



THE COPPERBELT UNIVERSITY

COUNCIL

**SIGNED MINUTES OF THE FIRST SPECIAL MEETING OF THE
COPPERBELT UNIVERSITY AFRICA CENTRE OF EXCELLENCE
FOR SUSTAINABLE MINING (CBU-ACESM) AUDIT AND RISK
COMMITTEE**

HELD ON

WEDNESDAY, 7TH AUGUST 2019



**THE COPPERBELT UNIVERSITY
COUNCIL**

**MINUTES OF THE FIRST SPECIAL MEETING OF THE COPPERBELT
UNIVERSITY AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE MINING
(CBU-ACESM) AUDIT AND RISK COMMITTEE HELD ON WEDNESDAY,
7TH AUGUST 2019 IN THE COUNCIL CHAMBER SCHEDULED AT 14:30 HOURS**

PRESENT

Ambassador L. Mungoma

Chairperson

Mr. R. Zulu

Member

Mr. E.M. Mbambiko

Member

Mrs. E. M. Lungwebungu

Member

Mrs. M. Banda

Secretary

BY INVITATION

Dr. P. Mwaanga

Centre Leader

Ms. M. Mpabalwani

Project Accountant

IN ATTENDANCE

Lt. Col. (Rtd) Prof. N. Ngoma

Vice Chancellor

Mr. M. C. Kambikambi

Chief Internal Auditor

Mrs. M. Kapembwa

Assistant Registrar (Council)

Mrs. V.H. Simunchembu

Acting Assistant Registrar (Council)

The meeting was called to order at **09:00 hours**.

1.0 CHAIRPERSON'S OPENING REMARKS

The Chairperson welcomed members to the special meeting of the Audit and Risk Committee whose purpose was to consider the Audited Financial Statements and the Management letter for the CBU-ACESM Project.

2.0 CONFIRMATION OF MEMBERSHIP AND QUORUM

Membership was confirmed and quorum met. Dr. P. Mwaanga and Ms. M. Mpabalwani were invited to the meeting while Mr. R. Zulu represented Mrs. J. P Sundano.

3.0 APOLOGIES

Apologies were received from Mr. E.C. Banda (SC)

4.0 DECLARATION OF INTEREST

None of the members declared interest in any item on the agenda.

5.0 ADOPTION OF THE AGENDA

The agenda was adopted after **Mr. R. Zulu** proposed and **Mr. E.M Mbambiko** seconded.

6.0 CONSIDERATION OF THE AUDITED FINANCIAL STATEMENTS FOR THE AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE MINING, BEING PAPER CBU/COU/19/FO/82

The Committee was informed that Mark Daniels Chartered Accountants had given a clean opinion of the financial statements for the year 2018 and that the project funds had been utilized in line with the project objectives and guidelines as outlined in the project implementation plan for 2018.

The highlights of the Draft Audited Financial Statements for the financial year 2018 were summarized as follows:

6.1 Introduction

The Committee was informed that the principal activities of the project were to support the Recipient to strengthen selected Eastern and Southern Africa Higher Education Institutions in the Recipient's territory to deliver quality post-graduate education and build collaborative research capacity in the regional priority areas.

The Project had various components which included strengthening Africa Centres of Excellence in Regional priority areas, capacity building support to Africa Centres of excellence through Regional Interventions and facilitation, coordination and administration of Project Implementation.

The Committee was further informed that the Project Grant required that the Directors prepared Financial Statements for each Financial Year that gave a true and fair view of the state of affairs of the Project as at the end of the Financial Year and of its Statement of Financial Position. It also required that the Directors ensured that the Project kept proper accounting records that disclosed with reasonable accuracy the financial position of the Project.

Further, it had come to the attention of the Directors that the Project would not remain a going concern for at least twelve months from the date of the Statement and that the International Development Association had not indicated any willingness to continue with the current Project.

6.2 Report on the Audit of the Financial Statements

It was reported that it was the opinion of the Auditors that the financial statements gave a true and fair view of the Financial Position and that its financial performance and cash flows for the year ended were properly prepared in accordance with the International Public Sector Accounting Standards.

The opinion was based on the fact that the audit was conducted in accordance with International Standards on Auditing (ISAs).

Further, the objectives of the Auditor were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatement, whether due to fraud or error, and to issue an auditor's report that included their opinion.

In addition, the Committee was informed that all the IDA funds had been utilised in accordance with the relevant financing agreements. Goods and services financed had been procured in accordance with the relevant financing agreement.

Moreover, all the necessary supporting documents, records and accounts were kept in respect of all Project activities including expenditures that were reported using the summary Statements of Expenditures which could be relied upon to support the related withdrawal applications.

