

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

AHMADU BELLO UNIVERSITY ZARIA, NIGERIA

INTERNAL AUDIT REPORT JANUARY TO JUNE 2018

Project Name and State	Africa Center of Excellence for Neglected Tropical Diseases and Forensic Biotechnology. Ahmadu Bello University Zaria.
Project ID	P126974
IDA/Grant No.	
Implementing Agency	Ahmadu Bello University Zaria
Effectiveness Date	29-Jan-2014
Closing Date	
Credit Grant Amount	4,000,000 US Dollars
Project Duration	4 years
Remaining Period to Closing	2 years
Disbursed Amount to Date & Percentage	2,607,023.72 dollars
Period Covered by Review	01/01/2018 – 30/06/2018
Internal Auditor	Umar Abubakar

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 **(01/01/2018 – 30/06/2018)** 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 in relation to the operations of the Center is enshrined in the Project Appraisal document as a DLI.

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 documents.

The activities of the Africa Center of Excellence for Neglected Tropical Diseases and Forensic Biotechnology (ACENTDFB) for the period January to June 2018 have been commendable in light of achieving its set objectives.

GENERAL OVERVIEW

The center has made tremendous effort in maintaining a sound system of internal control which has so far provided the requisite assurances that project activities are in compliance with World Bank and Institutional guidelines. 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 for the period under review. Particular emphasis was placed on the level of achievement and observed infractions from standard procedures.

FINDINGS

BUDGETING:

- The budget performance for the review period has been low. Only Six (6) out the Sixteen (16) sub-components (activities) have achieved more than Fifty percent (50%) fund usage which necessitates rapid review and acceleration of steps to complete all outstanding procurements to enable the Centre fully utilize its allocated funds, optimize its achievements and DLI earnings before the end of the financial year. With half the year gone, the lapse can reasonably deter the achievement of many DLIs.

See (Appendix A)

- The annual review budget/work-plan was prepared and submitted by the budget committee which was subsequently approved for implementation by the World Bank.

- During the project budget planning and drafting process, the committee had received relevant inputs from virtually all project stakeholders.
- The budget for the center is usually aggregated in the NUC annual budget for all ACEs in Nigeria.

ACCOUNTING:

- There is little that has been achieved with respect to computerizing the centers accounting information systems. The University is yet to deploy its new accounting software to the ACENTDFB. While such effort is still pending, 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 the 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 recommended for 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

- Majority of the project management team members are yet to receive their formal appointment letters clearly stating their defined responsibilities. The lack thereof portends risks ~~the possibility~~ of potential disproportionate allocation of specific responsibilities and resources. This issue was raised severally in previous reports, but it is yet to be implemented.

- The existing organogram has been instrumental in the renewed push for attaining operational excellence. However, in view of recent development a re-modification will greatly enhance its operational efficiency.
- **Unretired Advances:** The entire process of retiring cash advances has been adequate. Outstanding cash advances from previous period have been cleared and current cash advances are in conformity with standard University procedures.
- **Insufficient Supporting Documents:** The supporting documents in respect of all payments have been adequate for the review period. No infractions were observed.
- **Ineligible Expenditures:** The review period did not witness any ineligible expenditure.
- **Excessive use of one project category e.g. operating costs:** All project financial activities affecting each category have received their 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 with specificity the prolonged nature of procuring some laboratory equipment. This lag can negatively affect supervision/verification visits needed for DLIs.
- **Segregation of duties:** There was an apparent segregation of individual duties but its practicability has not been fully implemented.
- **Stock controls:** The control of stock is satisfactory, and documentary evidence of proper and judicious usage by end user department is adequate.

- **Physical controls:** The center's 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 in Naira, the local currency. The Vice Chancellor's ~~further consent is required~~ approves payments in USD from the Domiciliary account.
- The cost control procedures over projects assets in relation to purchase of fuel and oils, repairs and maintenance of 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/her appointment letter with defined responsibilities.
- All signed MOUs should be archived in the Center Management Office.
- The Center Management should ensure strict implementation of segregation of duties.

