**APPENDIX 9:**

**SPECIMEN MANAGEMENT LETTER OR INTERNAL CONTROL LETTER OR LETTER OF WEAKNESS**

18 March 2022

**THE BOARD OF DIRECTORS / AUDIT COMMITTEE**

**NAME OF FIRM**

ADDRESS

Dear Members

**MANAGEMENT INTERNAL CONTROL WEAKNESS LETTER: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Following the conduct of our interim audit work, we set out below certain exceptions which arose as a result of our review of the accounting systems and procedures operated by your company. We wish to point out, however, that our audit testing was undertaken in accordance with the scope of our audit engagement, and therefore, will not necessarily identify all weaknesses that may exist. As you are aware, it is the responsibility of the directors to ensure that satisfactory internal controls are maintained at all times.

The matters raised in this and other reports that will follow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention.

Our audit work has complied with International Standards on Auditing and the reporting requirements of **ALLIANCE REGAL NIGERIA PLC**. Our audit responsibilities and the objectives, procedures and limitations of the audit are set out in our engagement letter.

We wish to emphasize that additional adjustments may be proposed before the financial statements are finalised should clearance of the outstanding matters reveal that additional adjustments are required. In view of the above, any decisions to be taken or approval to be given on the basis of the enclosed draft financial statements should be with the realisation that the figures, especially the reported profit figure, may change as a result of additional adjustments that might be found to be required after the clearance of the outstanding items.

If you require any further information or explanations, please do not hesitate to contact us.

**ISSUES**

**Purchase order procedure**

**Present system**

During the audit we found out that some department order some goods from suppliers orally without support of purchase requisition or purchase order.

**Recommendation**

We recommend that the Logistic department be made responsible for all procurements and when orders are made orally, they should be subsequently confirmed by raising official purchase order.

**Management Response**

**Purchase ledger reconciliation**

**Present system**

Although it is the practice of your company to reconcile the purchase ledger with statements received from various suppliers at the end of every month, this was not done in August and September.

**Implication**

Unexplained differences exist between suppliers‟ statements balance and purchase ledger balances. This implies a breakdown of purchases invoice and or cheque payment batching and posting procedures.

**Recommendation**

It is important that these reconciliations are performed regularly by a responsible officer independent of day to day purchase ledger, cashier and nominal ledger functions.

**Management Response**

**Credit control**

**Present system**

As at October 30 2021, total debtors figure approximates 3 months sales although the company’s trade terms allow 4 weeks credit to customers.

**Implication**

This has resulted in high overdraft level with the resultant high interest charges and difficulty in settling the accounts of some key suppliers on time.

**Recommendation**

We recommend that a more structured system of debt collection be considered using standard letters and that statement should be sent out a week earlier than it is now.

**Management Response**

Yours faithfully,

Gafar ERINFOLAMI, FCA

Engagement Partner

For: **FOLAMI & ASSOCIATES PROFESSIONAL SERVICES**

**(CHARTERED ACCOUNTANTS)**