

Date April 27/2023

To: **Audit Committee, the African center of Excellence for smart Agriculture and Biodiversity Conservation**

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-----4----- pages of the audit report with this letter.

With regards,


S. Neassien Abelo
Internal audit directorate
director



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- Office of the president
- Professor Mengistu Urge, ACE center leader
- Project manager, climate SABC

Internal Auditors Report on financial statement of ACE project.

Haramaya University

We have audited the financial statements of the ACE, which comprise the income and expenditure account for the period ended at July 07.,2022.

Responsibility of the project of financial statements.

The project manager is responsible for the preparation and presentation of financial statement and for internal control as project management is necessary to enable the preparation of financial statements that are free from material misstatement.

Auditors Responsibility.

The Internal Audit Service Directorete of Haramaya University, is is given the responsibility and duties by Ministry of Finance{MOF} of Ethiopia by proclamation number 930/2009 article 7 ,we are responsible to conduct the normal audit.

We conducted the audit according to the International Internal Audit Standards and financial proclamation of the Ethiopian government.

An audit involves the assesment of performing procedures to obtain audit evidences and risks. We consider internal control relevant to the projects preparation and presentation of the financial statemensts. An audit also includes the overall



performance of the project evaluation and the effectiveness of the internal control system. During our audit, we have come across the following observations.

1. Observation

In the general ledger and the trial balance produced by the project finance, the receivable balances resulting from the following advance payments to individuals by subsidiary code were recorded in the abnormal balance side. These are:

1. 4203-1 Advance to Prof. Nigussie 73,479.36
2. 4203-6 Advance to Yusuf 300.00
3. 4203-Chala Advance to Chala Debela 1,300.00
4. 4203-Sintayehu Advance to Sintayehu Fetene 72,396.41

Implication

The abnormal balances in the general ledger accounts show recording problems that existed in the financial statements of the project.

Recommendation

The finance office of the project must find the source of the abnormality and correct the recorded receivables in to its normal balance side.



2. Observation

The purchase advance made to Mr. Biruk Firde, the purchaser of the university by an account code 4211 for the purchase of the requested item amount is to birr 92,457.89 was not settled and remained as outstanding for the last two years.

Implication

The unsettled purchase advance indicates the money paid in advance for purchaser to buy the required items for the project activities within the time showed not to follow the directives that forced to settle on the time frame.

Recommendation

The project management is responsible to follow the directions and order the purchaser to settle the advance paid to him and check the requested item were handed over by the project property management section.

3. Observation

Pension payable, income tax payable, withholding tax payable and vat payable collected from individuals and companies were not settled within the budget year. According to the Ethiopian government finance activities number 4 the project finance after collecting pension from employee salary and the above tax payables transfer the amount for the Social Security Agency and custom authority within 15 days after collection of the payables.

The amount of payables are listed below:

1. Pension payable	122,188.44
2. Income tax payable	294,152.41
3. Withholding tax payable	130,937.22
4. VAT payable	557,216.37



Implication

The payable that are recorded in the payables ledger indicate the project finance not follow the finance directive and it results the increase in the payables account and penalty.

Recommendation

The payables must be paid to the concerned government authorities on the time set by the financial directives and the project management is responsible to control the amount of payables by getting within the budget year.

