

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 2019
Credit/Grant Amount	\$8 Million [<i>Revised Grant Amount \$4,616,781.15</i>]
Project Duration	4 years
Remaining Period to Closing	1 year, 9 Months
Conversion Rate on the date of Disbursement for the Period under review.	₦305 to \$1
Disbursed Amount to date & Percentage	\$2,031,746.89; 25.40% [<i>% on Revised Grant : 44.01%</i>]
Period Covered by Review	July 1 to December 31, 2017.
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 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, 2017.

When the annual budget was compared with the 12 months performance achievement; only 31.10% budget performance was achieved for the year. Internal Audit observed that one of the reasons for the low budgetary performance might have been difficulty in understanding how to explore the budgetary information of some disbursement link (to the advantage of the project). Furthermore, industrial dispute between the Federal government and University workers also played vital role to the low budgetary performance during the period under review.

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 sixteen million, nine hundred

and fifty thousand, three hundred and one naira, eighty kobo (₦16,950,301.80). Furthermore, a total sum of ninety million, six hundred and eighty-seven thousand, one hundred and twenty three naira, fifteen kobo (₦90, 687,122.15) was NUC's direct payments on behalf of the Centre.

The total disbursement to date (both disbursement in the Centre's Account and direct payments by NUC) is two million, thirty-one thousand, seven hundred and forty-six US dollar, eighty-nine cent \$2,031,746.89; 25.40%, representing just 44.01% 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, 2017

	Annual Budget <u>₦ (₦305/\$)</u>	Actual Exp. <u>₦</u>	Variance <u>₦</u>	Perform <u>%</u>
DL.1	243,756,000.00	70,582,153.36	173,173,846.64	28.96
DL.2	812,062,500.00	267,721,930.56	544,340,569.44	32.97
DL.3	30,500,000.00	4,500,375.00	25,999,625.00	14.76
DL.4	<u>30,500,000.00</u>	<u>4,522,280.75</u>	<u>25,977,719.25</u>	14.82
Associated Bank Charges		38,082.05		
TOTAL	<u>1,116,818,500.00</u>	<u>347,364,822.17</u>	<u>769,453,677.83</u>	
Performance Rate	100%	31.10%	68.9%	

The financial records examined and reviewed by Internal Audit revealed that the total year 2017 budget (calculated at ₦305 per US Dollar) for the project is One billion, one hundred and sixteen million, eight hundred and eighteen thousand, five hundred naira (₦1,116,818,500) only while the total amount expended as at December 31, 2017 totaled three hundred and forty seven million, three hundred and sixty-four thousand, eight hundred and twenty-two naira, seventeen kobo (₦347,364,822.17) only including the associated bank

charges. This represents 31.10% of (year 2017) budgeted amount that was actually expended for the twelve (12) months period under review.

S/N	OBSERVATIONS	RESPONSE
4.1.1	<p>The records checked by Audit revealed that only 31.11% budget performance was achieved during the 12-months period under review. Furthermore, the performance rate according to disbursement link indicator showed 28.96% for DLI.1; 32.97% for DLI.2; 14.76% for DLI.3 and 14.82% for DLI.4.</p> <p>This budgetary performance rate is very low and it can be concluded that time value for money was not adequately utilized in executing the budget.</p> <p>Recommendation We recommend timely execution of budget within the remaining period of the project in order to enjoy timely value for money and so that the Centre will be able to access all funds provided by the World Bank for the project.</p>	<p>1. Noted.</p> <p>2. Substantial increase in the approval and spending limit of the Centre Director as previously directed by the NUC will assist in the timely execution of budget so that the Centre can access all funds provided by the World Bank for the project.</p>
4.1.2	<p>DLR. 1</p> <p>We observed that there was no (nil) budgetary performance on DLR.1.10 (Facilitation of FUNAAB Communication Office) and DLR.1.7 (Facilitation of Industrial Relations). This revealed that there was no proper financial facilitation in</p>	<p>Internal Audit Recommendations are well noted.</p> <p>It is also important to note that DLI. 1.7 has nothing to do with</p>

	<p>improving the industrial relationship of Centre and FUNAAB at large, this will guarantee uninterrupted research and extension activities of the Centre and also the communication office towards effective communication of the Centre's activities within and outside the University environment</p> <p>Recommendation We recommend effective, efficient and timely utilization of fund allocated to this budget line in order to improve, ensure and guarantee a good industrial relationship of the Centre and also the facilitation of the communication office of the Centre toward 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>relationship with FUNAAB but to improve our relationship with the Industries and this has been adequately taken care of from other DLIs.</p> <p>Improving the relationship with the FUNAAB community is one thing the Centre has taken very seriously especially in the last six months.</p>
4.1.3	<p>DLR. 2 A low rate of 32.97% performance rate was achieved on DLI.2 which covers the cost on students, teaching, learning and research activities.</p> <p>Further analysis of the expenditure on this link revealed that the budget performance on publication of workshop reports, input for external generated revenue, establishment of research core facilities, operation and research theses/ dissertations, and payment to adjunct and visiting</p>	<p>DLI 2 is where the core activities of the Centre are embodied.</p> <p>A total contract value of N101, 911,981.25 [\$334,137.64] was award towards early 2018, execution of contract is expected to be completed in the 1st quarter of 2018.</p>

