

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	3 years
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	January 1 to June 30, 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 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 January 1 and June 30, 2016.

When the annual budget is compared with the six (6) months performance; only 8.72% budget performance was achieved from the annual budget during the 6-months period under review. FUNAAB Internal Audit observed that the reason for the low budgetary performance was due to non-disbursement of the second tranche of fund which led to the careful management of funds at hand. Furthermore, delay in responses to procurement reports by the Bank also is one of the causes of delay in the utilization of fund available to procure materials needed.

As reported previously, we observed that a functional Audit committee is yet to be in place. There is need for the timely establishment 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) by World Bank.

4.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

4.1 Budgeting

Reviewed Summary of Comparison of Budget and Actual Expenditure as at June 30, 2016

	Budgeted ₦	Actual Expenditure ₦	Variance ₦
DL.1	97,500,000.00	23,954,106.48	73,545,893.52
DL.2	355,000,000.00	15,215,990.90	339,784,009.10
DL.3	20,000,000.00	2,568,787.38	17,431,212.62
DL.4	<u>20,000,000.00</u>	<u>1,190,333.52</u>	<u>18,809,666.48</u>
Sub-total	492,500,000.00	42,929,218.28	449,570,781.72
Bank Charges	<u>0.00</u>	<u>36,614.56</u>	<u>36,614.56</u>
TOTAL	<u>492,500,000.00</u>	<u>42,965,832.84</u>	<u>449,534,167.16</u>
Percentage	100%	8.72%	91.28%

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 June 30, 2016 totalled forty-two million, nine hundred and sixty-five thousand, eight hundred and thirty-two naira, eighty-four kobo (₦42,965,832.84) only including the associated bank charges. This represents 8.72% of (year 2016) budgeted amount that was actually expended during the period under review.

S/N	OBSERVATIONS	RESPONSE
4.1.1	The analysis of the budget performance above revealed that only 8.72% performance was achieved during the period under review out of the annual budgeted amount. Furthermore, the performance rate according to disbursement link	

	<p>indicator showed 24.57% for DLI.1; 4.29% for DLI.2; 12.84% for DLI.3 and 5.95% 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>Noted</p>
<p>4.1.2</p>	<p>DLR.1.1: Cost of Running CEADSE Office.</p> <p>We observed that a total of three million, seven hundred and fifty thousand naira (₦3,750,000) only was budgeted for running the CEADSE office in year 2016 but a total of six million, three hundred and fifty-nine thousand, two hundred and four naira, forty-eight kobo (₦6,359,204.48) only was reported in the IFRs and charged to DLR1.1 during the period under review.</p> <p>Our findings revealed that the three million naira budgeted and committed but not paid in year 2015 for the cost of establishing the CEADSE office was assumed to be rolled over into the year 2016 budget.</p> <p>This issue highlighted above revealed a budget deficit of ₦2,609,204.48 under this expenditure head.</p>	<p>It is my understanding as agreed with the World Bank that any uncompleted activity in any year can be rolled over along with the budgetary provision. This was done but with the oversight of not carrying-over the budget.</p> <p>This is regretted.</p>

	<p>Recommendation</p> <p>We recommend that any fund that has been committed but not spend in a particular year should be provided for in the following year's budget in order to avoid budget deficit.</p>	<p>Noted.</p>
4.1.3	<p>It was observed that the continuous delay in the disbursement of fund after the timely submission of withdrawal application by the Centre is one of the major hindrances to the effective execution of the budget.</p> <p>Recommendation</p> <p>Since there have been a continuous delay in the disbursement of fund from the supervising agency, other sources of raising fund should be adopted to finance the budget in order to achieve result within the targeted period.</p>	<p>The External Auditors frowned at movement of funds between our two accounts. Therefore, funds cannot be committed from IGR for an activity and thereafter repaid into the Project Account.</p> <p>The only alternative is for the University to lend financial assistance to the Centre for any activity. This will be reimbursed when credited by the World Bank.</p>

4.2 Accounting.

S/N	OBSERVATIONS	RESPONSE
4.2.1	<p><u>E-Accounting System</u></p> <p>We observed in the reports generated from the accounting program of the Centre that all cash advances inputted into the accounting program were charged against the name of the</p>	<p>Indeed advances should be in the names of the recipient but the software has not</p>

