

AKWA IBOM STATE OF NIGERIA

**REPORT OF THE
AUDITOR-GENERAL**

ON THE

**ACCOUNTS OF
AKWA IBOM STATE OF NIGERIA**

**FOR THE YEAR ENDED
31ST DECEMBER, 2007**

TABLE OF CONTENTS

Contents	Pages
Part i	
Introduction.....	1
Submission of Account.....	1
Bookkeeping / Accounting.....	1 - 2
Budgetary Control.....	2
Legal Authorities for 2007 Expenditure.....	2
Loss of Cash and Stores.....	2 - 3
Part ii	
i. <u>Revenue:</u>	
Recurrent Revenue.....	4 - 5
Capital Revenue.....	5
ii. <u>Expenditure:</u>	
Recurrent Expenditure.....	6
Capital Expenditure	6-7
Part iii	
i. <u>Assets:</u>	
Cash and bank Balance.....	8
Imprests.....	8
Remittances in Transit.....	8
Fixed Deposits.....	8
Investments.....	9
Advances.....	9
ii. <u>Liabilities:</u>	
Treasury Clearance Accounts.....	9
Sundry Deposits	9
7.5% Pension Contribution.....	9 -10

PART IV

Report On Ministries, Department and Agencies

Government House.....	11
Ministry of Environment and Mineral Resource.....	11 -12
Ministry of Information.....	12 -13
Ministry of Education.....	13
Ministry of Finance.....	14 - 17
Internal Revenue Service.....	17 - 18
Ministry of Rural Development.....	18 - 19
Political and Legislative Affairs Bureau.....	19
Ministry of Lands, Survey and Town Planning.....	19
Ministry of Commerce and Industry.....	20
Local Government Service Commission.....	20 - 21
State Technical Schools Board.....	21
State Technical Schools Board.....	21 - 22
Akwa Ibom State Broadcasting Corporation.....	22 - 23

ANNEXURES

ANNEXURES

1.	Responsibility for Financial Statements	58
2.	Report of the Auditor-General	59
3.	Statement No. 3: Cash Flow	60
4.	Statement No. 4: Assets and Liabilities	61
5.	Statement No. 5: Consolidated Revenue Fund	62
6.	Statement No. 6: Capital Development Fund	63 – 64
7.	Statement No. 7: Notes to the Accounts	65 - 75

PART I

INTRODUCTION

The accounts of the Government of Akwa Ibom State for the year ended 31st December 2007 have been duly audited in accordance with the constitution of the Federal Republic of Nigeria, Akwa Ibom State Audit Law and Public Sector Auditing Standards. The audit involved the inspection of records and account kept in Ministries, Departments and Agencies (MDA's) and the audit of financial statements prepared by the Accountant-General.

My comments and observations on the audit of the financial statements are given below in parts II and III while significant issues and queries arising from the inspection of the records and accounts of MDA's which to the best of my knowledge have not been resolved are summarized in parts IV and V of this document.

2. SUBMISSION OF ACCOUNTS BY THE ACCOUNTANT - GENERAL

The following financial statements were submitted for audit by the Accountant General on 8th September 2008.

1. Statement of cash flow for the year ended 31st December 2007.
2. Statement of assets and liabilities as at 31st December 2007.
3. Statement of consolidated revenue fund for the year ended 31st December 2007.
4. Statement of capital development fund for the year ended 31st December 2007.
5. Notes to the accounts.

The statements, which are in line with the uniform reporting formats for all tiers of government in the country, satisfy the requirement of section 4(2) of Akwa Ibom State Audit law 1997. The statements are accordingly reproduced in this report as annexures. Although the Account of the State Government (as those of other States and the Federation) are prepared on cash basis, there was modification in the 2007 accounts: the indebtedness of the State Government for contracts and other bills were captured in the accounts under treasury station Account, below the line.

3. BOOKKEEPING / ACCOUNTING

Some subsidiary ledges as in previous years were not posted up-to-date. Consequently necessary schedules to support amount stated in the

statement of Assets and liabilities were not available. This is so because schedules officers are not committed to their duties and supervision by superior officers is inadequate.

