

EKITI STATE GOVERNMENT



REPORT OF THE ACCOUNTANT-GENERAL WITH FINANCIAL STATEMENTS

FOR THE MID-YEAR ENDED 30TH JUNE, 2022

IPSAS ACCRUAL GENERAL PURPOSE FINANCIAL STATEMENT

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REPORT OF THE ACCOUNTANT-GENERAL

In line with this administration's policies of transparency, accountability and probity, I have the great honour to present the Accrual IPSAS General Purpose Financial Statements of the Ekiti State Government (EKSG) for the mid- year ended 30th June 2022 together with the Auditor's Report on the Financial Statements which include:

- i. Consolidated Statement of Financial Performance;
- ii. Consolidated Statement of Financial Position;
- iii. Consolidated Statement of Change in Net Assets/Equity;
- iv. Consolidated Statement of Cash Flow; and
- v. Consolidated Statement of Comparison of Budget and Actual Amount.

The Financial Statements of EKSG for the mid- year ended 30th June 2022 have been prepared on International Public Sector Accounting Standards (IPSAS) Accrual Basis. The Financial Statements equally complied with Generally Accepted Accounting Principles and Practice (GAAPP) and other Financial Regulations.

The implementation of Accrual Accounting by EKSG **has** facilitated easy assessment of the financial performance of the State. The Financial Statements depict all expenses whether paid for or not and all revenue whether received or outstanding. Furthermore, it provides useful information on the ability of income streams to adequately cover short and long term liabilities as well as better information on government spending which in turn drives better utilization of government resources.

The Financial Statements fairly reflect the financial position of EKSG as at 30th June 2022 and its financial performance for period under review. The Accountant-General hereby accept the responsibility for the integrity of these financial statements, the information they contain and their compliance with the Finance (Control and Management) Act 1958 as amended.

I am delighted to acknowledge the loyalty and dedication of members of staff of Main Accounts Department and the entire staff of the Office of the Accountant-General towards the success of this report. The support of the Honourable State Commissioner for Finance and Economic Development is worthy of mention and recognition in the preparation of this report. I appreciate all Directors of Finance and Accounts in the Ministries, Departments and Agencies (MDAs) who provided and defended the data. The support of the State Government for the kind consideration of our request is equally and highly appreciated.

 16/9/22

OLARIKE. T. OLAYINKA (MRS) FCA, ACTI.
ACCOUNTANT-GENERAL/PERMANENT SECRETARY
EKITI STATE

FINANCIAL HIGHLIGHTS

Operating Deficit for the year was **(N5,102,641,555)** while the State made a Net Deficit of **(N9,918,799,738)**.

Reviewing the current year performance as compared to that of 2021 mid- year, Recurrent Revenue decreased by **16%** from **N45,499,133,518** in mid-year 2021 to **N38,093,177,583** in mid- year 2022 while Capital Receipts increased by **330%** from **N3,925,049,041** in Mid-year 2021 to **N16,885,364,279** in Mid- year 2022. The State Recurrent Expenditure increased by **16%** from **N32,157,431,027** in Mid-year 2021 to **N37,176,658,094** in Mid-year 2022 while **21%** decrease from **N18,472,398,714** in Mid-year 2021 to **N14,566,334,924** in Mid-year 2022 was noted in Capital Expenditure.

During the period, EKSG budgeted **N60,459,997,348** for Recurrent Expenditure and **N40,293,995,894** for Capital Expenditure. The Actual Recurrent Expenditure was **N37,176,658,094** while Capital Expenditure was **N14,566,334,924** representing **61%** and **36%** performance respectively.

In addition, EKSG budgeted **N90,753,993,242** for Recurrent Revenue and **N10,000,000,000** for Capital Receipts. The Actual Recurrent Revenue was **N38,093,177,583** while actual Capital Receipt was **N16,885,364,279** representing **42%** and **169%** performance respectively for the period under review.

Details as contained in Annexure I (***FINANCIAL HIGHLIGHTS***).

