

**Haramaya University**  
Office of the Director, Internal Audit Service Directorate  
Internal Audit Report on Overall Audit of the Accounts of the ACE Climate SABC

Date .....

To: **Audit Committee,**  
**ACE Climate SABC**

From: **Internal Audit Directorate**

Subject: Submitting audit report of the project.

The audit committee of the ACE project was written a letter to carry out the auditing activities to check the performance and internal control system of the project. Based on the request of the committee two auditors were assigned to conduct normal audit and produce audit report. We attach----- pages of the audit report with this letter.

With regards.

*Abdo*



Cc:

የሰነድ ለተጠቃሚዎች ደብዳቤ  
Internal audit directorate  
director

- Office of the President
- Professor Niguse Dechassa, ACE center leader
- Project manager, climate SABC

*File, Audit & Financial  
Report 1*

*Abdo*

**Haramaya University**  
**Office of the Director, Internal Audit Service Directorate**  
**Internal Audit Report on Overall Audit of the Accounts of the ACE Climate SABC**

---

We, the Internal Auditors from the Office of the Director of the Audit Service Directorate, Haramaya University, have audited the financial statements of the Africa Center of Excellence for Climate Smart Agriculture and Biodiversity Conservation (ACE Climate SABC), which comprise of the Income and Expenditure accounts for the year ended December 31,2018.

**Responsibilities of the Project Management**

It is the responsibility of the project management to get the financial reports and their presentations to the end users through the Project Finance Officer and to ensure strong internal control to enable the preparation of financial statements that are free from material misstatements and the proper use of the project fund for the intended purpose.

**Purpose of the Internal Audit and Responsibilities of the Auditors**

The Internal Audit Service Directorate of the Haramaya University is mandated to conduct the overall internal audit of the entire university units given the fact that the university is a public institution. In line with this, the internal auditors are responsible and duties given by the Ministry of Finance and Economic Cooperation Proclamation No.930/2009 article 7 to conduct an overall audit of the entire units in accordance with the International Internal Audit Standards.

Accordingly, the internal auditors of the university have conducted the overall audit of the Financial Statements, details accounting records, procurement procedures at the ACE Climate SABC. The audit was performed to obtain audit evidence that show whether the financial reports of the project can fairly present the financial affairs of the project and to assess the risk level at the center. The auditors have also critically looked at the existing internal control of the Center relevant to the preparation and presentation of the financial statements of the project.

The overall assessment of our audit show that the financial records and reports do fairly show the actual performance of the project and the effectiveness of its internal



**Haramaya University**  
**Office of the Director, Internal Audit Service Directorate**  
**Internal Audit Report on Overall Audit of the Accounts of the ACE Climate SABC**

---

control system. However, the auditors have come across some of the following key observations that require the attention of the management and the Finance Officer of the Center for further improvements.

**1. Observation**

The project finance officer could not prepare known financial reports and supporting documents such as bank reconciliation, receivable records & ledgers, payable records & ledgers, expenditure records and ledgers, income and expenditure statement, and trail balance monthly and quarterly; though he has already established most of these reports and supporting documents upon the recommendations of the auditors.

**Implication of the observation**

The failure of the office to prepare these reports and support documents regularly affects the decisions of the project management for these reports and supporting documents are not made available at the time of decision making.

**Recommendation based on observation**

We advise the Finance Office to prepare financial reports and supporting documents on monthly basis so that the management of the project could use for timely decision making and the Officer himself will be in a position to prepare and present financial reports and supporting documents that are free from material misstatement either due to fraud or error.

**2. Observation**

Though the university provided furniture and office equipment procured with the total amount of Birr 3,487,994.35 from its general fund during the establishment of the ACE Climate SABC was not properly recorded on the ledger accounts of the project and there is not any record to show the refund of the amount to the university.



**Haramaya University**  
Office of the Director, Internal Audit Service Directorate  
Internal Audit Report on Overall Audit of the Accounts of the ACE Climate SABC

---

**Implication of the observation**

Failure to show these resources and refund made for them from the center, if any, would understate the values of the assets being utilized by the project and could also misstate the cash balance of the project if the project had actual refunded the university for these assets. However, we did not come across any evidence showing the refund.

**Recommendation based on observation**

The transfer of the furniture and equipment to the center from the university should be properly recorded as properties and payable to the university and the payable should be written against the refund, if the refund had been made. Otherwise, the payable should be maintained in the financial record and report of the project.

**3. Observation**

During our audit, we come across some the payment voucher without bank payment vouchers attached to them while they are important source documents showing the deduction of amount of money from the project bank account to effect the payment of commitments.

**Implication of the observation**

The limitation implies that the source documents (the payment vouchers) remain to be incomplete without the attachment of the bank payment vouchers to fully support the payment transactions.

**Recommendation based on observation**

We recommend the attachment the bank payment voucher to all payment vouchers to fully comply with the financial reporting guideline.



**Haramaya University**  
**Office of the Director, Internal Audit Service Directorate**  
**Internal Audit Report on Overall Audit of the Accounts of the ACE Climate SABC**

---

**4. Observation**

Pension contributions of the project staff and income tax deducted from staff salary was recorded as payable by using payable account 5003 and 5005 during the deduction. When the amount was paid to the Custom Authority and Social Security Agency, the transfer of cash from the bank account of ACE Climate SABC to the agency was not settled with Journal Voucher and was not referenced with the Payment Voucher.

**Implication of the observation**

The failure to settle the pension and income tax payable amounts with Journal Voucher leaves the payable balances open though the Finance officer witnessed the payment of pension and income taxes collected up-to-date to the agency on time.

**Recommendation based on the observation**

When the collected pension and income tax amounts are paid to the agency, the finance officer of the project should prepare the Journal Voucher to settle the payment by referencing the payment vouchers prepared at the time of deduction from the salary of the staff members of the project.

**5. Observation**

During our audit, we observed inconsistencies in the use of chart of accounts. For instance, in payment voucher No. 097/11 prepared for advance payment for students as seed money to conduct preliminary research activities was recorded by using an account 1101 (advance to students) and 1030 (cash payment from bank) while it should be recorded using accounts 4203 (advance payment to student) and 4103 (cash payment from bank) in the name of the university's cashier as per the financial regulation of the Ethiopian government.



**Implication of the observation**

Inconsistencies in the use of account titles confuses the readers/users of the financial report of the project.

**Recommendation based on observation**

The project finance must consistently use the account titles in compliance with the chart of accounts of the Ethiopian government to record transactions of the project once they are adopted.

**6. Observation**

Advance payments for purchase of different items were wrongly recorded with payment vouchers 115/11, 116/11 and 117/11 by using account 4203 which is used to record advance payments made to staff instead of 4211 which is normally used to record advance payments for purchase of different items.

**Implication of the observation**

During preparation of financial reports, the account 4203 which is an advance payments to staff for per diem is wrongly overstated while the correct account, i.e. 4211 which is for advance payment for purchase of items is understated to mislead the readers/users of the financial report.

**Recommendation based on observation**

We recommend the use of proper account to record the advance payments for the purchase of different items in the future whenever such payments occur.

