

CHAPTER ONE

1.1 INTRODUCTION:

Since the formation of the “International Public Sector Accounting Standards Board” (IPSAS) in 1977 significant developments and changes were witnessed in the area of financial reporting as well as Auditing approach.

Previously, Nations all over the world have defined and set out the standards of financial reporting and systems of auditing approach in their individual territories. However, developmental changes arising from the globalization trend inform the need for uniformity of disclosure in financial reporting to convey same information to users of financial reports across the world (beyond individual organizations, nations, regional and interests group). The approximately 173 member nations of IPSAS saw the need for the development of a unified accounting standards for public sector ‘financial reporting’ to be adopted by member nations.

So far approximately 113 Countries all over the world have or are in the process of adopting IPSAS. In order to remain relevant in the comity of nations, Nigeria a leading African nation considered the value proposition of IPSAS and took it upon herself to fully adopt same from January 2014, with emphasis that it is mandatory for all public sector accounting reporting entities in the country to ensure full compliance by the year 2015.

In line with the developments in the area of financial reporting, the supreme Audit Institutions (INTOSAI) of IFAC member nations converged, developed and issued improved standard guidelines on

auditing approach. The International Auditing Standards for Supreme Audit Institutions outlined steps, rules and actions (developed from research) that the Auditor must implement to achieve a specific result in the course of his professional roles. These standards represent the latest established framework for managing or conducting an audit work. The purposes of these standards is to follow a set of criteria or overall framework for achieving a purposeful, systematic and desired audit result (reports) and are applicable by all Auditors to all types of audit. They automatically seek to replace the old “traditional audit” system approach.

Consequently our reporting pattern on the financial statements as well as the audit of the accounts/records for the year ended 31st December, 2014 will feature significant changes. In addition to the assessment of established internal control structures to determine their credibility and reliability, substantive and compliance tests, performance audit appraisal as well as value for money assessment of projects, programs and services will be given more consideration, through systematic evidence analysis, tests and verifications. We will also seek to ensure that all reporting Agencies are IPSAS compliance in reporting their 2014 accounts of stewardship.

Accordingly a separate Audit report titled “domestic report” will accompany the financial audit report on the accounts of Yobe State Government. The domestic report is mainly a transactions based audit report, x-raying the performance of the Ministries, Departments and Agencies (MDAs) real situations, related to the management of public resources, documentations, and substantiation of the transactions with the required relevant supporting evidences; analyzed for the purpose of expressing

the audit opinion. It also seek to ascertain arithmetical accuracies as well as compliance tests with existing accounting rules and other related regulations in force.

1.2 LEGAL FRAME-WORK

The legal framework under which the Auditor-General performs his functions is the 1999 Constitution of the Federal Republic of Nigeria. The Constitution of the Federal Republic of Nigeria section 125 subsection i-iv remains the supreme extent law and authority which stipulated the role of the Auditor-General in this respect. Other numerous legislations that empowered him to conduct the audit of government accounts include:-

- The Audit Ordinance Act of 1952 (as amended).
- The public finances, control and management act of 1958 (as amended).
- The established financial regulations.
- The periodic governmental administrative circulars; and
- Other laws of the State House of Assembly as instruments establishing specific organs or Agencies for the conduct of government business with provisions which empowered the Auditor-General to discharge statutory audit functions.

1.3 OUR AUDIT OBJECTIVES

- To plan our audit in a manner, that could ensure that an audit of high quality is carried out in an efficient, effective and timely manner.

- To study and evaluate the system of internal control in design/established by management with a view to assessing the level of reliability in guaranteeing sound financial management system and control.
- To confirm the level of compliance with existing, applicable laws, regulations, budget and budgetary provisions as well as the appropriation law of the State House of Assembly.
- To design audit steps, and procedures to provide reasonable assurances for detecting acts that could have direct effects or material disclosures over the results of the regular audit work.
- To identify and expose cases of irregularities, errors, omissions, frauds or other illegal acts that may have occur and to extend audit procedures to confirm or dispel such suspicions.
- To establish (or otherwise) the credibility of the financial statements and the underlying records from which the accounts were prepared.
- To establish whether the acceptable accounting standards for financial reporting (2014) and disclosures are complied with.
- To obtain reasonable assurances about the size and development of the financial obligations of the State; through the examination of the accounts and financial statements and ensure that all operations have been correctly undertaken, completed, passed, paid for or otherwise and or registered devoid of irregularities.
- To obtain the rational and the basis for expressing an opinion on the financial statements and accounts for the period under review.

- To report on the accounts/records and or the financial statements (2014) of the government of Yobe State, received from the Accountant-General of Yobe State as in accordance with the requirements of section 125 subsections 1-4 of the Constitution of the Federal Republic of Nigeria 1999 as amended.

CHAPTER TWO

2.1 BUDGET SYSTEM AND ANNUAL ESTIMATES (2014)

In the Auditor-General Annual's report for the year ended 31st December, 2013; my predecessor recognized and commended all the stakeholders in the budget process from compilation to signing of the appropriation bill into law by His Excellency the Executive Governor. I am grateful that the positive situation continued to be maintained with more significant improvements in the year 2014 budget process.

Since the year 2010, the Government of Yobe State abandoned the old budget system involving traditional classification of accounts for the zero based budget system, and subsequently migrated to the programmes performance budgeting system. However, the budget consideration arising from the expenditure perspective rather than from the revenue potentials focus, often ends up in budget deficit projections expected to be financed from loans (external and internal borrowings). In other words, budget arises mostly from the demand side. Practically I must appreciate the policy of the Administration of ***His Excellency Alh. Ibrahim Geidam fca, fnca, fcpa the Executive Governor of Yobe State*** for declining to resort to borrowings to finance huge budget over the previous six years in order not to burden the citizens yet unborn with unnecessary debts as ***His Excellency the Executive Governor*** frequently maintained.

Budget based on realistic revenue focus could always encourage the avoidance of deficit budgeting. I therefore urge the stakeholders in budget process to consider this in future budgets and Medium Term Expenditure Framework (MTEF) forecast.

Notwithstanding the above, it is my opinion that Yobe State is in the fore front among the league of States ensuring budget process standardization using the new classification or charts of accounts over the last 3 years. Consistently, there seems to be strict adherence to the budget calendar outlining sequence of activities. The timely issuance of the budget call circular, budget sealing, budget discussions with MDAs and other stakeholders to the compilation of the budget, Executive Council certification and subsequent legislative processes within a fairly reasonable outlined time frame indicates the level of participation and sequence of events during budget formulation, as well as shared control by a variety of means for mass participation/actions in the budget process.