1

Reconciliation of bank statements with the respective cash book balances were not done regularly even for state government accounts domiciled in the treasury headquarters.

The accounting inadequacies were duly highlighted in my inspection report number 56/2008 of 6th May 2008 to the Accountant-General which was yet to be reacted to at the time of reporting.

In spite of the comments on the quality of accounting, my opinion on the financial statement is still valid.

4. BUDGETARY CONTROL

Actual recurrent and capital expenditures for the year ended 31st December 2007 were within estimates. However, some subheads recorded excess expenditures.

5. LEGAL AUTHORITIES FOR 2007 EXPENDITURE

The 2007 appropriation and supplementary appropriation laws provided for recurrent and capital expenditure of N40,895,297,460.00 and N143,137,571,300.00 respectively.

The following Warrants were issued during the year.

1. General Imprest Warrant No. AKS/GIW/1/2007 dated 2nd February 2007.
2. Annual General Warrant No. AKS/AGW/2/2007 dated 2nd February 2007 for N9,908,418,270.00
3. Development Fund General Warrant No. AKS/DFGW/4/2007 dated 2nd February 2007 for N14,981,229,020.00
4. Statutory Expenditure Warrant No. AKS/SW/4/2007 dated 2nd February 2007 for N14,981,229,020.00
5. Reserved Expenditure Warrant No. AKS/REW/5/2007 dated 2nd February 2007 for N2,410,112,000.00.
6. Supplementary General Warrant No. AKS/SGW/7/2007 dated 1st June 2007 for N3,687,100.00
7. Supplementary Development Fund Warrant No. AKS/SDFW/8/2007 dated 1st June 2007 for N32,087,000,000.00
8. 50 Virement Warrants were issued on various dates.

6. LEGAL AUTHORITIES FOR 2007 EXPENDITURE

To the best of my knowledge, one case of loss of cash was reported in the office of the Accountant General in 2007. it involved the inflation of

monthly pension in Uyo sub treasury by a syndicate through which N14,548,935.99 was embezzled. A panel of enquiry was constituted on the loss and the report was duly submitted.

2

However I have not been informed of the final decision on the matter.

No loss of stores anywhere in the service was brought to my notice during the year.

PART II
REVENUE AND EXPENDITURE PROFILE

(i) REVENUE

7. RECURRENT REVENUE

Actual recurrent revenue in 2007 was N146,361,077,030.48 against estimated revenue of N163,111,972,760.00 showing a net shortfall of N16,750,895,729.52 for the various revenue performance in detail show that one hundred and thirteen internal revenue subheads recorded significant shortfalls amounting to n1,935,245,382.69 as shown in Appendix 'A' to this report. The summary of recurrent revenue accounts for the year under consideration is given below in table 1

TABLE 1
RECURRENT REVENUE 2007

DESCRIPTION	ESTIMATED REVENUE	ACTUAL REVENUE	EXCESS	SHORTFALL
	₦	₦	₦	₦
Taxes	5,700,00.00	9,418,664,576.96	3,718,664,576.96	-
Fines and Fees	806,303,120.00	350,467,904.08	-	455,835,215.92
Licenses	242,550,000.00	6,980,987.21	-	235,569,012.79
Earning and Sales	1,244,768,140.00	2,275,147,391.01	1,030,379,251.01	-
Rents on Govt. Property	30,600,000.00	15,458,547.27	-	15,141,452.73
Interests Receipts and Dividends	20,150,000.00	4,318,838,588.77	4,298,688,588.77	-
Reimbursements	0.00	11,000.00	11,000.00	-
Retained Revenue from Parastatals and Board	682,478,500.00	0.00	-	682,478,500.00
Miscellaneous	33,523,000.00	581,560,739.74	548,037,739.74	1,389,024,181.44
Total Internal Revenue	8,760,372,760.00	16,967,129,735.04	9,595,781,156.48	1,389,024,181.44
Statutory Revenue from Federation Account	154,351,600,000.00	129,393,947,295.44	-	24,957,652,704.56
Total Recurrent Revenue	163,111,972,760.00	146,361,077,030.48	9,595,781,156.48	26,346,676,886.00

Investigation has shown that the shortfalls were due to unrealizable targets, poor accounting and weak collection machinery.

