

# INTERNAL AUDIT REPORT ON THE ACTIVITIES OF FUNAAB'S CENTRE OF EXCELLENCE IN AGRICULTURAL DEVELOPMENT AND SUSTAINABLE ENVIRONMENT (CEADESE)

## 1.0 KEY INFORMATION ON THE PROJECT

<b>Project Name and State</b>	African Higher Education Centres of Excellence Project/Ogun State
<b>Project ID</b>	ACE 023 - Centre of Excellence in Agricultural Development and Sustainable Environment
<b>IDA Credit/Grant No.</b>	5415-NG
<b>Implementing Agency</b>	National Universities Commission/ Federal University of Agriculture, Abeokuta, Nigeria.
<b>Effectiveness Date</b>	July, 2015
<b>Closing Date</b>	Sept 2018
<b>Credit/Grant Amount</b>	\$8 Million
<b>Project Duration</b>	4 years
<b>Remaining Period to Closing</b>	3 years, 6 months
<b>Conversion Rate on the date of First Disbursement</b>	₦198.91 to \$1
<b>Disbursed Amount to date &amp; Percentage</b>	₦147,172,326.55 (\$739,894.06); 9.249%
<b>Period Covered by Review</b>	July 1 to December 31, 2015. <i>(Prior effective period was also reviewed- January 2014 to June 30, 2015)</i>
<b>Internal Auditor</b>	Amubode, O.O. (Ag. Head, Internal Audit - FUNAAB); Enilolobo, V. B. (Internal Audit Representative in CEADESE)

## 2.0 PREAMBLE

The Centre of Excellence in Agricultural Development and Sustainable Environment (CEADESE) is one of the African Centre of Excellence in the West Africa and Central African Sub-region anchored at the Federal University of Agriculture Abeokuta (FUNAAB), Nigeria and funded by the Nigerian Government through a World Bank loan. The Centre is focused on teaching, learning and

research excellence in agriculture for sustainable agricultural productivity and environmental sustainability through a coherent and goal – oriented institutional, human resource capacity development and policy issues.

The Centre is headed by Professor Okanlawon M. Onagbesan.

### **3.0 EXECUTIVE SUMMARY**

This report covers receipts, payments, reconciliation of cashbook and bank statements, budget performance and other financial and accounting records for the period between effective date; July 1, 2015 and December 31, 2015. Furthermore, financial activities carried out to the effective date (January 2014 to June 2015) were also reviewed.

Only 3.72% budget performance rate was achieved during the period under review. Internal audit was informed that the reason for the low budgetary performance was due to the delay of the first disbursement when compared with the timetable of the execution plan of the budget under review.

With reference to the requirement of DL.3.2 for management oversight functions to be effected through ***a functional Audit Committee (which is supposed to be a Council Committee)***, we observed that this requirement for a functional Audit committee is yet to be fully in place. There is need for the timely establishment or re-organisation of a functional Audit committee to strengthen management oversight function. Evidence of minutes of such committee must be presented (at least a meeting per year). This is a strict requirement for disbursement of funds to the ACE (African Centre of Excellence).

## 4.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

### 4.1 Budgeting

#### Reviewed Summary of Comparison of Budget and Actual Expenditure as at December 31, 2015

	Budgeted ₦	Actual Expenditure ₦	Variance ₦
DL.1	53,800,000.00	1,469,073.00	53,330,927.00
DL.2	200,000,000.00	7,842,346.75	192,157,653.25
DL.3	16,000,000.00	325,000.00	14,675,000.00
DL.4	<u>16,000,000.00</u>	<u>-</u>	<u>16,000,000.00</u>
<b>TOTAL</b>	<b><u>285,800,000.00</u></b>	<b><u>10,636,419.75</u></b>	<b><u>275,163,580.25</u></b>
<b>Percentage</b>	<b>100%</b>	<b>3.72%</b>	<b>96.28%</b>

The financial records examined and reviewed by Internal Audit revealed that the total budget of the project for the period under review is two hundred and eighty five million, eight hundred thousand naira only (₦285,800,000) while the total amount expended as at December 31, 2015 totalled ten million, six hundred and thirty-six thousand, four hundred and nineteen naira, seventy-five kobo only (₦10,636,419.75). This represents only 3.72% of budgeted amount that was actually expended.

