REPORT OF THE UNIVERSITY OF PORT HARCOURT AUDIT COMMITTEE ON THE 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, 2024

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.
- 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. Make appropriate 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.

AUDIT COMMITTEE REPORT

The Audit Committee Report on the Internal Audit Reports for the year ended 31st Dec. 2024, the External Auditor's Audited Financial Statements for the year ended 31st December, 2024 and the Management Letter by the External Auditor for the year ended 31st December, 2024 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. 2024 and the External Auditor's Audited Financial Statements and their Management Letter for the year ended 31st Dec., 2024 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 explanations needed for this report. This was done as part of the Audit Committee's oversight functions in order to practically ensure that our observations from the books and documents examined corroborate with the information provided. More so, this was done to obtain 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 Accounting Standards (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 observations and 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. 2024, the following are the general observations on the overall management of the university and recommendations:

a) The Audit Committee observed that the management 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 taken so 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) As an entrepreneurial university and a leading institution in cutting-edge research, the University of Port Harcourt is delivering high quality business and entrepreneurial education at the most competitive fees through innovative teaching, creativity and impactful community engagement.
- e) The University of Port Harcourt is consistently increasing her collaboration and partnership with many organizations within and outside Nigeria through the effective and dynamic leadership of the current Vice Chancellor, Professor Owunari Abraham Georgewill in order to maximize, among others, the associated synergy, expand infrastructure, secure scholarship for many deserving students, secure specialist skills or equipment, identify innovative ideas and find solution to any challenges that may arise.
- f) The University strategic development plan sets out a number of years vision to enhance the school's reputation, improve student outcomes, and foster sustainable growth in the face of emerging national and global challenges.
- g) The University of Port Harcourt 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 sustainable 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 enormous as 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, 2024

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 financial rules and regulations. 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 measure and ensuring that the Centre's financial statements are understandable and form reliable basis for informed decision making. That is, they are free from any material misstatements, misrepresentation or misleading information or omission.

Hence, the Audit Committee has examined the Internal Audit Report for the year ended 31st Dec. 2024 and the External Auditor's Audited Financial Statements and their Management Letter for the year ended 31st Dec., 2024 on ACE CEFOR Project in order to ascertain the extent of conformity with the relevant Accounting Standards and Financial Regulations and made necessary observations and recommendations there on.

The following documentary evidences were also examined:

- 1. Work Plan
- Cash Books
- 3. Receipts and Payments Accounts
- Bank Statements
- Trial balance
- Ledger
- Bank Reconciliation Statements
- 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. 2024
- 14. External Auditor's Audited Financial Statements for the year ended 31st Dec., 2024
- 15. Management Letter by the External Auditor for the year ended 31st Dec., 2024

3.4 AUDIT COMMITTEE OBSERVATIONS, IMPLICATIONS AND RECOMMENDATIONS

3.4.1 OBSERVATIONS ON OVERALL ACADEMIC ACTIVITIES

All ACE – CEFOR Programmes, namely Post Graduate Diploma (PGD), Short Courses, Masters (M. Sc.), and Doctor of Philosophy (Ph.D) in various disciplines were highly subscribed 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 – CEFOR programmes as confirmed by users of their services in various industries.

3.4.2 ACE - CEFOR PROGRESS REPORT

Below are some of the achievements or progress made by ACE – CEFOR in the year 2024:

Within the year under review, the ACE CEFOR introduced the following newly approved programmes:

- 1. M.Sc. and Ph.D. in Offshore Oilfield Science and Blue Economy
- 2. M.Sc. and Ph.D. in Oilfield Biology
- 3. M.Sc. and Ph.D. in Oilfield Chemistry
- 4. M.Sc. and Ph.D. in Process Engineering

- 1) As a strategy for continuity, the laboratory project was established as a sustainable development programme. Other continuity strategies are various software in e- accounting, e- procurement etc.
- 2) Comparatively, in May 2023, the 7th Batch of 32 PhD students were admitted, while 38 students were admitted in 2022, 28 in 2021, 46 in 2020 and 57 in 2019. Cumulative to date, the total number of students is 201 PhDs Students.
- 3) 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.
- 4) 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. We believe the custom-made ERP shall be useful to other Centres and organisations which might be willing to adopt it.
- 5) 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. Awards were given to outstanding researchers and innovators.
 - *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.

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.

3.4.4 RECOMMENDATIONS ON OVERALL ACADEMIC ACTIVITIES

- a. Management should improve on its present level of academic programme performance and even surpass it.
- c. The Centre should sustain its efforts in improving its IGR.
- d. There is need for the centre to establish more viable and profitable projects as a continuity and sustainable projects.
 - 3.5 OBSERVATIONS ON THE EXTERNAL AUDITOR'S REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DEC. 2024

3.5.1 SPECIFIC OBSERVATIONS

A. THE AUDIT COMMITTEE GENERALLY OBSERVED THE FOLLOWING:

- 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. 2024.