_____, 16/9/22

OLARIKE. T. OLAYINKA (MRS) FCA, ACTI.
ACCOUNTANT-GENERAL/PERMANENT SECRETARY
EKITI STATE

RESPONSIBILITY OF THE ACCOUNTANT-GENERAL

The Financial Statements have been prepared by the Accountant-General of Ekiti State in accordance with the provision of the Finance (Control and Management) Act 1958 and Cap 144 LFN and PFM Law 2011 as amended. The Financial Statements complied with Generally Accepted Accounting Practice (GAAP) and was prepared on International Public Sector Accounting Standards (IPSAS) Accrual Basis.

The Financial Statements were prepared in line with the historical cost convention, IPSAS provisions, Financial Administration, Approved Budget 2022 and the Constitution of Federal Republic of Nigeria. Basically, the reporting format of IPSAS Accrual General Purpose Financial Statement (GPFS) approved by the Federal Executive Council of Nigeria (FEC) in 2012 was also adhered to.

The Accountant-General of the State is responsible for establishing and maintaining an adequate system of internal control to provide adequate and reasonable assurance that the transaction reported are recorded accurately and are within statutory authority.

The Accountant-General ensures the integrity and objectivity of the Financial Statements to fairly reflect the financial position and performance of Ekiti State Government and apply suitable accounting policies, prudent judgments and estimate consistently for the preparation of its financial statements.

The Accountant-General further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate system of internal financial control.

_____, 16/9/22

OLARIKE. T. OLAYINKA (MRS) FCA, ACTI.
ACCOUNTANT-GENERAL/PERMENENT SECRETARY
EKITI STATE

STATEMENT OF ACCOUNTING POLICIES

1. Basis of Preparation:

This General Purpose Financial Statement (GPFS) is prepared on IPSAS Accrual Basis, using the General Purpose Financial Statement (GPFS) reporting format approved by the Federal Executive Council of Nigeria (FEC) in 2012 with full compliance with historical cost convention, IPSAS provisions, Financial Administration, Ekiti State 2022 Approved Budget and the Constitution of Federal Republic of Nigeria.

2. Fundamental Accounting Concepts: The following fundamental accounting concepts are taken as the basis of preparation of all accounts and were followed by all reporting MDAs:

- a. Accrual basis concept;
- b. Going concern concept;
- c. Consistency concept;
- d. Understandability;
- e. Materiality;
- f. Relevance;
- g. Prudence;
- h. Completeness etc.

3. Accounting Period:

The accounting period is from 1st January to 30th June 2022 in line with the National Treasury Circular Ref. OAGF/CAD/o26/V.1/102 of 30th December, 2013. Each accounting year is divided into 6 calendar months, covering January to June.

4. Reporting Currency:

The GPFS is prepared in the Nigerian Naira.

5. Principal Statements in the GPFS: The principal statements contained in the GPFS are:

- a. The Consolidated Statement of Financial Performance
- b. The Consolidated Statement of Financial Position
- c. The Consolidated Statement of Cash flow
- d. The Statement of Changes in Net Assets/Equity
- e. The Statement of Comparison of Budget and Actual Amount
- f. The Notes to the GPFS

6. Consolidation Policy:

- a. The Consolidation of the GPFS is based on Accrual Basis of Accounting
- b. All MDAs of the Government including the Tertiary Institutions were consolidated in the GPFS in line with **IPSAS 35**.
- c. Consolidation of the GPFS was in agreement with the provisions of all the relevant legal requirements.

d. Controlled Entities are fully consolidated from the date on which control is transferred to the Public Entity. They are de-consolidated from the date that control ceases.

7. Notes to the GPFS:

Notes to the GPFS are presented in a systematic manner in line with **IPSAS 22**, which requires full disclosure of financial information of the General Government Sector. The items in the Statements are cross referenced to any related information in the Notes and followed the format provided in the Accounting Manual.

