



**LUANAR- ACE-AQUAFISH
PROJECT**

REPORT TO MANAGEMENT

**FOR THE PERIOD
1 JULY 2020 TO 30 JUNE 2021**

11th February, 2022

Our Ref: LL/231/G3

CONFIDENTIAL

The Vice Chancellor
Lilongwe University of Agriculture and Natural Resources
Africa Centre of Excellence in Aquaculture and Fisheries Project
P.O BOX 219
Lilongwe.

Dear Sir,

**STATEMENT OF INCOME AND EXPENDITURE FOR THE PERIOD ENDED 30 JUNE
2021
REPORT TO MANAGEMENT**

We have completed our audit of the statement of income and expenditure for the period ended 30 June 2021 during which we examined various aspects of the program's systems of internal control. As a result of this examination certain areas came to our attention where we feel control weaknesses exist or where improvements could be made. Our detailed recommendations and management comments on these areas are contained in a report which accompanies this letter.

This report is intended to offer some constructive assistance to management, but it must be appreciated that matters included came to our notice as a result of our normal audit procedures which are designed primarily to enable us express an opinion on the statement of receipts and payments. Consequently, our report cannot be expected to include all possible improvements in internal control which a more extensive, special examination might develop.

We take this opportunity to thank all members of staff who gave us assistance during our audit.

We hope you will find the recommendations useful. If you require clarification on any of the matters raised, please do not hesitate to contact us.

Yours faithfully,



Graham Carr

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Audit . Tax . Advisory

Directors: Cornwell Banda, Dorothy Ngwira Mrs, Victoria Nkhoma Mrs

LILONGWE UNIVERSITY OF AGRICULTURE AND NATURAL RESOURCES (LUANAR)
AFRICA CENTRE OF EXCELLENCE IN AQUACULTURE AND FISHERIES PROJECT
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1.1 OVERVIEW

Background

African Centre of Excellence in Aquaculture and fisheries (ACE-AQUAFISH) Project is a five (5) year project (July 2016 – June 2021, now extended to December 2023) that aims to widen access to higher education so as to foster innovation and entrepreneurship in the production of high skilled fit for purpose critical mass of agriculture scientists for improved aquaculture and fisheries management in order to enhance food, nutrition and economic security in Eastern and Southern Africa. ACE-AQUAFISH project which is funded through a loan from World Bank to Malawi Government is coordinated by the inter -University Council for East Africa and implemented by Lilongwe University of Agriculture and Natural Resources (LUANAR).

The World Bank will make available to Malawi a financial loan not exceeding USD\$6million to be used exclusively to finance the project in the planned period from July 2016 – June 2021, now extended to December 2023.

Lilongwe University of Agriculture and Natural Resources (LUANAR) is running a project with funding from the Malawi Government through a credit facility from the World Bank to set up the Africa Centre of Excellence in Aquaculture and Fisheries (AquaFish). The Centre will be conducting postgraduate training and research within the aquaculture and fisheries value chain and offering scholarships/fellowships and short-courses at postgraduate levels. The Center also builds capacity of LUANAR to operate efficiently and at international standards.

Project goal

The overall goal of the ACE-AQUAFISH project is to train a pool of skilled and innovative graduate students to contribute towards improved fish -based food and income from aquaculture and fisheries in Africa.

Objective /Purposes

The purpose of ACE-AQUAFISH project is to train a pool of skilled and innovative graduate students, to contribute onwards improved fish based food and income from aquaculture and fisheries in Africa.

Specific programme objective

- Enhance capacity to produce graduates that are relevant to industrial needs in aquaculture and fisheries sector in the region.
- Strengthen proactive graduates to support aquaculture, natural resources management and nutrition
- Strengthen and fisheries value chain, relevant for economic development.

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ACE - AQUAFISH project will achieve its goal through four (4) key Disbursement Linked Indicators detailed below:

DLI	Description
DLI 1	Institutional readiness
DLI 2	Excellence in education and research capacity and development impact.
DLI 3	Timely, transparent and institutionally reviewed financial management
DLI 4	Timely and audited procurement

