

# **REPORT OF THE AUDITOR-GENERAL ON THE ANNUAL ACCOUNTS OF GOVERNMENT OF NASARAWA STATE FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018.**

## **1 INTRODUCTION:**

The annual accounts of the Government of Nasarawa State for the year ended 31<sup>st</sup> December, 2018 have been examined under my directives in accordance with section 125(2) of the 1999 constitution of the Federal Republic of Nigeria, as amended and as provided in the relevant extant laws.

I have certified the individual accounts as correct, subject to the observations contained in this report, while irregularities have been communicated and/or conveyed in various letters to the treasury and accounting officers of the Ministries/Departments/Agencies (MDAs) for necessary action.

## **2. PROGRAMME OF WORK:**

The audit program of work for the year was completed to a reasonable level. The scope of work was however, limited by persistence logistics problems, especially non-existence of operational vehicles, funding and inadequate staffing. Thus the target set for the examination of accounts of Post Primary/Tertiary institutions, courts and periodic checks of Government Parastatals could not be concluded. This also includes monitoring of capital projects to ascertain value-for-money expended.

## **3. SUBMISSION OF THE ACCOUNTANT-GENERAL'S FINANCIAL STATEMENTS:**

Section 125(5) of the constitution of the Federal Republic of Nigeria 1999 as amended requires the State Auditor-General to submit his report on the receipt of Accountant-General's financial statements and annual accounts of the state to the Nasarawa State House of Assembly within 90 days.

Pursuant to this, the Accountant-General has transmitted to the State Auditor-General the annual accounts stating the financial positions of the state as at 31<sup>st</sup> December, 2018 on 23<sup>rd</sup> September, 2019 in accordance with the International Public Sector Accounting Standards (IPSAS) cash basis which include:

- **STATEMENT 1-** Cash Flow Statement
- **STATEMENT 2-** Statement of Assets and Liabilities
- **STATEMENT 3-** Statement of Consolidated Revenue Fund

- **STATEMENT 4-** Statement of Capital Development Fund
- **Note to the Accounts.**

#### **4. BOOK-KEEPING AND FINANCIAL CONTROL:**

Necessary records and books of accounts were kept by most Ministries and Extra-Ministerial Departments. However, it was observed in some MDAs that the expected high quality record keeping system were yet to be achieved as cancellations, alterations, wrong balancing (calculations) were still noted during the audit exercise.

Other shortcomings noted include:

- Improper classifications of payments to the economic codes.
- Some payment vouchers were not signed by officers that authorized the expenditures.
- In some cases, backup approvals for expenditure incurred were not given.
- Cash advances granted were not retired in some cases.
- In some cases bank reconciliations were not carried out.
- Inexperience and lukewarm attitude on the part of some accounts staff in attaching supporting documents to payment vouchers.
- Some payment vouchers were observed not to have been signed by beneficiaries (payees) to indicate receipt of funds.

These shortcomings can be reduced with effective supervision and provision of continuous training of accounting staff. However, from the records made available there would appear to have been an improvement on the records keeping and maintenance for the period under consideration when compared with previous year's accounts. Especially with respect to the treasury headquarters.

Consequently, the decentralization of the overhead accounts in the state implies that the MDAs were expected to maintain essential accounting books and records such as:

- Cash books
- Journals
- Ledgers
- Bank statements

- Imprest cash book prepared on regular basis
- Bank reconciliation statements
- Departmental vote books
- Stores registers/ledgers
- Transcript
- Advances ledger
- Fixed Assets register, etc.

It was observed in the course of the examination that the stated records and books were not opened or where opened, were not maintained properly (not kept on regular basis). Thus, making it difficult to ascertain details of actual releases made to them at specific intervals (usually on monthly basis). Therefore, this attitude accounted for the non-rendition of the monthly accounts by some Ministries, Departments and Agencies (MDAs).

## **5. INTERNAL CONTROL:**

The Internal Audit Units of the various MDAs have not realized their roles and responsibilities in the year under review. The effect of this is noted on the increase in scope of external audit work carried out during current year when compared with that of the previous years.

There is need to improve on the quality (status/experience) of officers being entrusted with the responsibility of internal audit work in the state, and to embark on regular training and retraining of Internal Auditors in order to enhance their competences.

