

Report of the ACCOUNTANT GENERAL with
IPSAS FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017



**KANO STATE
GOVERNMENT**

2017



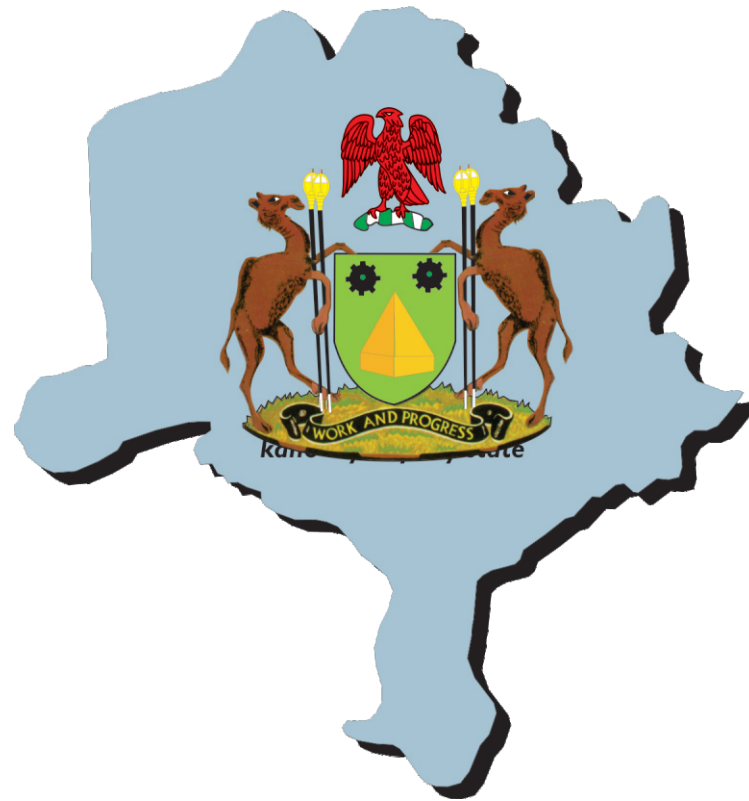
**FIRST TRANSITIONAL
ACCRUAL BASIS**

Prepared By:
OFFICE OF THE ACCOUNTANT GENERAL,
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT,
AUDU BAKO SECRETARIAT, KANO STATE.

KANO STATE GOVERNMENT
TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017



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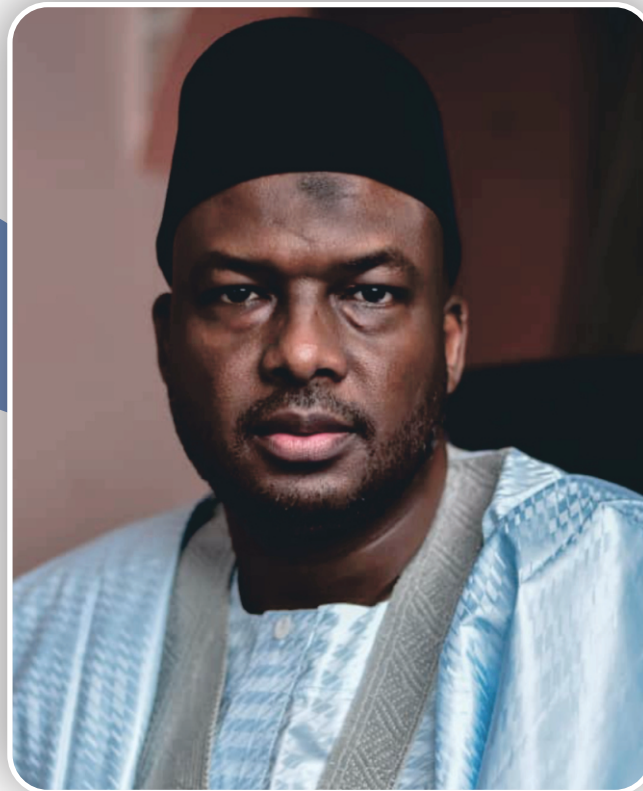


KANO STATE GOVERNMENT OF NIGERIA



His Excellency,
Dr. Abdullahi Umar Ganduje, OFR
Kano State Executive Governor





Aminu Mukhtar Dan'amu
Hon. Commissioner
Ministry of Finance Kano State



Shehu Abbas Mu'azu, CNA
Accountant General
Kano State





Isma'ila Musa, FCNA
Director Final Account
Ministry of Finance



Technical Committee Migration to IPSAS Accrual 2017



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RESPONSIBILITY FOR FINANCIAL STATEMENTS

These Financial Statements have been prepared by the Accountant-General of Kano State in accordance with the provisions of the Finance (Control and Management) Act 2014 as revised. The Financial Statements are in compliance with Generally Accepted Accounting Practice (GAAP) and are presented in the new format of General Purpose Financial Statement (GPFS) using International Public Sector Accounting Standards (IPSAS Accrual).

