REPORT OF THE UNIVERSITY OF PORT HARCOURT AUDIT COMMITTEE ON THE AUDITED FINANCIAL STATEMENTS AND MANAGEMENT LETTERS OF AFRICAN CENTRE OF EXCELLENCE, CENTRE FOR OILFIELD CHEMICALS RESEARCH (ACE CEFOR),UNIVERSITY OF PORT HARCOURT FOR THE YEAR ENDED 31ST DECEMBER, 2023

1. PREAMBLE

In a letter dated 9th December, 2021, with reference number UPH/VC/194/AC, the Vice Chancellor appointed an Audit Committee made up of a Chairman and four other members of staff of the University of Port Harcourt.

2. TERMS OF REFERENCE

The following are the terms of reference given to the Audit Committee:

1. To ascertain whether the accounting and reporting policies of the University are in accordance with legal requirements and ethical practices.
2. Review the scope and planning of audit requirements.
3. Review the finding on management matters in conjunction with the External Auditor and Departmental (Centres of Excellence) responses thereon.
4. Keep under review the university system of accounting and internal control.
5. Authorize the Internal Auditor to carry out investigations into any activity of the university which may be of interest or concern to the committee.
6. Makeappropriate recommendations to the University Management on appointment, removal and remuneration of the External Auditors.
7. Advice University Management on observations and recommendations of internal and external audit reports.

3. AUDIT COMMITTEE REPORT

The Audit Committee Report onthe Internal Audit Reports for the year ended 31st Dec. 2023, the External Auditor's Audited Financial Statements for the year ended 31st December, 2023and the Management Letter by the External Auditor for the year ended 31st December, 2023 of African Centre of Excellence, Centre for Oilfield Chemicals Research (ACE - CEFOR)is as follows:

3.1 INTERNAL AUDIT AND EXTERNAL AUDIT REPORTS

In compliance with our terms of reference as stated above, the Audit Committee reviewed the Internal Audit Reports for the year ended 31st Dec. 2023 and the External Auditor's Audited Financial Statements and their Management Letter for the year ended 31st Dec., 2023 of the World Bank African Centre of Excellence – Centre for Oilfield Chemicals Research (ACE - CEFOR).

In the course of the exercise, the Committee physically visited the centre, made calls, held physical meetings with the Centre Leader and other key officers of the Centre as well as other members of staff to obtain reasonable explanationsneeded for this report. This was doneas part of the Committee's oversight functionsin order to practically ensure that our observations from the books and documents examined corroborate with the information provided.More so, this was donetoobtain reasonable assurance that the annual reports and financial statements comply with the accounting and reporting policies of the University, legal requirements, ethical practices and in accordance with International Public Sector AccountingStandards (IPSAS).

Having assessed the significant extent, the accounting and financial reporting policies and internal control systems of the university have been implemented, the Audit Committee presents the following specific and general recommendations to the University of Port Harcourt Management so as to strengthen the efficiency and effectiveness of the internal control mechanism of the University.

3.2 GENERAL OBSERVATIONS AND RECOMMENDATIONS

Before the reports of ACE - CEFOR for the year ended Dec. 2023, the following are the general observations on the overall management of the university and recommendations:

a) The Audit Committee observed that themanagement of University of Port Harcourt holds regular management meetings to review the various planned activities and actions of the University.Where there are deviations from the plans, corrective measures are takenso that the overall objectives and goals of the University are achieved effectively and efficiently.

b) The University Internal Control and Accounting Systems have been adequately maintained by the University Management because the Internal Audit Department consistently carries out regular and continuous audit exercise in virtually all departments, centres and units of the university.

c) The management ensures that the actual progress made by budget implementation is compared with the budgeted and where there is a budget variance, necessary corrective actions are taken to ensure budget compliance.

d) The management also considers any other relevant unfolding events and necessary strategic actions are taken in order to achieve the overall desired goals and keep up to date with current realities.

3.2.1 RECOMMENDATIONS

a. In order to achieve sustained and improved performance,high level efficiency and effectiveness in the performance of the University, there is need for the management to maintain and improve on the existing monthly and quarterly meetings between the University Management Team(that is, the Principal Officers of the University) and the Centre Leaders, Directors and Acting Directors. This will help in cross-fertilization of ideas by these officers. Success stories of good and high performing centres will be shared and lessons learnt by others will go a long way to improve their own performance. The strengths, weakness, opportunities, threats (SWOT) experiences will be communicated and solutions provided on regular basis.