EFFECTIVENESS OF MANAGEMENT OVERSIGHT INCLUDING AUDIT COMMITTEE:

- Audit review observed that the ACENTDFB audit committee is yet to be inaugurated.
- The available documented interactions between the audit committee and both internal and external auditors of the project were not encouraging and needs to be more comprehensive and frequent.

FUND FLOW:

- The sum of Nine Hundred and Sixty Three Thousand Six Hundred and Forty Five Dollars (963,645.44) was received from CBN as at June 2018. However, prior to the receipt, sums amounting to Two Hundred and Ninety Six Thousand and Thirty Three Dollars were brought for from the previous year.
- The review of funds flow revealed no delay or weakness, because there was no complaint from any supplier or project staff.
- World Bank IDA Funds have been the dominant source used in running project activities during the review period. There were no accrued funds from collaborations with national, regional and international partners.
- 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. Project sustainability largely depends on these genuine beneficial collaborations.

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 the NUC and subsequently submitted to the World Bank.

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.
- The scheduling of procurement activities was quite effective. However, planned and actual dates of procurement delivery varied. Although these variations were at no cost to the center and did not affect items to be delivered, they adversely affected delivery timelines, DLIs verification exercise and, by extension, reimbursement from the World Bank.

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

APPENDIX A

S/NO	SUB-COMPONENT (ACTIVITY)	BUDGETED DOLLAR	BUDGETED NAIRA	ACTUAL (SPENT)	VARIANCE	% USAGE
	GRAND TOTALS	\$1,550,500.00	472,902,500.00	195,005,173.09	277,897,326.91	
1	Procurement of residual research equipment	\$210,500.00	64,202,500.00	55,684,232.01	8,518,267.99	86.73%
2	Procurement of core laboratory supplies	\$154,500.00	47,122,500.00	2,665,288.05	44,457,211.95	5.66%

3	Upgrading and maintenance of bio-bank facilities	\$66,000.00	20,130,000.00	0.00	20,130,000.00	0.00%
4	Equipping the animal house and maintenance	\$80,000.00	24,400,000.00	20,606,734.00	3,793,266.00	84.45%
5	Programme administration	\$87,000.00	26,535,000.00	0.00	26,535,000.00	0.00%
6	Support to research activities of faculty and students	\$145,000.00	44,225,000.00	29,081,823.88	15,143,176.12	65.76%
7	Facilitation of Student Internship	\$65,000.00	19,825,000.00	0.00	19,825,000.00	0.00%
8	Publicity	\$42,500.00	12,962,500.00	2,016,000.00	10,946,500.00	15.55%
9	International accreditation	\$215,000.00	65,575,000.00	2,035,112.50	63,539,887.50	3.10%
10	Grantsmanship	\$45,000.00	13,725,000.00	997,300.00	12,727,700.00	7.27%
11	International Student Fellowship	\$30,000.00	9,150,000.00	1,948,939.00	7,201,061.00	21.30%
12	Strengthening Centre's research capabilities	\$115,000.00	35,075,000.00	9,841,110.00	25,233,890.00	28.06%
13	Workshops and training	\$30,000.00	9,150,000.00	15,903,832.00	(6,753,832.00)	173.81%
14	Research activities coordination	\$30,000.00	9,150,000.00	0.00	9,150,000.00	0.00%
15	Commitment to Collaborating/Partner Institutions	\$130,000.00	39,650,000.00	36,194,801.65	3,455,198.35	91.29%
16	Data Resources acquisition	\$105,000.00	32,025,000.00	18,030,000.00	13,995,000.00	56.30%

- ❖ Amounts in bracket (red color) indicate actual expenses exceeding approved budget amount.
- ❖ The exchange rate used for conversion was N305 to a dollar.
- ❖ Figures extract were from submitted IFR for June 2018 and Approved proposed budget 2018