

**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, 2019**

As provided by Oyo State Local Government Law 2001, Part VII, Section 66, Subsections 2, 3 and 5, the year 2019 accounts of all the thirty-three (33) Local Governments and their Local Council Development Areas have been audited. Some common observations are highlighted below:

**A. PRESENTATION OF GENERAL PURPOSE FINANCIAL STATEMENTS**

It was observed that majority of the Local Governments prepared Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement. However, majority did not prepare a separate Statement of Capital Development Fund. Some of the Financial Statements prepared did not have relevant notes and some were poorly numbered.

**B. DEPENDENT REVENUE**

(i) **Local Government Share of Statutory Allocation:** The Local Government Share of Statutory Allocation was under stated as a result of deduction allowed by the State Joint Local Government Accounts (Distribution) Law 2002. The Law permits the deduction of salary and monthly pension of teaching and non-teaching staff of primary schools. Likewise the Oyo State Local Government Local Government Law 2001 allowed deduction towards funding of common services e.g. Local Government Service Commission and Local Government Staff Pension Board. Aside that, the deduction of five percent (5%) of Statutory Allocation in favour of Traditional Council is also allowed nationwide. Hence, the amount stated as Local Government Share of Statutory Allocation is NET FIGURE.

(ii) **Ten Percent (10%) Independent Revenue of the State:** All the thirty-three (33) Local Governments in the State received One Hundred Million Naira (₦100million) monthly as ten percent (10%) of Independent Revenue of the State. The sum was shared on the basis of approved indices. The Oyo State Government generates more than One Billion Naira (₦1billion) every month hence the allocation of One Hundred Million (₦100million) to all the Local Governments as ten percent (10%) Independent Revenue of the State would appear to be “under allocation”.

## **C. INDEPENDENT REVENUE**

(i) Majority of the Local Governments did not classify their Independent Revenue (Internally Generated Revenue) into Revenue from Exchange Transaction (IPSAS 9) and Revenue from Non-Exchange Transactions (IPSAS 23). In other words, the Independent Revenue was not classified in Statement of Financial Performance as expected.

(ii) The Independent Revenue Generated by Local Governments was very low owing to absence of Tax Laws (Revenue Laws) and poor enforcement. Unregulated printing of revenue receipts and the appointment of Revenue Consultants also contributed to low revenue collection. Poor internal control system promoted revenue leakages too.

## **D. PERSONNEL COST**

(i) The personnel cost as contained in the Statement of Financial Performance did not include the salaries and allowances of teaching and non-teaching staff of primary schools. This was deducted centrally from the State Joint Local Government Account (JAAC).

## **E. SOCIAL BENEFITS**

(i) **Gratuity:** The payment of gratuity to retired Local Government Staff, retired teaching and non-teaching staff of primary school was done by the Local Government Staff Pension Board.

(ii) **Pension:** The payment of monthly pension of retired Local Government Staff was done by the Local Government and treated as advances against Local Government Staff Pension Board. Thus appearing as asset (Advances or Receivables) in the Statement of Financial Position. The Local Government Staff Pension Board paid the monthly pension of retired teaching and non-teaching staff of primary school. The clumsiness of this arrangement can be attributed to the operation of the Local Government Staff (Pension Fund) Regulation 1991 and non-adoption of Contributory Pension Scheme.

## **F. UNAUTHORIZED/EXCESS EXPENDITURE:**

Almost all the Local Governments violated Appropriation Law because they incurred expenditures more than the approved provisions in their budgets. Audit Queries have been raised in respect of this issue.

## **G. UNVOUCHED PAYMENTS:**

The Bank Reconciliation Statements prepared as at 31st December, 2019 by some Local Governments showed that some payments and transfers were effected by banks on

the order of the Local Governments. However, such payment/transfers were not reflected in the accounts of the Local Governments because payment vouchers were not raised and no entries in the ledger. Audit Queries have been raised in respect of this matter.

#### **D. ASSETS**

(i) **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.

(ii) **Investment:** All the Local Governments have investment of shares of active and defunct companies. All the shares are valued at nominal value of 50kobo per share in the Statement of Financial Position. However, there would appear to be evidence to support the submission of share certificates for conversion into Central Security Clearing System (CSCS).

(iii) **Valuation of Non-Current Assets:** Ibadan South West and Ibadan North East carried out proper valuation of their non-current assets during the year. All other Local Governments are yet to do so. The Ministry of Local Government is hereby implored to facilitate the valuation of non-current assets of the Local Governments.

#### **I. LIABILITIES**

Unremitted Deductions were treated as Deposits or Payables in the Statement of Financial Position. The deduction effected from the salaries of workers for diverse reasons (tax, union dues, loan repayment etc.) were often not paid to the deserving agencies, governments and associations. Sometimes, the payments were delayed or made in instalments.

#### **J. 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.

  
**Olusola Olanrewaju Akinola**  
**Auditor-General for Local Governments.**