

# INTERNAL AUDIT REPORT ON THE ACTIVITIES OF FUNAAB'S CENTRE OF EXCELLENCE IN AGRICULTURAL DEVELOPMENT AND SUSTAINABLE ENVIRONMENT (CEADESE)

## KEY INFORMATION ON THE PROJECT

<b>Project Name and State</b>	African Higher Education Centres of Excellence Project/Ogun State
<b>Project ID</b>	ACE 023 - Centre of Excellence in Agricultural Development and Sustainable Environment
<b>IDA Credit/Grant No.</b>	5415-NG
<b>Implementing Agency</b>	Federal University of Agriculture, Abeokuta, Nigeria.
<b>Effectiveness Date</b>	July, 2015
<b>Closing Date</b>	Sept 2018
<b>Credit/Grant Amount</b>	\$8 Million
<b>Project Duration</b>	4 years
<b>Remaining Period to Closing</b>	3 years, 6 months
<b>Conversion Rate on the date of First Disbursement</b>	₦198.91 to \$1
<b>Disbursed Amount to date &amp; Percentage</b>	₦147,172,326.55 (\$739,894.06); 9.249%
<b>Period Covered by Review</b>	January 2014 to June 30, 2015 (prior effective period) and July 1 to December 22, 2015
<b>Internal Auditor</b>	Amubode, O.O. (Head, Internal Audit - FUNAAB); Enilolobo, V. B. (Internal Audit Desk Officer, CEADESE)

## 1.0 PREAMBLE

The Centre of Excellence in Agricultural Development and Sustainable Environment (CEADESE) is a proposed Centre of Excellence in West Africa for agriculture anchored at the Federal University of Agriculture Abeokuta (FUNAAB), Nigeria and funded by the World Bank. The Centre is focused on teaching,

learning and research excellence in agricultural productivity towards 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.

## **2.0 SCOPE OF AUDIT REPORT**

Our report covers receipts, payments, reconciliation of cashbook and bank statements, budget performance and other financial and accounting records, observations and recommendations for the period prior to the effective date (July, 2015) and the period between effective date and December 22, 2015

## **3.0 FINANCIAL ACTIVITIES**

The financial records examined and reviewed by Internal Audit revealed that the total budget of the project for the period under review is two hundred and eighty five million, eight hundred thousand naira only (~~₦~~285,800,000) while the total amount (out of the budgeted amount) expended and paid as at December 22, 2015 totalled twenty million, five hundred and thirteen thousand, six hundred and nine naira, seventy-five kobo only (~~₦~~20,513,609.75)

Furthermore, financial records revealed that between January, 2014 and June, 2015 a total of Fourteen million, two hundred and nineteen thousand, five hundred and thirty-seven naira only (~~₦~~14,219,537) was sourced and given to the Centre by the University as advance for successful take-off of the project. This amount is already committed for repayment to the University but yet to be charged to the budget.

A total amount of three hundred and eighty-three thousand, two hundred and eighty naira only (~~₦~~383,280) was released by the University as quarterly allocations to support the administrative running of the Centre.

### 3.1 Reviewed Summary of Comparison of Budget and Actual Expenditure as at December 22, 2015

	Budgeted ₦	Actual Expenditure ₦	Balance ₦
DL.1	43,265,000.00	9,773,361.00	33,491,639.00
DL.2	155,606,520.00	8,317,868.75	147,288,651.25
DL.3	16,000,000.00	1,561,000.00	14,439,000.00
DL.4	16,000,000.00	-	16,000,000.00
Partners	<u>54,928,480.00</u>	<u>861,380.00</u>	<u>54,067,100.00</u>
<b>TOTAL</b>	<b><u>285,800,000.00</u></b>	<b><u>20,513,609.75</u></b>	<b><u>265,286,390.25</u></b>

### 3.2 Quarterly Allocation (from the University) For Administrative Activities

	₦
Total amount released to the Centre during the period	383,280.00
Total Administrative expenses from quarterly allocations	<u>277,007.63</u>
<b>Balance</b>	<b><u>106,272.37</u></b>

### 3.3 Advance from the University (prior to July 2015) 14,219,537

*NOTE: This total amount of fund advanced to the Centre by the University is already committed for payment (already in the process for repayment) but yet to be charged against the budget for onward payment.*

### 3.4 Summary of Income as at December 22, 2015

	₦	₦	₦
Disbursement from World Bank			147,172,326.55
Admin Allocation from the University		383,280.00	
<b>Internally Generated Revenue:</b>			
Application Fees	3,083,300.00		
Tuition Fee for Master	2,340,000.00		
Tuition Fee for Ph.D	<u>3,510,000.00</u>	<u>8,933,300.00</u>	<u>9,316,580.00</u>
<b>TOTAL</b>			<b><u>156,488,906.55</u></b>