4

For instance the nil revenue recorded on retained revenue from parastatals and Board vis-à-vis the estimate of N682,478,500.00 does not mean that the Parastatals and Board concerned did not collect any revenue. Rather it shows that necessary procedure has not been put in place to capture such collection the financial records of the State Government. Also, the revenue target of N518,799,760.00 from rating/valuation fee assigned to Ministry of Local Government and Chieftaincy Affairs was unrealistic because the Ministry does not have the capacity to collect the fees. Similarly, actual revenue of n247,007.21 from Motor Vehicle licenses including Motor cycles vis-à-vis the estimate of N54,000,000.00 points too leakages or improper accountability or both.

Revenue estimates should be realistic. Also step should be taken to prevent revenue leakages. Necessary facilities for the collection of revenue should the made available.

8. CAPITAL REVENUE

Actual capital revenue for 2007 was N108,897,912,240.99 against the estimated sum of N143,137,571,300.00 showing a net shortfall of N34,239,659,059.01. The summary of capital revenue for 2007 is given in table II below.

DESCRIPTION	ESTIMATED REVENUE	ACTUAL REVENUE	SHORTFALL
Transfer from Consolidated Revenue Fund	N 122,216,675,300.00	N 108,000,000,000.00	N 14,216,675,300.00
Opening Balance from precious year	1,000,000,000.00	0.00	1,000,000,000.00
Transfer from General Reserve	0.00	0.00	0.00
Internal Loans	12,214,850,000.00	896,936,550.99	11,317,913,449.01
External Loans	897,506,000.00	0.00	897,506,000.00
Grants	630,000,000.00	0.00	630,000,000.00
Ecological Funds	1,000,000,000.00	0.00	1,000,000,000.00

Miscellaneous	6,078,540,000.00	975,690.00	6,077,564,310.00
Total	143,137,571,300.00	108,897,912,240.00	34,239,659,059.01

ii. EXPENDITURE

9. RECURRENT EXPENDITURE

The actual recurrent expenditure of N37,579,803,172.82 for 2007 as shown in notes 5,6,7 and 8 to the accounts was 91.9% of the estimated sum of N40,895,297,460.00. Additionally, N108,000,000.00 was transferred to the capital development fund out of the estimated sum of N122,216,675,300.00.

However, detailed review of expenditure revealed that some sub-heads recorded expenditure over and above the estimates. The affected Ministries, Departments and Agencies furnished document to prove that they did not overspend their votes.

Further investigation revealed that the apparent excess expenditure was caused by changing previous years imprest retired in 2007 to the current years votes even without the knowledge of the spending Agencies, Expenditures were concentrated in the offices of the chief executives and accounting officers while votes in other directorates/departments were left unutilized. Decentralization of expenditure in each spending Agency in line with the departments provided for in the estimates and adequate education of accounts personnel would minimize the problem.

10. CAPITAL EXPENDITURE

Capital expenditure estimate for 2007 was N143,137,571,300.00. actual expenditure for the year was N105,574,685,149.90 or 73.8% of the estimates. However expenditures on construction of urban roads exceeded the estimates.

The excess expenditure was largely caused by a disconnect between the budget document and the accounting format. For instance a lump sum of N33,310,000,000.00 was provided in the budget for construction of urban roads whereas the financial statements with zero budgetary provision recorded against each. Under the current uniform reporting format for all tiers of government in the country, accounting for capital

expenditure should be in the same format as the budget. A summary of capital expenditure for 2007 is given in table III below.

