



**MANAGEMENT LETTER ON THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

7th February ,2024

The Project Director,
African Center of Excellence For Drug Research, Herbal medicine and,
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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 ,2024

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, 2024 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 of **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

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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.

SUMMARY OF STATUS OF PRIOR YEAR MANAGEMENT LETTER POINTS



SECTION A
STATUS OF PRIOR PERIOD RECOMMENDATIONS

As part of our audit procedures, we reviewed the extent to which recommendations made and accepted in the management letter for the previous financial year were implemented in the 12-month period under review, especially with respect to remedial actions promised by the management.

We wish to state that we have conducted the statutory audit of the bank for the 12-month period ended 31st December, 2024. However, the status of the observations and recommendations for the 12-Month Period ending 31st December, 2023 are as follows:

S/N	OBSERVATION/RECOMMENDATION	IMPLEMENTATION STATUS	MANAGEMENT RESPONSE
2.1	Observation: 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 the assets. This discrepancy was noted across several asset items	Partially Implemented	<i>The Auditor's observation is well noted, and will be attended to in the asset register</i>

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S/N	OBSERVATION/RECOMMENDATION	IMPLEMENTATION STATUS	MANAGEMENT RESPONSE
2.2	Observation: During the course of the Audit, it was observed that the bank reconciliation statement provided does not include the names, signatures and dates of the individuals responsible for its preparation and verification.	Implemented	<i>The Auditor's observation is well noted, and will be attended to immediately</i>

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S/N	OBSERVATION/RECOMMENDATION	IMPLEMENTATION STATUS	MANAGEMENT RESPONSE
2.3	Observation: During our audit, it was observed that the actual expenditure reported in the budget/workplan does not align with the total expenditure recorded in the trial balance.	Not Implemented	<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>

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We wish to state that we have conducted the statutory audit of the bank for the 12-month period ended 31st December, 2024. However, the status of the observations and recommendations for the 12-Month Period ending 31st December, 2023 are as follows:

S/N	OBSERVATION/RECOMMENDATION	IMPLEMENTATION STATUS	MANAGEMENT RESPONSE
2.4	Observation: During our audit, it was observed that the agency does not recognize transactions involving the National Universities Commission (NUC) in their financial records.	Not Implemented	<i>This was observed by the Finance Team and relevant Journals were raised to pass the entries.</i>

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

We have completed the audit of the Agency's books and accounts for the 12-month year ended 30 December, 2024. 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 2024:

Ref. No	SUMMARY
A	FINANCIAL STATEMENTS AREAS
3.1	Non - recognition of Funds held by NUC in financial records
3.2	Misclassification and incorrect posting of transactions
3.3	Absence of a dedicated ledger for WHT expenses transactions
3.4	Opening Balance Reconciliation

CURRENT PERIOD OBSERVATIONS AND RECOMMENDATIONS



A. FINANCIAL STATEMENTS AREAS

3.1 NON RECONGNITION OF SOME FUNDS HELD BY NUC IN FINANCIAL RECORDS

Observation	<p>During our audit, it was observed that the agency does not recognize some transactions involving the National Universities Commission (NUC) in their financial records.</p>
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
Recommendations	<p>ACEDHARS should ensure that all transactions involving the National Universities Commission (NUC) are properly recorded in the financial statements to reflect an accurate financial position.</p>
Priority	<p>High</p>
Management response	<p><i>Few omitted direct payment transaction was noted and relevant journals was raised by the auditor to pass the entries. Effort will be put in place to avoid reoccurrence.</i></p>

3.2 MISCLASSIFICATION AND INCORRECT POSTING OF TRANSACTIONS

Observation	During the course of the audit, it was observed that some transactions were incorrectly classified, including advertisement expenses capitalized as assets , a reimbursement from NUC recorded as a loan , and building construction costs misclassified as road network construction .
Risks	<ul style="list-style-type: none"> • This could result to misclassification in the financial statements • This could result to non-compliance with relevant accounting standards
Recommendations	ACEDHARS should ensure that all transactions are properly classified in accordance with applicable accounting standards (IPSAS and IFRS) to prevent misstatements in financial reporting.
Priority	High
Management response	The observation is well noted. Few posting code errors were noted. However, correct codes will be adhered to in subsequent postings.

3.3 ABSENCE OF A DEDICATED LEDGER FOR WHT EXPENSES TRANSACTIONS

Observation	<p>During the audit, it was observed that ACEDHARS does not maintain a separate ledger for Withholding Tax (WHT) expenses,</p>
Risks	<ul style="list-style-type: none"> • Without a dedicated WHT ledger, WHT deductions may be misclassified or omitted, • Lack of a dedicated WHT ledger makes it difficult to verify tax deductions, increasing audit risk and making it harder to detect errors, omissions, relating to withholding tax
Recommendations	<p>ACEDHARS should establish a dedicated ledger for Withholding Tax (WHT) expenses to ensure proper tracking, reporting, and compliance with tax regulations. To achieve this, we recommend: Creating a separate WHT ledger to accurately record deductions and remittances.</p>
Priority	<p>Medium</p>
Management response	<p>Transaction postings are done on the dedicated flexible accounting software in use and relevant ledgers are extracted accordingly. However, the auditor's observation is well noted.</p>

3.4 OPENING BALANCE RECONCILIATION

<p>Observation</p>	<p>During the audit, it was observed that the accounting software used by ACEDHARS does not writes off income and expense balances to the accumulated fund but instead carries them forward hereby overstating the expenditure for the year, requiring auditors to manually raise an opening balance reconciliation journal to ensure accurate financial reporting.</p>
<p>Risks</p>	<ul style="list-style-type: none"> • The carrying forward of balances requires additional audit procedures to verify opening balances, passing adjustments, increasing audit time and effort, and potentially leading to delays in financial reporting. • This could lead to incomplete or misleading financial reports, which does not accurately reflect the organisational activities for the year
<p>Recommendations</p>	<p>ACEDHARS should configure its accounting software to properly handle income and expense balances at year-end to prevent the overstatement of expenditure and ensure accurate financial reporting. To address this, we recommend: Adjusting the accounting system settings to correctly write off income and expenses to the accumulated fund at year-end.</p>
<p>Priority</p>	<p>High</p>
<p>Management response</p>	<p>The Auditor’s observation is well noted, and will be communicated to the software programmer for possible adjustment on the flexible accounting software.</p>

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	e-mail
Tunde Faniyi	- Senior Partner/COO:	faniyi@tacgroupng.com
Anjola Dapo-Fagbure	- Engagement Manager	anjola@tacgroupng.com
Oluwasegun Ojumoola	- Team Lead	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.