

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	Sept 2018
Credit/Grant Amount	\$8 Million
Project Duration	4 years
Remaining Period to Closing	2 years, 6 months
Conversion Rate on the date of First Disbursement	₦198.91 to \$1
Disbursed Amount to date & Percentage	₦147,172,326.55 (\$739,894.06); 9.249%
Period Covered by Review	July 1 to December 31, 2016.
Internal Auditor	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 Directorate of Internal Audit has been consistent with its mission in providing management with information, appraisals, recommendations and counsel regarding

the monitored activities of the Centre and other significant issues. In accordance with Internal Audit's overall strategy, we evaluate the adequacy of the systems of internal controls, assessment of compliance with policies, procedures, project guidelines and sound research practice and the review of compliance to state and federal 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 year ended December 31, 2016.

When the annual budget was compared with the twelve (12) months performance; only 12.97% budget performance was achieved from the annual budgeted expenditure during the 12-months period under review. Internal Audit observed that one of the reasons for the low budgetary performance was due to the continuous delay in completing the processes of awarding contracts in procurement activities.

Furthermore, it was observed that a total amount of twenty-three thousand, four hundred and twenty-four US Dollar (\$23,424.00) was paid directly by National University Commission (NUC) to different payees on behalf of the Centre (as at December 31, 2016). These payments did not reflect in the financial books of the Centre as at December 31, 2016.

With reference to our previous report on Audit Committee, records examined showed that an Audit Committee has been established to strengthen management oversight function but there is no evidence of minutes of meeting of the committee as at December 31, 2016 (as this is a prerequisite for disbursement of funds to African Centres of Excellence).

4.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

4.1 Budgeting

Reviewed Summary of Comparison of Budget and Actual Expenditure as at December 31, 2016

	Budgeted ₦	Actual Expenditure ₦	Variance ₦	%
DL.1	97,500,000.00	27,045,656.43	70,454,343.57	27.7
DL.2	355,000,000.00	32,455,324.88	322,544,675.12	9.14
DL.3	20,000,000.00	3,026,787.38	16,973,212.62	15.1
DL.4	<u>20,000,000.00</u>	<u>1,275,183.52</u>	<u>18,724,816.48</u>	6.38
Sub-total	492,500,000.00	63,802,952.21	428,697,047.79	
Bank Charges	<u>0.00</u>	<u>51,519.56</u>	<u>51,519.56</u>	
TOTAL	<u>492,500,000.00</u>	<u>63,854,471.77</u>	<u>428,748,567.35</u>	
Percentage	100%	12.97%	87.03%	

The financial records examined and reviewed by Internal Audit revealed that the total year 2016 budget for the project is four hundred and ninety two million, five hundred thousand naira (₦492,500,000) only while the total amount expended as at December 31, 2016 totalled sixty-three million, eight hundred and fifty-four thousand, four hundred and seventy-one naira, seventy-seven kobo (₦63,854,471.77) only including the associated bank charges. This represents 12.97% of (year 2016) budgeted amount that was actually expended during the year under review.

S/N	OBSERVATIONS	RESPONSE
4.1.1	The analysis of the budget performance above revealed that only 12.97% performance was achieved during the period under review out of the annual budgeted amount. Furthermore, the performance rate according to disbursement link indicator showed 27.7% for DLI.1;	The audit correctly identified two major reasons for the low performance: slow processing of procurement and fund commitment approvals.

	<p>9.14% for DLI.2; 15.1% for DLI.3 and 6.38% for DLI.4.</p> <p>The budgetary performance rate is very low and time value for money was not adequately utilised.</p> <p>Recommendation We recommend timely execution of budget and use of fund in order to enjoy timely value for money.</p>	<p>One of the solutions might be to substantially increase the fund approval/spending limit of the Centre Director as previously directed by the NUC.</p>
4.1.2	<p>DLR.1.4- Cost of Training (Management & Faculty)</p> <p>We observed that there was no (nil) performance on DLR.1.4 (Cost of training – Management & faculty). Training and re-training of management team and faculty is an indispensable means of re-equipping the Centre’s team for effectiveness.</p> <p>Recommendation We recommend effective, efficient and timely utilisation of fund allocated to this disbursement link in order to improve the quality of performance of the management team and the Centre at large.</p>	<p>Some of the required trainings require foreign exchange funding. Since the NUC is now in a position to make foreign exchange available and capable of making payments on behalf of Centres, this activity is now in gear. Some trainings are now going on and several planned for 2017. Officers will also be encouraged to identify competent local training centres and consultants to handle training requirements where possible.</p>

