

# **REPORT OF THE AUDIT COMMITTEE ON THE FINANCIAL REPORTS OF THE CENTRE OF EXCELLENCE IN FUTURE ENERGY AND ELECTROCHEMICAL SYSTEMS (ACE- FUELS) FOR TWELVE MONTHS PERIOD ENDING DECEMBER 31, 2024**

## **1. PREAMBLE;**

In the letter dated June 20, 2024 with reference number FUT/VC/GEN.26A/VOL.XII, the Vice- Chancellor approved the reconstitution of the University Audit Committee made up of a chairman and six other Committee members.

## **2. TERMS OF REFERENCE**

The following were the terms of reference:

- I. To review the effectiveness of the University's Internal systems of financial and other control.
- II. To ensure satisfactory arrangements are in place to promote economy efficiency and effectiveness.
- III. To oversee risk Management and continuity in planning.
- IV. To collaborate with External Auditors to review the nature and scope of the External Audit.
- V. To consider the financial statements from Centers and Units in the University.

## **3.0 AUDIT COMMITTEE REPORT:**

The Audit Committee reviews and reports on the financial reports of the Centre for Excellence in Future Energies and Electrochemical Systems (ACE-FUELS) comprising the Audited Financial Statement, Management letters and Internal Audit Report for 12 (twelve) months period ending 31st December, 2024 as follows;

### **3.1 INTERNAL AND EXTERNAL AUDIT REPORTS**

In compliance with our terms of reference as stated above, the Audit Committee had reviewed the Internal and External Auditors Report, Management Letters, and Financial Statements of World bank African Center of Excellence in Future Energies and Electrochemical Systems (ACE-FUELS) for twelve months ending December 31, 2024. The Committee also physically visited 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 on-going 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 International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board and other reporting requirements of the University.

Having assessed to what extent the accounting and financial reporting policies and internal control system of the Centre have been implemented , the Committee presents the following General and specific recommendations to the Management of Federal University of Technology, Owerri in order to strengthen the efficiency and effectiveness of the internal control mechanism of the University.

## **4.0. OBSERVATIONS AND RECOMMENDATIONS ON WORLD BANK AFRICAN CENTRE OF EXCELLENCE IN FUTURE ENERGIES AND ELECTROCHEMICAL SYSTEMS (ACE-FUELS) FOR THE YEAR ENDED DECEMBER 31, 2024**

### **4.1 INTRODUCTION**

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

### **4.2 OBJECTIVES**

The objective of the World Bank African Centre of Excellence in Future Energies and Electrochemical Systems (ACE-FUEL), Federal University of Technology, Owerri, according to the Center 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 Audit Committee as part of the requirements of the World Bank financial rules and regulations.

### **4.3 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 system of financial and other controls, and ensuring that satisfactory arrangements are in place across the University to promote economy, efficiency and effectiveness, risk management and continuity in planning.

In line with the forgoing responsibilities, the Audit Committee has examined the reports of Internal Audit and the Audited Annual Accounts of ACE-FUELS as at December 31, 2024 and made necessary recommendations.

## **5.0 AUDIT COMMITTEE OBSERVATION AND RECOMMENDATIONS:**

The Committee observed and commended the work of the role players (the Internal Auditor, the External Auditor and the Center Accountant) for good and extensive work done

Our review covers the work of these players within the period under review to ensure economy, effectiveness and efficiency in the use of resources to achieve the goals of the Centre.

### **5.1 BUDGET PERFORMANCE**

The Committee observed from the report of the Internal Auditor that there was low performance of the work plan as reflected in the budget performance breakdown of the year under review.

In the 2<sup>nd</sup> semester of 2024, most of the expenditure sub category / components recorded very high variances either negative or positive, reflecting poor implementation of the work plan.