Bearing in mind that, the public servants, the Executive and legislators are true representatives of the citizens, and will act in their best interest; the consideration of inputs from Civil Society and Non-Governmental Organizations, and their invitation to participate during the budget discussion sessions, portrays the extent of accommodation of diversity of interest in the budget process. This indicates that budget process is not only the sole preserves of public bureaucrats, the Executive and legislators in its formulations, and is in conformity with internationally accepted modern budget process standardization.

Notwithstanding, the budget 2014 was signed into law on 29th January, 2014 by ***His Excellency the Executive Governor of Yobe State Alhaji (Dr.) Ibrahim Geidam FCNA, FNCA, FCPA*** and copies of the all-important document were made available to the MDAs/other *stakeholders* immediately and in good time, MDAs in particular were able to use the approved estimates as a guide and spring board for the control of expenditure; as budget Officers posted to MDAs continues to offer their expected professional advises. No wonder therefore, that the occurrence of cases of over expenditure and or, misclassification of votes during the accounting period covering 1st January to 31st December, 2014 was reduced to the bearest minimum; and even where minor of such cases un-avoidably has to occur, evidence of virement across heads and sub heads of expenditure estimates duly presented to, approved, and authorized by the State legislature were made available/copied to my office for audit purposes and clarification.

Let me appreciate the fact that in terms of budget processes standardization and budget discipline during its implementation, the year 2014 was unprecedented in the history of Yobe State. Budget officers and other stakeholders deserved commendation for the satisfactory performance. It is my sincere hope and prayer that the trend will continue to maintain itself.

2.2 IPSAS REPORTING STANDARDS (MDAs):

The accounting period ended 31st December, 2014 marks a test period for compliance with the IPSAS reporting standards, our survey across the state indicated that at the level of the MDAs accounting officials understands, appreciates and to an extent complied with the reforms requirement over

reporting pattern. Therefore, the training session conducted by the Ministry of Finance yielded fruitful and positive results. Similarly, the provisions of necessary equipment and materials needed to operate the IPSAS standards, to all MDAs has indicated the level of seriousness with which the Ministry of Finance, the IPSAS implementation Committee and by extension the state's perception and concern for adopting reforms measures for the purpose of ensuring good governance and quality services delivery. However, more rigorous trainings should be conducted for the MDAs accounting staff in view of the desire to migrate to the accruals reporting pattern in 2016.

Satisfactorily, the individual Ministerial accounts reporting pattern during the inspection period covering January to December, 2014 indicated positive compliance with IPSAS requirements.

2.3 AUDIT REPORT(S) AND AUDIT QUERIES

In view of the changing attitudes of officials and the MDAs towards the Audit, Audit reports and audit queries, operations undertaken by my office during the year 2014 in MDAs were very encouraging and satisfactory.

Certainly, the convening of the 1st Public Accounts Committee Sessions on the reports of the Auditor-General from 2009 to 2013 prompted a change of attitude on the part of MDAs/officials responsible for financial duties and obligations. This positive development has awaken all MDAs and stakeholders in financial management, to their responsibilities, compliance to existing rules of conducting financial duties, respect for the provisions of the established financial regulations in force, and prompt response to issues raised during audit processes, audit observations, and audit queries, previously issued, or

arising during the current inspection. Let me once more appreciate the gallant effort of the Public Accounts Committee under the Chairmanship of Hon. Abdullahi Usman Kukuwa for the laudable achievement and for uplifting the moral of audit functionaries, and the standards of public accountability in Yobe State. All audit queries and issues raised between 2009 and 2011 and which remained unresolved were laid before the recently concluded PAC sessions, while issues relating to 2012 and 2013 accounts are currently being addressed by the PAC. Therefore only matters related to 2014 accounts are treated in this report.

2.4 INTERNAL CONTROL:

The importance and relevance of Internal Auditors towards facilitating and attainment of sound financial management in the MDAs cannot be over emphasized. However, reports reaching this office have persistently portrayed Internal Auditors posted to MDAs positioning themselves as fault findings Commissioners; this should not be so. Furthermore, there seems to be constant conflict of roles between our Auditors posted to MDAs on routine statutory audit assignment with the Internal Auditors on the one hand and between the Internal Auditors and Accounting Staff of MDAs whose work is the subject of audit.

Let me make it abundantly clear that Internal Auditors posted to MDAs are responsible to, and report to the management of the MDAs they serve. They serve as professional overseers and advise management on the working of internal checks and internal control arrangements, which if properly routed and allowed to function will reduce the level of errors, omissions and commissions or even

frauds before they occur in the area of financial management. Furthermore, where the Internal Auditor is prevented from discharging his duties efficiently and effectively by the management, or envisaged the possibility of an intended fraud, resisted to be addressed and or avoided by the management upon his advice, the Internal Auditor reports to the State Audit Alarm Committee of which the Auditor-General is the Chairman.

Even though in terms of method of approach and area of responsibilities both the internal and external (statutory) Auditors likened to each other, but the role of the external or statutory Auditor goes on extra mile; this is to say that the role of the external Auditor is guided by the legal requirements guaranteeing his functions, and his reporting pattern. This is the working arrangement ethically.

Therefore Internal Auditors posted to MDAs require rigorous re-training ethically and academically in line with the International Charter on Internal Auditing Principles. They must also familiarize and comply with the requirements of chapter 20 rules 2001-2020 of the established financial regulations in force. This will disabuse their minds from assuming the position of fault finding commissioners, avoid constant role conflict, understand their scope and nature of work, thus ensuring the benefit of introducing the internal audit concept in the state.

2.5 DOCUMENTATIONS AND RECORDS:

During the reporting period covering January-December, 2014; our teams of Inspection Auditors observed and reported positive improvements over the manner in which transaction were adequately

recorded or posted into the various books of accounts. Correspondingly expenditure incurred in respect of public funds were adequately vouch for, while substantiation of expenditure with the relevant supporting particulars was (subject to comments contained in the Domestic report related to the individual ministerial accounts) fairly satisfactory. I wish to appreciate the efforts and steps taken by the Inspectorate Unit of the Office of the Accountant-General Ministry of finance for intensifying constant supervision, periodic inspection and appraisal of the individual ministerial accounts and records and urge them to continue the good work.

