

**FEDERAL UNIVERSITY OF TECHNOLOGY,
MINNA**

Our Ref: OFUT/7/5/121/16

31st October, 2017

The Vice Chancellor,

Federal University of Technology,

Minna, Niger State

Dear Sir,

**MANAGEMENT REPORT ON THE AUDITED FINANCIAL STATEMENT OF
FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA FOR THE YEAR ENDED
31st DECEMBER, 2016.**

**MANAGEMENT REPORT
ON THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st DECEMBER, 2016.**

Our examination of the financial statements of the Federal University of Technology, Minna for the above stated accounting year, was conducted in accordance with the auditing standards of the Institute of Chartered Accountants of Nigeria (ICAN) and the relevant laws and regulations governing the financial statements of the institution. The level of supervision to be undertaken during the audit was determined by the level of risk involved in the audit. The type of reports to be issued was also determined by the level of risk involved in the audit. The following is a summary of the findings of the audit:

(i) We reviewed extensively the financial transactions of the institution and verified all payment vouchers including the payroll and receipts submitted to us.

**DELE OTITOJU & CO.,
CHARTERED ACCOUNTANTS.**

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Chartered Accountants.

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Our Ref: DO/CONS.121/44.

27TH October, 2017.

The Vice Chancellor,
Federal University of Technology,
Minna, Niger State.

Dear Sir,

MANAGEMENT REPORT ON THE AUDITED FINANCIAL STATEMENT OF FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA FOR THE YEAR ENDED 31ST DECEMBER, 2016.

1.0 We are pleased to report that we have completed the audit of the financial statement of Federal University of Technology, Minna for the above stated accounting year.

2.0 SCOPE OF OUR ASSIGNMENT.

Our examination has been carried out in accordance with generally accepted auditing standards. Consequently, the examination were properly planned as regards areas to be examined, staff to be assigned to carry out the examination, the level of supervision to be undertaken during the audit and type of reports to be issued. Thus, we carried out, among others, the following in the course of our audit.

- (i) We reviewed extensively the financial transactions of the Institution and vouched all payment vouchers including the payroll and receipts submitted to us.

(ii) We assessed the level of internal control system in order to ascertain their strength and weaknesses.

(iii) We reviewed the economy, efficiency and effectiveness in the use of funds and other assets entrusted to the University.

2.1 We wish, however, to emphasize that matters covered in the report are those that came to our notice in the course of our audit procedure. Therefore, absence of our comments and recommendation on any weakness not covered in the report does not amount to our ratification of such weakness.

2.2 This report, we must emphasize, is a critical document, but our suggestions and recommendations are intended to be constructive. All the points raised relating strictly to accounting work have been discussed with the Accounts personnel during the audit.

2.3 The accompanying paragraphs set out some of the weaknesses revealed by our evaluation and recommendations on how to improve and strengthen the internal control system are offered alongside each point identified.

3.0 FINANCIAL HIGHLIGHTS.

3.1 The University received from the Federal Government during the year 2016 a total recurrent subvention of ₦3,897,667,765 covering Personnel cost, Overhead cost, DTLC Grant, TETFUND Grants, Industrial Training Fund and others as against ₦4,227,478,276 received in the year 2015 resulting in a decrease of ₦329,810,511 or 7.80%.

As reported in the 2015 Management report, subventions were not received in respect of Research Grant and Earned Allowance during the year under review while other grants also decreased sharply from ₦2,213,804 received in 2015 to ₦1,393,578 received in 2016, a sharp decrease of ₦820,226 or 37.05%.

The University received Capital Grants from the Federal Government of ₦43,693,143 and TETFUND Capital Grant of ₦578,563,841 both totaling ₦622,256,984 during the year as against ₦829,579,123 received resulting in a material decrease of ₦207,322,139 or 24.99%. The Internally Generated Revenue (IGR) of the University comprising Fees collected mainly from students, Interest received from Investment and Other income for the year 2016 rose sharply from ₦1,041,827,968 generated in 2015 to ₦1,736,717,764, a substantial increase of ₦694,889,796 or 66.70%.