## BREAK DOWN OF THE BUDGET PERFORMANCE

**TABLE 1: 1<sup>ST</sup> SEMESTER**

COMPONENTS	BUDGET (₦)	ACTUAL (₦)	VARIANCE (₦)	VARIANCE%
Goods	724,819,930.20	105,010,397.87	619,809,532.33	85.5
Works	38,738,115.00	14,859,661.83	23,878,453.17	61.6
Training	254,479,617.00	124,427,896.41	130,051,720.59	51.1
Operating cost	574,218,068.50	400,207,512.11	174,010,556.39	30.3
Consulting services	8,939,565.00	411,600.00	8,527,965.00	95.4
Non consulting service	5,661,724.50	100,000.00	5,561,724.50	98.3
Total	1,902,160,640.7	645,017,068.22	1,257,143,572.48	66.1

**TABLE 2: 2<sup>ND</sup> SEMESTER BREAK DOWN OF BUDGET PERFORMANCE**

COST CENTER	BUDGET(₦)	ACTUAL( ₦)	VARIANCE( ₦)	VARIANCE%
Goods	619,809,532.33	149,281,971.57	470,527,555.76	75.9
Works	23,878,453.17	26,912,324.90	3,033,871.73	-12.71
Non consulting services	5561, 724.50	67,500	5,494,224.50	98.79
Consultation service	8,527,965	2,450,500	6,079,965.00	71.31
Training	130,051,720.59	233,099,274.80	103,047,141.69	-79.2
Operating cost	174,010,556.39	306,130,698.08	132,120,141.69	-75.9
TOTAL	1257,143,572.48	717,941,774.35	539,201,798.45	42.8

### OBSERVATION

From the above table, we can observe higher performance of the budget work plan during the 2<sup>nd</sup> semester when compared with that of the first.

High positive variance may not necessarily entail prudent management of resources but rather low implementation of the budgeted work plan.

During our interaction with the Center Accountant and the Internal Auditor in connection with the abnormalities of these variances, the Committee observed as follows:

## **5.2 GOODS:**

That the procurement processes of the proposed goods had been concluded, and it awaits final approval from other supervisory bodies like the Central Bank of Nigeria (CBN) and the National Universities Commission (NUC) for the goods to be procured.

## **5.3 TRAINING, OPERATING COST**

We were informed that inflation and fluctuations in exchange rates are some of the factors that resulted in the negative variances in the budget.

**5.4 WORKS:** This was equally affected by high inflation rate.

## **6.0 EXTERNAL AUDITOR'S REPORT**

### **6.1 INADEQUACY OF ACCOUNTING SOFTWARE IN USE**

The External Auditor in his Management Letter reported some inadequacies in the accounting software deployed in the Centre which has created some accounting problems thus resulting in:

- Difficulty of some opening balance items not agreeing with balance from accounting software in use
- Difficulty in the use of adjustment journals
- The software cannot be used for petty cash analysis

The recommendation of the External Auditor to the Centre Management should be urgently addressed to take care of the observed lapses. Though the Management has responded positively, but they need to expedite action in remedying the challenges.

## **6.2 ACCOUNTING**

International Public Sector Accounting Standard (IPSAS) was deployed in the preparation of accounts. Uniform accounting software of all ACE Centres in Nigeria for the preparation of books of account was used.

- There is a measure of internal control in the accounting unit of the Centre such as: segregation of duties in the preparation of accounting transactions.
- Payments were done through transfer via remita.
- Bank reconciliation statements for all accounts were satisfactory within the period under review.
- There is an established asset register for the Centre by the Centre Accountant and her team.

We commend the Centre Management on the above progress.

## **6.3 UNRETIRED ADVANCES**

In the summary of the significant accounting policies number 2 (two) of the Audited Financial statement, we observed that there are unretired cash advance as at the year end December 31, 2024 to the tune of ₦3, 236, 145.00 (three million, two hundred and thirty six thousand, one hundred and forty-five naira), only.

This figure was so high as compared to that of year 2023 which amounted to ₦813, 500.00 (eight hundred and thirteen thousand, five hundred naira), only.

## **RECOMMENDATIONS**

- Reminder letters should be sent to staff with cases of unretired advances. This should be done without delay.
- Sanctions should be imposed on them by the Centre

- Officers with cases of unretired advances should not be granted more until such officers retire the previous ones.

#### **6.4 ACCOUNT RECEIVABLE**

We observed in “the note 2 to the account” which was equally reported by the External Auditor, the sum of ₦7, 289, 200 being students school fees were paid into FUTO project account in the year 2024 and had still remain there till date.

This issue has been a continuous yearly problem. In the year 2023, ₦10, 878, 200 was equally paid into this account.

The External Auditor’s recommendation of supplying to the students proper account details of the Centre at the time of admission process should be strictly adhered to.

#### **7.0 INTERNAL CONTROL EFFECTIVENESS OF MANAGEMENT**

From the Internal Auditors Report, we observe that the Centre Management constituted various Committees

- i) Budget Monitoring Committee
- ii) Tenders Board Committee
- iii) Academic Board Committee
- iv) Procurement Committee
- v) Short Term Course Committee

The Centre Management is well commended on the development. The various Committees should be advised to live up to expectation.



