



COLLEGE OF MEDICINE



AFRICA CENTRE OF EXCELLENCE IN PUBLIC HEALTH/HERBAL MEDICINE (ACEPHEM) PROJECT AUDIT

JANUARY 2018

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TABLE OF CONTENTS

Executive Summary.....	ii
1.0 INTRODUCTION	1
2.0 BACKGROUND.....	1
3.0 AUDIT OBJECTIVES	2
4.0 SCOPE.....	2
5.0 FINDINGS	2
5.1 GOVERNANCE ISSUES	2
5.1.1 Improper structure of the International Scientific Advisory Board.....	2
5.2 BREACH OF PERFORMANCE AND FUNDING AGREEMENT.....	3
5.2.1 Failure to achieve planned activities.....	3
5.2.2 Unavailability of a procurement plan.....	4
5.2.3 Quarterly financial management reports not furnished to Funder.....	5
5.3 NON-COMPLIANCE WITH UNIMA POLICIES AND REGULATIONS.....	6
5.3.1 Delay in preparation of Bank reconciliations.....	6
5.3.2 Non-retirement of Cash imprest (MK1.2m).....	7
6.0 OPINION ON THE STATUS OF CONTROLS AND CONCLUSION.....	8
6.1 Opinion on the status of controls.....	8
6.2 Conclusion	8
7.0 COMMENDATION	8

APPENDICES

APPENDIX 1	International Scientific Advisory Board (ISAB) members list
APPENDIX 2	2017 Implementation Plan (IP) execution
APPENDIX 3	Cash imprest not retired

LIST OF ABBREVIATIONS AND ACCRONYMS

ACEPHEM	African Centre of Excellence for Public Health and Herbal Medicine
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
IP	Implementation Plan
ISAB	International Scientific Advisory Board
UNIMA	University of Malawi

EXECUTIVE SUMMARY

African 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 the project's performance and funding agreement. The Internal Audit Office carried out the audit from 4th to 15th December 2017.

The Objective of the exercise was to assure that the governance and internal controls over the implementation of the ACEPHEM project effectively reduced the risk of errors, irregularities, non – compliance and fraud to tolerable levels. The scope of work covered the period 1 December 2016 to 30 November 2017 and included a review of the projects (i) Governance structure; (ii) Financial performance and management; and (iii) Compliance with Performance and Funding Agreement and UNIMA policies and guidelines that require Project leadership attention and adequate oversight by College management.

Findings

The following findings came to the auditors' attention in the course of the engagement:

Governance issues

- Improper structure of the International Scientific Advisory Board

Breach of performance and funding agreement

- Failure to achieve planned activities
- Unavailability of a procurement plan
- Quarterly financial management reports not furnished to Funder

Non-compliance with UNIMA policies and regulations

- Delay in preparation of Bank reconciliations
- Non-retirement of Cash imprest (MK1.2m)

CONCLUSION

The report has provided findings and suggestions for improvement in line with the objectives of the engagement. Though not prescriptive, implementation of the suggestions/recommendations would help College management and project leadership to eschew the deficiencies more effectively.

Please read the detailed report below for a clearer understanding of the findings, their implication and suggested way forward.

INTERNAL AUDIT DEPARTMENT

JANUARY 2018

1.0 INTRODUCTION

African Centre of Excellence for Public Health and Herbal Medicine (ACEPHEM) project leadership, through the College Principal, requested the internal audit function to review the implementation of the project for compliance with the project's performance and funding agreement between the Government of Malawi acting through the Ministry of Finance, Economic Planning and Development and the University of Malawi – College of Medicine.

The Internal Audit Office carried out the audit from 4th to 15th December 2017. Mr. Msungeni Salanje (Assistant Internal Auditor) conducted the exercise, initially under the supervision of late Mr. Smith Masuso (University Internal Auditor) and later peer reviewed by Messrs Moffat Soko and Chisomo Mulinga (Assistant Internal Auditors – Chancellor College)

2.0 BACKGROUND

ACEPHEM is a Government of Malawi and World Bank initiative which was passed in Malawi Parliament. The ACEPHEM project aims to improve the health of the general public through the development of human capacity and research in public health/herbal medicine.

The following are the objectives of the project:

- i. To train MSc/MPhil/MMED/MPH/PhD students in urban public health/herbal medicine;
- ii. To conduct research in public health/herbal medicine;
- iii. To build the capacity of partner research and academic institutions in public health/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.

The World Bank through the Government of Malawi funds ACEPHEM project. A performance and funding agreement for the project was entered into on 10 November 2016 between the Malawi Government acting through the Ministry of Finance, Economic Planning and

Development and the University of Malawi – College of Medicine. A national launch of the project was done on 1st March, 2017.