Except for Fees collected from Students, all other revenue sources from both the Federal Government and Internally generated ones fell sharply from their position in 2015 when compared with what were received or generated in year 2016.

The total expenditure on the other hand, inclusive of TETFUND expenses of ₦96,302,025, increased from ₦5,543,372,912 in 2015 to ₦5,596,339,772 in year 2016, resulting in a marginal increase of ₦52,966,860 or 0.96%.

The breakdown of the recurrent income and expenditure for the year under review when compared with the position as at 31st December, 2015 are as follows:

INCOME	2016 ₦	2015 ₦	INCREASE ₦	DECREASE %
Federal Government Grants.				
Personnel Grants	3,735,154,861	3,918,986,436	(183,831,575)	(4.69)
DTLC Grants	34,636,003	40,098,308	(5,462,305)	(13.62)
Overhead Grants	28,338,548	131,243,285	(102,904,737)	(78.41)
TETFUND Grant	96,401,225	134,936,443	(38,535,218)	(28.56)
Industrial Training Fund Grant	1,842,750	-	1,842,750	100
Other Grants	1,393,578	2,213,804	(820,226)	(37.05)
	3,897,766,965	4,227,478,276	(329,711,311)	

	2016 ₦	2015 ₦	INCREASE ₦	DECREASE %
Internally Generated Funds				
Students Charges	1,696,927,927	965,164,801	731,763,126	75.82
Interest Received	1,355,039	23,766,357	(22,411,318)	(94.30)
Other Incomes	38,434,798	52,676,620	(14,241,822)	(27.04)
	<u>1,736,717,764</u>	<u>1,041,607,778</u>	<u>695,109,986</u>	
	5,634,484,729	5,269,086,054	(365,398,675)	
EXPENDITURE				
Salary, Wages & Allowance	4,027,895,845	3,950,187,418	77,708,427	1.97
General Travels & transport	44,453,846	30,373,930	14,079,916	46.36
General Utilities	114,306,156	149,588,385	(35,282,229)	(23.59)
General Material Supplies	150,185,573	94,945,160	55,240,413	58.18
General maintenance & Repairs	138,548,181	89,297,980	49,250,201	55.15
General Training	84,543,647	98,307,626	(13,763,979)	(14.0)
Other General Services	3,953,155	5,109,970	(1,156,815)	(22.64)
General Consulting & Professional Services	12,693,550	6,743,700	5,949,850	88.23
General Miscellaneous Expenses	508,238,089	546,121,687	(37,883,598)	(6.94)
Depreciation Charged	401,642,165	390,392,585	11,249,580	2.88
Financial Charges	10,518,820	13,088,326	(2,569,506)	(19.63)
TETFund Expenses	96,401,225	134,936,443	(38,535,218)	(28.56)
Refund Expenses	<u>2,959,520</u>	<u>34,279,702</u>	<u>(31,320,182)</u>	<u>(91.37)</u>
	5,596,339,772	5,543,372,912	52,966,860	

3.2 **RECOMENDATION**

- (i) We commend the Federal Government of Nigeria for the subvention granted to the university during the year under review despite its lean financial resources while we also commend the efforts of the University for the substantial increase in Internally Generated Revenue made during the year under review to augment Federal Government grants.
- (ii) We recommend that the University should continue to intensify her efforts to generate more revenue internally to complement grants from the Federal Government so as to enable her meet needs calling for increase funding.
- (iii) We urge the Federal Government to continue to support and provide more funds to the university to meet her overhead costs, other

compelling obligations to her creditors and her various research needs on a sustainable basis for the development of the society and expansion of her areas of operations for the attainment of the university objective.

3.3 MANAGEMENT COMMENTS

Recommendation noted. Management is looking inwards in terms of strengthening the FUTMIN Ventures Ltd, Advancement Development Office, Information Technology System and Entrepreneurship Centre to improve the Internally Generated Revenue of the University. Also, plan is underway to resuscitate commercial activities committee and farm Centre.