The Accountant-General is responsible for establishing and maintaining an adequate system of Internal Control designed to provide reasonable assurance that the transactions recorded are within the statutory authority and that the use of public financial resources by the government is properly recorded.

To the best of my knowledge, the system of internal control has been very effective and adequate for the scope of government official transactions. The various statements presented in this report therein reflect the financial position of government as at the year ended 31st December 2017.



SHEHU ABBAS MU'AZU, CNA
ACCOUNTANT GENERAL, KANO STATE



AUDIT CERTIFICATE

The Account of the Government of Kano State of Nigeria for the year ended 31st December, 2017 have been examined in accordance with Section 125(2) of the Constitution of the Federal Republic of Nigeria, 1999 and Section 7(1) of the Kano State Audit Law, 1986 as well as the provision of IPSAS 33 (first year adoption) of the International Public Sector Accounting Standards.

I have for the purpose of my audit obtained the information and explanation required and, subject to the comments and observations contained therein, I certified that, in my opinion the Statement of Financial Position and the supporting Accounts and Statements are properly drawn up in IPSAS Accrual Basis and present fairly, in all material aspects, the financial position of the Government of Kano State of Nigeria as at 31st December, 2017 and its financial transactions for the year then ended.

AMINA INUWA SA'ID (Mrs.), CNA.
Auditor - General,
Kano State.

Office of the Auditor-General
Audu Bako Secretariat,
P.M.B 3017,
Kano.



Completed Yusuf Maitama Sule Paediatric Hospital Zoo Road



The New Face of Dawakin Tofa General Hospital



Completed Muhammadu Buhari Specialist Hospital, Giginyu Kano furnished with Multi Billion Naira Medical Gadgets.



Completed Skill Acquisition Centre Zaria Road



Installed Inputs at Completed Skill Acquisition Centre Zaria Road



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31st DECEMBER, 2017

		31st Dec 2017
Revenue:	Note	N'000
Revenue from Non-exchange Transactions:		
Taxation income	6	17,187,711
Fines & Fees	7	25,232,101
Statutory allocation	8	103,290,943
Capital receipts	9	684,206
Other revenue from non-exchange transactions	10	282,244
Total Operating Revenue		146,677,205
Expenses:		
Wages, salaries and employee benefits	11	46,684,328
Overheads & Subvention	12	25,916,689
Capital Expenditure	13	70,968,782
Net loss on foreign exchange transactions	14	-
Public debt charge	15	3,015,675
Total Operating Expenses		146,585,474
Surplus for the Year		91,732



SHEHU ABBAS MU'AZU, CNA
ACCOUNTANT GENERAL, KANO STATE



STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31st DECEMBER, 2017

	Note	31 Dec 2017 N'000	1 Jan 2017 N'000
ASSETS			
Current Assets			
Cash and cash equivalents	16	18,329,835	6,881,174
Receivables from exchange transactions	17	1,322,607	1,361,694
		19,652,443	8,242,868
Non-current Assets			
Investment in Securities	18	52,000,584	52,000,584
		52,000,584	52,000,584
Total Assets		71,653,027	60,243,452
LIABILITIES			
Current Liabilities			
Payables and other liabilities	19	27,341,840	30,398,774
Public debts	20i	2,911,595	2,759,349
		30,253,435	33,158,122
Non-current Liabilities			
Public debts	20ii	70,069,967	53,534,022
		70,069,967	53,534,022
Total Liabilities		100,323,402	86,692,144
Net assets			
Consolidated revenue fund		-	-
Capital development fund		-	-
Accumulated surplus/ (deficit)		(28,670,375)	(26,448,692)
Available for sale reserves		-	-
		(28,670,375)	(26,448,692)
Total Net Assets and Liabilities		71,653,027	60,243,452