	<p>Accountant (as the officer who received the cash advance).</p> <p>We were informed that the consultants managing the accounting program have been informed about the development but are yet to rectify it.</p> <p>Recommendation</p> <p>We recommend that the Centre should communicate officially to the consultants immediately to enable them rectify this programming error and other pending issues about the accounting program.</p>	<p>been rectified to recognize the recipient rather than the Centre Accountant.</p> <p>The Centre had notified the consultants on several occasions but are yet to attend to the problem.</p>
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4.3 Internal Controls

S/N	OBSERVATIONS	RESPONSE
4.3.1	<p><u>Control Over Non-Current Assets</u></p> <p>Non-current assets procured were duly verified into the asset register but their locations or the officers in custody of such assets cannot be traced through the register.</p> <p>Recommendation</p> <p>We recommend that there should be proper documentation of the locations of all the Centre’s non-current assets.</p>	<p>The non-current assets referred to, are those procured from research support funds by students using them on the field.</p> <p>All such items are attached to each student using them. Therefore each item can actually be traced.</p>
4.3.2	<p><u>Documentation of Research Expense</u></p> <p>We observed that majority of the Centre’s research students are not conversant with the essential financial procedures and sufficient supporting</p>	<p>The Centre held a workshop on June 3, 2016 where the Head</p>

	<p>documents needed for research expense incurred.</p> <p>Recommendation</p> <p>We recommend that the Centre’s financial specialist should orientate and re-orientate the research students from time to time on basic financial procedures and documentations.</p>	<p>of Audit was invited to speak and orientate the students, which he did.</p> <p>The Head of Procurement Unit was also in attendance to deliver another lecture on procurement.</p>
4.3.3	<p><u>Segregation of Duties</u></p> <p>We observed that the payment vouchers raised from the accountant’s office were not cross-checked by superior accounting officer. When an officer initiates and completes an accounting process, such process may be prone to high degree of errors. Checking of payment voucher by superior accounting officer is one of the key controls established to reduce error in payment procedures and to promote segregation of accounting operations.</p> <p>Recommendation</p> <p>We recommend adherence to this laid down accounting control in order to reduce avoidable accounting errors and promote accuracy in the system.</p>	<p>The Centre Accountant reports to a Deputy Bursar II, who will nominate other supervising officers to check and approve payment vouchers.</p> <p>This will be adhered to.</p>

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>	<p>Noted</p>
4.4.2	<p><u>Effectiveness of Audit Committee</u></p> <p>With reference to our previous report on the re-organisation and establishment of <i>a functional Audit Committee</i>; we observed that there is no minute of meetings of such Audit Committee as the time of writing this report.</p> <p>Recommendation</p> <p>We are of the opinion that a functional Audit Committee should be put in place to strengthen management oversight function.</p>	<p>This had been brought to the attention of the University Management by the External Auditor.</p> <p>Hopefully, a committee will be set up soon.</p>

4.5 Fund Flow

S/N	OBSERVATIONS	RESPONSE
4.5.1	<p><u>Directive on TSA</u></p> <p>The Project fund was mopped into TSA in year 2015 but was reversed later in the same year.</p> <p>As directed, the University has written the Central Bank to open a TSA Account for the project but the Centre still awaits formal notification on the said TSA account from the CBN.</p>	<p>Central Bank accounts have been opened for the project and domiciliary.</p> <p>Account numbers have been</p>

	Recommendation We are of the opinion that in order to avoid penalty from the Federal Government on this matter, the supervising Government agency should be communicated in order to mediate on this with the CBN	communicated to the NUC and World Bank. The Centre's next disbursement will be lodged in the Central Bank TSA Project account which is now active.
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4.6 External Audit

The 2014 and 2015 financial years' external audit reports of the Centre have been submitted to the management as at the time of writing this report.

Recommendation

We are of the opinion that external audit reports 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.

4.7 Fraud and Corruption

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

4.8 Procurement Activities

S/N	OBSERVATIONS	RESPONSE
4.8.1	With reference to the procurement plan, bids were done as required and a report was submitted by the Bid evaluation Committee for onward approval by the Bank. We observe that there is delay in	Bid evaluation reports were forwarded to the procurement specialist at the World Bank for verification of

	<p>responding to bid evaluation report by the World Bank.</p> <p>Recommendation</p> <p>We are of the opinion that this delay in responses to report on bid evaluation by the Bank, which is further leading to delay in the award of contract should be communicated to the Bank.</p> <p>This will help in avoiding such situation in future occurrence.</p>	<p>adherence to laid down rules but serious delay in receiving response from the Bank has been the issue.</p> <p>Reminders have been sent.</p>
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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