



REPORT

OF

**THE FEDERAL UNIVERSITY OF TECHNOLOGY, OWERRI
AUDIT COMMITTEE**

ON

**THE AUDITED FINANCIAL STATEMENTS,
MANAGEMENT LETTER AND INTERNAL
AUDIT REPORT OF AFRICAN CENTRE OF
EXCELLENCE IN FUTURE ENERGIES AND
ELECTROCHEMICAL SYSTEMS (ACE-FUELS)**

FOR FOURTEEN MONTHS PERIOD ENDING

DECEMBER 31, 2022

**REPORT OF THE FEDERAL UNIVERSITY OF TECHNOLOGY,
OWERRI AUDIT COMMITTEE ON THE AUDITED FINANCIAL
STATEMENTS, MANAGEMENT LETTER AND INTERNAL AUDIT
REPORT OF AFRICAN CENTRE OF EXCELLENCE IN FUTURE
ENERGIES AND ELECTROCHEMICAL SYSTEMS (ACE-FUELS) FOR
FOURTEEN MONTHS PERIOD ENDING DECEMBER 31, 2022**

1. PREAMBLE

In a letter dated 19th December, 2019 with reference number FUT/VC/GEN.103/VOL.XVII, the Vice-Chancellor approved the constitution of the University Audit Committee made up of a Chairman and five other Committee members.

2. TERMS OF REFERENCE

The following are the Terms of Reference given to the Audit Committee:

- (i) To assist in undertaking periodic checks and evaluation of University Accounting/Financial Management, with a view to ensuring effective utilization of resources in accordance with set objectives.
- (ii) To undertake periodic checks on University activities to ensure guidelines are strictly followed.
- (iii) To submit periodic report to the University Management.

3. AUDIT COMMITTEE REPORT

The Audit Committee report on the Audited Financial Statements, Management letters and Internal Audit reports of African Centre of Excellence in Future Energies and Electrochemical Systems (ACE-FUELS) cover fourteen (14) month period ending 31st December, 2022 as follows:

3.1 Internal Audit and External Audit Reports

In Compliance with our Terms of Reference as stated above, the Audit Committee has reviewed the Internal Audit's report, External Auditor's Management Letters and Financial Statements of World Bank African Centre of Excellence in Future Energies and Electrochemical Systems

(ACE-FUELS) the fourteen (14) months ending in December, 2022. The Committee also physically visited the Centre, held physical meetings with the Centre Leader, made calls and obtained necessary explanation as part of its core oversight responsibilities.

In order to practically verify, observe and interact with the Officers of the Centre, the Committee inspected ongoing activities at the Centre, asked the staff relevant questions, with the view to obtaining reasonable assurance that annual reports and financial statements reflect the realities on ground and comply with the accounting and financial reporting policies of the University and are in accordance with legal requirements, ethical practices and Internal Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board and other reporting requirements of the University.

Having assessed the significant extent, the accounting and financial reporting policies and internal control system of the University have been implemented; the Committee presents the following General and Specific Recommendation to the Federal University of Technology, Owerri Management so as to strengthen the efficiency and effectiveness of the Internal Control Mechanism of the University.

4. GENERAL OBSERVATION AND RECOMMENDATION

Before the reports of ACE-FUELS for 2022, the following are the general observation and recommendations:

4.1 Observations

- (a) The Audit Committee observed that the University holds regular Management meetings to review the various planned activities.
- (b) The Management has been observing and keeping under review, the University system of accounting and internal control system.
- (c) The Management ensures that the actual progress made by budget implementation is compared with the budget, where the actual result achieved falls below expectation, corrective action is usually taken.

- (d) The Management also considers any other unfolding events and necessary strategic actions is taken in order to achieve the desired goal.

4.2 Recommendations

- (a) In order to achieve sustained and improved performance and high-level efficiency and effectiveness in the performance of the University, there is need for the Management to maintain and improve on the existing periodic meetings between the University Management Team (that is, the Principal Officers of the University) and the Centre Leaders, Directors and Acting Directors. At such meetings, there will be cross-fertilization of ideas, and reports of success stories of good and high performing Centres, and consideration of Strengths, Weaknesses, Opportunities, Threats (SWOT), will be shared and solution is provided for any challenge on regular basis.
- (b) The advantage of many meetings cannot be over-emphasized since some good performing Directors who have overcome certain challenges being faced presently by some other Centre Directors may be in a better position to share their practical experiences and provide easy solution to the challenges of these Centres at little or no cost. This may be achieved by mere and simple collaboration or sharing of useful practical knowledge and ideas or setting up of Committees and exploiting the goodwill and/or useful connections, professional knowledge and skills of some good-performing Centre Leaders and Directors.

The foregoing recommendations are born out of practical observations and examination of the Centre Financial Statements during the Audit Committee interactions with the Centre.

