



HDA AUDIT

(CHARTERED ACCOUNTANTS)

FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA



10th July, 2019

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

Attention: The Bursar

Dear Sir,

MANAGEMENT LETTER ON THE AUDIT OF THE UNIVERSITY'S ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

We are happy to inform you that we have concluded work on the audit of the University's accounts for the year ended 31st December 2018.

In line with the audit scope of work and deliverables, we hereby provide you with our observations and comments on some of the salient issues that came to our notice in the course of the audit exercise. It should however be noted that the control issues discussed in this report may not be exhaustive for the fact that our audit procedures were designed primarily to enable us form an audit opinion on the University's financial statements.

1. OPERATING PERFORMANCE ANALYSIS

The summary of the University's financial highlight for the year ended 31st December 2018 as compared with 2017 is shown below:

| S/ NO | DETAILS | 2018 | % | 2017 | % |
|----------|------------------------------|----------------------|-------------|----------------------|---------------|
| A | INCOME | ₦ | | ₦ | |
| | Recurrent Grants | 4,512,954,400 | 76.70 | 5,178,774,925 | 83.20 |
| | Internally Generated Revenue | 1,371,070,099 | 23.30 | 1,045,836,506 | 16.80 |
| | Total Income | 5,884,024,499 | 100. | 6,224,611,431 | 100.00 |

HDA AUDIT (CHARTERED ACCOUNTANTS)

HDA Audit is a member of Affilica International

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FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA
MANAGEMENT LETTER ON THE UNIVERSITY'S FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2018

| | | | | |
|---|------------------------|----------------|------------------------|----------------|
| Less: EXPENDITURE | | | | |
| Staff Salaries & Wages | (4,403,393,785) | (74.84) | (4,849,893,373) | (77.91) |
| Academic Expenses | (427,845,842) | (7.27) | (286,986,997) | (4.61) |
| Administrative Expenses | (801,574,257) | (13.62) | (836,868,997) | (13.45) |
| Total Expenditure | (5,632,813,884) | (95.73) | (5,973,749,367) | (95.97) |
| Operating Surplus/(deficit) before Depreciation | 251,210,616 | 4.27 | 250,862,064 | 4.03 |
| Less Depreciation Charge on Fixed Assets | (370,246,756) | (6.29) | (329,958,056) | (5.30) |
| Operating Surplus/(Deficit) after Depreciation | (119,036,140) | (2.02) | (79,095,992) | (1.27) |

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

Analysis of operating performance shows that the University recorded a reduction in total revenue of ₦340,586,932 representing 5.47% decrease in revenue when compared with 2017 performance. Further evaluation reveals that the reduction largely came from Recurrent Grants accounted for ₦665,820,525 or 12.86% compared with year 2017 Recurrent Grants while Internally Generated Revenue (IGR) gulped up by ₦325,233,593 or 31.10% of the 2017 IGR.

A total sum of ₦1,079,424,771 was received as special intervention fund from Tetfund during the year as against ₦102, 212,064 in 2017. Special intervention 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 under the funding agreement.

Comment

Increase in IGR is commendable compared with the year 2017 Internally Generated Revenue. This is a good development and the management is advised to maintain the momentum by putting in place measures that will further boost and sustain this trend in the years ahead as total reliance on government subventions appears unsustainable and to ensure efficient fund management.

Management Response:

The recommendation noted. Management has already taken steps towards revenue generation in the Institution such as including:

FUTMINNA Microfinance Bank, FUTMIN Ventures, FUTMINNA Model Secondary School and Commercial /Agricultural activities as part of line income items of the University Recurrent Budget.

On expenditure side, our reviewed work shows that total expenditure less depreciation charges reduced by ₦340,935,483 representing 5.71% decrease compared with 2017 expenditure. We noticed that Staff Cost reduced by ₦446,499,588 or 9.21% while academic expenses increased by ₦140,858,845 or 49.08% and administrative expenses also decreased by ₦35,294,740 accounted for 4.22% of the previous year administrative expenses.

The audit work shows that the decrease in personnel cost when compared to that of 2018 is as a result of the earned allowance received by staff in the year 2017.

The impact of expenditure on year 2018 total revenue was more severe than it had on 2017 as it weighed 102.02% of the total revenue in 2018 as against 101.27% that 2017 had on the year's revenue.