1.2 AUDIT SCOPE AND OBJECTIVES

- (a) **Fraud and Corruption:** Consider the risks of material misstatements in the Statement of receipts and payments due to fraud as required by ISSAI 1240 (The Auditor's Responsibility to Consider Fraud in an Audit of Statement of receipts and payments). The auditor is required to identify and assess these risks (of material misstatement of the statement of receipts and payments) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud;
- b) **Laws and Regulations:** In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by the implementing agency with laws and regulations may materially affect the statement of receipts and payments as required by ISSAI 1250(Consideration of Laws and Regulations in an Audit of Financial Statements); as such the audit also included an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to our attention and are applicable to financial matters.
- c) **Governance:** Communicate audit matters of governance interest arising from the audit of statement of receipts and payments with those charged with governance of an entity as required by ISSAI 1260 (Communication of Audit Matters with those Charged with Governance).
- d) **Risks:** In order to reduce audit Risk and Implication to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks at the assertion level as by ISSAI 1330 (The Auditor's Procedures in Response to Assessed Risks).
- e) **Procurement:** To assess whether adequate controls are in place and have been operating effectively in the following areas:
- (i) User requirement and planning procurement,
 - (ii) Prospective suppliers and bidding process,
 - (iii) Management of bidding process
 - (iv) Evaluation process
 - (v) Contract award and amendment, and
 - (vi) Contract administration

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The audit included such tests as is considered necessary. The nature and extent of tests covered any aspect of the business operations and varied according to our assessment of what is material in the context of statement of receipts and payments in addition to the effectiveness of the internal control system.

1.3 AUDIT FINDINGS AND RECOMMENDATION

1.3.1. Delays in remitting pension deductions

Observation

Under Section 61-(1) of Pension Act or the fund rules of a pension fund, an employer is under an obligation to make employer contributions in respect of a member, the employer shall pay to the trustee, or as the trustee directs, the amount of those contributions no later than fourteen days after the end of the month in which the liability to make the contributions arose.

However, our review noted delays in remitting pension contributions to the pension fund as detailed below;

Month	Pension Deducted MK	Pension Remitted MK	Date Remitted	Due Remitted	No. of Days Delayed
July	1,087,189	1,087,189	16.10.20	14.09.20	32
February	529,785	529,785	09.04.21	14.03.21	25

Implication

Noncompliance with provisions of Pension Act 2011.

Recommendation

We recommend that pension contributions should be remitted by the 14th day of the month following deduction from salaries as per Pension Act 2011.

Agreed Action	Management agreed to remit pension contributions for both the employer and employees on time by the 14 th day of the month following deduction from salaries as stipulated in the Pension Act 2011
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Implementation Date	Immediate and on-going
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Responsibility	Project Accountant & Compliance Officer
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Management Response	This is noted and was the responsibility of staff preparing monthly salaries for project staff to remit the pension contributions on time as stipulated in the Pension Act. Management from now onward have resolved to involve the Compliance Officer to monitor the compliance of Pension Act on remittance of pension contributions.
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1.3.2. Delays in remitting PAYE deductions

Observation

Tax deducted under the PAYE system is due within 14 days of the end of the month in which the deduction was made.

However, we noted delays in remitting PAYE deductions to MRA as detailed below;

Month	PAYE Deducted MK	PAYE Remitted MK	Date Remitted	Due Remitted	No. of Days Delayed
August	971,068	971,068	07.12.20	14.09.20	84
December	531,280	531,280	22.10.20	14.10.20	8
March	531,280	531,280	23.04.21	14.04.21	12

Implication

Failure to remit PAYE to Malawi Revenue Authority on time may result in penalty of 20% of the total liability payable to Malawi Revenue Authority.

Recommendation

PAYE must be remitted to MRA by 14th of the following month to avoid unnecessary penalties.

Agreed Action	Management agreed to remit PAYE deductions to MRA by 14 th of the following month
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Implementation Date	Immediate and on-going
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Responsibility	Project Accountant and Compliance Officer
Management Response	The observation for the three (3) transactions is correct and noted. University management from now on wards has resolved to involve the Compliance Officer to monitor the compliance of Taxation Act on remittance of PAYE deductions.

Review of prior year findings

Finding	Recommendation	Status
We noted delays in remitting pension contributions to the pension fund.	Pension contributions should be remitted by the 14 th day of the month following deduction from salaries as per Pension Act 2011.	Partly resolved
We noted delays in remitting PAYE deductions to MRA	PAYE must be remitted to MRA by 14th of the following month to avoid unnecessary penalties.	Partly resolved
A review of 15% of procurements made revealed that some purchases were made from suppliers without sourcing adequate comparative quotations	Management should ensure that at least three quotations are sourced and evaluated when purchasing goods and services.	Resolved