermore, it may result in loss of donor funds which may affect implementation of project activities since credit is contingent on the satisfactory achievement of agreed, pre-specified program implementation progress and performance results referred to as DLIs/DLRs.

The Project Leader explained that due to the delay to receive the funds, some activities were not implemented as planned. Some activities were postponed to the following year.

Recommendation

- The Project Leader should ensure that project activities are executed since disbursements are linked to the agreed performance indicators.

Management response

Some activities could not be implemented on time due to the fact that the final approval of the project and the disbursement of funds was delayed by a full year in Uganda.

Due to the delays to approve the project, some of the budgetary allocations were affected by inflation thereby leading to under budgeting. Consequently, fewer activities that fit within the budget were implemented after World Bank's approval of a revised work plan.

6.2 Project compliance with laws, rules and regulations

The project is required to comply with the performance and financing agreements in execution of its activities.

It was noted that relevant laws and regulations as per the financing and performance agreement were adhered to by the project in the implementation of project activities.

Most of the Disbursement Link Indicators (DLIs) were fulfilled as set forth in schedule 4 of the Financing agreement.

Recommendation

- To enhance the University as a Centre of Excellence in Agro ecology and Livelihood Systems, management should continue to adhere to all the laws and regulations.

6.3 Financial activities

According to the Financing agreement, it is a requirement to properly record and maintain project books and accounts.

6.3.1 Project revenue or income

The Project Appraisal Document (PAD), stipulates that the project will work on fundraising and developing external sources of revenue to ensure its sustainability after the project. Revenue externally generated is deposited on the project's account from tuition fees, other students' fees, sale of consultancies, joint research, fund raising and donations, or other external resources.

Contrary to the above, it was noted that revenue from tuition fees was deposited on University Account.

In the period under review, it was noted that the project generated external revenue in the amount of USD 514,621. This was generated from students' tuition fees and external sources as detailed in the table below:

Table 1: Externally generated revenue

Source of revenue	Amount (USD)
Private Sector Foundation PSF/World Bank	250,000
Students Fees	217,812
Subsidy from French Embassy	1,162
Ecological Organic Agriculture Project	35,607
RUFORUM Project	10,040

Recommendation

- Management should continue to execute financial sustainability activities.

Management response

We are working to ensure that we respond to calls for proposal. A team of three also attended a Global Research Fund (GRF) workshop in Nairobi where different African Institutions came together under the GRF of UK to synergize ideas and strategize on how to respond to calls as a consortium.

6.3.2 Project expenditure

The Financing agreement defines eligible expenditure programs (EEP) to be made by the project. These include; goods, works, consulting and non-consulting services, training and operating costs including salaries and scholarships).

The review showed that all expenditures incurred were eligible and sufficiently supported.

It was also noted that proper internal controls were in place regarding project expenditure. These include; authorisation and approval controls. All payments were approved and authorised by designated Officers of the Project.

However, I recommend improvement in the following areas:

i) Payment of Value Added Tax on Non-Tax invoices

Section 29 (1) of the Value Added Tax Act, 2011 states that a taxable person making a taxable supply to any other person shall provide that other person, at the time of supply with an original tax invoice for the supply.

The review however noted that VAT totalling to UGX.3,439,800 and USD. 294.3 was paid to suppliers whose contract sums were VAT inclusive without submitting respective tax invoices. These were; Revero Investment Ltd, VSOCOI Ltd and IP Link Consults.

Paying VAT to non-registered suppliers amounts to a financial loss to the project.

Recommendations

- The Procurement Officer should ensure that due diligence is always undertaken to establish the tax status of all the suppliers and stop the practice of paying VAT to non VAT registered suppliers.
- The suppliers should provide certificate of registration as proof or else they refund the money collected.

Management response

The supplier should be made to refund the money by end of January 2019.

ii) Non remittance of Withholding Tax (WHT)

Section 124 (1) of the Income Tax Act requires a withholding tax agent to remit the tax within fifteen days after the month end.

