

INTERNAL AUDIT REPORT ON THE ACTIVITIES OF FUNAAB'S CENTRE OF EXCELLENCE IN AGRICULTURAL DEVELOPMENT AND SUSTAINABLE ENVIRONMENT (CEADESE) FOR 6-MONTHS PERIOD ENDING JUNE 30, 2019

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	9 Months
Conversion Rate on the date of Disbursement for the Period under review.	₦305 to \$1
Disbursed Amount to date & Percentage	\$3,969,983.28; 49.62% [<i>% on Revised Grant : 85.99%</i>]
Period Covered by Review	January 1 to June 30, 2019.
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 6-months period ending June 30, 2019.

Only 25.7% performance rate was attained so far within the six (6) months period when compared with the approved year 2019 (12-months) budget of the Centre. During the 6-months period, a total of nine hundred and seventy-one thousand, two hundred and ninety-eight Dollars, sixty Cent (\$971,298.60) was total disbursement from the World Bank (through the NUC) into the Centre's TSA with CBN.

The general review of the time lag between the period cash advances were paid to officers and the time majority of the cash advances were retired is more than the stipulated two weeks. The Centre is also to access the Centre's TSA US Dollar Account

with CBN and this hindered the capturing of the Dollar Account in the Bank Reconciliation Statement.

4.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

4.1 Budgeting

Summary of Comparison of Budget and Actual Expenditure as at June 30, 2019

	Annual Budget	6-Months Actual Exp.	Variance	Performance
	<u>₦</u>	<u>₦</u>	<u>₦</u>	<u>%</u>
DL.1	95,959,125.45	33,000,111.00	62,959,016.45	34.39
DL.2	494,131,896.90	125,953,672.05	368,178,224.85	25.49
DL.3	19,978,643.75	565,714.28	19,412,929.47	02.83
DL.4	<u>11,022,700.00</u>	<u>-----</u>	<u>11,022,700.00</u>	00.00
	621,092,368.10	159,519,497.33	461,572,870.77	
Associated Bank Charges		57,647.77		
TOTAL	<u>621,092,368.10</u>	<u>159,577,145.10</u>	<u>447,256,327.68</u>	
Performance Rate	100%	25.69%	74.31%	25.69%

The financial performance records reviewed by Internal Audit revealed that the total budget for year 2019 for the project is six hundred and twenty-one million, ninety-two thousand, three hundred and sixty-eight naira, ten kobo (₦621,092,368.10) only while the total amount expended for the six months period ending June 30, 2019 totaled one hundred and fifty-nine million, five hundred and seventy seven thousand, one hundred and forty-five naira, ten kobo (₦159,577,145.10) only including the associated bank charges. This represents only 25.69% performance rate for the 6-months activities, when compared with the budgeted annual amount.

S/N	OBSERVATIONS	RESPONSE
4.1.1	Although the 6-months budget performance of 25.69% of the Centre is below an average	

	<p>performance but a comparative review with previous years' 6-months performances showed a slight improvement in performance. The 6-months budget performances of previous years were between 8% and 13%.</p> <p>Recommendation We recommend that more effort should be employed during the remaining 6 months period of year 2019 in order to achieve a better comparative budgetary performance result.</p>	<p>The centre is not relenting on her effort in ensuring an outstanding budget performance in the remaining 6 months period of year 2019.</p>
4.1.2	<p>DLR. 2 Disbursement Link Indicator 2 (which covers the cost on students, teaching, learning and research activities) showed a low rate budgetary performance rate of 25.49%.</p> <p>Audit review of the budget performance of DLR 2 revealed that the budget performance on cost of civil works; cost of equipment and laboratory purchases had a deficit budget. Findings revealed that some of the items procured and categorised under cost of civil works, equipment and laboratory purchases, are also related to cost of research consumables for masters and PhD research work (which gave a nil performance rate).</p> <p>Recommendation We recommend that items procured should be charged and categorised under the expenditure link that such items will be consumed instead of the general or related expenditure link.</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 observations and shall uphold all the recommendations.</p>

4.1.3	<p>DLR.3</p> <p>Disbursement Link Indicator 3 showed a very low budgetary performance rate of 2.83% which is very low to previous years' 6-months performance of between 9% and 13%.</p> <p>With the promptness and responsiveness of the financial management of the Centre, majority of the expenditure link under DLI 3 gave a nil performance rate.</p> <p>Recommendation</p> <p>We recommend timely utilisation of fund on DLI 3 in order to achieve better performance on financial management and web transparency of accounting and auditing activities.</p>	Noted
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4.2 Accounting.

S/N	OBSERVATIONS	RESPONSE
4.2.1	<p><u>Retirement of Cash Advances</u></p> <p>With exception to research support released to research students through their supervisors, it was observed that many cash advances were retired after the two weeks stipulated for such. This situation is against the laid down guidelines on cash advance.</p> <p>Recommendation</p> <p>We recommend that adequate controls should be employed to ensure that cash advances given to officers are retired within the stipulated two weeks. Furthermore, any officer that failed to retire cash advance given to him/her should be paid any other</p>	Noted.

	money until the initial cash advance is retired.	
4.2.2	<p><u>Bank Reconciliation</u></p> <p>It was observed that no bank reconciliation statement was prepared for the TSA Dollar Account with CBN. Findings revealed that the reconciliation of the TSA naira Account was done through the reliance on third-hand information given by the University Bursary officers managing the Centre's TSA with CBN.</p> <p>Recommendation</p> <p>We are of the opinion that third hand information received by Centre's Finance Officer (Accountant) on the TSA cannot be said to be 100% reliable. We recommend that the Finance Officer of the Centre should be enrolled on the TSA platform in order that the get first hand information about the fund movement of the Centre (project).</p>	

4.3 **Non-Current Assets**

S/N	OBSERVATIONS	RESPONSE
4.3.1	<p><u>Non-Current Assets</u></p> <p>It was observed that some of the non-current assets that were (minor to the total contract but) part of some contracted project procured by the Centre were duly verified into the asset register. Some of these non-current assets are furniture, fittings and other items that were part of a major contract carried out by Contractor.</p> <p>Recommendation</p> <p>We recommend that a critical review and analysis of the Centre's projects through</p>	

	the use of the Bill of Quantity of each project should be done in identifying and classifying non-current items that are yet to be captured in the Asset Register.	
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4.4 Management Oversight

S/N	OBSERVATIONS	RESPONSE
4.4.1	<p><u>Management Oversight Procedures</u></p> <p>During the period under review, majority of requests were given prompt and rapid attention in terms of authorisation and management of fund available for the project.</p> <p>Recommendation</p> <p>We believe that the management will continue on this in order to get the needed result at the appropriate time.</p>	Noted

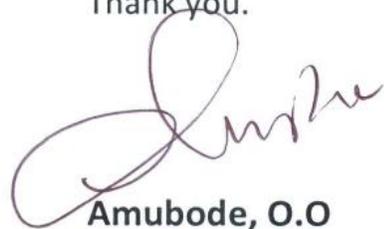
4.5 Fraud and Corruption

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

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.



Amubode, O.O