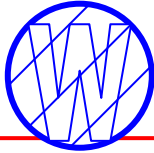




**AFRICA CENTRE OF EXCELLENCE
CENTRE FOR OILFIELD CHEMICALS
RESEARCH (ACE – CEFOR)
UNIVERSITY OF PORT HARCOURT,
PORT HARCOURT, RIVERS STATE**

**MANAGEMENT LETTER ON THE AUDITED ACCOUNTS FOR
THE YEAR ENDED 31ST DECEMBER, 2022**

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Our Ref:.....

...February, 2023

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 YEAR ENDED 31ST DECEMBER, 2022**

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, 2022.

We examined the accounting books and records kept by the Centre Management Committee during the year ended 31st December, 2022 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 stated 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 CEFOR'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;

W.I. Okoro MBA, FCA (Managing). F.O. NWABUKO (MBA, FCA), J.A. OKONKWO (MBA, FCA)

- 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			
	2022 (₦)	US\$	2021 (₦)	US\$
(i) Goods/Property, Plant and Equipment	518,212,697	1,248,705	295,372,399	738,431
(ii) Project Expenditure	599,516,716	1,444,619	218,755,620	546,889
(iii) Intangible Assets				
(iv) Cash and Short-Term Funds				
- World Bank Project Account	1,290,328	3,109	113,891,279	284,728
(v) World Bank Financing/Accumulated Fund	1,464,923,661	3,529,937	627,269,299	1,568,173

3. **OPERATING RESULTS/ANALYSIS:**

The Centre had a Grant from the World Bank to the tune of ₦900,000,000 and ₦103,928,462, from NUC, totaling ₦1,003,928,462 or US\$2,419,105. This represents an increase of over 150% over the preceding year.

The total expenditure for the year under review amounted to ₦1,280,301,815, an equivalent of US\$3,085,065. This amounted to an excess of expenditure over receipts to the tune of ₦276,373,353 or US\$665,960 (including Depreciation charge of US\$393,321). The effect is that excluding depreciation charge, the net deficit amounts to ₦113,145,138 or US\$272,639.

4. **REVIEW OF IMPLEMENTATION OF OBSERVATIONS ON THE 2021 MANAGEMENT LETTER**

We report that the CEFOR Management has not responded to the observations raised on the 2021 Audited Accounts and hence we have not given our recommendations which must be based on the responses. We are awaiting the actions from management.

Management Response

This has been done.

Auditors' Recommendation

It is of importance that management should always respond to management letter promptly.

5. MAIN OBSERVATIONS IN THE 2022 AUDIT

5.1 Interim Certificate on construction of mini laboratory, canteen and baby room to Eagle & Eaglets Limited

- Request for payment of ₦35,703,037.79

The valuation certificate of ₦35,703,037.79 by the Chartered Quantity Surveyors/Cost Engineers – IKPONITE ASSOCIATIES LIMITED in respect of the contract sum of ₦89,279,914.46 being the basis of 30% claim by the contractor, Eagles and Eaglets Ltd cannot be justified on the following premise:

- i) The Contract Award included a clause for the deduction of taxes – VAT, WHT and Stamp Duty. By adding the VAT before deduction is wrong since the contract sum is deemed to be VAT inclusive.
- ii) 30% of the contract sum of ₦89,279,914.46 amounts to ₦26,718,274 (and not ₦35,703,037).
- iii) 5% retention clause was not considered in the valuation.
- iv) The Bill of Quantity which forms the basis of the amount in the contract was not attached to the contract award/request for the 30% payment/interim certificate.
(Ref. PV/2022/UNIPORT-2/000000169 of 14/4/2022)

Effect: Over – valuation where there is no verifiable breakdown of work done to date.

Management Response

Payment of ₦35,703,037.79 was based on job done/valuation certificate provided by the cost engineers.

The bill of quantity which formed the basis of cost valuation was readily available for the contract awarded and had been added to the contract documents on demand.

