**Project Internal Audit (IA) Report**

Key Information on the Project

|  |  |
| --- | --- |
| **Project Name and State** | AFRICA HIGHER EDUCATION CENTERS OF EXCELLENCE PROJECT – ABUJA, NIGERIA |
| **Project ID** | IDA/R2014-0089/1 |
| **IDA Credit/Grant No.** | CREDIT NUMBER 5415-NG |
| **Implementing Agency** | AFRICAN UNIVERSITY OF SCIENCE AND TECHNOLOGY |
| **Effectiveness Date** | 29/06/2015 |
| **Closing Date** | MARCH, 2020 |
| **Credit/Grant Amount** | SDR 5,100,000.00 (USD 8,000,000) |
| **Project Duration** | 5 YEARS,3 MONTHS |
| **Remaining Period to Closing** | 6 MONTHS |
| **Disbursed Amount to date & Percentage** | SDR 3,825,000 (75%) |
| **Period Covered by Review** | 01/07/2019-30/9/2019 |
| **Internal Auditor** | AUGUSTINE UZOMA IKEAGWU |

**EXECUTIVE SUMMARY**

**INTRODUCTION**

* The internal auditing of the ACE/PAMI project of the African University of Science and technology (AUST) was carried out y the internal Audit team.

The period covered is 1st July 2019 –September 30th 2019.

* The internal audit process involved review of various documents and books of account such as financial manual, procurement manual, annual work plans, the budget, 2018 audited financial statement, monitoring and evaluation periodic report, minutes of meetings of PAMI centre leaders and members and implementation team, bank statement and reconciliation statements, Payables ledgers, general ledger, fund flow statement, statement of expenditure(SOE), withdrawals, applications interbank transfers and authorization. The internal audit also had verbal interactions as well as email exchanges with the project Accountant, Monitoring and evaluation officers, PAMI centre leaders and physical visit to project locations within the AUST campus.

**HIGHLIGHTS OF KEY FINDINGS AN ACTION PLAN.**

The following significant issues were observed in the course of internal audit review of the PAMI project:

1. Budget committee is constituted and functional but minutes of meetings have not been communicated
2. There is a work plan of activities being followed and implemented as enshrined in the project manual.
3. There is a functional centralized store and a store keeper has been duly employed in line with the provisions of the project financial manual.
4. The audited financial statement of the project by Alatta Nzewi &co as at 31st December 2018 was ready and was consulted as at the time of this audit report and it also guided us in forming our internal audit opinion.
5. No register of cash advance and there were cash advances to staff that are yet to be retired.
6. Fixed Assets register is in place and it is continuously updated.
7. Insurance policy on Fixed Assets is yet to be in place.
8. Schedule of registered vendors not available
9. List of PAMI partners and funded activities on periodic basis is available.
10. Periodic/monthly summary of PASMAT and MS4SSA expenditure were not provided.
11. There is a functional PAMI website in place
12. Withholding tax liabilities are still outstanding in the books in the period under review to the tune of ~~N~~7, 114,999.13(Seven million, one hundred and fourteen thousand, nine hundred and ninety nine naira thirteen kobo only) as at 30th September, 2019.
13. Disbursement of project funds were done in accordance with the work plan and financial manual, disbursements were based on verified work done and certified, supplies made and verified and contract of works/supplies were made in accordance with the project operating financial manual.
    * **REVIEW:FINDINGS AND ACTION PLAN**

**Budget:** The budget/Work plan available for review relates to January to December and not made to reflect quarterly periodical review budget.

Project Implementation continued with an additional disbursement of SDR 553,860(10.86%) bringing the total disbursement to SDR 3,825,000 as at 30th September 2019. This translates to 75% project disbursement in September 2019 as against 64.14% achieved as at 30th June 2019. The sum of SDR 3, 825,000 out of the total of SDR 5, 100, 00.00 allocated for the project has been disbursed as at 30th September 2019. This leaves us with the balance of SDR 1, 275,000 outstanding to be disbursed to achieve 100% disbursement of funds.