6

TABLE III
CAPITAL EXPENDITURE

DESCRIPTION	ESTIMATED REVENUE EXPENDITURE	ACTUAL EXPENDITURE	VARIANCE
Economic Sector	N 48,992,017,300.00	N 46,096,670,150.87	N 2,895,401,149.13
Social Service Sector	39,555,000,000.00	23,420,299,299.86	16,134,700,700.14
Environmental & Regional Development Sector	28,896,000,000.00	11,904,319,300.92	16,987,680,699.08
Administration Sector	25,698,500,000.00	24,153,396,398.25	1,545,103,601.75
Total	143,137,571,300.00	105,574,685,149.90	37,562,886,150.10

PART III
ASSETS AND LIABILITIES

(i) ASSETS

11. CASH AND BANK BALANCES

Cash and bank balance as at 31st December 2007 stood at N9,156,818,543.63 as follows:

	N
Cash	255,981,230.99
Bank	8,900,837,312.64
	<u>N9,156,818,543.63</u>

The balances were for Treasury Headquarters, House of Assembly, Judiciary, office of the State Auditor-General, Bureau of inter-Governmental and national Assembly relation (BIGNAR) Abuja, Liaison offices in Abuja and Lagos and twenty-five sub treasuries in the state.

It was observed that most of the bank accounts were not reconciled as at 31st December 2007. It was further observed that the cash book balance did not agree with the published figures in respect of Treasury Headquarters, House of Assembly, Judiciary and sis sub treasuries. The discrepancies were yet to be explained as at the time of reporting.

12. IMPREST

The total of N5,719,224,306.83 which is included in imprest ant advances in the statement of assets and liabilities represents imprest not retired by various Ministries, Developments and Agencies as at 31st.

13. REMITTANCES IN TRANSIT

The figure of N300,714,329.34 also included in imprest and advances in the Statement of Assets and Liabilities could not be verified because the necessary documentation was not available.

14. FIXED DEPOSITS: N2,964,953,491.84

My enquiry as to the details of the banks where the special deposits were placed had not been responded to.

8

15. INVESTMENTS

The cost of government investment in shares was published in the account as N2,194,940,129.95. Verification revealed that the figure was grossly under-started. The reason is that government investments in previous years were expensed in the year of acquisition. Examination of the investment register showed that the state government held shares in twenty-five companies spread across the various sectors of the Nigerian economy. The market value of the shares as at 31st August 2008 stood at over n20.3 billion. It was observed that the state government earned a dividend of N50,823,953.74 from the investments and realized N329,912,717.84 profit from the sale of Zenith Bank shares in 2007 making a total of N380,736,671.58.

However the cost price of shares acquired was not documented in the investment register. For that reason, the historical cost of the investments could not be determined.

16. ADVANCES

The published figure of N3,044,484,886.33 included in imprest and advances for various categories of advance could be verified because subsidiary ledgers were not maintained in respect thereof. However, in compliance with my directive in report No. 56/2008 of 6th may 2008, the various categories of advances are currently being processed.

ii. LIABILITIES

17. TREASURY CLEARANCE ACCOUNT

The sum of N8,343,602.57 represents Treasury balances of the account of Akwa Ibom State Government with other state governments Agencies affected states and agencies on a regular basis.

18. SUNDRY DEPOSITS

The balance of N16,095,892,059.36 in the statement of Assets and liabilities represents unpaid contractual liabilities of government for 2007 financial year. It is expected that eventual settlement of the liabilities will be charge to this account in order not to cause distortion in the implementation of the current budget.

19. 7.5% PENSION CONTRIBUTION

Total employee /employer contribution to the contributory pension scheme was n3,064,250,910 at 31st December 2007 and reported under deposits in the statement of Assets and Liabilities. Inspection of Accountant General records confirmed that the contributions were lodge with inter-continental Bank Plc., Guaranty Trust bank Plc, United Bank for Africa Plc and Union bank of Nigeria Plc.

The Accountant-General's attention was drawn to a discrepancy between recorded workers contribution and the bank balance as well as the exclusion of contribution by staff of some state government parastatals and tertiary institutions. The response of the Accountant-General to the observed omissions was still being expected at the time of reporting. Also, the relevant laws to give effect to the contributory pension scheme in the State, has not yet been passed by the State House of Assembly.