4.0 FIXED ASSETS.

4.1.1 While we commend the Management's effort for inscribing identification codes on majority of the Fixed Assets during the year under review, we however, observed that some of the Fixed Assets verified in the course of our Audit review exercise were not properly marked as some assets procured in 2016 were marked for those procured in 2010 and some for 2013 were marked 2016 and so on.

4.1.2 We also observed that most of the Fixed Assets procured during the year under review had no identification marks or codes pasted on them to confirm that the assets truly belong to the University e.g. Generator at Campus Radio Station, laptops at LGTR offices.

4.1.3 We observed in the course of our Fixed Assets verification that adequate protection were not provided for electronic gadgets in the control room in Hostel 2, Block C as they were exposed to dust which could easily damage them.

4.2 IMPLICATION

- Difficulty in ascertaining true ownership of some of the University's fixed Assets.

- Possible loss / damage or malfunctioning of electronic gadgets when Assets are put to use.

4.3 **RECOMMENDATION.**

- (i) The Fixed Assets of the University should be adequately coded and be in agreement with their year of acquisition and the codes boldly written on them to evidence the University's true ownership of the items especially those acquired during the year under review.
- (ii) Adequate protection should be given to electronic gadgets in the control room in Hostel 2, Block C to prevent them from being exposed to dust and its consequential effect on the items.

4.4 **MANAGEMENT COMMENT**

Recommendation is noted and observation on labeling had been corrected while most assets in the Senate Building were moved into the building in the year 2010. The electronic gadgets in the control room in Hostel 2, Block C observed to be highly dusty were not yet handed over to the school as at the time of the audit visit. However, the equipment had presently been test – run and handed over while adequate protection is now provided.

5.0 **UNRETIRED STAFF ADVANCES**

5.1.1 We observed a whopping unretired staff advances of ₦391,103,985 as at 31st December, 2016 held by 209 staff of the university. This represent an increase of ₦88,600,052 or 29.29% over and above the position of ₦302,503,933 as at 31st December, 2015.

5.1.2 We observed some of the unretired staff advances had remained so as far back as year 2006 thus, unretired advances standing against such staff had become long overdue for retirement.

5.2 **IMPLICATION**

- The true position of the account may be distorted as no provision is made for staff doubtful debts.
- May result in avoidable loss of money to the university if full recovery of the unretired advances become impossible to achieve.
- May result in heavy book debts being carried in the university's books of account.

5.3 **RECOMMENDATION**

We recommend that Management should put in place stricter measures to compel defaulting staff to retire their outstanding advances immediately while new advances should not be granted to such staff again so as to reduce the volume of outstanding advances in subsequent years.

5.4 **MANAGEMENT COMMENTS**

Recommendation is noted however as at time of the audit in 2017, over the sum of N160million had already been retired out of the balance reported in the audit report. Management had carried out deductions from salaries of staff concerned and is also planning to commence stoppage of salaries of staff having high amount of unretired advances of more than 6 months old.

6.0 **INTERNAL AUDIT**

- 6.1.1 We observed that the internal audit unit did not carry out any audit checking on the subsidiary books of accounts such as Cashbooks and Reconciliation Statements prepared by various units of the Bursary Department during the year under review.
- 6.1.2 We observed cases of payments already made to various beneficiaries before payment vouchers were passed to the Internal Audit unit for vetting or checking.

6.2 **IMPLICATIONS**

- Errors made in the preparation of cashbooks and reconciliation statement may not be easily detected and corrected promptly.
- Post Payment Audit is an indication of weak internal control system.
- The Internal Audit Unit has been reduced to a rubber-stamping agent.
- It would not be possible for the internal Audit unit to prevent errors that might relate to such payments before they are made.

6.3 **RECOMMENDATION**

We recommend that all Subsidiary Books of Accounts such as Cashbooks and Reconciliation Statements prepared by the various units of the Bursary Department should be checked and correctly certified by the Internal Audit Unit.

