



AFRICA CENTRE OF EXCELLENCE
CENTRE FOR OILFIELD CHEMICALS RESEARCH
UNIVERSITY OF PORT HARCOURT



Memorandum

From: Project Auditor	To: Centre Leader
Ref No.: UPH/ACE-CEFOR/01	
Date: 31 January 2024	

SUBMISSION OF INTERNAL AUDIT REPORT

I hereby forward to you, the Internal Audit Report for the Second Semester of the year 2023 [1st July - 31st December, 2023] for your necessary actions, please.

Thank you, Sir.

Noble Maclin



**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, 2019
Closing Date	June 2024
Credit/Grant Amount	\$5 Million
Project Duration	5 Years
Remaining Period to Closing	½ Year
Disbursed Amount to date & Percentage	₦2,288,748,848.17 [94%]
Period Covered by Review	1st July 2023 to 31st December, 2023
Internal Auditor	Noble Maclin

1.0 EXECUTIVE SUMMARY

This audit covered the period 1st July, 2023 to 31st December, 2023. The following records were examined; Work Plan for the year 2023, Cash Book, bank account statements, Bank Reconciliation Statements, Payment Vouchers, Non-Current Assets Register, budget performance report, tax remittance receipts, Audit Committee Report for the last period, and Interim Financial Report. The purpose was to ensure that cash transactions were posted promptly, errors and omissions were detected and corrected, and 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 in order to 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 as the external audit for year 2023 was not yet done. Other documents reviewed included the Trial Balance, and Receipt and Payment Accounts. We also reviewed the system of internal control for compliance in order to identify weaknesses.

The following were major findings of the exercise:

There was an approved budget for the period. The sum budgeted amounted to ₦536,753,980.98 only. Actual expenditures amounted ₦429,181,351.17 only. This gave rise to a significantly favorable variance of N107,572,629.81 only or 20%. On Accounting, The Cash Book 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 a Non-Current Assets Register for the period that was updated. There were a few 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. However, taxes deducted from some contractors amounting to N8,524,325.72 were yet to be remitted to the relevant tax authorities. The External Auditor's report and Management Letters for year 2022 were examined since the audit for year 2023 was yet to be conducted; 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. The Audit Committee has made significant impact on the Project. 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 was 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

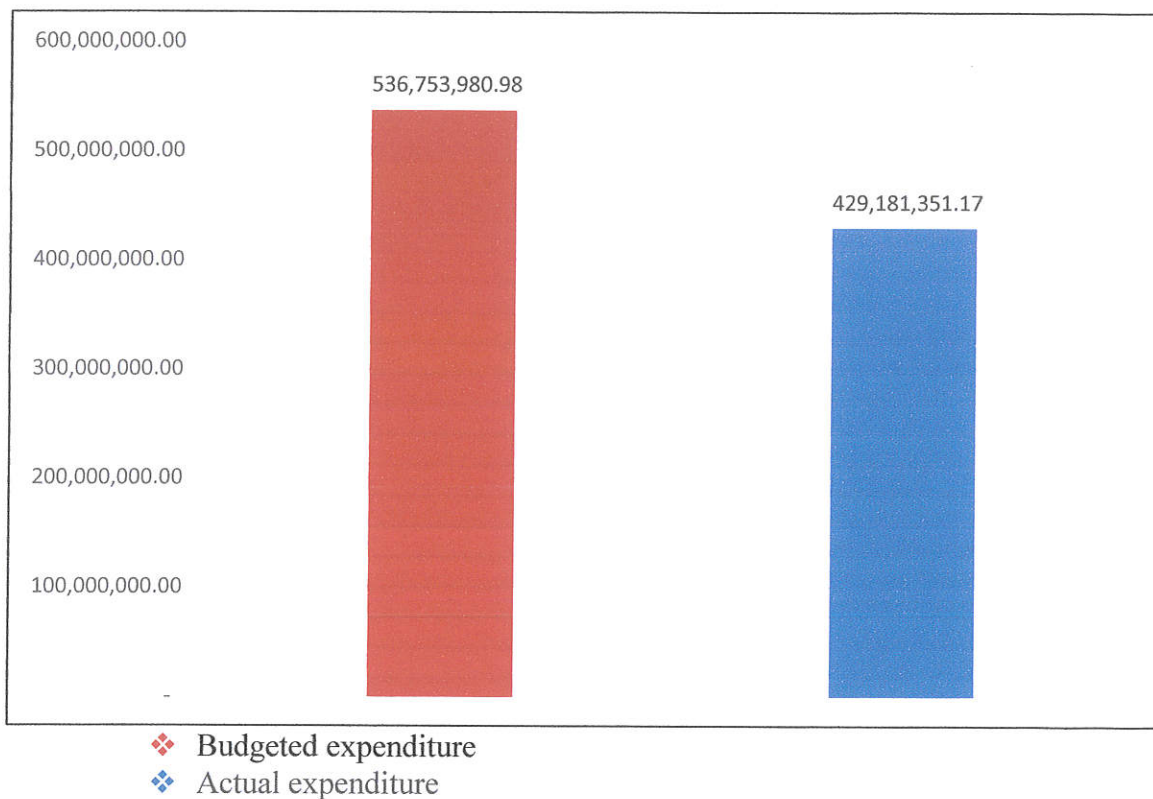
These were our findings:

2.1 Budgeting:

Budget (₦)	Actual (₦)	Variance (₦)	Variance (%)
536,753,980.98	429,181,351.17	107,572,629.81	20%

The sum budgeted for 1st July 2023 to 31st December, 2023 amounted to ₦536,753,980.98. Actual expenditures amounted to ₦429,181,351.17 leading to a favourable variance of ₦107,572,629.81 or 20%. These are shown in the chart below:

Chart 1: Expenditure Budget Performance for July to December, 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 N445.

It was observed that the N445 exchange rate used is historical with significant difference with the current official rate of ₦820 to \$1. The exchange rate used for the development of the workplan of the first half of 2023 was N411 to 1 USD. The reason for the use of two exchange rates within an accounting year is unclear.

Implication:

Multiple exchange rates made it difficult to accurately calculate the percentage of disbursed amount for the period.

Management response:

There has been exchange rate fluctuations in the Nigeria economy. Disbursement requests were

made through the National Universities Commission [NUC] in USD and the disbursements were made by NUC in Naira at exchange rates determined by the Commission.

2.2 Accounting

Observations:

a) The International Public Sector Accounting Standards (cash basis IPSAS) was adopted in preparing the accounts of the Centre. 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. All payments were done via transfers using the Remita e-payments platform. Internally Generated Revenue [IGR] payments were made with cheques and direct bank transfers.
- 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 the other with United Bank of Africa (UBA) Plc. Details of the balances at the end of the period are shown below:

S/N	Bank	Account Number	Opening balance as at 1 st July, 2023 [N]	Closing balance as at 31 st December, 2023 [N]
1	Treasury Single Account (Naira)	0120474961155	87,507,332.06	130,601,452.44
2	U&C Microfinance Bank	1100236292	100,409.71	100,169.71
3	United Bank of Africa (UBA) Plc	0111564376	2,024,566.23	15,336,016.00

c) Monthly 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 audit.

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 December 31st 2023 amounted to ₦676,513,617.36 leading to 63% completion of the budget.

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

c) *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, Environmental and Social Safeguard Officer, other officers assigned by the Centre Leader, and contractors. These requests/estimates were 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. Authorization limits of the two approving officers were strictly adhered to. Committees exist for various duties; they include the Project Steering Committee, Management Committee, Procurement Committee, and Audit Committee.

d) *Unretired Advances and Refunds:*

1. Unretired Advances from the last Audit (January – June, 2023):

The following unretired advances observed in the last audit have not been fully retired.

