



**MANAGEMENT LETTER ON THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

TAC PROFESSIONAL SERVICES

MEMBER OF INTEGRA INTERNATIONAL
Your Global Advantage



27th June ,2024

The Project Director,
African Center of Excellence For Drug Research, Herbal medicine and,
Regulatory Science,
Room 224, Department of Botany,
University of Lagos
Akoka. Lagos.

TAC PROFESSIONAL SERVICES
The TAC Place. Block 113, Plot 22,
Adebisi Oguniyi Crescent, Off Oladimeji Alo Street
Lekki Phase I, Lagos, Nigeria

Dear Sir,

MANAGEMENT LETTER ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER ,2023

We have completed the statutory audit of **AFRICAN AGENCY OF EXCELLENCE FOR DRUG RESEARCH HERBAL MEDICINE AND REGULATORY SERVICES** for the year ended 31 December, 2023 and wish to bring to your attention certain matters, which came to our notice during the audit together with our recommendations thereon.

It must be noted that matters dealt with in this letter came to our attention during the conduct of our audit procedures, which was designed primarily to enable us express our opinion on the Financial Statements of **AFRICAN AGENCY OF EXCELLENCE FOR DRUG RESEARCH HERBAL MEDICINE AND REGULATORY SERVICES**. Therefore, such audit cannot be expected to include all possible weaknesses in the system of accounting and internal control, which a more extensive examination might reveal.

During the course of our audit, we maintained close contact with your finance and administrative department personnel and briefed them of our various findings and recommendations as and when they arose.

This report has been prepared for the exclusive use of **AFRICAN AGENCY OF EXCELLENCE FOR DRUG RESEARCH HERBAL MEDICINE AND REGULATORY SERVICES**. and should not be quoted or referred to in whole or in part without our written consent. No responsibility to any third party is accepted, as this report is not intended for any other purpose. You should assess the recommendations for improvement for their full commercial implications before they are implemented. If there are any questions concerning the comments and recommendations or if we may be of any assistance in the implementation, please do not hesitate to contact us.

We seize this opportunity to express our profound appreciation for the co-operation and assistance we received from the management and staff **AFRICAN AGENCY OF EXCELLENCE FOR DRUG RESEARCH HERBAL MEDICINE AND REGULATORY SERVICES**. during the course of our audit assignment.

Yours faithfully,

Tunde Faniyi
Senior Partner/COO

Table of Contents

Description	Page
Management's Responsibility	4
Executive summary	7
Current period observations and recommendations	10
Statement of Responsibility	16

MANAGEMENT'S RESPONSIBILITY

MANAGEMENT'S RESPONSIBILITY FOR AND THE OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL STRUCTURE

Management's Responsibility

Management is responsible for establishing and maintaining an adequate internal control system. In fulfilling this responsibility, estimates and judgments by the management are required to assess the expected benefits and related costs of internal control policies and procedures.

Objectives

The objectives of an internal control structure are to provide the Agency with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of Financial Statements in accordance with generally accepted accounting principles.

Limitations

Because of the inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

In the future, the structure is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

The major limitations are:

- Controls usually provide reasonable rather than absolute assurance that their objectives will be accomplished. This is primary because the cost of an internal control should not exceed the benefits expected to be derived from it;
- The effectiveness of the controls is ultimately dependent on the people performing them;
- Procedures may become inadequate due to changes in conditions and compliance procedures may deteriorate; and
- Any control designed to ensure the execution and recording of transactions may be ineffective against errors or irregularities perpetrated by top management. Due to their authority to establish controls, top management can normally override them.

MANAGEMENT'S RESPONSIBILITY FOR AND THE OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL STRUCTURE (CONT 'D)

- Our review of the Agency's system of internal control is carried out to assist us in expressing an opinion on the accounts of the Agency as a whole. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist. Accordingly, the comments in this letter refer only to those matters which have come to our attention during the course of all our normal audit work.
- The examination and testing of systems which we carry out is to enable us to decide how much we can rely upon the accounting systems for the purpose of our audit and thus reduce our detailed testing on figures in the accounts. Our audit is therefore not designed to disclose all the weaknesses which may exist in your system. However, we report to you those which we have discovered in the hope that you may derive a tangible benefit from this part of our audit.



EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

We have completed the audit of the Agency's books and accounts for the 12-month year ended 30 December, 2023. In planning our review of the Financial Statements, we considered the Agency's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the effectiveness of the internal control structure.

It is the sole responsibility of the management to establish and maintain the internal control structure.

The issues identified have been ranked based on our assessment of the possible risk to the Agency. The rating used is explained in the table below:

Risk	Explanation
Critical	Issues which need to be addressed on an urgent basis.
High	Issues which need to be addressed on an urgent basis.
Medium	Issues which need to be addressed at the first available opportunity.
Low	Issues which have little impact on the operations but considered industry best practice if implemented.

