

## 0.1.0 FINANCIAL SUMMARY

This summary is a presentation in concise form the overview of the general outcome of the consolidation of the values presented in various General Purpose Financial Statements (GPFS) respectively prepared and submitted by each of the 17 Local Governments that make up Enugu State of Nigeria. Accordingly this is a description of the outcome of the analysis and consolidation of financial data on the revenue and Expenditure of the Local Governments for year ended 31<sup>st</sup> December, 2021.

### 0.1.1 REVENUE ANALYSIS

As could be inferred from the schedule below, the 2021 consolidated revenue estimate of all the 17 Local Governments in Enugu State had relied on and rallied around the allocation from the Federation Account and so is the actual receipt. The receipts from the Federal Account comprise Statutory Allocation Value Added Tax (VAT) and the accrued excess over the benchmark price of crude oil. The Tax and Non-Tax receipts as internal revenue sources contributed marginally to the aggregate revenue.

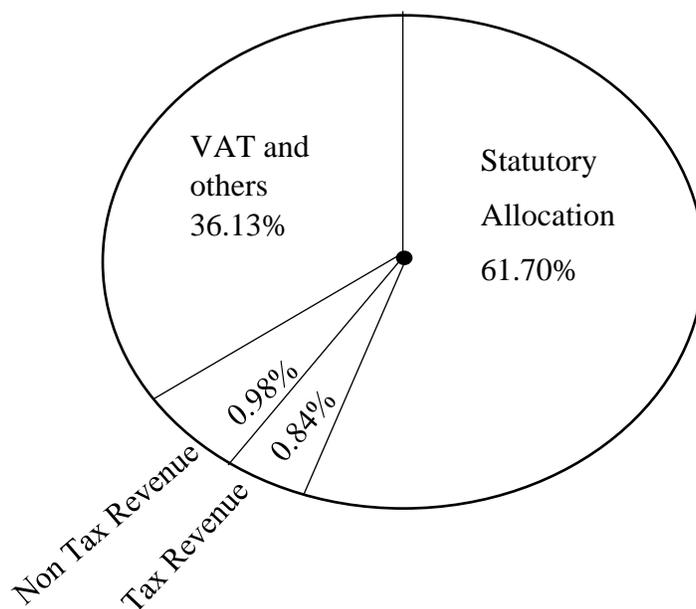
S/N	Sources	2021 Approved Estimate (₦)	2021 Actual Revenue (₦)
1.	Government share from FAAC	27,121,468,584.00	23,108,407,553.13
2.	Government share from VAT	11,259,153,500.00	13,533,243,426.51
3.	Tax Revenue	184,710,000.00	314,865,305.00
4.	Non –Tax Revenue	3,225,706,000.00	368,060,008.00
	<b>Total Revenue</b>	<b>41,791,038,004.00</b>	<b>37,324,576,292.64</b>

**SCHEDULE 1:** Consolidated Estimate and Actual Revenue of the 17 Local Governments in Enugu State for the year 2021.

Accordingly, it is indicated that the consolidated approved revenue estimates of all the 17 Local Governments cure to the sum of ₦41,791,038,084.00 while the total amount of ₦37,324,576,292.64 was the actual receipt as shown in the schedule 1 above. It needs be emphasized that all revenues derive from non-exchange transactions.

Representing the revenue collected from various sources in comparative terms, the figures in the schedule above show that the total receipt by the 17 Local Governments in Enugu State from Federation Account Allocation was 98.2% of the

total revenue that accrued to the 17 Local Governments, while the total receipt internally generated by all the 17 Local Governments in 2021 represented a meager 1.8% ; the pie chart shown below further provides a clear picture of the sizes of the revenue contributed to the general pool by the various sources.