6.3 Statement of Financial Performance

The Financial Performance for the period under review was as indicated below:

	Notes	Year ended 31 December 2018 ZMW	Year ended 31 December 2018 US\$
Income			
Funds from International Development Association	4	5,837,374	599,985
Other income	5	16,272	1,526
Total income		5,853,646	601,511
Expenditure			
Achieve learning excellence		(893,736)	(82,400)
Quality assurance		(60,000)	(5,814)
Attract Academic Staff and Students from Region National and Regional Sector Partners Management and Governance		(67,954)	(6,406)
		(310,844)	(30,036)
Monitoring and Evaluation		(699,822)	(68,581)
		(476,305)	(41,946)
		(2,508,661)	(235,183)
Bank charges		(7,957)	(760)
Bank error		(37,800)	(3,163)
Audit fee		(119,971)	(9,590)
Total expenditure for the period		(2,674,389)	(248,696)
Exchange gain/(loss) on translation to presentation currency		750,660	(21,740)
Surplus as at 31 December		3,929,917	331,075

6.4 Statement of Financial Position

The statement of the Financial Position was as follows:

	Notes	31 December 2018 ZMW	31 December 2018 US\$
ASSETS			
Cash and cash equivalents	6	4,049,888	340,665
		<u>4,049,888</u>	<u>340,665</u>
Accumulated Funds and Liabilities			
Accumulated Surplus		3,929,917	331,075
		<u>3,929,917</u>	<u>331,075</u>
Total reserves		3,929,917	331,075
Other payables			
Total Liabilities	9	119,971	9,590
		<u>119,971</u>	<u>9,560</u>
Total Accumulated Funds and liabilities		4,049,888	340,665
		<u>4,049,888</u>	<u>340,665</u>

6.5 Statement of Changes in Fund-2018

The Statement of Changes was as indicated below:

	Capital Grant ZMW	Total ZMW	Capital Grant US\$	Total US\$
Balance - 1 January 2018	-	-	-	-
Additions to Accumulated Funds	3,929,917	3,929,917	331,075	331,075
Balance - 31 December 2018	3,929,917	3,929,917	331,075	331,075
	<u>3,929,917</u>	<u>3,929,917</u>	<u>331,075</u>	<u>331,075</u>

6.6 Statement of Cash Flows

The Statement of Cash Flows was as indicated below:

	Year ended 31 December 2018 ZMW	Year ended 31 December 2018 US\$
Cash flows from operating activities		
Surplus for the Year	3,929,917	331,075
Increase in Accounts Payables	119,971	9,560
Net cash inflow from operating activities	4,049,888	340,665
Net Increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the Period	-	-
Cash and Cash equivalents at end of the Period	4,049,888	340,665

6.7 Cash and cash equivalents

Bank and cash at the end of the period held in Investrust bank was as indicated below:

	2018 ZMW	2018 USD
Cash and cash equivalents	4,049,888	340,665

The breakdown of this amount per source is shown below:

	2018 ZMW	2018 USD
Investrust forex Account	3,883,743	325,817
Investrust ZMW	166,145	14,848
	4,049,888	340,665

6.8 Project assets

The following were the assets bought by the project for the year ended 31st December 2018:

Date of purchase	Description	Amount ZMW	Amount USD
12/07/2018	Land Cruiser DLX	588,434	59,558
22/08/2018	2 Projectors and 2 scanners	44,270	4,306
09/10/2018	Photocopier and colour printer	129,696	10,982
12/11/2018	8 Laptops Dell and Desk tops	152,540	12,765
12/11/2018	Software team work	63,504	5,400
13/11/2018	Office furniture	63,270	5,295
		1,041,714	98,306

6.9 Comparison of actual against budget analysis

The Comparison of actual against budget analysis was as indicated below:

Category of Expenditure	Budgeted Amounts 31 December, 2018 US\$	Actual Costs as at 31 December, 2018 US\$	Balance US\$	Comments
Achieve learning excellence	231,950	82,400	149,550	
Quality assurance	94,500	5,814	88,686	
Attract Academic Staff and Students from Region	43,000	6,406	36,594	
National and Regional Sector Partners Management and Governance	145,000	30,036	114,964	
Monitoring and Evaluation	229,550	68,581	160,209	
Bank error	55,300	41,946	13,354	
	-	3,163	(3,163)	Erroneously made a payment from ACESM project
Bank charges	-	760	(760)	
Audit fee	-	9,590	(9,590)	
Total	799,300	248,696	550,604	

6.10 Comments/Observations

(a) The Project as a Going Concern

The Committee advised the statement "would not remain a going concern" be recast to read that "*the project would remain a going concern*".

(b) Report on the Audit of Financial Statements

The Committee advised that the cash flow statement be included as part of what comprised the financial statements that were audited.

(b) Statement of Financial Performance

The Committee advised that the bank error be recorded as receivables since the mistake was corrected.

(c) Assests

The Committee was advised that the assets needed to be accounted for in accordance with the University policy, qualified to be capitalized and that they should be indicated as expenditure in the Financial Statements.

Following deliberations, the Committee advised that the assets should be put in the Asset Schedule, Fixed Assets be included in the budget and an explanation on how they had been accounted for be provided. In response, Management informed the Committee that the Bursar's Office would make the necessary adjustments.