5.2 Steering Committee Members

No evidence of refund of the foreign tour advances to 5 out of 9 persons approved for the Steering Committee Workshop in Cotonou, Benin Republic. The amount involved is ₦4,553,975 and US\$25,611.4)

Management Response

Payment to the 9 persons was sequel to the initial recommendation/approval by the organizers (AAU and World Bank). But the government of Benin Republic requested that the number be reduced to 4, due to COVID 19 impact and the attendant huge cost involved in the hosting. However, the other 5 persons that did not attend the workshop had completely refunded the money (which was paid back into ACE-CEFOR account).

Auditors' Recommendation

Evidence of the refund should have been attached to the response. We will confirm this position in the next audit.

5.3 Corporate Document of Grand Balance Limited

Award of Software Application Contract (₦11,667,572)

The above contract awarded to Grand Balance Limited had no back up of the full CAC documentation, i.e., Article/Memo of Association (Form CAC1.1) which shows the name of the Directors. (We require this document in line with CAC requirement for contract bidding).

Management Response

Grand Balance Limited was communicated to release the documents in question, and all such documents were duly submitted.

Auditors' Recommendation

The evidence of the documents submitted should have been attached to this response. The Centre should be well guided of similar biddings before the award of contracts in future.

5.4.1 Foreign Currencies Conversion on Payment to Speedlink Hi-Tech Solutions

₦8,299,270 (Subscription to secure hosting & security platform for CEFOR Accounting)

i) The payment for the above subject valued US\$11,740.25 (\$7,709.00 & \$4,031.00) was converted at the rate of ₦615:USD1, translating to ₦7,720,253.00 + ₦579,019.00 VAT amounting to ₦8,299,272.00 What is the rationale for converting at **black market rate** rather than official exchange rate of ₦415:USD1, amounting to ₦4,872,100.00 This would have saved the Centre the sum of ₦2,848,153.00 (Ref. PV/2022/UNIPORT-2/00000021 of 30/5/2022).

ii) The Article & Memo of Association should please be tendered for verification.

5.4.2 Monthly consultancy Service by Speedlink Hi-Tech Solutions

Any agreement for the monthly consultancy charge of ₦100,000?

Management Response

- i) Sourcing USD from the banks for cross-border transactions has been extremely difficult and very frustrating except from the parallel market (black market). Therefore, in order to meet up with the timely demand of the project, the option of forex sourcing from the parallel market was the best decision at the time.
- ii) The article/memorandum of association of Speedlink Hi-Tech Solutions was tendered at the point of registration with the University as a vendor.
- iii) There is a valid agreement with the ACE-CEFOR for Speedlink Hi-Tech Solutions' monthly charge of ₦100,000.00 only.

Auditors' Recommendation

Audit is predicated on evidence of the necessary documents, hence our observations on (ii) and (iii). For ease of verification in future, copy of transactions should be attached to the payment vouchers.

5.5 Internet Subscription

There is an observed high cost of internet subscription & software development by Speedlink Hi-Tech Solutions. There is no verifiable plan or attempt to patronize other IT Companies.

Effect: Concentrating the Centre's internet & software development on one service provider will continue to culminate in high cost.

Management Response

Speedlink Hi-Tech Solutions is a trusted vendor which its impeccability of maintaining high-level integrity in the management of ACE-CEFOR's data/information in the cloud is undoubtedly very safe. Therefore, it is better/wise to continue patronage with such partnership that is yielding fruitful results than to throw the ACE-CEFOR repository of information into the hands of those that will undermine it, simply because you want competitiveness.

Auditors' Recommendation

The Centre should explore other vendors to avoid where the present can capitalized this practice at the expense of the Centre in terms of high cost.

5.6 CEFOR Fund With NUC

We have not been able to assess how much is the CEFOR Fund with the NUC from which foreign currency is converted for foreign trip. The information is necessary to reflect it in CEFOR Financial Statement.

Effect: Undisclosed Fund of the Centre will result in incomplete reporting of account balances.

Management Response

The balance of ACE-CEFOR fund which is in dollars and is domiciled with the ACE Secretariat at the National Universities Commission (NUC) which can be accessed at any time on request. We will oblige the auditor the balance of which, at the year end, for audit purpose.

