

**ANAMBRA STATE GOVERNMENT
FADAMA III PROJECT
(WORLD BANK ASSISTED)**

**MANAGEMENT REPORT ON AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

**OBI OKECHUKWU & CO
(Chartered Accountants)
73 Nnamdi Azikiwe Avenue
P.O. Box 1138
Awka – Anambra State
Phone: 08033201398
E-mail: obiakormadu@yahoo.com**





1st April, 2016

The Head,
Anambra State Project Financial Management Unit (PFMU),
Old Pharmaceutical Stores,
Amaku General Hospital,
Awka.

Dear Sir,

**MANAGEMENT LETTER FOR THE AUDITED FINANCIAL
STATEMENTS OF FADAMA III PROJECT FOR THE YEAR ENDED
31ST DECEMBER, 2015**

We have completed the audit of your Financial Statements for the year ended 31st December, 2015. Our audit was conducted in accordance with Generally Accepted Auditing Standards. Set out below are our observations, comments and recommendations on matters which came to our notice in the course of our audit.

For your information, our normal audit procedures are designed primarily to enable us form an opinion on your Project's Financial Statements and therefore will not necessarily disclose all weaknesses in the Internal Controls or Accounting Systems which a specialized review might reveal. This report should

not therefore be construed as an expression of approval of any matters not specifically discussed herein.

We reviewed all the books and records of accounts maintained by the Project. We checked and confirmed for compliance with the World Bank Financial Covenants as contained in Article IV of the DCA. The books include; Cashbooks, Bank Statements, Bank Reconciliation Statements, Bank Debit and Credit Advices, Payment Vouchers, Bank Schedules, Statement of Expenditure/Withdrawal Applications, Quarterly Interim Financial Report, PV Register, Cheque Issue Register, Contract Register and Payment Transfer Instructions.

Interviews were also conducted on some officials of the organization, the principal amongst them are the Project Accountant and the Internal Auditor. In addition, we reviewed the Project Financial Management Procedures Manuals and report on their adequacy.

In presenting our report, cognizance will be given to issues raised in previous reports, those that have been corrected and those that were yet to be corrected as well as new issues that came to our attention. Therefore, there are Sections A and B in our report as follows-

Section A – Review Of The Implementation Of The Previous Years' Recommendations

Section B - Current Year Observations

SECTION A - REVIEW OF THE IMPLEMENTATION OF THE PREVIOUS YEARS' RECOMMENDATIONS

a) Budgeting

The following observations were made in the last Management Report-

- There was no Budget and Budgetary System, Variance trends, exception reports, compliance schedules were not available for analysis and comments. Annual Work Plan was used for spending.
- There was no Budget Management and Implementation Committee in Place during the year.
- There was no report that showed analysis of comparison of the current Annual Work Plan being used with actual performances of the project's financial statements by category and by component for the year.

Consequences

- Effective monitoring and performances of the projects by category and by component could not be established for the year.
- The description/analysis of significant variances between the work plan/budget and actual expenditures by category and by component for the year was impossible.
- Suggested means of improvement that can serve as value addition to the project might be missed.

Risk Level

- High

Recommendation

- The project should operate effective budget and budgetary plans and policies.

Our Review/Comments

All the observed anomalies are yet to be rectified during the year under review except that a copy of 2015 budget was made available to us during our audit. Also, there is no evidence that Budget Management and Implementation Committee was in place during the year. Variance analysis reports from the budget were also not available.

We wish to re-emphasize the need for the Project to operate an effective budget and budgetary plans and policies without further delay.

b) **Accounting**

i. **Poor Keeping of Books of Accounts**

We observed in the previous year that the project's books of account were poorly kept as postings in the cash books were not extended and some of the books were not balanced at the end of each month. Also, some of the ledger print outs did not agree with the cash books given to us as some opening balances were different from the audited account balances.

Consequence

Poor keeping of the cash book makes the figures in the ledgers unreliable. It also makes the annual audit very difficult.