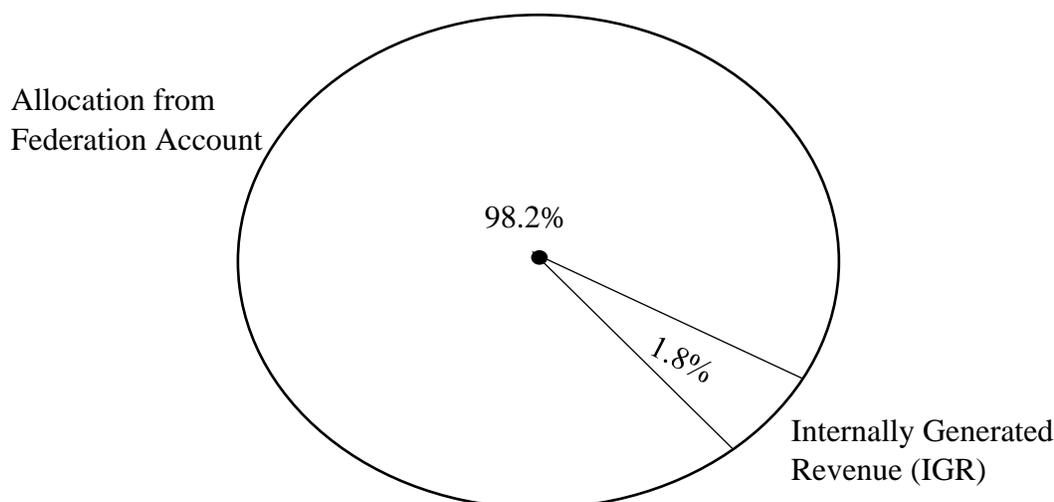


**FIGURE 0.1.1**

Accordingly, the evidence from the review and analysis presented above reveals that the Local Governments still depend mainly, and infact, almost solely on various allocations from the Federation Account as it is clearly shown that the proportion of Internally Generated revenue (IGR) is barely significant.

### **CONSOLIDATED REVENUE**

In view of the foregoing analysis and presentations, the comparative representation of the consolidated actual receipts from the two major classes of revenue sources-Federation Account Allocation Committee (FAAC) and Internally Generated Revenue (IGR) – and the relative sizes of their contributions to the total revenue received by the 17 Local Governments, which stood at ₦37,324,576,292.64 for the financial year ended 31<sup>st</sup> December, 2021, is as shown in the pie chart below.



**FIGURE 0.1.2:** The chart showing the comparative percentages of the consolidated revenue received from FAAC and IGR.

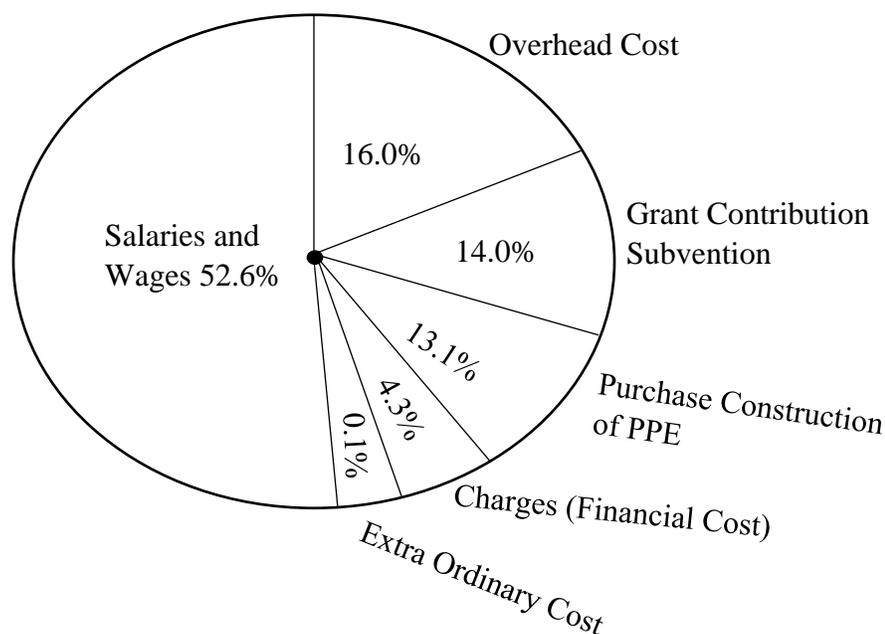
From the chart, it is observed that the consolidated revenue from Federation Account stood at 98.2% of the total consolidated receipts while the consolidated receipt from internal sources-Tax and Non-Tax-stood at 1.8% of the total consolidated revenue. Here again it is easily inferred that the 17 Local Governments had high degree of reliance on allocation from Federation Account as source of their finances.

## 0.2.0 EXPENDITURE ANALYSIS

Based on the data extracted from each of the General Purpose Financial Statements (GPFS) respectively submitted by each of the 17 Local Governments of Enugu State for the year under review, the aggregated expenditure of all the 17 Local Governments stood at ₦36,807,071,279.14 . This total expenditure comprises actual out flow on salaries and wages, overhead cost, Grants, contributions and subventions, purchases and construction of properties, plants, and equipment's (PPE). and Financial cost amounting to ₦19,374,375,543.32, ₦5,871,121,655.87, ₦5,120,700,366.36 , ₦4,818,149,666.76, and ₦1,589,785,498 respectively, with additional cost of ₦32,938,538.83 incurred on flood control as extra-ordinary item; which respectively represent 52.5%, 16%, 14%, 13.1%,4.3%, and 0.1% of the total expenditure for the 2021 financial year. The foregoing information is more clearly shown in schedule II and the pie chart below.

