



**COLLEGE OF MEDICINE**



**ACEPHEM**

AFRICA CENTER OF EXCELLENCE IN PUBLIC HEALTH AND HERBAL MEDICINE

**AFRICA CENTRE OF EXCELLENCE IN PUBLIC HEALTH AND HERBAL MEDICINE  
PROJECT AUDIT REPORT**

**SEPTEMBER 2020**

COM Internal Audit Office  
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## LIST OF ABBREVIATIONS AND ACCRONYMS

ACE	Africa Centre of Excellence
ACEPHEM	Africa Centre of Excellence for Public Health and Herbal Medicine
AFO	Assistant Finance Officer
CFO	College Finance Officer
COM	College of Medicine
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
FCDA	Foreign Currency Denomination Account
IFR	Interim Financial Report
LPO	Local Purchase Order
PV	Payment Voucher
UNIMA	University of Malawi

## **EXECUTIVE SUMMARY**

Africa Centre of Excellence for Public Health and Herbal Medicine (ACEPHEM) project leadership requested the internal audit function to review the implementation of the project for compliance with World Bank guidelines and institutional strategic objectives. The internal audit office carried out the audit from 31<sup>st</sup> August to 18<sup>th</sup> September, 2020.

The World Bank funds ACEPHEM project. The project aims to improve the health of the general public through the development of human capacity and research in public health and herbal medicine.

The objective of the audit exercise was therefore to assess the utilization of funds, programme performance, compliance, risk management, procurement and appraise the whole project in line with the World Bank guidelines and institutional strategic objectives. The scope of work covered the period 1<sup>st</sup> July, 2019 to 30<sup>th</sup> June, 2020.

This report therefore features the results of the exercise.

### **KEY FINDINGS**

The following key findings came to the Auditor's attention in the course of the engagement:

- i. Bank reconciliation statements with stale cheques; and
- ii. Double payment to Suppliers.

### **KEY RECOMMENDATIONS**

In light of the findings, the Auditor recommends that:

- i. The stale cheques should be reversed; and
- ii. Management should claim the sums of MK221, 191.39 and MK76,890 from Leslie Lodge and Greater Heights Catering Services respectively.

### **CONCLUSION**

The report has provided findings and suggestions for improvement in line with the objectives of the engagement. Implementation of the recommendations would help College Management and Project Leadership to eschew the deficiencies more effectively.

## **ACEPHEM MANAGEMENT'S COMMENT**

*ACEPHEM management agreed with the findings and is addressing the shortfalls largely consistent with recommendations featured in this report. Specific responses to each finding and recommendations are provided in the main body of the report.*

***It is advisable to read the main body of the report for a comprehensive understanding of the findings and suggested way forward.***

**COM INTERNAL AUDIT OFFICE**

**SEPTEMBER 2020**

## **MAIN REPORT**

### **1.0 INTRODUCTION**

ACEPHEM project leadership through the College Principal requested the internal audit function to review the implementation of the project for compliance with World Bank guidelines and institutional strategic objectives. Mr. Msungeni Salanje carried out the audit from 31<sup>st</sup> August to 18<sup>th</sup> September, 2020.

### **2.0 BACKGROUND INFORMATION**

ACEPHEM project is run at College of Medicine with funding from the Government of Malawi through a credit facility from the World Bank.

The project aims to improve the health of the general public through the development of human capacity and research in public health and herbal medicine.

The following are the objectives of the project:

- i. To train MSc/MPhil/MMED/MPH/PhD students in urban public health and herbal medicine;
- ii. To conduct research in public health and herbal medicine;
- iii. To build the capacity of partner research and academic institutions in public health and herbal medicine;
- iv. To conduct short term training workshops, support publications in peer-reviewed journals; and
- v. To add value to herbal products with the potential for the market.

Funding of the project is performance based. Disbursement of funds is done upon satisfactory achievement of five agreed Disbursement Linked Indicators (DLIs), which each consists of valued Disbursement Linked Results (DLRs). The project is funded to a tune of \$6 million that is disbursed over a 5-year implementation period (2016 – 2021). The project is in its fourth year of implementation.

### **3.0 AUDIT OBJECTIVES**

The objective of the exercise was to assess the utilization of funds, programme performance, compliance, risk management, procurement

and appraise the whole project in line with the World Bank guidelines and institutional strategic objectives.

