# 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) FOR THE YEAR ENDED DECEMBER 31, 2023.

**ABDULMALIK AHMED & CO.**
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**REF: AAC/PP/ML/CL/ACEITSE/270624** **27th June 2024**

**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 YEAR ENDED 31 DECEMBER 2023**

We write to acknowledge the receipt of your responses and comments to audit findings that was communicated through our draft reports of 14th June, 2024 on the audit of the Project Financial Statements of the Africa Centre of Excellence for Innovative and Transformative STEM Education (ACEITSE) for the year ended 31 December, 2023. We have incorporated the responses and comments and herewith submit the final Domestic Report (Management Letter) to you.

## THE REPORT

This report is structured in three parts:

1) The first part contains the review of the extent of implementation of previous year's Audit recommendations.
2) The second part contains the highlights of control weaknesses that came to our notice during current year's audit.
3) The third part contain effects of the weaknesses on the system and the recommendations we have proffered for remediation which, if faithfully implemented by Management will further enhance credibility of reporting as well as delivering improved performance.
4) The fourth part covers Report on Physical Verification of Project Sites and non-current assets where the Centre has released funds for Procurement of specific items and provision for improvement of specific infrastructures.

We therefore set out below, not necessarily in order of significance those control issues which came to our notice during the audit as well as the recommendations we have proffered for remediation with a view to improving and enhancing effective internal controls in the implementation of the mandate of African Centre of Excellence for Innovative and Transformative STEM Education (ACEITSE), Lagos State University, Ojo.

## PART ONE

## EXTENT OF IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS

Audit findings revealed that the recommendation that was proffered for the remediation of a finding that came to the notice of the auditors in prior year audit has not been fully implemented and hence, we have restated it herein with expectation that Management shall take steps to fully implement the recommendation.

| S/N | Weaknesses Identified | Recommendations | Year of observation | Management Response | Status at 31st December 2023 |
|---|---|---|---|---|---|
| 1. | **Late retirement of Advances.**<br><br>During our review of Advances to Staff, during the period, we observed that there were needless and unnecessary delays in the retirement of Cash Advances to some staff totalling **N2,180,700.**<br><br>**Implications:**<br><br>i) The project fund may be left in individual hands without proper accountability | i) Internal Audit Unit should be thorough in their oversight duties to help strengthen the internal control system of the Project Implementation Unit.<br><br>ii) We recommend that Project Management Unit should institute a clear policy on Cash Advances that aligns with international best practices. The policy should stipulate in unambiguous terms the time frame required for advances to be retired which should not be later than two (2) days of completion of the assignment for which the | 2022 | The observation regarding 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. | Partially implemented. While there has been significant improvement in reducing the observed delays in retirement of Advances, the trend has not been completely addressed. |

| | | | | | |
|---|---|---|---|---|---|
| | ii)Breach of standard best practices of cash management,<br><br>iii) It may create room for intended and unintended omissions, frauds and irregularities and<br><br>iv) Evidence of weak internal control in the issuance of Advances. | advance was taken. The policy should stipulate recovery terms and conditions including appropriate sanctions for non-compliance | | | |

## PART TWO

## HIGHLIGHTS OF WEAKNESSES OBSERVED DURING THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023


| S/N | WEAKNESSES OBSERVED | PAGE NUMBER |
|---|---|---|
| 1. | Delayed Retirement of Cash Advances | 7 |
| 2. | Inadequacy of the Accounting Software | 9 |
| 3. | Report on physical verification of Projects sites | 11 |
| 4. | Annexure | 13 |

## PART THREE

## EFFECTS OF THE IDENTIFIED WEAKNESSES ON THE INTERNAL CONTROL SYSTEM AND THE RECOMMENDATIONS PROFFERED FOR REMEDIATION

### 1. DELAYS IN RETIREMENT OF ADVANCES

Advances are funds disbursed to certain officials of an entity for the purpose of executing some exigent assignments in furtherance of the Project. They are short term in nature meant to be immediately retired upon the execution of the projects (assignments) for which the fund was disbursed and appropriate entries raised to debit the appropriate expense accounts. Audit findings revealed instances of delayed retirement of Cash Advances during the year under review (please see attached herewith schedule of some of the instances of delayed retirement of Advances).

