

# 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

Project Name and State	African Higher Education Centres of Excellence Project/Ogun State
Project ID	ACE 023 - Centre of Excellence in Agricultural Development and Sustainable Environment
IDA Credit/Grant No.	5415-NG
Implementing Agency	National Universities Commission/ Federal University of Agriculture, Abeokuta, Nigeria.
Effectiveness Date	July, 2015
Closing Date	March 2020
Credit/Grant Amount	\$8 Million [ <i>Revised Grant Amount \$4,616,781.15</i> ]
Project Duration	4 years
Remaining Period to Closing	1 year, 3 Months
Conversion Rate on the date of Disbursement for the Period under review.	₦305 to \$1
Disbursed Amount to date & Percentage	\$2,998,684.68; 37.48% [ <i>% on Revised Grant : 64.95%</i> ]
Period Covered by Review	July 1 to December 31, 2018.
Internal Auditors	Amubode, O. O. (Director, 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 an 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's result based financing.

The Directorate of Internal Audit has been consistent with its mission in providing management with independent assurance activities designed to add value and improve the Centre's operations. The Internal Audit has been contributing towards the accomplishment of the ACE's and University's objectives by bringing a systematic, disciplined approach to evaluate and give objective information, appraisals, risk based audit, recommendations and counsel regarding the activities of the Centre.

In accordance with Internal Audit's overall strategy on the World Bank result-based financing project, we evaluate the adequacy of the systems of controls, assessment of compliance with policies, procedures, project guidelines and sound research practice and the review of compliance to relevant regulations and laws.

It is our belief that our report gives insight to ways of reducing exposures to risk (financial or otherwise), promoting internal controls and developing effective safety programs for the project by the Centre's team.

### **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 ended December 31, 2018.

When the annual budget was compared with the 12 months performance achievement; only 40.34% budget performance was achieved for the year.

During the period, disbursement (for verified results) was paid into the Centre's TSA with CBN through NUC from World Bank in the sum of nine hundred and sixty-six thousand, nine hundred and thirty-seven Dollars, seventy-nine Cent (\$966,937.79).

The total disbursement to date (both disbursement into the Centre's Account and direct payments by NUC) is two million, nine hundred and ninety eight thousand, six

hundred and eighty-four US Dollar, sixty-eight Cent (\$2,998,684.68), representing just 64.95% of the revised expected fund from World Bank.

#### 4.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

##### 4.1 Budgeting

###### Reviewed Summary of Comparison of Budget and Actual Expenditure as at December 30, 2018

	Annual Budget <u>₦</u>	Actual Exp. <u>₦</u>	Variance <u>₦</u>	Performance <u>%</u>
DL.1	177,733,193.04	98,316,274.35	79,416,918.69	55.42
DL.2	563,790,843.10	198,469,537.68	365,321,305.42	35.20
DL.3	5,856,000.00	3,664,200.00	2,191,800.00	62.57
DL.4	<u>2,232,600.00</u>	<u>1,906,296.43</u>	<u>326,303.57</u>	85.38
	749,612,636.14	302,356,308.46	447,256,327.68	
Associated Bank Charges		54,825.00		
<b>TOTAL</b>	<b><u>749,612,636.14</u></b>	<b><u>302,411,133.46</u></b>	<b><u>447,256,327.68</u></b>	
<b>Performance Rate</b>	<b>100%</b>	<b>40.34%</b>	<b>59.66%</b>	<b>40.34%</b>

The financial records examined and reviewed by Internal Audit revealed that the total of year 2018 budget (calculated at ₦305 per US Dollar) for the project is seven hundred and forty-nine million, six hundred and twelve thousand, six hundred and thirty-six naira, fourteen kobo (₦749,612,636.14) only while the total amount expended as at December 31, 2018 total three hundred and two million, four hundred and eleven thousand, one hundred and thirty-three naira, forty-six kobo (₦302,411,133.46) only including the associated bank charges. This represents 40.34% performance rate of the year 2018 budgeted amount within the twelve (12) months period under review.

