



**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	1 Year 6 Months
Disbursed Amount to date & Percentage	₦1,815,921,376.62 [88.37%]
Period Covered by Review	1st January 2023 to 30th June 2023
Internal Auditor	Noble Maclin

1.0 EXECUTIVE SUMMARY

This audit covered the period 1st January, 2023 to 30th June, 2023. 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 2023, 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 omissions 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 2022 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 for the period. The sum budgeted amounted to ₦533,087,500. Actual expenditures amounted ₦247,332,266.19. This gave rise to a significantly favorable variance of ₦285,755,233.81 or 54% for the period. On Accounting, Receipts and Payments Account was prepared with correct postings. The Centre maintained three bank accounts. Monthly bank reconciliation statements were adequately prepared for the various bank accounts and the Cash Books updated monthly. There was Non-Current Assets Register for the period though not updated and some assets were not coded. There were some unretired advances and monies advanced to a former Steering Committee member for a foreign trip which he did not attend were yet to be fully refunded: the sum of ₦965,138 and USD 9,550.50 only were still outstanding. Payments were timely. The External Auditor's report and management letters for year 2022 were 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 payment platform.

There was adequate segregation of duties. We also observed that the Audit Committee has made impact on the project. The 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 FM and disbursement policies, procedures and guidelines and the Financial Regulations of the Federal Republic of Nigeria, 2009.



2.0 INTERNAL AUDIT REVIEW: FINDINGS AND ACTION PLANS

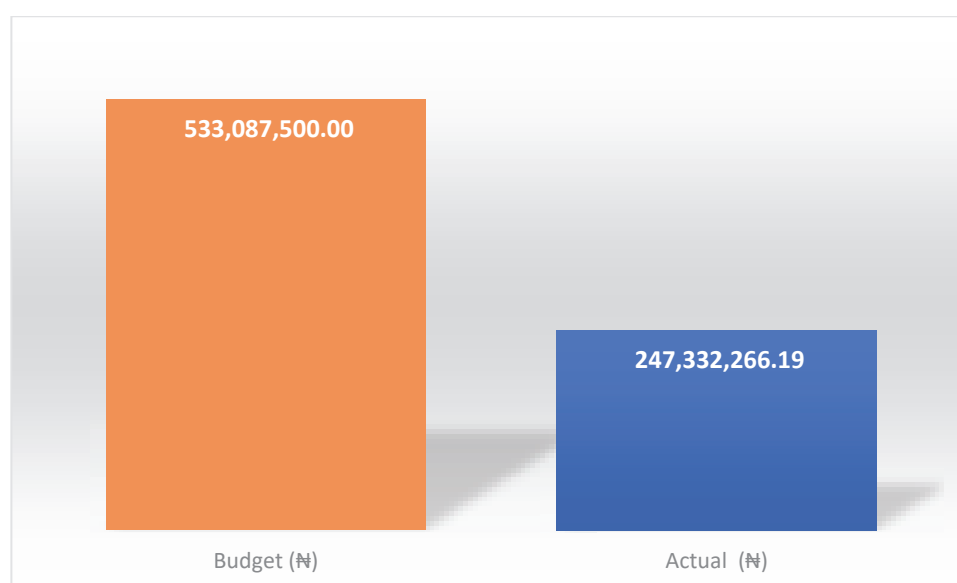
These were our findings:

2.1 Budgeting:

Budget (₦)	Actual (₦)	Variance (₦)	Variance (%)
533,087,500.00	247,332,266.19	285,755,233.81	54%

The sum budgeted for 1st January 2023 to 30th June, 2023 amounted to ₦533,087,500.00. Actual expenditures amounted to ₦247,332,266.19 leading to a positive favourable variance of ₦285,755,233.81 or 54% for the period. These are shown in the chart below:

Chart 1: Expenditure Budget Performance for January to June, 2023.



The budget was denominated in US Dollars but actual expenditure was incurred in Nigerian Naira. The exchange rate used in converting USD to Naira was \$1 to ₦411.