2.6 BILLS OF PRELIMINARY ESTIMATES AND RECORDS:

In all the previous Auditor-General Annual Report, complains over the inability of MDAs engaged in capital projects/programmes to forward to my office bills of preliminary estimates for early scrutiny and certification has been emphasized, but the situation still remain the same. The wisdom in an early scrutiny of bills of preliminary estimates in respect of projects/programmes is aimed at ensuring the following:-

- Systematic and efficient procedures outlined by existing contracts regulations enshrined in the established financial, stores and other technical regulations and rules of economy are being adhered to at the early stage of contract planning.
- To establish the credibility of estimates, bills and costs related to specification and quantities in view of statistical data obtainable or current market positions.

- To serve as basis for the audit planning and audit approach from project implementation to finish level; thereby ensuring the quality of materials tied to the project for the purpose of standardization, thus avoiding the consequences arising from a postmortem audit approach over finished projects.

Vital and relevant documents required to be forwarded to my office consists of:-

- a. Project design and specification.
- b. Bills of preliminary estimates and cost ascertainment.
- c. Bills of quantities, materials specifications and qualities, statistical surveys and cost implications.
- d. Material schedules to bills of quantities.
- e. Performance bond/advance payment guarantee etc.

Efficient planning of any project/programme provided in the annual budget or approved for execution must be backed by the above indicated important documents; where the project or programme is lacking of such outlined records or documents, it implies that the cost, or prices tied to the project or programme were simply determine or decided off-head without any basis or indices. Since MDAs and officials responsible for contract administration appear too reluctant to respond to my request, necessitating my routine audit processes of projects/programmes to be postmortem (in several cases) and therefore inefficient, because materials specifications, materials inputs and materials qualities, alongside their values, could not be predetermined as projects/programmes have been executed to

completion. In other words, the use of inferior quality materials tied to the project could be concealed and go undetected by the time it reaches completion/finishing level. This situation remains very worrisome to the Audit, and unless it is addressed and avoided, poor quality job, and substandard performance could continue to manifest and go unchecked.

CHAPTER THREE

3.1 BUDGET ANALYSIS:

3.2 REVENUE ESTIMATES (2014):

The total budget proposed for the services of the year covering 1st January to 31st December, 2014; stood at N102,899,142,000.00 consisting of N77,443,324,000.00 or 75.2% from the recurrent revenue and N25,455,818,000.00 or 24.8% from capital receipts as against the sum of N86,658,299,000.00 consisting of N43,510,555,638.00 or 50.2% from the recurrent revenue and N43,147,743,362.00 or 49.8% from capital receipts, budgeted over the same period for the services of the year 2013. The figures above indicates a differences of N16,240,843,000.00 or 16% above the previous year.

REVENUE ESTIMATES					
Description	2014	Perf.	2013		Variance
Recurrent Revenue	77,443,324,000.00	75.26	43,510,555,638.00	50.21	33,932,768,362.00
Capital Receipts	25,455,818,000.00	24.74	43,147,743,362.00	49.79	- 17,691,925,362.00
Total	102,899,142,000.00	100.00	86,658,299,000.00	100.00	16,240,843,000.00

3.3 ACTUAL REVENUE PERFORMANCE:

However, the actual receipts during the year under review stood at N57,042,587,949.29 consisting of N54,583,746,926.41 or 96% realized from recurrent revenue and N2,458,841,022.88 or 4% from capital receipts as against the sum of N68,255,615,324.54 consisting of a recurrent revenue of N41,699,482,062.00 or 61% and capital receipts of N26,566,133,262.54 or 39% realized during the year 2013. The total figures above indicates a shortfall of N11,213,027,375.25 or 16% below the previous year. The shortfall of the actual revenue/receipts during the year does not come as a surprise in view of the drastic fall of global oil prices resulting in a low flow of revenue to the federation account, at the last quarter of the year (2014), as well as the dwindling performance of IGR in the state as a result of the insecurity problems.

ACTUAL REVENUE PERFORMANCE					
Description	2014	Perf.	2013		Variance
Recurrent Revenue	54,583,746,926.41	95.69	41,699,482,062.00	61.09	12,884,264,864.41
Capital Receipts	2,458,841,022.88	4.31	26,566,133,262.54	38.91	- 24,097,292,239.66
Total	57,042,587,949.29	100.00	68,255,615,324.54	100.00	- 11,213,027,375.25

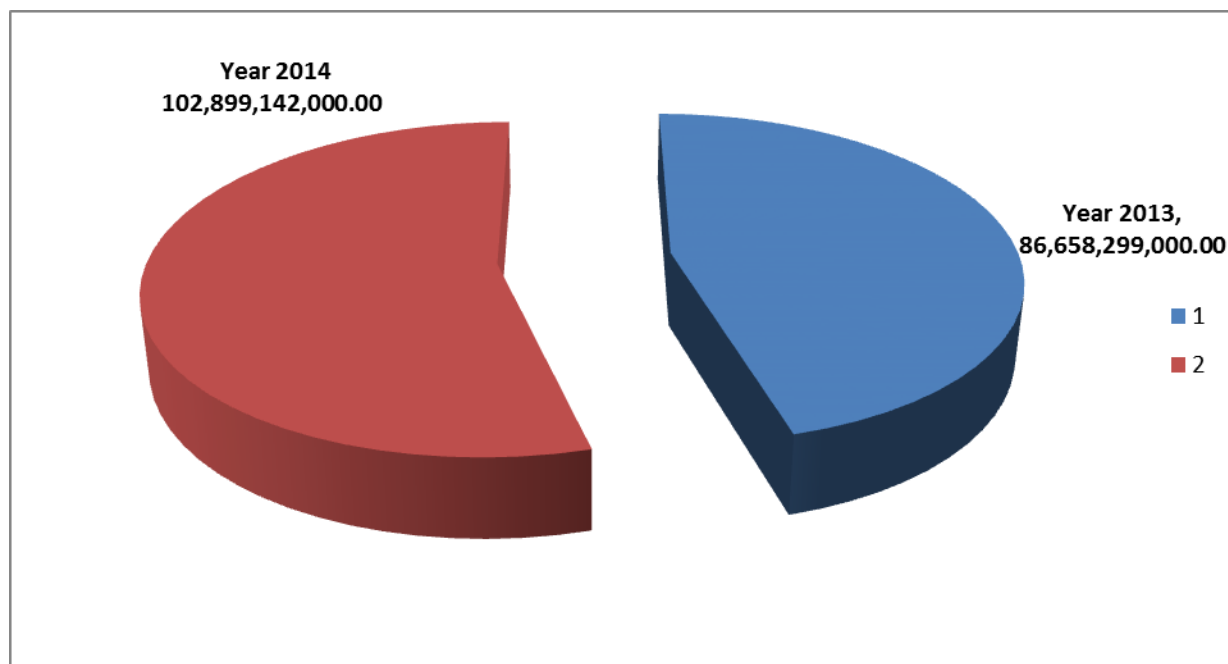
3.4 EXPENDITURE BUDGET ANALYSIS:

During the year under review, the government of Yobe State proposed a total expenditure of N102,899,142,000.00 consisting of N37,934,651,100.00 or 37% for the recurrent expenditure and N64,964,490,900.00 or 63% for the capital development as against the proposed expenditure of

N86,658,299,000.00 consisting of N35,498,137,600.00 or 41% for the recurrent and N51,160,161,400.00 or 59% for the capital expenditure over the same period in the previous year. The total proposed expenditure budgeted for the year 2014 appears to be slightly higher than that of 2013 by the sum of N16,240,843,100.00 or 16%. Similarly, the total proposed recurrent expenditure for the year 2014 is higher than that of the year 2013 by the sum of N2,436,513,500.00 or 6% while the proposed capital expenditure is higher than that of 2013 by N13,804,329,500.00 or 21% as reflect in the table below.

APPROVED BUDGET (EXPENDITURE)					
Description	2013	%	2014	%	Difference
Recurrent Exp.	35,498,137,600.00	40.96	37,934,651,100.00	36.87	- 2,436,513,500.00
Capital Exp	51,160,161,400.00	59.04	64,964,490,900.00	63.13	- 13,804,329,500.00
Total	86,658,299,000.00	100.00	102,899,142,000.00	100.00	- 16,240,843,000.00

Below is the pie chart of Approved estimates of the years 2014 and 2013



3.5 ACTUAL EXPENDITURE ANALYSIS:

Even though the Government proposed an expenditure of N102,899,142,000.00, it could be observed that the actual total expenditure during the year 2014 stood at N57,584,280,897.99 consisting of N32,601,899,777.99 or 57% for the recurrent services and N24,982,381,120.00 or 43% for the capital development as against the actual expenditure of N66,981,667,732.01 consisting of

N32,764,695,506.00 or 49% for the recurrent and N34,216,972,226.01 or 51% for the capital expenditure recorded over the previous year 2013. This is to say that the actual total expenditure recorded during the year 2014 is lower than that of the year 2013 by the sum of N9,397,386,834.02 or 14%. Therefore the actual expenditure during the year under review recorded 56% performance. Similarly, the total recurrent expenditure for the year 2014 is slightly lower than the 2013 figure by N162,795,728.01 while the actual capital expenditure for the year 2014 is also lower than the 2013 figure by the sum of N9,234,591,106.01. The table below provides details of the actual expenditure situation.

ACTUAL RECURRENT EXPENDITURE					
Description	2013	%	2014	%	Variance
Personnel Costs (including salaries on CRF charges)	16,789,233,088.41	51	18,488,597,067.05	57	- 1,699,363,978.64
Overhead Costs	11,179,528,267.88	34	9,589,160,788.94	29	1,590,367,478.94
Consolidated Rev. Fund Chrg including Pensions & gratuities	2,120,862,534.67	6	2,249,217,026.00	7	- 128,354,491.33
Rec. Grants & Subv.	2,242,407,990.01	7	1,500,477,011.00	5	741,930,979.01
Repymnts: Ext. & Int. loans	128,019,377.91	0	612,714,305.00	2	- 484,694,927.09
other operating activities	304,644,247.12	1	161,733,580.00	0	142,910,667.12
Sub-Total	32,764,695,506.00	100	32,601,899,777.99	100	162,795,728.01

ACTUAL CAPITAL EXPENDITURE					
Description	2013	%	2014	%	Variance
Economic Sector	19,277,097,842.51	56	14,309,252,929.00	57	4,967,844,913.51
Social Sector	9,597,660,848.13	28	7,670,630,361.00	31	1,927,030,487.13
Regional Dev. Sector	218,630,816.25	1	20,000,000.00	0	198,630,816.25
Law and Justice	637,895,667.94	2	558,337,593.00	2	
Administration Sector	4,485,687,051.18	13	2,424,160,237.00	10	2,061,526,814.18
Sub-Total	34,216,972,226.01	100	24,982,381,120.00	100	9,234,591,106.01
Grand-Total	66,981,667,732.01		57,584,280,897.99		9,397,386,834.02

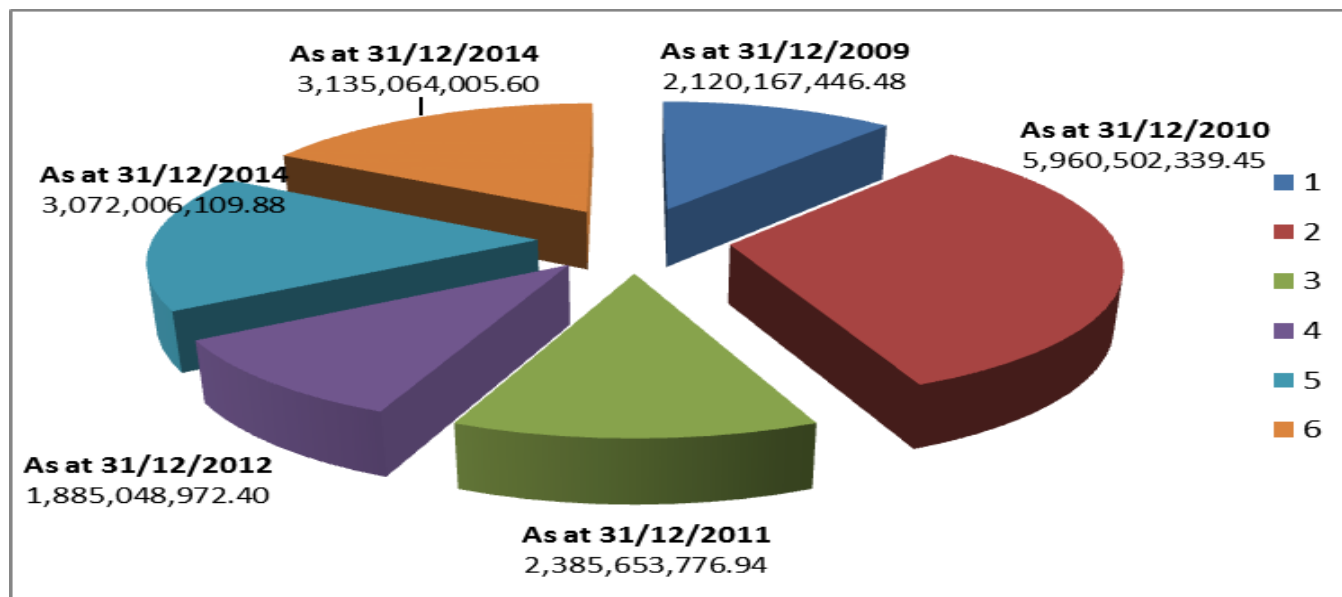
3.6 INTERNALLY GENERATED REVENUE:

A. GENERAL COMMENTS:

The prospects and behavior of the state's internal revenue generation capacity could best be portrayed starting with an illustration and analysis of (the following table of) revenue performance covering the period of six years, from 2009 to 2014.