4.1.3	<p>DLR.1.7 & 1.8-</p> <p>We observed that there was no (nil) performance for DLR.1.7 (Facilitation of FUNAAB Industrial Relations) and 3.36% performance for DLR.1.8 (Cost of Monitoring and Evaluation). This performance rate on DLR.1.7 revealed that there was no proper facilitation to improve the Centre's relationship with the industries. Furthermore, a performance rate of 3.36% for DLR.1.8 also revealed that the monitoring and evaluation performance is very poor against the planned and this may affect the quality of result achieved by the Centre.</p> <p>Recommendation</p> <p>We recommend that fund should be adequately utilised for monitoring and evaluating the research activities of the Centre in order to ensure quality and acceptable result for the industry. Furthermore, financial resources allocated to facilitate and improve relationship with the industry should be adequately and effectively utilised to achieve the desired industrial relationship result.</p>	<p>DLR 1.7 and 1.8:</p> <p>Facilitation of Industrial relations cannot be measured in terms of financial commitments. All the Centre's partners are collaborating with the Centre in their capacity as needed with less financial expenditures. Note that there could be some overlap between DLR 1.7 and some of the DLRs in DLI 2.0 (e.g. mileage payments to partners, teaching and supervision by partners, etc).</p> <p>Monitoring and Evaluation activities are in full swing. The M&E Officer has been reporting regularly to the World Bank and AAU with quarterly submissions, without which the Centre could have been sanctioned. The M&E reports were the basis for the Centre's recent disbursement linked earning of about</p>
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		\$1,000,000 December 2016.	in
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<p>4.1.4</p>	<p>DLI.2</p> <p>A very low rate of 9.14% performance rate was achieved on DLI.2 which covers the cost on students, teaching, learning and research activities.</p> <p>It was observed that expenses were not incurred on cost of ICT learning platform, equipment and lab purchases and establishment of research core facilities while only 0.08% was achieved on cost of civil works. All these are very important areas that will aid and improve research aim and mission of the Centre but this performance shows a threat to the overall result and performance of the Centre's project.</p> <p>Furthermore, the implication of this low performance is that it will limit the amount of money that the Centre can access from the World Bank.</p> <p>Recommendation</p> <p>We recommend that fund should be allocated for the effectiveness of research students, teaching, learning and research activities should be expended appropriately and within the favourable time in order to achieve the overall objective of the project and the University.</p>	<p>DLI 2 is where the core activities of the Centre are embodied. As identified, the slow pace of "due process" and obtaining approvals were responsible for the low performance. Final approval for major procurements that are central to the project was obtained in December 2016. All contracts for the procurement of goods have been signed and deliveries are on-going.</p> <p>Safeguard issues on minor works are being resolved with the World Bank. Within the first 6 months of 2017, substantial progress would have been made.</p>
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<p>4.1.5</p>	<p>DLR.3.3- Cost of Training & Cost of meetings of Audit Committee</p> <p>Records examined revealed that the cost of training under DLR.3.3 was not utilised in bridging professional gaps and improving the professional performance of officers towards adequacy of the internal controls system of the Centre.</p> <p>Furthermore, the money budgeted for Audit Committee was not utilised which indicates that the Committee established is yet to function towards strengthening the management oversight function.</p> <p>Recommendation</p> <p>We recommend that budgeted fund for training and Audit Committee meetings should be adequately utilised in order to improve the professional skills of the Audit team and the functionality of the Audit Committee which will result in better performance.</p>	<p>Auditors will be encouraged to identify their training needs local or international.</p> <p>Now that an Audit Committee is in place, training needs will be identified and implemented.</p> <p>Noted</p>
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4.2 Accounting.

S/N	OBSERVATIONS	RESPONSE
<p>4.2.1</p>	<p><u>E-Accounting System</u></p> <p>We observed that the e-accounting system is yet to be enabled to capture the Centre's non-current assets but the manual non-current (fixed) assets register is still adopted to record all non-current assets procured.</p>	<p>Noted</p> <p>The consultant is working on this.</p>

	<p>Recommendation</p> <p>We recommend that the electronic non-current (fixed) assets register in Centre's accounting package be enabled in order to capture all non-current assets and also be able to generate a comprehensive electronic report of the Centre.</p>	
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4.3 Internal Controls

S/N	OBSERVATIONS	RESPONSE
4.3.1	<p><u>Control on Advance/ DTA to officers</u></p> <p>Records showed that the internal controls on cash disbursement to officers were adhered to a commendable level with the exception of very few officers that are yet to retire imprest/cash advance and refund duty tour allowance paid to them.</p> <p>Recommendation</p> <p>We recommend that further reminder letters should be sent to these officers and all pending payments to them should be withheld until necessary retirement/ refund are done by them in respect to the unretired advance/ un-refunded DTA.</p>	<p>Noted. The Director will follow up.</p> <p>Noted</p>

4.4 Management Oversight

S/N	OBSERVATIONS	RESPONSE
4.4.1	<p><u>Effectiveness of Audit Committee</u></p> <p>With reference to our previous report on the re-organisation and establishment of a <i>functional Audit Committee</i>; it was</p>	<p>The Audit Committee held its first meeting on</p>

	<p>confirmed that an Audit Committee is in place but there is no evidence of minutes of meetings of the Committee as at the time of writing this report.</p> <p>Recommendation We are of the opinion that effort should be made to encourage, enlighten and empower this Audit Committee with information on the necessity of its responsibility in strengthening management oversight function.</p>	<p>February 7, 2017. The Report of the meeting is expected and will be displayed on the Centre's website.</p>
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4.5 Fund Flow

