



2021 STAKEHOLDERS' AUDIT FORUM

THEME: ACCOUNTABLE SERVICE DELIVERY: IMPROVING PUBLIC ACCOUNTABILITY THROUGH IPSAS - Issues and Challenges

Date: **Wednesday, 20th January, 2021**

Programme of Activities

TIME	ACTIVITY	RESPONSIBILITY
08.00 – 09.00am	ARRIVAL OF PARTICIPANTS	ALL
09:00 – 9.30AM	REGISTRATION OF PARTICIPANTS	Arrival of His Excellency
09:30 – 10.00AM	OPENING PRAYER	ALL
10.00 – 10.15AM	WELCOME ADDRESS	Mrs. Ifeoma Ezedebego – Ag. Project Coordinator (SLOGOR)
10.15 – 10.30AM	KEYNOTE ADDRESS	Mr. Alex Onwuli – State Auditor General
10.30 – 11.30AM	TEA/COFFEE BREAK	ALL
11.30 – 1.00PM	KEY ISSUES IN IMPLEMENTING THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS <i>Questions & Answers – Floor Discussion</i>	Sir Obi Okechukwu – Facilitator/Chartered Accountant
1.00 – 3.00PM	OVERVIEW OF THE 2019 AUDITED FINANCIAL STATEMENTS OF THE STATE <i>Questions & Answers – Floor Discussion</i>	Mrs. Eseosa Mbachu – Chartered Accountant
3.00 – 3.30PM	LUNCH BREAK	ALL
3.30 – 3.35PM	CLOSING PRAYER/DEPARTURE	ALL

REPORT ON THE 2021 STAKEHOLDERS' AUDIT FORUM FOR THE REPORT OF THE AUDITOR-GENERAL OF ANAMBRA STATE FOR 2019 FISCAL YEAR HELD AT CIHCOTEL CLASSIQUE HOTEL, AWKA ON WEDNESDAY, 20TH JANUARY, 2021.

1.0 OPENING

The meeting commenced by 10:32am with an opening prayer by Mr. Arthur Iweanya, Director Planning, Ministry of Economic Planning, Budget and Development Partners.

2.0 INTRODUCTION

The 2021 Stakeholders' Audit Forum with the theme "**Accountable Service Delivery: Improving Public Accountability through IPSAS**" was organized by the Office of the State Auditor General in collaboration with the State and Local Governance Reform (SLOGOR) Project. The objective of the Forum was to discuss the Audited Accounts of Anambra State for the year 2019

In attendance were stakeholders/representatives from various organizations, government MDAs, institutions, professional bodies, Civil Society Organizations, academia, media, etc – see Annexure1.

3.0 WELCOME ADDRESS BY THE ACTING PROJECT COORDINATOR, SLOGOR

The Acting project Coordinator, SLOGOR, Ifeoma Ezedebego welcomed all the Participants and informed the meeting that the Forum was initially slated to hold last year, 2020 but had to be postponed due to the "EndSARS" protest and especially, the sudden demise of the former Project Coordinator, Mr. Kingsley Orji.

She explained that in line with international best practices, the Forum should be an annual event as it portrays the State as transparent, accountable and reform-conscious. According to her, the key objective of the Forum was to consolidate demand for effective external audit function and to reveal to Stakeholders how the resources of the State were generated and utilized in the fiscal year, 2019.

Mrs. Ezedebego thanked the Governor, Chief (Dr.) Willie Maduaburochukwu Obiano for his support. She also thanked Mr. Mark Okoye, The Commissioner Ministry of Economic Planning, Budget and Development Partners for his endless encouragement and support in ensuring that SLOGOR activities are going as planned.

She encouraged the participants to observe COVID-19 protocols towards ensuring that we win the fight against the virus, noting that the project has also provided hand sanitizers and face masks for those that have none.

Continuing, she informed that the Forum was also to appraise the Audited Report of the State for the year, 2019 for improved Public Finance Management in the State. She further mentioned that the Forum will provide the opportunity for the participants to discuss issues relating to External Audit functions in the State.

Finally, she urged the participants to pay attention and raise any question or comment for clarification and also encouraged all to participate actively.