## **7.1 FRAUD AND CORRUPTION**

As reported by the Internal Auditor. There were no cases of fraud & corruption reported within the period under review. All approved funds reached the expected suppliers/vendors and other beneficiaries as at when due. This is commendable.

## **7.2 PROCUREMENT ACTIVITIES**

- The procurement act were followed diligently.
- Records of quotation and evaluations were retained for referral and scrutiny purposes. This is commendable

## **7.3 LABORATORY AND ICT RELATED ACTIVITIES**

From the report of the Internal Auditor, we observed that the Centre has acquired a laboratory with modern equipment to handle various research activities by the students and for commercial activities for industrialist within and outside the environment it operates.

The Management of the Centre is advised to provide adequate measures to safeguard these equipments.

## **7.4 SECURITY ACTIVITY**

We equally observed that the Center procured and invested so much in modern security technology gadgets and personnel to protect it's assets in the Centre to prevent theft and vandalisation of her assets. This is commendable too.

## **7.5 EXTRA BUDGETARY EXPENDITURE**

The issue of extra-budgetary expenses and non- allocation of code of charge to security services as observed in the Management Letter should be adequately handled by creating code of charge in the chart of account and making adequate provision for security services in the subsequent budget, taken into cognizance the importance of security in any establishment.

## **8.0 AUDIT COMMITTEE COMMENT**

We commend the effort of the Centre Management in the implementation of some previous years observations of both the Internal and External Auditors such as: Incorporation of Petty cash analysis in the account and adequate narration of items in the cash book.

## **9.0 CONCLUSION & RECOMMENDATIONS**

The Committee after examination of the Audited Financial Statement, letter of Weakness from the External Auditor, Internal Audit Reports and their recommendations observed that the Centre has improved in the maintenance of adequate internal control that is in compliance with the financial agreement.

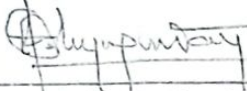

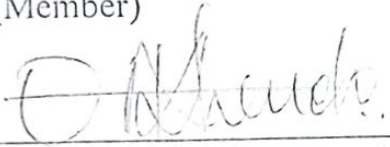



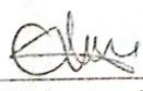
We observed some challenges in both the External and Internal Audit report of the Centre.

In order to address the challenges, the Committee presents the following;

- On the issue of Extra budgeting expenditure items; training, operating cost etc, adequate measures (taking care of the exchange rate indicators) should be put in place by the Management of the Centre to cushion the effect of inflation and fluctuation in exchange rate.

- For cost, Centers with high positive variance (goods etc), more efforts should be made by the Centre Management to facilitate the approval of such expenditures by the agencies in charge (NUC, CBN)
- Issue of inadequacy of accounting software in use, the recommendation of the External Auditor on contacting the software provider to intimate them on these lapses with a view to provide solution should be followed up.
- Security expenses code should be enshrined in the chart of account as soon as possible.
- For unretired advances, reminder letters should be sent to the staff having cases of unretired advances with immediate effect. Erring officers should not be granted more until previous ones are retired.
- For the wrong payment of fees by students into the FUT0 accounts, all students should be supplied with proper account details of the Centre at the point of admission. Adequate information and sensitization should be provided to the students on the correct bank account of the Centre. The money in the FUT0 coffers should be returned to the Centre account without delay.

NAMES AND SIGNATURE OF UNIVERSITY AUDIT COMMITTEE MEMBERS

1.  10/02/2025  
Prof. J. S. Orebiyi  
Agricultural Economics Department  
(Chairman)
2.  10/02/2025  
Engr. Prof. M. S. Nwakaudu  
Chemical Engineering Department  
(Member)
3.  10/02/2025  
Prof. (Mrs.) G. N. Okeudo  
Department of Logistics and Transport Technology  
(Member)
4.  10/02/2025  
Mr. Kenneth Ejike  
Bursary Department  
(Member)
5.   
Mrs. B. C. Okechukwu  
Internal Audit Unit; (OVC)  
(Member)
6.  10/02/2025  
Mr. Justin Uwaoma  
Registry Department  
(Secretary)
7.  10/02/2025  
Chinweuba Ehumadu  
Registry Department  
(Assistant Secretary)