



HDA AUDIT

(CHARTERED ACCOUNTANTS)

FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA

MANAGEMENT LETTER ON THE AUDIT OF THE UNIVERSITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019



10th November, 2020

The Vice Chancellor
Federal University of Technology,
P. M. B 65,
Minna,
Niger State

Attention: Bursar

Dear Sir,

MANAGEMENT LETTER ON THE AUDIT OF THE UNIVERSITY'S ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

We are pleased to inform the institution's Management Team and its Governing Council that we have finalized work on the audit of the University's accounts for the year ended 31st December, 2019.

In compliance with the generally accepted audit practice, the scope of work and the traditional deliverables, kindly find discussed below our observations, comments and recommendations on some key accounting, bookkeeping and internal controls, as well as, the significant operation issues that came to our notice during the course of carrying out the assigned statutory review exercise for your information and necessary actions:

HDA AUDIT (CHARTERED ACCOUNTANTS)

HDA Audit is a member of Affilica International

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FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA
STATEMENT OF FINANCIAL PERFORMANCE ON THE UNIVERSITY'S FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2019

1. **SUMMARY OF FINANCIAL PERFORMANCE**

The summary of the University's Operating and Financial Performance for the year ended 31st December, 2019 as compared with that of the year ended 31st December, 2018 is as tabulated below:

S/ NO	DETAILS	2019	%	2018	%
A	INCOME	₦		₦	
	Recurrent Grants	5,388,029,301	81.36	4,540,022,973	76.81
	Internally Generated Revenue	1,234,379,550	18.64	1,371,070,099	23.19
	Total Income	6,622,408,851	100.00	5,911,093,072	100.00
B	Less: EXPENDITURE				
	Staff Salaries & Wages	(5,446,964,903)	(82.25)	(4,403,393,785)	(74.49)
	Academic Expenses	(324,980,358)	(4.91)	(427,845,842)	(7.24)
	Administrative Expenses	(792,330,504)	(11.96)	(801,574,257)	(13.56)
	Mopped – Up to CRF	(7,325,134)	(0.11)	(27,068,573)	(0.45)
	Total Expenditure	(6,571,600,900)	(99.23)	(5,659,882,456)	(95.75)
	Operating Surplus/(deficit) before Depreciation	50,807,951	0.77	251,210,616	4.25
	Less Depreciation Charge on Fixed Assets	(390,023,164)	(5.89)	(370,246,756)	(6.26)
	Operating Surplus/(Deficit) after Depreciation	(339,215,213)	(5.12)	(119,036,140)	(2.01)

1.1 **FINANCIAL PERFORMANCE ASSESSMENT**

Income Analysis

Personnel Grant is stated net of deductions at source for staff pension and National Health Insurance Scheme (NHIS).

Evaluation of income from the above summary indicates that total revenue for 2019 increased by ₦711,315,779 or 12.03% of the previous year total income. This is attributable to increase in Recurrent Grants by ₦848,006,328 or 18.68% due to the release of Earned Allowance during the year while Internally Generated Revenue (IGR) decreased by ₦136,690,549 or 9.97%.

The University received a total sum of ₦2,214,862,917 as Special Intervention Fund from TETFUND during the year as against ₦1,079,424,771 in 2018. This fund is not reflected in revenue analysis here due to the fact that the grants were given for specific purposes and programmes that the Institution must implement in line with the funding agreement.

Comment

Decrease in Internally Generated Revenue (IGR) compared with the year 2018 IGR was as a result of the substantial decrease in income from Development Levy, Student Acceptance Fees, Postgraduate Tuition Fees, Foreign Students Tuition Fees, Medical Services and Student Registration. The University's management is strongly advised to step up her internally revenue generating efforts by putting in place mechanisms that will boost the IGR of the University so as to reduce the over reliance on government subventions.

Management Response:

Management has already repositioned key revenue generating units to boost IGR of the University.

- ***The key revenue generation units include: FUTMIN Ventures, Commercial Farms, Model School and Micro Finance Bank.***
- ***Also Centres like Entrepreneurial Centre, CODEL and ADO are charged by the Management to make returns to the University.***
- ***Returns are also expected from Consultancy Services, Affiliation Programs, and Research Grant to boost the University's IGR.***

Expenditure Analysis

The University's expenses were grouped into the Cash Items and Non-Cash Items.

- Cash Items consist of:
 - i. Staff Salaries & Wages
 - ii. Academic Expenses
 - iii. Administrative Expenses
- Non-Cash Items also comprise of Depreciation Charges on Fixed Assets.