The advantages of such meetings are enormousas some good performing Directors of Centres who have overcome certain challenges in the past would be in a better position to share their practical experiences and provide easy solutions to the challenges of these other centres to learn.

b. There is need to retain good or high performing Centre Leaders and Directors to continue their good work, **as it is not advisable to change the winning team**. The usual two-year term for Heads of department and Deans of faculty may be counterproductive in a business world where these Centre Leaders and Directors rightly belong.

These staff with proven entrepreneurial spirit of practically achieving the best possible result if retained, can greatly improve the financial and academic performance of the University. In effect, sustained high performance records should be the basis of retaining the leaders of centres and units.

3.3 SPECIFIC OBSERVATIONS AND RECOMMENDATIONS ON THE WORLD BANK AFRICA CENTRE OF EXCELLENCE FOR OILFIELD CHEMICALS RESEARCH (ACE CEFOR)FOR THE YEAR ENDED 31st DECEMBER, 2023

3.3.1 INTRODUCTION

The World Bank African Centre of Excellence –Centre for Oilfield Chemicals Research (ACE CEFOR) is one of the twenty-two (22) World Bank-funded Centres of Excellence established in 2013 in the University of Port Harcourt.

3.3.2 OBJECTIVES

The objectives of the World Bank Africa Centre of Excellence in Oilfield Chemicals Research (ACE-CEFOR), University of Port Harcourt is to support quality postgraduate training and manpower development in Africa. Essentially, ACE-CEFOR offers international accredited graduate programmes for sustainable development in the petroleum and allied industries and is well-positioned to deliver high quality innovative services to the oil and gas sector through capacity building/cutting-edge research for addressing regional developmental challenges.

As a World Bank fully funded Centre, all expenditures are regulated by the World Bank. The new Centre Leader,Prof. Ikechukwu O. Agbagwa who took over from Professor Joel Ogbonna in July 2023 informed the Audit Committee that reports which are regularly sent to the World Bank are usually cross checked by the University Internal Audit Department and Audit Committee as part of the requirements of the World Bank financial rules and regulations.

3.3.3 AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee is charged among others, with the responsibility of complying with its terms of reference, the accounting and reporting policies of the University, legal requirements of the Federal Government, professional ethical practices and compliance with the International Public Sector Accounting Standards (IPSAS). This is to ensure that the Centre operates in an ethical environment and observes all relevant laws and standards that will enable it achieve the set goal.

In particular, it is charged with the oversight function of financial reporting, risk management, internal control measures and ensuring that the Centre's financial statements are understandableand formreliable basis for informed decision making. That is, they are free from any material misstatements, misrepresentation ormisleading information or omission.

Hence, the Audit Committee has examined theProject Internal Audit Report for the year ended 31st Dec. 2023and the External Auditor's Audited Financial Statements and their Management Letter for the year ended 31st Dec., 2023 to ascertain the extent of conformity with the relevant Accounting Standards and Financial Regulations and made necessary observations and recommendations there on.

Thefollowing documentary evidences were also examined:

1. Work Plan
2. Cash Books
3. Receipts and Payments Accounts
4. Bank Statements
5. Trial balance
6. Ledger
7. Bank Reconciliation Statements
8. Payment vouchers and E-payments
9. Financial Statements
10. Budget Performance Report
11. Tax Invoices and Receipts
12. Non-Current (Fixed)Assets Register

13. Project Internal Audit Report for the year ended 31st Dec. 2023
14. External Auditor's Audited Financial Statements for the year ended 31st Dec., 2023
15. Management Letter by theExternal Auditorfor the year ended 31st Dec., 2023

3.3.4AUDIT COMMITTEE OBSERVATIONS, IMPLICATIONS AND RECOMMENDATIONS

3.3.4.1 OBSERVATIONS ON OVERALL ACADEMIC ACTIVITIES

All ACE –CEFORProgrammes, namely Post Graduate Diploma (PGD), Short Courses, Masters(M. Sc.),and Doctor of Philosophy (Ph.D) in various disciplines were highlysubscribed and the degrees/certifications attract high recognition in the relevant industries. The reason for this increasing recognition is because of the track records of good and high practical performance of the graduates of the ACE – CEFORprogrammes as confirmed by users of their services in various industries.