SHEHU ABBAS MU'AZU, CNA.
ACCOUNTANT GENERAL, KANO STATE

CASHFLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2017

CASHFLOWS FROM OPERATING ACTIVITIES		N'000
Receipts		
Revenue from non-exchange transactions:		
Tax receipts		17,187,710
Fines and Fees		25,232,101
Statutory allocation		103,290,944
Capital receipts		684,206
Other revenue from non-exchange transactions		282,244.19
Total Inflow from operating activities		146,677,205
Payments		
Wages, salaries and employee benefits		46,684,327
Overhead and Subvention		25,916,689
Total outflow from operating activities		72,601,016
Net Cashflows from Operating Activities		74,076,189
CASHFLOWS FROM INVESTING ACTIVITIES		
Capital Expenditure: Administrative Sector		2,154,971
Capital Expenditure: Economic Sector		7,885,844
Capital Expenditure: Law and Justice		385,139
Capital Expenditure: Regional Development		41,706,701
Capital Expenditure: Social Service Sector		11,304,837
Capital Expenditure (Power intervention)		550,229
Capital Expenditure (NEW MAP)		4,042,019

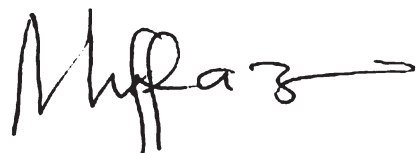
**CASHFLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2017**

Capital Expenditure (CADP)		1,927,362
Capital Expenditure Aids and Grants		1,011,679
Net Cashflows used in Investing Activities		70,968,782
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings		14,774,610
Repayment of Borrowings		(6,433,355)
Net Cashflows used in Financing Activities		8,341,255
Net Cash Flow from All Activities		
Opening cash and cash equivalent		6,881,174
Closing cash and cash equivalent		18,329,836

SHEHU ABBAS MU'AZU, CNA
ACCOUNTANT GENERAL, KANO STATE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31st DECEMBER, 2017

	CONSOLIDATED REVENUE FUND	CAPITAL DEV. FUND	AVAILABLE-FOR -SALE RESERVE	ACCUMULATED SURPLUS	TOTAL RESERVES
	N'000	N'000	N'000	N'000	N'000
Balance at 1st January 2017	1,901,378	(16,438,003)		(11,912,067)	(26,448,692)
Opening IPSAS adjustment	-	-		(2,313,414)	(2,313,414)
Change in par value of available-for-sale Financial Assets	-	-			-
Surplus for the year		-		91,732	91,732
Balance at 31st December 2017	1,901,378	(16,438,003)	-	(14,133,750)	(28,670,375)



SHEHU ABBAS MU'AZU, CNA
ACCOUNTANT GENERAL, KANO STATE



STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNT FOR THE YEAR ENDED 31st DECEMBER, 2017

	BUDGETED		ACTUAL AMOUNTS ON COMPARABLE N'000	DIFFERENCE FINAL BUDGET AND ACTUAL N'000
	ORIGINAL	FINAL		
	N'000	N'000		
Receipts				
Revenue from Non-exchange Transactions:				
Internally Generated Revenue	49,234,952	49,234,952	42,419,811	(6,815,141)
Statutory Revenue	54,279,573	54,279,573	82,623,238	28,343,665
Government Share of VAT	18,000,000	18,000,000	20,667,705	2,667,705
Other Receipts (FGN)	25,410,532	25,410,532	684,206	(24,726,326)
Other revenue from non-exchange transactions	-	-	282,244	282,244
Receipts	146,925,057	146,925,057	146,677,204	(247,853)
Receipt from loans	7,190,528	7,190,528	14,774,610	7,584,082
Total Receipts	154,115,585	154,115,585	161,451,814	7,336,229
Payments				
Debt Charges	567,325	567,325	6,433,355	(5,866,030)
Personnel cost	59,001,534	59,001,534	46,684,327	12,317,207
Overhead cost	13,090,675	14,453,152	18,473,177	(4,020,025)
Subvention Overhead	9,904,439	6,011,962	7,443,512	(1,431,550)
Capital expenditure	138,475,220	135,925,220	70,968,782	64,956,438
Total payments	221,039,193	215,959,193	150,003,153	65,956,040
Net Receipts	(66,923,608)	(61,843,608)	11,448,661	(58,619,811)

Note: The budget and the consolidated Financial Statements are prepared on a different basis. As such, the statement of comparison of budget and actual amounts above is prepared on the same basis as the budget.

