



**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	2 Years
Disbursed Amount to date & Percentage	₦1,497,207,564.74 [72%]
Period Covered by Review	1st July 2022 to 31st December 2022
Internal Auditor	Noble Maclin

1.0 EXECUTIVE SUMMARY

This audit covered the period 1st July, 2022 to 31st December, 2022. The following records were examined; Work Plan, Cash Book, bank account statements, Bank Reconciliation Statements, Payment Vouchers, Non-Current Assets Register, work plan for the year 2022, budget performance report, tax remittance receipts, Audit Committee Report for the period, and Interim Financial Report. The purpose 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. It was also to enable us determine whether or not the expenditures carried out were budgeted for 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 audited report and management letter for the year ended 31st December 2021 were reviewed including the trial balance, receipt and payment accounts, etc. We reviewed the 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/work plan for the period. The sum budgeted amounted to ₦425,906,568.18. Actual expenditures amounted ₦319,150,685.86. This gave rise to a favorable variance of ₦106,755,882.32 or 25% for the period. On Accounting, Receipts and Payments account was prepared with postings accordingly. The Centre maintained two bank accounts. Monthly bank reconciliation statements were adequately prepared for the relevant bank accounts and the Cash Books updated monthly. There was Non-Current Assets Register for the period which was comprehensive and most assets were coded. There was an unretired advance amounting to N563,300. Monies paid to some Steering Committee members for various foreign trips which were not undertaken were yet to be refunded, this amounted to amounted to ₦3,629,928.00 and \$9,550.50. Payments were timely with exception to Value Added Taxes, Withholding Taxes and Stamp Duties. The External Auditor's report was examined; the auditor gave an unqualified opinion on the financial statements presented. All payments as evidenced in the books presented passed through the Internal Auditor for scrutiny and 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 the period indicated that the project FM system is adequate with reasonable assurance that the Project funds were 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 INTERNAL AUDIT REVIEW: FINDINGS AND ACTION PLANS

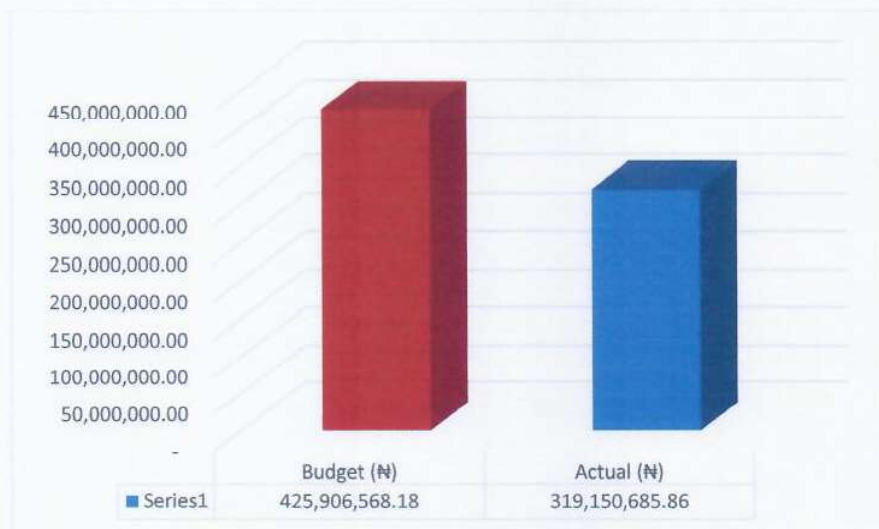
These were our findings:

2.1 Budgeting:

Budget (₦)	Actual (₦)	Variance	Variance %
425,906,568.18	319,150,685.86	106,755,882.32 (₦)	25%

The sum budgeted from 1st July 2022 to 31st December, 2022 amounted to ₦425,906,568.18. Actual expenditures amounted ₦319,150,685.86 leading to a positive variance of ₦106,755,882.32 or 25% for the period. These are shown in the chart below:

Chart 1: Expenditure Budget Performance for July to December, 2022.



Note:

- The Budget was denominated in US Dollar but actual expenditure was incurred in Naira.
- The exchange rate used in converting US Dollar to Nigerian Naira was \$1 to ₦411.