3.3.4.2 ACE - CEFOR PROGRESS REPORT

Below are some of the achievements or progress made by ACE – CEFOR in the year 2023:

1) In May 2023, the 7th Batch of 32 PhD students were admitted, compared to 38 in 2022, 28 in 2021, 46 in 2020 and 57 in 2019. Cumulative to date, is 198 PhDs.
2) A total of 84 MSc students were admitted, compared to 95 in 2022, 80 in 2021, 149 in 2020 and 114 in 2019. Cumulative to date, is 522 MSc students.
3) The Centre's Enterprise Resource Planning (ERP) Software has come online and automated the Centre's entire processes – Accounting; Administration; Auditing; M&E; Procurement, etc. The ERP has been useful to other Centres and organisations who are willing to adopt it.
4) ACE-CEFOR in conjunction with ACE-PUTOR organized the maiden edition of the University of Port Harcourt Innovation Week from 24th to 27th October,

2023. The event was a harvest of research discoveries and innovation across disciplines at the University of Port Harcourt. ACE-CEFOR provided the significant part of the facilities for the innovation Week that contributed to the success of the programme. Awards were given to outstanding researchers and innovators.

5) The Centre organized short courses for 484 persons (with 63 regional), compared to 183 in 2022, 338 in 2021 (with 70 regional) and 59 in 2019, (with 54 regional). Short courses were not organized in 2020 due to COVID-19 lockdowns.Cumulative to date, is 1,064 short course participants trained.

6) Through the Impact of ACE-CEFOR, more than 3,000 staff and students of the University have been connected to the internet with over 10,000 having access to the Journals subscribed by CEFOR on behalf of the University.

7) The Online Distance and E-leaning (ODeL) Centre got accreditation by the NUC to start the Distance Learning online programs through the deployment of a robust Learning Management System by ACE-CEFOR.

8) ACE-CEFOR changed the security landscape of the University by deploying high-end surveillance systems at all the University's entry/exit points.

9) The impact of ACE-CEFOR on the University of Port Harcourt has been very helpful and phenomenal as it provides about 40 percent support services to ICTC and Library for their smooth operations. It also greatly supported the university during the Innovation week.

10) The ACE CEFOR Laboratory is adequately furnished and put into effective use and generates significant revenue besides being used by the university of Port Harcourt for usefulpurposes.

3.3.4.3 CHALLENGES

a. Public Power Supply Challenge – ACE - CEFOR has been generating most of its electricity due to the poor public power supply in the country, hence, leading to increase in cost of operation.

b. The need to improve internally generated revenue (IGR) of the Centre for sustainability. The Centre is making serious efforts in this direction.

3.3.4.6RECOMMENDATIONSON OVERALL ACADEMIC ACTIVITIES

a. Management should improve on its present level of academic performance and even surpass it.

b. The Centre should sustain its efforts in improving its IGR.

3.3.5 OBSERVATIONS ON THE EXTERNAL AUDITOR'SREPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DEC. 2023

3.3.5.1 SPECIFIC OBSERVATIONS

A. THE AUDIT COMMITTEE GENERALLY OBSERVED THE FOLLOWING:

1. Proper books of account were kept by the Centre.
2. The Financial Statements agreed with the books of accounts.
3. The financial statements gave a true and fair view in all material respects. This means that there were no material misstatements in the Statement of Financial Position, Statement of Financial Performance and the Statements of Cash flows of the Centre for the year ended 31st Dec. 2023.
4. The accounts were also prepared in accordance with IPSAS and other regulatory requirements.
5. The exchange rate which was used for the accounts as at 31st Dec., 2023 is ₦607 per USDis appropriate as at that date.

B. SUMMARY OF THE STATEMENTS OF FINANCIAL POSITION OF ACE CEFOR AS AT 31ST DECEMBER, 2023:

The following is the summary of the ACE CEFOR statements of financial position as at 31st December, 2023:

ACE CEFOR NET WORTH/ASSETS:

	2023	2022	2021	2020	2019
	N	N	N	N	N
Total Assets	**2,073,836,677**	**1,466,312,037**	**628,019,299**	**317,923,711**	**514,699,853**
Less:					
Total Liabilities	**1,200,000**	**1,200,000**	**750,000**	**-----**	**920,000**
Net Worth	**2,072,436,677**	**1,465,112,037**	**627,269,299**	**317,923,711**	**513,779,853**

NOTE

In the above five yearssummary of the statements of financial position, there has been consistent increase in the net-worth or net-assets value of ACE CEFOR except in 2020 which was negatively affected by **COVID-19 challenges** and Prior Year Adjustment. The Net Assets of the Centre increased from ₦**1,465,112,037**in 2022 to ₦**2,072,436,677** in 2023 representing an increase of 41.45%.