8. Comparative Information:

The General Purpose Financial Statements disclosed all numerical information in relation to the mid- year 2022.

9. Budget Figures:

IPSAS 24 requires the presentation of Budget Information in Financial Statements. The Budget figures used were extracted from the 2022 approved budget of Ekiti State Government in line with the Appropriation Act of the State.

10. Revenue:

a. The MDAs recognizes revenues from non-exchange transactions such as fees, taxes and fines when the event (specify event) occurs and the asset recognition criteria are met. According to **IPSAS 23**, Non-Exchange transactions included all transactions in which the State had received assets or services or had liabilities extinguished without directly giving approximately equal value (primarily in form of cash, goods, services or use of assets) to another entity in exchange.

b. Revenues of the State from exchange transactions according to **IPSAS 9** included those transactions in which the State received assets or services or had liabilities extinguished and directly gave approximately equal value (primarily in form of cash, goods, services or use of assets) to another entity in exchange.

c. Revenue is shown net of tax, returns, rebates and discounts. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership has been transferred to the buyer, usually when goods are delivered. Other revenue consists of gains on disposal of property, plant and equipment. Any gain on disposal is recognized at the date when the control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

11. Aid and Grants:

Aid and Grants to the State is recognized as income on entitlement, while aid and grants to other governments/agencies are recognized as expenditure on commitment.

12. Subsidies, Donations and Endowments:

Subsidies, Donations and Endowments to the State are recognized as income when money is received, or entitlement to receive money is established; except where fulfillment of any restrictions attached to these monies is not probable.

13. Transfers from other Government Entities:

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on receipt of the asset (cash, goods, services and property) if it is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured.

14. Expenses:

All expenses are reported on an accrual basis, i.e. all expenses are recognized in the period they are incurred or when the related services are enjoyed, irrespective of when the payment is made.

15. Employee Benefits/Pension Obligations:

- a. According to ***IPSAS 25***, The State measured the short-term employee benefits (salaries, social security contributions, leave bonuses and all monetary benefits using the cost of service rendered by the employees.

- b. The Provision has been made, where applicable, using an actuarial valuation for retirement gratuities. The actuarial valuation determines the extent of anticipated entitlements payable under employment contracts and brings to account a liability using the present value measurement basis, which discounts expected future cash outflows.
- c. The entitlements are recorded as Current Liabilities to the extent of the anticipated liability that will arise during the following year. The remainders of the anticipated entitlements are recorded as Non-Current Liabilities. Under the Defined Contribution Scheme a. Public Entities makes pension and national insurance contributions on behalf of employees in line with Pension Act 2014. The contributions are treated as payments to a defined contribution pension plan. b. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate pension Entity fund managed by Pension Fund Administrators (PFAs). c. The Entity has no legal or constructive obligations to pay further contributions if the pension Entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. d. The contributions are recognized as employee benefit expense when they are due. e. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available

16. Borrowing Costs:

- a. Borrowing cost are interest and other expenses incurred by the State in connection with the borrowing of funds. In line with **IPSAS 5**, it is the policy of the State to expense borrowing costs in the period they are incurred. The Borrowing costs were recognized from the date the State incurred the borrowing.
- b. Interest expense is accrued using the effective interest rate method.
- c. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount.
- d. The method applies this rate to the principal outstanding to determine interest expense in each period.

17. Foreign Currency Transactions:

- a. Foreign currency transactions throughout the year were converted into Nigerian Naira at the ruling (Central Bank of Nigeria –CBN) rate of exchange at the dates of the transactions while the foreign loans balances were translated using closing rate as at Mid- Year ended 30th June 2022.

b. Foreign Exchange gains/losses were recognized in the Statement of Financial Performance.

18. Minority Interest:

This represents the interests of external parties during the year under review, which was not applicable in the State.