The Accountant-General is hereby urged to establish viable offices of Internal Auditors in MDAs to enable them perform their duties effectively. Also relevant training should be conducted through workshops and seminars to enable them have the requisite knowledge and expertise in order to carry out their work competently and in accordance with statutes.

In addition, we have not reneged on our recommendation that Senior Officers on GL 13 and above should be posted as Internal Auditors where necessary to guarantee some level of independence and in strict compliance with section 1706 of the financial regulation (2009).

## 6. INTERNALLY GENERATED REVENUE FOR THE YEAR 2018.

Actual collection of independent/internal revenue amounted to Fifteen Billion, one hundred and sixty seven Million, Three Hundred and Ninety six Thousand, Seven Hundred and Eighteen Naira (N15,167,396,718.00) only within the year under review (2018) while total budgeted revenue is Forty Two Billion, Seven Hundred and twenty Million, Three Hundred and forty Thousand Sixty one Naira (N42,720,340,061.00) only. This represents 35.50% of budgeted estimate. See table 1 below.

**Table (i)**

S/N	BUDGET ESTIMATE(₦)	DETAILS	ACTUAL RECEIPTS (₦)	VARIANCE (₦)	%
1	6,102,505,000	DIRECT TAXES	5,513,096,262.00	(589,408,738)	90.0
2	224,150,000	LICENCES	164,902,924.00	(59,247,076)	74.0
3	5,351,141,932	FEES	4,267,554,014.00	(1,083,587,918)	80.0
4	93,400,000	FINES	3,474,009.00	(89,925,991)	4.0
5	8,002,983,129	SALES	977,068,226.00	(7,025,914,904)	12.0
6	2,671,090,000	EARNINGS	546,606,655.00	(2,124,483,345)	20.0
7	39,270,000	RENT ON GOVT. BUILDINGS	27,298,843.00	(11,971,157)	70.0
8	501,300,000	RENT ON GOVT LANDS	343,957,278.00	(157,342,722)	69.0.
9	19,724,500,000	REPAYMENTS	3,132,064,870.00	(16,592,435,130)	16.0.
10	10,000,000	INVESTMENT INCOME	--	(10,000,000)	--
11	--	INTEREST EARNED	--	--	--
12	--	REIMBURSEMENT	--	--	--
13	--	DLI INCOME INCLUDING INTEREST EARNED	191,346,638	191,346,638	--
14	--	MISCELLANEOUS	--	--	--
15	--	BTL RECEIPTS	--	--	--
	<b>42,720,340,061</b>	<b>TOTAL</b>	<b>15,167,396,718</b>	<b>(27,552,970,343)</b>	

#### **6a. LOPSIDED COLLECTION OF INDEPENDENT/INTERNAL REVENUE.**

From table (I) above, we observe that a significant percentage (64.50%) of total independent/internal revenue collected in the period under review (2018) came from direct taxes and fees to the neglect of other sources which constitutes only 35.50% of total independent/internal revenue collected.

It is therefore advised that more efforts should be geared towards exploiting other sources in order to improve independent revenue to a significant level.

#### **6b. STATUTORY ALLOCATION TO LOCAL GOVERNMENT COUNCILS.**

In compliance with section 162(7) of the 1999 constitution as amended and section 4(i) of the revenue allocation act 1982, the State Government is expected to remit 10% of all Internally Generated Revenue to its Local Government Councils.

Accordingly, during the year under review 2018, a total of Fifteen billion, one hundred and sixty seven million, Three hundred and sixty nine thousand, seven hundred and Eighteen naira (₦15,167,369,718.00) as tabulated in table 1, was actually realized as the Internally Generated Revenue for the state. From this amount, the 10% statutory and mandatory allocation to the local Government Councils would be One billion, Five Hundred and sixteen Million, seven hundred and thirty six thousand, nine Hundred seventy one Naira, Eighty kobo (₦1,516,736,971.80). However, from our examination the Accountant-General has not remitted the said amount to the Local Government Councils and he is yet to provide any satisfactory reason for not remitting.

