

AFRICA CENTRE OF EXCELLENCE IN PHYTOMEDICINE RESEARCH AND DEVELOPMENT UNIVERSITY OF JOS

DATE: 19/02/2019

KEY INFORMATION ON THE PROJECT

Project Name and State	ACE in Phytomedicine Research and Development/Plateau
Project ID	ACE 033/126974
IDA Credit/Grant No.	ACE 033/126974
Implementing Agency	University of Jos
Effectiveness Date	July 2015
Closing Date	December 2019
Credit/Grant Amount	\$7,900,000.00
Project Duration	5 years
Remaining Period to Closing	1 year
Disbursed Amount to date & Percentage	₦1,139,966,443.65
Period Covered by Review	July – December 2018
Internal Auditor	Njin, Naansel Paul

EXECUTIVE SUMMARY

The report covers the period 1st July 2019 to 31st December 2019. The following documents and records were examined.

1. Cash Book: To confirm proper capturing and posting of receipts and payments.
2. Payment Vouchers: To ensure and confirm authorization, approval and documentation.
3. Journal Vouchers: To confirm that cash advances collected are retired and used for the purpose for which they were collected.
4. Fixed Assets Register: To ensure all assets procured by the centre are documented and secured.
5. Interim Financial Report
6. Implementation plan
7. Statement and uses of funds by project activities and components: To compare budgeted against actual expenditure with associated variances.

KEY FINDINGS

1. The Accounting Software (SAGE 1000) is not fully in use.
2. Some cash advances remain unretired (₦21,985,310.55)
3. Project assets are yet to be insured
4. There was a negative variance of 42.99% on the overall budget. This means total actual budget was less than actual expenditure for the period under review. In the report of the first six (6) months (January-June 2018), there was a positive balance of 70.09%
5. Action Plans 1, 2 and 5 revealed a negative variance of (97.56%), (134.21%) and (2.33%) respectively.
6. Action Plans 3, 4 and 6 showed a positive variance of 69.52%, 60.17% and 10.45% respectively.

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2.1 BUDGETING

Find below summary of variances between planned and actual expenditure for the period July to December 2018.

TOTAL BUDGE (₦)	ACTUAL ₦	VARIANCE ₦	VARIANCE%
189,039,000.00	270,300,595.54	(81,261,595.54)	(42.99%)

The summary above reveals that actual expenditure was higher than budgeted expenditure by 42.99%

ACTION PLANS

The six (6) action plans under which the centre operates are subdivided into various components: Find below analysis of the variances based on action plans.

ACTION PLAN	BUDGET ₦	ACTUAL ₦	VARIANCE ₦	VARIANCE %
PLAN 1	74,877,500.00	147,931,128.76	(73,053,628.76)	(97.56)
PLAN 2	24,308,500.00	56,933,353.19	(32,624,853.19)	(134.21)
PLAN 3	26,840,000.00	8,181,769.00	18,658,231.00	69.52
PLAN 4	10,675,000.00	4,252,280.00	6,422,720.00	60.17
PLAN 5	47,991,750.00	49,110,110.83	(1,118,360.83)	(2.33)
PLAN 6	4,346,250.00	3,891,953.76	454,296.24	10.45
TOTAL	189,039,000.00	270,300,595.54	(81,261,595.54)	(42.99)

From the analysis above, action Plans 1, 2 and 5 reveals a negative variance where actual expenditure was higher than budgeted, while Action plans 3, 4 and 6 experienced positive variances.

Further analysis of the components of Action plans revealed the following:

- **ACTION PLAN 1** (Enhance Capacity to deliver regional high-quality training) Components 1.1, 1.4, 4, 1.6, 1.7, 1.8 recorded positive variances where actual expenditures were less than budgeted. The variances ranged between 59-50% and 96% which are quite significant.

On the other hand, components 1.2, 1.9, 1.11 and 1.12 revealed significant adverse variances where actual expenditure was higher than budgeted. The plan as a whole revealed an adverse variance of N73,053,628.76 (Seventy-three Million, Fifty-Three Thousand, six Hundred and Twenty-Eight Naira, seventy-six Kobo only) which translates to 97.56%.

- **ACTION PLAN 2** (Enhance Capacity to deliver Applied Research to address regional development challenges) Components 2.2, 2.5, 2.7, 2.8, had positive variances as no expenditure was recorded on them. Components 2.1, 2.3 and 2.6 accounted for the high adverse variances of N32,624,853.19 (Thirty-Two Million, six Hundred and Twenty-four Thousand, eight Hundred and Fifty-three Naira, Nineteen Kobo only) i.e. 134.21%. Component 2.6 (core specialized research equipment) accounted for the significant negative variance
- **ACTION PLAN 3** (Build and strengthen regional and International Academic Partnership).

Components 3.1, 3.2 recorded negative variances. Actual expenditure exceeded budgeted by about 45%. On the hand, components 3.3, 3.5, 3.8 had positive variances as no expenditure was made on them. Nothing was budgeted for component 3.2, 3.6 ad 3.7. On the overall, the Action Plan three recorded a positive variance of 69.52%.