Specifically, the following were the objectives of the audit:

- i. To evaluate whether implementation of the project was in line with the World Bank guidelines, applicable Government and University of Malawi rules and regulations;
- ii. To check whether project's deliverables were achieved at appropriate phases of the project; and
- iii. To evaluate the project's operations including procurement and financial systems, assess the associated risks and examine effectiveness and efficiency of controls.

#### **4.0 SCOPE OF AUDIT WORK**

The scope of work covered the period 1<sup>st</sup> July, 2019 to 30<sup>th</sup> June, 2020.

#### **5.0 AUDIT METHODOLOGY**

The Auditor executed the audit plan by interviewing relevant College/Project personnel, and reviewed project documents. Among the documents reviewed included: (i) Performance and funding agreement; (ii) Annual work plans and budgets; (iii) Implementation plan and reports; (iv) Procurement plans and reports; (v) Bank account files; (vi) Meeting minutes and reports; (vii) Supervision mission reports (viii) Interim Financial reports; and (ix) Payment vouchers.

#### **6.0 FINDINGS AND RECOMMENDATIONS**

##### **6.1 Utilization of the project amount**

###### Criteria

Article 3.5 of the projects performance and funding agreement states that at mid-term review, expected to be around 31<sup>st</sup> December 2019, there will be an evaluation of performance of the ACE and utilization of the funding. This will include a review of the grant amount to each ACE; and its usage. If the ACE implementation is behind in its implementation and less than half of the funding is spent or committed, the grant amount will be reduced by 50 percent of the uncommitted amount that is above half of the grant,



unless otherwise agreed due to special circumstances. Three years after signing, another review will take place, and in case the implementation plan is less than three quarters implemented, a further 50 percent reduction of the uncommitted amount of the grant will take place, unless otherwise agreed due to special circumstances. The Ministry will give the Participating University an opportunity to discuss any grant adjustment, and it will take account of this discussion before it finalizes the level of the adjustment that it will apply.

### Condition

The expected maximum amount for the project is \$6,000,000. The amount is released to ACEPHEM upon satisfactory achievement of agreed Disbursement Linked Indicators(DLIs). A review of the project's interim financial report revealed that as at 30<sup>th</sup> June 2020 the Centre had received \$3,024,822.30, representing 50.4% of the original project amount. ACEPHEM is among 6 ACE's out of 24 that had managed to utilize more than 50 percent of their respective project amounts. During the audit, it was further noted that the Centre had earned an extra \$645,331.56 which had not been disbursed. However, when disbursed, the amount received would increase to \$3,670,153.86 representing 61.2% of the original project amount.

### Challenge

The College does not have the capacity to attain some of the agreed DLRs i.e. DLR 2.1, 2.2, 2.4 and 2.8 (refer to **Appendix 1**).

### Recommendations

- i. Management should explore better ways of achieving the project's expected targets that have not been adequately realized i.e. by increasing the involvement of faculties/departments/students and other key stakeholders during development and execution of annual work plans; and
- ii. Management should continue making necessary negotiations with the funder to ensure that some challenging targets are adjusted to benefit the capacity of the College/University.

## ACEPHEM Management response

- i. ACEPHEM already involves faculties, college academics and students in each governance and decision making committees. This will be enhanced such that more faculty and students continue to be engaged.
- ii. The ACE II project in Malawi already sent proposals to the World Bank to modify reimbursable deliverables. We will be following up with the Bank to learn whether the proposals for modifications have been approved.

<b>ACTION PLAN</b>	<b>RESPONSIBILITY</b>
Management will ensure it is achieving the project's expected targets	LEAD: <b>Centre Leader</b> SUPPORT: <b>Deputy Centre Leader</b> COMPLETION DATE: <b>Ongoing</b>

## **6.2 Internal control issues**

### **6.2.1 Bank reconciliation statements with stale cheques**

#### Criteria

Section 9.2.1.5 of UNIMA financial regulations requires that all cheques issued which are not presented to the bank within six months after issue should be treated as stale cheques and credited to a stale cheques account and debited to the bank account. Further, Section 9.2.1.7 of same requires an Accountant to prepare bank reconciliation statements at the end of each month as a control mechanism.