- 4. The accounts were also prepared in accordance with IPSAS and other regulatory requirements.

B. FIVE (5) YEARS SUMMARY OF THE STATEMENTS OF FINANCIAL POSITION OF ACE CEFOR AS AT 31ST DECEMBER, 2024:

The following is the summary of the ACE CEFOR statements of financial position as at 31st December, 2024:

ACE CEFOR NET WORTH/ASSETS:

	2024 N	2023 N	2022 N	2021 N	2020 N	
Total Assets	3,009,230,537	2,073,836,677	1,466,312,037	628,019,299	317,923,711	
Less:						
Total Liabiliti	es <u>1,290,000</u>	1,400,000	1,200,000	750,000		
Net Worth	3,007,940,537	2,072,436,677	1,465,112,037	627,269,299	317,923,711	

NOTE

In the above summary of the statements of financial position, there has been consistent increase in the net-worth or net-assets value of ACE CEFOR. The Net Assets of the Centre increased from N2,072,436,677 in 2023 to N3,007,940,537 in 2024 representing an increase of 45.14%.

C. 5 YEARS SUMMARY OF THE STATEMENTS OF THE FINANCIAL PERFORMANCE OF ACE CEFOR FOR THE YEAR ENDED 31ST DECEMBER, 2024:

The following is the summary of the statements of the financial performance of ACE CEFOR for the year ended 31st December, 2024:

ACE CEFOR SURPLUS/(DEFICIT) FOR THE YEARS:

2024	2023	2022	2021	2020
N	N	N	N	N
1,171,289,462	805,774,741	1,003,928,462	400,020,000	
1,527,354,416	876,113,719	1,280,301,815	376,803,133	112,817,760
(356,064,954)	<u>(70,338,978)</u>	(276,373,353)	23,216,867	(112,817,760)
	N 1,171,289,462 1,527,354,416	N N 1,171,289,462 805,774,741 1,527,354,416 876,113,719	N N N 1,171,289,462 805,774,741 1,003,928,462 1,527,354,416 876,113,719 1,280,301,815	N N N N N 1,171,289,462 805,774,741 1,003,928,462 400,020,000 1,527,354,416 876,113,719 1,280,301,815 376,803,133

NOTE

- 1. The five-year Statements of financial performance of ACE CEFOR reveal that there were deficit balances in 2020, 2022, 2023 and 2024.
- 2. The Table above shows an excess expenditure over revenue (deficit) of N356,064,954 in the year 2024. This shows a drop in the financial performance of the centre for the period. As noticed in previous years, the centre attributed the deficit to mainly as a result of the Disbursement Linked Results (DLR) system the centre is applying to its activities. Essentially, the centre states that some contracts that were approved towards the end of 2023 were paid in 2024. Also, The ACE CEFOR funding by the World Bank is based on the results achieved through cost of carrying our some projects.

D. Statement of Cash Flows

The Statement of Cash Flows as at 31st Dec. 2024 showed a positive net cash and cash equivalent of N11,612,452 while that of year end 2023 was N130,601,452. This shows that their liquidity position at the end of 2024 dropped sharply by 85.75%.

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 from N2,072,436,677 to 3,007,940,537 shows a good progress in the Centre's financial position.
- c. The financial performance showed deficit balances indicating excess of expenditures over revenue which has been explained in the foregoing paragraph under note 1.
- d. The cash flow position depleted when compared to the previous year's balance. This implies a reduced liquidity position.

3.5.3 RECOMMENDATIONS ON THE EXTERNAL AUDITOR'S REPORT

- The Centre Management should continue to maintain 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. This will in turn improve the liquidity position.

3.6 OBSERVATIONS ON THE EXTERNAL AUDITOR'S MANAGEMENT LETTER ON THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DEC. 2024

A. It was observed that some of the observations raised in the management letter by the external auditor on some payments could have been avoided if all necessary source documents needed to form their opinion were provided completely. Proper description of the transactions in the source documents should also be encouraged.

3.7 OBSERVATIONS ON THE INTERNAL AUDITOR'S REPORT FOR THE YEAR ENDED 31ST DEC. 2024

- 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. Only one unretired advance was recorded and efforts have been put in place to recover it.

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 and judicious way in order to accomplish set target as required 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

Please accept the assurances of our highest esteem to serve the University.

1. Professor G. N. Ogbonna, Accounting Dept.

Chairman.

2. Professor O. G. Omojefe, Banking & Finance Dept.

Member

3. Dr. (Mrs.) Chioma O. Ojukwu, Accounting Dept.

Member Heliot

4. Dr. Celestine Ebieto, Mechanical Engineering Dept.

Member...

5. Mrs. Ezinne C. Worga, Registry Dept.

Secretary talkets