



28th January, 2025

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, 2024.**

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, 2024.

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.

Our observations are stated under the following headings:

SECTION 'A' - PREVIOUS YEAR OBSERVATIONS

SECTION 'B' - CURRENT YEAR OBSERVATIONS

SECTION 'A' - PREVIOUS YEAR OBSERVATIONS

S/N	OBSERVATION:	RECOMMENDATIONS:	MANAGEMENT RESPONSE	COMMENT
1	<p>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:</p> <ul style="list-style-type: none"> i. Over/under statement of some expenditures ii. May lead to complete omission of some expenses iii. May induce cash loss 	<ul style="list-style-type: none"> 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 centre. 	Recommendation Noted	Partly Implemented: Petty cash analysis not yet incorporated in software but the Accountant had provided Excel analysis as observed.
2	<p>Observation: POOR NARRATION IN CASH BOOK</p> <p>We observed poor and scanty narration on all cash book postings. There should be proper and detailed narration in the particulars column of the cash book. For instance, the deduction of taxes is often narrated as WHT, VAT, Stamp duty as applicable, without the purpose/assets for which those taxes were deducted.</p>	<p>Recommendations:</p> <p>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.</p>	<p>Management Response:</p> <p>We have noted your observation, with respect to third party transactions, though we try to capture details as much as possible</p>	<p>Comment:</p> <p>Implemented</p>

	Observation:	Recommendation:	Management Response:	Comment:
3	<p>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.</p>	<p>Management of the Centre should endeavor to supply 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.</p>	<p>We have noted your observations, efforts are ongoing to recover the funds from the University. The funds will reflect in 2024 Accounts.</p>	<p>Partly Implemented, Recovery of fund was implemented but payment of school fees into FUTO account persisted.</p>

SECTION 'B' CURRENT YEAR OBSERVATIONS

1. Observation:

INADEQUACY OF ACCOUNTING SOFTWARE IN USE

We observed some inadequacies in the Accounting software deployed in the Centre. These inadequacies had created accounting problems, some of which are stated below;

- (a) Some opening balance items did not agree with balances from Accounting Software in use
- (b) Journal adjustments not done as appropriate, hence making it difficult to make changes using adjustment journal.
- (c) The Software has no provision for petty cash analysis
- (d) There is need to create some new accounts codes to take care of emerging transactions such as Security expenses.

The above observations need to be taken care of before the software will effectively serve its purpose, and eliminate observed differences between the Software and financial statements.

Recommendation:

Effort should be made by Management of the Centre to address these lapses.

The software provider should be contacted to intimate them on these lapses with a view to provide solution.

Management Response:

We have contacted the Project Supervisor with respect to reflecting the journal adjustments in the accounts.

We would request that new account codes be created to take care of security expenses.

2. Observation

ACCOUNT RECEIVABLE

We noted that total sum of N7,289,200.00 being Students school fees were paid into FUTO Project Bank Account in year 2024 and had remained there till date. The use of FUTO account to collect school fees from students has continued despite previous observation.

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:

Efforts are in place to request refund of fees paid into the University account by the Centre students.

We have also written the Office of the Accountant General of the Federation for creation of service types on the Centre's Account. (Copy attached)

3. BUDGET PERFORMANCE

S/ N	CODE	DESCRIPTION	BUDGET	BUDGET	ACTUAL	VARIANCE
			\$	₦	₦	₦
1	21111-001	MOTOR VEHICLES (NEW ACE	6,000.00	7,151,652.00	0	7,151,652.00