4.0 KEYNOTE ADDRESS BY THE STATE AUDITOR GENERAL

Presenting the Keynote address, the State Auditor General, Mr. Alex Onwuli stated that the Forum was an issue of collective interest as it is the presentation of his report for the 2019 fiscal year for deliberation, comments, observations and suggestions. According to him, it was a fulfilment of his promise to sustain the effort of making the Forum an annual event.

He informed the participants that the Forum was meant to enhance citizens' participation in governance with a view to portray accountability and transparency in government business. He stated that the event is important because government must carry its citizen along in whatever it is doing.

He went further to say that his office undertook this event in accordance with the IPSAS guideline and international best practices which stated that citizens must be carried along by the government.

He concluded by advising the participants to participate actively and also seek for clarification where needed.

5.0 PRESENTATION OF PAPERS

Two papers were presented during the Forum:

5.1 FIRST PAPER – “Key Issues in Implementing the International Public Sector Accounting Standards” by Sir Obi Okechukwu

Sir Obi Okechukwu stated that the objective of his paper is to examine the key issues in implementing IPSAS. According to him, many countries of the world carry out their accounting and comparisons in different ways prior to the adoption of IPSAS and most make use of cash Basis of Accounting. However, he informed that IPSAS has introduced a unique, unified and acceptable way of accounting and comparison.

He noted that the implementation of IPSAS accrual accounting in Nigeria commenced on 1st January, 2016.

Sir Okechukwu stated that the main objective of IPSAS is to improve the Public Sector Financial Reporting Worldwide through accrual based accounting standards for the use of governments and other public sector entities around the world.

Some of the limitations of Cash Basis Accounting he mentioned are as follows:

- ✓ Lack of efficiency;
- ✓ Lack of accountability and transparency;
- ✓ Poor budget implementation;
- ✓ Lack of international comparability of accounts, etc.

He also made some comparisons between the Accrual Basis Accounting and Cash Basis Accounting, noting that while the former recognizes and provides for bad debt, the latter does not.

Going further, he defined National Chart of Accounts, as an integrated budget and accounting system which has been prepared primarily for the implementation of uniformed accounting system that is IPSAS compliant.

QUESTIONS AND ANSWERS SESSION:

The following questions were raised by the participants and answers provided by the facilitator are presented under the questions.

1. *How was fair value determined? Is it done by an expert?*

Answer: This is determined based on the organization, since what is applicable in the private sector is not applicable in the public sector.

2. *What is the difference between IPSAS 17 and 13?*

Answer: IPSAS 17 isolated the areas that is applicable or peculiar to government while IPSAS 13 is talks about leasing which is not 100% applicable to Nigeria.

3. *Why is it difficult for MDAs to release information to Journalists on whether the amount allocated to any activity or project are fully utilized or not?*

Answer: The reason is non-implementation of freedom of information in Nigeria.

4. *What is the difference between IPSAS 25 and 39?*

Answer----- IPSAS 25 talked about employee's benefits while IPSAS 39 is an error.

5. *Why is it that despite the enormous challenges in implementing IPSAS, government is still insisting in implementing it, does it not on its own encourages corruption and corruption practices?*

Answer: Government insists on it because it has set a universal standard for accounting.

6. *What is the role of IPSAS in budgeting process whether in the Federal or State?*

Answer: IPSAS is a very good tool only that we are not fully implementing it in budgeting process. To fully implement it, the expert will have go through the variance between what we are doing and what we are supposed to do.

5.2 SECOND PAPER: - Overview of the Financial Statements of Anambra State for the Year Ended 31st December, 2019 by Eseosa Mbachu

Mrs. Mbachu started her presentation by defining defined Financial Statements as written reports of the financial activities of an entity that are in quantitative terms within a given period. She stressed the importance of the reports being quantitative i.e. attaching monetary value to each activity for better understanding by those the report is meant for. She listed and explained the four Basic Financial Statements viz:

- a. Cash Flow Statement
- b. Statement of Assets and Liabilities
- c. Statement of Consolidated Revenue Fund
- d. Statement of Capital Development Fund

She presented a table containing five year receipts from the Federation Account which depicted under-achievement by the State in 2015.

Continuing, she also displayed a table on Internally Generated Revenue (IGR) of the State from 2015 – 2019 which were not impressive. The revenues generated across the years were below 60% except for 2017 and 2019.