S/N	OBSERVATIONS	RESPONSE
4.5.1	<p><u>Directive on TSA</u> With reference to our previous report on the directive on TSA, it was confirmed that two different accounts have been opened with the Central Bank for the project but we observed that the account is yet to be activated at the time of writing this report.</p> <p>The implication of this situation is that the project funds that are supposed to be disbursed/ transferred by NUC into the Centre's Accounts in TSA will be withheld till the Account is activated and this may impair timely use of fund.</p> <p>Recommendation We recommend that prompt action should be taken to activate the Centre's TSA with CBN for prompt disbursement of fund by NUC.</p>	<p>This was brought to the notice of the Acting Bursar for action. This is yet to be done and has held up the transfer of the Centre's funds held in a Commercial Bank to the TSA.</p> <p>A third TSA account (IGR account) demanded by the WB/NUC is yet to be opened since a request was communicated to the Bursary Unit.</p>

4.6 External Audit

S/N	OBSERVATIONS	RESPONSE
4.5.1	<p>The 2015 financial year's external audit report of the Centre has been submitted to the management but the domestic report was not available at the Centre as at the time of writing this report.</p> <p>Recommendation We are of the opinion that external auditor's domestic report of the project should be made available to Internal Audit as required by World Bank in order to assess whether issues raised by the external auditors have been adequately addressed by the Centre.</p>	Noted

4.7 Fraud and Corruption

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

4.8 Payment Procedures

S/N	OBSERVATIONS	RESPONSE
4.8.1	<p>Payments procedures to suppliers and other beneficiaries were duly followed during the year under review but findings revealed that a total amount of twenty-three thousand, four hundred and twenty-four US Dollar (\$23,424.00) was paid directly by National University Commission (NUC) to different payees on behalf of the Centre (as at December 31, 2016).</p>	<p>The only documents available are the requisition letters to the NUC to facilitate payment. No other records of payments on behalf of the Centre.</p>

	<p>We observed that these payments were not captured in the financial books of the Centre as at December 31, 2016.</p> <p>Recommendation We are of the opinion that for proper documentation these direct payments by NUC should be recorded in the necessary accounting books and properly reported.</p>	<p>This requirement will be communicated to NUC.</p>
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4.9 Procurement Activities

S/N	OBSERVATIONS	RESPONSE
4.9.1	<p>Hiring of Procurement Consultant</p> <p>We observed that there was no (nil) performance record for hiring of procurement consultant for the procurement activities for the project. This show that procurement consultant is yet to be engaged. This is contrary to World Bank's requirement.</p> <p>Information received in the cause of our examination revealed that the NUC agreed to engage a procurement consultant for the ten ACEs at the commencement of the project to this agreement is yet to be fulfilled by NUC.</p> <p>Recommendation We recommend a prompt action in engaging a procurement consultant in line with World Bank requirement or the NUC should be communicated to on the engagement of same in order aid the Centre's qualification for fund on the overall procurement activities.</p>	<p>The NUC/WB and the Centres agreed that each Centre does not need to hire its own Procurement Consultant. The NUC was mandated to hire consultants to handle Procurement audits centrally. However, we are yet to know whether payment to the consulting firms will be shared among the Centres or not.</p>

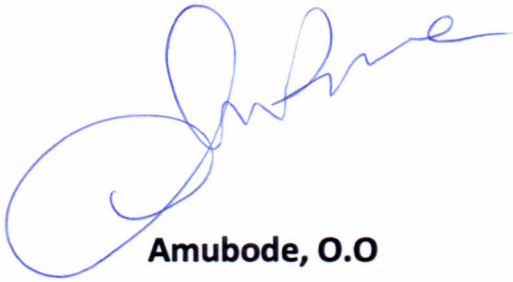
4.10 General

S/N	OBSERVATIONS	RESPONSE
4.10.1	<p>It was observed that there are areas in the World Bank's requirements (like the operational guidelines, procedures, technical, procurement, Financial Management, Environmental and safeguards aspects of the project) that Internal Auditors need to be more informed about. Although, we learnt that some areas are having new developments and that several review meetings, workshops, trainings and symposia were organised for financial specialists and other areas of the project by the World Bank, NUC or AAU but Internal Auditors were not invited most of the times.</p> <p>We majorly receive and rely on secondary information obtained from the project Accountant and this may not be detailed enough to help in carrying out our professional duties.</p> <p>Recommendation</p> <p>Internal Audit needs to be more informed in order to aid our effectiveness in discharging our duty.</p> <p>We are of the opinion that primary information is needed on the project by attending workshops, trainings and symposia were new developments and other issues (financial or otherwise) will be discussed about the project.</p>	<p>The Internal Audit Unit had always attended National Workshops with the team. Further efforts will be made to include the representatives of the Unit in team on International ACE Workshops.</p> <p>Noted</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,

A handwritten signature in blue ink, appearing to be 'Amubode', written in a cursive style.

Amubode, O.O