AFRICA CENTRE OF EXCELLENCE FOR INNOVATIVE AND TRANSFORMATIVE STEM EDUCATION (ACEITSE)

PROJECT IMPLEMENTATION UNIT
LAGOS STATE UNIVERSITY

IDA CREDIT NUMBER:6510-NG

MANAGEMENT LETTER ON THE AUDITED FINANCIAL STATEMENT OF AFRICA CENTRE OF EXCELLENCE FOR INNOVATIVE AND TRANSFORMATIVE STEM EDUCATION (ACEITSE)

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22nd June 2023

The Centre Leader,
Africa Centre of Excellence for Innovative &
Transformative STEM Education (ACEITSE)
Lagos State University,
Lagos,
Nigeria.

Dear Sir,

MANAGEMENT LETTER ON THE AUDIT OF THE AFRICA CENTRE OF EXCELLENCE FOR INNOVATIVE AND TRANSFORMATIVE STEM EDUCATION (ACEITSE) FOR THE PERIOD ENDED 31 DECEMBER 2022

We are pleased to inform you that we have successfully completed the audit of the Project Financial Statements of the Africa Centre of Excellence for Innovative and Transformative Stem Education (ACEITSE) for the period ended 31 December 2022 in furtherance to which we issue our Domestic Report (Management Letter) herein dated 5th June 2023.

The essence of this letter is to draw your attention to some internal control weaknesses that came to our notice during the audit of the project Financial Statement and the recommendations that we have proffered for remediation which, if faithfully implemented will help to strengthen the internal control system with a view to enhancing the delivery of the objectives of the Project.

This Report is thus in two parts. The first part is highlights of our audit findings while the second part reflects the effects of the findings/weaknesses and the recommendations we have proffered for remediation.

This report has incorporated your responses to issues and comments raised in the course of the audit which were earlier communicated to you vide our Draft Management Letter on the 5th June 2023. The detailed Report together with your responses/comments is presented herewith.

MANAGEMENT LETTER ON THE AUDITED FINANCIAL STATEMENT OF AFRICA CENTRE OF EXCELLENCE FOR INNOVATIVEAND TRANSFORMATIVE STEM EDUCATION (ACEITSE)

PART I.

HIGHLIGHTS OF AUDIT FINDINGS

SN	TITLE	PAGE
1	Late Retirement of Advances	4
2	Unreconciled Balance	5

PART II.

EFFECTS OF THE OBSERVED WEAKNESSES AND RECOMMENDATIONS FOR REMEDIATION

1. Late Retirement of Advances.

Cash Advances are monies advanced to meet up with the project need in the short term to be retired immediately upon the completion of the services for which such advances were granted. Upon retirement, the corresponding payment vouchers are updated, and Journals raised to classify the advances into their relevant expenses head. Some of these advances are not yet retired after over three months of granting them.

During our review of advances granted during the period under review, we observed that there were needless and unnecessary delay in the retirement of cash advance to some officers totalling the sum of **NGN2,180,700** (Two million, One Hundred and Eighty Thousand, Seven Hundred Naira) only *(please see annexure 1)*.

IMPLICATIONS

i) The project fund may be left in individual hands without proper accountability.
ii) Breach of standard best practices of cash management.
iii) It may create room for intended and unintended omissions, frauds, and irregularities.
iv) Evidence of weak internal control in the issuance of advances.

RECOMMENDATIONS

i) Internal audit unit should be thorough in their oversight duties to help strengthen the internal control system of the Project Implementation Unit (PIU);
ii) We recommend that Project Management should institutionalize a clear policy on Cash Advances that aligns with international best practices. The policy should stipulate in unambiguous terms the timeframe required for advances to be retired, which should not be later than two (2) days of completion of the assignment for which such advance was taken. The policy should stipulate recovery terms and conditions including appropriate sanctions for non-compliance.