19. Statement of Cash flow:

IPSAS 2 recognizes two methods of preparing Cash flow Statement (Direct and Indirect Method) but Direct Method was used in this **GPFS**. This statement is prepared using the direct method in accordance with the format provided in the GPFS. The Cash flow statement consists of three (3) sections:

- a. Operating activities section which includes cash received from all income sources of the Government and record the cash payments made for the supply of goods and services.
- b. Investing activities section comprises those activities relating to the acquisition and disposal of non-current assets.
- c. Financing activities section comprises the change in equity and debt capital structure of the Government.

20. Cash & Cash Equivalent:

- a. Cash and Cash Equivalent means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments with an original maturity of 6 months or less in which the Entity invests as part of its day-to-day cash management and which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.
- b. Cash & Cash Equivalent is reported under Current Assets in the statement of financial position

21. Accounts Receivable:

- a. Receivables from exchange transaction:

- i. Receivables from exchange transactions are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.
 - ii. A provision for impairment of receivables is established when there is objective evidence that the Entity will not be able to collect all amounts due according to the original terms of the receivables.
- b. Receivables from non-exchange transactions:
- i. Receivables from non-exchange transactions comprises; fees, taxes and fines (and any penalties associated with these activities) as well as social benefit receivables that do not arise out of a contract.
 - ii. These receivables are initially assessed at nominal amount or face value; that is, the receivable reflect the amount of tax owed, levy, fines charged or social benefit debt payable.
 - iii. These receivables are subsequently adjusted for penalties as they are charged and tested for impairment.
 - iv. Interest and penalties charged on tax receivables are presented as tax revenue in the statement of financial performance.

22. Prepayments:

Prepaid expenses are amounts paid in advance of receipt of goods or services. They can represent payments made early in the year for benefits to be received over the latter part of the year, or payments made in one year for benefits to be received in subsequent years. Prepayments for which the benefits are to be derived in the following 12 months are classified as Current Assets. Where the benefits are expected to accrue beyond the next 12 months, it was accounted for as a Long-Term Prepayment and classified as Non-Current Assets. Prepayments that are identifiable with specific future revenue or event, e.g. adverts, are expensed in the period in which the related event takes place; those that relate to specific time periods, e.g. insurance, rent, leasehold premises, are recognized as an expense in such periods. No prepayments recorded in the course of mid-year ended 2022.

23. Inventories:

The basis of measurement used by the State in conformity with *IPSAS 12* includes:

- a. Inventories are valued at the lower of cost and net realizable value
- b. Cost is determined using the FIFO method
- c. Inventories held for distribution for public benefit purposes are recorded at cost, adjusted where applicable for any loss of services potential.
- d. Inventories are reported under Current Assets in the Statement of Financial Position.

24. Loans Granted:

Loans Granted are shown at estimated realizable value after providing for bad, doubtful debts and impairments.

25. Investments:

Investments in Associates

- a. The Ekiti State investments in its associates are accounted for using the equity method of accounting. **IPSAS 38** requires disclosure of interest in other Entities. The Financial Assets to the tune of **N988,244,342.00** and **N267,000,000.00** in Ikun Ekiti Diary & Ire Clay Products Ltd respectively represents **24.5%** and **70%** interest of the State Government.
- b. An associate is an Entity over which Entity has significant influence and that is neither a subsidiary nor a joint venture.
- c. Under the equity method, investments in associates are carried in the statement of financial position at cost plus post acquisition changes in Entity's share of net assets of the associate.
- d. The statement of financial performance reflects the share of the results of operations of the associates.
- e. Where there has been a change recognized directly in the equity of the associate, it recognizes its share of any changes and discloses this, when applicable, in the statement of changes in net assets/equity.
- f. Surpluses and deficits resulting from transactions between the Government and the associate are eliminated to the extent of the interest in the associate.

Investments in Joint Ventures:

- a. The State's investments in its joint ventures are accounted for, using the equity method of accounting.
- b. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
- c. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost plus post acquisition charges in Entity's share of net assets of the joint venture.
- d. The statement of Financial Performance reflects the share of the results of operations of the joint venture.
- e. Where there has been a change recognized directly in the equity of the joint venture, it should recognize its share of any changes and discloses this, when applicable, in the statement of changes in net assets/equity.
- f. Surpluses and deficits resulting from transactions between Public Entity and Joint ventures are eliminated to the extent of the interest in the joint venture.