2.2 Accounting

Observations:

- 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. Payments were raised in favor of approved beneficiaries as evidenced on the payment vouchers, except in a few cases where the payment vouchers were raised in the name of the Head of Administration who raised the estimate on behalf of the beneficiaries. However, the actual payment was made to the beneficiaries' personal accounts.
- v. The Centre operates two bank accounts. A Naira Treasury Single Accounts (TSA) with the Central Bank of Nigeria and another bank account with the University's Microfinance Bank for all IGR transactions. Details are shown below:

S/N	Bank	Account Number	Closing Balance as at December 31 2022 ₦
1	Treasury Single Account (Naira)	0120474961155	1,290,328.42
2	U&C Microfinance Bank	1100236292	2,351,246.03

- e) Bank reconciliation statements for all accounts were satisfactorily prepared within the period under review, and the Cash Books for the two bank accounts adjusted to reflect the adjusted cash book balance after reconciliations each month.
- f) The Cash Books for the Centre's accounts were prepared using the accounting software.

h) Receipt and Payment Account

The Receipts and Payments Account was prepared using the accounting software

i) Ledger Accounts

- a). Ledgers were presented for the Internal Audit exercise.

2.3 Internal Controls

Observations:

- a) Internal control was generally adequate.

b) **Work in progress:**

Total budgeted expenditure for the year 2022 amounted to ₦1,007,278,800 while total sum expended to December 31st, 2022 amounted to ₦1,116,539,412.24 leading to 110.84% completion of the budget.

c) There is no safe in the Project Accountant's office. All payments were made via bank. Monthly 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, Communications Officer, Head of Admin, or any other officer assigned by the Centre Leader; vetted and certified by the Project Auditor and approved by the Centre Leader and/or Chairman of the Project Steering Committee depending on the amount involved. Committees exist for various duties; they include the Project Steering Committee, Procurement Committee, and Budget Committee.

c) **Unretired Advances**

1. **Unretired Advances for Last Audit Period (January to June) Still Outstanding**

S/N	Name	Description	Amount [N]	Voucher No.
1	Dr. B I B Woko	Sponsorship to attend the 24 th Annual Conference of CITN	N563,300	PV/2022/UNIPT-2/000000126

Management Response:

Efforts have been made through documented communication requesting him to retire the advances but he is yet to do so.

Recommendation:

Management should ensure that he makes the retirement or refund the money to the Centre.

2. Outstanding Refunds

Various sums of money [in Naira and USD] advanced to some Steering Committee members for international workshops/trainings/conferences but they did not undertake the trips and have also not refunded the monies as required by the FM policy. Those involved are as follows:

S/N	Name	Description of Trip	Amount [N] & USD	Voucher Number/ Remark
1.	Dr. B I B Woko [former Project Auditor]	Sponsorship to attend a training on Treasury Management best practices in Dubai, 30 th January – 3 rd February 2022	N1,765,138 & USD 9,550.50	PV/2022/UNIPT-2/00000066
2.	Dr. Victor Aimikhe	Sponsorship to attend ACE event in Cotonou, Benin Republic 23 – 17 June, 2022	N932,395	Part refund of N500,000 confirmed.

Management Responses:

A number of written communications have been made to those concerned to refund.

Recommendations:

- i. The FM team should take steps to ensure that refunds are fully made in Naira and USD.
- ii. Steering Committee Members and other beneficiaries of CEFOR sponsored trainings should be encouraged to retire all advances promptly.

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. Chairman
2. Center Leader



3. Deputy Center Leader
4. Project Accountant
5. Project Auditor
6. Monitoring and Evaluation Officer
7. Procurement Officer
8. Communications Officer
9. Environmental and Social Safeguard Officer

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

1. Audit Committee; and
2. Procurement Committee.

The effectiveness of the Audit Committee is adequate. The Committee has been involved in issues relating to the Project, including 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 Two Hundred and Thirty-Eight Million, Three Hundred and Eighty-Four Thousand, Nine Hundred and Sixty-Three Naira, Sixty Kobo [N238,384,963.60] only was disbursed during the period covered by the audit.

