

**The Executive Chairman**

Taraba State Internal Revenue Service  
Hammaruwa Way, Jalingo  
Taraba State

Dear Sir,

**MANAGEMENT REPORT ON AUDITED ACCOUNTS OF TARABA STATE  
INTERNAL REVENUE SERVICE FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020.**

We have completed the audit of the books of account of Taraba State Board of Internal Revenue for the ended 31<sup>st</sup> December 2020 during which we studied and evaluated the whole system of Internal Control to the extent we considered necessary to meet the Generally Accepted Auditing Standard.

This report set out weaknesses in the Internal Control revealed by our evaluation together with suggestions as to how such weaknesses might be taken care of. The report is submitted as part of our usual practice and we would gladly accept offer made for implementing the recommendations noted.

It must however be appreciated that our evaluation of the system of Internal Control is designed to establish the reliability of these controls to assist in determining the nature, timing and extent of other auditing procedures necessary for expressing opinion on the accounts, since evaluation may therefore not be expected to include all possible lapses in the internal control system which a specialized audit might reveal, the evaluation done complied with Financial Regulations, Public procurements Act, Finance (Control and Management) Act, etc.

We do hope you will inform us of any action you may wish to take in rectifying the lapses stated thereon.

**TARABA STATE INTERNAL REVENUE SERVICE**

**INTERNALLY GENERATED REVENUE**

**FOR THE PERIOD UNDER REVIEW**

**ANALYTICAL REVIEW OF REVENUE COLLECTION**

We carried out in-depth review of all documents presented for audit with

a view to compare budget estimates with actual collections to establish performance and to advise where necessary.

The table below is the comparison between the approved budget estimate and actual collections by the Board to the State government treasury.

<b>YEAR</b>	<b>APPROVE ESTIMATE</b>	<b>ACTUAL COLLECTION</b>	<b>VARIANCE</b>	<b>%(PERFORMANCE COLLECTION)</b>
2019	3,618,561,926	3,571,894,827	(46,667,009)	98.7%
2020	6,580,448,886	8,114,973,143	1,534,524,257	123.3%

The performance of the service in her primary duty, which is revenue collection, was impressive if actual collection is compared with approved estimate for both 2019 and 2020. The service alone collected about 5.25% billion naira in 2000 which is 64.7% of the total IGR for the state. In spite of the above more revenue could still accrue to the government treasury if all hands are on deck.

### **Management Response:**

### **RECOMMENDATION**

- (i) We are recommending the service to adopt workable strategies that can further improve the collection of revenues from all activities that are taxable. Efforts should be intensified on the other Government agencies to generate more revenue from them including informal sectors.
- (ii) Tax payers should be encouraged to pay directly to bank using customized deposit slips which may be different a little bit from the normal deposit slip used for any transaction in the bank.
- (iii) Management should employ any of the available incentive schemes that is practicable in order to motivate the staff and bring out commitment and hard work in them. This arrangement should not be for only the revenue collectors but the taxpayers should be incentivized as well especially for

those that pay on or before the due date of their tax liabilities.

- (iv) Budget or approved estimate for a particular calendar year can be broken down into months and quarters for effective monitoring and control.
- (v) Management should invest more in personnel training so that staff could be up to date in the revenue collection strategies.

2. **REVENUE COLLECTION BY MDAs**

From all indications all the colleges and state Polytechnic performed well above their budgetary estimates. See the table below:

	BUDGET	ACTUAL	VARIANCE
	N	N	N
1. Taraba State University	725,000,000	691,813,801	(33,186,199)
2. College of Education Zing	292,501,482	510,157,500	217,656,018
3. Post Primary School Mgt Board	272,829,201	537,094,200	264,264,999
4. College of Agriculture	17,860,000	241,703,350	223,843,350
5. State Polytechnic Suntai	124,890,804	275,946,700	151,055,896
6. Specialist Hospital Jalingo	130,115,003	166,511,751	36,396,748

We observed that the budget figures of most of the parastatals need to be reconsidered for upward review so that their targets can serve as a motivation to perform better. Only two out of the sampled parastatals could still maintain their budget estimates; Taraba State University and specialist Hospital Jalingo.

