



THE AFRICAN CAPACITY BUILDING FOUNDATION | FONDATION POUR LE RENFORCEMENT DES CAPACITES EN AFRIQUE

*Africa capable of achieving its  
own development*

*Une Afrique capable de réaliser son  
propre développement*

**32<sup>nd</sup> Meeting of the Audit and Risk  
Committee**

**32<sup>ème</sup> Session Ordinaire du Comité  
d'audit et de risques**

**AUDIT AND RISK COMMITTEE  
ANNUAL REPORT Period 1<sup>st</sup> January to 31<sup>st</sup> December  
2019**

**Date: December 2020**

## TABLE OF CONTENTS

<i>INTRODUCTION</i> .....	3
<i>FINANCIAL STATEMENTS</i> .....	3
<i>EXTERNAL AUDIT</i> .....	4
<i>INTERNAL CONTROL</i> .....	4
<i>INTERNAL AUDIT</i> .....	5
<i>RISK MANAGEMENT</i> .....	7
<i>INVESTIGATIONS</i> .....	8
<i>OTHER RESPONSIBILITIES</i> .....	9
<i>PERFORMANCE REVIEW</i> .....	9
<i>COMMITTEE COMPOSITION</i> .....	9
<i>APPRECIATION</i> .....	10

## **INTRODUCTION**

1. The Terms of Reference (TOR) of the Audit and Risk Committee (ARC) indicates that the principal purpose of the Committee is to assist the Executive Board (EB) in fulfilling its oversight responsibilities for financial reporting process, the system of internal control, the audit process, risk management, the monitoring of compliance with accounting policies and practices, and the code of conduct.
2. The TOR requires the Committee to meet at least four (4) times annually but more often if desired or necessary to discharge its responsibilities. For FY2019, the Committee met four (4) times in the months of March (29<sup>th</sup> ARC Meeting held on 5<sup>th</sup> March 2019), June (30<sup>th</sup> ARC Meeting held on 24<sup>th</sup> June 2019), October (31<sup>st</sup> ARC Meeting held on 1<sup>st</sup> October 2019), and December (32<sup>nd</sup> ARC Meeting held between 4<sup>th</sup> and 5<sup>th</sup> of December 2019).
3. ARC is required to prepare an annual report to the Executive Board addressing all significant matters relevant to the Committee's objectives, duties and responsibilities. Accordingly, this report sets out the activities of the Committee in relation to the stated purpose including recommendations made to Management and to the Executive Board for their appropriate actions or decisions.

## **FINANCIAL STATEMENTS**

4. The Committee has a responsibility to review significant issues including complex or unusual transactions and highly judgmental areas, besides any recent professional pronouncements in order to understand their impact on the Financial Statement.
5. The Committee reviewed the Draft Financial Statements FY 2018 and requested EB's approval by electronic circulation. The Financial Statements for 2018 were approved by the Executive Board by circulation on the 27<sup>th</sup> of May 2019 pursuant to Article VIII, Section 5 (f) of the ACBF Constitution.
6. In order for the Foundation to be aligned with best practice of organizations in the development sector, the Committee suggested to ACBF Management to consider migrating to International Public Sector Accounting Standards (IPSAS) as a more appropriate standard as opposed to the currently used International Financial Reporting Standards (IFRS) that is mostly used by financial institutions. This was then presented to the Executive Board and approved.