Investment in Controlled Entities (Subsidiaries):

- a. The controlled entities are all entities (including special purpose entities) over which a Public Entity or its entities has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.
- b. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Public Entity controls another Entity.

- c. The controlled entities are fully consolidated from the date on which control is transferred to the Public Entity. They are de-consolidated from the date that control ceases.
- d. Inter-group transactions, balances and unrealized gains on transactions between inter-group transactions are eliminated, unrealized losses are also eliminated.
- e. Accounting policies of controlled entities are consistent with the policies adopted by the Public Entity. Impairment of Investments Entity determines at each reporting date whether there is any objective evidence that the investment is impaired, if this is the case Entity calculates the amount of impairment as being the difference between the recoverable value of the investment and the carrying value and recognizes the amount in the statement of financial performance.

26. Available for sale securities:

- a. Where an Entity uses its surplus cash to purchase short-term investments, the financial assets are classified at initial recognition as available-for-sale.
- b. Available-for-sale financial assets are included in non-current assets unless Entity intends to dispose of the investment within 12 months of the reporting date.
- c. Regular purchases and sales of financial assets are recognized at fair value on the trade-date (the date on which Entity commits to purchase or sell the asset) and subsequently at fair value with any resultant fair value gains or losses recognized in the statement of Net Assets/Equity.
- d. Realized gains and losses on sale of available-for-sale securities are recognized in the consolidated statement of financial performance as 'gains and losses from available-for-sale securities.'
- e. Impairment losses and interest on available-for-sale securities is calculated using the effective interest method and is recognized in the consolidated statement of financial performance as part of other income.
- f. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the entity shall establish fair value using valuation techniques. These include:

- i. The use of recent arm's length transactions,
 - ii. Reference to other instruments that are substantially the same.
 - iii. Discounted cash flow analysis
 - iv. Option pricing models
 - v. Making maximum use of market inputs and relying as little as possible on entity-specific inputs.
- g. Entities shall ascertain at the date of preparation of each statement of financial report whether there is objective evidence that a financial asset or a group of financial assets is impaired.
- h. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.
- i. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized is recognized in the statement of financial performance.

27. Property, Plant & Equipment (PPE):

- a. All property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items
- b. Where an asset (other than land) is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially recognized at fair value, where fair value can be reliably determined and as income in the statement of financial performance (unless there are restrictions on the asset's use in which case income is deferred).
- c. All land held by Government owned entities is not included in the Entity's financial statements unless that land is to be used for development purposes.
- d. The following shall constitute expenditure on PPE:

- i. Amounts incurred on the purchase of such assets. Consumables are to be wholly expensed irrespective of their amounts.
- ii. Construction Cost- including materials, labour and overheads.
- iii. Improvements to existing PPE, which significantly enhance their useful life. The cost of an item of PPE shall comprise: its purchase price, including import and non-recurring costs and any directly attributable costs of bringing the asset to its location and working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.
 - a. PPE shall be stated at cost or at their professional valuation less accumulated depreciation and impairment.
 - b. The amount recorded for a PPE shall include all costs directly related to its acquisition including expenditures incurred to place the asset in usable condition for the Service. Accordingly, the cost of the assets shall include acquisition or construction costs, custom duties, transportation charges, professional fees and installation costs. Cash discounts shall be netted against the cost of the assets.
 - c. All assets equal to or above this amount shall be recorded in the Fixed Assets Register. However in certain cases, it may be appropriate to aggregate individually insignificant value items such as chairs and tables, printers and UPS, etc. and apply the capitalization threshold to the aggregate value.
 - d. Fixed assets whose costs are below the capitalization threshold shall be charged appropriately to the following accounts: office supplies – furniture, office supplies – IT equipment, office supplies – household equipment, etc.
 - e. Where an asset's category already exists for a newly acquired asset below the capitalization threshold, such an asset shall be capitalized irrespective of its cost and recorded in the fixed assets register under the appropriate depreciation. The cost of PPE shall be written off, from the time they are brought into use, on a straight line basis over their expected useful lives less any estimated residual value as follows:

The depreciation for the mid-year 2022 was charged on a straight-line basis by multiplying it with 50% to make it half year. It is the policy of Ekiti State Government to charge full depreciation on the asset in the year of acquisition. Land and Buildings are treated by the State as separable assets and accounted for separately. Land normally has an unlimited useful life and therefore is not depreciated. Other Properties Plants and Equipment were depreciated using the following rates:

Land and Building	5%
Infrastructure	5%
Plant and Machinery	10%
Transportation Equipment	20%
Office Equipment	25%
Furniture & Fittings	20%

In line with **IPSAS 17**, Property, Plant and Equipment (**PPE**) were measured using historical costs. Land and Buildings are treated by the State as separable assets and accounted for separately. Land normally has an unlimited useful life and therefore is not depreciated.

28. Investment Property:

These are cash-generating property owned by the Government and its entities. The cost, capitalization, depreciation and impairment of Investment Property are same with PPE, but shall be reported separately in the GPFS. The class of Investment Property Investment owned by the State is building at Fountain Holding Ltd and was depreciated using the rate of 5% over the useful life. In line with **IPSAS 16**, the property was measured and recognized using historical cost model.

29. Intangible Assets:

- a. The intangible asset was treated as non-current assets by the State in line with **IPSAS 31**. These consist of assets that are not physically tangible which have been acquired and held for use from which benefits are derivable beyond a financial year.
- b. The cost of an item of intangible asset shall comprise: its purchase price, including non-recurring costs and any directly attributable costs of bringing the asset to its state of intended use. Any trade discounts and rebates shall be deducted in arriving at the purchase price.
- c. Intangible assets are tested for impairment and amortised over the estimated useful life using the straight line method on an annual basis.
- d. Classes of Intangible Assets and their estimated useful life are as follows: i. Softwares acquired externally (**3 years**) ii. Goodwill (**4 years**) iii. Copyrights (**4 years**) iv. Trademarks (**4 years**) v. Other Intangible assets (**4 years**)

30. Deposits:

- a. Deposits are amounts received in advance in respect of goods or services provided.
- b. Deposits can represent payments received early in the year for goods/services to be offered over the latter part of the year, or payments received in one year for services to be offered in subsequent years. Deposits for which the services are to be offered in the following 12 months shall be classified as Current Liabilities. Where the services are expected to span beyond the next 12 months, it shall be accounted for as a Non-Current Deposits and classified as Non-Current Liabilities.

31. Loans & Debt Stocks:

- a. Loans are funds received to be paid back at an agreed period of time. They are classified under liability in the General Purpose Financial Statement and are categorized as either short or long term.
- b. Short-term loans and debts are those repayable within one calendar year, while long-terms loans and debts shall fall due beyond one calendar year.

32. Unremitted Deductions:

- a. Unremitted Deductions are monies owed to third parties such as tax authorities, schemes and associations and other government agencies. These include: tax deductions and other deductions at source.
- b. These amounts shall be stated in the GPFS at their repayment value, which shall be treated as Current Liabilities in the Statement of Financial Position.

33. Payables:

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Accrued Expenses;

- a. These are monies payable to third parties in respect of goods and services received.
- b. Accrued Expenses for which payment is due in the next 12 months shall be classified as Current Liabilities. Where the payments are due beyond the next 12 months, it shall be accounted for as Non-Current Liabilities.

34. Current Portion of Borrowings:

This is the portion of the long-term loan/ borrow that is due for repayment within the next 12 months. This portion of the borrowings is classified under Current Liabilities in the Statement of Financial Position.

