

**AFRICA CENTER OF EXCELLENCE FOR NEGLECTED TROPICAL DISEASES AND  
FORENSIC BIOTECHNOLOGY**

**AHMADU BELLO UNIVERSITY ZARIA**

**INTERNAL AUDIT REPORT**

**JANUARY – JUNE 2017**

<b>Project Name and State</b>	<b>Africa Center of Excellence for Neglected Tropical Diseases and Forensic Biotechnology</b>
<b>Project ID</b>	<b>P126974</b>
<b>IDA/Grant No.</b>	
<b>Implementing Agency</b>	<b>Ahmadu Bello University Zaria</b>
<b>Effectiveness Date</b>	<b>29-Jan-2014</b>
<b>Closing Date</b>	<b>31-Jul-2018</b>
<b>Credit Grant Amount</b>	<b>4,000,000 Dollars</b>
<b>Project Duration</b>	<b>5 years</b>
<b>Remaining Period to Closing</b>	<b>2 years</b>
<b>Disbursed Amount to Date &amp; Percentage</b>	<b>957,530.41 dollars</b>
<b>Period Covered by Review</b>	<b>01/01/2017 – 30/06/2017</b>
<b>Internal Auditor</b>	<b>Umar Abubakar</b>

## **EXECUTIVE SUMMARY**

In accordance with the requirement of the ACE World Bank funded projects the ACENTDFB is mandated to produce bi-annual internal audit reports covering periods of twelve months.

This internal audit report for the period seeks to review and provide assurances that the existing operational structure is most suitable for a functional system of internal controls which guarantees the attainment of set project objectives. Furthermore the review also seeks to ascertain the extent of compliance with relevant bank and institutional policies, procedures and operations of the project.

The Audit reports of internal controls over financial reporting, management processes and procedures as it relates to the operations of the Center is enshrined in the Project Appraisal document as a DLIs.

In performing the audit work for the review period, access was given to basic accounting records which included implementation plan, annual work plan, annual procurement plan, payment vouchers for the review period, interim financial report, statement of expenditures, cash books, bank reconciliation statement, fixed asset register, cash advance ledgers and other relevant document.

The activities of the African Center of Excellence for Neglected Tropical Diseases and Forensic Biotechnology (ACENTDFB) for the period Jan-Jun 2017 have been commendable in light of achieving its set objectives.

## **GENERAL OVERVIEW**

The previous structural lapse identified in standard project management process and procedures was corrected through the reconstitution of the entire project management team. Consequently, the implementation of fundamental project activities were expedited which resulted in achieving substantial DLIs.

Below are summarized findings of internal audit review of ACENTDFB center for the review period. Particular emphasis was placed on the level of achievement and observed infractions from standard procedures.

## **FINDINGS**

### **BUDGETING:**

- The budget/work-plan was prepared and submitted by the budget committee which was subsequently approved for implementation by the World Bank.
- The project budget planning and drafting process had relevant inputs from wider and most relevant project stakeholders.
- The budget performance was below average, only budget lines achieved more than 50% fund usage. Furthermore, some budget items were entirely not executed (e.g. Recruitment of Laboratory Manager) – **See Appendix A.**
- The budget for the center is usually aggregated in the NUC annual budget for all ACEs in Nigeria.

### **ACCOUNTING:**

- The University's accounting information system is still in use by the center; however, the process will soon be computerized. Basic financial information with

respect to project activities are generated through the use of customized MicroSoft Excel spreadsheet.

- The center has maintained proper books of account and other relevant records.
- The project audited annual financial statement is usually submitted to NUC. The report is aggregated as part of the country wide ACEs audit report
- .At present there exists no comprehensive Project Financial Management Procedures Manual that is strictly used by the project. The one currently used by the project is that of the University, which is being updated.

#### **INTERNAL CONTROL:**

The review of internal controls disclosed the following exceptions

- **Appointment letters:** Some members of the project management team are yet to receive their formal appointment letters clearly stating their definite responsibilities. There is, thus, the possibility of potential disproportionate allocation of specific responsibilities and resources.
- **Center organogram:** The existing organogram has been instrumental in the renewed push for attaining operational excellence. However, some slight modification based on further consultation with relevant project stakeholders will greatly enhance the organogram's operational efficiency.
- **Regional and International Collaboration:** The intrinsic collaborative nature of the entire ACE project requires that all National, Regional and International collaborating partners should have their commitment substantiated and bonded by signed MOUs.

- **Unretired Advances:** The entire process of retiring cash advances is inadequate. The standard procedure obtainable within University accounting system is not practiced in this regard. Though beneficiaries submit evidence of incurred expenses, documents are usually not verified by stores and audit. Consequently beneficiaries' names have not been cleared from the cash advance ledger due to this shortcoming.
- **Insufficient-Supporting Documents:** The supporting documents in respect of all payments have been adequate for the review period. Virtually 80% has been achieved.
- **Ineligible Expenditures:** The review period did not witness any ineligible expenditure.
- **Excessive use of one project category e.g. operating costs:** Every project financial activity affecting each category have received its fair share of cost allocation based on approved budget.
- **Slow implementation progress on major project activities:** The level of implementation for the review period was optimal. Audit observed that project activities were at all time high with minimal complaints and constraint.
- **Segregation of duties:** The segregation of Individual duties was apparent, but its practicability has not been fully implemented.
- **Stock controls:** The control of stock is satisfactory, but documentary evidence of proper and judicious usage by end user department needs to be very clear.
- **Physical controls:** The centers procured equipment and other relevant assets have strict physical control especially in terms of access and usage.