C. SUMMARY OF THE STATEMENTS OF THE FINANCIAL PERFORMANCE OF ACE CEFOR FOR THE YEAR ENDED 31ST DECEMBER, 2023:

The following is the summary of the statements of the financial performance of ACE CEFOR for the year ended 31st December, 2023:

ACE CEFOR SURPLUS/(DEFICIT) FOR THE YEARS:

	2023	2022	2021	2020	2019
	N	N	N	N	N
Revenue/Receipts	**805,774,741**	**1,003,928,462**	**400,020,000**	**--------**	**310,169,847**
Less Expenditure	**876,113,719**	**1,280,301,815**	**376,803,133**	**112,817,760**	**336,079,913**
Surplus/(Deficit)	**(70,338,978)**	**(276,373,353)**	**23,216,867**	**(112,817,760)**	**(25,910,066)**

NOTE

1. A close examination of the above five-yearStatements of the financial performance of ACE CEFOR, reveals that there were deficit balances in 2019, 2020, 2022 and 2023.

2. The deficits in 2019 and 2020 were due to the impact of **COVID-19 challenges** which virtually affected all organizations globally. However, the deficits in 2022 and 2023 were mainly as a result of the Disbursement Linked Results (DLR). **However, in all contract arrangement and expenditure, due care and due diligence need to be exercised to ensure proper financial rules and regulations are observed and value for money objective is achieved.**

3. Statement of Cash Flows

The Statement of Cash Flows as at 31st Dec. 2023 showed a positive net cash and cash equivalent of₦130,601,452.This shows thattheir liquidity position at the end of 2023 accounting year is favourable.

3.3.5.2 IMPLICATIONS

a. The centre maintained good accounting records of all their transactions resulting to no material misstatements in the audited accounts.

b. The increase in the net worth shows a great increase in the assets base of the centre as seen in the Fixed Assets schedule.

c. The financial performance showed deficit balances indicating excess expenditures more than receipts.

d. The cashflow position is favourable showing the ability to meet any future short term obligations as at when duewithout undue delay.

3.3.5.3 RECOMMENDATIONS ON THE EXTERNAL AUDITOR'S REPORT

a) The Centre Management should continue to maintain this good accounting record devoid of any material misstatements.

b) As regards the deficits, there is urgent need to exercise more cost control, cost reduction and cost savings strategies in order to effectively reduce cost.

3.3.6 OBSERVATIONS ON THE EXTERNAL AUDITOR'S MANAGEMENT LETTER ON THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DEC. 2023

1. **SPEED LINK HI-TECH SOLUTION CONTRACTS**

The contracts to SPEED LINK have consistently remained on the high side. This is as a result of no stiff competition from other service providers.

3.3.6.1 IMPLICATION

a. Where it appears that only one contractor is rendering a particular service all the time in a business, there could be the possibility of the contractor to take advantage of the monopolistic opportunity in over pricing of its services.

MANAGEMENT RESPONSE TO THE EXTERNAL AUDITOR

Noted, though there are other ICT organizations the Centre patronizes. You may however note that ICT is a high-risk area which requires adequate security and confidentiality of trusted consultants, which Speedlink Hi-Tech Solutions Ltd has demonstrated profound capacity. A copy of Memorandum of Understanding (MOU) between the CEFOR and Speedlink Hi-Tech Solutions was tendered. Kindly note also that all the payments made to Speedlink Hi-Tech Solutions Ltd prior to and in

December 2023 were not for supplies, but for renewals of existing internet subscription charges already in progress on behalf of the University.

3.3.6.2 RECOMMENDATION

a. The Centre is encouraged to adhere strictly to a competitive bidding process for all its contracts including internet service provision and renewals for effective and efficient financial management and value for money objective is achieved.

3.3.7 OBSERVATIONS ON THE INTERNAL AUDITOR'S REPORT FOR THE YEAR ENDED 31ST DEC. 2023

a. A good accounting system was put in place.
b. The Internal Control was adequate.
c. All the necessary books of accounts such as Ledgers for all activity codes, Cash Book, Bank Reconciliation Statements, Receipt and Payment Accounts, among others were maintained regularly and adequately.
d. There was no case of fraud or corruption observed or reported.
e. The assets register is complete and all the assets coded and safe.

f. **Unretired Advances and Refunds**–It was observed that various sums of money [in Naira and USD] advanced to some staff, a former steering committee member and some current steering committee members have not been retired as required by theProject Financial Management (FM) policy. Those involved are as follows:

S/N	Name	Description	Amount [N]	Amount [$]	Voucher No.
1	Dr.B.I,B. Woko	Sponsorship t oattendatraining on“TreasuryMan agement b estpractices” i n Dubai, 30th January–3rd February2022	965,138 (Balance)	9,550.50	PV/2022/UNIPT-2/00000066
2	Ugochukwu Nwafor	Purchase of fuel pump and replacement of headlights for the Centre’s Leader Toyota Corolla. [June, 2023]	108,000.00	0	PV/2023/UNIPT-2/000000168
3	Ugochukwu Nwafor	Purchase of foot mat for Centre Leader’s car [February 2023]	40,000.00	0	PV/2023/UNIPT-2/000000092
4	Ugochukwu Nwafor	Expenses on servicing Centre Leader’s car [February 2023]	180,000.00	0	PV/2023/UNIPT-2/000000091
5	Prof. Ikechukwu Agbagwa	Trip to attend a Financial Management Training in Nairobi, Kenya, August, 2023	2,202,746.00	0	PV/2023/UNIPT-2/000000213
6	Prof. Ikechukwu Agbagwa	Trip to attend a Monitoring and Evaluation training in Israel, October, 2023	2,980,758.00	6,400.00	PV/2023/UNIPT-2/000000315
7	UdumaIkpa	Trip to attend a Monitoring and Evaluation training in Israel, October, 2023	2,950,258.00	3.500	PV/2023/UNIPT-2/000000316
8	Daniel Okon	Sponsorship to attend NUC	3,862,739	7,296.00	PV/2023/UNIPT-2/000000378

		Amazon web service training/certification workshop in Delhi, India, December, 2023			
9	Ikechukwu, Nnabugwu	Purchase of windscreen wiper	7,000.00	0	PV/2023/UNIPT-2/000000282

g. **High frequency of requests for refunds** - There was a high frequency of requests for refunds on various items purchased 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 according to the university guidelines.

3.3.7.1. IMPLICATIONS

a. Not retiring advances as at and when due is against Financial Regulations, it erodes the efficient utilization of those financial resources and could set wrong precedence.

b. Procurement procedures may appear to have been avoided when there are high frequencies of refunds for purchases above the N200,000 limit allowed for direct purchases according to the university guidelines.

MANAGEMENT RESPONSE TO THE INTERNAL AUDITOR

a. *Some of the trips have been rescheduled for dates in 2024 due to other official engagements which coincided with the initial dates of the training.Efforts will be made to ensure immediate retirement of the advances and effective follow up made on the retirements of funds or refunds as the case may be.*
b. *The frequent 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.*

3.3.7.2 RECOMMENDATIONS

a. The staff who are yet to retire their advances should be notified by the Centre Management through the Accountant to retire same as soon as possible.
b. Adherence of procurement procedures should be adhered to strictly on items above N200,000 according to university guideline and Financial Regulations of the Federal Government.

4.0 CONCLUSION

After the examination of the financial statements, management reports of the External Auditor, the Internal Audit reports and their recommendations, especially the practical interaction with the Centre officers and staff, the Audit Committee concludes that the ACE CEFOR maintained proper accounting records and adequate internal control system throughout the period under review.

ACE - CEFOR has over the years achieved impressive increase in its net assets and utilized its resources in the most effective way in order to accomplish set target by World Bank. This remarkable progress should be improved upon.

Based on the foregoing, we advise that the recommendations made in this report be implemented in order to improve the level of performance, internal control, proper accountability and transparency of transactions that will enhance the achievement of the university set goals effectively and efficiently.

NAMES AND SIGNATURES OF AUDIT COMMITTEE MEMBERS

ATTENDANCE AT THE SUBMISSION OF AUDIT REPORT ON ACE-CEFOR BY THE UNIVERSITY OF PORT HARCOURT AUDIT COMMITTEE ON TUESDAY, FEBRUARY 13, 2024 IN THE OFFICE OF THE VICE-CHANCELLOR

1. Prof O.A. Georgewill	VC	
2. Prof G. N. Ogbonna	C/man Audit Committee	
3. Dr. Chioma O. Ojukwu	Member	
4. Prof. I.O. Agbagwa	CL	
5. Noble Maclin	Project [illegible]	
6. Dr. Benson P. Timch	Project Accountant	
7. Prof. G.C. Omojefe	Audit Committee Member	
8. Dr. C. E. Ebieto	Audit Committee member	
9. Mrs. Ezinne C. Nwoga	Secretary, Audit Committee	