S/N	OBSERVATIONS	RESPONSE
4.1.1	The year 2018 general budget performance of 40.34% for the Centre	The centre has always been on its toes to

	<p>is below average despite improvement in the budget performance of Disbursement Link Indicators 1, 3 and 4 when compared with previous years.</p> <p>The comparative records reviewed by Internal Audit revealed that year 2018 budget performance of 40.34% is fairly better than year 2017 budget performance of 31.10%.</p> <p>Records examined revealed that the performance rate according to disbursement link indicator showed 55.42% for DLI.1; 35.20% for DLI.2; 62.57% for DLI.3 and 85.38% for DLI.4.</p> <p><b>Recommendation</b></p> <p>We recommend that the Centre's management should devote more effort on areas that have been having consistent low budgetary performance result and which will also help the earning capacity of the Centre from World Bank.</p>	<p>ensure improved budget performance as the project progresses. This is distinctly evident in the improvement recorded in 2018. The centre is however not relenting in order to ensure outstanding budget performance in the years to come.</p>
4.1.2	<p><b>DLR. 1</b></p> <p>It was observed that there was a nil budgetary performance on DLR.1.10 (Facilitation of Centre's Communication Office) just as it was in the previous year (2017). Also the budgetary performance of the Disbursement Link Indicator "1" relating to costs of adverts &amp; contacts; coordinating CEADESE Office; and training were extremely low. The DLR.1.10 report implies that there was</p>	<p>The fact that there was no financial commitment on DLR. 1.10 (Facilitation of Centre's Communication Office) does not mean the communication office of the centre is sleeping. The Communication office is in fact waxing stronger every day.</p>

	<p>no financial facilitation in improving the communication performance of the Centre through its communication office as required by the World Bank to improve the acceptability of the project by the immediate and regional community. A well financially facilitated Communication Office will bring about a good image brand for the Centre and an effective communication of the Centre's activities within and outside the University environment</p> <p><b>Recommendation</b></p> <p>We recommend effective and efficient execution of the subsequent budgets on these areas in DLR.1. Furthermore, effort should be made to executive subsequent budget in a way that will enhance the financial facilitation of the Communication Office as required by the World Bank towards effective, timely and proactive communication; which will lead to an informed internal and external environment in relation to the activities of the Centre.</p>	<p>However, note is taken of this important observation such that if more fund is directed to this function, the image of the centre will be better projected which will eventually lead to better acceptability of the centre in Africa and across the globe.</p>
4.1.3	<p><b>DLR. 2</b></p> <p>Disbursement Link Indicator 2 (which covers the cost on students, teaching, learning and research activities) showed a low rate budgetary performance rate of 35.20% which is slightly different from the 32.97% performance rate of year 2017.</p>	<p>The centre is not resting on its oars to ensure better budgetary performance in all the items covered by the budget. The centre has noted this observation and shall uphold all the</p>

	<p>Audit review of the budget performance revealed that the budget performance on cost of teaching &amp; softwares; publication of workshop report; cost of revising curricula and scholarship awards for MAgse/PhD Agse were nil.</p> <p><b>Recommendation</b></p> <p>We recommend that an effective tactical approach should be adopted in executing the budget allocated to DLI.2 in order to attain the milestone of publication of workshop reports, admission of regional students, and others in order to be able to realize the full result based funding on these DLIs.</p> <p>Furthermore, the budgeted scholarship can be utilised to encourage the participation of more regional and female students in the Centre's programmes, especially programmes were research students' enrolment is very low.</p>	<p>recommendations.</p>
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<p><b>4.1.4</b></p>	<p><b>DLR.3</b></p> <p>Disbursement Link Indicator 3 (which covers Accounting, Auditing and Financial Management Web Transparency) showed budgetary performance rate of 62.57% which is a little above the average performance mark. Year 2018 budget performance on DLI.3 showed a highly improved performance when it is compared with the year 2017 performance rate of 14.76%.</p> <p>Records examined revealed that web transparency on financial management gave a nil budget performance, which may hinder efficiency in this area and also indirectly hamper full earnings from the World Bank through this Disbursement link.</p> <p><b>Recommendation</b></p> <p>We recommend timely and effective utilisation of budgeted fund on this disbursement link in order to enhance a more timely, efficient and reliable financial management and web transparency of accounting and auditing activities. Furthermore, this will assist the Centre in realising the full result based funding on these DLI.</p>	<p>The centre's financial information is highly web transparent. Since, inception of this project, all information relating to financial management and auditing as at 31<sup>st</sup> December 2018 are clearly displayed on the centre's website. However, note is taken of the need to be more financially committed to the web management so as to enhance excellent financial transparency, accountability and probity.</p>
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<p><b>4.1.5</b></p>	<p><b>DLR.4 – Procurement Process</b></p> <p>Disbursement Link Indicator 4 showed a very good budgetary performance rate of 85.38% which is far better than the year 2017 performance rate of 14.82%.</p> <p>Budgetary performance of all major activities under procurement was achieved with exception to the “cost of training”. The financial commitment to the activities of training for procurement officers was very low.</p> <p><b>Recommendation</b></p> <p>We recommend efficient and effective utilisation of fund towards the training of procurement officers in order to achieve a more excellent result and; effective human development in procurement process and procedure of the Centre</p>	<p>The Centre does not joke with the training of its officer in order to permit efficiency and effectiveness. The centre will ensure more investment on procurement staff training so as to enhance better performance.</p>
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**4.2 Accounting.**