The above analysis therefore, will require the Management to watch the following expenses which are on high side during the year for cost control:

EXPENSES TO WATCH

| Expenditure Head | 2018 ₦ | 2017 ₦ | Increase ₦ |
|--|------------|------------|---------------|
| Electricity Expenses | 82,172,820 | 52,642,136 | 29,530,684 |
| Office Stationeries/Computer Consumables | 42,234,523 | 23,825,600 | 18,408,923 |
| Maintenance of Office Furniture | 12,175,597 | 3,891,910 | 8,283,689 |
| Maintenance of Office/IT Equipment | 6,983,323 | 1,873,061 | 5,110,262 |
| Minor – Work Maintenance | 35,178,938 | 18,372,299 | 16,806,639 |
| Legal Services | 53,618,500 | 12,503,000 | 41,175,500 |
| Satellite Broad Cast Access Charge | 5,385,480 | 3,227,580 | 2,157,900 |
| Drugs & Medical Supplies | 37,288,057 | 26,036,649 | 11,251,408 |
| Mtce. Of MV & Transport Equipment | 18,001,304 | 13,168,455 | 4,832,849 |
| Postages & Courier Services | 20,762,293 | 9,996,209 | 10,766,084 |

Management Response:

Recommendation noted, the increase in the above expenses was as result of increase in activities of the university and increase in tariff also accounted for an increase in electricity expenses.

RECORD KEEPING, ACCOUNTING, AND INTERNAL CONTROL SYSTEMS EVALUATION

As part of the audit exercise, we did an assessment of the University's record keeping, accounting and internal control systems as well as the conduct of compliance and substantive tests on financial transactions. These were carried out to determine adequacy and effectiveness of the systems in producing accurate and reliable financial reports.

Record Keeping and Accounting

The University's accounting system based on software, the program is simple and is considered adequate for the University's current level of financial transactions. However, from our audit review we discovered that introduction of modules for fixed assets; inventories and procurement were already in place, this is a commendable initiative.

In view of the impending adoption of International Public Sector Accounting Standards (IPSAS), we discovered that the University has developed a comprehensive fixed asset register for effective asset management and control.

Internal Control Systems

Our assessment shows that the University's System of Internal Control is considered adequate and sufficient for its current level of financial transactions and operational activities.

- There was sufficient documentation for financial transactions.
- There was an improvement in cash books maintenance.

However, we believe this system could be strengthened further through:

- Improved supervision by senior officers on transactions posting to prevent incidences of wrong postings / classifications which were noted during the audit exercise.

Management is advised to intensify training for accounts staff in order to improve capacity for compliance with procedures and regulations.

Training and supervision program should pay particular attention to transactions posting from cash books to the general ledger as well as bank reconciliation exercise.

Management Response:

Recommendation noted, management will take necessary measures to ensure proper supervision and adequate training of staff as recommended.

LOAN AND ADVANCES

We observed from our audit review that there is an unretired staff advances of ₦201, 085, 483 as at 31st December, 2018 held by 228 staff of the university as against its position of ₦281, 382, 169 as at 31st December, 2017 held by 210 staff. This accounted for a decrease of ₦80,296,689 or 28.54% of the previous year staff advances.

Comment

Strict strategies 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.

Management Response:

Stringent measures have been adopted by management to control high outstanding balance of unretired advances such as:

- *Stoppage of Staff salary who default in retiring the advances after six months of collection.*
- *Additional advance has been stopped for those staff with high outstanding balances.*
- *Letters of reminders are being sent to staff with unretired advances balances on monthly basis.*

Budget and Budgetary Control

The audit work shows that the management of the University complied substantially with financial regulations and treasury circulars with respect to budget/approved estimates and actual disbursement of funds.

Visitation of The University Farms

In line with our audit exercise, we inspected the University farms and below are our observations:

- The University Farms include Teaching and Research Farm as well as Nursery and Commercial Farm
- No adequate security measures put in place in the Farms as against the Herdsmen attack.
- The members of the host community are already encroaching into the university land for farming and settlement.
- No adequate fund for farms management.
- Tractors and other farm equipment purchased lack proper maintenance.