SHEHU ABBAS MU'AZU, CNA.
ACCOUNTANT GENERAL, KANO STATE



Completed Panshekara-Madobi Junction Flyover



Supply of Agricultural Equipments



KASCO Mass Fertilizer Production



Primary School Blocks for Improving Education Sector in Kano State



Hydro Power Plant Tiga



Goggo Rice Empowerment

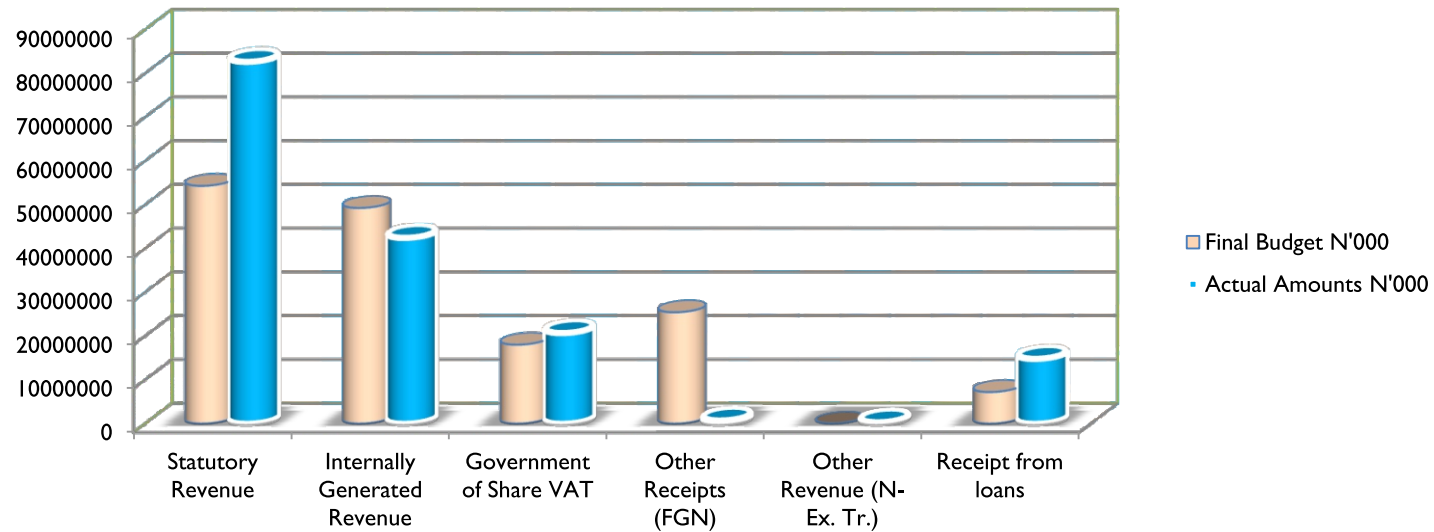


Automobile Empowerment

COMPARISON OF BUDGET & ACTUAL INFLOWS FOR THE YEAR ENDED 31st DECEMBER, 2017

Description	Final Budget N'000	Actual Amounts N'000	Performances (%)
Statutory Revenue	54,279,573	82,623,238	152
Internally Generated Revenue	49,234,952	42,419,811	86
Government of Share VAT	18,000,000	20,667,705	115
Other Receipts (FGN)	25,410,532	684,206	3
Other Revenue (N-Ex. Tr.)	-	282,244	100
Receipt from loans	7,190,528	14,774,610	205
Total Receipts	99,836,012	161,451,814	162