Funding of the project is performance based. Disbursement of funds is done upon satisfactory achievement of agreed Disbursement Linked Indicators (DLIs), which each consists of Disbursement Linked Results (DLRs), which have unit disbursement prices. The project is funded to a tune of \$6 million that is disbursed over a 5-year implementation period (2016 – 2021). As at 30 September 2017 funds amounting to \$1,085, 465 had been disbursed to the project from the World Bank.

3.0 AUDIT OBJECTIVE

The Objective of the exercise was to assure that the governance and internal controls over the implementation of the ACEPHEM project effectively reduced the risk of errors, irregularities, non – compliance and fraud to tolerable levels so that the above listed objectives are achieved.

4.0 SCOPE

The scope of work covered the period 1 December 2016 to 30 November 2017 and included a review of the projects (i) Governance structure; (ii) Financial performance and management; and (iii) Compliance with Performance and Funding Agreement and UNIMA policies and guidelines.

5.0 FINDINGS

5.1 GOVERNANCE ISSUES

5.1.1 Improper structure of the International Scientific Advisory Board

The ACEPHEM project governance structure includes a Secretariat team that is responsible for running operations of the project and has a local steering committee, national steering committee and an International Scientific Advisory Board (ISAB) that were formed to provide advisory and oversight to the project activities. The committees have a composition of members from within the College faculty/administration, government, partner institutions, private sector and international Universities. However, during the review it was noted that the College Principal, who happened to be head of the institution hosting the project, was also nominated as the chairperson of the ISAB (refer **to Appendix 1**). This is contrary to the corporate governance best practices promulgated by various

governance codes such as *the Code of Best Practice for Corporate Governance in Malawi*, which recommend the chairperson of a Board to be an independent non-executive member. The project leadership attributed the anomaly as an oversight.

At the exit conference held on 25th January 2018, ACEPHEM Management explained that the Principal declined the chairpersonship nomination, stating conflict of interest as a reason for the rejection. In view of the foregoing, Management assured the reviewer that nomination of a new interim chairperson from the other ISAB members would be done.

Implication

Conflict of interest risk.

Recommendation

The ISAB structure should be reviewed so that the Chairperson is an independent non-executive member.

Management's response

5.2 BREACH OF PERFORMANCE AND FUNDING AGREEMENT

5.2.1 Failure to achieve planned activities

The Project developed an implementation plan (IP) that outlined activities for the 5-year implementation period and an annual implementation plan for the year 2017. The IP derived from the agreed Project Disbursement Linked Indicators (DLIs), which are verified by Disbursement Linked Results (DLRs). A review of the 2017 annual IP revealed that the project failed to achieve some of its targets during the period under review (refer **to appendix 2**). The project leadership attributed the anomaly to a learning process phase of the project.

At the exit meeting held on 25th January 2018, ACEPHEM Management agreed with the finding and assured the reviewer that it will fix the weaknesses in the course of executing 2018 Implementation Plan.

Implication

- i. Reduction of grant amount by the funder due to underutilization of funds; and
- ii. Failure to attract DLRs allocated funds.

Recommendations

- i. Project leadership should ensure that planned activities in the implementation plan are fully executed to positively impact on the satisfactory achievement of the agreed DLIs; and
- ii. Should closely work in collaboration with College management, faculties/departments and other related projects towards achievement of the project objectives i.e. through a structured needs assessment process of the College.

Management's response

5.2.2 Unavailability of a procurement plan

As part of implementation of the project based on satisfactory achievement of *Disbursement linked indicator (DLI) 4 – Timely and audited procurement and Disbursement Linked result (DLR) 4.2 - Timely and satisfactory procurement progress report*, having a procurement plan is an implementation milestone towards achievement of the result. However, the review found that there was no updated procurement plan in place upon expiry of a January to June 2017 procurement plan. The anomaly was attributed to failure by the Secretariat to provide the Procurement section with an updated work-plan to inform the preparation of a procurement plan.

At the exit conference, ACEPHEM Management accepted the finding and explained that drafting of the 2018 implementation plan was in

progress, which upon completion will inform the preparation of a procurement plan.

Implication

- i. Delays in procurement process; and
- ii. Non-achievement of DLR allocated funds

Recommendation

The project secretariat should ensure that work plans of outlined activities for the project are timely prepared and shared with the procurement section to inform the preparation of procurement plans.