#### **6c. COMPARISM OF INDEPENDENT/INTERNALLY GENERATED REVENUE (2017 AND 2018):**

Audit examination of the records maintained and submitted on Independent/Internally Generated Revenue during the year under review (2018), revealed that total revenue of Fifteen billion, one hundred and sixty seven million, Three hundred and sixty nine thousand, seven hundred and Eighteen naira (₦15,167,369,718.00) (gross) was realized by the Nasarawa state government for the year ended 31<sup>st</sup> December, 2018. However, when compared with 2017 Independent/Internally Generated Revenue of Ten billion, six hundred and seventy six million, eight hundred and ninety thousand, Fourteen Naira (₦10,676,890,014.00) there would appear to be an increase of Four billion, Four hundred and ninety million, four Hundred and Seventy nine Thousand seven Hundred and four Naira (₦4,490,479,704.00) only which is 42% of the previous year performance. This is highly commendable.

## 7. STATEMENT OF CAPITAL DEVELOPMENT FUND:

### 7i. CAPITAL RECEIPTS.

A total actual receipt in the sum of Twenty four billion, one hundred and fifty eight million, eight Hundred and four thousand, eight hundred and forty five Naira (₦24,158,804,845.00) only was observed to have accrued to the state government during the year under review as revealed by the statement of capital development fund (CDF) in the accounts for the year ended 31<sup>st</sup> December, 2018. When compared with the figures of corresponding period (2017) in which the sum of Twenty one billion, seven hundred and three million, twenty eight thousand, five hundred and forty nine Naira (₦21,703,028,549.00) only was realized, there would appear to be an increase of Two billion, four hundred and fifty five million, seven hundred and seventy six thousand, two hundred and ninety six Naira (₦2,455,776,296.00) only which represents 11.32%. See table ii below.

Table (ii)

DETAILS	BUDGET (₦)	ACTUAL (₦)	VARIANCE (₦)
Opening balance		15,062,908	15,062,908
Transfer from Consolidated Revenue Fund	53,370,000,000	21,900,000,000	(31,470,000,000)
Aids and Grants	8,799,347,423	1,543,741,937	(7,255,605,486)
External Loans	--	--	--
Internal Loans	10,000,000,000	700,000,000	(9,300,000,000)
Other Capital Receipts	--	--	--
Sub-Total Capital Revenue	72,169,347,423	24,143,741,937	(48,025,605,486)
<b>Total Capital Revenue Available</b>	<b>72,169,347,423</b>	<b>24,158,804,845</b>	<b>(48,010,542,578)</b>

### 7ii CAPITAL EXPENDITURE

From the records made available for the year ended 31<sup>st</sup> December, 2018, a total actual capital expenditure in the sum of Twenty four billion, ninety three million, seven Hundred and ninety three thousand, three hundred and eight Naira (₦24,093,793,308.00) only was incurred by the Nasarawa state Government as shown in table iii below. However, when this figure is compared with the corresponding figure in 2017 which stood at Twenty one billion, six hundred and eighty seven million, nine hundred sixty five thousand, six hundred and forty one Naira (₦21,687,965,641.00) only there would appear to be an increase of Two billion, four hundred and five million, eight hundred and twenty seven thousand, six hundred and sixty seven Naira (₦2,405,827,667.00) only which is 11.10%.

**Table iii**

S/N	DETAILS	BUDGET ESTIMATE (₦)	ACTUAL EXPENDITURE (₦)	VARIANCE (₦)
1	CAPITAL EXPENDITURE:ADMINISTRATIVE SECTOR	6,608,200,000	1,144,969,057.32	5,463,230,942.68
2	CAPITAL EXPENDITURE:ECONOMIC SECTOR	53,276,102,000	20,596,822,530.39	32,679,279,469.61
3	CAPITAL EXPENDITURE:LAW & JUSTICE	708,050,000	552,843,087.27	155,206,912.73
4	CAPITAL EXPENDITURE:SOCIAL SECTOR	11,586,150,000	1,376,314,444.15	10,209,835,555.85
5	JUDGEMENT DEBTS	--	422,844,189.06	(422,844,189.06)
6	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>72,178,502,000</b>	<b>24,093,793,308.00</b>	<b>48,084,708,692</b>
	<b>CLOSING BALANCE</b>	<b>5,908,331</b>	<b>65,011,537.00</b>	<b>(59,103,205.54)</b>