Review of the performance achieved and outstanding showed the following position as at 30th September 2019

|  |  |  |  |
| --- | --- | --- | --- |
| S/N | DLR | Results Achieved | Outstanding |
| 1 | 2.2 Master scholarship | 78% | 22% |
| 2 | 2.4 Internship | 5% | 95% |
| 3 | 2.5 Accreditation | 38% | 62% |
| 4 | 2.8 Teaching and learning environment | 75% | 25% |
| 5 | **FIDUCIARY MANAGEMENT:**  3.1 Timely Financial reporting  3.2 Functioning Audit Committee  3.3 Functioning internal Audit  3.4 Web transparency | 47% | 53% |
| 6 | 4.0 Procurement | 75% | 25% |
|  |  |  |  |
|  |  |  |  |

The table above shows the results achieved and outstanding as at 30th September 2019. It is advisable that the centre leaders focus on achieving the out standings before the March 30th, 2020 which is the closing date of the Project.

Management response:

**ACCOUNTING**

A review of the project books of accounts, accounting records and documents revealed the followings:

* Bank reconciliation statements were prepared and all bank accounts reconciled with journals clearing all the identified bank charges and interest.
* The accounting system of the project was annexed to that of the University.
* Project audited financial statement was ready and reviewed alongside other accounting information.
* Yearly work plan/ budget was available but was not segmented on quarterly basis to reflect specific periodic plan and achievements.
* Periodic statement of expenditure (SOE) was not available for review.
* There were many instances where the project accountant did not sign the requisition expenditure approval
* Most of the bank payment vouchers were not numbered thus making it difficult to track and keep the orderly sequence of transactions, filing system was not done and followed in chronological order(see attached)
* There were many instances of non attachment and acknowledgement of receipts and payments(see attached table of observations noted)
* Withholding tax liability ledger showing a liability or otherwise was not made available for our review.
* No periodic expenses register of PASMAT &MS4SSA to show what has been expended from PAMI as at 30/09/2019.
* No register of cash advance to link the general ledger.
* There was a case of transfer of $50,000 that was not authorized by any designated authority
* There was a case of conversion of $20,000 to naira that was not approved/authorized. (see attached schedule)
* There were many cases of non approval of payment vouchers (see table attached)
* Ledger Account balances of M.Sc and PhD scholarship award as at 30th September 2019 was not made available for review.
* The accounts department uses computerize accounting systems and makes use of tally which is suitable for application of international public statement of accounting standards (IPSAS) and international financial reporting standard (IFRS). PAMI financial statement is compliant with the provisions of IFRS.

**REVIEW OF PROJECT FINANCIAL MANAGEMENT MANUAL**

Disbursements of project funds complied with the financial management procedures manual. Audited annual financial statements for the year ended December 2018 was ready and had been posted to the PAMI official website as at the time of this audit report.

**INTERNAL CONTROLS**

* There is a functional centralized store manned by a store keeper employed for the purpose of store management as required by the financial manual.
* There is a functional audit department and standing audit committee.
* Quarterly stock reconciliation statement was not made available for review.
* The project implementation activities have been steadily progressive. Details of stages of completion of some outstanding projects as at 30th September 2019 are contained in the table above.
* The project had a well laid out approval and authorization procedures as contained in the financial manual and these have been observed accordingly in most of the project transactions.

**RECOMMENDATION**

There should be quarterly and yearly stock count and reconciliation by the store keeper/Accounts and witnessed by the Internal Audit Department

**Management response:**

**EFFECTIVENESS OF MANAGEMENT OVERSIGHT INCLUDING AUDIT COMMITTEE**

There is a monitoring and evaluation team and project steering committee that oversees and report on project stages of completion and this team has been effective since the inception of the project.

The approval procedures of the PAMI project has been followed and implemented as contained in the financial procedure manual.

There is a standing audit committee that reviews and follows up on internal audit and external audit reports.

It is however advised that the audit committee members should endeavor to communicate the outcome of their sittings, action plans/recommendations to the PAMI secretariat and internal audit unit which would form part of our routine reports

**Management response:**

**FUNDS FLOW**

The funds flow from the project sponsor (World Bank) has been fairly prompt in coming and based on milestones achieved, PAMI has received SDR 3,825,000 from SDR 5, 100,000 allocated to the project representing 75% funds flow, leaving a balance of SDR 1, 275,000 as at 30th September 2019.