While majority of the MDAs performed creditably well, there are those that contributed little or nothing to the IGR of the state. We are recommending the state to investigate those Ministries, Departments and Agencies that did not perform well.

3. **CASH BOOK**

We examined the expenditure cash books for overhead and capital spending for 2020. We vouched payment vouchers into the cashbook to ensure accurate recording of transactions in the cash book. Most of the transactions sampled by us were recorded correctly.

However, entries into the cash book that were done in pencil should be corrected and voucher numbers should always be allocated to each before posting into the cash book.

We further observed that some vouchers do not have "PAID" impressed on them.

### **RECOMMENDATION**

We are recommending to the management to make it mandatory for all payment vouchers to pass through the Internal Audit department so that every voucher is certified correct before it is schedule for payment.

Secondly, all paid vouchers should bear the "PAID" stamp so as to differentiate paid vouchers from vouchers that are awaiting payment.

Thirdly, bank reconciliation should be accorded priority at the end of every month and any discrepancy or errors noted should be resolved with the bank when the transaction history may still be fresh in the minds of accounts personnel and even the bankers.

Lastly, e-payment should be encouraged by the management to conform with the current banking practices.

#### **4. PLATE NUMBERS**

We examined the revolving Account for the two years under review. We were able to ascertain the production expenses incurred which includes:

- (i) Amount paid for Production of Plate numbers of all categories
- (ii) Transportation cost and other incidental expenses.

### **Management Response:**

### **RECOMMENDATION**

The Management should design an acceptable system that would capture plate numbers produced along with the cost so that effectively, the actual unit cost of each plate number can be ascertained.

Inventory of plate numbers and their value should be given priority at the end of every year.

#### **5. BANK RECONCILIATION**

We observed that many banks were responsible for collection of the state Government revenues. We however, noted that reconciliations were not thoroughly done. The implication of this is that some banks might not be remitting revenues collected on behalf of the state Government as at when due. Money collected might be held by these banks unduly without remitting same to the "Lead Bank" at the appropriate time. The Accounts department should designate some officers that are knowledgeable enough to carry out the reconciliation exercise at the end of every month.

### **Management Response:**

#### **RECOMMENDATION**

- (i) The management should make it mandatory that reconciliation between the Lead Bank and other banks is carried out at the end of every month.
- (ii) The staff designated to carry out the reconciliation must be different from the cashier and anybody engaged in revenue collection.
- (iii) The reconciliation statement must be reviewed by a senior staff, preferably the Accountant of the Board in order to pursue and resolve any observed discrepancies or errors as soon as feasible.

#### **6. IMPREST**

During our scrutiny of payment vouchers we observed that almost all payments for purchases like petrol, stationeries and in some instances, repairs and maintenance were paid and described as imprest. For instance, someone could be paid N50,000 or N20,000 and on the same day the whole amount would be spent. The concept of imprest is different from what was been practiced. An imprest is a means of controlling petty cash expenditure in which a person is given a certain sum of money (Float or imprest).

When some of it has been spent, that person provides appropriate vouchers for the amount spent and is then reimbursed to bring the float to approved amount.

Thus at any given time the person should have either vouchers or cash to a total of the amount of the float.

In a nutshell, the imprest is not given to be spent the way we observed during the period under review.

**Management Response:**

**RECOMMENDATION**

Management is advised to imbibe the true concept of petty cash operation by educating the departmental heads and staff who usually request for imprest to always apply for fund to acquire what they want to buy or refer to the procurement officer.

7. **FIXED (NON-CURRENT) ASSET REGISTER**

We observed that the Board has no standard Fixed Asset Register in which all fixed (non-current) assets acquired or procured should be recorded.

What was given to us on a sheet of paper was not detailed enough to give all the necessary information about all the non-current assets owned by the Board and as such cannot be described as a Register.

**Management Response:**

**RECOMMENDATION**

We are recommending to the management to open a Non-Current Assets Register where there will be a permanent information about all assets belonging to the Board. All existing assets should be captured and additions to the non-current asset procured must be recorded in the Register.