- **Approval and authorization procedures:** The Center Leader is the only officer who is saddled with the responsibility of approving and authorizing all payments. However, the authorization procedure needs to be amended to include the auditor's final vetting before payment.
- **Cost control procedures:** The cost control procedures over projects assets ~~as its~~ ~~affects~~ in relation fuelling and oils, repairs and maintenance for project vehicles were well within the approved work plan. Furthermore, asset register and insurance cover over assets are up to date with value for money.

**Recommendation:**

- Management should ensure that each member receives his appointment letter with defined responsibilities.
- The existing organogram should be re-modified to enhance efficiency.
- All signed MOUs should be archived in the Center Management Office.
- The Accountant should revisit all cash advances and ensure compliance with standard University rules on cash advance retirement.
- The Center Management should ensure strict implementation of segregation of duties.
- The Center Management strict implementation of prepayment audit in respect of all payments.

**EFFECTIVENESS OF MANAGEMENT OVERSIGHT INCLUDING AUDIT COMMITTEE:**

- The ~~center's~~ (ACENTDFB) audit committee is on the verge of becoming a fully-fledged committee at the University council.

- The composition of the audit committee ~~does have~~ includes a member of the University council.
- The available documented interaction between the audit committee and both internal and external auditors of the project needs to be more comprehensive and frequent.

#### **FUND FLOW:**

- The Center expended the sum of Sixty Five Million Nine Hundred and Twelve Thousand Nine Hundred and Seventy Two Naira Ninety Six Kobo **(N65,912,972.96)**. While receipts from World Bank for the review period amounted to Sixty Four Million Four Hundred and Twenty Five Thousand Six Hundred and Eighty Four Naira Fifteen Kobo **(N64,425,684.15)**.
- The Center had collected as tender fees sums amounting to Four Hundred and Forty Five Thousand naira only **(N445,000.00)** outside the normal disbursement from NUC.
- The review of funds flow revealed no delay or weakness because there was no complaint from any supplier or project staff.
- The combination of both counterpart and government funding was absent during the review period. However, emanating from collaborations with national, regional and international partners are enormous ~~the~~ potentialities for revenue generating activities.
- The entire process of accessing IDA funds was satisfactory especially with regards to timeliness of submissions for reimbursement.

**Recommendation:**

- The center management should fast-track activities with collaborators which have revenue generating potentials.

**FINANCIAL REPORTING**

- The requisite interim financial report for the period has been submitted by the Accountant.

**EXTERNAL AUDIT:**

- The external audit report for the period in question has been completed and also submitted to the center management and the audit committee.

**DISBURSEMENT AND SUBMISSION OF WITHDRAWAL APPLICATION (WA):**

- The Center's submission for withdrawal application are aggregated by NUC and subsequently submitted to World.

**PAYMENT PROCEDURE:**

- The payment procedure to suppliers and service providers is sufficiently adequate. There was no complaint from any supplier or service providers for the period under review.

**PHYSICAL VERIFICATION BY ON-SITE VISITS:**

- The physical verification of procured equipment and other consumables during the period was carried out. This was due to the availability of a comprehensive asset register with clear description of all assets in use.



## **PROCUREMENT ACTIVITIES:**

- The Center's procurement activities were conducted to ensure efficiency and value for money. Procurement was designed in lots and the monetary value of each lot was well within approved budget.
- National competitive bidding (NCB) was the procurement method used and have been efficient in this regard.
- The scheduling of procurement activities was quite effective. However, planned and actual dates of procurement delivery varied. These variations were at no cost to the center and did not affect items to be delivered.

## **Other matters:**

- Apart from reorganization of the entire team the project has so far maintained relevant staff and no changes are envisaged in the near future.

Umar Abubakar

**Project Internal Auditor**

**IFR JAN JUN 2017**

<b>SUB-COMPONENT</b>	<b>BUDGETED DOLLAR</b>	<b>BUDGETED</b>	<b>ACTUAL</b>	<b>VARIANCE</b>	<b>% USAGE</b>
Initiation, procurement & installation of central lab. Equip.	\$450,000.00	137,250,000.00	0.00	-137,250,000.00	0.00%
Core laboratory supplies	\$100,000.00	30,500,000.00	6,449,046.35	-24,050,953.65	21.14%
Establishment of Bio-bank	\$30,000.00	9,150,000.00	0.00	-9,150,000.00	0.00%
Equipping a vaccination dev. Program	\$76,800.00	23,424,000.00	0.00	-23,424,000.00	0.00%
Upgrade the ICT facility	\$21,500.00	6,557,500.00	200,000.00	-6,357,500.00	3.05%
NgREN Basic service subscription	\$234,212.00	71,434,660.00	48,720,000.00	-22,714,660.00	68.20%
Support to student & faculty research activities	\$207,000.00	63,135,000.00	1,167,710.80	-61,967,289.20	1.85%
Dissemination of research output	\$20,000.00	6,100,000.00	4,853,527.00	-1,246,473.00	79.57%
Exchange program for faculty students	\$40,000.00	12,200,000.00	0.00	-12,200,000.00	0.00%
Public Relation and communication of Project activities	\$68,605.00	20,924,525.00	453,000.00	-20,471,525.00	2.16%
International student Fellowship	\$7,000.00	2,135,000.00	1,327,500.00	-807,500.00	62.18%
Students & Faculty research facility	\$487,000.00	148,535,000.00	0.00	-148,535,000.00	0.00%
Strengthening Centre's research capabilities	\$132,600.00	40,443,000.00	0.00	-40,443,000.00	0.00%
	<b>\$1,874,717.00</b>	<b>571,788,685.00</b>	<b>63,170,784.15</b>		<b>11.05%</b>