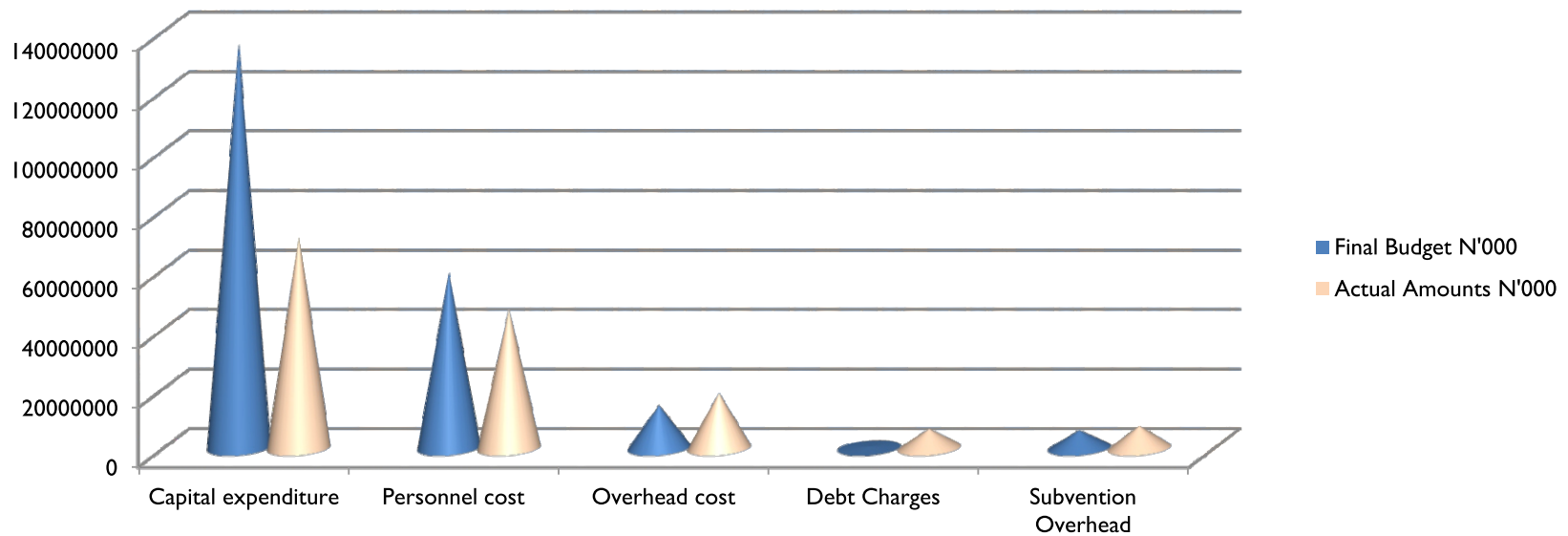
* (N-Ex. Tr.) means Non-Exchange Transactions





COMPARISON OF BUDGET & ACTUAL OUTFLOWS FOR THE YEAR ENDED 31st DECEMBER, 2017

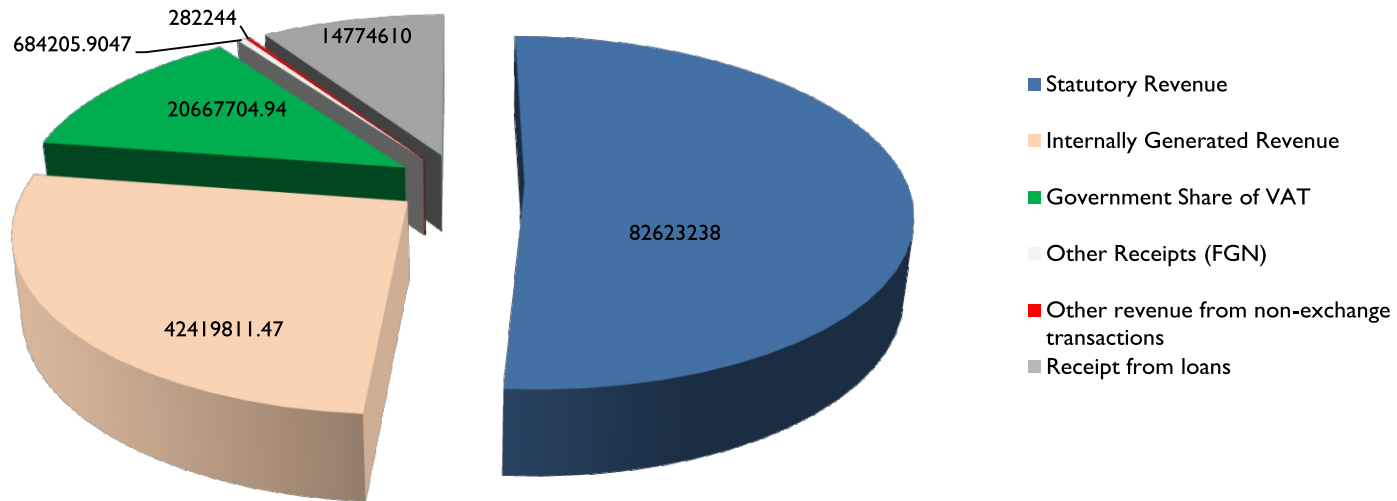
Description	Final Budget N'000	Actual Amounts N'000	Variances N'000
Capital expenditure	135,925,220	70,968,782	64,956,438
Personnel cost	59,001,534	46,684,327	12,317,207
Overhead cost	14,453,152	18,473,177	(4,020,025)
Debt Charges	567,325	6,433,355	(5,866,030)
Subvention Overhead	6,011,962	7,443,512	(1,431,550)
Total payments	215,959,193	150,003,153	65,956,040