YEAR	APPROVED EST.	ACTUAL PERF.	VARIANCE	% of Actual IGR over Approved Estimates
2009	1,484,400,000.00	2,120,167,446.48	-635,767,446.48	143
2010	4,089,449,267.00	5,960,502,339.45	-1,871,053,072.45	146
2011	3,393,026,000.00	2,385,653,776.94	1,007,372,223.06	70
2012	5,940,000,000.00	1,885,048,972.40	4,054,951,027.60	32
2013	3,300,000,000.00	3,072,006,109.88	227,993,890.12	93
2014	3,630,000,000.00	3,135,064,005.60	494,935,994.40	86

Below is a graphical presentation (i.e pie chart) of actual revenue performance from 2009 to 2014.



From the tables above, it could be observed that in the year 2009; the sum of ₦2,120,167,446.48 representing 5% of our total income was realized as the total IGR accruing to the state. This necessitated the Auditor General in his annual report for that year (2009 page 23-26) to raise observations regarding the low performance of IGR in the state; following a comparative analysis of the percentage of the IGR in relation to our total annual income. He observed that the statutory allocations form the major source of our earnings and warned over the consequences of our over dependence on oil revenue to be a point of great concern. The Auditor-General cited the vagaries and negative behaviors prevailing in the Niger Delta region, the major oil producing area causing low flow

of revenue to the federation accounts during the year as a clear alarming factor; and Just recently the global fall in the prices of crude oil worldwide has made another signal to the country and the states that rely heavily on the federation accounts receipts to finance their activities. States over dependence on oil revenue could be dangerous; we must look elsewhere for alternatives giving our natural economic potentials, since there are many countries across the world that do not export or earn oil revenues but comfortably continue to survive running their governmental/public structures successfully. Consequently, the state was advised to overhaul the machinery for internal revenue generation, improve on the revenue administration processes, exploit new sources of revenue and review ancient existing rates, so as to improve and burst the general revenue generating capacity of the state. The government immediately responded and the audit very much appreciated the measures taken promptly to address the circumstances, leading to positive developments in 2010, where our IGR capacity rose from ₦2,120,167,446.48 in the year 2009 to an appreciable sum of ₦5,960,502,339.45 or 13% of our total earnings in the year 2010.

However, while expecting much more of the positive development to continue into the year 2011, unfortunately the hostile insecurity situation resulting from the insurgency activities across the state started to worsen, crippling the general economic activities and market situation. Apparently our desired efforts of enhancing our revenue base, revenue performance strategy were frustrated, resulting into a negative down-wards trend of our internal revenue performance, during the subsequent 3 years (2011-2013). In 2011 our IGR performance figure stood at ₦2,385,653,776.94 or

4% of the year total earnings. Similarly, in the year 2012; the internally generated revenue realized stood at ₦1,885,048,972.40 or 3% of the year's total earnings, while in 2013, it stood at ₦3,072,006,109.88 or 5% of the year total earnings.

Up to the time of writing this report (April, 2015) full normalcy did not return to the state particularly pertaining to economic activities, which is a pre-condition for sound revenue generating activities. During the current reporting period (2014) our IGR still remain at ₦3,135,064,005.60 or 5% of our total earnings. Constrained by natural factors and acts of God almighty, I declined to pass any negative comments over our revenue performance from 2011 to date; yet I must emphasize that very much more needs to be done. As we continue with prayers to the Almighty Allah for the return of normalcy to end the insurgency, let us bear in mind that Government and all stake holders must consider aptly the need to put our heads together to support and ensure an emergency in the area of internal revenue generation. This could be ensured through the following measures:-

1. As a matter of urgency, the State Accountant-General should in collaboration with Accounting officers of all MDA's ensure that they bring to an end, the porous trend regarding the printing, custody and control of all revenue earning books and licenses, which apparently contradicts the requirements and provisions of chapter 10 rules 1001-1030 of the existing financial regulations in force, and which allow room for MDA's and revenue officers to misbehave due to poor control measures, leading to or causing government a lot of wrongful loss. In other words the laid provisions of the above quoted regulations in respect of printing, custody and control of all

revenue earning documents must be adhered to in order to ensure controlled accountability, and excellence in the internal revenue accounting system/administration.

2. A strategy by all MDA's individually and collectively to identify and exploit their revenue potentials and capacity fully. This challenge must be seen as the only alternative way out to ensure the survival of the state in case of any calamities such as the unfortunate misbehaviors of the oil producing communities and the recent global fall of oil prices.
3. The efficient periodic monitoring of all revenue collectors and collection agencies by the Board of Internal Revenue, State Audit and Ministry of Finance and Economic Development to ensure that all dues are actually collected, recorded and brought to account into the prescribed government revenue accounts.
4. Reviewing most of our ancient revenue rates as well as identifying new sources.
5. Except for where expressly and authoritatively allowed by the government all revenues collect must be promptly paid into the prescribed government revenue account devoid of pilferages. And where such an authority is permitted by the government for MDA's to spend part or all of their earned revenues a performance return must still be forwarded to the Accountant General to be captured and included in financial statements as part of the revenue potentials of the state, since revenue performance serve as a parameter or index for the sharing formula of the federation accounts proceeds, this is the proper trend of accountability. In 2014, performances

of our higher institutions, and some major revenue earning Boards and Parastatals were not reflected in the annual financial statement as expected.