**Implications**

i) The Project fund is tied down by the number of extra days or months the Advance remain unretired.
**ii) Contravention of Financial Regulation as it relates to operation and management of advances.**
**iii)** Creates room for intended or unintended irregularities, omissions and fraud.
**iv)** Evidence of poor monitoring of control in accounting for Advances.
**v)** Evidence of poor oversight by the internal audit department.

**Recommendations**

i) Management should institute a Cash Advance Policy that aligns with the requirement of Financial Regulation and the Programme Implementation Manual. Appropriation sanctions should be applied for any Advance not retired within stipulated timeframe.

ii) Management should avail us with proof of retirement of overdue advances especially the ones highlighted in the herein attached schedule.

iii) A bi weekly reconciliation of the account should be conducted by the accounts department with a view to flagging up long outstanding unretired cash advances.

Management Response

The Centre Leadership had made efforts to reduce delay in the retirement of cash advances as noted by the External Auditor. In order to drastically eliminate or reduced the delay to the barest minimum, the Centre Leadership had directed the deductions from the salaries of the defaulters to serve as deterrent to others.

It is believed that with this measure, the delay will be drastically reduced if not totally eliminated.

The External Auditor personnel that came to site for audit were able to confirmed and verified that all the mentioned cash advances had been fully retired. This was reflected in the closing cash advance balance as of 31st December 2023. The Auditor's attached advances schedule also indicated date of retirement. Meanwhile, the Auditor should feel free to approach us for second verification if found necessary.

## 2. INADEQUACY OF THE ACCOUNTING SOFTWARE

Though this is not the direct responsibility of the Centre Management, the lack of robustness of the Accounting Software deployed for the Centre is worthy of reporting. It is hoped that by reporting this lapse it will be escalated to the responsible authority that can affect the required modifications, as the Project Accountant appeared to be helpless with the observed lapses.

Good accounting software should be robust enough to enable the users carry out the recording of relevant accounting documents or processes and generate the required and required reports. Our interaction with Accounts Departments shows that the software in use falls short of this requirement. The following are some of the observed inadequacies in the software:

a) **Inability to print out processed Journal Voucher:**

Like Payment Vouchers, the Accounts Department should be able to print out processed Journal Vouchers and attach the supporting documents for filing and reference purpose. But this facility is lacking in the software in the way it is presently configured. The print out of processed Journal Vouchers with supporting documents provide audit trail to the related transactions, which provides relevant audit evidence. It is also important for reference purpose.

**Implications**

i) Loss of audit trail. The supporting documents that should be attached to the Journal Vouchers may be misplaced as the absence of the Journal Vouchers makes it impossible to be filed.

ii) Difficulty in Reconciliation Process: The absence of the Journal Vouchers with supporting documents made reconciliation of accounts such Cash Advance very cumbersome as the needed reference documents are missing.

b) **Delayed migration to a new accounting year.**

The software is configured in such a way that at the beginning of a new accounting year, all the centres must conclude posting and reconciliation before any centre can migrate to the new accounting year to commence posting of transactions. This delay makes it impossible to comply with the Project policy of 48-hour timeline for the processing of accounts vouchers and documents.

**Implications:**

i) Delayed processing of transactions with the concomitant possibility of loss of transaction documents during the waiting period.

ii) Delay in meeting up with reporting timelines. If centres are allowed to commence posting of their transaction when they are ready the pressure to meet up with timeline for reporting

will be drastically reduced. Centres that are lagging behind will be forced to expedite action and meet up with the rest.