Management's response

5.2.3 Quarterly financial management reports not furnished to Funder

Article 4 (4.5.2 (iii)) of the performance and funding agreement between the Government of Malawi acting through the Ministry of Finance, Economic Planning and Development and the University of Malawi – College of Medicine requires the College to furnish to the Ministry quarterly financial management reports. However, the review found that since the inception of the project activities in December 2016 only one report for the period ending 30 September 2017 was prepared and was not furnished to the Ministry/funder. The finance function attributed the anomaly to the low expenditure level during the project's inception stage to lead to the preparation of financial management reports for submission to the funder.

At the exit conference, ACEPHEM Management agreed with the finding and assured the reviewer that it would implement the recommendation thereon.

Implication

- i. It is difficult to evaluate financial performance; and
- ii. Noncompliance to agreement terms can be costly to the project

Recommendation

The College Finance Officer should ensure that quarterly financial management reports are prepared and furnished to the ministry/funder as per the agreement.

Management's response

5.3 NON-COMPLIANCE WITH UNIMA POLICIES AND REGULATIONS

5.3.1 Delay in preparation of Bank reconciliations

Section 9.2.1.7 of UNIMA Financial regulations requires an Accountant to prepare bank reconciliation statements at the end of each month. The Project maintains an FCDA and a Local bank account with First Merchant Bank. The audit found that the Local account bank reconciliations for May 2017 and June 2017 were prepared and reviewed in July 2017 and August 2017 respectively. The auditor was however unable to examine whether the control weakness applied to other month's bank reconciliations for the review period since the preparer and reviewer did not date some reconciliations upon signing. Lack of adequate supervision by the Office of the Finance Officer was attributed to this control weakness.

At the exit conference, ACEPHEM Management accepted the finding and assured the reviewer that it would implement the recommendations thereon.

Implication

Untimely detection of fraud/errors

Recommendations

- i. The College Finance Officer should ensure that all bank accounts reconciliations are timely prepared each month; and

- ii. The reconciliations should be signed and dated by the preparer and reviewer.

Management's response

5.3.2 Non-retirement of Cash imprest (MK1.2m)

*Section 9.2.3.3 of UNIMA financial regulations reinforced by a note on the Cash imprest application form, states that cash imprest must be retired within 2 weeks... The review found that staff members did not retire MK1, 230,100 worth of imprest they received in the period under review (refer to **Appendix 3**). The control weakness was attributed to lack of adequate supervision and follow up by the finance department.*

At the exit conference, ACEPHEM Management accepted the finding and assured the reviewer that it would implement the recommendations thereon.

Implication

It is difficult to account for and expense such funds.

Recommendations

- i. The members of staff should be asked to retire and/or account for the imprest received; and
- ii. The College Finance Officer should ensure that responsible project staff members are conversant with UNIMA financial regulations and relevant accounting policies.

Management's response

6.0 OPINION ON THE STATUS OF CONTROLS AND CONCLUSION

6.1 OPINION ON THE STATUS OF INTERNAL CONTROLS

Except for the irregularities cited in Section 5 above, the auditors' opine that the governance 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 project's Performance and Funding Agreement and the UNIMA policies and guidelines.

6.2 CONCLUSION

Section 5 (above) offers assistance to the Project leadership to achieve its objectives based on the auditors' evaluation and conclusion, and suggestions for improvement of the risk management, internal control and governance processes of the project's implementation pertaining to the audited areas.

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

7.0 COMMENDATION

The reviewer commends College Management and ACEPHEM Project secretariat staff for their cooperation, assistance and commitment without which the exercise could not have been successful.

END OF REPORT

APPENDIX 1

INTERNATIONAL SCIENTIFIC ADVISORY BOARD MEMBERS

1. Dr Mwapatsa Mipando – College of Medicine (Chairperson)
2. Prof David Cheng – The Cheng Foundation
3. Prof Olufunmilayo Fawole – University of Ibadan
4. Prof Gail Hughes – University of Western Cape
5. Prof Calestino Obua – Mbarara University of Science and
Technology
6. Prof Laestitia Rispel – University of Witwatersrand
7. Prof John Sabate - Loma Linda University
8. Prof Chimaraoke Izgubara - The African Population and Health
Research

