



**KOGI STATE GOVERNMENT**

**STATE ARREARS REPORTING VERIFICATION AND CLEARANCE REPORT (SARVCR)**

**2020**

## **POLICIES AND ACTIONS TAKEN TO STRENGTHEN THE RECORDING, VERIFICATION AND REPORTING**

In order to strengthen and ensure the proper recording, verification and reporting of the State's debt, Kogi State Government set up a Domestic Arrears Clearance Committee (DACC) saddled with the responsibility of ensuring proper and adequate overall arrears clearance process, including recording, verification, classification, reporting, prioritization and clearance of its domestic expenditure arrears and to oversee the work of the State towards achieving the key result of debt sustainability.

The specific functions of the committee include the following:

1. Introduction of specific guidelines setting out the roles and responsibilities of individuals and institutions for the recording of domestic arrears. (i.e. the roles and responsibilities of each Primary Record Holder the entity primarily responsible for keeping the records for each type of arrears). This will include specific reporting requirements (i.e. the use of agreed recording templates and any supporting schedules) and timelines for submission to the committee (monthly).
2. Introduction of specific guidelines setting out the roles and responsibilities of individuals and institutions for the verification of domestic arrears balances. i.e. the role of Internal Audit, Inspectorates, and contracted consultants. This will include reporting requirements (a validated copy of the agreed recording templates and any supporting schedules) and timelines for submission to the Domestic Arrears Clearance Committee (monthly).
3. The creation, maintenance and regular (monthly) update of an accurate internal domestic expenditure arrears database and the publicly-accessible online version of the database.
4. Oversight of the overall recording, verification and reporting processes for domestic expenditure arrears to ensure that they meet the requirements of SFTAS DLI #8 as described in the SFTAS verification protocols.

5. Ensure adequate classification of the arrears for prioritization purposes.
6. Develop the State’s Arrears Clearance Framework (ACF), including policies on prioritization and clearance of arrears.
7. Provide accurate monthly, quarterly, and annual reports that present the position for verified domestic arrears and the progress made in implementing the State’s ACF.
8. Provide data/documentation to support the verification of SFTASDLI #8, including the State Arrears Recording, Verification and Clearance Report.

The DAC Committee reports directly to the State Governor through the Honourable Commissioner for Finance and Economic Development, keeping the appointed SFTAS focal persons informed. The membership of the Committee include;

|                               |                                 |
|-------------------------------|---------------------------------|
| Hon. Commissioner Of Finance  | <b><i>Chairman</i></b>          |
| State Accountant-General      | <b><i>Alternative Chair</i></b> |
| Director CAD-Ag’s Office      | <b><i>Secretary</i></b>         |
| Director Of Budget            | <b><i>Member</i></b>            |
| Director Treasury Ag’s Office | <b><i>Member</i></b>            |
| Director-General-(BPP)        | <b><i>Member</i></b>            |
| Director-General DMO (Mof)    | <b><i>Member</i></b>            |
| Director Audit (Oaud-Gen)     | <b><i>Member</i></b>            |
| Director Pensions – State     | <b><i>Member</i></b>            |
| Assistant Director Budget     | <b><i>Member</i></b>            |
| Chief Accountant-Ag’s Office  | <b><i>Member</i></b>            |
| Sftas Focal Officer (PforR)   | <b><i>Member</i></b>            |
| State Auditor-General         | <b><i>Observer</i></b>          |

The Committee used its delegated authority to request for all necessary information which facilitates effective discharge of its functions.

In the process of performing its function, the Committee engaged the service of professional assistance for web design and management and incurred expenditures through the established procurement systems and in line with annual budget of the secretariat.

Within this reporting year, the state through the Domestic Arrears Clearance Committee requested that the primary record holders present contractors' arrears records which were subjected to verification by the Monitoring and Evaluation debt of Ministry of Budget and Planning and Bureau of Public Procurement. As such, the arrears were verified appropriately. For the salaries and others staff claims, the arrears were also verified by the committee through the screening exercise conducted during the year.

#### **VERIFICATION PROCESS:**

Upon inauguration, the Committee swung into action by developing a Template for recording, verifying and reporting domestic expenditure arrears. The Committee observed that the contractual obligations reported in the state financial documents is the contract sum of projects awarded without establishing the proportion of work-done on which payments have been made. The Committee then recognized the actual amount due for payment based on the percentage of Work-Done by the Contractors and not just the contract sum. This information was extracted from the Certificate of Due Process (i.e. Value of Work-Done) from the Kogi State Bureau of Public Procurement after extensive reconciliation with the payment made so far from the Office of the Accountant-General. Furthermore it was discovered during the staff audit and screening exercise conducted by Government that there were lots of duplication of names of officers on salary and pensions payrolls including gratuity. Names of such officers (ghost workers) were removed and reconciliation of figures were carried out. The Committee report was subjected to external audit review by the office of the State Auditor-General to arrive at the Final figures reported in the State Arrears Reporting Verification and Clearance Report (SARVCR) and the State Financial Documents for the year 2020.