S/N	OBSERVATIONS	RESPONSE
4.1.1	The analysis of the budget performance above revealed that only 3.72% performance rate was achieved for the whole budget during the period under review. Furthermore, the performance rate according to disbursement link indicator showed 2.73% for DLI.1; 3.92% for DLI.2; 8.28% for DLI.3 and nil for DLI.4. This performance rate is very low and revealed the under-utilisation of financial resources available for the project.	<b>The apparent low utilization of funds was due to the fact that most expenditure were not captured on the bank book as at 2015. Most expenditure came from money borrowed from</b>

	<p><b>Recommendation</b> We recommend timely execution of budget and use of fund in order to enjoy value for appropriateness and timely use of money.</p>	<p>the University. These were later captured in year 2016.</p>
4.1.2	<p>It was observed that the major factor that affected the performance of the execution of the budget is the timing of the initial disbursement from the Bank/ supervising agency. The first disbursement for the project came at the mid-year of budget execution and this had an adverse impact on the budget performance of the project for the period under review.</p> <p><b>Recommendation</b> We recommend timely presentation of withdrawal applications to the Bank in order to make fund available at the appropriate time.</p>	<p><b>Withdrawal application was on time but disbursement was delayed.</b></p>

#### 4.2 Accounting

The financial records reviewed and examined revealed that between January, 2014 and June, 2015 a total of Fourteen million, two hundred and nineteen thousand, five hundred and thirty-seven naira only (₦14,219,537) was sourced and given to the Centre by the University as advance for successful take-off of the project. This amount is already committed for repayment to the University but yet to be charged to the budget as at the time of reporting.

S/N	OBSERVATIONS	RESPONSE
4.2.1	<p><b><u>E-Accounting</u></b> We noted that the Centre was completely upgraded from a partial e-accounting and pre-payment auditing system to a full-</p>	

	<p>fledge e-accounting and e-prepayment audit system of its financial transactions in October, 2015.</p> <p><b>Recommendation</b></p> <p>This achievement is commendable, which is in line with the World Bank requirement and it will also promote real time financial reporting.</p> <p>We recommend that due care should be exercised by financial/accounting officers in ensuring that basic accounting requirements are adhered to. Furthermore, relevant students' information should be obtained and updated on the electronic students' ledger.</p>	<p><b>Noted</b></p>
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#### 4.3 Internal Controls

S/N	OBSERVATIONS	RESPONSE
4.3.1	<p><b><u>Verification of Purchase</u></b></p> <p>Purchases by the Centre or any University officer representing the Centre were presented to Internal Audit for verification and we ensure that the materials or goods presented are in line with the approved specifications, quantity and quality.</p> <p><b>Recommendation</b></p> <p>We recommend that when adopting the direct purchase method of procurement of materials or goods by officers on behalf of the Centre, goods should be bought in line with the approved specifications.</p>	<p><b>Noted</b></p>
4.3.2	<p><b><u>Cash Advance</u></b></p> <p>Majority of Cash advances received by some officers during the period under</p>	

	<p>review for the running of the centre/project were retired within two weeks in line with the World Bank requirement. As at the time of writing this report only a total of three hundred and ninety-six thousand, one hundred naira (<del>₦</del>396,100) is yet to be retired due to the nature of part of the amount which is being used like imprest for continuous maintenance of tractors used for students' training.</p> <p><b>Recommendation</b></p> <p>We recommend that the requirements and policy on cash advance should be strictly adhered to, as it promotes time value for money. Furthermore, Audit is of the view that a specific amount should be earmarked as imprest for the maintenance of the tractors which must be retired from time to time.</p>	<p><b>Noted</b></p>
<p>4.3.3</p>	<p><b><u>Controls on Advance</u></b></p> <p>The effectiveness of the controls set for advances (which was supported and directly monitored by the Centre's Director) is highly commendable. A total of one million, five hundred and thirty-seven thousand, six hundred and twenty-six naira only (<del>₦</del>1,537, 626) was saved from advances released to officers, while eight hundred and eighty five thousand, four hundred and four naira only (<del>₦</del>885, 404) of the amount saved is related to advances released for travels, estacodes and local transports.</p>	