#### Condition

During the review period, reconciliation statements for the project's FCDA and local bank accounts were prepared and reviewed. However, it was noted that some monthly bank reconciliation statements for the local account had stale cheques appearing as reconciling items (refer to **Appendix 2**). Further reviews on the stale cheques revealed that most of them were processed in advance of deferred activities therefore unrepresented and/or cancelled.

#### Cause

Inadequate supervision.

## Implications

- i. Produced Interim Financial Reports (IFRs) may understate the bank balance and overstate the expenses of the project; and
- ii. Reconciling items may go unresolved for a prolonged period thus defeating the core objective of the reconciliations.

## Recommendations

- i. The stale cheques should be reversed; and
- ii. Management should ensure that bank reconciliations are properly reviewed by CFO/AFOs on a monthly basis.

## ACEPHEM Management response

*All stale cheques have been reversed as per Auditor's observation. Some cheques were for meetings to be held in advance e.g. board meeting honorarium, so that we could pay members during the meeting hence payment for deferred activities. However, ACEPHEM'S internal control systems help to ensure that honorarium is only paid to a participant of the meeting and not to members who only confirmed attendance hence un-presented cheques for those members who did not attend the meeting.*

<b>ACTION PLAN</b>	<b>RESPONSIBILITY</b>
All stale cheques have been reversed.	LEAD: <b>Assistant Finance Officer</b> SUPPORT: <b>Grant Accountant</b> COMPLETION DATE: <b>24.09.2020</b>

### **6.2.2 Double payment to Suppliers**

#### Criteria

Section 6.9.1 (c) of the UNIMA financial regulations outline that any accounting staff making payments will be held responsible for losses arising from negligence and misconduct. Further, section 6.9.2 (e) of the same requires that original invoices, bills, statements etc., relating to a payment must be attached to the original payment voucher.

#### Condition

It was discovered that there were double payments to Leslie Lodge and Greater Heights Catering Services amounting to MK1, 335, 650.62 and

MK76, 890 respectively because of using supporting documents of transactions that had already been paid (refer to **Appendix 2a**). The Suppliers acknowledged receiving the double payments during the audit.

Leslie Lodge Manager further disclosed that the duplicate payment was treated as a substitute for another outstanding invoice (No. 10650) amounting to MK1, 061, 201.75. However, this invoice mismatch created an over payment of MK221, 191.39 to the Supplier (refer to **Appendix 2b**).

On the other hand, Greater Heights Catering Services Accountant admitted to have erroneously sent the duplicate invoice.

Assistant Accountant (P. Mathero) prepared both payment vouchers and checked by Grant Accountant (C. Mwapasa). The former was supposed to ensure that the attached LPOs and/or Invoices were not already paid; and the latter was expected to examine and verify the foregoing. By appending their signatures on the PVs, the two Accountants accepted that they performed the stated functions. Nevertheless, the double transactions passed through them.

#### Cause

Negligence by accounting officers.

#### Implication

The project risks losing funds through similar acts.

#### Recommendations

- i. Management should claim the sums of MK221, 191.39 and MK76,890 from Leslie Lodge and Greater Heights Catering Services respectively;
- ii. The Accountants should be cautioned and be held responsible for any loss which may arise from these transactions; and
- iii. Authorizing officers (CFO and his AFOs) should step up their supervision role of ensuring that work done by all accounting staff is rigorously checked.

### ACEPHEM Management response

The sums of MK221, 191.39 and MK76,890 from Leslie Lodge and Greater Heights Catering Services respectively were duplicated due to the fact that Suppliers sent invoices twice, these are computer generated invoices. Management has now put in place robust internal controls to eliminate the recurrence of this weakness.

<b>ACTION PLAN</b>	<b>RESPONSIBILITY</b>
The sums of MK221, 191.39 and MK76,890 from Leslie Lodge and Greater Heights Catering Services will be recovered	LEAD: <b>Assistant Finance Officer</b> SUPPORT: <b>Grant Accountant</b> COMPLETION DATE: <b>30.09.2020</b>