MANAGEMENT RESPONSE:

The observation regarding late retirement of funds is well noted. However, this does not entirely constitute weakness or lack of controls in the Internal Audit department. All cash advances are monitored to the point of expenditure and execution of quality job. All jobs are well monitored and verified. The hiccup that accounted for the delay was the challenges we had in understanding the retirement procedures in the newly introduced accounting software which took time to resolve with the administrator.

2. Unreconciled Balances

Reconciliation of balances is a very important aspect of accounting and internal control designed to ensure that the financial statement is devoid of error whether due to omission or commission. Reconciliation also confirms that accounts in the general ledger and trial balance are consistent, accurate, and complete. Our review of the Project records revealed discrepancies in closing balances between the understated accounts and the corresponding values posted into the Trial balance:

S/N	Account Name	Bank	Trial Balance	Difference
1.	Lagos State University-ACEITSE (ACE- Operation Naira Account)	99,514,202.06	79,768,703	19,745,499.06

IMPLICATION

i) The stated closing balances may not be correct, and this could also imply that the account may not be correct.
ii) The double entry accounting principle may not have been followed when posting some transactions. This could further mean that there may be incomplete record keeping.
iii) The financial statement cannot be said to show a true and fair view to the extent of these unreconciled discrepancies.
iv) Weak oversight by the internal audit unit.

RECOMMENDATION

i) We recommend that the Project accountant should always monitor subsidiary account balances by ensuring that reconciliations are promptly carried out with bank statements and any discrepancy(s) is immediately reconciled.
ii) The above highlighted differences should be reconciled, and evidence of regularization should be availed to us.

MANAGEMENT RESPONSE:

This observation has to do with Bank Reconciliation for December 2022, which is the difference between the Bank Statement and the Cash Book Balances. You would agree with me that the major reason behind preparation of Bank Reconciliation Statement is to identify what accounted for the disparity between these two figures which are meant to agree anyway. Note that we regularly carried out bank reconciliation on a monthly basis. The difference of #19,745,499.06 (our record #19,732,163.21) mentioned as unreconciled balance surely has a schedule. Therefore, it might not be correct to regard this difference as ''Unreconciled Balance'.

In order to further reinforce our position on this, we are sending the complete reconciliation schedule for December 2022.

CONCLUSION

We thank the management of Africa Centre of Excellence for Innovative and Transformative Stem Education (ACEITSE) for the cooperation given to our team during the audit and their effort at ensuring a hitch free exercise. Please do not hesitate to contact us if there is any aspect of this report that requires further clarification.

Thank you.

