AFRICA CENTRE OF EXCELLENCE
WORLD BANK PROJECT
CENTRE FOR OILFIELD CHEMICALS RESEARCH
UNIVERSITY OF PORT HARCOURT
PROJECT INTERNAL AUDIT (IA) REPORT

The World Bank

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 2025
Credit/Grant Amount	$5.9 Million
Project Duration	6 Years
Remaining Period to Closing	6 Months
Disbursed Amount to date	₦3,312,203,778.00
Period Covered by Review	1st July 2024 to 31st December,2024
Internal Auditor	Noble Maclin

EXECUTIVE SUMMARY

This audit covered the period 1st July, 2024 to 31st December, 2024. The following records were examined; Work Plan for the year 2024, Cash Book, Bank Account Statements, Bank Reconciliation Statements, Payment Vouchers, Non-Current Assets Register, Budget Performance Report, Audit Committee Report for the year 2023, and Interim Financial Report. The purpose was to ensure that: cash transactions were posted promptly, errors and omissions were detected and corrected, bank reconciliations were carried out on a monthly basis as prescribed by the Financial Regulations, 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 and 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 2023 were reviewed. Other documents reviewed included the Trial Balance, and Receiptand Payment Accounts. We also reviewed the system of internal control for compliance in order toidentify weaknesses.

The following were our major findings:

There was an approved budget for the period. The sum budgeted was ₦1,073,157,961 only. Actual expenditures amounted ₦473,056,160 only. This gave rise to a favourable variance of ₦600,101,801 only or 56%. 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 an updated Non-Current Assets Register. 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 USD 9,550.50 only were still outstanding. Payments were timely. Taxes were deducted and paid. However, taxes deducted were lumped together and paid at future date and documents of the various transactions from which such taxes were deducted were not attached to the payment vouchers for easy confirmation. The External Auditor's Report and Management Letter for year 2023 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 by the authorizing officers 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 current [2009] Financial Regulations of the Federal Republic of Nigeria.

2.0 INTERNAL AUDIT REVIEW: FINDINGS AND ACTION PLANS

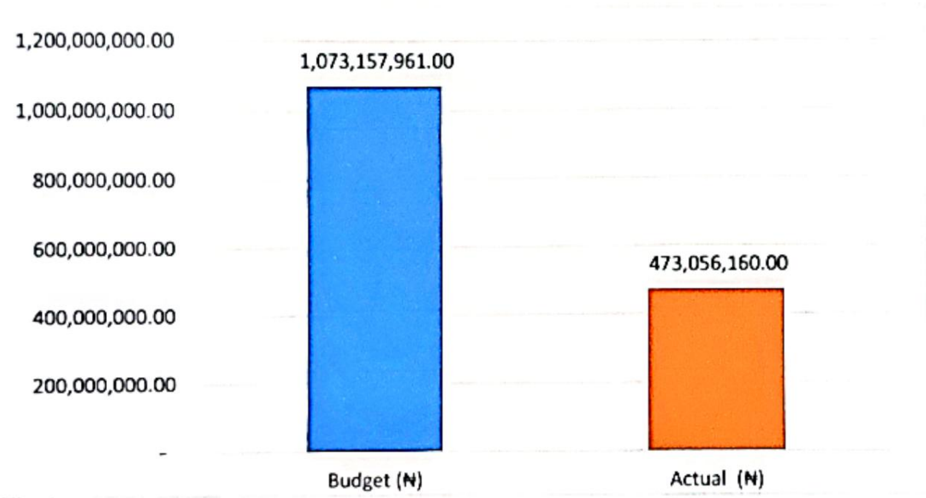
These were our findings:

2.1 Budgeting:

Budget (₦)	Actual (₦)	Variance (₦)	Variance (%)
1,073,157,961	473,056,160.00	600,101,801.00	56%

The sum budgeted for 1st July 2024 to 31st December, 2024 amounted to ₦ 1,073,157,961.00. Actual expenditures amounted to ₦ 473,056,160.00 leading to a favourable variance of ₦ 600,101,801 or favorable 56%. These are shown in the chart below:

Chart 1: Expenditure Budget Performance for July to December, 2024.