Auditors' Recommendation

The balance was not provided hence the observation. Subsequently the evidence of balance with the NUC should be provided.

5.7 Contract Quotation

We have noticed that quotations for contracts purported to come from different companies actually emanate from the favored company for the job. The World Bank bidding process should be adopted which is **open bidding**. We therefore require the reason for the Centre not complying with open bidding.

Effect: Best tenderer will be denied service provision.

Management Response

ACE-CEFOR procurement plan that was approved by the Bank permitted the use of "Selective Request for Quotes" and is in compliance with the Bank procedure. It is the reason for the Centre to use such method, though hinged on quality and value for money.

Auditors' Recommendation

We advise that competitive/open bidding should be adopted to pave way for value for money transactions or awards.

5.8 SIGNING OF PAYMENT VOUCHERS (PVs)

We observed that CEFOR PVs are not signed by the beneficiaries. This is against the accounting practice as it is the evidence that payment has been made to service providers/suppliers. The Centre should please explain this lapse in documentation.

Effect: Beneficiaries can deny payments in case of litigation.

Management Response

ACE-CEFOR voucher is in uniformity with the other ACEs in Nigeria, and was designed by a special IT company chosen by the NUC ACE-Secretariat. However, there is no provision for the payee to sign, which is not peculiar to ACE-CEFOR. But this does not in any way create any lapse in documentation, given that evidence of payment to the beneficiaries can be verified from the remita printout, while also observing that all other procedures required of the vendors are satisfactorily carried through.

Auditors' Recommendation

Notwithstanding the uniformity of documents, format can be modified to accommodate the provision for signing of the beneficiaries.

5.9 Payments Without Work plan/Budget

The following payments made within the period under review were not backed with work plan. They are:

S/N	DATE	PV	PAYEE	PURPOSE	AMOUNT
					N
1.	1/4/22	255	Speedlink Hi-Tech Solutions	Subscription & implementation of KOHA ILS INTEGR LIB automation	14,115,953
2.	12/4/22	166	Speedlink Hi-Tech Solutions	Subscription & implementation of automated library catalog circul	13,555,761
3.	2/9/22	443	Shedilian Concept Limited	Supply & installation of canteen furniture & facility	16,546,820
4.	2/9/22	439	Eagles and Eaglets Limited	Supply & installation of Lab Furniture & equipment	17,133,239
5.	25/5/22	424	Speedlink Hi-Tech Solutions	Installation of LAN points in 10 Classroom	16,555,000

Effect: The Centre may be spending outside the annual budget and programmed activities

Management Response

ACE-CEFOP ensures that all expenditures are covered in the workplan. Consequently, all the items listed above were captured in the 2022 workplan. Probably, there existed a gap in understanding or interpretation of the workplan, which in a way, requires some technical diffusion.

Auditors' Recommendation

Copy of work plan should henceforth be attached to significant payments of the above nature. This will avoid the issue of technical diffusion.

5.10 PAYMENT/REMITTANCE OF TAX DEDUCTIONS

The remittance of taxes to the various authorities – FIRS and State IRS for deductions in respect of VAT, WHT and Stamp duty were paid in lump sums without the breakdown of the service providers/suppliers. This practice creates difficulty in giving receipts for the deduction which would have been utilized for defraying their annual tax liabilities. Explanation is required of this practice.

Effect: Tax payment reconciliation will be hampered

Management Response

Processing of various taxes (value added tax, withholding tax, and stamp duty) can be traced to the payment vouchers. Thus, tax payment reconciliation with the tax authorities is not a challenge to the Centre.

Auditors' Recommendation

The Centre should tabulate tax payments to the various tax authorities for ease of linkage or referencing and reconciliation.

CONCLUSION

We appreciate the efforts of the Project Management Committee, in running the affairs of the Centre for the period ended 31st December, 2022. We wish to state that the above observations have been made in good faith and for the interest of CEFOR. 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)

Okoro Wilson & Co.

W. I. Okoro

(Managing Partner)

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