ACTUAL INFLOWS FOR THE YEAR ENDED 31st DECEMBER, 2017

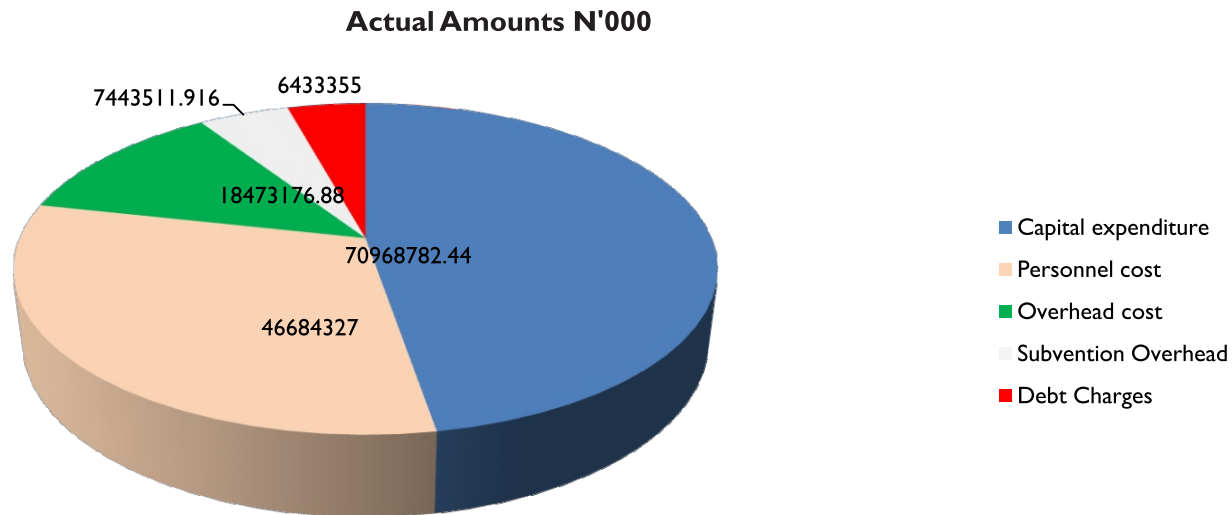
Description	Actual Amounts N'000	Percentage Contribution (%)
Statutory Revenue	82,623,238	51
Internally Generated Revenue	42,419,811	26
Government Share of VAT	20,667,705	13
Other Receipts (FGN)	684,206	0.62
Other revenue from non-exchange transactions	282,244	0.38
Receipt from loans	14,774,610	9
Total Receipts	161,451,814	100





ACTUAL OUTFLOWS FOR THE YEAR ENDED 31st DECEMBER, 2017

Description	Actual Amounts ₦'000	Percentage Contribution (%)
Capital expenditure	70,968,782	47
Personnel cost	46,684,327	31
Overhead cost	18,473,177	12
Subvention Overhead	7,443,512	5.5
Debt Charges	6,433,355	4.5
Total payments	150,003,153	100



**KANO STATE GOVERNMENT OF NIGERIA****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017****1. GENERAL INFORMATION**

Kano State was created in 1967 from the then Northern Nigeria region by the then Federal Military Government. The state has 44 Local Government Areas; the highest in the country. Kano grew to become one of the Nigeria's largest industrial and commercial centre in Nigeria with over 450 medium-large scale industries. The State Government consists of three tiers; The Executive, Legislature and the Judiciary, headed by Executive Governor His Excellency Dr. Abdullahi Umar Ganduje OFR, assisted by the State Executive Council and other public servants in Ministries, Departments and Agencies.

