



JAMES DURU & CO.
(CHARTERED ACCOUNTANTS)

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3 June, 2024

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
THE YEAR ENDED 31 DECEMBER, 2023.**

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 the year ended 31 December, 2023.

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:

• Audit • Taxation • Financial Services

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BRANCHES: PORT HARCOURT & LAGOS

1. We observed that petty cash expenditure are not properly analyzed according to expenditure heads. The Accountant explained that Accounting Software deployed could not handle separate analysis for petty cash expenses. None analysis of expenditures into their proper heading as done in the cash book can lead to:
 - i. Over/Under statement of some expenditures
 - ii. May lead to complete omission of some expenses
 - iii. May induce cash loss

Recommendation:

- i. We advised the Accountant to create excel sheet analysis of petty cash expenses and later integrate by adding totals to the main cash book.
- ii. Where possible, request the software providers to integrate petty cash analysis in the accounting package deployed to the center.

Management Response:

Recommendation noted.

2. USE OF OFFICIAL RECEIPT

We observed that inflows into the Center's Bank Accounts are not supported with official receipts. We acknowledge funds from World Bank/IDA are received in two ways:

- a. Direct inflow into operational account
- b. Payment of bills initiated by the Center

While the first are properly analyzed in the cash book, the second are not, thereby creating difficulty to ascertain the total disbursement received from World Bank/IDA/NUC. If receipts are issued for inflows, essential information such as date, names from whom received, purpose, amount etc will be contained in the receipt. This will make recording and classification easy.

Recommendation:

- i. We recommend immediate printing of official receipt voucher to document all income and funds to the Center.
- ii. All inflows ie, disbursement from NUC to your operational accounts, bills initiated by you and paid by NUC, Research grants and any other inflow must be supported with official receipt voucher.

Management Response:

Funds earned are received by the National Universities Commission (NUC) on behalf of the Centre, and as the needs arise, the Centre requests for funds for their operations. The inflow

of funds are recognized in the Flexible Accounting Software with Receipts Nos. that are generated by the software. For payment of bills initiated by the Centre and paid on our behalf by NUC, the transactions are recorded by the raising of journals which are generated by the software.

3. POOR NARRATION IN CASH BOOK

We observed poor and scanty narration on all cash book postings. There should be proper and detailed narration in the particulars column of the Cashbook. For instance, the deduction of taxes is often narrated WHT, VAT, Stamp duty without the purpose/assets for which those taxes were deducted.

Recommendation:

We recommend a more detailed narration in the cash book to enable proper classification of the expenses. Likewise other expenses should be well described in the cash book.

Management Response:

We have noted your observation, with respect to third party transactions, though we try to capture details as much as possible.

4. YEAR 2023 TETFUND NATIONAL RESEARCH FUND (NRF) INTERVENTION N240,996,720.12.

The above amount was a grant from TETFund National Research Fund (NRF) Intervention which was received into Federal University of Technology existing project account number 0140105761038 and was subsequently disbursed to various Research grant recipients during the year for the intended research purpose. This transaction did not reflect in the current financial statements been prepared.

5. ACCOUNT RECEIVABLE

We noted that total sum of N10,878,200.00 being students school fees were paid into FUTO bank account in 2023 year under consideration and had remained there till date. Similar amount of N4,127,000.00 for year 2022 was equally paid into the same FUTO account but had been refunded which is commendable.

Recommendation:

Management of the Centre should endeavor to supply the students proper account details of the Centre at the time of admission processes. Adequate information and sensitization be made to the students as to the proper Bank Accounts for use in payment of school fees. Effort should be made for refund of the above amount to the Centre without further delay.

Management Response:

We have noted your observations, efforts are ongoing to recover the funds from the University. The funds will reflect in 2024 Accounts.

6. 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 the year ended 31 December, 2023 and issued the independent auditor's report thereon dated 3 June, 2024 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.

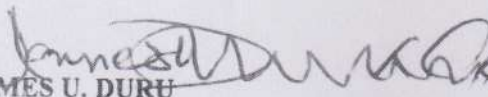
Auditor's Responsibilities

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 4
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 the year ended 31 December, 2023.


JAMES U. DURU
Managing Partner