## EXTERNAL AUDIT

7. The Committee met with the Foundation's External Audit Firm Deloitte and Touche Zimbabwe during its 29<sup>th</sup> meeting held on 5<sup>th</sup> March 2019 to discuss audit timelines for the audit of FY2019 and audit fees. The Committee also assessed and discussed the performance of the External Auditors for the Audit of FY2018.
8. The Committee recommended to the Executive Board, the re-appointment of Deloitte and Touche Zimbabwe to undertake Financial Audits of 2019.
9. The Committee also reviewed the proposed audit timelines with Management and the Representative of Deloitte and Touche Zimbabwe and agreed on specific milestones to ensure that the audited Financial Statement FY2019 will be ready for translation and printing by 26<sup>th</sup> February 2020. This revised timeline was suggested to ensure that the audited Financial Statements are reviewed by the ARC and by the Executive Board in time for its submission for approval by the Board of Governors at their 29<sup>th</sup> Meeting that was planned for 14<sup>th</sup> March 2020<sup>1</sup>. The Committee further agreed to the External Auditors proposed revised audit engagement fees in consideration to the revised scope of review activities.

## INTERNAL CONTROL

10. The Committee reviewed the effectiveness of the Foundation's internal control system including information technology security and control by obtaining reports on significant findings and recommendations together with Management's responses. These included periodic reports on status of implementation of audit recommendations which were reviewed and monitored.
11. As at 30<sup>th</sup> November 2019, twenty-nine (29) audit recommendations were outstanding from audits conducted by both Internal and External Auditors as presented in **Table 1** below. This represents a small decrease of two (2) from thirty-one (31) reported in the ARC Annual Report FY2018.

---

<sup>1</sup> The 29<sup>th</sup> BOG Meeting planned to take place in Accra Ghana between the 12<sup>th</sup> and 14<sup>th</sup> of March 2020 was postponed to a later date due to COVID-19 outbreak.

**Table 1 – Status of outstanding audit recommendations internal and external as at 30<sup>th</sup> November 2019**

Status	Internal audit recommendations		External audit recommendations	
	No. of Recommendations	% of total	No. of Recommendations	% of total
Implemented	0	0	7	47
Implemented but not assessed	4	29	0	0
In progress	10	71	8	53
Not implemented	0	0	0	0
Not applicable	0	0	0	0
<b>Total</b>	<b>14</b>	<b>100</b>	<b>15</b>	<b>100</b>

12. The Committee noted with appreciation Management’s efforts and continued commitment to take appropriate and timely action in implementing audit recommendations that has resulted in a reduced number of audit recommendations from thirty-one (31) reported in FY2018 to twenty-nine (29) in FY2019.
13. The Committee reviewed the Annual Executive Secretary’s sign offer letter on identification and effective management of material business risks through the Annual Certification Statement on the Internal Control Framework for FY 2019. The Annual Certification Statement is one of the documents ARC reviews to ensure the appropriate attestation on the overall control environment at the Foundation.
14. The Committee ascertained that the overall control environment at the Foundation for year 2019 is reasonable and that resources allocated were used for the intended purpose to achieve the objectives of the Foundation.
15. This conclusion is based on the Committee’s judgment and on the information at its disposal, such as, Annual Audit Activity Report (AAR) FY2019 and Annual Statement of Declaration by the Executive Secretary FY2019.

### **INTERNAL AUDIT**

16. The Committee reviewed the effectiveness of internal audit function by assessing the work of IAD and ensuring that this was discharged in accordance with its Charter. The Committee’s review of the function of IAD included among others the following:
  - a) Monitoring the implementation of the Audit Plan FY2019 by reviewing the IAD quarterly progress activity reports and the efficient use of internal audit resources, and

- b) Approving the Risk Based Annual Internal Audit Plan FY 2020 and the revised Internal Audit Plan FY2019.
- c) Review of results of internal audits undertaken during the year and focusing on key audit recommendations.
17. The Committee noted that the Revised FY2019 Internal Audit Plan had a provision to conduct a total of nineteen (19) audit activities. IAD satisfactorily completed the review of seventeen (17) out of the planned nineteen (19) managing a commendable global achievement rate of 89% as shown in **Table 2** below:

**Table 2 -Implementation of planned audit activities FY2019**

<b>Activity</b>	<b>Planned</b>	<b>Completed</b>	<b>%</b>
Audit reviews at the Secretariat-Assurance Services	7	7	100%
Projects review -Assurance Services	7	7	100%
Investigation <sup>2</sup>	2	0	0%
Advisory services <sup>3</sup>	3	3	100%
<b>Total</b>	<b>19</b>	<b>17</b>	<b>89%</b>

18. The Committee expressed appreciation to IAD for having achieved 89% level of its planned activities in FY 2019 with the use of limited resources.
19. The Committee noted that from the fourteen (14) audit reviews conducted by IAD under assurance services, thirteen (13) audit reports were issued from which nine (9) audit reports were rated **Partially Satisfactory**<sup>4</sup> and Four (4) **Satisfactory**<sup>5</sup>. The audits conducted in FY2019 resulted in the presentation of forty-two (42) audit recommendations as shown in **Table 3** below:

**Table 3 – Distribution of audit Recommendation Ratings for audit report issued in FY2019**

<sup>2</sup> Conducting of investigation activities is dependent on the number of requests received during the reporting period. Only one request was received.

<sup>3</sup> Advisory services are also dependent on the number of requests received. During the reporting period, three requests out of the planned three were received.

<sup>4</sup> This opinion rating is given where the audit did not identify any 'Critical' observation/weakness and the auditor considers that overall the identified observations are not likely to impair the achievement of objectives set up for the audited activity/process.

<sup>5</sup> This opinion rating is given where the audit identified 'Critical' and/or 'Very Important' observation/weakness and the auditor considers that the identified observations are so important that overall the internal control system in place does not provide reasonable assurance regarding the achievement of the objective set up for the audited activity/process.

	<b>No. of Audit recommendations issued</b>	<b>C</b>	<b>VI</b>	<b>I</b>	<b>D</b>
Audits conducted at the Secretariat	26	0	7	19	0
Audits conducted on Projects	16	0	6	10	0
<b>Total</b>	<b>42</b>	<b>0</b>	<b>13</b>	<b>29</b>	<b>0</b>

20. Twenty (20) out of the forty-two (42) audit recommendations or 47% related to operational activities (effective and efficient use of resources) at both the Foundation and Project while fourteen (14) or 33% related to compliance issues (compliance with applicable rules, regulations, policies and procedures) as further shown in **Table 4** below:

**Table 4 – Categorization of internal audit Recommendations**

	<b>No. of Audit recommendations issued</b>	<b>Strategic (S)</b>	<b>Operational (O)</b>	<b>Reporting (R)</b>	<b>Compliance (C)</b>
Audits conducted at the Secretariat	26	3	11	4	8
Audits conducted on Projects	16	1	9	0	6
<b>Total</b>	<b>42</b>	<b>4</b>	<b>20</b>	<b>4</b>	<b>14</b>

21. The Committee reviewed and approved the proposed IAD Risk Based Annual Work Plan (AWP) FY2020 which contained proposals to conduct twenty-one (21) activities, consisting of fifteen (15) under assurance services, two (2) under investigations services, and four (4) under advisory services.
22. Earlier the Committee reviewed and approved the proposed revision to the IAD Audit Plan FY2019 that included conducting nineteen (19) activities from the approved twenty-one (21) during its 30<sup>th</sup> meeting.
23. From the review of the work of internal audit during FY 2019, The Committee observed/ made the following recommendations to Management:
- a) Concurred on the audit recommendation requiring Management to periodically review existing long-term contracts in the Foundation with a view to ensuring relevance and value for money.

- b) Suggested to Management to consider re-tendering as soon as possible or to explore alternative available viable options, the ongoing long-term contract on staff life and medical insurance cover.
- c) Management to put in place an effective budgetary monitoring and reporting system that will reinforce timely budget monitoring processes and decision making by Management and the Board as the case may be.
- d) Management to consider prioritizing the conducting of validation workshops for ready countries from the outcome of the Country Needs Assessment (CNAs) that was completed in order to ensure value for money and to comply with donor requirements.