2	21114-002	COMPUTERS (NEW ACE)	80,000.00	95,355,360.00	11,062,353.00	84,293,007.00
3	21111-003	PRINTERS/SCANNERS/PHOTOCOPIERS (NEW ACE)	24,000.00	28,606,608.00	0	28,606,608.00
4	21111-007	CHAIRS (NEW ACE)	10,000.00	11,919,420.00	0	11,919,420.00
5	21111-008	TABLES (NEW ACE)				
6	21111-009	SAFES/FILE CABINETS/CUPBOARDS (NEW ACE)				
7	21111-010	LABORATORY/MEDICAL EQUIPMENTS (NEW ACE)	980,000.00	1,168,103,160.00	276,096,936.00	892,006,224.00
8	21111-011	SECURITY INSTALLATIONS/EQUIPMENT (NEW ACE)	30,000.00	35,758,260.00	0	35,758,260.00
9	21111-014	BOREHOLES & OTHER WATER FACILITIES (NEW ACE)	2,000.00	2,383,884.00	0	2,383,884.00
10	21111-018	POWER GENERATING SETS (NEW ACE)	50,000.00	59,597,100.00	21,665,904.00	37,931,196.00
11	21111-019	BROADCAST & COMMUNICATION EQUIPMENTS (NEW ACE)				
12	21111-020	OFFICE EQUIPMENT (NEW ACE)	24,200.00	28,844,996.40	5,481,854.00	23,363,142.00
13	21111-021	FURNITURE & FITTINGS	30,000.00	35,758,260.00	28,273,041.00	7,485,219.00
14	21112-002	MAINTENANCE OF OFFICE BUILDING/RESIDENTIAL QTRS (NEW ACE)	50,000.00	59,597,100.00	31,668,600.00	27,928,500.00
15	21112-003	CONSTRUCTION OF BUILDING	15,000.00	17,879,130.00	8,206,056.00	9,673,074.00
16	21113-001	CLEANING & FUMOIGATION SERVICES (NEW ACE)	9,500.00	11,323,449.00.00	603,650.00	10,719,799.00
17	21114-001	FINANCIAL CONSULTING SERVICES (NEW ACE)	30,000.00	35,758,260.00	0	35,758,260.00
18	21114-002	INFORMATION TECHNOLOGY CONSULTING SERVICES (NEW ACE)	30,000.00	35,758,260.00	0	35,758,260.00

19	21114-009	AUDITING OF ACCOUNTS (NEW ACE)	15,000.00	17,879,130.00	1,848,600.00	16,030,530.00
20	21115-001	LOCAL TRAINING (NEW ACE)	77,000.00	91,779,534.00	13,534,800.00	78,244,734.00
21	21115-002	INTERNATIONAL TRAINING (NEW ACE)	350,000.00	417,179,700.00	343,992,371.00	73,187,329.00
22	21116-002	LOCA TRANSPORT & TRAVEL EXPENSES (NEW ACE)	20,000.00	23,838,840.00	7,274,600.00	16,564,240.00
23	21116-003	MAINTENANCE OF MOTOR VEHICLES/TRANSPORT EQUIPMENT (NEW ACE)	12,500.00	14,899,275.00	280,975.00	14,618,300.00
24	21116-004	MAINT OF OFFICE FURNITURE	4,000.00	4,767,768.00	180,000.00	4,587,768.00
25	21116-005	MAINTENANCE OF OFFICE/IT EQUIPMENTS (NEW ACE)	4,000.00	4,767,768.00	676,000.00	4,091,768.00
26	21116-006	MAINTENANCE OF PLANTS/GENERATOR SETS (NEW ACE)	7,000.00	8,343,594.00	1,249,500.00	7,094,094.00
27	21116-008	MAINTENANCE OF COMMUNICATION EQUIPMENT (NEW ACE)	5,000.00	5,959,710.00	6,535,117.00	-575,407.00
28	21116-010	TELEPHONE CHARGES	10,000.00	11,919,420.00	9,685,000.00	2,234,420.00
29	21116-011	INTERNET ACCESS CHARGE (NEW ACE)	150,000.00	178,791,300.00	8,726,399.00	170,064,901.00
30	21116-014	INTERACTIVE LEARNING NETWORK (NEW ACE)	50,000.00	59,597,100.00	0	59,597,100.00
31	21116-015	SOFTWARE CHARGES/LICENCE RENEWAL (NEW ACE)	202,500.00	241,368,255.00	155,798,047.00	85,570,208.00
32	21116-016	OFFICE STATIONERIES/COMPUTER CONSUMABLES (NEW ACE)	5,000.00	5,959,710.00	1,185,370.00	4,774,340.00
33	21116-017	BOOKS (NEW ACE)	140,000.00	166,871,880.00	1,928,348.00	164,943,532.00
34	21116-020	TEACHING AIDS/INSTRUCTIONAL MATERIALS (NEW ACE)	54,500.00	64,960,839.00	43,822,475.00	21,138,364.00

