

**25<sup>th</sup> April, 2023**

**The Centre Leader**

Africa Centre of Excellence In Future Energies and Electrochemical Systems  
Federal University of Technology  
Owerri,  
Imo State, Nigeria

Dear Sir,

**MANAGEMENT LETTER ON THE AUDIT OF ACE-FUELS,  
FEDERAL UNIVERSITY OF TECHNOLOGY, OWERRI FOR  
FOURTEEN MONTHS ENDING 31 DECEMBER, 2022.**

We are pleased to report that we have completed the audit of the Financial Statements of Africa Centre of Excellence In Future Energies and Electrochemical Systems, Federal University of Technology Owerri, Imo State for fourteen months ending 31 December, 2022.

As it is the practice of the firm to report on material issues which came to our notice in the course of the audit and which we deem fit to bring to your attention. However, our letter may not necessarily highlight all the possible internal control weaknesses which could be revealed in a specialized audit. This is because our audit procedures are designed to satisfy the primary objective of expressing an opinion on the Financial Statements of the Centre.

Our report is therefore intended to assist Management to be more efficient and systematic in running the Centre. Some observations are stated below:

**1. CHART OF ACCOUNTS**

We observed that you developed a chart of account in line with the project implementation guideline for effective rendition of financial report. The chart of accounts has been deployed and is now operational, but the chart of account as deployed is not robust enough as it still requires further separation of some codes. For instance, codes for maintenance of building is used for both Capital expenditure and operational expenses. By definition, capital expenditure relates to acquisition of assets which its derived benefit from the use of the asset will span more than one year. Conversely, revenue expenditure is short-term business expenses usually used immediately or within one year. They

include all the expenses that are required to meet the current operational costs of the business, making them essentially the same as operating expenses.

Conventionally, these two types of expenditures are not added together under one code or Chart of account, but rather treated separately.

We observed that you did not apply this age long Accounting principles in deploying the new Accounting system and Chart of account in the extraction and preparation of your financial statements.

**Recommendation:**

- 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 Property, Plant and equipment omitted, eg. Building.

**2. BILL GATE RESEARCH FUND OF N37,561,624.00**

The above amount was a grant from Bill Gate Foundation which was received into Federal University of Technology existing project account number 0140105761038 and was subsequently disbursed to Prof. Uche Chukwuocha for the intended research purpose. This transaction did not reflect in the current financial statements been prepared.

**3. ACCOUNT RECEIVABLE**

We noted that total sum of N4,127,000.00 being students school fees were paid into FUTO bank account and had remained there till date. We are not aware of effort made to refund the amount to the Centre.

**Recommendation:**

Management of the Centre should bring up this issue with the University Bursary with aim to refund the above amount to the Centre without further delay.

**4. YEAR 2022 BUDGET PERFORMANCE**

S/N	CODE	DESCRIPTION	BUDGET	BUDGET	ACTUAL	VARIANCE
			\$	₦	₦	₦
1	21111-001	MOTOR VEHICLES (NEW ACE	120,000.00	48,980,400.00	38,281,739.53	10,698,660.47
2	21114-002	COMPUTERS (NEW ACE)	50,000.00	20,408,500.00	14,256,714.35	6,151,785.65
3	21111-003	PRINTERS/SCANNERS/PHOTOCOPIERS (NEW ACE)	9,000.00	3,673,530.00	1,621,650.00	2,051,880.00
4	21111-007	CHAIRS (NEW ACE)	45,000.00	18,367,650.00	26,061,030.00	-7,693,380.00
5	21111-008	TABLES (NEW ACE)	30,000.00	12,245,100.00	23,067,150.00	-10,822,050.00

