



**AFRICA CENTRE OF EXCELLENCE
CENTRE FOR OILFIELD CHEMICALS
RESEARCH (ACE – CEFOR)
UNIVERSITY OF PORT HARCOURT,
PORT HARCOURT, RIVERS STATE**

**MANAGEMENT LETTER ON THE AUDITED ACCOUNTS FOR THE
PERIOD ENDED 31ST DECEMBER, 2021**

OKORO, WILSON & CO.

(CHARTERED ACCOUNTANTS)

**2, ESEZOBO LONGE STREET,
OFF 1ST UGBOR ROAD, GRA
BENIN CITY, NIGERIA.
08037120532.**



Our Ref:.....

...May, 2022

The Vice Chancellor/Chairman, Steering Committee,
Africa Centre of Excellence
Centre for Oilfield Chemicals
Research (ACE – CEFOR),
University of Port Harcourt,
Port Harcourt, Rivers State.

Dear Sir,

**MANAGEMENT LETTER ON THE AUDITED ACCOUNTS OF ACE - CEFOR
FOR THE PERIOD ENDED 31ST DECEMBER, 2021**

We report that we have concluded the audit of the Accounts of Africa Centre of Excellence, Centre for Oilfield Chemicals Research (ACE – CEFOR) for the period ended 31st December, 2021.

We examined the accounting books and records kept by the Centre Management Committee during the periods under review and carried out an in-depth review of the accounting system and the internal controls in operation as a basis for expression of our audit opinion.

It is our normal practice to highlight, as we do hereunder, some areas of strength and in particular, the weaknesses we observed in the Centre's internal controls and general accounting system which need to be reviewed with the aim of giving more credibility and build stakeholders confidence on the Centre's future financial report as well as enhancing operational efficiency.

Consequently, we report as follows:

1. THE CENTRE STEERING COMMITTEE RESPONSIBILITIES

The Centre Steering Committee is responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Centre at the end of each financial period. In doing so, the Committee should ensure that:

- Internal control procedures are put in place in order to safeguard the assets, prevent and detect frauds and other irregularities
- Proper accounting records are maintained
- Applicable accounting standards are followed;

- Suitable accounting policies are adopted and consistently applied
- Judgments and estimates made are reasonable and prudent, and the financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the Centre will continue in existence.

2. **STATE OF AFFAIRS:**

The following are the key financial data of the Centre at the end of the period under review.

	WORLD BANK PROJECT		IGR ACCOUNT
	2021 (₦)	2020 (₦)	2021 (₦)
(i) Goods/Property, Plant and Equipment	295,372,399	313,722,969	90,000
(ii) Project Expenditure	218,755,620		
(iii) Intangible Assets		4,200,742	
(iv) Cash and Short-Term Funds			
- World Bank Project Account	113,891,279		
- IGR Account			1,153,392
(v) World Bank Financing/Acc. Fund	627,269,299	317,923,711	1,243,392

3. **OPERATING RESULTS:**

The Centre had a total Internal Generated Revenue (IGR) and Grant from the World Bank of ₦70,864,677 and ₦400,000,000 respectively within the reporting period. The sum of ₦10,458,180 came from NUC, though received after the reporting date.

The total expenditure of the IGR Account (exclusive of depreciation/amortization) amounted to ₦69,611,286, the eligible expenditure of ₦286,128,721 paid from the World Bank Grant account. The resultant effect is a surplus of ₦1,243,392.

4. **REVIEW OF IMPLEMENTATION OF RECOMMENDATIONS IN THE 2020 MANAGEMENT LETTER**

- (i) Our review shows that the recommendations of the previous period's report have not been fully implemented in the area of Charts of Accounts.

Management Response

Noted, and has been done.

- (ii) No specific accounting policy was stated in the 2020 Financial Statements, e.g. Income Recognition and basis of accounting.

Management Response

The accounting policy was on accrual basis.

- (iii) No payable was reflected in the 2020 Financial Statements even though this was highlighted in the Management Letter, e.g., lunch for AGM (World Bank) amounting to ₦1,960,802. The import is that the 2020 Account was based on 'Cash Accounting' instead of 'Accrual Basis'.

Management Response

The account has been adjusted to accommodate payables.

5. MAIN OBSERVATIONS IN THE 2021 AUDIT

(i) Speedlink Hi-Tech Solutions Contracts

Most of the contracts awarded by the Centre in the period under review were handled by the above Contractor. The formal Contract Award Letters were not attached to the payment vouchers to verify or confirm the terms and conditions of the contracts.

Effect: Due diligence process/compliance could not be fully substantiated.

Management Response

Contract awards are done under due process and transparently. Award letters that were not attached to payment vouchers have been duly attached.

Auditors' Recommendation

It is advisable that Award letters should always be attached to payment vouchers for ease of reference.

(ii) Bank Accounts Details of Payments for Research Support

Some payments made by the Centre were not backed with the bank details of the beneficiaries. For instance, the payment of ₦18,300,000 for Research Support for Batch 3 PHD Students did not include the bank details.