6. Revival of our government business enterprises and enabling them to function effectively with the objective of enhancing their performance directed towards revenues generating activities. These GBE's includes the fertilizer Blending plant, the Polythenes and Woven Sack Industry, the Nguru oil mills, Dofarga Spring Water, etc, hitherto, being inefficient organizations as a result of very poor managerial policies (except for the fertilizer plants).
7. Government through its concerned agencies should become more interested in the IGR drive, as advocated by ***His Excellency the Executive Governor of Yobe State Alhaji (Dr.) Ibrahim Geidam fcna, fnca, fcpa*** during his recent speech on the occasion of the presentation of the 2015 Appropriation and Finance Bills to the Honourable Members of the State House of Assembly.
8. The sensitization and education of our tax payers must be aptly considered.
9. The Ministry of Finance on the other hand should sanction all defaulting Agencies and MDA's who fail to forward their monthly revenue returns alongside that of expenditure by withholding their remittances or payments.

On our part, the Audit has uplifted the status of the Revenue Inspection Unit to the level of a full Directorate and re-invigorated the staff capacity of the component Units to enable it function as expected. Furthermore, a cash survey unit has been introduced for the purpose of

visiting all revenue collection centres Bi-monthly to monitor their activities and report promptly for further audit purposes.

B. REVENUE PERFORMANCE BY INDIVIDUAL MDAs:

Following the receipt of the Accountant-General's financial statements and subsequent analysis of the MDAs performance on internally generated revenues; in line with our opinion and determination to offer useful suggestion that could help the government in adopting policies aimed at boosting the internally generated revenue (IGR) capacities of MDAs across the state. The following observations were made:-

- A number of MDAs with enormous revenue generating potentials, fail to perform sufficiently and creditably as expected.
- Some MDAs actually collected or generated internal revenue satisfactorily and perform wonderfully well, but ended up expending the entire amount with or without express authority from the government and failing to forward returns for inclusion in the Accountant-General's financial statement to be part of our revenue potentials.
- Other MDAs could not provide adequate records or evidences of their revenue generating activities, despite the fact that collection were done.

Consequently, this office resolve to constitute an Audit Committee for the purpose of visiting all MDAs with revenue generating potentials, contained in the annual estimates for the purpose of:-

- ✓ Assessing the method of printing, custody and control of stock of revenue earning documents and records, (books, receipts and licenses etc).
- ✓ To determine the level of performance in respect of IGR for the period covering January-December, 2014.
- ✓ To identify the method of revenue accounting processes in operation, and whether collections were accordingly and adequately accounted for, as required by existing rules contained in the financial regulations and promptly remitted to the prescribed government revenue accounts.
- ✓ To identify dormant sources of revenue or those potential areas being under exploited.
- ✓ To comment on the IGR activities of the MDAs with a view to certifying their performance or make suggestions in respect of the areas requiring improvements.

Already the committee has commenced the assignment and even submitted interim situation report covering 10 MDAs. The committee's assignment is yielding fruitful envisaged results.

As the committee progresses, let me appeal for your patience to allow us time to conclude the assignment before submitting our final report for your consideration in about 2 months' time.

Notwithstanding all the above, and bearing in mind that IGR does not only support and facilitate the provisions of essentially required developmental services to the people; but revenue performance and generating efforts also serve as one of the parameters or indices for the sharing formula of the federation accounts proceeds. In view of this, it becomes apparently necessary for the government

and the Ministry of Finance to design and introduce a proper process of revenue accounting where by all revenue proceeds accruing to the state, particularly the IGR accruing to Boards and Parastatals must be fully captured and accounted for, in the relevant books of accounts before being subsequently released to the concerned MDAs to be expended based on approved budgeted expenditure. As a matter of urgency, an account should be provided by the Accountant-General for the purpose of paying in all proceeds realized as IGR by MDAs. This procedure becomes necessary in line with the IPSAS cash basis reporting requirements. This could enable the Office of the Accountant-General to efficiently and effectively monitor, control and account for IGR holistically across the state, and will conveniently enable our figures of the IGR to rise, and to increase our proceeds and receipts from the federation's accounts.

I urge government and the Ministry of finance to consider ensuring the above strategy for convenient accounting policy and the corresponding benefit

3.7 PERSONNEL COST: ADMINISTRATION AND RECORDS:

During the year under review, the Government estimated the sum of N19,535,818,000.00 for the payment of personnel costs and wages in respect of the 76 organizations or establishments including public office holders.

Following an Audit scrutiny of the accounts and records maintained by the centralized Salaries accounts unit of the Ministry of finance, it was established that the actual sum of N18,488,597,067.05 was

expended on the payments of salaries and wages to the average of 26,654 staff work-force between 1st January to 31st December, 2014.

Below is a table of the monthly summary of the actual employees' salaries during the reporting period.

<i>Month of accounts</i>	<i>General Staff Salaries</i>	<i>Wages/allowances</i>	<i>Public office holders</i>	<i>Severance Gratuities/POH allow.</i>	<i>Total</i>
January	1,254,680,219.68		106,483,103.15		1,361,163,322.83
February	1,282,762,086.70		108,040,809.77		1,390,802,896.47
March	1,269,649,374.22		108,450,488.15		1,378,099,862.37
April	1,270,211,026.01		110,505,561.65		1,380,716,587.66
May	1,271,259,704.84		109,291,242.98		1,380,550,947.82
June	1,273,046,335.08		111,294,387.86		1,384,340,722.94
July	1,275,351,003.67		111,456,426.08		1,386,807,429.75
August	1,279,441,549.57		141,842,106.53		1,421,283,656.10
September	1,274,826,579.51		114,489,805.52		1,389,316,385.03
October	1,272,186,509.39		112,661,873.06		1,384,848,382.45
November	1,295,328,870.04		114,107,225.93		1,409,436,095.97
December	1,275,058,925.68		112,108,908.00		1,387,167,833.68
Total	15,293,802,184.39	652,628,249.71	1,360,731,938.68	1,181,434,694.27	18,488,597,067.05

Having examined the centralized salaries accounts and records and reconciled with the various banks responsible for the e-payments of staff salaries on one hand, it could not be possible to extend our verification to the individual MDAs being the primary sources of data and information; to validate and confirm figure in respect of individual employees and the MDAs as a whole. This is because since the introduction of the biometric exercise, computerization and the centralization of salary payments in

the Ministry of Finance, MDAs appears reluctant of ensuring the provision and maintenance of the vital personnel records consisting of, updated staff personnel files, variation order(s), pay records cards, details of staff placement, movement and transfers etc, necessarily required to ensure staff existence, basis of computations and calculations, and the accuracy of rates and figures.

Since the non-availability of an up to date personnel data at the MDAs to enable an independent confirmation and validation of the figures obtained at the central accounts salary pay unit as a check and balance, it appears very necessary to conduct a full personnel audit of the state's MDAs to enable an opinion and report on the huge ever-growing state's wage bills.