**Recommendation**

It is intended that this report will be escalated to the Software Consultant for necessary modifications to accommodate these and other requested changes to make the software more robust for the users.

| **Management Response** |
| --- |
| These observations had been escalated to the Accounting Software vendor and system administrator for necessary and urgent action |

**REPORT ON PHYSICAL VERIFICATION OF PROJECTS SITES**

**INSPECTION OF PROJECTS**

i) **The STEM Building Project**:

In the course of the audit we paid an inspection visit to the flagship project of the centre, the construction of a multi- purpose laboratory block. The building has been completed and was commissioned by the Vice Chancellor on the day we commenced the audit. It is an exquisitely finished one story building housing Physics, Biology, Chemistry and ICT laboratories, conference room, seminar room, classrooms and offices. The laboratories, rooms and offices have been furnished with the needed furniture, Air conditioners and other fittings. It is located adjacent to the current ACEITSE office. Our review of the records shows that total sum of **N311,032,402.76** (Three Hundred and Eleven Million, Thirty-Two Thousand Four Hundred and Two Naira. Seventy-Six Kobo) only was expended on the construction of the building whereas the sum budgeted by the PIU in the 2023 budget was **N561,644,974.46** (Five hundred and sixty-one million, six hundred and forty-four thousand, nine hundred and seventy-four naira, forty-six kobo) for the construction of the building and the furnishing. The furnishing of the complex is still ongoing.

ii) **16-Seater Toyota Hiace Bus.**

We also inspected the 16-Seater Hiace Bus bought on the 21st of December 2023 and reviewed the related documents, budget and approvals. The bus was bought at the cost of **N54,180,000** (Fifty-Four Million, One Hundred and Eighty Thousand Naira) only from Elizade Motors. The bus has already been deployed for the logistics of the Projects Implementation Unit.

**iii) Office Equipment and Other Non-Current Assets**

We also carried out a physical inspection of some Office Equipment items and other Non-Current Assets to confirm their physical existence, location of deployment, classification / coding of the assets and to confirm their working condition. We also correlated this with the budget, requisition and approval process, procurement process and delivery of the items.

We noted that ten units of HP Laptop Computers with Specifications: 14 Core13, 512GB, SSD, 8GB bought on October 27, 2023 are yet to be assigned and deployed. On enquiry, the Project Accountant informed us that the laptops are to be presented to STEM departments in the University by the Vice Chancellor. We verified that the laptops are presently in the Project Accounts Department.

**CONCLUSION**

The purpose of this audit is to enable us to express an independent opinion on the true and fair view of the audit of the Financial Statement of African Centre of Excellence for Innovative and Transformative STEM Education (ACEITSE), Lagos State University, Ojo, for the year ended 31st December 2023.

To the extent that our report includes recommendations to correct the weaknesses that came to our notice during the audit, Management shall be responsible for the implementation of our recommendations and for any further actions with respect to other matters addressed in this report. We implore Management of the Project Centre to take necessary steps to implement the recommendations we have proffered in this report with a view to further enhancing efficiency and effectiveness of its internal control and improvement in the delivery of its academic objectives.

We wish to thank the Management for the cooperation and assistance accorded us during the course of our audit and the efforts at ensuring a hitch-free exercise.

Please do not hesitate to contact us on areas in this report that require further clarification.
Thank you.