- Budgeted expenditure
- Actual expenditure

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 Procedure:

i. All Naira payments were done via transfers using the Remita e-payments platform. Internally Generated Revenue [IGR] payments were made with cheques and direct bank transfers. Dollar payments were made by NUC on behalf of the Center.

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

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 Internally Generated Revenue [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 1st July, 2024 [₦]	Closing balance as at 31st December, 2024 [₦]
1	Treasury Singl Account [Naira]	0120474961155	235,743,590.35	13,884,791.03
2	United Bank of Africa [UBA] Plc	0111564376	33,789,132.34	38,295,235.87
3	U&C Microfinance Bank	1100236292	100,409.71	301,766.53

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 were adjusted for each month to reflect the adjusted Cash Book balance after reconciliations.

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 Control

Observations:

*a. **Internal control***

Internal control was generally adequate.

*b. **Work in progress:***

The total budgeted expenditure for the full year 2024 is ₦ 2,146,315,922.00 while total sum expended so far till 31st December, 2024 amounted to ₦1,238,874,332.99 leading to 42% 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 reimbursement 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 designated 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 Chairman of the Project Steering Committee depending on the amount involved. Extant policy on approval/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

There were no unretired advances for the period

e. Outstanding Refunds:

In the last four 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 fully refunded. The Naira component has now been fully refunded. No refund of the Dollar component has been made.

S/N	Name of Beneficiary	Description of Trip	Amount Advanced		Amount Refunded so far		Balance	
			N	$	N	$	N	$
1.	Dr. B. I B. Woko	Sponsorship to attend a training on"Treasury Management best practices" in Dubai, 30th January –3rd February 2022.	1,765,138.00	9,550.50	1,765,138.00	0.00	0.00	9,550.50

Implication:

The failure to make full refunds is an infringement on provisions of Financial Regulations and it could set a bad precedent.

Management response:

We will liaise with the Vice Chancellor to ensure complete refund.

f. Payment of the sum of Two Million, Nine Hundred and Seventy-Five Thousand Naira [N2,975,000.00] with Payment Voucher Number PV/2024/000000379 dated 30/7/2024 for staff training in the Registry Department was paid the personal account of Dr. Mrs. Gloria Chinda as evidenced in the Payment Voucher instead of Registry Department.

Implications:

1. It is a breach of internal control
2. It may create transparency, accountability and reporting issues

Management Response:

The capturing of the Registrar's name on the Payment Voucher was an error; however, the money was paid to the Registry Department account. The TSA Bank Statement confirms this.

g. Other Observations

There were other payments made that without going through the due process of vetting/certification and approval and originating documents were not found. Some of the are stated below.

S/N	Description	Amount [N]	Payment Voucher Number/Date	Payee
1	Payment for online and on-sight training without going through the process of vetting and approval. Training documents not attached.	9,755,401.63	PV/2024/000000546 27/12/2024	NUC
2	Payment for supply of PHED Metre was made to a member of staff instead of Ebit Technologies **including the VAT component.**	419,250.00	PV/2024/000000523 17/12/2024	Daniel Okon
3	Payment for supply of a printer was made to a member of staff instead of Ebit Technologies **including the VAT component.**	369,800.00	PV/2024/000000524 17/12/2024	Daniel Okon

Implications:

1. It is an incorrect classification of payments which will lead to inaccurate financial statement.
2. Improper payments to staff members could raise legal concerns.

Management Response

1. Item 1 was a direct deduction by the National University Commission [NUC] for various trainings made by the Centre.
2. The payment of the gross amount to the payee was done in error. We shall recover the Value Added Tax on the two transactions and remitted to the relevant tax authority.

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 Two Hundred and Fifty-Seven Million, Six Hundred and Thirty-Six Thousand, Seven Hundred and Fifty-Seven Naira, Sixty-Six Kobo [₦257,636,757.66] only was disbursed during the period. Internally Generated Revenue [IGR] within the period was Sixteen Million, Four Hundred and Eighty-Six Thousand, Three Hundred and Seventy-Nine Naira, Sixty Kobo only [₦16,486,379.60] only. Disbursements for the period was slow. Though withdrawal applications were made, disbursements for the period were still outstanding.