It was also observed that the line MDAs did not involve in verifications and certification of their monthly wage bills, and salary figures nor are the copies of the vouchers/monthly summaries been forwarded to the MDAs for the purpose of clarifications and updating their supposed to be maintained records.

As a matter of urgency, it is very relevant to draw the attention of officials responsible for salary administration to immediately involve the MDAs in the verification and subsequent authentication of their monthly salaries and wages bills before payment are remitted to banks. This exercise will help in checking issues related to abscondment, inflation of salary figures, computation, rates, and continuous payment for retiring/absconding personnel or even ghost workers etc. It will also encourage the MDAs to observed and ensure the provision of the necessarily required personnel records, data and information to serve as a check and balance.

3.8 (i) LOANS AND ADVANCES:

During the reporting period a total of N1,460,000,000.00 was taken as short term loan from the Fidelity Bank plc for onwards transmission to SUBEB as 50% marching grant and the amount involved is confirmed to have been received and posted to relevant books of accounts of the Board.

There is proper legislative authority allowing the State Executive to incur the loan. The loans were to be serviced (repaid) over a period of 7 months and already as at 31st December, 2014; the sum of N442,544,000.46 has been refunded while the remaining balance of N1,106,360,001.14 including interest to be fully paid in 2015.

The accounts for expenditure maintain by the board are subject to be audited by the External Auditors engaged by the organization and the audit is currently in progress.

As mentioned earlier throughout the life of his administration, the government led by ***His Excellency Alhaji (Dr.) Ibrahim Geidam fcna, fnca, fcpa*** has never appreciated resorting to borrowings to finance projects or huge budgets, as is the case with most States across the country. This is in order not to burden the citizens yet unborn with unnecessary debts, as constantly maintained by ***His Excellency the Executive Governor***. The case of this short term minor internal debt was observed to have been necessitated by the urgent desire to settle the 50% marching grant, to help secure the federal funds, to enable the government quickly rectify and repair the rampant or huge damages caused by activities of the insurgents, to important governmental social and educational structures across the State. I must appreciate and applaud the wisdom behind the administrations wise and patriotic decision for

incurring a short term loan that could be serviced within the life and time frame of the regime in power. As far as the issue of borrowings, internal or external loans, no State Government or serving Governor in Nigeria has demonstrated a more patriotic sense of concern for the future or financial survival of his State. This singular effort is worthy of appreciation and praise by all citizens of Yobe State.

(ii) STAFF LOANS AND ADVANCES:

As a means of motivating staff and public office holders towards convenient discharge of their duties and responsibilities, government initiated and issued car loans to public office holders and furniture loan to civil servants to be recovered from salaries instalmentally.

During the reporting period a total of 197 and 631 public office holders benefitted from car and furniture loans (loans) respectively, and another 3,212 employees benefitted from the staff furniture loans scheme.

The accounts and records maintain by the Sub-Accountants related to the transactions involving receipts and payments, as well as recoveries from the beneficiaries' salaries accounts, were rendered for audit purposes, scrutinized and certified. There were no major comments appearing to the notice of the Inspection Auditors worth reporting.

3.9 PENSIONS AND GRATUITIES:

Prepared and computed individual staff files, from various MDAs via the Establishment Department, Office of the Head of Service were forwarded to my office for scrutiny verifications and approval.

A total of 673 files were received and treated, 637 files were cleared and returned for further necessary actions (payments), while 36 files were not cleared due to improper documentations. The concerned MDAs/officials were queried to provide the missing documents, explanations or clarifications.

Following the audit scrutiny of staff files, a total of N115,614,123,87 as savings arising from over payments of salaries, wrong computations, and outstanding car loans/furniture advances were made. Some minor problems related to the basis of computations in respect of certain categories of professional workers were observed. Certain categories of allowances, not classified as pensionable allowance are included and allowed on pensions and gratuities. This has caused the government a substantial loss of huge resources.

Attention of the Office of the Head of Service and the officials responsible for pension administration is hereby drawn to the provisions of establishment circular ref. no. B63216/S.1/X/618 dated 13th September, 1991, Estab. Circular ref. B63216/S.1/X/702 of 25th January, 1993 and National Salaries, Incomes and Wages Co Circular SWC 04/551 of 28th August, 1998 on Revised and Harmonized Public Service Structure (HAPSS) and allowances for the State Public Service and SWC 04/554 of 28th August, 1998 in respect of categories of pensionable allowances.

3.10 SUBMISSION OF FINANCIAL STATEMENTS:

The Financial statements of/or on the accounts maintained by the Accountant-General Ministry of finance Yobe State Government covering the period 1st January to 31st December, 2014 was received

in my Office on the 2nd April, 2015. After details scrutiny and analysis, the financial statements were observed to be free of major defects and irregularities arising from either arithmetical or technical error. Minor insignificant issues were dealt with on the spot and the financial statements were subjected for audit purposes, while the accounts together with underlying records were already under proper routine audit scrutiny.

The able and capable State Accountant-General Alh. Adamu Idi Danchuwa fcna and by extension the State Ministry of Finance, particularly the dedicated Hon. Commissioner Alh. Kaigama Umar and the reform minded Permanent Secretary Alh. Abatcha Geidam fcna, their team of Directors and Staff must be appreciated for uplifting the image and status of the State Ministry of Finance towards ensuring financial discipline, sound financial management and control of state resources as never preceded in the history of Yobe State. May Allah grant them the serenity to continue with the good work. The dedicated efforts of the team, individually and collectively is highly appreciated.

3.11 PROGRESS REPORT ON THE ACCOUNTS OF BOARDS AND PARASTATALS:

In accordance with the requirement of section 125 subsection 3 (a) i & ii and b, the accounts of Boards and Parastatals of the state are to be audited by firms of External Auditors. For the year ended 31st December, 2014; the table below provides a situation report in respect of the submission of the drafts of accounts and auditing of the individual organizations.