APPENDIX 2

2017 IMPLEMENTATION PLAN EXECUTION

KEY PLANNED	ACTIVITY	TARGETS OUTPUT	REMARKS
Review of the existing curricula for improvement	<ul style="list-style-type: none"> • List of recommended areas for improvement • Senate agreed curricula • NCHE accredited curricula 	<ul style="list-style-type: none"> • List of recommended areas for improvement • Senate agreed curricula • NCHE accredited curricula 	Done
Collaborate with partners to recruit and support MSc and PhD students	<ul style="list-style-type: none"> • National and regional students applications • Students admissions list • Scholarships awarded • Fellowship MOU's 	<ul style="list-style-type: none"> • National and regional students applications • Students admissions list • Scholarships awarded • Fellowship MOU's 	Partly done (No MOU's signed with private sector/industry)
Develop a new MSc programme in herbal medicine	<ul style="list-style-type: none"> • Development of a new MSc in herbal medicine/public health and drug development 	<ul style="list-style-type: none"> • Development of a new MSc in herbal medicine/public health and drug development 	Not done
Upgrading teaching and learning facilities for academic excellence	<ul style="list-style-type: none"> • Upgraded facilities • Bids called and processed • Generator purchased • Upgraded facilities 	<ul style="list-style-type: none"> • Upgraded facilities • Bids called and processed • Generator purchased • Upgraded facilities 	Not done
Professional development course – Pharmacovigilance,	<ul style="list-style-type: none"> • Develop a sustainable and ICT transferrable curriculum for short 	<ul style="list-style-type: none"> • Develop a sustainable and ICT transferrable curriculum for short 	Not done

public health	<p>courses/workshop</p> <ul style="list-style-type: none"> • Conduct workshops on specific pharmacovigilance topics at both national and regional levels. • To bring industry and academic experts to these workshops 	
Procure general and teaching & research equipment and Lab supplies	<ul style="list-style-type: none"> • Purchase of major students training equipment to outfit research labs. 	<p>Partly done (Procurement of teaching and research equipment and lab supplies not done)</p>
Core team to lead public health and herbal medicine research	<ul style="list-style-type: none"> • Hire qualified individuals(herbal medicine and public health) that will train students and faculty members on applied research • Qualified technicians will be able to ensure maintenance of laboratory equipment used for teaching and research. 	<p>Partly done (Project Laboratory staff, Accountant and Procurement specialist not recruited)</p>
Training on value addition on herbal products, quality assurance and culture technique	<ul style="list-style-type: none"> • Value addition quality assurance workshops at ACEPHEM and its collaborating partners. 	<p>Not done</p>

Field site monitoring and support: vehicle purchase and maintenance	<ul style="list-style-type: none"> • Purchase two project vehicles to travel to different collaborative sites such as Mzuzu University 	Partly done (field site monitoring not done)
To facilitate international conference presentations and manuscript publications	<ul style="list-style-type: none"> • Support for manuscript charges and conference attendance to give PhDs, MSc students and faculty opportunities to present their work to the world's scientific community • Relevant fees for review and publications paid • Relevant journals contacted for review and publication, academic papers published in peer reviewed journals 	Partly done (Publications not done)
Conducting educational and outreach program – Provide informational outreach/marketing to potential female scientists, and underserved communities.	<ul style="list-style-type: none"> • Establishment of an educational outreach program that will be mainly targeting underprivileged/underserved community • Establishment of an educational outreach program that will be mainly targeting undergraduates and high school students, faculty, high school teachers and doctoral level professors 	Done
Facilitate national	<ul style="list-style-type: none"> • Establishment of a 	Partly done

and regional student exchange program	<p>regional student and faculty student exchange programme that involves academic institution and sector organisations</p> <ul style="list-style-type: none"> Engage R&D companies, sector organisations (ministries of Health and Pharmacy and Poisons Board) for internship 	<i>(National student exchange program not done)</i>
Organise short courses for students and regional faculty, sector organisations, and government – short term training and working professionals	<ul style="list-style-type: none"> Generate a critical mass of students with specific skills in public health and quality assurance 	Done
Organise short courses for students and regional faculty, sector organisations, and government – short term training and working professionals	<ul style="list-style-type: none"> ACEPHEM partners institutions exchange faculty members to strengthen one another in the area of teaching and research in public health and herbal medicine 	Done
Official inauguration of ACEPHEM	<ul style="list-style-type: none"> ACEPHEM advertised ACEPHEM inaugurated MoU's signed 	Done
Conduct management meetings of ACEPHEM	<ul style="list-style-type: none"> National steering committee activities facilitated Committee meetings 	Partly done <i>(Academic and Research committee)</i>

	conducted	meetings not done)
Administrative offices furnished and equipped	<ul style="list-style-type: none"> • ACEPHEM equipment procured • Tendering process executed 	Done

APPENDIX 3

CASH IMPREST NOT RETIRED

DATE	NAME OF PAYEE	CHEQUE NUMBER	AMOUNT (MK)
28/02/2017	Lucia Msiska	34	200,000
07/07/2017	Limbanazo Matandika	109	311,200
31/08/2017	Towera Gondwe	145	278,900
24/11/2017	Limbanazo Matandika	249	440,000
TOTAL			1,230,100