Going further, she presented a table showing a steady increase in the Recurrent Expenditure over the years. She explained that the reason for the steady increase was as a result of dollar exchange increase.

She depicted from her presentation that Capital Receipt for the year 2019 witnessed a decline when compared with the preceding year Performance.

She concluded by showcasing a table for Capital Expenditure that depicted an amount far lower than the amount projected for the Fiscal year 2019. The State projection for 2019 was N91,834,635,028.00 while the cumulative expenditure was N42,512,752,663.92.

QUESTIONS AND ANSWERS SESSION:

The following questions were raised by the participants and answers were provided by the presenter:

1. What are the sources of loan to the State and the proportion of the State's loan?

Answer: It was not showcased in the presentation because we didn't have any for the presentation.

2. Why is the capital expenditure in Education sector going up instead of coming down?

Answer: This usually goes up at the inception period and will start to drop as year passes by. The reason for the increase instead of decrease can be as a result of government constructing more buildings for schools.

3. When will the Audit Forum for Local Governments commence?

Answer: We always conduct the State Audit Forum being fully aware that Local Governments are inside the State. More so, there is time constraint in going from one local government to the other.

4. Why is the variance between actual and budgeted IGR in 2017 Small even though it is an election year while other year there are wide margin between them?

Answer: The reasons are because of the use of ANSSID which the Government spent much money to set up, some people dodge tax and some people collecting them for private individuals.

5. Why did revenue from rent depreciated in 2019 unlike in 2015?

Answer: This can be as a result of rise in the number of individuals that have built their own houses and will no longer have need to rent government's owned. Also, the celebrants may rent other place owned by individuals instead of government owned halls.


6.0 VOTE OF THANKS

The Acting Project Coordinator, Mrs. Ifeoma Ezedebego expressed gratitude to the participants at the Forum for honouring the invitation and also for their active participation.

The meeting rose by 4:35pm with a closing prayer said by Mrs. Eucharia Anaekwe.



Mr. Alex Onwuli
State Auditor-General
Chairman



Mrs. Ifeoma Ezedebego
Ag. Project Coordinator (SLOGOR)
Secretary



PARTICIPANTS DURING THE AUDIT FORUM



A CROSS SECTION OF PARTICIPANTS DURING THE AUDIT FORUM



MR. ALEX ONWULI, STATE AUDITOR-GENERAL

**OVERVIEW OF THE FINANCIAL STATEMENTS OF
ANAMBRA STATE**

For the Year Ended 31ST December, 2019

Presented on the Occasion of

2021 STAKEHOLDERS' AUDIT FORUM

Office of the State Auditor-General

in collaboration with

Anambra State and Local Governance Reform (ANSLOGOR) Project

On Wednesday 20th January 2021

@ CIHCOTEL CLASSIQUE HOTEL, AWKA

Presented by:

Eseosa Mbachu *(Certified National Accountant)*

1.0 FINANCIAL STATEMENTS DEFINED

Financial statements are written reports, usually in quantitative terms, of the financial activities of an entity within a given period.

They are invariably accompanied by other schedules (i.e. Notes, Schedules of Revenue and Expenditure) that give detailed breakdown of aggregates and presented in structured manner and form for ease of understanding.

In the public sector setting, they are prepared at the end of every financial year by the State Accountant-General and audited by the State Auditor-General (see section 125 paragraph 50 of the 1999 constitution of the Federal Republic of Nigeria, as amended)

1.1 FOUR BASIC FINANCIAL STATEMENTS

✓ **Cash flow statement** - reflects movement in cash and bank balances over a period. Movement in cash flow is classified into:-

- i. **Operating Activities** (flow from statutory allocations, IGR and Expenditure)
- ii. **Investing Activities** (flow from purchase and sale of assets) and
- iii. **Financial Activities** (flow generated or spent on raising and repaying share capital and debt, interest and dividends).

✓ Statement of Assets and Liabilities –

it is a summary of government financial position. It has two major sides – Assets and Liabilities.

✓ Statement of Consolidated Revenue Fund –

reflects all recurrent revenues accruing to and recurrent expenditures made from, the State Government Account.

Recurrent revenue is Statutory Allocation and Internally Generated Revenue (IGR), Taxes, Fines, Fees. Licenses etc.).

