

**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	July 2015
Closing Date	March, 2020
Credit/Grant Amount	\$4.5 Million
Project Duration	4 Years and 9 Months
Remaining Period to Closing	0 years
Disbursed Amount to date & Percentage	
Period Covered by Review	1 st January 2020 to 31 st March 2020
Internal Auditor	Boniface Woko, PhD.

f: [Signature]

1.0 EXECUTIVE SUMMARY

This routine audit covered the period January 1st to March 31st, 2020. 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, the semi-annual report, audited report and management letter for the year ended 31st December 2019 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 ₦177,826,235.57 Actual expenditures amounted ₦74,723,620.78. 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 sum of ₦4,468,091.88 approved has not gotten to the beneficiaries. 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.

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.

F. Ahmad

2.0 IA REVIEW: FINDINGS AND ACTION PLAN

These were our findings:

2.1 BUDGETING:

The sum budgeted from January 1, 2020 to March 31, 2020 amounted to ₦177, 826, 235.57. Actual expenditures amounted ₦74,723,620.78.

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 ₦325.

2.2 ACCOUNTING

Observations:

a) International Public Sector Accounting Standards (cash basis IPSAS) was used in preparing the accounts. Also accounting software 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 Remita.
- ii. Payments were raised in favor of approved beneficiaries as evidenced on the payment vouchers.
- iii. The Centre maintained three bank accounts. Two were Treasury Single Accounts (TSA) with the Central Bank of Nigeria-One US Dollar denominated account and the Naira denominated account. Detailed below:

S/N	BANK	ACCOUNT NO	CLOSING BAL (March 31 2020)
1	TSA (USD)	901-10302-5033-46	6,134.17
2	TSA (NAIRA)	0120474961066	84,178.27
3	U&C Microfinance Bank(IGR NAIRA)	0152845011	7,468,864.66

e) Bank reconciliation statements for all accounts were adequately 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 adequately prepared and adjusted accordingly to reflect the adjusted cash balance after reconciliations monthly.

g) A previous bank debit reversal of ₦91,485,000 in the CBN Naira account which took place in August 2019 was adjusted in the cash book in January 2020.

F. Adams

h) Receipt and Payment account

The Receipts and Payments account was adequately prepared.

i) Ledger accounts

a). All transactions were 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 amounted to ₦177, 826, 235.57 while total sum expended amounted to ₦74,723,620.78 leading to 42% 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. Payment vouchers were raised by the Project Accountant, checked by the Project Auditor and approved by the Chairman of the Project Steering Committee (The Vice Chancellor).

e) 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.

2.4 EFFECTIVENESS OF MANAGEMENT OVERSIGHT INCLUDING AUDIT COMMITTEES

We consider the effectiveness of management oversight for this Centre to be 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

F: Ahmad Butt

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 no disbursements to the Centre within the period under review. 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 2019 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 2019 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 2019 were presented for the audit exercise.

The auditor gave an unqualified opinion on the financial statements presented. In their view, the financial statements give a true and fair view of financial affairs as at 31st December 2019 and the financial performance and cashflows for the year ended in accordance with the IPSAS issued by the International Public Sector Accounting Standards Board.

f: Ahmad Smith

See Appendix 2 for comments of the external auditor

2.8 DISBURSEMENT AND SUBMISSION OF WITHDRAWAL APPLICATIONS

Disbursements from World Bank were not received within the period under review.

Total Internally Generated Revenue (IGR) receipts amounted to ₦9,810,000 as against the ₦7,837,286.04 expended 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 (PVs).

2.11 PHYSICAL VERIFICATION

a) The fixed asset register presented was not adequately prepared and not comprehensive enough; it was prepared on transaction basis instead of asset-by-asset basis.

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 being updated to correct current errors.

The stores unit will 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.

f: A. M. G. S. J. K.

2.12 PROCUREMENT ACTIVITIES

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

2.13 OTHER MATTERS

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

2.14 PREVIOUS AUDIT ACTION PLANS

S/N	Issues	Agreed Actions	By Whom	Status
1	Unclear mandate/reversals	To communicate with the beneficiaries to get the appropriate account numbers and pay.	Project Accountant	Done
2	Ledgers/Receipts and Payments	To make adequate correction on errors and wrong posting	Project Accountant	Done
3	Fixed Asset Register	Fixed Asset register be comprehensive/detailed to reflect all Assets owned by the Centre.	Project Accountant	Not Done
4	Unretired Advances	To communicate to all staff involved to retire their advances.	Project Accountant	Done
5	Payment Voucher/ E-mandate	Should endeavor that every payment voucher is authorized, and e-mandates are signed.	Project Accountant	Done

Appendix 1: Comments by the external auditor

- 1.1 All payment vouchers should carry account codes for ease of reference in posting and retrieval of documents.
- 1.2 Simplify and group only like items for ease of transaction processing.
- 1.3 Management should fully migrate to the accrual basis of IPSAS, to be in line with the University of Port Harcourt accounting system.

f: Ahmad Smith