Risk Level

- High

Recommendation

The Project Accountant should improve on the keeping of books of accounts. Cash books should be properly analyzed and extended with the help of analysis book and balances compared with figures generated from the software.

Our Review/Comment

In the current year, we observed that the cashbooks were also not analyzed. There were also no print outs generated from the software because the officers concerned have not been adequately trained on how to use the accounting software.

The projects should expedite action towards organizing an adequate training for the project's accounting staff on how to operate the accounting software and properly keep the books of accounts.

ii. **Accounting Codes not Indicated on Payment Vouchers**

It was observed in the last management report that accounting codes were not indicated on the payment vouchers. Thus making it difficult to ascertain the expenditure heads to which postings were made.

Consequence

- Postings made to wrong accounting sub-heads cannot be easily detected.
- Vouching of postings are also difficult.

Risk Level

- Medium

Recommendation

Accounting codes should be indicated in all payment vouchers to make it easy to ascertain the accounting sub-head to which postings were made. This will make detection of wrong postings and vouching easier.

Our Comment

This has been implemented in the current year.

SECTION B: CURRENT YEAR OBSERVATIONS

1. **Unauthorized Transfer of the Project's Fund to CBN**

It was observed that on 19th October 2015, Fidelity bank Plc transferred the project's fund balance of N6,145,811.93 in FADAMA III Motorcycle Revolving account to the Central Bank of Nigeria (CBN) without the prior knowledge and approval of the Project. When contacted severally by the project's accountant, the bank acknowledged that the transfer was made in error as the bank was only implementing the Treasury Single Account (TSA) policy of the Federal Government. However, as at 31st December 2015, the reversal of this transfer has not been effected by Fidelity Bank Plc.

Further, the project raised a Payment Voucher (PV) in order to effect this transaction in its record and also to bring its cashbook at par with the bank's statement.

Consequences

1. The interest that could have been earned by the Project on this fund was missed.
2. The Project was denied access to usage of its fund because of this unauthorized transfer; thus hampering the efficiency in the achievement of the Project's objectives.
3. This is a very wrong accounting procedure because the raising of payment vouchers only insinuates that this transfer was authorized by the Project and would make the Projects' records not to disclose at a glance that there is a discrepancy between the Project's record and the bank's statement.

Risk Level

- High

Recommendation

- Efforts should be made to recover this amount with the interest accrued at the existing market rate.
- The Project should not raise Payment vouchers (PV) for transactions not authorized and paid for by it. Payment Vouchers are only raised when payments are being authorized and not after disbursement must have been made.

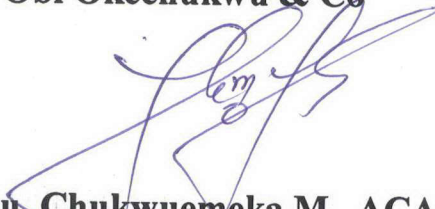
CONCLUSION

We wish to place on record, the co-operation received from the staff of the project during our audit.

If you want to discuss further, any of the issues raised in this report, please do not hesitate to contact us.

Thank you

For **Obi Okechukwu & Co**

A handwritten signature in blue ink, appearing to be 'Oriaku', written over a faint, illegible stamp or watermark.

Oriaku, Chukwuemeka M., ACA, MSc
Resident Partner

**ANAMBRA STATE GOVERNMENT
FADAMA III PROJECT
(WORLD BANK ASSISTED)**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2015**



**OBI OKECHUKWU & CO
(Chartered Accountants)
73 Nnamdi Azikiwe Avenue
P.O. Box 1138, Awka
Anambra State – Nigeria
Phone: 08033201398, 08029180001
E-mail: obiakormadu@yahoo.com**

**ANAMBRA STATE GOVERNMENT
FADAMA III PROJECT
(WORLD BANK ASSISTED)**

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FOR THE YEAR ENDED 31ST DECEMBER, 2015**

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**ANAMBRA STATE GOVERNMENT
FADAMA III PROJECT
(WORLD BANK ASSISTED)**

**CORPORATE INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

OFFICE ADDRESS:

State FADAMA Coordinating Office
ADP Building Complex
Awka
Anambra State

CREDIT EFFECTIVENESS:

March 2009

BANKERS:

Fidelity Bank Plc, Awka

AUDITORS:

OBI OKECHUKWU & CO
(Chartered Accountants)
73 Nnamdi Azikiwe Avenue
P.O. Box 1138
Awka – Anambra State
Phone: 08033201398
E-mail: obiakormadu@yahoo.com



HEAD OFFICE:

73 Zik's Avenue,
Opp. Dike Park,
P.O. Box 1138, Awka,
Anambra State, Nigeria.
☎ 08033892313, 08033201398

E-mail: Obiakormmadu@yahoo.com

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ANAMBRA STATE
FADAMA III PROJECT (WORLD BANK ASSISTED)**

Report on the Financial Statements

We have audited the accompanying financial statement of Anambra State FADAMA III Project, for the year ended 31 December, 2015, set out on pages 6 to 10 which have been prepared on the basis of significant accounting policies on page 5 and other explanatory notes on page 11 and 12. The Project is financed by the IDA Credit Number 45960.

The Project Management Responsibility for the Financial Statements

The Anambra State Project Financial Management Unit (PFMU) who coordinates the activities of the State Project is responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Accounting Standards issued by Financial Reporting Council of Nigeria, the International Standards on Auditing (ISAs) and World Bank Guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with Financial Reporting Council of Nigeria Standards on Auditing issued by the Institute of Chartered Accountants of Nigeria, the International Standards on Auditing (ISAs) and World Bank Guidelines. These Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the project Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Project's financial position as at 31st December, 2015 in accordance with Financial reporting Council of Nigerian Standards on Auditing issue by the Institute of Chartered Accountants of Nigeria, the International Standards on Auditing (ISAs) and World Bank Guidelines.

Report on other Legal Requirements

The Company and Allied Matters Act, CAP C20 LFN, 2004 requires that in carry out our audit we consider and report to you on the following matters. We confirm that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of accounts have been kept by the project; and
- c. The Project's balance sheet and statement of receipts and payments are in agreement with the books of account.

Statement of Expenditure (SOE)

The Statement of Expenditure (SOE) incurred during the financial year on page 7 is in agreement with the books of accounts. Adequate supporting documents have been maintained to support claims to the World Bank for reimbursement of expenditures incurred; and which expenditures are eligible for financing under the Credit Agreement.

Special Account

The Statement of Special Account (SA) of the Project on page 11 has been prepared on the basis of Cash Deposit and Transfers for purposes of complying with the Credit Loan Agreement. The Statement gives a true and fair view of the Beginning and Ending Balance and the Account Activity for the period ended 31st December, 2015.

Counterpart Fund Account

The Counterpart Funds have been provided in accordance with the financing Agreement and have been properly used for the Project purposes. All payments from the Account are properly supported by relevant documents and are recorded in the Books of Accounts

OBI OKECHUKWU & CO
(Chartered Accountants)



Obi - Okechukwu & Co.
AWKA - NIGERIA
03/may 2016

ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)

ACCOUNTING POLICIES

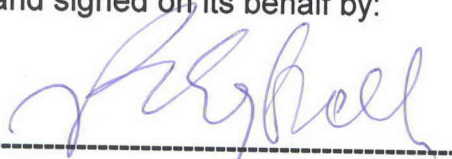
The following are the significant Accounting Policies adopted by the Project in the preparation of the Financial Statements.