5. SPECIFIC OBSERVATION AND RECOMMENDATION ON WORLD BANK AFRICAN CENTRE OF EXCELLENCE IN FUTURE ENERGIES AND ELECTROCHEMICAL SYSTEMS (ACE-FUELS) IN THE YEAR ENDED DECEMBER 31, 2022

5.1 Introduction

The World Bank African Centre of Excellence in Future Energies and Electrochemical Systems (ACE-FUELS) is one of the three (3) World Bank-funded Centres of Excellence established in the Federal University of Technology, Owerri.

5.2 Objectives

The objective of the World Bank African Centre of Excellence in Future Energies and Electrochemical Systems (ACE-FUELS), Federal University of Technology, Owerri, according to the Centre Leader, Professor Emeka Oguzie during the Audit Committee oversight function visit, is to support quality postgraduate training and manpower development in Africa. Essentially, ACE-FUELS offer international accredited postgraduate programmes for sustainable development, to initiate and support high-end research, to extend knowledge beyond the existing practice in the energies and electrochemical system industry, promote local content in research and innovation by initializing necessary value-driven industry-academia collaborations.

As a World Bank fully funded Centre, all expenditures are regulated by World Bank. The Leader, Professor Emeka Oguzie informed the Audit Committee that reports which are regularly sent to the World Bank are usually cross-checked by the University Internal Audit Committee as part of the requirements of the World Bank financial rules and regulations.

5.3 The Audit Committee Responsibility

It is the responsibility of the University Audit Committee to comply with its terms of reference. Its duties include:

- Reviewing the effectiveness of the University's Internal Systems of Financial and other control, and ensuring that satisfactory arrangements are in place across the University to promote economy, efficiency and effectiveness, risk management and continuity planning.

In line with the foregoing responsibilities, the Audit committee has examined the reports of Internal Audit Unit and the audited annual accounts of ACE-FUELS as at 2022 and made necessary recommendations.

5.4 Audit Committee Observation and Recommendation

The Audit Committee observed that the Internal Audit Unit did a very good job by reviewing the following records and examined all necessary documentary evidence, Work plan, Cashbook, Bank Account Statements, Payment Vouchers, Non-current Assets Register, Budget Performance reports, Tax Remittance Receipts for the fourteen (14) months period ended December 31, 2022, as well as Interim Financial reports, and Procurement Plan.

Their work is aimed at providing reasonable assurance on key areas of financial management. The review covers all major system within the Centre to ensure among others, compliance with established rules and operational procedures; adequacy of accounting, financial and internal control systems; integrity and reliability of financial information, existence and safety assets; and the economy, efficiency and effectiveness of the use of resources.

5.4.1 Budget Performance

The budgetary performance for the period under review is as shown below:

Table 1: Summary of Budgeted and Actual Expenditure

Period	Budget (₦)	Actual (₦)	Variance (₦)	Variance %
1 st January – 30 th June, 2022	688,840,346	194,079,202.37	494,761,143.63	71.8
1 st July – 31 st December, 2022	688,840,346	258,238,825.58	430,601,528.42	62.51
Total: 1 st Jan. – 31 st Dec., 2022	1,377,680,692	452,318,027.95	925,362,664.05	67.17

Observations:

Budget performance/execution level is low, reflecting a weak implementation process of the budgeting system of the Centre, especially in the 1st semester of the year. This may suggest that the Centre is experiencing difficulties in understanding how to explore the work plan to the advantage of the Centre. However, improvements were recorded in the 2nd semester of the year where budgetary implementation level increased relative to that of the 1st semester. The Centre is still operating at less than full capacity.

Recommendation:

To help achieve optimal budget execution/implementation, a periodic review of the budget work plan is recommended. The establishment of a budget/work plan review committee will be a good idea.

5.4.2 Accounting

There exists a uniform accounting software for all ACE Centres in Nigeria for use in preparation of books of account. The books of accounts of ACE-FUELS was prepared using the uniform accounting software and also in accordance with International Public Sector Accounting Standards (IPSAS). The Centre's Asset Register which was hitherto non-existent in the 1st semester of the year, was established and used in the second semester to keep track of the Centre's assets. Accounting functions were properly segregated to ensure adequate measure of control.

Recommendations

We wish to adopt the internal Auditor's advice for a well clearly itemized work plan for easy understanding of the proposed strategy or schedule of action for achieving the particular projects in the work plan.

5.4.3 Assessment of Internal Control**Observation:**

Internal Control is generally adequate and in compliance with financing agreements. There is a procurement plan, and procurement activities follow the guidelines of the procurement Act. All payment requests were dully and timely approved, and payments made using properly generated payment vouchers. Physical Verification of Assets were carried out by the Internal Audit Unit upon acquisition of such assets, followed by periodic inspections. The assets are classified and coded, and recorded in the fixed Assets Register.

We once again commend the University Management for constituting the University Audit Committee which ensures the periodic review of the audit report of the Centres in the University and makes a report as an oversight function.

We have also observed and commend the Centre Management for instituting the following Committees for effective control of operations in the Centre: Procurement Committee, Tenders Board, Budget Monitoring Committee, Academic Board, Short Courses Committee and Projects Committee.