6.4 **MANAGEMENT COMMENTS**

Recommendation is noted. The instances where payments were made before payment vouchers were passed to the Internal Audit unit for vetting or checking had reduced drastically and would be totally eliminated to enable proper scrutiny of payment vouchers to be carried out.

7.0 **DORMANT INVESTMENTS**

- 7.1 We reiterate our observation contained in item 12.1 of year 2015 Management Report that there had been no movement in the investment of ₦20,000,000 in NUPEMCO. So far, no share certificate had been obtained by the University in respect of the investment as none was presented to us in the course of our audit review exercise.

7.2 **IMPLICATIONS**

- Funds belonging to the University may be tied down unnecessarily at zero interest yields.
- Retrieval of the amount invested may be difficult due to age of dormancy.

7.3 **RECOMMENDATION**

We recommend that the Management of the University should ascertain the present worth of the investment and make effort to obtain the share certificates in respect of the investment as evidence of University true ownership of the investments.

7.4 **MANAGEMENT COMMENTS**

The investment of ₦20,000,000 in NUPEMCO is housed with NUC as its purpose was to enable the Universities have their own separate Pension Fund Administrator to administer the Universities staff pension. The latest information from NUC is promising.

8.0 **UNIVERSITY FARMS.**

8.1 We visited as part of our audit procedure, the University farms comprising the Teaching and Research Farm,, the Nursery and the Commercial Farm and observed the following in respect of the University Farms:

- (i) We observed that adequate protection was not provided in the Plantation Farm against the Fulani herdsmen invasion into the farm which open some of the seeds planted therein to be easily destroyed by the cattle
- (ii) The major source of water to the nursery which is the dam needs to be well protected by providing good fence for the dam

- (iii) We observed that the bore hole available in the Commercial Farm was not properly reticulated to provide adequate water needed in the farm during the dry season which means more stanchion is needed.
- (iv) Essential farm implements such as plough and harrows in the Commercial Farm are not sufficiently available to meet the need of tractors been put into commercial use.
- (v) We observed under-utilisation of staff capacity in the Commercial Farm as activities sighted in the farm was not commensurate with facility in the farm

8.2 **IMPLCATIONS**

- Seeds planted at the Nursery are open to likely destruction by cattle.
- The water in the Dam at the Nursery may be easily polluted by the Cattle.
- Maximum benefits including dry season farming may not be possible or enjoyed from the farm.
- Maximum utilization of the machines in the farm for commercial purpose may not be possible.
- Productive man-hour may be rendered idle.

8.3 **RECOMMENDATION.**

- (i) We recommend that adequate security guards be recruited to provide more protection to the Nursery Farm.
- (ii) We recommend that the Management should fence the Dam which is the major source of water to the Nursery.

- (iii) Additional farm implements such as plough and harrowers are recommended to be provided to the commercial farm so that the tractors could be put into maximum commercial use.
- (iii) The borehole provided in the commercial farm should be properly reticulated by providing stanchion for the tanks for maximum water supply and distribution at the farm.

8.4 **MANAGEMENT COMMENTS**

Recommendation noted. Management had engaged the services of the Local vigilante group who are also supported by the Nigerian Civil Defence Corps and police to prevent Fulani herdsmen from invading the farms and mediating with local community for better cordial relationship. Perimeter fence would be constructed round the dam, additional farm implements would be provided to the commercial farm as soon as the University's finance improves.

9.0 **APPRECIATION.**

- 9.1 We wish to express our appreciation to the Council, Management and Staff of the Federal University of Technology, Minna for the cooperation given to us during the audit review exercise. We also acknowledge the cooperation received from Staff of the Bursary Department which has aided the completion of our audit review exercise.

We would be pleased to clarify any issue that may arise either from this report or on the accounts.

Yours faithfully,

DELE OTITOJU & CO.,
CHARTERED ACCOUNTANTS.