**8. RECURRENT REVENUE SHORTFALLS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018****TABLE iv**

S/N	DETAILS	BUDGET ESTIMATE (₦)	ACTUAL COLLECTION (₦)	VARIANCE (₦)
1	Opening Balance	8,400,000,000.00	3,321,557,800.00	(5,078,442,200.00)
2	Statutory Allocation-FAAC	36,000,000,000.00	39,213,096,989.00	3,213,096,989.00
3	VALUE ADDED TAX(VAT)ALLOCATION	12,000,000,000.00	9,601,250,636.00	(2,398,749,364.00)
4	STATUTORY ALLOCATION-EXCESS CRUDE OIL	--	--	--
5	REFUND FROM NNPC	--	131,549,630.00	131,549,630.00
6	SHARE OF FOREX EQUALIZATION	--	848,009,576.00	848,009,576.00
7	PARIS CLUB REFUNDS	--	5,103,935,647.00	5,103,935,647.00
8	EXCHANGE GAIN	3,500,000,000.00	393,361,075.00	(3,106,638,925.00)
9	SPECIAL ALLOCATION	4,000,000,000.00	--	(4,000,000,000.00)
10	REFUND OF EXCESS CHARGES	--	216,412,175	216,412,175.00
11	DIRCET TAXES	6,102,505,000.00	5,513,096,262.00	(589,408,738.00)
12	LICENCES	224,150,000.00	164,902,924.00	(59,247,076.00)
13	FEES	5,351,141,932.00	4,267,554,014.00	(1,083,587,918.00)
14	FINES	93,400,000.00	3,474,009.00	(89,925,991.00)
15	SALES	8,002,983,129.00	977,068,226.00	(7,025,914,904.00)

16	EARNINGS	2,671,090,000.00	546,606,655.00	(2,124,483,345.00)
17	Rent on Government Building	39,270,000.00	27,298,843.00	(11,971,157.00)
18	Rent on government land & Others	501,300,000.00	343,957,278.00	(157,342,722.00)
19	Repayments	19,724,500,000.00	3,132,064,870.00	(16,592,435,130.00)
20	Investment Income	10,000,000.00	-	(10,000,000.00)
21	Miscellaneous income	-	-	-
22	DLI Income (Including Interest Earned)	-	191,346,638.00	191,346,638.00
23	BTC Receipt	-	-	-
	<b>TOTAL REVENUE (RECEIPT)</b>	<b>106,620,340,061.00</b>	<b>73,996,543,245.00</b>	<b>(32,623,796,816.00)</b>

From the table above recurrent revenue short fall amounting to forty two Billion, three Hundred and twenty eight Million, one hundred and forty seven Thousand, four hundred and seven Naira (42,328,147,407) only were observed in thirteen (14) revenue codes viz: (Items 1, 3, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20) in the year r2018.

This amount represents 39.70% of estimated collection. We have observed that the performance might have been as a result of either over budgeting or the inability of the revenue earning organization to leave up to their responsibilities of monitoring the collections and remittances of money. Especially some significant improvements were recorded in the aspect of statutory allocation including other allocation from the federation accounts which did not require much of the state's efforts. However, receipts from refund of excess charges, DLI income (including interest earned) is worthy of commendation. . Also .We urge the revenue generating authorities to step up their efforts in order for the state to reduce dependence on the federation accounts allocation.

Furthermore, we observed that a figure of eight billion four hundred million naira (N8, 400,000,000.00) (item 1 in table IV above) as quoted in the approved budget of 2018 was wrongly stated. The attention of the Accountant-General and the Budget Department is hereby drawn to the fact that opening balances are not budgeted but are the closing balances of the previous year.



## 9. RECURRENT EXPENDITURE PERFORMANCE

TABLE V

S/N	DETAILS	BUDGET ESTIMATE (₦)	ACTUAL EXPENDITURE (₦)	VARIANCE (₦)	PERCENTAGE (%)
1	Personnel Costs	23,295,322,538.00	15,980,132,850.00	7,315,189,688.00	69.0
2	Over Head Costs	22,418,705,830.00	17,033,349,683.00	5,385,356,147.00	76.0
3	Grants and Subventions to Board and Parastatals	-	4,954,059,873.00	(4,954,059,873.00)	
4	Consolidated Revenue fund Charges (Service wide vote)	1,305,157,116.00	1,813,116,243.00	(507,959,127.00)	139.0
5	Contribution to Pension and Gratuity	2,800,000,000.00	3,379,296,926.00	(579,296,926.00)	121.0
6	Contribution to NSUBEB	-	-	-	
7	Transfer to sinking fund investment	-	-	-	
8	Transfer to LGAs.. ITE EDU Ltd MOF (DLI Expenses)	-	-	-	
9	Transfer to Capital Development Fund	53,370,000,000.00	21,900,000,000.00	31,470,000,000.00	
10	Project and Programmes Intervention Fund	-	7,227,393,588.00	7,227,393,588.00	
11	External Loans repayment Fund	318,000,000.00	220,702,675.00	(97,297,325.00)	
12	Internal Loans repayment Fund	3,104,000,000.00	1,052,650,221.44	2,177,220,148.00	
13	SUB TOTAL Transfer	<b>56,792,000,000.00</b>	<b>30,400,746,485.00</b>	<b>33,647,220,148.00</b>	
	Closing Balance	-	435,841,186.00	(75,511,787,054.00)	