Internally Generated Revenue [IGR] within the period was Seventeen Million, One Hundred and Sixty Thousand Naira [₦17,160,000.00] only.

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 June 2022 has been sent to the World Bank and was examined during the audit exercise.

Computerized accounting system was used to generate accounting information.

The project financial management procedures were in compliance with the FM manuals which were put in place for effective project implementation.



The Audit Committee has made impact on the project.

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

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 give 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 for the External Auditor's comments.

2.8 Disbursement and Submission of Withdrawal Applications

Disbursements from World Bank were received within the period under review. The sum of Seven Hundred and Sixty-Five Million, Five Hundred and Fifty-Three Thousand, Four Hundred and Ninety-Eight Naira Sixty-Nine Kobo [N765,553,498.69] 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

Payment procedures within the period under review were devoid of loopholes that may lead to errors/irregularities. Approvals for payments to suppliers and beneficiaries were timely with exception to tax payments that were made after more than 3 months from when they were due. For instance:

- i. Lump payments of ₦18,068,144.60 VAT to FIRS as VAT for multiple transactions previously completed. PV ID: PV/2022/UNIPT-2100000537.
- ii. Lump payments of ₦1,559,167.71 VAT to FIRS as VAT for multiple transactions previously completed. PV ID: PV/2022/UNIPT-2100000538.
- iii. Lump payments of ₦7,704,878.91 VAT to FIRS as Withholding Tax for multiple transactions previously completed. PV ID: PV/2022/UNIPT-21000001536.
- iv. Lump payments of ₦3,277,436.45 to FIRS as Stamp Duty for multiple transactions previously completed. PV ID: PV/2022/UNIPT-2100000478.

These four [4] Payment Vouchers for tax remittances amounting without the source [contract] documents attached or a summary of the multiple transactions that sum up to these payments. This

made it impossible to ascertain the accuracy of these payments. All payments were made using payment vouchers generated from the computerized accounting system.

Management Response:

Noted. The source documents will be extracted from the various files and attached to the payment vouchers after the meeting.

Recommendations:

- i. All tax remittances should be made as and when due.
- ii. Copies of source documents should be made and attached to the payment vouchers.

2.11 Physical Verification

The Non-Current Assets Register presented was prepared and updated. However, there are some assets that have not been coded. Some of the coded ones were made with markers instead of engraving machine.

Management Response:

Noted. Action will be taken to engrave all the assets that are yet to be coded/engraved.

Recommendation:

Non-current assets should be coded with engraving machine immediately after purchase/supply.

2.12 Procurement Activities

There was a procurement plan. Accordingly, there were several procurement activities within the period. 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. Procurements within the period followed due process. However, there were some cases where contract award letters were not attached to payment vouchers.

Management Response:

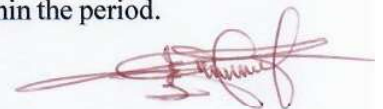
Noted. The Procurement Officer would forward the award letters to the Project Accountant for attachment to the affected payment vouchers.

Recommendation:

Contract award letters must be attached to the contract bidding documents before payment vouchers are raised.

2.13 Other Matters

There was no change in project staffing and Financial Management support staff within the period.



2.14 Previous Audit Action Plans

S/N	Issues	Agreed Actions	By Whom	Status
1	Non-Current Register	Fixed Asset register should be comprehensive/detailed to reflect all Assets owned by the Centre.	Project Accountant	Done
2	Unretired Advances	To communicate to all staff involved to retire their advances.	Project Accountant	Done
3	Assets Coding	Code all assets in the Centre	Project Accountant	Done

2.15 New/Updated Audit Action Plans

S/N	Issues	Agreed Actions	By Whom	Status
1	Prompt payment of taxes	To pay taxes as and when due	Project Accountant	
2	Unretired Advances	To communicate to all staff involved to retire their advances.	Project Accountant	
3	Outstanding refunds	To ensure that all outstanding refunds are made by persons concerned.	Project Accountant	



Noble Maclin, ANBC, BSc, CNA

28 January, 2023