

**GENERAL COMMENTS OF THE AUDITOR-GENERAL FOR LOCAL
GOVERNMENTS ON THE ACCOUNTS OF ALL THE THIRTY-THREE (33)
LOCAL GOVERNMENTS IN THE STATE FOR THE YEAR ENDED
31ST DECEMBER, 2018**

As provided by Oyo State Local Government Law 2001, Part VII, Section 66, Subsections 2, 3 and 5, the year 2018 accounts of all the thirty-three (33) Local Governments and their Local Council Development Areas were audited. Some common areas of deficiencies were observed and these are highlighted below:

A. PRESENTATION OF GENERAL PURPOSE FINANCIAL STATEMENTS:

It was observed that most of the Statements (Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement) did not have relevant notes. Some notes would appear haphazardly compiled and sometimes not related.

B. REVENUE:

(i) **Local Government Share of Statutory Allocation:** The amount stated as Statutory Allocation in the Statement of Financial Performance was NET FIGURE. The State Joint Local Government Accounts (Distribution) Law 2002 allowed deduction of monthly salary of teaching and non-teaching Staff (including Leave Bonus) of primary schools and monthly pension of retired teaching and non-teaching staff. In addition to that, the deduction of five percent (5%) of Statutory Allocation in favour of Traditional Council is also allowed nationwide.

(ii) **Ten Percent (10%) Independent Revenue of the State:** A fixed sum of one hundred million naira (₦100million) was allocated to the all thirty-three (33) Local Governments on monthly basis as ten percent (10%) of Independent Revenue of Oyo State Government. The hundred million naira (₦100million) was shared among the thirty-three (33) Local Governments on monthly basis based on approved indices. This amount would appear to be “under allocation” on the part of the State Government since it generated more than one billion naira (₦1billion) monthly.

(iii) **Independent Revenue:** Most of the Local Governments failed to classify the Independent Revenue into Revenue from Exchange Transactions and Revenue from Non-Exchange Transactions as required by IPSAS 9 and IPSAS 23.

(iv) **Low Revenue Generation:** The Independent Revenue generated by all the Local Governments was abysmally low. The Independent Revenue was often less than five percent (5%) of the total revenue. Some of the factors responsible for this are:

- (a) Absence of Tax Laws (Revenue Laws) at the Local Government level
- (b) Unregulated use of Revenue Consultants by some Local Governments
- (c) Non-implementation of the Land Use Charge Law 2012
- (d) Unregulated printing and issue of Revenue Receipts
- (e) Poor enforcement
- (f) Poor accountability at the Local Government level.

C. **EXPENDITURE:**

(i) **Personnel Cost:** The Personnel Cost did not include the salaries and allowances of Teaching and Non-Teaching Staff of Primary Schools. This was paid centrally from the State Joint Local Government Account (JAAC).

(ii) **Social Benefits:** Social Benefits in form of Gratuity and Pension are still not accounted for properly owing to the operation of our laws in Oyo State e.g. The Local Government Staff (Pension Fund) Regulations 1991. The State is yet to adopt Contributory Pension Scheme. The funding of gratuity is done through the State Joint Local Government Account while majority of the Local Governments still treat the monthly payment of pension as advances to the Local Government Staff Pension Board. This often appeared in the Statement of Financial Position as part of Receivables or Advances.

(iii) **Unauthorized/Excess Expenditure:** Majority of the Local Governments incurred more expenditures above provisions in the approved estimates i.e. Appropriation Laws.

Queries have been raised in respect of this matter. It is expected that supplementary estimates will be prepared by the affected Local Governments for consideration by the appropriate authority.

(iv) **Unvouched Payment:** It was noted that some payments/transfers were made by banks on the order of the Local Governments and these transactions did not appear in the books of account of the Local Governments. Majority of the payments/transfers appeared as debit entries in the bank statements not in the Cash Book in the Bank Reconciliation Statements prepared as at 31st December, 2018. No Payment Vouchers were raised for the transactions and no entries in the ledger. Queries have been raised in respect of this issue.

D. ASSETS

(a) **Cash and Cash Equivalent:** Majority of the Local Governments treated their asset of Cash as Cash in Hand, Cash at Bank (Current), Cash in Savings Account and Fixed Deposit Account. Sometimes, we have asset of Stabilization Fund. This fund is kept in Savings Account and Fixed Deposit Account (three months tenure). The maintenance of Stabilization Fund arose as a result of financial guidelines that mandates Local Governments to keep Stabilization Fund. The fund is maintained to meet emergency needs caused by natural disaster and health emergencies. Essentially therefore, irrespective of the terms, all the items of Cash are operationally Cash and Cash Equivalents.

(b) **Investment:** Virtually all the Local Governments have investment of shares of active and defunct companies. All the Local Governments are yet to surrender their share certificates for Central Security Clearing System (CSCS). All the shares are valued at nominal value of 50 kobo per share.

(c) **Valuation of Non-Current Assets i.e. Investment Property (IPSAS 16) and Property, Plant and Equipment (IPSAS 17):** All the Local Governments are yet to carry out proper valuation of their assets of building, machinery, furniture and fixtures, vehicles and office information technology equipment. It is hereby advised that the State Government should intervene through the Ministry of Local Government and Chieftaincy Matter in ensuring the proper valuation of Local Government Non-Current Assets.

E. LIABILITIES

(i) **Unremitted Deductions/Deposits:** Unremitted Deductions were often regarded as Deposits in the Statement of Financial Position. It was noted that deductions made from the salaries of workers in form of tax, settlement of loans and union dues were often delayed, not paid or paid in instalment. This has caused a lot of advances to remain stagnant and unsettled.

F. CERTIFICATE OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENTS:

I have examined the accounts of the thirty-three (33) Local Governments in the State in accordance with the Oyo State Local Government Law 2001 and the provisions of Model Financial Memoranda for Local Governments. I have obtained all the information and explanation that I required. My opinion is as expressed as Certificate and Report on the accounts of each Local Government.


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Auditor-General for Local Governments.