1. **Accounting Concepts**
These Accounts have been prepared on Cash Basis of Accounting as is practiced by the Government of Nigeria.
2. **Accounting Convention**
The Accounts are prepared under the historical Cost Convention.
3. **Fixed Assets**
Fixed Assets are accounted for at Cost and capitalized as an integral part of the Project's Accumulated Development Cost. However, expenditure of Capital natures are isolated and tracked by means of Assets Register.
 - a. In applying the Capitalization Policy, all related (landed) costs and installation costs were included in the acquisition cost of the Fixed Assets items.
 - b. Capital expenditures on Contract works were included on the basis of valuation certificates including retention.
 - c. No depreciation is charged on the Project's Fixed Assets as there are no Revenue to be matched against such charges and because the Cash Basis of Accounts is in effect.
4. **Development Cost**
All costs incurred by the Project are considered Development costs and are therefore deferred to be matched against future benefits.
5. **Inventory**
Inventory is valued at the lower of Costs and Net Realizable Value.
6. **Foreign Exchange**
Income and Expenditure items in foreign currency were converted into Naira at the appropriate rate of exchange ruling at the time they arise. Assets and Liabilities existing in foreign currencies were translated into Naira at the rate applicable at the Balance Sheet date. The gains and losses arising on translations are credited or charged to Reserve in the period they arose.
7. **Going Concern**
The Project is assumed to continue to operate in the foreseeable future.
8. **Consistency**
There will be consistency of accounting treatment of like items within each accounting period to the next.

**ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)
BALANCE SHEET AS AT 31ST DECEMBER, 2015**

	<u>NOTES</u>	2015 N	2014 N
<u>ASSETS EMPLOYED</u>			
Project Cost	1	79,395,611	125,284,610
Bank Balances	2	208,425,494	271,029,104
Debtors		-	-
		<u>287,821,105</u>	<u>396,313,714</u>
<u>FINANCED BY</u>			
Surplus/Deficit (Accumulated Fund)		271,029,104	242,753,271
IDA Fund		14,924,403	12,969,538
Counterpart Fund		-	136,355,000
Other Income & Interest		1,867,598	4,235,905
		<u>287,821,105</u>	<u>396,313,714</u>

Approved by Project Financial Management Unit on the
....., 2016 and signed on its behalf by:



State Project Co-ordinator



Head PFMU



Project Accountant

*The Accounting Policies on page 5 and the attached Notes
to the Accounts form an integral part of these Financial Statements.*

ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)

STATEMENT OF EXPENDITURE FOR THE YEAR ENDED 31ST DECEMBER, 2015

	<u>NOTES</u>	2015	2014
		N	N
INVESTMENT COSTS			
Development Capital Costs	1	<u>12,183,734</u>	<u>74,110,230</u>
Investment Cost for the Period		<u>12,183,734</u>	<u>74,110,230</u>
OPERATING COSTS			
Office Running Costs	1b	<u>67,211,877</u>	<u>51,174,380</u>
Operating Cost for the Period		<u>67,211,877</u>	<u>51,174,380</u>
		<u>79,395,611</u>	<u>125,284,610</u>

The Accounting Policies on page 5 and the attached Notes to the Accounts form an integral part of these Financial Statements.

ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)

STATEMENT OF RECEIPTS AND PAYMENT FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015	2014
	N	N
RECEIPTS		-
Opening Balane B/fwd	271,029,104	
IDA Fund	14,924,403	12,969,538
State Government Counter Part Fund	-	56,355,000
Local Government Contributions	-	80,000,000
Other Income & Interest	<u>1,867,598</u>	<u>4,235,905</u>
	<u>287,821,105</u>	<u>153,560,443</u>
LESS PAYMENTS		
Development Capital Costs	12,183,734	74,110,230
Operational Cost	<u>67,211,877</u>	<u>51,174,380</u>
	<u>79,395,611</u>	<u>125,284,610</u>
Balance for the year	<u>208,425,494</u>	<u>28,275,833</u>

*The Accounting Policies on page 5 and the attached Notes
to the Accounts form an integral part of these Financial Statements.*

ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015	2014
	N	N
<u>Cashflow from Operating Activities</u>		
Investment cost for the year	(79,395,611)	(125,284,610)
<u>Change in Working Capital</u>		
Sundry Creditors/Accruals	-	-
	-	-
Net Cash Inflow from Operating Activities	<u>(79,395,611)</u>	<u>(125,284,610)</u>
<u>Cash Inflow from Financing Activities</u>		
IDA Fund	14,924,403	12,969,538
State Government Counter Part Fund	-	56,355,000
Local Government Contributions	-	80,000,000
	<u>14,924,403</u>	<u>149,324,538</u>
<u>Cash Inflow from Investing Activities</u>		
Other Income	1,827,002	4,125,700
Interest Received from Domiciliary Accounts	40,596	110,205
Interest Received from Naira Accounts	-	-
	<u>1,867,598</u>	<u>4,235,905</u>
Net Increase/Decrease on cash and Cash Equivalent	(62,603,610)	28,275,833
Cash & Cash Equivalent 1/1/2015	<u>271,029,104</u>	<u>242,753,271</u>
Cash & Cash Equivalent 31/12/2015	<u>208,425,494</u>	<u>271,029,104</u>

The Accounting Policies on page 5 and the attached Notes to the Accounts form an integral part of these Financial Statements.

ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)

SPECIAL DOLLAR ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015	2014
	\$	\$
Depository Bank:		
Fidelity Bank Plc		
Opening Balance	172,760	1,065,537
World Bank Replenishments	74,997	74,997
Interest	198	686
	<u>247,955</u>	<u>1,141,220</u>
Deduct		
Transfer to Draw Down Account	31,048.00	968,391.00
Charges	20.00	69.00
	<u>31,068.00</u>	<u>968,460.00</u>
Balance as at 31st December, 2015	216,887	172,760

The Accounting Policies on page 5 and the attached Notes

to the Accounts form an integral part of these Financial Statements.

ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

	2015	2014
	N	N
1 PROJECT COSTS	12,183,734	74,110,230
a Development Capital Expenditure	<u>67,211,877</u>	<u>51,174,380</u>
b Development Operational Cost	<u>79,395,611</u>	<u>125,284,610</u>
1b DEVELOPMENT OPERATING EXPENDITURE		
Bank Charges	26,066	22,372
Staff Salaries		3,213,009
Consultancy Services	11,074,537	
Postages and Recharge Card		568,000
SFCO Staff/Facilitators Allowances	24,030,457	13,079,571
Building Maintenance	55,000	-
Electricity and Lighting	371,020	-
Office Expenses	-	96,825
LFDO Activities		19,000,000
Telephone/Internet	2,145,000	-
Printing and Stationery		18,000
Office Repairs & Maintenance	403,729	-
Servicing of SFTO Meetings	328,204	231,500
Transport and Traveling	7,945,691	7,451,680
Training of Facilitators	9,791,449	
Maintenance of Vehicles	66,500	446,200
Government Levies	966,810	
Maintenance of Office Equipment	64,182	343,165
VAT, WHT and StateTax	-	523,150
Advert & Publicity	1,586,178	1,469,000
Vehicle Insurance	54,112	1,970,063
PFMU Running Cost/Imprest	2,157,130	1,056,845
Transfer to Central Bank of Nigeria (CBN)	6,145,812	
Audit Fee	-	1,640,000
Electricity Installations/Mgt	-	45,000
	<u>67,211,877</u>	<u>51,174,380</u>

ANAMBRA STATE FADAMA III PROJECT (WORLD BANK ASSISTED)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2015 CONT.

	2015	2014
	N	N
2 BANK BALANCES		
Special Account	39,016,645	29,714,820
GCCF Account	156,431,742	223,889,051
Draw Down Account	2,822,810	2,265,493
Interest Account (Dollar)	1,424,149	1,422,955
Interest Account (Naira)	8,697,973	7,597,973
Motorcycle Revenue A/c	32,175	6,138,812
	<u>208,425,494</u>	<u>271,029,104</u>
 RECEIPTS		
IDA Fund	14,924,403	12,969,538
Interest	-	110,205
State Government Counter Part Fund	-	56,355,000
Local Government Contributions	-	80,000,000
Other Income	1,867,598	4,125,700
	<u>16,792,001</u>	<u>153,560,443</u>
 4 FIXED ASSETS		
Buildings	3,623,784	-
Office Equipment/Fittings	8,559,950	-
	<u>12,183,734</u>	<u>-</u>