However, I noted that one service provider (GB Consulting Associates) whose WHT amounting to USD 1,296 was with held remained unremitted up to the time of audit.

The Project Accountant explained that the Consultant has not yet submitted his Tax Identification Number.

Failure to remit taxes to the authority may result into fines and penalties.

Recommendation

- The Project Accountant should ensure that taxes are remitted within time.

Management response

The Consultant did not provide hi TIN on time. He has just provided the PIN and the money will be remitted before the end of December 2018. In future, no payments will ever be made to Consultants before they provide TINs.

6.4 Budget performance

Budget estimates are based on output to be achieved in a particular time and during implementation.

Section 2.0.2 of the Performance and Funding Grant Agreement stipulates that withdrawal of grant shall be on the basis of performance-based results achieved by the project as measured against specific disbursement linked indicators.

Summary of the budget and actual expenditure for the project from August 2016 to June 2018 is shown below:

Table 2: Budget performance

Budget	Actual	Variance
1,257,189	601,544	655,645

From the table above, the centre had utilised 48% of the funds from the first disbursement.

The variance was as a result of non-budgetary performance on some activities. These include; DAS 11 (Re-tooling staff in agro-ecology and livelihood, DAS 15 (Upgrading research facilities), DAS 20 (Review of courses for community skilling).

The Accountant explained that some activities were postponed to year two of operation.

Unspent funds may hold back project activities which may hinder achievement of project objectives.

Recommendation

- Efforts should be made to execute approved activities or targets within the availed resources.

Management response

The absorption rate looks low because some activities were not carried out. This has been as a result of delay to set up ACALISE staff structure that would enable the carrying out of the activities. Now that the structure is set up, the absorption rate will rise.

6.5 Project procurement activities

Procurements under the project are carried out in accordance with World Bank and University procurement guidelines.

In the period under review, several activities were achieved on the procurement process of the Centre.

However, the following was observed:

6.5.1 Procurement delays

Procurement processes at the Centre are guided by University procurement procedures as stipulated in the Procurement Manual.

Audit reviewed the procurement of goods and services under the project during the period under review and reconciled with the approved procurement plan 2017/18.

The review established that there was a delay in procuring some goods and services. For instance; the procurement of project vehicle, computers, renovation of the computer laboratory and computer laboratory furniture. At the time of audit, the procurement process was not yet concluded.

The Project Leader explained that this was caused by the delay to get the right candidate for the position of Procurement Officer as the position was advertised twice and none of the applicants was suitable. Only at the third round of advertising was the Project able to get a suitable candidate. Such delays impact on the timely implementation of project activities.

More so, delays also affect the capacity of the project to absorb funds.

Recommendation

- The Procurement Officer should endeavour to expedite the procurements for timely implementation of project planned activities.

Management response

The Procurement and Disposal of Assets Committee took so long to appoint an Evaluation Committee for the Bids submitted for the Project's procurements.

World Bank has annulled all procurement processes that are a year old. ACALISE is preparing to re-advertise and follow strictly the WB procurement requirements of the STEP system.

6.6 Project monitoring, Reporting and Evaluation

To ensure successful implementation of the DLI operational model, projects have a strong focus on M&E. This is intended to measure and evaluate the progress of the project.

Also, Section II of the financing agreement requires monitoring and evaluation of the project to evaluate the progress of the project and prepare project reports on the basis of indicators set forth in the Project Implementation Plan.

ACALISE established an M&E system responsible for collecting data on the agreed upon outcome and output indicators. In the period under review, it was noted that M&E data sheet was prepared and submitted to the Association.

The Centre also contracted a consultant to conduct M&E. A progress report submitted by the Consultant was availed and reviewed.

Recommendations

- The Head Monitoring and Evaluation should ensure regular evaluation of project activities to ensure that all planned activities are within the set timelines.
- The project should pay attention to identified strength and weakness for better guidance and decision making.



NALUMU Jane

Internal Auditor