The sum of Six Billion, one hundred and thirty eight Million, six hundred and thirteen Thousand, two hundred and fifty one Naira (₦6,138,613,251.00) only observed in Nos: 3,4,5 and 11 in the table above, indicates excess expenditure over budgeted estimates in the 2018 accounts. We also observe with dismay unbudgeted figures in the sums of Four Billion, Nine hundred and fifty four million, Fifty nine thousand, Eight hundred and seventy three naira (₦4,954,059,873.00) (item 3) Seven billion, two hundred and twenty seven million, three hundred and ninety three thousand, five hundred and eighty eight Naira (₦7,227,393,588.00) (item 10) expended on grants and subventions to Boards and Parastatals, Projects and Programs intervention Fund respectively.

## 10. STATEMENT OF ASSETS AND LIABILITIES FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

Table vi

ASSETS	NOTES	2018	2017
<b>LIQUID ASSETS:</b>		(₦)	(₦)
Treasuries and Banks Balance	10A	5,055,989,017.00	3,336,620,708.00
<b>INVESTMENTS AND OTHER ASSETS</b>			
Investment	11	840,634,260.00	840,634,260.00
Sinking Fund Investment		-	1,219,654,323.00
Liability Over Assets		45,427,977,632.00	47,292,389,959.00
<b>SUB TOTAL</b>		<b>51,324,600,909.00</b>	<b>49,352,678,542.00</b>
<b>Total Assets</b>		<b>52,689,299,250.00</b>	<b>52,689,299,250.00</b>
<b>PUBLIC FUNDS:</b>			
Consolidated Revenue		435,841,186.00	3,321,557,799.00
Capital Development Fund		65,011,537.00	15,062,908.00
Project and Programmes Intervention Fund	10	7,227,393,588.00	8,894,029,512.00
		<u>7,728,246,311.00</u>	<u>12,230,650,219.00</u>
<b>LIABILITIES:</b>			
Internal Loans	12	25,545,336,617.00	25,897,986,838.00
External Loans	13	18,051,017,981.00	14,560,662,193.00
<b>SUB TOTAL: LIABILITIES</b>		<b>43,596,354,597.00</b>	<b>40,458,649,031.00</b>
<b>PUBLIC FUND + LIABILITIES</b>		<b>51,324,600,909.00</b>	<b>52,689,299,250.00</b>

### I. (a) TREASURIES AND BANKS

The figure of five billion, fifty five million, nine hundred and eighty nine thousand, seventeen Naira (₦5,055,989,017.00) shown in the Accounts under note 10A was duly confirmed to be correct..

### II. LIABILITIES

It was not possible for the Auditor-General to confirm the correctness or otherwise of the figure of Forty three billion, five hundred ninety six million, three hundred and fifty four thousand, five hundred ninety eight Naira (₦43,596,354,598.00) which represent total liabilities as shown in table below.

**LIABILITIES AS AT 31<sup>ST</sup> DECEMBER, 2018**

<b>DETAILS</b>	<b>NOTE</b>	<b>ACTUAL 2018</b>
External Loans	13	18,051,017,981.00
Internal Loans	12	25,545,336,617.00
Pension and Gratuity Due		-
Outstanding Contractors liability		-
Pending Litigations/Judgment Debts		-
<b>TOTAL</b>		<b>43,596,354,598.00</b>

Furthermore, we observe that no figure(s) were captured as amounts of liabilities in respect of pension and gratuity, outstanding contractual liabilities and pending judgment debts which are critical components of the financial statements.