## 4.0 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

### 4.1 Accounting System

S/N	OBSERVATIONS	RESPONSE
4.1.1	<p><b><u>Approval for Expenditure</u></b></p> <p>Necessary approvals for expenditure were obtained for all expenses before the preparation and presentation of payment vouchers for pre-payment audit during the period under review.</p> <p><b>Recommendation</b></p> <p>This due process of payment procedures followed is highly commendable and this practice should be continued.</p>	
4.1.2	<p><b><u>E-Accounting</u></b></p> <p>We noted that the Centre was completely upgraded from a partial e-accounting and pre-payment auditing system to a full-fledge e-accounting and e-prepayment audit system of its financial transactions in October, 2015.</p> <p><b>Recommendation</b></p> <p>This achievement is commendable, which is in line the World Bank requirement and it will also promote real time financial reporting. We recommend that due care should be exercise by financial/accounting officers in ensuring that basic accounting requirements are adhered to. Furthermore, relevant students' information should be obtained and updated on the electronic students' ledger.</p>	

## 4.2 Internal Controls

S/N	OBSERVATIONS	RESPONSE
4.2.1	<p><b><u>Verification of Purchase</u></b></p> <p>Purchases by the Centre or any University officer representing the Centre were presented to Audit for verification in line with the approved specifications, quantity and quality.</p> <p><b>Recommendation</b></p> <p>We recommend that officers buying materials or goods on behalf of the Centre should be re-oriented from-time-to-time to buy goods in line with the approved specifications.</p>	
4.2.2	<p><b><u>Cash Advance</u></b></p> <p>Majority of Cash advances received by some officers during the period under review for the running of the centre/project were retired within two weeks in line with the World Bank requirement. As at the time of writing this report only a total of three hundred and ninety-six thousand, one hundred naira is yet to be retired due to the nature of part of the amount which is being used like imprest for continuous maintenance of tractors used for students' training.</p> <p><b>Recommendation</b></p> <p>We recommend that officers should be re-oriented on the requirements and policy of World Bank on cash advance. The requirement should be strictly adhere to, as it promotes time value for money. Furthermore, Audit is of the view that a</p>	

	specific amount should be earmarked as imprest for the maintenance of the tractors.	
4.2.3	<p><b><u>Advance For Travels</u></b></p> <p>We observed that the University rate (and not the World Bank rate) was adopted by the Centre for travels, estacode, DTA and mileage claims. As required by the World Bank for retirement of travels; airline tickets and boarding passes were duly used for retirement of travels by officers, while the University rate for estacodes, DTAs and mileages claims are not retire-able.</p> <p><b>Recommendation</b></p> <p>We recommend that officers should be encouraged to strictly adhere to the practice of retiring travels with airline tickets and boarding passes within two weeks.</p>	
4.2.4	<p><b><u>Controls on Advance</u></b></p> <p>The effectiveness of the controls set for advances (which was supported and directly monitored by the Centre's Director) is highly commendable. A total of one million, five hundred and thirty-seven thousand, six hundred and twenty-six naira only (<del>₦</del>1,537, 626) was saved and refunded from advances released to officers, while eight hundred and eighty five thousand, four hundred and four naira only (<del>₦</del>885, 404) of the amount saved is related to advances released for travels, estacodes and local transports.</p>	

	<p><b>Recommendation</b></p> <p>The personal involvement of the Centre’s Director in ensuring effectiveness of this control is highly commendable. We want to encourage more of this which can help in making the Centre and the University; a reference point of excellence in Africa and the world at large.</p>	
4.2.5	<p><b><u>Non-Current Assets</u></b></p> <p>Approvals were obtained for non-current assets bought during the period and were duly verified into the asset register by audit upon delivery.</p> <p><b>Recommendation</b></p> <p>We recommend that all assets either bought or transferred to the Centre by the University should be duly recorded in the electronic asset register of the Centre (after obtaining relevant documents relating to the said assets). Also, we of the view that a hard copy of this Asset Register should be maintained.</p>	
4.2.6	<p><b><u>Engraving on Non-Current Asset</u></b></p> <p>One of the controls adopted by the University in safeguarding non-current assets is engraving with numbers on all assets. We observed that some non-current assets that have been duly verified by audit are yet to be engraved with asset numbers.</p> <p><b>Recommendation</b></p> <p>We recommend that the relevant Unit of the University saddled with the responsibility of engraving on assets should be communicated to address this matter.</p>	

### 4.3 Audit Committee

S/N	OBSERVATIONS	RESPONSE
4.3.1	<p><b><u>Establishment of Audit Committee</u></b></p> <p>With reference to the requirement of DL.3.2 that <b><i>a functional Audit Committee must be set up by the Management</i></b> evidenced by minutes of such Audit Committee meetings. We observed that this requirement is yet to be complied with.</p> <p><b>Recommendation</b></p> <p>In order not to be penalized nor lose any financial benefits attached to this requirement, we recommend the timely establishment of this committee in line with the World Bank requirement.</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,

Amubode, O.O