<p>professors were nil.</p> <p>Furthermore, we observed that ₦7,625,000 was budgeted for International Accreditation but ₦62,295,733.15 was actually spent on this DLI which gave an adverse variance of 54,670,733.15. This shows that the budget on this DLI was underestimated at the planning stage.</p> <p>Recommendation</p> <p>We recommend that necessary steps should be taken in meeting up with the milestone of publication of workshop reports, establishment of research core facilities and the involvement of adjust and visiting professors in the project in order to be able to realize the full result based funding on these DLIs.</p> <p>Furthermore, effective, efficient and economical input should be made to generate external revenue for the Centre.</p>	<p>As already noted the inability of the Centre to access all funds provided by the World Bank for the project as and when due resulted in shortage of available funds which has affected the implementation of the budget.</p> <p>Necessary steps have already been taken to ensure timely access to funds and full implementation of budget in 2018.</p> <p>Internal Audit Recommendations have also been noted.</p>
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<p>4.1.4</p>	<p>DLR.3</p> <p>A very low rate of budgetary performance of 14.76% rate was achieved on DLR.3 which covers the financial management, reporting, auditing and controls activities of the Centre.</p> <p>Records examined revealed that Training of financial officers in World Bank guidelines & fiduciary methods, operational cost, web transparency on financial management and cost of auditing accounts which represented about 53.5% of the budget of DLR.3 gave almost a nil budget performance.</p> <p>Recommendation</p> <p>We recommend efficient and effective utilisation of fund budgeted under expenditure classification 3 (DLR.3) in order to achieve a more excellent and effective human development in World Bank guidelines & fiduciary methods, financial controls, reporting and auditing of the Centre.</p>	<p>Internal Audit Recommendations are well noted.</p> <p>Effort will be made to ensure adequate implementation of this DLI in 2018</p>
<p>4.1.5</p>	<p>DLR.4 – Procurement Process</p> <p>A budgetary performance of 14.82% rate was achieved under DLR.4 which covers the procurement activities of hiring procurement consultant and timeliness of procurement progress for the Centre.</p> <p>Several activities were achieved on the procurement process of the Centre, but financial records revealed</p>	<p>Internal Audit Recommendations are well noted.</p> <p>Effort will be made to ensure adequate implementation of this DLI in 2018</p>

	<p>that financial commitment to the activities were low.</p> <p>Recommendation We recommend effective and effective use of fund to achieve more on this disbursement link's milestone.</p>	
<p>4.1.6</p>	<p>Weak Budget Implementation</p> <p>Audit observed that the low performance of the budget reflect a very weak implementation process of the budgeting system of the Centre.</p> <p>Furthermore, one of the reasons for the low budgetary performance might have been difficulty in understanding how to explore the budgetary information of some disbursement link (to the advantage of the project) by stakeholder in-charge of each disbursement link. Furthermore, industrial dispute between the Federal government and University workers also played vital role to the low budgetary performance.</p> <p>Recommendation We recommend that after the approval of annual budget, a budget implementation workshop should be held for stakeholders (having direct links to the each milestone) in order to educate them on how to explore the budget and guidelines towards a performing budget implementation. Furthermore, a periodic budget review should also be carried out by</p>	<p>Necessary steps have already been taken to ensure timely access to funds and full implementation of budget in 2018.</p> <p>Internal Audit Recommendations have also been noted.</p>

	the Centre.	
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4.2 **Accounting.**

S/N	OBSERVATIONS	RESPONSE
4.2.1	<p><u>Bank Reconciliation</u></p> <p>We observed that the bank reconciliation for the period under review was not concluded due to non-availability of the bank statements for the Centre's TSA US Dollar and Naira Accounts for October 2017 to December 2017.</p> <p>Recommendation</p> <p>We recommend that immediate step should be taken to obtain the bank statements in order to reconcile the differences between the cash book and the bank statement.</p>	<p>Internal Audit Recommendations are well noted, we have already obtained bank statements and reconciliation is almost concluded.</p>
4.2.2	<p><u>Store Issued Voucher</u></p> <p>We observed that the store issued voucher is yet to be updated to capture all procured items initially kept in the store but have been issued out to the user departments and units.</p> <p>The implication of this situation is that the movement of such items may be difficult to trace to any officer or if it got to the users departments.</p> <p>Recommendation</p> <p>We recommend that all items procured should be duly entered in the store receipt voucher and a store issued voucher should be raised (after obtaining approval) for all items issued</p>	<p>Kindly note that store issued voucher is up to date; items initially kept at CEADSE temporary store were move to the laboratory store are still intact.</p>

	in order to capture the officer receiving the item and the department that will be using it.	
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4.3 Controls

