

**AFRICA CENTRE OF EXCELLENCE
WORLD BANK PROJECT
CENTRE FOR OILFIELD CHEMICALS RESEARCH
UNIVERSITY OF PORT HARCOURT
PROJECT INTERNAL AUDIT (IA) REPORT**

Key Information on the Project

| | |
|--|---|
| Project Name and State | Centre for Oilfield Chemical Research, Rivers State. |
| Project ID | P126974 |
| IDA Credit/Grant No | 60029544 |
| Implementing Agency | University of Port Harcourt |
| Effectiveness Date | January 2020 |
| Closing Date | December 2024 |
| Credit/Grant Amount | \$5 Million |
| Project Duration | 5 Years |
| Remaining Period to Closing | 3 Years |
| Disbursed Amount to date & Percentage | ₦113,891,278.43 |
| Period Covered by Review | 1st January 2021 to 31st December 2021 |
| Internal Auditor | Noble Maclin |
| | |



1.0 EXECUTIVE SUMMARY

This routine audit covered the period 1st January to December 31th, 2021. The following records were examined; cash book, bank account statements, payment vouchers, fixed assets register and bank reconciliation statements. The essence was to ensure that cash transactions were posted promptly, errors and omission were detected and corrected and that bank reconciliations were carried out as prescribed by the Financial Regulations. This was to enable us determine whether the expenditures carried out were budgeted or not and to compare budgeted and actual expenditures and isolate/comment on significant variances. We reviewed the payment vouchers to check for authorization and approvals. Also, audited report and management letter for the year ended 31st December 2020 was reviewed for the purpose of this audit including the trial balance, ledgers, receipt and payment accounts, etc. We reviewed the entire system of internal control for compliance in order to identify weaknesses that existed.

The following were major findings of the exercise.

There was an approved budget for the period. The sum budgeted amounted to ₦925,452,000.00 Actual expenditures amounted ₦379,377,824.02 with a positive variance of N546, 074,175.98. In accounting, Receipt and Payments accounts were prepared. The Centre maintains three bank accounts. We also noted that the monthly bank reconciliation statements were adequately prepared for the relevant accounts and the cash book updated monthly. There was fixed asset register within the period under review though not comprehensive and few assets were not coded. The external audit report was examined, and the auditor gave an unqualified opinion on the financial statement presented. All payments as evidence in the books presented passed through audit; were duly approved and paid via transfer using remita. All payment vouchers and supporting documents were examined.

There was adequate segregation of duties. We also observed that the Audit Committee has made impacts on the project. Further, Audit for this period indicates that the project FM system is adequate with reasonable assurance that the Project funds are being utilized for the intended purposes and are in line with World Bank guidelines. The project Financial Management risk is adequate.

We confirm that this audit was carried out in accordance with the World Bank's FM and disbursement policies, procedures and guidelines and the Federal Republic of Nigeria Financial Regulations of 2009.

2.0 IA REVIEW: FINDINGS AND ACTION PLAN

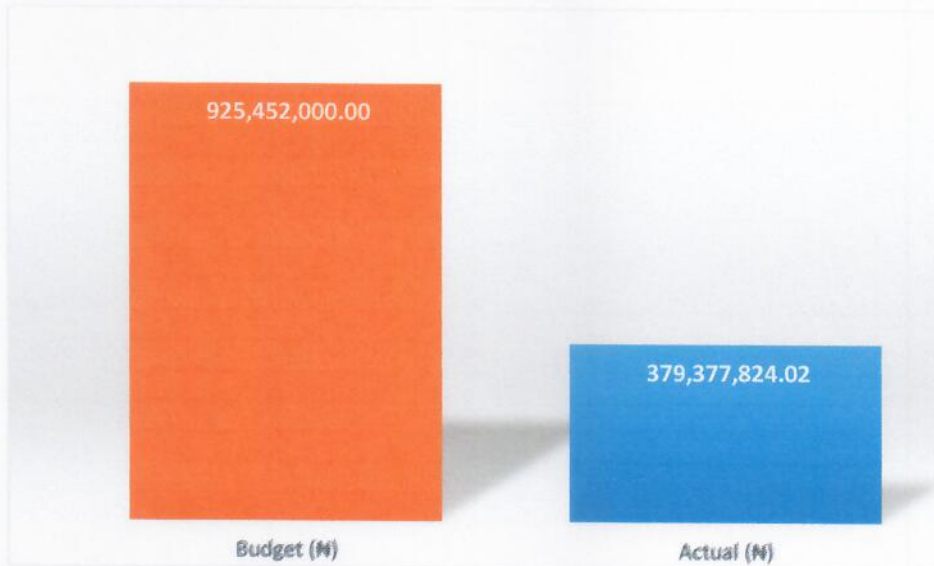
These were our findings:

2.1 BUDGETING:

| Budget (₦) | Actual (₦) | Variance | Variance % |
|----------------|----------------|----------------|------------|
| 925,452,000.00 | 379,377,824.02 | 546,074,175.98 | 59% |

The sum budgeted from January 1, 2021 to June 30, 2022 amounted to ₦925,452,000.00. Actual expenditures amounted ₦379,377,824.02 leading to a variance of 546,074,175.98 or 59% for the period. These are shown in the chart below:

Chart 1: Expenditure Budget Performance for January to December, 2021.



N/B:

- a) The Budget was denominated in US Dollar but actual expenditure was incurred in Naira.
- b) The exchange rate used in converting US Dollar to Nigerian Naira was \$1 to ₦380.

2.2 ACCOUNTING

Observations:

a) International Public Sector Accounting Standards (cash basis IPSAS) was used in preparing the accounts. Also, the uniform accounting software for all ACE Centers in Nigeria was deployed for the preparation of books of accounts.

b) Payment Procedures

i. With exceptions to IGR payments, all Payments were done via transfers using the Remita e-payments platform.

ii. All payment vouchers raised were signed by the Project Accountant and counter signed by the Center Leader.

iii. Payments were raised in favor of approved beneficiaries as evidenced on the payment vouchers.

iv. The Centre operates two bank accounts. One Naira Treasury Single Accounts (TSA) with the Central Bank of Nigeria and one bank account with the University's microfinance bank for all IGR transactions. Details for TSA Naira are below:

| S/N | BANK | ACCOUNT NO | CLOSING BAL (December 31, 2021) |
|-----|-------------|---------------|---------------------------------|
| 1 | TSA (NAIRA) | 0120474961066 | 129,441,678.43 |

e) Bank reconciliation statements for all accounts were satisfactorily prepared within the period under review, and the cash book adjusted to reflect the adjusted cash book balance after reconciliations each month.

f) The cash book for the Centre's accounts were prepared using the accounting software and adjusted accordingly to reflect the adjusted cash balance after reconciliations monthly.

h) Receipt and Payment account

The Receipts and Payments account was prepared using the accounting software

i) Ledger accounts

a). All transactions were adequately captured in the ledgers and separate ledgers were prepared for each activity code.

2.3 INTERNAL CONTROL

Observations:

a) Internal control generally was adequate

b) Work in progress

Total budgeted expenditure for the year 2021 amounted to ₦925,452,000 while total sum expended within the period amounted to ₦379,377,824.02 leading to 41% completion of the budget.

c) There is a safe in the project accountant's office. Payments were made via bank and imprest was paid via re-imburement after spending.

d) Segregation of duties was adequate. The procedure in place indicates that: the payment for expenditures were raised by the Project Accountant; vetted and certified by the Project Auditor and approved by the Chairman of the Project Steering Committee. Committees exist for various duties; they include the Project steering committee and the Procurement committee and budget committee.

e) Unretired Advances

There were no unretired advances for the period.

2.4 EFFECTIVENESS OF MANAGEMENT OVERSIGHT INCLUDING AUDIT COMMITTEES

The effectiveness of management oversight for this Centre is considered adequate within the period. There is a project steering committee headed by the Vice Chancellor of the University. This committee performs various oversight functions and is made up of various officers with assigned responsibilities.