Yours faithfully,

For: Abdulmalik Ahmed & Co.,

Abdulmalik Ahmed, FCA
Engagement Partner

Dated: 22/06/2023

ANNEXURE

LASU-ACEITSE
SECOND AFRICA HIGHER EDUCATION CENTRE OF EXCELLENCE FOR DEVELOPMENT IMPACT (ACE IMPACT) PROJECT

STAFF ADVANCES RECONCILIATION

Annexure 1

S/No.	DESCRIPTION	ADVANCE VOUCHER REF. No.		ADVANCE DATE	RETIREMENT DATE	AMOUNT ADVANCED	REMARKS
						₦	
1	PARTIAL PAINTING OF ACEITSE BUILDING	PV/2022/LASU-1/	000000021	23-Feb-22	30-Jun-22	167,500.00	4months late
2	TONER CARTRIDGES FOR PHOTOCOPIERS IN…	PV/2022/LASU-1/	000000022	23-Feb-22	30-Jun-22	74,000.00	4months late
3	CASH ADVANCE FOR PURCHASE OF JOURN…	PV/2022/LASU-1/	000000025	02-Mar-22	30-Jun-22	45,000.00	3months late
4	ADVANCE TO MOVE FURNITURES FROM UN…	PV/2022/LASU-1/	000000026	02-Mar-22	30-Jun-22	35,000.00	3months late
6	CASH ADVANCE TO SERVICE MEETINGS ON…	PV/2022/LASU-1/	000000029	04-Mar-22	30-Jun-22	36,000.00	3months late
7	ADVANCE OF MEETING OF MOCK ACCREDITA…	PV/2022/LASU-1/	000000032	11-Mar-22	30-Jun-22	40,000.00	3months late
9	CASH ADVANCE FOR PRACTICAL TRAINING…	PV/2022/LASU-1/	000000034	11-Mar-22	30-Jun-22	100,000.00	3months late
11	ADVANCE TO MOVE OBSOLETE ITEMS FROM…	PV/2022/LASU-1/	000000036	11-Mar-22	30-Jun-22	10,000.00	3months late
12	CASH ADVANCE FOR CONSUMABLES & LAB	PV/2022/LASU-1/	000000049	14-Mar-22	30-Jun-22	200,000.00	3months late
13	CASH ADVANCE FOR CONSUMABLES & EQU…	PV/2022/LASU-1/	000000048	14-Mar-22	30-Jun-22	200,000.00	3months late
14	CASH ADVANCE FOR LAB. CONSUMABLES &…	PV/2022/LASU-	000000047	14-Mar-22	30-Jun-22		3months

		1/				200,000.00	late
15	CASH ADVANCE FOR PURCHASE OF HP PRINT…	PV/2022/LASU-1/	000000044	14-Mar-22	30-Jun-22	200,000.00	3months late
16	CASH ADVANCE FOR SENSITIZATION VISIT O…	PV/2022/LASU-1/	000000043	14-Mar-22	30-Jun-22	30,000.00	3months late
17	CASH ADVANCE FOR SOUVENIRS FOR THE A…	PV/2022/LASU-1/	000000042	14-Mar-22	30-Jun-22	98,000.00	3months late
18	C/A FOR 2020/2021 ACADEMIC SESSION…	PV/2022/LASU-1/	000000276	25-Oct-22	31-Dec-22	90,900.00	2months late
19	C/A TO CONVEY INT. STUDENTS FROM LASU	PV/2022/LASU-1/	000000308	04-Nov-22	31-Dec-22	15,000.00	1month late
20	CASH ADVANCES FOR CONVERSION OF IM…	PV/2022/LASU-1/	000000322	11-Nov-22	31-Dec-22	18,500.00	1month late
21	CASH ADVANCE FOR EVACUATION OF SEPTIC	PV/2022/LASU-1/	000000323	11-Nov-22	31-Dec-22	124,000.00	1month late
24	C/A FOR 2020/2021 ACADEMIC SESSION…	PV/2022/LASU-1/	000000276	25-Oct-22	31-Dec-22	90,900.00	2months late
25	C/A TO CONVEY INT. STUDENTS FROM LASU	PV/2022/LASU-1/	000000308	04-Nov-22	31-Dec-22	15,000.00	1month late
26	CASH ADVANCES FOR CONVERSION OF IM…	PV/2022/LASU-1/	000000322	11-Nov-22	31-Dec-22	18,500.00	1month late
27	CASH ADVANCE FOR EVACUATION OF SEPTIC	PV/2022/LASU-1/	000000323	11-Nov-22	31-Dec-22	124,000.00	1month late
30	C/A FOR 2020/2021 ACADEMIC SESSION…	PV/2022/LASU-1/	000000276	25-Oct-22	31-Dec-22	90,900.00	2months late
31	C/A TO CONVEY INT. STUDENTS FROM LASU	PV/2022/LASU-1/	000000308	04-Nov-22	31-Dec-22	15,000.00	1month late
32	CASH ADVANCES FOR CONVERSION OF IM…	PV/2022/LASU-1/	000000322	11-Nov-22	31-Dec-22	18,500.00	1month late
33	CASH ADVANCE FOR EVACUATION OF SEPTIC	PV/2022/LASU-1/	000000323	11-Nov-22	31-Dec-22	124,000.00	1month late
						2,180,700.00	