5.4.4 Financial Reporting**Observation:**

We observed that the bi-annual Internal Audit reports, the External Auditor's report (Audited Financial Statements and Management letter), was ready for review by the University Audit Committee. No case of fraud or corruption practice was reported thereon. All appropriate funds for payment reached the expected suppliers/vendors and other

beneficiaries as at when due. Disbursements were made based on verified results.

5.4.5 External Auditor's Report

The Audit Committee examined the Audited Annual Accounts of ACE-FUELS for fourteen (14) months, ending December 31, 2022, and the Management report by the External Auditor. We observed that the External Auditor expressed a professional opinion on the accounts, stating that the financial statements give a true and fair view of the financial position of the Centre as at 31st December, 2022 and of its receipts, disbursements and expenditures for the year then ended.

The Audit Committee also examined the following necessary observations and recommendations made by the External Auditor with the view to ensuring that they are properly implemented.

Some specific recommendations are:

- 1(i) The chart of accounts should be reviewed with the aim of addressing lapses discovered in the course of implementation.
- (ii) Account codes should be created for various plant, property and equipment omitted e.g. Building.

2. Bill Gates Research Fund of ₦37,561.624

The above amount was a grant from Bill Gate Foundation which was received into the Federal University of Technology, Owerri existing project account and was subsequently disbursed to Prof. Uche Chukwuocha for the intended research purpose. This transaction did not reflect in the current financial statements.

3. Account Receivable

The total sum of ₦4,127,000 being students' fees were paid into FUTO Bank account and had remained there. Management should bring up this issue with the University Bursary with the aim of getting refunds.

Audit Committee Comments:

We have asked questions and obtained reasonable assurances from the Centre Leadership as follows:

- (1) The chart in use at the Centre is the National Chart of Accounts which may not be enough to accommodate all classifications.
- (2) Approval has been received from the Vice-Chancellor for a refund of the school fees.
- (3) No case of fraud or corruption practice was reported thereon.
- (4) All approved funds for payments reached the expected suppliers/vendors and other beneficiaries as at when due.
- (5) Disbursements were made based on verified results.

5.4.6 Security

This is a general challenge in the University. The Centre has procured and invested in modern security technology gadgets and personnel to protect its critical assets in the centre as a way to prevent vandalization and theft.

6.0 CHALLENGES CONFRONTING ACE-FUELS

The Centre is faced with the following challenges.

- (1) Insufficient Internally Generated Revenue (IGR) because of the financial difficulties facing potential students.
- (2) Lack of funds because World Bank releases fund based on its approved standards and expectations of certain level of performance from the Centre. The Centre is intensifying efforts to improve on performance linked indicators.

7.0 CONCLUSION AND RECOMMENDATIONS

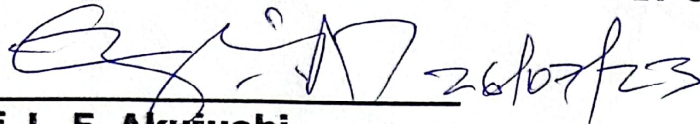
The Committee, after examination of the Audited Financial Statement, letter of weakness from the External Auditor, Internal Audit report and their recommendations observed that the Centre (ACE-FUELS) has improved in the maintenance of adequate internal control which is in compliance with the financial agreement.

The Committee observed some challenges in both External and Internal Audit report of the Centre. In order to address the challenges, the Committee presents these recommendations:

1. There is need to capture all fixed assets in the asset register as some of them were not captured as a result of information lag.
2. On the issue of budget work plan, though there was a little improvement in the second semester Internal Audit report as compared to the first. The second semester recorded a positive variance of 62.5% as compared to 71.8% variance recorded in the first semester. There is still need for improvement in the expenditure profile in order to achieve the expected goal of the funding agency.
3. Though the security issues had been looked into but there is need to strengthen the security architecture of the Centre through the provision of modern security gadgets CCTV cameras.
4. The chart of account employed by the Centre should be reviewed to accommodate various codes as needed by the Centre. The existing one is not robust enough.
5. On the issue of low performance in view of the budgeted amount of some expenditure items, for the ones that were grossly underutilized, instead of allowing these funds to lie idle in the coffers of the Centre, it will be of utmost importance and beneficial to utilize them in the provision of items they are meant for which are critical and lacking in the operation of the Centre.
6. The recommendation of the External Auditor on the expenditures that showed negative balance, that they should be reviewed and reasons for non-compliance noted and corrective measures and implementation should be considered by the Centre Management.

NAMES AND SIGNATURES OF UNIVERSITY AUDIT COMMITTEE MEMBERS

1.


_____**Prof. L. E. Akujuobi**
Financial Management Technology Department
(Chairman)

2.


_____**Engr. Prof. M. S. Nwakaudu**
Chemical Engineering Department
(Member)

3.


_____**Mr. Kenneth Ejike**
Bursary Department
(Member)

4.


_____**Mrs. B. C. Okechukwu**
Audit Department
(Member)

5.


_____**Mr. Justin Uwaoma**
Registry Department
(Secretary)

6.


_____**C. I. Ehumadu**
Registry Department
(Assistant Secretary)