Review and analysis of expenditure accounts reveals that total expenditure (less depreciation) for the year under review up surged by ₦911,718,444 or 16.11% of the 2018 total expenditure. Further analysis indicates that the major source of increase in total expenditure is the hike in Staff Cost by ₦1,043,571,118 or 23.70% (which is attributable to earned allowance payment during the year) while Academic and Administrative Expenses reduced by 24.04% and 1.15% respectively.

1.2 EXPENDITURE/INCOME IMPACT EVALUATION

The ratio of expenditure on year 2019 total revenue was more severe than it had on 2018 as it weighed 105.12% of the total revenue in 2019 as against 102.01% in 2018.

However, we highlight the following administrative expenses for management's attention and consideration for the purpose of cost management and control in view of their substantial movements during the year:

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EXPENSES UNDER WATCH

Expenditure Sub-Head	2019 ₦	2018 ₦	Increase /(Decrease) ₦
Local Transport & Travelling – Others	33,436,805	28,966,559	4,470,246
Hotel & Accommodation Expenses	16,088,152	8,547,670	7,540,482
Electricity Expenses	105,677,852	82,172,820	23,505,032
Internet Access Charges	45,032,000	36,000,000	9,032,000
Computer Consumables/Stationeries	35,058,643	42,234,523	(7,175,880)
Repairs & Maintenance – Office Furniture	4,205,763	12,175,597	(7,969,834)
Other Maintenance Services – Hostel	5,228,225	31,787,070	(26,558,845)
Minor Works Maintenance	29,501,432	35,178,938	(5,677,506)
Local Training	70,339,724	50,877,119	19,462,605
Legal Services	26,157,301	53,678,500	(27,521,199)
Insurance Premium	38,814,740	9,227,900	29,586,840
Refreshment & Meals	25,592,980	20,388,770	5,204,210
Medical Expenses	9,023,351	2,850,000	6,173,351
Postages & Courier Services	15,170,360	20,762,293	(5,591,933)
Sporting Activities	3,652,575	10,041,100	(6,388,425)
Student Union Expenses	12,271,100	6,482,550	5,788,550

Management Response:

Management will ensure that the highlighted expenditures of significant increase are duly controlled.

2.0 BOOK KEEPING, ACCOUNTING, AND INTERNAL CONTROL SYSTEMS IN PLACE

In line with the audit procedures and standard, we conducted a review and evaluation of the University's book keeping, accounting and internal control systems in place. Kindly find highlighted below some important areas that require further improvement:

2.1 Record Keeping and Accounting

The lapses relating to book keeping and accounting discovered from the systems include inadequate documentation on staff advances (Touring and Purchase advances)

2.2 Internal Control Systems

A standard Internal Control Systems in an organisation should base on:

- Efficiency and effectiveness of operations of the organization
- Compliance with the applicable laws and regulations
- Accounting for and safeguarding of assets, and
- Reliability of financial reporting

Observation

We noticed delegation of power without proper supervision by the superior Officers in the Finance and Accounts Department contrary to the generally accepted auditing standards and best practice.

Recommendation

Delegation of duties is encouraged but there should be proper supervision by the superior officers and full compliance with the best practice.

Management Response:

Management will ensure that proper supervision by the Superior Officers is adhered to.

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2.3 LOAN AND ADVANCES

The audit work on Loan and Advances reveals that total sum of unretired staff advances is ₦139, 310, 717 as at 31st December, 2019 held by 229 staff of the university as against previous year position of ₦201, 872, 353 held by 228 staff. This represents a decrease of ₦62,561,636 or 30.99% of the 2018 staff advances.

Schedule of Staff with Huge Unretired Advances

Below is the schedule of top thirty-one (31) Staff with high unretired Touring and Purchase advances:

S/NO	FILE NO	LEDGER	NAME OF STAFF	AMOUNT (=N=)
1	PF - 0008	258	Prof. Aremu Ayo	1,469,708
2	PF - 0077	008	Idris Alhassan A.	3,543,280
3	PF - 0084	048	Ogbodoyi Emmanuel O.	1,359,653
4	PF - 0089	026	Muhammad Wuna B.A	3,435,950
5	PF - 0235	015	Abubakar Kamardeen O.	1,711,200
6	PF - 0266	136	Musa Baba Ibrahim	4,196,680
7	PF - 0352	170	Legbo Lydia Wusa	2,448,141
8	PF - 0370	98	Awojogbe Bamidele	5,171,850
9	PF - 0374	231	Abubakar Ahmed S.	2,265,853
10	PF - 0389	025	Usman Muhammed T.	11,738,435
11	PF - 0435	201	Makun Hussaini A.	2,584,264
12	PF - 0439	115	Odofin Joshua A.	1,021,500
13	PF - 0474	045	Ijah Joshua J. U.	1,230,427
14	PF - 0511	022	Shehu Abdullahi M.	3,660,700