Yours faithfully,

**For: Abdulmalik Ahmed & Co.**



**Abdulmalik Ahmed, FCA**
*Principal Partner*

## ANNEXURE 1

**RETIREMENT OF CASH ADVANCES**

| S/N | DATE COLLECTED | VOUCHER REFERENCE | AMOUNT | PURPOSE OF COLLECTION | DATE RETIRED | PERIOD OUTSTANDING |
|---|---|---|---|---|---|---|
| 1 | 2/10/2023 | PV/2023/LASU/0000013 | 131,000.00 | Purchase of two tyres | 6/13/2023 | 4months |
| 2 | 2/24/2023 | PV/2023/lasu-1/0000020 | 185,000.00 | Printing of 200 COF | 6/15/2023 | 4 months |
| 3 | 3/1/2023 | PV/2023/LASU-1/000028 | 170,000.00 | Purchase of Diesel for C | 6/15/2023 | 31/2 months |
| 4 | 3/10/2023 | PV/2023/LASU-1/000040 | 198,000.00 | Purchase of Lab cc | 6/30/2023 | 3 months |
| 5 | 3/10/2023 | PV/2023/LASU-1/000041 | 200,000.00 | Purchase of Lab.cc | 7/25/2023 | 4 months |
| 6 | 3/10/2023 | PV/2023/LASU-1/000042 | 200,000.00 | Purchase of Lab Eq | 6/15/2023 | 3 months |
| 7 | 3/10/2023 | PV/2023/LASU-1/000043 | 199,500.00 | Purchase of Lab cc | 6/15/2023 | 3 months |
| 8 | 3/10/2023 | PV/2023/LASU-1/000044 | 199,950.00 | Purchase of Lab cc | 3/15/2023 | 3 months |
| 9 | 3/16/2023 | PV/2023/LASU-1/000047 | 24,000.00 | Repair of ACEITSE PHC | 3/15/2023 | 3 months |
| 10 | 3/20/2023 | PV/2023/LASU-1/000052 | 95,000.00 | Repair of Toilet FACE | 6/15/2023 | 3 months |
| 11 | 3/31/2023 | PV/2023/LASU-1/000081 | 80,100.00 | Repair of Roof and Do | 6/15/2023 | 21/2 months |
| 12 | 4/5/2023 | PV/2023/LASU-1/000085 | 109,600.00 | ACEITSE Students Ex | 6/30/2023 | 3 months |
| 13 | 5/04//2023 | PV/2023/LASU-1/000084 | 117,100.00 | Advance for fabrication & installation | 15/06/2023 | 3 months |
| 14 | 11/4/2023 | PV/2023/LASU-1/000087 | 936,890.00 | Construction of W | 15/06/2023 | 2 months |
| 15 | 17/04/2023 | PV/2023/LASU-1/000107 | 479,000.00 | Servicing of meeting | 6/12/2023 | 6 months |
| 16 | 26/04/2023 | PV/2023/LASU-1/000114 | 225,000.00 | Production of seat | 15/06/2023 | 2 months |
| 17 | 26/04/2023 | PV/2023/LASU-1/000113 | 4,963,000.00 | Preparation and deliv | 29/09/2023 | 5months |

| | | | | | | |
|---|---|---|---|---|---|---|
| 18 | 3/5/2023 | PV/2023/LASU-1/000119 | 367,500.00 | Purchase of brand | 25/07/2023 | 2 months |
| 19 | 19/05/2023 | PV/2023/LASU-1/000159 | 550,000.00 | Purchase of 1 Photo | 15/06/2023 | 1 month |
| 20 | 24/05/2023 | PV/2023/LASU-1/000166 | 114,600.00 | For entertainment during | 30/06/2023 | 1month |
| 21 | 6/6/2023 | PV/2023/LASU-1/000171 | 216,900.00 | Repair of damaged | 25/07/2023 | 2 months |
| 22 | 5/6/2023 | PV/2023/LASU-1/000172 | 244,400.00 | Replacement of Buf | 25/07/2023 | 2 months |
| 23 | 19/06/2023 | PV/2023/LASU-1/000182 | 327,000.00 | To organize the 2023 Con | 25/07/2023 | 1 month |
| 24 | 30/06/2023 | PV/2023/LASU-1/000192 | 498,150.00 | Maintenance of THI | 14/09/2023 | 2 1/2 months |
| 25 | 3/8/2023 | PV/2023/LASU-1/000249 | 300,000.00 | ACEITSE Students Ho | 21/09/2023 | 1 1/2 months |

**ANNEXURE 2**

Pictorial representation of projects executed and assets procured by the centre during the period under review.



LAGOS STATE UNIVERSITY
AFRICA CENTRE OF EXCELLENCE
FOR INNOVATIVE AND TRANSFORMATIVE
STEM EDUCATION (ACEITE)