It is advised that monthly statements of expenditure and withdrawal applications be prepared and made available for review on monthly basis.

**FINANCIAL REPORTING**

Monthly management account was not made available as well as quarterly project management account.

**EXTERNAL AUDIT**

The audited financial statement for the year ended 2018 was ready and had been submitted to the bank. There was no adverse or qualified audit opinion on the audited financial statement for the year ended 2018 and there were no key audit matters that required the attention of those charged with governance hence we have none to report on.

**DISBURSEMENT AND SUBMISSION OF WITHDRAWAL APPLICATIONS**

Withdrawal has been timely and has been carried out in line with the agreed policies; there was no available evidence that there was withdrawal applications returned.

**FRAUD AND CORRUPTION**

There was no case of fraud seen or uncovered in the course of this review.

**PAYMENT PROCEDURES**

The process of payment to suppliers were reviewed and found satisfactory. Supplier’s ledgers were kept and maintained for individual supplier and linked to the general ledger. Invoices for all payables were captured and payments are made to suppliers on completion of contract and confirmation thereof by the project management and monitoring team.

**PHYSICAL VERIFICATION BY ON SITE VISITS, THIRD PARTY/BENEFICIARY CONFIRMATION.**

The internal audit rely on report from monitoring and evaluation team in forming our opinion as there had not been any physical visits to sites other than the University premises.

**RECOMMENDATION**

We recommend that internal audit department be allowed to physically visit project sites to have the benefit of third party confirmation of project stages of completion.

Management Response:

**PROCUREMENT ACTIVITIES**

Procurement department is equipped with seasoned and competent personnel that have ensured that all procurements overtime were in accordance with the procurement manual as stipulated by the bank.

Status of Internal Audit Findings

|  |  |  |
| --- | --- | --- |
| **2**. Set up of project fixed assets register | Center Leader/Internal Audit | Resolved |
| 3.Improvement of disbursement rate | Center Leader | Partly resolved/Last batch of procurement about to be made before the closure of the project. |
| 4. Inclusion of the President as a signatory to Project Accounts | Center Leader/Project Accountant | Not yet Resolved |
| 5. Retirement of outstanding cash advances | Affected Staff | To be resolved by making available cash advance register. |
| 6. Compliance with Pension Reform Act/Retirement Benefit Scheme | AUST Management | Resolved |
| 7. Insuring project fixed assets | AUST Management | Yet to be resolved |
| 8. Pre-numbering of Payment Vouchers and Conduct of Prepayment Audit | Project Accountant/Internal Auditor | Partly resolved |
| 10.Monthly and quarterly stock reconciliation | Store Keeper/Accounts Department | Yet to be resolved. |
| 11. Monthly and quarterly management accounts | Accounts Department | Yet to be resolved. |
| 12.Monthly statement of expenditure and withdrawal approvals | Accounts Department | Yet to be resolved. |
| 13. Quarterly expenditure statements from PAMI to PASMAT and MS4SSA | Accounts Department | Yet to be resolved. |
| 14. Quarterly withholding tax liability ledger | Accounts Department | Resolved. |
| 15. M.Sc and PhD scholarship award master list | University’s Registrar | Yet to be resolved |
| 16. Up to date M.Sc and PhD scholarship award ledger accounts | Accounts Department | Yet to be resolved |
| 17. Composition of Active Audit committee. | University’s Board of governing Council | Resolved |

**Persons met/contacted in the course of the review:**

1. Prof Charles Chidume – Acting President
2. Prof. Azikwe Onwalu – Project Center Leader
3. Dr. Shola Odusanya – Co-Center Leader
4. Mr. Ben Okonkwo – Project Accountant/University Bursar
5. Mr. Morgan Leo – Procurement Manager
6. Ms. Victoria O. Agbo – M & E Officer
7. Dr. Bello – Head of Physics Stream
8. Mr Osoba Inegbenose- Acting Registrar

Sign:

Internal Auditor