### **RISK MANAGEMENT**

24. The Committee monitored the implementation of business unit and the Foundation’s risk management plans through the semi-annual risk reports by Management. This included reviewing and recommending to the Executive Board (EB) the approval of the Revised Risk Appetite Statement. The EB approved the Revised Risk Appetite Statement during its 70<sup>th</sup> meeting.

25. The December 2019 risk management report presented to the Committee identified six (6) key risks and the corresponding risk ratings as shown in **Table 5** below:

**Table 5 – Foundation’s Key Risk Rating FY2019**

<b>Key Risk Identified</b>	<b>Risk Rating</b>
Funding gap towards the implementation of ACBF strategic plan 2017 – 2021	Moderate -3 <sup>6</sup>
Liquidity/financing risks	Moderate -3
Staffing risk	Moderate -3
ICT risk	Minor -2 <sup>7</sup>
Foreign Exchange risk	Minor -2
Business continuity risk	Moderate -3

26. The Committee noted the ongoing Management efforts to address the six (6) key risk including that on funding gap towards the implementation of the ACBF Strategic Plan 2017-2021. The Committee further noted with appreciation the detailed description of the risks provided in the risk update reports as well as the mitigation actions in place.

<sup>6</sup> Prevents the achievement of a Departmental plan/objective

<sup>7</sup> Prevents the achievement of business unit’s plan/objectives

## **INVESTIGATION**

27. The Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility or of any matter brought to its attention. During the reporting period, the Committee did not authorize or receive any investigation report for consideration.

## **OTHER RESPONSIBILITIES**

28. The Committee monitored the effectiveness of the Foundation's policies and practices by among others reviewing the Draft Administrative Procedures Manual as well as the Draft Procurement Manual by providing its inputs to Management before seeking the approval of the Executive Board.
29. The Committee further directed ACBF Management to review and synchronize as soon as possible the Terms of Reference (TORs) of the three Sub-Committees of the Executive Board. The TORs were finalized and approved by the Executive Board during its 73<sup>rd</sup> meeting held on 6<sup>th</sup> December 2019. The Committee also directed Management to ensure that monthly update reports on status of activities at the Foundation are timely shared with the Board.
30. The Committee presented its final annual report of the Special Meeting held in August 2018 (26<sup>th</sup> ARC Special Meeting 6<sup>th</sup> and 7<sup>th</sup> of August 2018) to the EB for adoption. The Executive Board adopted the Special Report during its 70<sup>th</sup> meeting.

## **PERFORMANCE REVIEW**

31. The Committee is required to conduct an annual self-assessment of its performance and effectiveness by reference to the TOR and current best practice.
32. The EB during its 67<sup>th</sup> meeting decided that going forward, there will be a systematic annual self-evaluation of the Board and its Committees. The evaluation will be based on a criterion agreed by the Board. The Committee led the way by conducting an annual self-assessment of its performance and effectiveness in reference to its TOR and discussed the outcome during its 34<sup>th</sup> Meeting.

## **COMMITTEE COMPOSITION**

33. During FY2019, serving Members of the Committee were as follows:

- |                            |   |
|----------------------------|---|
| a) Mr. Godfrey SIMBEYE     | Chair of ARC and Executive Board Member |
| b) Dr. Jessie Rose MABUTAS | Executive Board Member                  |
| c) Niranjan PANT           | ARC Independent Member                  |
| d) Babajide ADEBIYI        | ARC Independent Member                  |
| e) Thomas ASARE            | ARC Independent Member                  |

34. Committee Members fulfilled the requirement on conflict of interest for each of the Committee meetings they participated in as stated in the Code of Conduct of the ACBF Executive Board by filling the Conflict of Interest Declaration Forms.

### **APPRECIATION**

35. To this end, the continued support and co-operation from ACBF Management, the staff and other officers of the Foundation, Internal Audit Department (IAD) and the External auditor is highly appreciated.