6	21111-009	SAFES/FILE CABINETS/CUPBOARDS (NEW ACE)	6,000.00	2,449,020.00	940,100.00	1,508,920.00
7	21111-010	LABORATORY/MEDICAL EQUIPMENTS (NEW ACE)	1,405,000.00	573,478,850.00	111,145,172.02	462,333,677.98
8	21111-011	SECURITY INSTALLATIONS/EQUIPMENT (NEW ACE)	27,500.00	11,224,675.00	1,145,500.00	10,079,175.00
9	21111-014	BOREHOLES & OTHER WATER FACILITIES (NEW ACE)	20,000.00	8,163,400.00	5,035,919.00	3,127,481.00
10	21111-018	POWER GENERATING SETS (NEW ACE)	57,400.00	23,428,958.00	10,728,276.21	12,700,681.79
11	21111-019	BROADCAST & COMMUNICATION EQUIPMENTS (NEW ACE)	2,500.00	1,020,425.00	247,700.00	772,725.00
12	21111-020	OFFICE EQUIPMENT (NEW ACE)	10,000.00	4,081,700.00	7,101,299.25	-3,019,599.25
13	21112-002	MAINTENANCE OF OFFICE BUILDING/RESIDENTIAL QTRS (NEW ACE)	208,522.00	85,112,424.74	42,184,553.24	42,927,871.50
14	21113-001	CLEANING & FUMOIGATION SERVICES (NEW ACE)	10,000.00	4,081,700.00	3,197,500.00	884,200.00
15	21114-001	FINANCIAL CONSULTING SERVICES (NEW ACE)	4,500.00	1,836,765.00	0.00	1,836,765.00
16	21114-002	INFORMATION TECHNOLOGY CONSULTING SERVICES (NEW ACE)	35,000.00	14,285,950.00	1,880,900.00	12,405,050.00
17	21114-009	AUDITING OF ACCOUNTS (NEW ACE)	7,000.00	2,857,190.00	1,500,000.00	1,357,190.00
18	21115-001	LOCAL TRAINING (NEW ACE)	57,000.00	23,265,690.00	12,470,864.29	10,794,825.71
19	21115-002	INTERNATIONAL TRAINING (NEW ACE)	200,000.00	81,634,000.00	63,045,002.30	18,588,997.70
20	21116-002	LOCA TRANSPORT & TRAVEL EXPENSES (NEW ACE)	5,000.00	2,040,850.00	5,631,925.00	-3,591,075.00

21	21116-003	MAINTENANCE OF MOTOR VEHICLES/TRANSPORT EQUIPMENT (NEW ACE)	15,000.00	6,122,550.00	144,500.00	5,978,050.00
22	21116-005	MAINTENANCE OF OFFICE/IT EQUIPMENTS (NEW ACE)	10,000.00	4,081,700.00	185,000.00	3,896,700.00
23	21116-006	MAINTENANCE OF PLANTS/GENERATOR SETS (NEW ACE)	20,000.00	8,163,400.00	3,398,740.00	4,764,660.00
24	21116-008	MAINTENANCE OF COMMUNICATION EQUIPMENT (NEW ACE)	10,000.00	4,081,700.00	0.00	4,081,700.00
25	21116-011	INTERNET ACCESS CHARGE (NEW ACE)	123,000.00	50,204,910.00	10,628,237.50	39,576,672.50
26	21116-014	INTERACTIVE LEARNING NETWORK (NEW ACE)	30,000.00	12,245,100.00	27,247,831.33	-15,002,731.33
27	21116-015	SOFTWARE CHARGES/LICENCE RENEWAL (NEW ACE)	90,340.00	36,874,077.80	21,736,375.92	15,137,701.88
28	21116-016	OFFICE STATIONERIES/COMPUTER CONSUMABLES (NEW ACE)	3,000.00	1,224,510.00	494,500.00	730,010.00
29	21116-017	BOOKS (NEW ACE)	95,000.00	38,776,150.00	1,634,150.00	37,142,000.00
30	21116-020	TEACHING AIDS/INSTRUCTIONAL MATERIALS (NEW ACE)	270,000.00	110,205,900.00	18,674,396.00	91,531,504.00
31	21116-023	MOTOR VEHICLE FUEL COST (NEW ACE)	20,000.00	8,163,400.00	50,875.00	8,112,525.00
33	21116-024	PLANT/GENERATOR FUEL COST (NEW ACE)	15,000.00	6,122,550.00	58,200.00	6,064,350.00
33	21116-025	PUBLICITY & ADVERTISMENT (NEW ACE)	7,500.00	3,061,275.00	1,871,737.00	1,189,538.00
34	21116-028	RESEARCH & DEVELOPMENT EXPENSE (NEW ACE)	67,000.00	27,347,390.00	511,050.00	26,836,340.00
35	21116-029	WAGES/ALLOWANCES (NEW ACE)	10,000.00	4,081,700.00	2,142,600.00	1,939,100.00
36	21116-030	SERVICE MEETING (NEW ACE)	28,000.00	11,428,760.00	5,915,959.24	5,512,800.76