✓ Statement of Capital Development Fund-

Reflects receipts of capital nature as well as transfer from the consolidated Revenue fund (i.e internal/external loans, aids and grants accruing to State Government Accounts). It also reflects capital expenditures of the economy.

1.2 RECEIPT FROM THE FEDERATION ACCOUNTS

Receipts from the federation Accounts have remained the major contributor to the global revenue mix of the State.

•As at 3st December, 2019 total revenue of the State was N81,963,238,825.08

•Statutory allocation inclusive value added tax was N56,779,676,128.19.

•This represents 69.28% of the total revenue profile of the state.

This exposes the State economy to external shock during period of dwindling receipts from the Federation Accounts.

1.3 FIVE YEARS RECEIPTS FROM FEDERATION ACCOUNTS

•Between 2016 – 2019 receipts from the federation Accounts surpasses projections

•This implied that for the periods, Government had more revenue from the federation Accounts.

The five years receipt from the Federation Accounts is shown in the schedule below:-

FIVE YEARS RECEIPTS FROM THE FEDERATION ACCOUNT

YEAR	ACTUAL	BUDGETED	VARIANCE	REMARK
2015	40,897,109,822.95	48,040,549.002	(7,143,439,179.05)	Under Achieved
2016	45,405,941,945.78	28,500,000.000	16,905,941,945.78	Over Achieved
2017	55,143,002,684.21	40,200,000,000	14,943,002,684.21	Over Achieved
2018	71,388,000,344.87	42,190,992,303	29,197,008,041.87	Over Achieved
2019	56,779,676,128.19	52,232,273,096.00	45,474,030,32.19	Over Achieved

1.4 INTERNALLY GENERATED REVENUE (IGR)

- Comparatively, revenue generated from internal sources have remained **unimpressive**.
- Performance of the revenue windows remained **uninspiring** relative to the economic potentials of the state
- Internally Generated Revenue (IGR) Contributed N25,183,562,696.89 as at the end of 2019
- This was 30.73% of the total revenue
- A reassessment of the revenue template or policy has become imperative
- For the past five years except in 2015 and 2019 achievement of revenue projections from internal sources remained below 60%.

SCHEDULE OF FIVE YEARS INTERNALLY GENERATED REVENUE

YEARS	ACTUAL	BUDGET	VARIANCE	PERFORMANCE %
2015	13,383,351,271.09	53,998,334,686	40,614,983,414.91	24.6
2016	14,862,633,724.94	27,438,299,051	12,575,655,326.062	54.17
2017	18,197,787,013.29	20,401,235,517	2,203,448,503.71	89.20
2018	17,161,534,822.13	30,000,000,000	12,838,465,177.87	57.21
2019	25,183,562,696.89	35,994,442,306.00	10,810,879,610	69.97

1.5 HEAD BY HEAD CONTRIBUTIONS TO THE TOTAL FROM 2015 -2019

- Taxes (Direct) remained the major and consistent contribution to the internally Generated Revenue
- Except in 2016, the revenue window (Direct Taxes) recorded consistent increase for the period 2015 -2019.
- Even at a seemingly an under projection in revenue considering the potentials of the State, less than 70% of the budget was realized

HEAD TO HEAD CONTRIBUTION OF THE REVENUE WINDOWS TO TOTAL REVENUE OF THE STATE ARE ILLUSTRATED IN THE TABLE BELOW:

HEAD	2015 (N)	2016 (N)	2017 (N)	2018 (N)	2019 (N)
Direct Taxes	7,098,912,034.20	6,455,427,773.29	9,117,304,407.25	10,815,876,983.46	11,841,762,055.62
Licenses	56,004,337.00	71,294,485.00	8,547,305.00	14,309,455.00	546,617,273.91
Fees	3,417,304,015.24	4,413,056,765.29	3,016,997,704.56	3,358,361,361.19	4,377,642,899.70
Fines	8,525,904.00	12,067,420.00	11,886,918.00	18,964,628.72	20,941,378.00
Sales	31,266,449.00	38,299,338.00	45,661,524.90	152,515,555.05	175,595,076.00
Earnings	25,297,981.00	63,442,316.00	62,886,156.49	72,291,920.00	2,352,897,484.90
Rent(GB)	1,512,000.00	3,309,300.00	639,908.00	162,200	973,000.00
Rent (GL)	641,606,967.58	816,258,678.52	616,609,159.71	23,602,622.36	53,994,346.26
Repayment	89,868,910.16	195,847,090.78	9,941,223.07	5,528,477.63	3,057,027.93
Investment	8,811,537.62	78,151,380.11	2,783,720,140.58	1,173,112,500.00	193,625,010.04
Interest	1,455,699,703.46	2,368,930,986.00	2,451,028,159.23	970,050,914.41	5,478,118,809.73