35	21116-023	MOTOR VEHICLE FUEL COST (NEW ACE)	15,000.00	17,879,130.00	4,936,570.00	12,942,560.00
36	21116-024	PLANT/GENERATOR FUEL COST (NEW ACE)	20,000.00	23,838,840.00	3,137,700.00	20,701,140.00
37	21116-025	PUBLICITY & ADVERTISMENT (NEW ACE)	40,000.00	47,677,680.00	1,614,000.00	46,063,680.00
38	21116-026	POSTAGES & COURIER	500.00	595,971.00	4,420,676.00	-3,824,705.00
39	21116-028	RESEARCH & DEVELOPMENT EXPENSE (NEW ACE)	20,000.00	23,838,840.00	200,000.00	23,638,840.00
40	21116-029	WAGES/ALLOWANCES (NEW ACE)	59,000.00	70,324,578.00	11,035,000.00	59,289,578.00
41	21116-030	SERVICE MEETING (NEW ACE)	50,000.00	59,597,100.00	9,210,507.00	50,386,593.00
42	21116-032	STUDENT COSTS (NEW ACE)	300,000.00	357,582,600.00	261,716,601.00	95,865,999.00
43	21116-033	ACCREDITATION EXPENSES (NEW ACE)	100,000.00	119,194,200.00	70,125,330.00	49,068,870.00
44	21116-034	LABORATORY CONSUMABLES/REAGENTS (NEW ACE)	70,000.00	83,435,940.00	9,507,814.00	73,928,126.00
45	21116-035	INSURANCE EXPENSES (NEW ACE)	40,000.00	47,677,680.00	2,404,421.00	45,273,259.00
46		SECURITY SERVICES			8,490,722.00	-8,490,722.00

Note: (a) Budget in respect of Printers/Scanners/Photocopier are Merged with Computers

(b) Budget in respect of Chairs are Merged with Furniture & Fittings

(c) Budget in respect of Boreholes & other Water Facilities are merged with Building

COMMENT:

- i. The budget performance showed that most of the expenditures heads were below budget, thereby recording positive variance. Positive variance here does not mean prudent management of resources but rather low implementation of the programmes of the center and its overall objective. This to a large extent can be attributed to high exchange rate and general level of implementation of the project in the year. For instance;
 - Budget for Laboratory equipment in the year was N1,168,103,160 but only N276,096,936 or 23% was expended/implemented.
 - Total budget for Research and Development in the year was N23,838,840.00 but only N200,000.00 or 0.84% was expended/implemented.
 - Total budget for procurement of books in the year was N166,871,880.00 but only N1,928,348.00 or 1.16% was expended/implemented, etc

ii.	There are still some expenditures that showed negative variance. They includes:		
	Code	Description	Negative Variance
			N
i.	21116-008	Maint. Communication Equipment	-575,407.00
ii.	21116-026	Postages & Courier	-3,824,705.00
iii.		Security Services	- 8,490,722.00

The extra budgetary spending should be reviewed and the reason for non-compliance be noted for corrective action.

Management Response:

We have noted your observation on extra budgetary spending and would ensure adequate budgetary provision in the next year's budget.

The Chart of Accounts presently in use has no provision for Security Expenses, we would request the Software Developers to create as appropriate.

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, 2024 and issued the independent auditor's report thereon dated 28th January, 2025 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 Auditors 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, 2024.


JAMES U. DURU
Managing Partner