	<p><b>Recommendation</b></p> <p>The personal involvement of the Centre’s Director in ensuring effectiveness of this control is highly commendable. We want to encourage more of this which can help in making the Centre and the University, a reference point of excellence in Africa and the world at large.</p>	<p><b>Noted</b></p>
4.3.4	<p><b><u>Non-Current Assets</u></b></p> <p>Approvals were obtained for non-current assets bought during the period and were duly verified into the manual asset register by audit upon delivery but we observed that the electronic (non-current) asset register on the accounting package is yet to be updated.</p> <p><b>Recommendation</b></p> <p>We recommend that all assets either bought or transferred to the Centre by the University should be duly recorded in the electronic asset register of the Centre (after obtaining relevant documents relating to the said assets). Also, we are of the view that a hard copy of this Asset Register should be maintained.</p>	<p><b>Noted for action.</b></p> <p><b>The Centre now has a hard copy of Assets Register.</b></p>
4.3.5	<p><b><u>Engraving on Non-Current Asset</u></b></p> <p>One of the controls adopted by the University in safeguarding non-current assets is engraving with numbers on them. We observed that some non-current assets that have been duly verified by audit are yet to be engraved with asset numbers.</p> <p><b>Recommendation</b></p> <p>We recommend that the relevant Unit of the University saddled with the</p>	<p><b>Noted for action.</b></p>

	responsibility of engraving on assets should be communicated to address this matter.	
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#### 4.4 Management Oversight

S/N	OBSERVATIONS	RESPONSE
4.4.1	<p><b><u>Effectiveness of Audit Committee</u></b></p> <p>With reference to the requirement of DL.3.2 that <i>a functional Audit Committee must be set up by the Management</i> evidenced by minutes of such Audit Committee meetings. We observed that this requirement for a functional Audit committee is yet to be complied with.</p> <p><b>Recommendation</b></p> <p>In order not to be penalised or lose any financial benefits attached to this requirement, we recommend the timely establishment or re-organisation of this committee to strengthen management oversight function.</p>	<p>This has been brought to the notice of management several times in memos but no action yet.</p> <p>We will continue to press for the establishment of the committee.</p>

#### 4.5 Fund Flow

##### 4.5.1 Summary of Sources and Uses of Fund as at December 31, 2015

	₦	₦	₦
Disbursement from World Bank			147,172,326.55
Allocation from the University		382,730.00	
Advance from FUNAAB			19,450,752.00
Refunds		363,272.00	
<b>Internally Generated Revenue:</b>			
Application Fees	3,083,300.00		
Tuition Fee for Master	2,210,000.00		
Tuition Fee for Ph.D	<u>3,510,000.00</u>	<u>8,803,300.00</u>	<u>29,000,054.00</u>
<b>Sub-total</b>			<b>176,172,380.55</b>
<b><u>Expenditure</u></b>			
Disbursement Link 1	1,469,073.00		
Disbursement Link 2	7,842,246.75		



Disbursement Link 3	1,325,000.00	
Disbursement Link 4	<u>                    -</u>	10,636,419.75
<b>Other Expenditure</b>		
Admin. Expenses	277,007.63	
Honorarium (lecturers)/others	6,458,260.94	
Preliminary Expenses	14,219,537.00	
Remital payment from FUNAAB	<u>5,231,215.00</u>	26,186,020.57
Bank Charges		<u>191,708.53</u> (37,014,148.85)
<b>Fund Balance</b>		<b><u>139,158,231.45</u></b>

**4.5.2. Cash and Bank**

Banks	CASH BOOK BALANCE	BANK STATEMENT BALANCE	DIFFERENCE	REMARKS
Zenith Bank (Project Account)	136,707,470.02	140,622,968.02	3,915,498.00	The difference is the total of undebited payments.
Other Accounts (in CBN's TSA & UMF)	2,450,761.43	-	-	Apart from the balance stated, the real cash balance in the TSA comprises of several projects' fund and the University's Fund.