1.6 RECURRENT EXPENDITURE

- Recurrent expenditure rose from N43,942,176,197.15 in 2018 to N53,080,325,758.73 representing N9,138,149,561.00 or 17.22% increase.
- Between 2017 and 2018, the percentage rise in the recurrent expenditure was 6.03%.
- Overhead charge recorded an increase as well as consolidated revenue fund charge while personnel declined.
- Consolidated revenue fund charges rose by 25.51% from N11, 596,025,145.31 in 2018 to N14, 560,386,250.89 in 2019.
- Personnel cost decreased from N15,412,966,988.39 in 2018 to N14,969,316,705.51 in 2019.
- This represents a 2.88% decrease.

THE SCHEDULE BELOW ILLUSTRATES THE TREND OF RECURRENT EXPENDITURE IN THE PAST FIVE YEARS.

DESCRIPTION	2015 (₦)	2016 (₦)	2017 (₦)	2018 (₦)	2019 (₦)
Personnel Cost	11,558,072,610.64	13,141,36,093.62	13,983,281,188.79	15,412,966,988.39	14,969,316,705.51
Overhead Cost	13,653,674,549.14	14,545,164,120.74	18,333,006,312.13	18,785,328,884.82	23,550,642,802.33
CRF charges	7,245,116,736.39	6,485,413,818.86	9,125,063,722.94	11,596,025,145.31	14,560,386,250.89
Total	32,456,865,896.17	33,968,350,955.58	41,441,351,223.86	45,794,321,018.52	53,080,325,758.73

1.7 CAPITAL RECEIPT

- Aggregate capital receipts within the year under review exclusive of the opening balance was N50,156,677,610.87.
- This represents a decrease of N2,203,412,161.60 or 4.21% below 2018 figure.
- The projection of N91,834,635,028.00 was underachieved by N41,677,957,417.13 or 45.38%.

1.8 CAPITAL EXPENDITURE

•Procurement of public goods and services of capital nature in 2019 took a cumulative figure of N42,512,752,663.92.

•This was more than half of the capital expenditure projection of N91,834,635,028.00.

•Interestingly, Education and Health sectors received more funding compared to 2018.

TRENDS OF CAPITAL EXPENDITURES FROM 2015 TO 2019 (BY MAIN FUNCTION SEGMENTS).

DESCRIPTION	2015 (N)	2016 (N)	2017 (N)	2018 (N)	2019 (N)
General Public Services	3,653,182,565.60	6,185,403,189.08	12,717,322,327.45	11,213,861,428.94	14,934,991,202.55
Public Order of Safety	250,104,526.02	106,906,626.28	332,282,847.28	702,587,903.01	1,119,262,685.25
Economic Affairs	15,133,034,785.20	20,385,761,789.75	34,676,661,436.84	30,769,707,642.02	24,403,447,252.05
Environmental Protection	1,108,949,761.82	1,942,885,336.20	1,639,547,938.14	2,286,052,976.98	2,132,624,029.92
Housing & Comm. Amendments	288,317,974.70	865,683,504.78	675,022,720.23	1,005,941,359.18	648,291,610.97
Health	524,143,325.03	693,868,388	1,443,185,460.99	552,610,323.76	1,263,620,441.17
Recreation, Cult. & Relief	1,207,143,938.00	576,284,029.00	681,396,218.07	1,386,315,270.40	934,562,654.83
Education	1,097,165,938.49	762,549,324.89	2,064,471,406.98	1,941,235,326.59	3,342,753,383.95
Sec. protection	105,200,000.00	195,991,499.00	141,110,400.00	724,455,140.00	733,199,403.23
Total	23,367,242,812.86	31,715,333,686.98	54,37,000,755.98	50,582,767,370.88	49,512,752,663.92