## **PLANNED ACTIONS FOR SETTLEMENT OF KOGI STATE DOMESTIC EXPENDITURE ARREARS**

Kogi State Multi-Year Plan is the financial plan of the State for clearance of her stock of arrears based on the total fund available to the State in the fiscal year.

The State Government shall clear her arrears using funds from any of the following sources:

- The State's Internally Generated Revenue;
- Grant from the Federal Government;
- Borrowing from the Commercial Banks
- Bonds

Kogi State Government shall adopt the following measures to clear her existing arrears and prevent accumulation of new one:

- i. The State shall empower her legal and regulatory framework on financial issues by strengthening legal and regulatory framework
- ii. The State shall ensure that its budget shall be a realistic plan for expenditures to enhance its credibility and the borrowing limit shall include a margin to handle the situation of revenue shortfalls;
- iii. The State shall ensure proper accounting and reporting through improve accounting and reporting system.
- iv. The State Government shall strengthen her commitment controls to effectively limit commitments to approved budget allocations and to availability of actual cash;

- v. The State shall facilitate improved and integrated cash and debt management;
- vi. Establishment of Treasury Single Account (TSA) to reduce State's reliance on commercial banks loans;
- vii. Payment shall be centralized to the State Treasury to prevent arrears as a result of administrative hurdles;
- viii. Upgrading the government financial management information systems.

#### **POLICIES AND ACTIONS TO PREVENT THE OCCURENCE OF NEW ARREAS**

In order to control the accumulation of arrears, the State Government has put policies and actions in place to prevent the occurrence of new arrears.

- I. Opening of a Consolidated Debt Service Account each in Zenith Bank and UBA Plc with Accounts Numbers 1015315097 and 1022822234 respectively where 5% of the states' IGR would be paid to clear arrears.
- II. The Domestic Debt Arrears Committee would continuously review outstanding liabilities and present them for monthly payments
- III. The Government has put in place arrears monitoring systems that would capture the size, maturity, and composition of the stock of arrears and ensure that arrears are paid as at when due.
- IV. The Government has introduced the accrual accounting system, which recognize all liability when a service is delivered or goods are received, and would enable the systematic monitoring of liabilities, thereby preventing accumulation of arrears.
- V. The Government has introduced and strengthened commitment controls as part of the internal control system, which would prevent MDAs from initiating expenditure without available budget and cash.

Name Of State: Kogi

Reporting Year: 2019/2020

State Domestic Arrears Stock Reporting

| S/No                       | Arrears Type                          | Outstanding Arrears As At December 31 2019<br>(N) | New Arrears Incurred In 2020 (Flow)<br>(N) | Arrears Paid In 2020 (Flow)<br>(N) | Outstanding Arrears As At December 31 2020 (Stock)<br>(N) | Change In Arrears Between 31 December 2019 And 31 December 2020<br>(N) | % Change In Arrears Between 31 December 2019 And 31 December 2020<br>(N) | Remarks |
|----------------------------|---------------------------------------|---|--|------------------------------------|---|--|--|---------|
| 1                          | Contractor's Arrears                  | 111,680,614.00                                    | Nil  | Nil                                | 111,680,614.00  | Nil  | Nil  |         |
| 2                          | Pensions And Gratuity                 | 592,474,560.00                                    | 1,098,960,416.07                           | 1,200,000,000                      | 491,434,976.07  | 1,098,960,416.07   | 185%   |         |
| 3                          | Salary Arrears And Other Staff Claims | 131,874,099.00                                    | Nil  | Nil                                | 131,874,099.00  | Nil  | Nil  |         |
| 4                          | Other Arrears                         | Nil   | Nil  | Nil                                | Nil   | Nil  | Nil  |         |
| Total Of All Arrears Types |                                       | 836,029,273.00                                    | 1,098,960,416.07                           | 1,200,000,000.00                   | 734,989,689.07  | 1,098,960,416.07   | 185%   |         |

NOTE:

1. The Arrears reported represent only those arrears verified and recognized as valid liability of the State Government
2. The Arrears figures are consistent with arrears figures contained in the State Internal Domestic Database

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Hon. Commissioner of Finance

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State Accountant General