There were no observed complaints from suppliers/contractors 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 2023 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 2023 and the financial performance and cash flows for the year ended, in accordance with the International Public Sector Accounting Standards [IPSAS] issued by the International Public Sector Accounting Standards Board.

2.7 Disbursement and Submission of Withdrawal Applications

Disbursements from World Bank were received within the period. The sum of Two Hundred and Fifty-Seven Million, Six Hundred and Thirty-Six Thousand, Seven Hundred and Fifty-Seven Naira, Sixty-Six Kobo [₦257,636,757.66] only was disbursed. Submission of withdrawal applications were made and completed within the period, yet further disbursements were expected in the period.

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. Tax Payment:

Taxes [Value Added Tax, Withholding Tax, and Stamp Duty] were lumped up and paid; payment vouchers for respective tax amounts were not traceable to the specific transaction. That is, the various contract documents from which the taxes emanated were not attached to the payment vouchers. Some of them are listed below:

S/N	Description	Amount [N]	PV No./Date	Payee
1	Payment of VAT has no source documents	629,271.15	PV/2024/000000543 19/12/2024	FIRS
2	Payment of Withholding Tax without the source/originating documents.	1,182,898.95	PV/2024/000000541 17/11/2024	RIRS
3	Payment of arrears of Stamp Duty without the source/originating documents.	845,561.38	PV/2024/000000540 30/11/2024	FIRS
4	Payment of arrears of Withholding Tax without the source/originating documents.	6,175,088.38	PV/2024/000000539 30/11/2024	FIRS
5	Payment of arrears of VAT without the source/originating documents.	11,010,120.51	PV/2024/000000538 30/11/2024	FIRS
6	Payment of Stamp Duty without the source/originating documents.	173,815.44	PV/2024/000000535 30/11/2024	FIRS
7	Payment of Withholding Tax without the source/originating documents.	896,986.50	PV/2024/000000534 26/9/2024	FIRS

8	Payment of Stamp Duty without the source/originating documents.	25,962.05	PV/2024/000000531 12/8/2024	FIRS
9	Payment of Withholding Tax without the source/originating documents.	143,763.05	PV/2024/000000530 26/9/2024	FIRS
10	Payment of VAT without the source/originating documents.	194,720.00	PV/2024/000000529 12/8/2024	FIRS

Implication:

i. Lumping taxes to pay on a subsequent date leads to delay in payments of taxes and results in challenges with tracing taxes paid with various transactions

Management response:

The lump sum payment will be corrected. The issue of delays is caused by the bureaucracies with the central tax remittance system in the University since we do not pay taxes directly from the Centre and we do not have control over it.

2.10 Physical Verification of Fixed Assets [Non-Current Assets] Register

The Fixed Assets [Non-Current Assets] Register presented was updated. A physical verification exercise conducted showed that all assets on the Register have been dully coded. They were also in the locations indicated in the Register.

2.11 Procurement Activities

There was a procurement plan approved by the World Bank. The Centre Leader and Procurement Officer were responsible for the preparation, presentation and defense of the Work Plan. Several procurements took place within the period. Procurements within the period followed due process. Procurements were done using e-procurement software.

2.12 Project Staffing

There were no changes in the Center staffing.

2.13 Previous Audit Action Plans

S/N	Issues	Agreed Actions	By Whom	Status
1.	Outstanding refunds	To ensure that all outstanding refunds are made by persons concerned. Centre Leader to follow up with Vice Chancellor.	Centre Leader	Not fully done
2	Unretired Advances	To communicate to all staff involved to retire their advances.	Project Accountant	Done

2.14 New Audit Action Plans

S/N	Issues	Agreed Actions	By Whom	Status
1.	Outstanding refund	Effort will be made to ensure full refund	Centre Leader	
2.	Lump sum tax payments and payments without originating documents	The issues raised will be addressed.	Project Accountant	

Noble Maclin
20 January 2025