2.2 Accounting

Observations:

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

b) Payment Procedures:

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

ii. Payments were made in favour of duly authorized beneficiaries, as substantiated by the payment vouchers.

iii. The Centre operates three bank accounts. A Naira Treasury Single Accounts (TSA) with the Central Bank of Nigeria, and two other bank accounts for all IGR transactions. One with the University's Microfinance Bank and one with United Bank of Africa (UBA). Details are shown below:

S/N	Bank	Account Number	Closing Balance as at June 30 2023 ₦
1	Treasury Single Account (Naira)	0120474961155	87,507,332.06
2	U&C Microfinance Bank	1100236292	100,409.71
3	United Bank of Africa (UBA).	0111564376	2,024,566.23

c) Bank reconciliation statements for all accounts were satisfactorily prepared within the period under review, and the Cash Books for the three bank accounts adjusted to reflect the adjusted Cash Book balance after reconciliations each month.

d) The Cash Books for the Centre's accounts were prepared using the accounting software.

e) *Receipt and Payment Account:*

The Receipts and Payments Account was prepared using the accounting software.

f) *Ledger Accounts:*

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 full year 2023 amounted to ₦1,069,841,480.98 while total sum expended to June 30th 2023 amounted to ₦247,332,266.19 leading to 23% completion of the budget.

c) There is no safe in the Project Accountant's office. All payments were made through the banks. Monthly imprest was paid via re-imbursement after spending.

d) *Segregation of duties was adequate.*

The procedure in place indicates that requests for payment for expenditures were raised by the Project Accountant, Communications Officer, Head of Administration, or other officers assigned by the Centre Leader, and vendor/supplier undertaking contract(s). such request/estimates are vetted and/or 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, Management Committee, Procurement Committee, and Budget Committee.



e) *Unretired Advances and Refunds:*

1. Unretired Advances from the Last Audit (July – December, 2022)
All unretired advances observed in the last audit have been fully retired.
2. Unretired Advance in the current period/audit.

The following unretired advances were observed for the period:

S/N	Name	Description	Amount [N]	Voucher No.
1	Ugochukwu Nwafor	Purchase of fuel pump and replacement of headlights for the Centre's Leader Toyota Corolla. [June, 2023]	108,000.00	PV/2023/UNIPT-2/000000168
2	Ugochukwu Nwafor	Purchase of foot mat for Centre Leader's car [February 2023]	40,000.00	PV/2023/UNIPT-2/000000092
3	Ugochukwu Nwafor	Expenses on servicing Centre Leader's car [February 2023]	180,000.00	PV/2023/UNIPT-2/000000091

Management Response:

Mr. Ugochukwu is the former Centre Leader's driver serving as his personal driver in the former Centre Leader's new job outside the State. Effort will be made to get him to retire the advances standing against his name.

Recommendation:

All beneficiaries of advances should be requested to retire such payments within fourteen [14] days from the date of payment.

3. Outstanding Refunds

In the last report, we observed that money advanced to a former Steering Committee member [in Naira and USD] for an international training which he did not attend was yet to be refunded. A memo was written by the former Centre Leader to the Chairman of the Steering Committee/Vice Chancellor on this matter in compliance with the decision of the Management Committee. Following the intervention of the Vice Chancellor, part of the money was refunded. Below is the position of the fund:

S/N	Name	Description of Trip	Amount [NGN & USD]	Amount Refunded		Balance	
				N	\$	N	\$
1.	Dr. B. I. B. Woko	Sponsorship to attend a training on "Treasury Management best practices" in Dubai, 30 th January – 3 rd February 2022	N1,765,138.00 & \$9,550.50	800,000	0.00	965,138	9,550.50

Management Responses:

The Centre Leader will follow up with a discussion with the Vice Chancellor to ensure full refund.

Recommendations:

- i. The follow up should be done in a more aggressive manner to ensure full and complete refund of both the Naira and USD components.
- ii. Piecemeal refund should not be encouraged.

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. Management Committee
2. Audit Committee; and
3. 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 Three Hundred and Eighteen Million, Seven Hundred and Thirteen Thousand, Eight Hundred and Eleven Naira, Eighty-Eight kobo [N318,713,811.88] 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 [N17,160,000.00] 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 2022 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 2022 had 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 as evidenced by the minutes of meetings with the Center Steering Committee.

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 2022 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 2022 and the financial performance and cashflows for the year ended, in accordance with the IPSAS issued by the International Public Sector Accounting Standards Board.