37	21116-032	STUDENT COSTS (NEW ACE)	167,000.00	68,164,390.00	6,193,635.00	61,970,755.00
38	21116-033	ACCREDITATION EXPENSES (NEW ACE)	50,000.00	20,408,500.00	13,072,034.58	7,336,465.42
39	21116-034	LABORATORY CONSUMABLES/REAGENTS (NEW ACE)	30,000.00	12,245,100.00	119,500.00	12,125,600.00
40	21116-035	INSURANCE EXPENSES (NEW ACE)	<u>5,000.00</u>	<u>2,040,850.00</u>	<u>1,311,502.50</u>	<u>729,347.50</u>

COMMENT:

- i. The budget performance showed that most of the expenditures were below budget amount resulting in positive variance. This to a large extent can be attributed to general level of implementation of the project in the year which was put at 39.9% by the internal audit evaluation.
- ii. There are still some expenditures that showed negative variance. They includes:

	Code	Description	Negative Variance
			N
i.	21111-007	Chairs (NEW ACE)	-7,693,380.00
ii.	21111-008	Tables (NEW ACE)	-10,822,050.00
iii.	21111-020	Office Equipment (NEW ACE)	-3,591,075.00
iv.	21116-014	Interactive Learning Network	-15,002,731.33

Note: The extra budgetary spending should be reviewed and the reason for non-compliance be noted for corrective action and according to donor's guideline.

## 5. INDEPENDENT AUDITORS' ASSURANCE REPORT ON INTERNAL CONTROL

To: Africa Centre of Excellence In Future Energies and Electrochemical Systems (ACE-FUELS)

Report in internal control

We have audited, in accordance with International Standards on Auditing, the financial statements of the Africa Centre of Excellence In Future Energies and Electrochemical Systems (ACE-FUELS) for fourteen months ending 31 December, 2022 and issued the independent auditor's report thereon dated 25 April, 2023 expressing an unqualified opinion on those financial statements.

In connection with our audit of the Centre's financial statements, we also examined the effectiveness of internal control over compliance with requirements that could have a direct and

material financial effect on the financial statements as well as of internal control over financial reporting, and issue the report of Independent Auditor on internal control.

#### Responsibilities of the Africa Centre of Excellence In Future Energies and Electrochemical Systems (ACE-FUELS)

As stated in the Statement of Africa Centre of Excellence In Future Energies and Electrochemical Systems (ACE-FUELS) on page 3, the Centre is responsible for designing and maintaining effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as over financial reporting for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds; and take responsibility for its assertions as to the effectiveness of such internal control.

#### Our Independent and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

We apply International Standard on Quality Control and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Auditor's Responsibilities

Our Responsibility is to express an opinion on the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting based on our examination on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements, issued by the International Auditing and Assurance Standard Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether, in all material respects, the management has maintained effective internal control over compliance with the requirements that could have a direct and material financial effect on the financial statements as well as internal control financial reporting.

Our examination included obtaining an understanding of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as of internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances to obtain sufficient appropriate evidence on which to base our opinion. Because of inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not to be detected. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk

that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion, as well as our findings as presented in the Management Letter on pages 1 to 5

**Opinion**

In our opinion, the Centre has maintained, in all material respects, effective internal control over compliance with requirements that could have a direct and material financial effect on the School's financial statements as well as over financial reporting for fourteen months ending 31 December, 2022.

**JAMES U. DURU**  
Managing Partner

