

COMMENTS OF THE
STATE AUDITOR-GENERAL
ON THE
AUDITED ACCOUNTS
OF
LAGOS STATE GOVERNMENT
FOR THE FINANCIAL YEAR ENDED
31ST DECEMBER, 2018

1.00 INTRODUCTION

The Accounts of Lagos State Government for the financial year ended 31st December, 2018 have been examined under my direction in accordance with Section 125(5) of the 1999 Constitution of the Federal Republic of Nigeria.

The Office of the State Auditor-General, in line with its constitutional mandates, provides opinion on whether the Financial Statements of the State Government are presented fairly, clearly and completely.

The Financial Statements audit is also a veritable avenue to add value to the system through pertinent recommendations on ways to enhance the quality of financial control and reporting; and the processes that produce them.

The Office also examines and reports on the Accounting and Management Control Systems of the State Government with a view to enhancing access to all its resources and improve the judicious use of such resources for public good.

This report contains observations and recommendations as a result of the financial audit and detailed analysis of the financial information presented to this Office by the State Accountant-General.

1.10 CONSIDERATION OF YEAR 2017 AUDITED FINANCIAL REPORT

The audited accounts of the State Government for the Year ended 31st December, 2017 was submitted to the Lagos State House of Assembly on 29th June, 2018 and had been considered by the Public Accounts Committee of the State House of Assembly; however, the final report of the Committee thereon is still being awaited.

1.30 FINANCIAL REPORTING STANDARDS

The Financial Statements for the financial year ended, 31st December, 2018 was prepared in line with the standard templates for General Purpose Financial Statements [GPFs] for IPSASs Accrual Based Accounting and its attendant reporting features.

1.40 AUDIT APPROACH

Audit adopts a risk-based approach and examination, on a test basis, of the evidence presented and relevant to the balances, assertions and disclosures in the Financial

Statements prepared by the State Accountant-General. It also involves an assessment of the significant estimates and judgements contained in the Financial Statements as to whether they derive from the accounting policies modelled after IPSASs and Lagos State Public Finance Management Law, 2011.

The audit was conducted in accordance with International Standards on Auditing which requires that I must comply with ethical requirements, plan and perform the Audit to obtain reasonable assurance that the Financial Statements are free from material misstatements. As a result, I have obtained the necessary information and explanations that to the best of my knowledge and belief are necessary for the purpose of the audit; as such, it is my belief that the audit evidence obtained is sufficient and appropriate to provide a reasonable basis for my opinion.

2.00 IPSAS IMPLEMENTATION AND EXEMPTIONS BASED ON IPSAS 33

The Lagos State Government has adopted the accrual basis of International Public Sector Accounting Standards (IPSASs) and as a result the Financial Statements have been prepared in accordance with the accrual basis of IPSASs. The IPSAS standards require a full consolidation of all Government Ministries, Departments, Agencies [MDAs] and Parastatal Organizations; however, the consolidation of the Subsidiaries, Associates and Joint Ventures of the State Government has not yet occurred and as such, the figures contained in the financial statements presented by the Accountant-General were yet to fully reflect all the activities of the State Government. It is, therefore, important for the State Government to have a full view of its financial position and consolidation of its accounts would provide the information to allow for adequate assessments thereof.

Aside the underlisted Assets that were reported in the prior two [2] years Accrual IPSAS Financial Statements, additional new classes of Assets have been captured for the Year 2018 Third Transitional Financial Statements. The updates on classes of Assets captured prior to 1st January, 2018 are as follows:

- Infrastructural Assets
- Land and Buildings

- Plant and Machinery
- Furniture and Fittings
- Motor Vehicles
- Medical and Laboratory Equipment
- Computer and Office Equipment and;
- Library Books

The new classes of Assets that have been introduced into the Year 2018 Accrual IPSAS Transitional Financial Statements are as follows:

- Specialized Equipment [such as Fire Fighting Equipment, Oxygen Tank, Survey & Precision Equipment etc.]
- Parks and Gardens

The underlisted classes of valuable assets of LASG were yet to be recognized, measured and eventually brought into the State's Financial Statements, namely:-

- Other classes of Assets namely Investment Property, Heritage Assets, Biological Assets and Concession Assets [where applicable];
- Intangible Assets

The following items were observably not recognized in the Year 2018 Financial Statements:

- Full consolidation of Subsidiaries, Associates and Joint Ventures of the State;
- Related parties' disclosures.

3.00 FINANCIAL STATEMENTS OF MDAs

Further to the audit comment in our previous reports, Audit still reiterates that the timeline set by the Lagos State Public Finance Management Law, 2011 for the submission of Financial Statements to the State Auditor-General by the Ministries, Departments and Agencies [MDAs]; and Parastatal Organizations of Government coincides with that set for the State Treasury Office [STO]. It is necessary to revisit the Statute and revise the timeline for submission by the MDAs to precede submission by

STO as required by Statutes; in order for the information therein to serve as valid corroborative evidences for both STO and Audit.

Meanwhile, the Office carried out Audit Inspection on Eighty Six [86] Ministries, Departments and Agencies [MDAs] and Periodic Check on Sixty Eight [68] Parastatal Organizations during the Year 2018. The reports in respect thereof which are based on the distinct sectorial classifications are contained in other volumes of the Auditor-General's Statutory Report for Year 2018.

4.00 CONCLUSION

Further to our previous audit report and current review of the Oracle ERP suite [platform from where the Financial Statements were generated] showed that not all the Oracle Financial Modules procured by the State Government were fully deployed. Audit opines the need for the Oracle ERP to be upgraded to its current version; meanwhile, the requisite controls and other relevant functionalities [among which is the period close functionality] built into the existing Oracle System for effective financial reporting should be strictly enabled and enforced; while the road map on the full optimization and upgrading of the Oracle Applications should be pursued vigorously.

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