Effect: Possibility of some benefiting students not being duly credited.

Management Response

All payments at the ACE-CEFOR come with full disclosure of bank details of the beneficiaries, and are done via Treasury Single Account (TSA) platform of the Central Bank of Nigeria (CBN) directly to the beneficiaries' accounts. We have provided all bank details as required and as requested.

(iii) General Payment Voucher of UNIPORT (GPV)

The World Bank payment vouchers verified included the 'General Payment Voucher (GPV)' of University of Port Harcourt. We noted that eight (8) payments made on 2/12/2021 to 6/12/2021 (PVs 15, 16,17,32,34 -38) in favour of Speed Links Hi-Tech Solution Ltd did not include the GPVs (The Net Value amounted to ₦26,999,705). Same with Beed Light Integrated Service, PV 33 of 6/12/2021 valued ₦1,410,000.

Effect: Incomplete documentation can create verification challenge which can culminate in non-transparency of transactions/payments.

Management Response

No payment is done without a raising a voucher (disclosing the number, date, amount, payee, authorizing officer, etc.). All the vouchers listed were sorted out and presented for audit purpose.

(iv) Payment To Nigerian Universities Commission (NUC) For LMS Devices

The sum of ₦35,701,646 via PV/2021/UNIPORT-2/0000124 of 22/11/2021 in favour of the Nigerian University Commission (NUC) as payment for LMS Devices for CEFOR ten (10) classroom has no bearing of Technology Ltd, the vendor that made the supplies.

Effect: The Company can deny receiving the sum or authorizing the payment through NUC.

Management Response

This was direct payment made by National Universities Commission (NUC) on behalf of ACE-CEFOR and was recognized in the books for accounting purpose.

(v) Payment for NgREN Certification for 61 PHD & MSC Students

The individual bank details of the benefiting PHD & MSC students for the sum ₦21,750,000 made on 9/11/21, PV 002, could not be verified as the related documents for bank account numbers were not attached to the PV.

Effect: Amount could not be confirmed as duly credited or received by the beneficiaries.

Management Response

Adequate clarification and complete documentation has been made in this regard.

Auditors' Recommendation

The evidence of the complete documentation is to be forwarded to us for confirmation.

(vi) Payment of Research Support

The bank account details of the following payment were not made available for verification.

		N
a.	PHD Students	16,800,000
b.	Project Supervision Allowance	<u>5,920,000</u>
	(PV no 0040 & 42 of 7/12/2021)	<u><u>22,720,000</u></u>

Effect: As in the case of 5(v) above, the Centre should provide the payment details to individual student's account to confirm actual receipt by the beneficiaries.

Management Response

The bank account details of benefitting students and project supervisors have been provided for verification.

Auditors' Recommendation

Evidence of the accounts details should be forwarded to us through our email or provided in the next audit for confirmation.

6. PAYMENT IN FOREIGN CURRENCY

We noticed that payments of the foreign currency components in respect of conferences/training approved for principal officers were made through applications to the National Universities Commission (NUC). These payments were not properly captured because they were treated as 'Contra Entries' when the exchange is made, through debiting and crediting the same amount in the Bank Cashbook.

Effect: Debiting and at same time crediting same transaction will result to a NIL transaction. (To remedy this anomaly, the total payment in foreign currency in 2021 which should be under the World Bank Project Account will be treated as prior year adjustment in the 2022 Audited Accounts).

Management Response

Payment of estacodes for foreign trips were done by Central Bank of Nigeria (CBN) through National Universities Commission (NUC) resulting from the applications/requests for payment from ACE-CEFOR. Advisably, the National Universities Commission (NUC) directed that all such payments should be converted from Dollar to Naira and be posted into the cashbook for single currency reporting, which is the practice.

7. CEFOR DOMICILIARY ACCOUNT

It was observed that the Centre's foreign currency balance in the Domiciliary Account with the NUC was not reported in the previous year's audited financial statements. The import is that CEFOR does not know the Domiciliary balance as at the reporting date.

Effect: The Centre could lose its fund as it does not know the position of the account balance or confirm of the appropriate usage at any reporting date.

Management Response

A reconciliation between ACE-CEFOR and National Universities Commission (NUC) was yet to be done as at the time of the audit exercise. But this has been taken care of.

Auditors' Recommendation

Reconciliation should be done on a quarterly basis to ascertain the actual balance with NUC.

CONCLUSION

We appreciate the efforts of the Project Management Committee, in running the affairs of the Centre for the period ended 31st December, 2021. We wish to state that the above observations have been made in good faith and for the interest of the Centre. It is therefore hoped that the Project Management Committee will address them with the intent to ensuring an effective and efficient reporting system for the benefit of the Centre and its stakeholders.

Finally, our Firm wishes to thank the Project Management Committee for the opportunity given to us to serve.

Yours faithfully,
For: **Okoro Wilson & Co.,**
(Chartered Accountants)



W. I. Okoro
(Managing Partner)
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