2. LEGAL BASIS AND ACCOUNTING RULES

The Accounting Framework of the Kano State Government focuses on reporting the budgetary activity of the Government for the financial year as laid down in the Appropriation Law.

The Transitional Financial Statements of the Kano State Government have been prepared using the Accrual Basis in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) 33 - 'first time adoption of accrual IPSAS' and in accordance with the Kano State Financial Instructions Revised (2004). The Office of the Accountant General is empowered to choose the basis of reporting.

3. ACCOUNTING PRINCIPLES

The objective of the Financial Statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. Being a public sector entity, the objectives were developed specifically to provide information useful for decision making, and also to demonstrate the level of Kano State Government's accountability for the resources entrusted to it.

The key considerations and accounting principles to be followed when preparing the Financial Statements are laid out in Kano State Government's Financial Instructions and are not at variance with those described in IPSAS 1. These include: fair presentation, accrual basis, going concern, consistency of presentation, aggregation, offsetting and comparative information.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

Preparation of the Financial Statements in accordance with the above mentioned rules and principles requires Management to make estimates that affect the reported amounts of certain items in the statement of financial position and statement of financial performance, as well as the related disclosures.

Kano State Government has adopted relevant IPSAS standards for the first time for the year beginning 1 January 2017, and has also elected to adopt the transitional exemptions provided in IPSAS 33, 'First time adoption of accrual basis IPSAS'.

4. BASIS OF PREPARATION

a) *Statement of Compliance*

Kano State Government initiated accrual basis IPSAS on 1 January 2017 and elected to adopt the transitional exemptions in IPSAS 33 that allows it to apply a transitional period of up to three years. As a result of adopting these transitional exemptions and provisions, the Kano State Government is not able to make an explicit and unreserved statement about its compliance with Accrual Basis IPSAS. These Financial Statements are therefore referred to as the first transitional IPSAS Financial Statements of Kano State Government.

b) *Basis of Measurement*

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. In this first transitional Financial Statements for Kano State Government, the following statements are presented:

- Statement of Financial Performance for the year ended 31 December 2017
- Opening Statement of Financial Position as at 1 January 2017
- Statement of Financial Position as at 31 December 2017
- Statement of Changes in Net Assets for the year ended 31 December 2017
- Statement of Cash flows for the year ended 31 December 2017
- Statement of Comparison of Budget and Actual Information for the year ended 31 December 2017



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

c) *Functional and Presentation Currency*

The Financial Statements are presented in Naira, which is the functional and reporting currency of Kano State Government and all values are rounded to the nearest thousand (N'000).

d) *Going Concern*

The Financial Statements have been prepared on a going concern basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kano State Government has applied the following accounting policies in preparation of the Financial Statements for the year ended 31 December 2017. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 REVENUE

Revenue includes only the gross inflow of economic benefits or service potential received or is receivable by the entity on its own account. Those amounts collected as an agent of the government/organisation or on behalf of third parties are not considered as revenue. Revenue is measured at the fair value of the consideration received or receivable.

5.1.1 REVENUE FROM NON-EXCHANGE TRANSACTIONS

These are transactions in which Kano State Government receives value from, without directly giving appropriately equal value in exchange. This includes mainly direct and indirect taxes. In addition to taxes, Kano State Government also receive payments from other parties, such as transfers, grants, fines and donations.

(a) TAXES RECEIPTS: Taxes are economic benefits or service potential compulsorily paid or payable to Kano State Government, in accordance with laws and/or regulations, established to provide revenue



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

to the government. Taxes do not include fines or other penalties imposed for breaches of the law. Kano State Government recognises revenue from taxes by reference to the earning of assessable income by the taxpayers. Taxes are measured at the fair value of the consideration received or receivable to Kano State Internal Revenue Service (KIRS). The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Kano State Government taxes include: Pay-As-You-Earn tax, Withholding taxes, tax on contract, direct assessment, entertainment tax, capital gain tax, capital transfer tax, stamp duties, development levy, property tax, business premises and other tax receipts.