Recommendation

- 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:

- *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*

0 FIXED ASSETS

Report of the University's fixed assets verification shows that most of the fixed assets have identification code. However, we discovered the following shortcomings during our Fixed Asset verification exercise:

- i. Some of the Fixed Assets inspected were not adequately numbered, such assets include: Set of Computers and Furniture at the main Campus, Air Conditioners at the University Library - Bosso Campus, Air Conditioners and Fans at Campus

Radio Station, Air Conditioners and Stabilizer at Hall Warder's Office in the new hostel.

- ii. Library security gadget was faulty during our visit.
- iii. The general library security architecture was poor as no proper check was carried out at the entrance, as at the time of our visit.

Implication

- To ascertain the true ownership of some of the University's fixed assets will be difficult.
- University Library books and other properties can be easily taken away undetected.

Recommendations

- 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:

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

4.0 NEEDS Assessment Hostel Buildings

We also did verification of the newly constructed NEEDS Assessment Hostel buildings and the following observations were noticed:

- Some of the fittings found in the Hostels were not functional at all as at the time of our visit.
- Poor drainage system on some parts of the hostels was observed.
- Some of the plumbing works and air-conditioners were seen leaking in the Hostels which have continued to affect the walls and wardrobe in some of the rooms within the building.
- The surroundings of the hostels were overgrown by weeds as at the time of our visit.
- The hostels lack proper sanitation and maintenance culture as at the time of our visit.
- The security network around the hostels was poor.
- Absence of CCTV camera at the back of the boys' hostel close to the gate that monitors the students' activities was noticed.
- Inadequate water supply to the hostels was observed as students seriously complained about the scarcity of water.
- Poor supervision around the hostels was observed as at the time of our visit.

Implication

- Dilapidation of Hostel building was due to inadequate attention paid to the gradual damages to the building.
- Weeds around the hostel buildings can harbor reptiles which is dangerous for the students.
- Inadequate water supply in various hostels can lead to students imbibing a dirty culture which will depreciate the value of the new hostel building.
- Poor drainage system and lack of proper environmental sanitation around the hostels can breed mosquitoes and this can endanger the health of the students.

Recommendations

We therefore recommend as follows:

- 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.
- 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.
- 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.
- 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:

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

8.0 Evaluation of the University's Security Architecture

In line with our audit procedures, we took a system note on the security department of the University and we found the following lapses:

- From the main gate of the University we discovered that there was no adequate check on vehicles coming in and going out of the premises.
- The security system within the Senate Building and other part of the University was very porous as at when we took our system note.
- Our check also revealed that the security department of the University requires more competent hands so that it can be more effective as expected.

Implication

- Inadequate security architecture around the University, hostels and other parts within the premises is likely to expose staff and students to dangerous activities such as kidnapping, robbery and so on.
- The assets of the University are not safe as it could be carted away by either staff or students due to lack of adequate check at the main entrance of the University.
- The student could imbibe the act of engaging in dangerous activities if they notice that the security structure of the University is poor.
- The Image of the University is equally at stake due to inadequate security system.

Recommendations

We therefore recommend as follows:

- 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 a training seminar for them within.
- There should be consideration on employing more capable hands into the security department.

Management Response:

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

9.0 INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) COMPLIANCE

The University's financial statements for the year 2018 not in total compliance with implementation and adoption of International Public Sector Accounting Standards based on the directive from the Office of the Accountant-General of the Federation (OAGF).

The University is advised to commence full adoption and implementation of International Public Sector Accounting Standards (IPSAS) with immediate effect in order to avoid non-compliance sanction.

Management Response:

The IPSAS implementation committee has been set up and Consultant will be engaged for immediate full adoption and implementation of International Public Sector Accounting Standards (IPSAS)

Conclusion

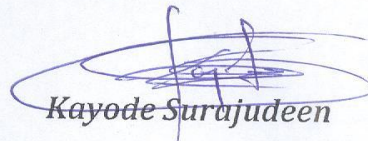
In conclusion, we would like to use this medium to express our gratitude to the Council, Management and Staff of the University for their cooperation and understanding accorded us during the audit exercise.

Thank you and best regards.

Yours faithfully
For: HDA AUDIT



Abdurrahman Garba



Kayode Surajudeen