S/N	OBSERVATIONS	RESPONSE
4.5.3	<p>We observed that the fund that was mopped into the Central Bank's TSA in line with the Federal Government directive was reversed in November, 2015 with exception to the domiciliary Account. Furthermore, findings show that the fund balance in the TSA comprises of funds for several funded projects and the University fund.</p> <p><b>Recommendation</b> We recommend that in order not to go</p>	<p><b>Noted</b></p>

	<p>contrary to the Federal Government policy on Single Treasury Account, a separate TSA Account should be opened for the project in order to aid effective periodic reconciliation of the Bank statement and the cash book.</p>	
4.5.4	<p>Books of accounts examined, revealed that one hundred and seventy-five thousand, and sixty-four naira, sixty-six kobo (<del>₦</del>175,064.66) was charged by the Bank as “interest charge” after the reversal of the fund that was initially mopped into the TSA. This charge is outrageous without any known basis or reasons for such an interest charge.</p> <p><b>Recommendation</b> We recommend that the Centre should write the Bank requesting for the basis and reason for the outrageous “interest charge”. If the reason/basis is unacceptable, the Bank should refund the interest charged.</p>	<p><b>The bank was written to reverse the charge but no action has been taken by the bank (copy attached).</b></p>
4.5.5	<p>The financial records examined revealed that between January, 2014 and June, 2015 a total of Fourteen million, two hundred and nineteen thousand, five hundred and thirty-seven naira only (<del>₦</del>14,219,537) was</p>	

	<p>sourced and given to the Centre by the University as advance for successful take-off of the project. This amount is already committed for repayment to the University but yet to be charged to the budget as at the time of reporting.</p> <p><b>Recommendation</b> We recommend the prompt repayment of this advance back to the University and proper classification of related expenses under necessary disbursement link indicators.</p>	<p><b>Repayment has been effected.</b></p>
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#### 4.6 **External Audit**

Since the period under review is the first year of the project, external audit is yet to be carried out on the activities of the Centre but the newly appointed University's external Auditor has been engaged to audit the activities of the Centre for the period under review.

##### **Recommendation**

We recommend the immediate invitation of the external Auditor to commence audit process in order to give a timely report in line with the World Bank requirement.

#### 4.7 **Fraud and Corruption**

There was no case of fraud or related corruption during the period under review.

#### 4.8 **Physical Verification**

The existence of non-current assets purchased during the period under review was physically verified by Internal Audit. These non-current assets

were either purchased directly by the University on behalf of the Centre or directly by the Centre. The followings are the new non-current assets purchased and verified by Audit:

S/N	Description	Classification	Location
01	Toyota Corolla Car	Motor Vehicle	Director's Office
02	Two units of HP Desktop Computer System	Office equipment	Accountant's Office
03	File cabinet	Office Equipment	Accountant's Office
04	HP Scanning Machine	Office Equipment	Confidential Secretary's Office
05	HP Laserjet Printer	Office Equipment	Accountant's Office

#### **Recommendation**

As stated earlier in recommendation 4.2.5, we further recommend that the assets bought on behalf of the Centre by the University should be duly recorded in the electronic asset register of the Centre (after obtaining relevant documents relating to the said assets).

However, adequate insurance cover should be obtained for non-current assets of the Centre.

### **4.9 Procurement Activities**

#### **4.9.1 Analysis of Budget Performance**

	Budgeted	Actual Expenditure	Variance
	₦	₦	₦
DL.4 (Procurement)	16,000,000.00	-	16,000,000.00
<b>Percentage</b>	<b>100%</b>	<b>Nil</b>	<b>100%</b>

S/N	OBSERVATIONS	RESPONSE
4.9.2	We observed that there was no financial activity that relates to procurement during the period under review. Our finding	<b>Noted</b>

	<p>revealed that this situation was as a result of delay in the disbursement of initial fund from the Bank/ supervising agency.</p> <p><b>Recommendation</b> We recommend the timely submission of withdrawal applications and the timely use of fund.</p>	<p><b>Application submission was on time but disbursement by World Bank was delayed.</b></p>
4.9.2	<p>Our finding on goods and materials procured during the period under review is that the direct procurement method was adopted due to the urgency of need.</p> <p><b>Recommendation</b> We recommend adherence to procurement timetable as stated in the approved procurement plan.</p>	<p><b>Noted</b></p>

## 5.0 CONCLUSION

We believe that our observations and recommendations will be looked into by the management and useful for decision making purposes for the progress of the World Bank funded project and the overall interest of the University system as a Centre of Excellence in Africa.

Thank you Sir,

*Signed*  
**Amubode, O.O**