A. ORGANIZATIONS THAT FULLY COMPLETED AND HAVE THEIR DRAFT ACCOUNTS AUDITED UP TO THE YEAR ENDED 31ST DECEMBER, 2014.

S/N	NAME OF ORGANIZATION	DRAFT ACCTS.	AUDITED ACCTS.	REMARKS
1	Agricultural Development Programme	Up to 2014	Up to 2014	Completed
2	Arabic & Islamic Education Board	Up to 2014	Up to 2014	Completed
3	Board of Internal Revenue	Up to 2014	Up to 2014	Completed
4	College of Administrative & Bus. Studies	Up to 2014	Up to 2014	Completed
5	College of Agriculture	Up to 2014	Up to 2014	Completed
6	College of Education Gashua	Up to 2014	Up to 2014	Completed
7	College of Nursing & Midwifery	Up to 2014	Up to 2014	Completed
8	Council for Arts & Culture	Up to 2014	Up to 2014	Completed
9	Desert Stars Football Club	Up to 2014	Up to 2014	Completed
10	Fire Service Board	Up to 2014	Up to 2014	Completed
11	Hospital Management Board	Up to 2014	Up to 2014	Completed
12	House of Assembly Service Comm.	Up to 2014	Up to 2014	Completed
13	Housing & Property Dev. Corp.	Up to 2014	Up to 2014	Completed
14	Infrastructural Development Programme	Up to 2014	Up to 2014	Completed
15	Legal & Islamic Studies Nguru	Up to 2014	Up to 2014	Completed
16	Library Board	Up to 2014	Up to 2014	Completed

17	Local Govt. Service Commission	Up to 2014	Up to 2014	Completed
18	Local Govt. Staff Pensions Board	Up to 2014	Up to 2014	Completed
19	Mass Literacy Agency	Up to 2014	Up to 2014	Completed
20	Modern Abattoir	Up to 2014	Up to 2014	Completed
21	North-East Arid Zone Dev. Programme	Up to 2014	Up to 2014	Completed
22	Pilgrims Welfare Commission	Up to 2014	Up to 2014	Completed
23	Primary Health Care Mgt. Board	Up to 2014	Up to 2014	Completed
24	Rural Electrification Board	Up to 2014	Up to 2014	Completed
25	RUWASA	Up to 2014	Up to 2014	Completed
26	School of Health Technology Nguru	Up to 2014	Up to 2014	Completed
27	Science & Technical Educ. Board	Up to 2014	Up to 2014	Completed
28	Sports Commission	Up to 2014	Up to 2014	Completed
29	State Emergency Management Agency	Up to 2014	Up to 2014	Completed
30	State History Bureau	Up to 2014	Up to 2014	Completed
31	State Independent Electoral Commission	Up to 2014	Up to 2014	Completed
32	State Polytechnic Geidam	Up to 2014	Up to 2014	Completed
33	State Scholarship Board	Up to 2014	Up to 2014	Completed
34	Teaching Service Board	Up to 2014	Up to 2014	Completed
35	Universal Basic Education Board	Up to 2014	Up to 2014	Completed

36	Yobe Broadcasting Corporation	Up to 2014	Up to 2014	Completed
37	Yobe Printing Corporation	Up to 2014	Up to 2014	Completed
38	Yobe State Afforestation Project	Up to 2014	Up to 2014	Completed
39	Yobe State Environmental Protection Agency	Up to 2014	Up to 2014	Completed
40	Yobe State Pilot Livestock Dev. Programme	Up to 2014	Up to 2014	Completed
41	Yobe State Television	Up to 2014	Up to 2014	Completed
42	Yobe State University	Up to 2014	Up to 2014	Completed
43	Yobe State Water Corporation	Up to 2014	Up to 2014	Completed
44	Yobe Transport Corporation	Up to 2014	Up to 2014	Completed

B. ORGANIZATIONS WHOSE DRAFT ACCOUNTS FOR THE YEAR 2014 ARE YET TO BE RECEIVED IN THIS OFFICE:

<i>S/N</i>	<i>NAME OF ORGANIZATION</i>	<i>DRAFT ACCTS.</i>	<i>AUDITED ACCTS.</i>	<i>REMARKS</i>
1	Fertilizer Blending Plants Company	Not yet received	Not yet received	
2	Judicial Service Commission	Not yet received	Not yet received	
3	Polythenes and Woven Sacks Company	Not yet received	Not yet received	
4	Project Financial Management Unit	Not yet received	Not yet received	
5	Small Scale & Credit Scheme	Not yet received	Not yet received	

6	State Agricultural Mechanization Authority	Not yet received	Not yet received	
7	State Hotels Management Board	Not yet received	Not yet received	
8	Traditional Medicine Board	Not yet received	Not yet received	
9	Yobe Investment Company	Not yet received	Not yet received	
10	Yobe Savings and Loans Limited	Not yet received	Not yet received	

Observations and comments arising from the 'management reports' accompanying the 'Audited financial Statements' Reports, of the External Auditors are contained in the 'domestic report' of my annual audit report.

AUDIT CERTIFICATE

In accordance with section 125(2) of the Constitution of the Federal Republic of Nigeria 1999 (as amended), I have examined the accounts and Financial statements of the Yobe State Government of Nigeria for the year ended 31st December, 2014; together with the underlying records. I have also obtained information and explanation necessary (except for cases observed in this report) in the discharge of my statutory responsibility.

The audit was conducted in line with auditing principles, requirements and standards specified by the Audit laws. Projects and Programmes were verified in line with the concept of performance and value for money audit. In the discharge of my responsibility as vested on me by section 125(i-iv) of the Nigerian Constitution, the Statement of Assets and Liabilities and the financial position of Yobe State Government contained in the State Accountant-General financial statements for the year ended 31st December, 2014 have (subject to comments and observations contained in this report) been certified to be correct.

In my opinion the financial statements no. 1-4 (i.e. Cash flow statement, statement of Assets & Liabilities, Statement of Consolidated Revenue fund and Statement of Capital Development fund) and related schedules give a true and fair view of the State of affairs of Yobe State Government as at 31st December, 2014.

*Office of the Auditor-General,
P.M.B. 1051,
Damaturu, Yobe State.
May, 2015.*

*Muh'd Sabo Lamido fcpa, fcaa, Idfac,
Acting Auditor-General,
Yobe State Government*

***FINANCIAL STATEMENTS OF THE STATE ACCOUNTANT-GENERAL
AS AT 31ST DECEMBER, 2014***

RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements have been prepared by the Accountant-General of Yobe State in accordance with the provision of the Public Finance (Control and Management) Act 1958 as amended. The Financial Statements Complies with the generally accepted accounting practice and the new International Public Sector Accounting Standard (IPSAS) cash basis General Purpose Financial Statements (GPFS) reporting format approved by Federal Executive Council (FEC) in July, 2010.

The Accountant General is responsible for establishing and maintaining a system of internal controls, designed to provide reasonable assurance that the transactions are recorded within statutory authority and properly record the use of all public financial resources by the state Government.

To the best of my knowledge, this system of internal control has been adequately operated throughout the period of reports.

Alhaji Adamu Idi Danchuwa FCNA
Accountant-General
Yobe State