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15	PF - 0575	659	Dr. Ayo Samuel A.	2,088,000
16	PF - 0600	340	Olugboji Ayodele O.	2,663,136
17	PF - 0621	360	Aminu Muhammed A.	3,490,000
18	PF - 0659	85	Mohammed Abdullahi	2,463,625
19	PF - 0678	064	Abdulkadir Baba H.	1,904,520
20	PF - 0690	297	Abdullahi Mohammed B.	1,440,960
21	PF - 0784	148	Alhassan Abubakar A.	1,236,800
22	PF - 0976	444	Mr. Zubairu Mohammed A.	3,043,880
23	PF - 0985	024	Dr. Isah Abubakar D.	1,555,500
24	PF - 1299	377	Olaniyan Oluwatoyin A.	7,622,100
25	PF - 1352	292	Kayode Olayemi I.	1,257,570
26	PF - 1469	131	Yahaya Yusuf A.	1,235,896
27	PF - 1578	54	Anuonye Jullian C.	3,153,100
28	PF - 1645	363	Nicholas Sesugh I.	2,632,970
29	PF - 1649	1	Dr. Bashir Sulaymon A.	1,500,000
30	PF - 1728	188	Ogirima Stephen A.	4,327,210
31	PF - 2210	452	Dr. Ademola Ojekunle J.	1,363,960
TOTAL				88,816,867

The above table shows that thirty-one (31) staff held 63.75% of unretired advances out total number of two hundred and thirty-one (231) Staff.

Recommendations

- As a matter of emphasis, strict measures should be put in place to ensure that all advances are fully captured in the advance ledger and also ensure prompt retirement of the advances.
- Loan and Advances monitoring team should be constituted in order to ensure timely and proper retirement of advances with adequate documentation.
- Salary of defaulting staff should be stopped until full retirement of such advance is made.

Management Response

The highlighted measures have already taken effect and there is adequate compliance on the side of the affected staff.

3.0 PROGRESS REPORT ON THE 2018 RECOMMENDATIONS

With reference to the issues raised and discussed in the Management Report of the year ended 31st December, 2018 below are the update on the matters:

3.1 RE: VISITATION OF THE UNIVERSITY FARMS

Recommendations then

The following are the earlier recommendations on the improvement of the University's Farms:

- There should be adequate farms security measures on Herdsmen attack and other external threats.
- Encroachment of the University land by the host community for farming and settlement should be strictly avoided and reported to the appropriate authority for immediate action. The university should take full possession of her land by fencing it to avert the current encroachment.
- Management should see the farm as a source of generating additional IGR for the University and also inject fund into the farm so as to boost operations and commercial farm should be allowed to operate independently from the University for Maximum Returns.
- There should be adequate maintenance of the tractors and other farm equipment.

Management Response then:

- Recommendation noted, management has engaged vigilante on security matter.
- Due to age of time and resources constraint. Perimeter fencing of the farm will be considered as soon as the university's resources improves.
- Management has constituted agricultural committee to look into the university and other related agricultural activities for more Viable returns

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Present Status

We observed that no substantial improvement in the University's Farms system.

Management Response now:

Management constituted committee are working towards reviving the activities of the farm, which will invariably improve internally generated revenue.

3.2 RE: FIXED ASSETS ASSESSMENT

Recommendations then

- All the Fixed Assets of the University should be properly numbered.
- Each department should ensure that University's property in their possession carries the inscription or code of the University.
- Store department to allocate number to all assets within the University, this will enable the University to have a comprehensive record of all assets.
- The management should ensure proper use of Fixed Assets Register

Management Response then:

Recommendations noted, store unit has already commenced the numbering of assets.

Present Status

The Management has acted accordingly and most of the University's Fixed Assets sighted have been properly numbered as recommended, although the Library and some places could not be assessed as a result of the lock down occasioned by COVID - 19 Pandemic. The Fixed Assets Register has also been put in to use.

Management Response now:

We acknowledge your commendation. Even Library and other places not visited by the audit team due to restriction on COVID - 19 Pandemic adequately complied with the Fixed Assets coding.