## **7.0 FOLLOW-UP ON PREVIOUS AUDIT ISSUES**

<b>No.</b>	<b>FINDING</b>	<b>RECOMMENDATIONS</b>	<b>STATUS/PROGRESS</b>
1	Lack of evidence to support undertaken trips	Management should ensure that relevant evidence including boarding pass are provided by Staff members for all travel related payments after the return from an official trip.	<i>Recommendation implemented.</i>
2	Unjustifiable hiring of motor vehicles	Project resources including vehicles should be used for the agreed project activities and purposes.	<i>Recommendation implemented.</i>
3	Unclaimed College funds for project staff medical contributions	i. ACEPHEM staff related costs paid by the College on behalf of the project should be appropriately claimed; and  ii. All project related transactions should be included in the periodic financial reports	<i>Recommendations implemented.</i>

## **8.0 OPINION ON THE STATUS OF CONTROLS AND CONCLUSION**

### **8.1 Opinion on the status of controls**

Except for the findings cited in Section 6 above, the Auditor opine that the governance, risk management and internal controls over the implementation of the ACEPHEM project were efficient and effective; and its activities and operations were substantially in line with the World Bank guidelines, applicable government and the UNIMA policies and regulations.

### **8.2 Conclusion**

Section 6 (above) offers assistance to the College to achieve its objectives based on the Auditor's evaluation and conclusion, and suggestions for improvement of the risk management, internal control and governance processes of the project's implementation.

College Management and ACEPHEM Leadership are called upon to consider the recommendations to ensure efficiency, economy, effectiveness and compliance over the implementation of the project.

## **9.0 COMMENDATION**

The Auditor commends College and ACEPHEM management and staff for their cooperation, assistance and commitment without which the exercise could not have been successful.

## **10.0 EXIT DISCUSSION**

The contents of this report were discussed with ACEPHEM management at a virtual exit meeting held on 18<sup>th</sup> September, 2020 on which the following were present:

### **ACEPHEM**

1. Prof. Adamson Muula - Centre Leader
2. Dr. Fanuel Lampiao - Deputy Centre Leader
3. Mr. Takondwa Msapato - Project Coordinator
4. Mr. Samson Kalulu - Assistant Finance Officer

5. Mr. Charles Mwapasa - Grant Accountant
6. Mr. Robert Ntenje - Procurement Officer
7. Mr. Alfred Kunje - Procurement Assistant

**Internal Audit**

1. Mr. Msungeni Salanje - Assistant Internal Auditor

**END OF REPORT**

## APPENDIX 1: Utilization of project funds as at 30<sup>th</sup> June 2020

DISBURSEMENT LINKED TO INDICATORS	AMOUNT ALLOCATED	AMOUNT DISBURSED	UNDISBURSED BALANCE	UNDISBURSED %
<b>DLR 1.1</b> Signing of the performance and funding agreements and establishing national steering committee	600,000.00	600,000.00	-	0
<b>DLR 1.2</b> Development of the project implementation plan	500,000.00	500,000.00	-	0
<b>DLR 2.1</b> Timely implementation of annual work plans	500,000.00	-	500,000.00	100
<b>DLR 2.2</b> Newly enrolled students in the ACE of which at least 20% must be regional African students	1,200,000.00	118,822.30	1,081,177.70	90
<b>DLR 2.3</b> Quality accreditation for education programs	600,000.00	300,000.00	300,000.00	50
<b>DLR 2.4</b> partnership for collaboration in applied research and training	200,000.00	-	200,000.00	100
<b>DLR 2.5</b> peer reviewed journal papers or peer reviewed conference papers prepared collaboratively with national, regional or international co authors	300,000.00	300,000.00	-	0
<b>DLR 2.6</b> faculty and PHD student exchanges to promote regional research and teaching collaborations	500,000.00	66,000.00	434,000.00	87
<b>DLR 2.7</b> External revenue generation	900,000.00	900,000.00	-	0
<b>DLR 2.8</b> institution participating in benchmarking exercise	100,000.00	-	100,000.00	100
<b>DLR 3.1</b> Timely withdrawal applications supported by interim unaudited financial reports	75,000.00	30,000.00	45,000.00	60
<b>DLR 3.2</b> Functioning audit committee	75,000.00	30,000.00	45,000.00	60
<b>DLR 3.3</b> Functioning internal audit unit	75,000.00	30,000.00	45,000.00	60
<b>DLR 3.4</b> Transparency of financial management	75,000.00	30,000.00	45,000.00	60
<b>DLR 4.1</b> timely procurement audit reports	150,000.00	60,000.00	90,000.00	60
<b>DLR 4.2</b> timely and satisfactory procurement progress report	150,000.00	60,000.00	90,000.00	60
<b>OVERALL</b>	<b>6,000,000.00</b>	<b>3,024,822.30</b>	<b>2,975,177.70</b>	<b>50</b>