(d) Use of Interest from the Foreign Account

The Committee sought clarification on whether the University was allowed to utilise the interest accrued from the money in the bank account and advised that the Project Team should check the project document and ensure that issues of Corporate Governance were complied with. In response, Management stated that the project document would be checked for verification on the matter.

(e) Comparison of Actual Against Budget Analysis

The Committee expressed concern that most of the funding provided for in the budget had not been utilized and advised that narrations be provided as to why the money was not spent on each budget line.

The Chairperson of Council and the Vice-Chancellor were to sign the Financial Statements on behalf of the University Council and Management respectively.

7.0 CONSIDERATION OF THE MANAGEMENT LETTER FOR THE AFRICA CENTRE OF EXCELLENCE FOR SUSTAINABLE MINING PROJECT, BEING PAPER CBU/COU/19/FO/83

The Committee was informed that the Management letter highlighted the following matters:

7.1 Accounting and internal control issues

(i) Budgeting Vs Actual reporting analysis

The Auditor observed that the project had maintained appropriate budgets from the work plan but did not compare with the actual performance to ascertain the cause of variances which should have been accompanied with narratives.

It was recommended that the project should ensure that budgets were compared with actual performance and the resulting variances explained. Management noted the observations and stated that it would ensure that the variance analysis was prepared and reviewed on a bi-annual and year end basis.

(ii) Utilization of project funds

The Auditor observed that at the year end, the project had a bank balance amounting to ZMK 4,049,888 (US\$ 340,665) and that the comparison of actual expenditure against budgeted revealed that most of the budgeted expenditure categories had not been utilized.

It was recommended that Management should ensure that the approved work plan budget be executed timely. Management acknowledged the observation and stated that it would make adjustments to ensure timely implementation of project activities.

(iii) Foreign Currency translation

It was observed that the project had not translated the forex account at the year end contrary to the International Accounting Standard (IAS 21) resulting in forex accounts balances being misstated.

(iv) Bank Reconciliation

It was observed that the project had maintained a cash book and reconciliations where undertaken but there was no indication that they were being reviewed by a senior person, a situation which could lead to non-detection of both intentional and unintentional errors.

It was recommended that Management should enhance internal controls to ensure that bank reconciliations were being prepared by the project assistant accountant and reviewed by the senior project accountant.

Management took note and stated that all reconciliations would be reviewed and signed off on a monthly basis.

(v) Fixed Asset Register

The Auditors had observed that the Project had maintained a fixed asset register for the project which lacked vital information a situation which could lead to loss of project assets. It was recommended that the fixed assets register be updated to depict information such as serial numbers and location of the assets. Management acknowledged the audit observation and stated that the Fixed Asset Register would be updated with serial numbers and physical locations.

(vi) Imprest

It was observed that the Project had not created individual accounts for staff that got imprest during the year under review. The situation could make it difficult to ascertain whether the imprest had been retired thereby risking the loss of project funds. It was recommended that individual accounts be created for the project staff. Management acknowledged the observation and stated that there was no unretired imprest as at 31st December 2018 and that it would implement and maintain a staff debtors spreadsheet effective 1st August 2019.

(vii) Income and Expenditure

The auditor had observed that the income and expenditure report availed was not linked to the main ledgers which made up the figures in the Income and Expenditure reports a situation which made it difficult to identify the figures that made up the block figures in the income and expenditure report and ultimately delayed the audit exercise.

It was recommended that the project should prepare financials with back up in terms of figures that were shown in the income and expenditure and financial position statements.

Management noted the observation and stated that future financial statements would be properly linked to indicate a detailed breakdown of the expenditure and income.

7.2 Comments/Observations

The Committee advised Management to address the various concerns raised in the Management letter.

Following deliberations, the Committee **ADOPTED** the Audited Financial Statements for the Africa Centre of Excellence for Sustainable Mining subject to the highlighted changes.

8.0 ANY OTHER BUSINESS

8.1 Consideration of Project Expenditure prior to the commencement of the Project

Management inquired whether the expenditure spent before the commencement of the project would be incorporated into the expenditure figures. In response, the Committee advised that Management should look at the project documents and establish whether that could be done.

8.2 Appointment of External Auditors

The Committee was informed that the audit period for which Mark Daniels Chartered Accountants was appointed had come to an end and that there was need to appoint an External Auditor for the year ending 31st December 2019. The project was supposed to have two (2) auditors for Procurement and Financial Statements. The Committee was further informed that it was a requirement that the process of appointing External Auditors be opened up for tender.

Following deliberations, the committee **RESOLVED** that the process of appointing External Auditors should commence with immediate effect.

9.0 CLOSING REMARKS

The Chairperson thanked members for attending the meeting and for their valuable contributions. There being no other business, the meeting closed at 16: 35 hours.

CHAIRPERSON: *[Signature]*

DATE: *6th November 2019*

SECRETARY: *[Signature]*

DATE: *07/11/2019*