S/N	OBSERVATIONS	RESPONSE
<p>4.2.1</p>	<p><b><u>Real-time Monitoring of Project Fund</u></b></p> <p>We observed that the finance officer (Accountant) for the Centre is not on the Project’s TSA platform with CBN which hinders real-time information flow about the financial status of the Centre/project. Furthermore, it was also observed that the financial officer only relied on (third-hand information)</p>	<p>Noted.</p>



	<p>periodic TSA financial statement sent by those managing the Accounts on the Centre's behalf to prepare the periodic Bank Reconciliation.</p> <p>This situation is against the laid down World Bank's guidelines in managing the ACE's fund.</p> <p><b>Recommendation</b></p> <p>We recommend that the finance officer (Accountant) of the Centre should be placed on the TSA platform in order for the Centre to have a real-time information about the project's fund.</p>	
4.2.2	<p><b><u>Standing Imprest</u></b></p> <p>The Financial Regulation, section 1011 (1) states that "standing imprests must be retired on or before the 31st December of the financial year which they are issued" and section 1012 further compels the sub-accounting officer to ensure compliance with section 1011.</p> <p>It was observed that the standing imprest released and reimbursed periodically was not fully retired at the end of the financial year.</p> <p><b>Recommendation</b></p> <p>We recommend that all standing imprest must be retired on or before the 31st December of a financial year.</p>	<p>The centre ensures that imprest and advances are retired as and when due. This observation is noted to ensure all imprests are retired at the end of subsequent years to permit compliance with the provision of financial regulation.</p>
4.2.3	<p><b><u>Acknowledgement of payment by Contractors</u></b></p> <p>Examination of records revealed that Contractors that have been paid for duly certified works did not</p>	<p>The centre normally demand receipts for payment made to contractors. However,</p>

	<p>acknowledge the receipt of money paid by the Centre neither did they send duly signed official receipts to the Centre.</p> <p><b>Recommendation</b></p> <p>We recommend that acknowledgement of payments should be received from all Contractors that have been paid for work done.</p>	<p>some of them complied while some others are yet to provide receipts as evidences of payments made to them. The centre shall not relent on mounting pressure on the defaulting contractors to ensure compliance.</p>
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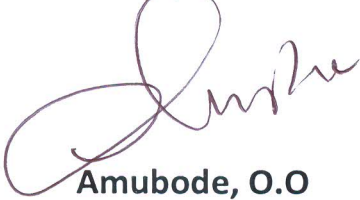
### 4.3 Controls

S/N	OBSERVATIONS	RESPONSE
4.3.1	<p><b><u>IGR from Research Work</u></b></p> <p>It was observed during the period under review that there was no internally generated revenue from research works. Incomes were generated from research works of students in the previous years.</p> <p>A close audit review of the controls in place to ensure remittance of such income, revealed a weakness in the controls.</p> <p><b>Recommendation</b></p> <p>We recommend that the controls in place should be reviewed in order enhance their effectiveness in ensuring remittance of income from research work.</p>	<p>The management of the centre shall institute an effective control in order to ensure robust incomes are gathered from the research work of students. The centre shall collaborate with all the students; supervisors to effectively get this done.</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's result based project and the overall interest of the University system as a Centre of Excellence in Africa.

Thank you.

A handwritten signature in dark ink, appearing to read 'Amubode, O.O.', written in a cursive style.

**Amubode, O.O**