S/N	OBSERVATIONS	RESPONSE
4.3.1	<p><u>Advance</u></p> <p>All cash advance is expected to be retired within two week but we observed that there is general delay in the retirement research advance given to students (for research work) through their supervisors because of peculiarity of the research work. Majority of the research works may be carried out for more that twelve weeks.</p> <p>During the period under review, financial records revealed that about ₦5,464,527 was made as savings from cash advances released to officers through the refund of unspent advances. This is a commendable effort on the part of the Centre's management for this effective control mechanism that was adhered to.</p> <p>Recommendation</p> <p>We recommend that reminder letters should be sent to officers after the due date for retirement of their advances. The policy of not releasing further payment to officers that are yet to retire previous advances should be strict adhere with in order to achieve a more effective accounting</p>	<p>Internal Audit Recommendations are well noted</p>

	control system.	
4.3.2	<p><u>Segregation of Duties</u></p> <p>We observed that apart from the only accountant (at the Centre) initiating and completing accounting and payment process, he is also acting as the store keeper that is in charge of updating the store receipt voucher and the store issued voucher.</p> <p>This situation will amount to leaving a lot of work undone by the accountant or cause delay in the whole system of accounting and store management.</p> <p>Recommendation</p> <p>We recommend segregation of duties of the accountant from that of a store manager.</p>	<p>Internal Audit</p> <p>Recommendations are</p> <p>well noted</p>

4.4 Contract Register

S/N	OBSERVATIONS	RESPONSE
4.4.1	<p>It was observed that no contract register is kept to monitor the financial and contractual progress of all contracts awarded to suppliers/ contractors.</p> <p>The implication of this situation is that finance officers may not be able to track all matters relating to contracts awarded and even the officer may not be aware of some of the contracts awarded.</p> <p>Recommendation We recommend that a contact register should be opened for all contracts awarded at the centre. Some of the information that a contract register will provide at a glance are service area responsible, description of service/ goods, supplier name, estimated value of whole life contract, start and end date plus any extensions.</p>	<p>Kindly note that most of the contracts awarded by the centre are mainly goods & works which are one off transactions.</p> <p>There is provision for necessary contract register on our accounting software making it easy to generate report as and when needed.</p> <p>Necessary steps will be taken to keep a hard copy as recommended by the Internal Audit</p>

4.5 Procurement Activities

S/N	OBSERVATIONS	RESPONSE
4.5.1	<p>Distribution of procured items to Users' Dept. It was observed that some of the items procured are yet to be issued out to user's department.</p> <p>Recommendation We recommend timely distribution of items procured in order to achieve efficiency,</p>	<p>Internal Audit Recommendations are well noted</p>

	economy and timely results by the different user departments.	
4.5.2	<p>We observed that some contractors/suppliers are not complying with the laid down contractual agreement of the period of delivering the goods or services awarded to. Some supplied did not supply goods/items after four months (or more) of the agreed period of delivery.</p> <p>Recommendation We recommend that the Centre's procurement officer should keep track of agreement clauses in the award of contract and if there is any breach of such agreement, it is expected that a timely communication should be made to the contractor..</p>	<p>This is a rare occurrence and the procurement has always taken steps to guide against default; Internal Audit Recommendations are well noted</p>

5.0 STATUS OF PREVIOUS INTERNAL AUDIT REVIEWS

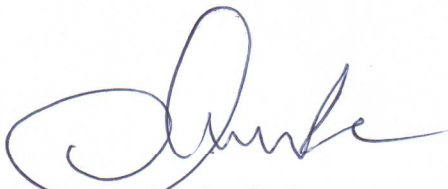
	Agreed Actions	By Whom	By When	Status
5.1	<p><u>Electronic Students' Ledger/Accounting Package</u> All necessary electronic modules on the Accounting package (including students' ledger) that will give a complete accounting system should be activated as soon as possible by the consultant as soon as possible.</p>	By the Consultant and to be supervised by the Centre's Finance Officer.	Third quarter of year 2017	No action is taken till date.

5.2	<p><u>Segregation of Accounting Duties</u></p> <p>Segregation of duties in the electronic aspect of accounting process at the Centre in order to reduce avoidable accounting errors and promote accuracy in the system. That is not one officer should initial accounting process and also complete it.</p>	<p>By the Bursar and to be facilitated and communicated by the Centre's Director.</p>	<p>Third quarter of year 2017</p>	<p>No action is taken till date</p>
5.3	<p><u>Approval on Payment Voucher</u></p> <p>Accounting process and control of obtaining approval from a superior finance officer to prepare payment voucher and make payment that was deleted from the electronic accounting system is to be rectified towards effective payment controls and high financial management risk.</p>	<p>By the Consultant and to be communicated and supervised by the Centre's Accountant.</p>	<p>Third quarter of year 2017</p>	<p>No action is taken till date</p>

6.0 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 Sir.



Amubode, O.O