DEFINITIONS OF "DEFICIENCY" AND "SIGNIFICANT DEFICIENCY"

The definitions of a deficiency and a significant deficiency that are established in ISA 265 "Communicating deficiencies in internal control to those charged with governance and management", are as follows:

Deficiency in internal control exists when:

- (i) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or
- (ii) A control necessary to prevent, or detect and correct, misstatements in the Financial Statements on a timely basis is missing.

EXECUTIVE SUMMARY- (CONT'D)

Significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in the auditors' professional judgment, is of sufficient importance to merit the attention of those charged with governance.

We provide hereunder, a summary of the major weaknesses observed in the Agency's books and accounts for the 12-month period ended 31 December 2023:

Ref. No	SUMMARY
A	FINANCIAL STATEMENTS AREAS
3.1	Project Asset
3.2	Bank Reconciliation
3.3	Budget/Workplan
3.4	Non-recognition of NUC Account Transactions in Financial Records

CURRENT PERIOD OBSERVATIONS AND RECOMMENDATIONS



A. FINANCIAL STATEMENTS AREAS



3.1 PROJECT ASSET

Observation	<p>During the course of the audit, as part of our substantive testing, it was observed that the asset reference numbers in the asset schedule do not tally with the asset reference numbers physically tagged on all assets. This discrepancy was noted across several asset items.</p>
Risks	<ul style="list-style-type: none"> • Difficulty in tracking and managing assets accurately • Potential misstatement in the financial statement as regarding the asset Value • Challenges in performing effective audits and verification
Recommendations	<p>Management response is duly noted</p>
Priority	<p>Medium</p>
Management response	<p><i>The Auditor’s observation is well noted, and will be attended to in the asset register.</i></p>

3.2 BANK RECONCILIATION

Observation	During the course of the Audit, it was observed that the bank reconciliation statement provided did not include the names, signatures and dates of the individuals responsible for its preparation and verification.
Risks	Indicates non compliance with Internal control Mechanism. Indicates Inadequate oversight and monitoring of reconciliation procedures
Recommendations	Management response is duly noted
Priority	Medium
Management response	<i>The Auditor's observation is well noted, and will be attended to immediately.</i>

3.3. BUDGET/WORKPLAN

<p>Observation</p>	<p>During our audit, it was observed that the actual expenditure reported in the budget/workplan did not align with the total expenditure recorded in the trial balance.</p>
<p>Risks</p>	<ul style="list-style-type: none"> • This differences can result in inaccurate financial reporting and misalignment between planned and actual expenditures.
<p>Recommendation</p>	<ul style="list-style-type: none"> • Management response is duly noted, however, we recommend that the agency updates the workplan in line with actual expenditure, they can state the previous years workplan in the recent year budget to align with actual expenditure expended.
<p>Priority</p>	<p>High</p>
<p>Management response</p>	<p><i>The observation is well noted. The Centre operate an approved Work plan/Budget which overlaps. This implies that the 2022 approved Work plan/Budget of the Centre runs from 2022 financial year up to 30th June, 2023. Consequently, the 2023 approved Work plan/Budget runs from 2023 financial year up to 30th June , 2024</i></p>

3.4. Non-recognition of NUC Account Transactions in Financial Records

Observation	During our audit, it was observed that the agency does not recognize transactions involving the National Universities Commission (NUC) in their financial records.
Risks	<ul style="list-style-type: none">• By not recognizing transactions involving the NUC, the client's financial records are incomplete.• This could lead to understated/overstated cash surplus/expenditure
Recommendation	<ul style="list-style-type: none">• Management response is duly noted, however we recommend that the agency take account of NUC transactions in their financial records
Priority	High
Management response	<i>This was observed by the Finance Team and relevant Journals were raised to pass the entries.</i>

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY

June 27 2024

We have stated below the engagement personnel involved in this audit engagement for your information and record. They are:

TAC Professional Service (Chartered Accountants) Team

Names	Position	Contact No	e-mail
Tunde Faniyi	- Senior Partner/COO:	0805-308-4727	faniyi@tacgroupng.com
Elizabeth Ofuani	- Audit Manager	0703-824-5352	elizabeth@tacgroupng.com
Dawodu Oluwatomisin	- Team Lead	0813-111-6748	tomisin@tacgroupng.com
Oluwasegun Ojumoola	- Team Member	0815-521-8842	audit@tacgroupng.com

We take responsibility for the information contained in the report subject to the limitations and restrictions as set out below.

The matters raised in this report are only those which came to our attention during our audit assignment and are not necessarily a comprehensive statement of all weakness that exist or all that might be made. You should assess the recommendations for improvements for their full commercial impact before they are implemented.

This report has been prepared solely for your use as Audit Committee Members and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.