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



2. Unretired Advance in the current period:
The following unretired advances were observed:

S/ N	Name	Description	Amount [N]	Voucher No.
1	Prof. Ikechukwu Agbagwa	Trip to attend a Financial Management Training in Nairobi, Kenya, August, 2023	2,202,746.00	PV/2023/UNIPT-2/000000213
2	Prof. Ikechukwu Agbagwa	Trip to attend a Monitoring and Evaluation training in Israel, October, 2023	2,980,758.00 and \$6,400.00	PV/2023/UNIPT-2/000000315
3	Uduma Ikpa	Trip to attend a Monitoring and Evaluation training in Israel, October, 2023	2,950,258.00 and \$3,500.00	PV/2023/UNIPT-2/000000316
4	Daniel Okon	Sponsorship to attend NUC Amazon web service training/certification workshop in Delhi, India, December, 2023	3,862,739 and \$7,296.00	PV/2023/UNIPT-2/000000378
5	Ikechukwu, Nnabugwu	Purchase of windscreen wiper	N7,000.00	PV/2023/UNIPT-2/000000282

Implication:

Failure or delay in retiring advances is against due process and defaulters may be required to make full refunds.

Management Response:

Serial Number 1:

The trip has been rescheduled for March, 2024 due to other official engagements which coincided with the initial date of the training.

Serial Number 2:

Due to the crises in Israel, the trip has been rescheduled for April, 2024

Serial Number 3:

Same as serial number 2 above.

Serial Number 4:

Although the money was paid in December, the trip is scheduled for February, 2024

Serial Number 5:

Effort will be made to ensure immediate retirement.



3. Outstanding Refunds:

In the last two reports, 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 had been 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, the sum of Eight Hundred Naira [N800,000.00] only was refunded. From the last audit till now, no further refunds have been made. Below is the position of the fund:

S/N	Name	Description of Trip	Amount [NGN & USD]	Amount Refunded so far		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

Implication:

The failure to make full refunds is against due process and it could set a wrong precedent.

Management response:

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

Recommendations:

- i. The follow up should be aggressively done to ensure full recovery of both the Naira and USD components.
- ii. Piecemeal refunds should not be encouraged so that this protracted issue can be brought to an end.

2.4 Effectiveness of Management Oversight including Audit Committees

The effectiveness of Management oversight for the Centre was considered adequate. 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 include:

1. Management Committee;
2. Audit Committee; and
3. Procurement Committee.

The effectiveness of the Audit Committee was adequate. The Committee has been actively 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 Four Hundred and Seventy-Two Million, Eight Hundred Twenty-Seven Thousand, Four Hundred and Seventy-One Naira, Fifty-Five Kobo [₦472,827,471.55] only was disbursed during the period. Internally Generated Revenue [IGR] within the period was Twenty-Nine Million, One Hundred, and Seventeen Thousand Naira [₦29,117,000.00] only.

There were no observed complaints from suppliers, project staff or beneficiaries regarding payments for the period under review.

2.6 External Audit

The audited Annual Financial Statements, and Management Letter for the period ended 31st December 2022 were presented for the audit. The External Auditor gave an unqualified opinion on the financial statements presented. In their view, the financial statements gave a true and fair view of financial affairs of the Centre for the year ended 31st December 2022 and the financial performance and cash flows for the year ended, in accordance with the IPSAS issued by the International Public Sector Accounting Standards Board. The external audit for the year ended 31st December 2023 was yet to be conducted.

2.7 Disbursement and Submission of Withdrawal Applications

Disbursements from World Bank were received within the period. The sum of Four Hundred and Eighteen Million, Seven Hundred and Thirteen Thousand, Eight Hundred and Eleven Naira, Eighty-eight Kobo [₦472,827,471.55] only was disbursed. Submission of withdrawal applications were made and completed within the period.

2.8 2.8 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.