**APENDIX 2 : Stale cheques appearing as reconciling items**

<b>Cheque #</b>	<b>Date</b>	<b>Description</b>	<b>Amount</b>
<b>Aug-19</b>			
1006	6/2/2019	John Mponda	39,000.00
<b>Oct-19</b>			
1078	10/4/2019	Airtel Malawi	10,000.00
1098	18/4/2019	Enock Phale	39,000.00
<b>Nov-19</b>			
1132	20/5/2019	Dr. F. Maseko	68,881.78
<b>Jan-20</b>			
808	29/7/2019	Wanangwa Kumwenda	455,066.46
812	29/7/2019	CFAO MW	182,824.84
<b>Mar-20</b>			
834	15/8/2019	Thandi Kehle	732,674.78
<b>May-20</b>			
891	1/10/2019	A. Jamali	195,000.00
1234	21/10/2019	Lameck Million	234,000.00
1235	21/10/2019	B. Chitsulo	30,000.00
1236	21/10/2019	Andrew Jamali	234,000.00
<b>Jun-20</b>			
1267	28/11/2019	Mussa Anwar	45,000.00
1268	28/11/2019	Enwell Kadango	45,000.00
<b>Total</b>			<b>2,310,447.86</b>

**APPENDIX 3a: Double payment to Suppliers**

DATE	CHEQUE #	LPO	INVOICE #	SUPPLIER	DESCRIPTION	AMOUNT (MK)	COMMENT
13/09/19	869	1636	6001	Leslie Lodge	Accommodation for Prof A. Ajuwon	1,100,690.71	
11/10/19	1221	1636	6001	Leslie Lodge	Accommodation for Prof A. Ajuwon	1,100,690.71	Substituted invoice #10650 for Tom Lang
19/07/19	1190	Not attached	202452019	Greater heights catering services	Lunch during CARTA assessment for PhD applications	76,890.00	
13/08/19	821	1635	202452019	Greater heights catering services	Lunch during CARTA assessment for PhD applications	76,890.00	

**APPENDIX 3b: Overpayment to Leslie's Lodge calculation**

DETAILS	MK
Total amount from Invoice no. 10650 (Accommodation for T. Lang)	1,061,201.75
Less: Withholding tax (20% @ MK908,512.13)	(181,702.43)
<b>Amount payable</b>	<b>879,499.32</b>
<b>Amount paid using duplicate invoice no. 6001 (Accommodation for A. Ajuwon)</b>	<b>1,100,690.71</b>
<b>Overpaid amount (MK1,100,690.71 – MK879,499.32)</b>	<b>221,191.39</b>

# APPENDIX 3c: Leslie Lodge invoice number 10650



## INVOICE

Leslie Lodge Ltd.  
P.O Box 1744  
Blantyre,  
Malawi

Phone: +265 (0) 1 871671  
Mobile: +265 (0) 9999 65 790  
www.leslielodge.com

BILL TO  
College of Medicine

Invoice Number: 10650

Invoice Date: November 4, 2019

Payment Due: November 4, 2019

Amount Due (MWK): **(MK274,448.25)**

Items	Quantity	Price	Amount
Accommodation: Room 3 - Single occupancy Bed & Breakfast; 19th to 28th October FOR Lang (at \$110/ night)	9	MK69,744.681	MK627,702.13
Food - Dinner	9	MK12,000.00	MK108,000.00
Food - Lunch	8	MK8,000.00	MK64,000.00
Wi-Fi Internet voucher 2GB	4	MK9,000.00	MK36,000.00
Beverage	1	MK47,650.00	MK47,650.00
Laundry	34	MK740.00	MK25,160.00

Subtotal: MK908,512.13

Tourism 1%: MK8,725.12

VAT 16.5% (20213261): MK143,964.50

Total: MK1,061,201.75

Payment on November 4, 2019 using a cheque: MK1,335,650.00

Amount Due (MWK): **(MK274,448.25)**

BUSINESS TPIN: 20213261 // BUSINESS EMAIL: info@leslielodge.com