- (b) FINES AND FEES:** These are inflows of future economic benefits or service potentials from non-exchange transactions other than taxes. They are economic benefits or service potential received or receivable by Kano State Government, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations and are recognised at the point when the levy is being imposed.
- (c) STATUTORY ALLOCATIONS:** Statutory allocations are income from the revenue allocation system wherein the Federal Government allocates funds to each state of the federation based on certain predetermined percentages. Statutory allocation are measured at fair value and recognised at point of receipt.
- (d) CAPITAL RECEIPTS:** These include grants and other capital receipts. Capital receipts are measured at fair value and recognised at point of receipt of grant or when there is an enforceable claim to receive the asset if it is free from conditions and it is probable that the economic benefits or service potential



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

related to the asset will flow to Kano State Government and can be measured reliably.

5.1.2 REVENUE FROM EXCHANGE TRANSACTIONS

These are transactions in which Kano State Government receives consideration from, and directly gives approximately equal value in exchange for goods, services or use of assets. They are recognised at fair value of consideration received or receivable. Kano State Government revenue from exchange transactions include: rent on government properties, proceeds from hospital units and other miscellaneous revenue from exchange transactions.

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer, this is when the goods have been delivered and when the revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to Kano State Government.

Revenue involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue arising from the use by others of Kano State Government's assets yielding rental income, interest, royalties and dividends or similar distributions, are recognised as they are earned in accordance with the substance of the relevant agreement. Revenue is recognised when the amount can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to Kano State Government.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

Rental Income:

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Revenue from other services:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

Revenue from other services includes proceeds from hospital units and other miscellaneous revenue from exchange transactions. Kano State Government recognises revenue from rendering of services as it is earned, that is, as the services is provided. It is measured at the fair value of the consideration received or receivable.

Investment Income:

Investment income consists of dividend income. Dividend income or similar distributions are recognised when Kano State Government's right to receive payments is established.

5.2 NET FINANCE INCOME/ COST

Interest income/cost arises as a result of cash deposited in financial institutions/ loans from financial institutions.

5.3 FINANCIAL INSTRUMENTS

Financial Instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Kano State Government classifies its financial assets in line with the requirement of IPSAS.

Kano State Government classifies its financial liabilities in accordance with the requirements of IPSAS. Classification of financial liabilities is based on the nature or characteristic of the instrument.

The Office of the Accountant General determines the classification of its financial assets and liabilities at initial recognition.

For the first Transitional Financial Statements for the year ended 31 December 2017, Kano State Government has recognised financial liabilities. This includes local and foreign debts. Other classes of financial instruments will be recognised by the second transitional year ending 31 December 2018.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

5.4 CASH AND CASH EQUIVALENT

Cash and cash equivalents as shown in the statement of financial position comprise cash in hand or bank, deposit held at call with banks and time deposits which are readily convertible to cash with a maturity of three months or less.

5.5 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by Kano State Government in connection with the borrowing of funds for qualifying assets. Kano State Government has adopted the benchmark treatment, under which borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowings are applied.

5.6 EMPLOYEE BENEFITS

(a) SHORT TERM EMPLOYEE BENEFIT: Kano State Government accrues for the following short term benefits in the period in which the associated services are rendered by its employees: salaries; wages; paid annual leave; short term compensated absence and short-term performance bonuses. Kano State Government recognises short term employee benefits costs when the employee rendered services in exchange for these benefits and a liability to the extent that the benefits are not yet paid at the reporting date.

(b) DEFINED CONTRIBUTION PLAN: Kano State Government operates a defined contribution pension scheme for members of staff which is independent of its finances and is managed by Pension Fund Trustees. The scheme is funded by 8% contribution from employees and 17% contribution from the employer. Kano State Government has no further payment obligations once the contributions have been paid. Contribution payable is recorded as an expense under 'staff costs'. Unpaid contributions are recorded as a liability. No actuarial computation is required because Kano State Government does not bear any risk in respect of the plan.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 2017

5.7 FOREIGN CURRENCY TRANSACTIONS

Items included in the Financial Statements of each of Kano State Government's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in Nigerian Naira (NGN), which is Kano State Government's functional and presentation currency. Foreign currency transactions throughout the year are converted into Nigerian Naira at the ruling Central Bank of Nigeria (CBN) rate of exchange at the dates of the transactions. Foreign currency balances as at the year-end are valued at the exchange rates prevailing at that date.

Monetary assets and liabilities denominated in foreign currencies are translated into Nigerian Naira on the basis of the exchange rates applicable at the reporting period. Foreign exchange gains and losses that relate to public debt are presented within the public debt charge in the statement of financial performance. All other foreign exchange gains and losses are presented in the statement of financial performance on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.