3.3 RE: NEEDS ASSESSMENT HOSTEL BUILDINGS

Below are the previous recommendations on NEEDS Assessment Hostel Building improvement:

- i. Management should intensify its oversight functions in respect of the newly constructed NEEDS Assessment Hotel buildings by paying regular visit to the building in order to identify areas that may require urgent attention.
- ii. Custody of the access key or code to the gadget rooms in the hostels should not be limited to only a single person, there should be an alternative person such that at least one of the custodians would be available at any given time especially when the equipment in the gadget room are in operation.
- iii. The Management should task the Hostel Supervisors to make reports on any area of defects identified on the building on regular basis and the Works and Service Unit of the University should also be tasked to carry out routine checks to identify and quickly rectify defects on the building.
- iv. The management should set aside certain percentage from the accommodation fees collected from students for maintenance or better still employ the services of a property manager to manage the newly constructed hostels so as to elongate the life span of the building as the case may be.

Management Response then:

Noted, committee has been constituted to handle maintenances and management of the hostel facilities.

Present Status

We did a follow up verification of the newly constructed NEEDS Assessment Hostel buildings to find out the implementation status of our previous year recommendations but due to short down of the University as a result of COVID-19 outbreak; improvement on the state of the Institution's NEEDS Assessment Hostel Buildings could not be confirmed as at the time of our visit.

Management Response now:

There is an existing committee set up by the management to handle maintenance and other relevant issues concerning the hostel facilities and building. Presently, major renovation has been carried out in the hostel which will reflect in 2020 financial reports.

3.4 RE: EVALUATION OF THE UNIVERSITY'S SECURITY ARCHITECTURE

Recommendations then:

- There should be an adequate check on vehicles coming in and going out of the University's premises.
- The Management should make Senate Building, Hostels and Library security a priority, for security of the staff and students.
- The University should look seriously into training of every personnel in the security department by either employing the services of a security specialist outfit or organizing an in-house training seminar for them.
- There should be consideration on employing more capable hands into the security department.

Management Response then:

The recommendations stated above are noted, necessary measures will be put in place to ensure adequate security system.

Present Status

Not implemented.

Management Response now:

Management has put necessary measures in place to ensure adequate security system; such as installation of CCTV cameras in all strategic locations in the school and hostel buildings with trained staff stationed in the control room to monitor the situation within the school environment and fence erection which is ongoing.

4.0 CURRENT YEAR OBSERVATIONS

4.1 UNIVERSITY'S GUEST HOUSE ASSESSMENT

In line with audit standard and procedures, we conducted an inspection on the University's Guest House as it sheltered the audit team during the period of the audit exercise. The observations noted during the course of inspection include the following:

- The University's Guest House has rooms for accommodation which is meant for generating additional revenue to the University.
- This Guest house requires urgent attention in the area of maintenance as most of the rooms were leaking during rain fall, the ceilings and walls were not in good condition. The environment looks seriously unkept and this will actually not attract guest and in-turn reduce the expected revenue to be generated.
- The security system of the Guest House is not adequate as it allows all sort of persons to go in and out without proper check; this can endanger the life of guests considering the high rate of insecurity in the country.

Recommendations

- There should be adequate security measures in and around the Guest House to safe guard lives and properties of visiting guests.
- Management should see the Guest House as a source of generating additional IGR for the University and also inject fund for proper maintenance so as to improve the Entity's operations and attract visitor within and outside the state.
- The investigating committee should be set up so that full investigation on the activities of the Guest House can be carried out and report accordingly for timely management decision.
- Proper renovation of the Guest House is also recommended in order to increase the patronage and the revenue, since it remains one of the revenue generating units of the University.

Management Response:

Recommendation highly appreciated, Management will take proper action in putting the guest house in the best possible shape so as to attract more guests and increase revenue base.

4.2 INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) COMPLIANCE

The University's financial statements for the year 2019 is in complete migration from Generally Accepted Accounting Principles (GAAP) to International Public Sector Accounting Standards (IPSAS) accrual basis in line with the directive from the Office of the Accountant-General of the Federation (OAGF).

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CONCLUSION

In conclusion, we are using this medium to thank the University's Governing Council for the opportunity given to us to serve the institution in this capacity and the Management as well as Staff for the cooperation received during the course of the audit exercise.

Please don't hesitate to contact us for further clarification wherever necessary concerning the Financial Statements and this Management Report.

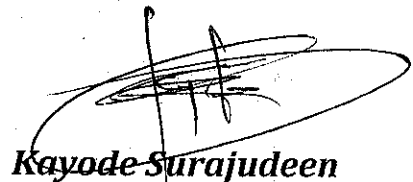
Thank you and best regards.

Yours faithfully

For: **HDA AUDIT (Chartered Accountants)**



Abdurrahman Garba



Kayode Surajudeen