8. **STORES**

We visited the store unit of the Board and took sample of the items available during the audit exercise. We observed the following:

- (i) Stocktaking was not officially organized by the Management.
- (ii) Periodic stock counts were only done by the officer in charge of stores and stores attendants without input from user departments.
- (iii) That there was no stores account where the values of every item in the store were recorded.
- (iv) There were quite a lot of obsolete store items, especially, forms that are out-of-date as a result of technological advancement in the processing of certain transactions of the Board.
- (v) There were store items in the store but no value was attached to them.
- (vi) As a result of the observations above, there was no value attached to the inventory of the Service as at the end of 2020 financial year, a situation we suggest the management should address urgently.

### **RECOMMENDATION**

Management of the Service owes it a duty to organize periodic stock-taking for the store items as part of control mechanism that would not only ensure the status and quantities of stores items but would prevent pilfering of goods from the stores.

Therefore, management must ensure that there is an Account Personnel that would be responsible for maintaining records of the value of every item. Such values would then form parts of the assets of the Service in the Statement of Financial Position at the end of every financial year.

- Management is advised to take a decision on the obsolete items in the store, forms and other items that are no longer in use should be identified for the purpose of withdrawing them from stores thereby creating space for useful items.

- The Management should endeavor to employ the services of experts (consultants) who can give training to the store keeper, store attendants and stores Account departments as soon as feasible so that all inadequacies observed by us can be addressed.

### **Management Response:**

#### 9. **PRINTING AND PUBLICATION**

We observed that the Management engaged the services of quite a number of contractors for Printing Projects of its publications such as stickers and others forms. The Board must not forget to always act within the Procurement Act of 2007 as Gazetted on 19<sup>th</sup> June 2007.

#### **Recommendation**

We are advising the Board to always appoint good and tested contractors to handle their printing jobs.

- In line with above named Act (Procurement Act 2007), the Board should endeavor to always follow the laid down procedures with the intention of attaining value for money on every transaction. All items procured should appropriately be captured by the stores and stores Account department so that value can be attached to every item in the store.

#### 10. **CAPITAL GRANT**

We noted that N11,680,356 was standing in the book of the Service as Capital Grants. We do not know what this figure connotes and as such could not advise the Board on the figure. Management is therefore advised to ascertain the authenticity of this figure before the next audit assignment.

#### 11. **CONCLUSION**

We thank the Management of Taraba State of Internal Revenue Service for appointing us as External Auditors. Our

appreciation goes to the staff for their cooperation during the audit exercise.

Thank you.

**GIWA – OSAGIE, DFK & CO.,**  
(Chartered Accountants).

**TARABA STATE INTERNALLY GENERATED REVENUE (IGR) FIGURES**  
**FROM MDAs THAT RETAINS REVENUE, 2018 – 2019.**

<b>SN</b>	<b>MDAs</b>	<b>JANUARY – DECEMBER 2018</b>	<b>JANUARY – DECEMBER 2019</b>
		<b>N</b>	<b>N</b>
1	Post Primary School Management Board	467801551.00	472,520,094.00
2	College of Education, Zing	376,683,000.00	443,485,000.00
3	College of Agriculture, Jalingo	211,741,000.00	236,715,000.00
4	State Polytechnic Suntai	271,633,488.00	262,114,230.00
5	Taraba State Water Supply Agency	22,536,940.00	15,545,010.00
6	Taraba State Essential Drugs Programme	10,024,690.00	5,545,722.00
7	Taraba State University, Jalingo	1,048,648,060.05	688,169,420.05
8	Specialist Hospital, Jalingo	105,042,713.50	200,935,081.50
9	State Asphalt & Crushing Plant (Quarry Plant)	133,264,629.29	135,503,664.29
10	College of Health Technology, Takum	41,284,420.00	26,975,950.00
11	College of Nursing & Midwifery, Jalingo	50,716,350.00	23,357,050.00
	<b>Total</b>	<b>2,739,376,841.84</b>	<b>2,510,866,222.45</b>