These officers include:

1. The Chairman
2. The Deputy Chairman
3. The Center Leader
4. The Deputy Center Leader
5. The Project Accountant
6. The Project Auditor
7. The Monitoring and Evaluation Officer
8. The Procurement Officer and;
9. The Communications Officer.

Sub-Committees exist to carry out specific tasks. These committees include:

- A. The Audit committee and
- B. The Procurement committee.

The effectiveness of the Audit committee is adequate. The committee has been involved in issues relating to the project. They have been involved in the review of both internal and external audit reports and management letters.

2.5 FUND FLOW

There were disbursements to the Centre within the period under review. The sum of 400,000,000 was disbursed.

There were no observed complaints from suppliers, project staff or beneficiaries regarding Payments for the period under review.

2.6 FINANCIAL REPORTING

The audited annual financial statements and management letter for the period ended 31st December 2021 were presented for the audit exercise. These were not integrated with that of the University's Accounts.

As at the time of this audit the semi-annual report for the half year ended 31st December 2021 has been sent to the World Bank and was examined during the audit exercise.

Computerized accounting system is used to generate accounting information.



The project financial management procedures and manuals in place are adequate for effective project implementation.

The Audit Committee has made impact on the project.

Financial Management Reports were presented for the audit exercise for the period under review.

2.7 EXTERNAL AUDIT

The audited Annual Financial Statements and Management letter for the period ended 31st December 2021 were presented for the audit exercise.

The auditor gave an unqualified opinion on the financial statements presented. In their view, the financial statements gives a true and fair view of financial affairs as at 31st December 2021 and the financial performance and cashflows for the year ended in accordance with the IPSAS issued by the International Public Sector Accounting Standards Board.

See Appendix 1 for comments of the external auditor

2.8 DISBURSEMENT AND SUBMISSION OF WITHDRAWAL APPLICATIONS

Disbursements from World Bank were received within the period under review. The sum of ₦400,000,000 was disbursed.

Submission of withdrawal applications were made and completed within the period.

2.9 FRAUD AND CORRUPTION

To the best of our knowledge, there was no case of fraud and corruption reported or observed within the period under review.

2.10 PAYMENT PROCEDURES

Approvals for payments to suppliers and beneficiaries are timely.

Payment procedures within the period under review were devoid of loopholes that may lead to errors/irregularities. All payments were made using payment vouchers generated from the computerized accounting system (PVs).



2.11 PHYSICAL VERIFICATION

- a) The fixed asset register presented was prepared but not updated.
- b) Not all fixed assets acquired were coded with the University's coding and identification system. For instance: 2 LG televisions in Librarian's office and language laboratory, Air Conditioners in I.T office, etc.

Management Response:

The fixed assets register is will be updated.
The stores unit will also be invited to code the assets.

Recommendation

All asset owned by the Centre should be captured in the fixed asset register and coded.
All assets acquired by the Centre should be coded with the University coding system.

2.12 PROCUREMENT ACTIVITIES

There were procurement activities within the period. There was also a procurement plan. The Centre Leader and Procurement Officer are responsible for the preparation, presentation and defense of the work plan, subject to approval by the World Bank team. Modifications are made by these officers.

2.13 OTHER MATTERS

There was no change in project staffing and financial management staffing within the period.

2.14 NEW/UPDATED AUDIT ACTION PLANS

| S/N | Issues | Agreed Actions | By Whom | Status |
|-----|----------------------|---|--------------------|--------|
| 1 | Fixed Asset Register | Fixed Asset register be comprehensive/detailed to reflect all Assets owned by the Centre. | Project Accountant | |
| 2 | Assets Coding | Code all assets in the Centre | Project Accountant | |

Appendix 1: Comments by the external auditor (Year 2020 External Audit)

1. No specific accounting policy was stated in the 2020 financial statements. Example, income recognition and basis of accounting.