2.8 Disbursement and Submission of Withdrawal Applications

Disbursements from World Bank were received within the period under review. The sum of Three Hundred and Eighteen Million, Seven Hundred and Thirteen Thousand, Eight Hundred and Eleven Naira, eighty-eight kobo [~~N~~318,713,811.88] only 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

i. Payment procedures within the period under review were devoid of major loopholes that may lead to errors and irregularities. All payments passed through due process of Internal Audit checks [pre-payment audit] and approval of the Centre Leader, and Vice Chancellor/Chairman of the Steering Committee. All payments were made using payment vouchers generated from the computerized accounting system.

ii. Approvals for payments to contractors were timely. However, the taxes arising from some transactions were not remitted when due. Taxes were accumulated and paid. Some of them include, but not limited to:

a. Payment of RIRS on WHT amounting to N1,105,035.61 made on 27/4/23

b. Payment of VAT of N1,791,682.82 made of 27/4/23.

c. Payment of WHT to FIRS of N3,005,380.74 [PV/20223/UNIPT-00000079] made of 28/2/23



- d. Payment of WHT to FIRS of N3,017,537.78 [PV/20223/UNIPT-00000078] made of 28/2/23
- e. Payment of VAT to FIRS of N7,067,250.77 [PV/20223/UNIPT-00000077] made of 28/2/23
- f. Payment of Stamp Duty to FIRS of N1,178,289.99 [PV/20223/UNIPT-00000076] made of 28/2/23.

ii. Most payment vouchers were not signed by the Centre Leader.

iii. There is a provision in the payment Vouchers for payee [beneficiary] signature. None of the PV were signed by the respective payees.

Management Response:

- i. Efforts will be made to remit taxes to the relevant tax authorities as and when due.
- ii. All unsigned payment vouchers would be sent to the new Centre Leader for his signature.
- iii. The task of getting payees to sign their section of the payment vouchers is a herculean one especially with in this era of electronic payment system. Some of the payees reside in cities far away from the University and getting them to sign will be difficult. However, effort will be made to ensure that those who are reachable are invited to sign.

Recommendations:

- i. Delays in tax remittance should be avoided.
- ii. The practice of accumulating taxes and paying at convenience should be avoided.
- iii. The former Centre leader should be invited to sign the unsigned payment vouchers.
- v. While efforts should be made to get payees to sign their section of the voucher as evidence of receipt of the money, those who work in the University should, as a matter of policy, be required to sign the document as soon as their accounts are credited.

2.11 Physical Verification/ Fixed Assets [Non-current Assets] Register


The Non-Current Assets Register presented was prepared but not updated with recent purchases made within the period. The document was last updated in February, 2023. Hence, all the assets acquired after this date were not captured and therefore not been coded. Some of the coded ones were made with markers instead of engraving machine.

Management Response:

Effort will be made to quickly get the assets coded and the Register updated.

Recommendation:

Assets should be coded and the Register updated immediately after the Project Auditor's inspection and certification.



2.12 Procurement Activities

There was a procurement plan. Several procurements took place 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:

All payment vouchers in respect of contract supplies will be quickly revisited and contract award letters attached to them.

Recommendation:

Contract award letters should be attached to contractors' bill of quantities/estimates as soon as they are vetted and approved.

2.13 Project Staffing

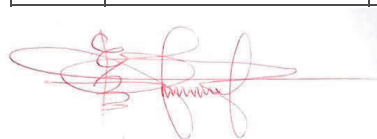
There was no change in project staffing within the period.

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	Not done
2	Unretired Advances	To communicate to all staff involved to retire their advances.	Project Accountant	Done
3	Outstanding refunds	To ensure that all outstanding refunds are made by persons concerned. To receive outstanding refunds.	Project Accountant	Done
4	Prompt payment of taxes	To pay taxes as and when due	Project Accountant	Not done

2.15 New/Updated 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	
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

24 July, 2023

APPENDIX

COMMENTS BY EXTERNAL AUDITOR (YEAR 2022 EXTERNAL AUDIT)

1. Interim Certificate on Construction of Mini Laboratory, Canteen and Baby Friendly Centre to Eagle & Eaglets Limited - Request for payment of N35,703,037.79

The valuation certificate of N35,703,037.79 by the Chartered Quantity Surveyors/Cost Engineers – IKPONITE ASSOCIATIES LIMITED in respect of the contract sum of N89,279,914.46 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 N89,279,914.46 amounts to N26,718,274 (and not N35,703,037).
- iii) 5% retention clause was not considered in the valuation.
- iv) 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)

2. 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.

3. 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 trips. The information is necessary to reflect it in CEFOR Financial Statement.

4. 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.

5. 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.