- **ACTION PLAN 4** (Building and use Industry/Sector partnerships to enhance impact of ACE on development and increased relevance of Centre Education and Research).
The only component (4.1) revealed a positive variance of 60.17%.
- **ACTION PLAN 5** (Enhance Governance and management of ACE and the participating Universities to achieve Centre/Institutional operations and management Excellence).
Components 5.1, 5.5 revealed negative variance which accounted for the overall 2.3% negative variance on this action plan. Components 5.2, 5.4, 5.6 had positive variances where actual expenditure was lower than budgeted.
Components 5.5 (Management Centre training accounted for a negative variance of 79.92%. No budgetary provision was made for component 5.3.
- **ACTION PLAN 6** (Enhance Revenue generation strategies to strengthen financial stability of the Centre).
- The only component (6.1) recorded a positive variance of 10.45%. This reveals that effort is being made to generate revenue for the centre.
The analysis above should be read with the attached copies of IFR, USES OF FUNDS BY ACTIVITY, SOURCES AND USES OF FUNDS.

RECOMMENDATIONS

- Expenditure should be done within budgetary provisions
- Action Plans should be implemented within the budgetary period to reduce significant variances.
- Budgets should be prepared in line with activities envisaged to be carried out within the budget period.

MANAGEMENT RESPONSE

Noted. However, at times due to delay in accessing funds some activities overlap into the next period.

2.2 ACCOUNTING

- The system of accounting was sufficient
- Prepayment Audit was carried out during the period
- Accounting books and records were adequately kept
- The accounting software is not fully utilised
- The two Bank accounts are domiciled at CBN (naira and Dollar).
- Vouchers had sufficient supporting documents.

RECOMENDATION

The accounting software should be fully put into use to ease processing of transaction and reporting. This is long overdue.

MANAGEMENT RESPONSE

Noted. Efforts are still being made towards resolving the technical hitches; and undertaking the scheduled retraining programme for the staff by the consultant.

2.3 INTERNAL CONTROL

- There was adequate segregation of duties
- An audit committee is in place
- Fixed assets register is maintained and updated
- There was adequate approval and authorization procedure
- Assets are yet to be insured
- Some cash advances remain unretired. This amounts to N21,985,3110.55 (Twenty Million, Nine Hundred and eighty Thousand, three Hundred and Ten naira, Fifty Kobo only). July 2015 to December 2019

RECOMMENDATIONS

- Deduction from staff with unretired advances (with no convincing explanation) should commence without delay to serve as example to others.
- Staff with unretired advances should not be granted new advances.
- Conscious effort should be made to ensure project assets to cover against risks and losses.

MANAGEMENT RESPONSE

Noted. Defaulting staff have been notified and are responding positively.

2.4 EFFECTIVENESS OF MANAGEMENT OVERSIGHT INCLUDING AUDIT COMMITTEE

- The University Management oversees the functions of the Centre
- The audit committee is in place

2.5 FUNDS FLOW

IDA Funds received for the six (6) months period to 31st December 2018 amounted to N231,896,700 (Two Hundred and Thirty Million, eight Hundred and Ninety-six Thousand, Seven Hundred Naira only). Find below the breakdown.

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World Bank IDA Funds (ACEPRD CBN Naira account)	122,300,000.00
World Bank IDA Funds (Direct Payments by NUC)	<u>109,596,700.00</u>
TOTAL	<u>231,896,700.00</u>

OTHER RECEIPTS

	N
Wrong Payment (students)	197,000.00
Refund of cash advances	<u>937,655.50</u>
	<u>1,134,655.50</u>

- There were no negative reports from beneficiaries
- The STATEMENT OF EXPENDITURE is attached.

2.6 FINANCIAL REPORTING

- Reports for the half year to 31/12/2018 has been submitted to the world Bank
- Reports were generated using World Bank templates

2.7 EXTERNAL AUDIT

The audit is yet to be concluded

2.8 DISBURSEMENT AND SUBMISSION OF WITHDRAWAL APPLICATION

- The centre received disbursement during the period under review

2.9 FRAUD AND CORRUPTION

There was no observed or reported case of fraud or corruption for the period under review

2.10 PAYMENT PROCEDURE

The procedure is in line with acceptable rules and regulations. The procedure is adequate.

2.11 PHYSICAL VERIFICATION

Project assets are in safe custody. Assets were verified and confirmed to be in place.

ASSETS PROCURED

Additional Assets procured during the period under review amounted to N25,703,550.00 (Twenty-five Million, Seven Hundred and three Thousand, five Hundred and fifty Naira only). See attached for details

2.12 PROCUREMENT ACTIVITIES

The activity for the period was not concluded as at 31st December 2018.

2.13 ACTION PLAN

Status of Previous Internal Audit Action Plan

S/N	ISSUES	AGREED ACTION	BY WHOM	STATUS
1	Long overdue unretired cash	Retired advance or deduct from salary	Project Accountant	Partially done
2	Partial use of accounting software (SAGE)	Fully utilise software	Project Accountant	Not done
3	Assets not insured	Set Machinery to insure all assets	Centre Leader/Project	Not done

2.14 NEW ACTION PLAN

Same as 2.13

PERSONS MET IN COURSE OF AUDIT

1. Centre Leader
2. Deputy Centre Leader
3. Project Accountant
4. Project Administrator
5. Project Procurement Officer

University of Lagos
FINANCE OFFICER
ACEPRD
 Date.....

Sign: Njin Naansel Paul
 Project Internal auditor