35. Public Funds:

- a. These are balances of Government funds at the end of the financial year.
- b. They are classified under the Non-Current Liabilities in the Statement of Financial Position and include: Trust Funds, Revolving Funds and other Funds created by Government.

36. Reserves:

Reserves are classified under equity in the Statement of Financial Position and include: Statement of Financial Performance Surpluses/ (Deficit) and the Revaluation Reserve.

37. Contingent Liability:

- a. This forms part of Related Party Disclosures according to IPSAS 20. A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future event(s) or present obligation arising from past events that are not recognized because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured.
- b. There was no record of any contingent liabilities as at 30th June 2022.

38. Leases:

IPSAS 13 requires full disclosure of lease Asset. The initial measurement of the lease assets is fair value and to be depreciated over the lease period.

Finance leases:

- a. These are leases which effectively transfer to the lessee Entity substantially all the risks and benefits incidental to ownership of the leased item.
- b. They are capitalized at the present value of the minimum lease payment.
- c. The leased assets and corresponding liabilities are disclosed while the leased assets are depreciated over the period the Entity is expected to benefit from their use.

Operating Leases:

- a. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.
- b. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

The State had no lease agreement during the year.

39. Financial Instruments

- a. Financial Instrument is any contract that gives rise to a financial asset of the State and financial liabilities or equity instrument of another entity. In line with **IPSAS 30**, The State recognized a financial asset (and only when) it becomes party to the contractual provisions of the instrument. In other words, recognition occurred when the financial instrument becomes binding.
- b. The financial asset is derecognized when the State's contractual right to receive cash flows from the asset expires.

- c. The financial instrument is measured at fair value, which normally equal the amount of consideration which was given when the assets was acquired. They are recognized in the Statement of Financial Position.
- d. Revenue and expenses in relation to all financial instruments are recognized in the Statement of Financial Performance.

40. Borrowings:

- a. Borrowings are recognized initially at fair value, net of transaction costs incurred.
- b. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of financial performance over the period of the borrowings using the effective interest method.
- c. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan. The fee is capitalized and amortized over the period of the facility to which it relates.
- d. Borrowings falling due within 12 months are classified as current liabilities while borrowings falling due more than 12 months are classified as long term borrowings.
- e. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized and included in the cost of that asset.
- f. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
- g. All other borrowing costs are recognized as an expense in the period in which they are incurred.

41. Transfers to other government entities:

Transfers to other government entities are non-exchange items and are recognized as expenses in the Consolidated Statement of Financial Performance.

42. Service Concession Arrangement:

IPSAS 32 requires full disclosure of Service Concession Arrangement Assets.

- a. Service Concession Assets are operated by third parties under the terms of Service Concession Arrangements. On classification, the original service concession asset is measured at its fair value and any difference between its fair value and its book value is recognised in the Statement of Financial Performance.
- b. Since the fair value of assets previously transferred under Service Concession Arrangements is not reliably available, Government has chosen to adopt the standard prospectively from 1 January 2016.
- c. If the terms of the arrangement require Government to compensate the operator for the concession asset by making payments and the payments are separable between the asset and service portions of the payment then the fair value of the original service concession asset is the fair value of the asset portion of the payments. If however the asset and service portions of the payments are not separable, the fair value is determined using estimation techniques.

Service Concession Arrangement Liabilities;

- a. When Government recognizes a Service Concession Arrangement asset it also recognizes a liability of an equal amount.
- b. The liability is split between a financial liability and a performance obligation.
- c. The financial liability arises from the payments due from an entity under the terms of the Service Concession Arrangement and the performance obligation from the rights granted to the operator under the terms of the Service Concession Arrangement to earn revenues from the Service Concession Assets(s) or associated asset(s). This was not applicable in the State during the year under review.

43. Interest Received: Interest received by the State is treated as investing activities under the Statement of Cash Flow. It is the policy of the Ekiti State to treat Interest actually received during the financial year as a receipt under item “Other Revenue” but no interest was received by the State during the year.

44. Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the Ekiti State's statement of cash flows, cash and cash equivalents consist of cash and short-term deposit as defined above, net of outstanding bank overdrafts.

45. Contingent Liabilities

Ekiti State did not recognize a contingent liability, but disclose details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is high and can be measured reliably.

46. Contingent assets

The Statement did not recognize a contingent asset, but disclose details of a probable asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Ekiti State in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

47. Budget information.

Ekiti State 2022 budget was prepared based on Cash Basis and expenses classified by using Domesticated National Chart of Account. The statement of comparison of Budget and Actual is shown as a separate statement in the Financial Statements.

Ekiti State intends to prepare accrual basis budget in the nearest future when all planned costs and income are presented in a single statement to determine the needs of the state.

48. External Assistance

Grants and Contribution relating to the Government intervention for the operations and proper functioning of quasi government organizations and other entities that are self-accounting.

Cultural and religious expenses are government expenditure to promote activities of traditional councils including seminars and workshop for the Council.

Grants and Contributions are funding support for research or special services. Parastatals overheads expenditure relates to quasi government organization for specific purposes. Recurrent counterpart contributions are condition precedent to receiving health related grants from external donors.

49 Biological Assets.

Biological asset are living plants and animals. Plantation assets are living trees to be used as pulp woods, fuel woods, timber, they are also used for construction, scaffolding and building.

Ranch assets are living animals bred for resale. Wildlife assets are living animals kept in the Zoo for exhibition.

IPSAS 27 requires Biological assets to be measured at fair value less cost of disposal at initial recognition and at each reporting date, except where the fair value cannot be determined reliably, Ekiti State could not reliably determine fair value less cost to sell.

50. Government Business Activities:

The ordinary business of Ekiti State covers social-economic services. The business activities of Ekiti State during the year under review include:

Rendering of Services

Ekiti State recognizes revenue from rendering of services by references to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours or cost incurred to date as a percentages of total estimated labour hours or where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the state.

51. Dividends or Similar distribution

Dividends or similar distribution are recognized when the shareholder's or the state right to receive payment is established.

52. Rental Income

Rental income from Government properties are recognized in the State of Financial Performance when earned in accordance with the terms of Tenancy Agreements.

53. Provisions

Provisions are liabilities of uncertain timings or amounts. They are initially recognized when there is a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision made are reviewed at each reporting date, and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

Provisions were raised and management determined an estimate based on the information available.

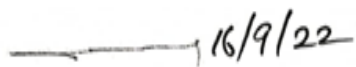
Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the land. The provision is based on the advice and judgment of qualified Engineer.

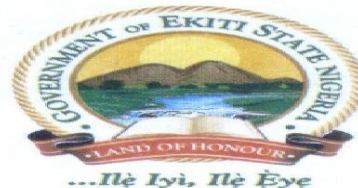
The increase in the restoration provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

54. MDAs for Consolidation: This Consolidated Financial Statement covered the financial transactions across **94 MDAs** and **5** Tertiary Institutions.

 16/9/22

OLARIKE. T. OLAYINKA (MRS) FCA, ACTI.
ACCOUNTANT-GENERAL/PERMENENT SECRETARY
EKITI STATE



OFFICE OF THE STATE AUDITOR-GENERAL

State Secretariat Complex, Ado-Ekiti, Ekiti State, Nigeria.

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AUDIT CERTIFICATE

I have examined the Financial Statements of Ekiti State Government as at 30th June, 2022 in accordance with section 125 (2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) and Section 27(1-6) of Ekiti State Audit Service Law (No 3) 2021. I have obtained information and explanations that I required for my audit.

In the course of audit, I performed the financial and compliance audit in accordance with International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI).

In my opinion, the Financial Statements and the supporting accounts give a true and fair view of the state of affairs of Ekiti State Government as at 30th June, 2022 subject to further observations in my reports.


Adeuya Victor Oluwole (ACarb, CFA, ACA)
Auditor-General,
Ekiti-State.

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