2.9 Payment Procedure

Payment procedure within the period under review was 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.

i. Approvals for payments to contractors were timely.

ii. Unpaid taxes:

In the month of December, 2023, payments arising from nine [9] transactions totaling N57,359,205.00 only were made. The associated taxes [VAT, Withholding Tax, and Stamp Duty] amounting to N8,524,325.72 only were not paid. Details of the contracts and the taxes



include the following:

S/N	Description of Contract/ Contractor	Contract value N	Unpaid taxes		
			VAT N	WHT N	Stamp Duty (N)
1	Renewal of subscription to KOHA ILS Integrated Library automation management software. [Speedlink Solutions]	N7,775,337.00	542,465.40	361,643.58	72,326.72
2	Renewal of subscription to PRTG- network monitoring tool. [Speedlink Solutions]	6,718,750.00	468,750.00	312,500.00	62,500.00
	Renewal of subscription to automated library catalog/circulation portal. [Speedlink Solutions]	6,161,900.00	429,900.00	286,600.00	57,320.00
3	Renewal of subscription to cloud based matrix learning management platform. [Speedlink Solutions]	5,330,280.00	371,880.00	247,920.00	49,584.00
4	Renewal of microwave radio 100 mbps dedicated internet bandwidth. [Speedlink Solutions]	9,943,750.00	693,750.00	462,500.00	92,500.00
5	Renewal of secured hosting and security platform for CEFOR accounting software. [Speedlink Solutions]	8,514,000.00	594,000.00	396,000.00	79,200.00
6	Renewal of subscription to NordLayer data security plan. [Speedlink Solutions]	7,005,775.00	488,775.00	325,850.00	65,170.00
7	Renewal of e-library 100mbps dedicated internet bandwidth. [Speedlink Solutions]	9,137,500.00	637,500.00	425,000.00	85,000.00
8	Renewal of fibre optics backup 100mbps dedicated internet bandwidth. [Speedlink Solutions]	9,943,750	693,750.00	462,500.00	92,500.00
9	Addition of laboratory module to the CEFOR ERP software. [Speedlink Solutions]	4,547,250.00	317,250.00	211,500.00	42,300.00
Total		57,359,205.00	4,695,555.00	3,130,370.00	698,400.72
			8,524,325.72		

Implication:

Delay in remittance of taxes as and when due attracts penalties and interest.

Management response:

Payment of tax is done one month after deduction. At the end of January, 2024, the University Tax Committee will reconcile all the tax liabilities of the University, including that of ACE-CEFOR, and make payment in the following month. Since these payments were made on December, 28, 2023, the tax components will be duly paid after reconciliation.

Recommendation:

Efforts should be made to ensure timely remittance of taxes to avoid penalties.

iii. High frequency of requests for refunds.

There was a high frequency of requests for refunds on various items purchases out of pocket. Some of these purchases which range from NN250,000 to N900,000.00 were equipment and sundry repairs. These are services that should have been carried out by contractors since they are above the N200,000 limit allowed for direct purchase.

Implication:

Procurement procedures may appear to have been avoided.

Management Responses:

The expenses were incurred as a result some emergency cases that arose; adhering to the process of procurement at such times would have made it impossible for the Centre to avert crises and embarrassments.

Recommendation:

The frequency of applications for refunds for large purchases should be reduced to the barest minimum.

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

The Non-Current Assets Register presented was updated with purchases made within the period. All new assets acquired during the period were captured and coded with the Centre's coding system.

2.11 Procurement Activities

There was a procurement plan approved by the World Bank. 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. Procurements within the period followed due process. Procurements were done using e-procurement software.

2.12 Project Staffing

There were changes in the Center staffing.

- i. The Former Deputy Centre Leader, Professor Ikechiukwu Agbagwa, became the Centre Leader in place of Professor Ogbonna Joel who is on leave of absence following a political appointment.
- ii. The Former Environmental and Social Safeguards Officer, Dr. Victor J. Aimikhe, became the Deputy Centre Leader.
- iii. Mr. Daniel Okon was appointed the new Environmental and Social Safeguards Officer.



2.13 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.	Outstanding refunds	To ensure that all outstanding refunds are made by persons concerned.	Project Accountant	Not Done

2.14 New/Updated Audit Action Plans

S/N	Issues	Agreed Actions	By Whom	Status
1	Unretired Advances	To communicate to all staff involved to retire their advances.	Project Accountant	
2	Outstanding refunds	To ensure that all outstanding refunds are made by person[s] concerned. Centre Leader to follow up with Vice Chancellor.	Centre leader	
3	Prompt payment of taxes	To pay taxes as and when due.	Project Accountant	



Noble Maclin
23 January, 2024