S/N	Expenditure head	2021 Actual Expenditure (₦)	2021 Approved Estimate (₦)
1.	Salaries and Wages	19,374,375,543.32	22,676,151,581.24
2.	Overhead cost	5,871,121,665.87	5,294,361,703.19
3.	Grants, contribution, subvention	5,120,700,366.36	5,923,131,349.00
4.	Purchase construction of Property, Plant and Equipment (PPE)	4,818,149,666.76	5,428,264,297.69
5.	Charges (Financial Cost)	1,589,785,428.00	
6.	Extra-ordinary cost-Flood control	32,938,538.82	
	<b>Total Expenditure</b>	<b>36,807,071,279.14</b>	<b>33,893,644,636.48</b>

**SCHEDULE II:** Consolidated Actual and Budgeted Expenditure of the 17 Local Governments in Enugu State for year 2021.



**FIGURE 0.2.1:** Chart showing the percentage of the actual total expenditure made under various heads.

As shown in schedule II above, the actual consolidated aggregate expenditure of all the 17 Local Governments in year 2021 stood at ₦36,807,071,279.14 which is at 8.60% negative variance with the consolidated budgeted ₦33,893,644,636.48. Here, although there is this indication of extra-ordinary unbudgeted spending on probable emergency case of flooding necessitating unforeseen application of the sum of ₦32,938,538.83 to provision of control measure, the negative variance had likely

resulted from both poor articulation/ compilation of budgetary amounts and lack of frugality/prudence in management of scarce financial resource available to the Local Governments. Necessary effort is required here to effect desired change.

### **0.3.0 COMPARATIVE OVERVIEW OF BUDGET AND PERFORMANCE**

The global impact of the COVID-19 pandemic which greatly distorted economic planning of various countries of the world generally especially the aspect of revenue generation had filtered into Nigeria and took an equally great devastating toll on the economy.

Invariably, one would hastily add that the spillover effect of that ugly incidence had maintained its impactful traces on socio economic affairs of the countries of the world as the year 2020 rolled into year 2021. As it had been at the Federal and State levels of governance so had it been at the Local Government level.

The comparative review of the consolidated budgetary values and the actual outcome of revenue generation for the 17 Local Governments of Enugu State as we move from the year 2020 through the year 2021 gave an indication of gradual recovery. This is shown by the trend of changes in values of negative percentage variances between the respective consolidated budgeted revenue figure and the related consolidated actual revenue figures moving from year 2018 to year 2020 and to financial ending 31<sup>st</sup> December, 2021 as outlined in the schedule III below:

**SCHEDULE III:** The Comparative chart of the consolidated budgeted and actual statutory revenue matched with related percentage variances over the years, 2018, 2019, 2020 and 2021.

<b>Year</b>	<b>Revenue sources</b>	<b>Approve Estimate (₦)</b>	<b>Actual Revenue</b>	<b>Percentage Variances</b>
2018	Statutory	23,229,045,263.63	21,134,935,269.41	-9%
2019	Statutory	29,318,839,287.72	24,254,414,204.23	-17%
2020	Statutory	30,394,825,796.38	25,020,801,050.55	-18%
2021	Statutory	27,121,468,584.00	23,108,407,553.13	-15%

As indicated there is sharp increase in the negative variance between the consolidated approved estimate and the consolidated actual revenue moving from the financial year 2018 to financial year 2020. It is then observed that the percentage variance for year 2020 is closely matched with that of year 2019, indicating sustained adverse revenue earning condition. However, it is also observed that the negative value dropped from the height of -18% down to -15% moving from financial year

2020 to financial year 2021 lending credence to the claim on gradual recovery from years of socio-economic distress.

**SCHEDULE IV:** The chart showing four years comparative trend of consolidated Actual Total Revenue and Actual Total Expenditure.

<b>Year</b>	<b>Actual total Revenue</b>	<b>Actual Total Expenditure</b>
2018	27,734,017,243.49	28,204,240,965.56
2019	31,887,160,295.84	31,239,109,835.79
2020	34,808,264,557.85	35,418,309,475.08
2021	37,324,576,292.64	36,807,071,279.14

The comparative consolidated revenue and expenditure values outlined in the schedule IV above indicate a modest trend of close match between actual receipt and actual expenditure which indicates that as each of the named financial years ran through the various Local Governments had basically kept their receipts in view as costs were being incurred. But is also worthy to point out the slight overspending in the years 2018 and 2020, indicating the violation of budgetary provisions which may be negligible if distributed over the 17 Local Governments involved. However it is an indication of lack of prudence in both finance management generally and budget planning and usage, for an organization to incur expenditure over and above its income. In the face of the year 2020 COVID-19 Health emergency, it could be understandable, given the attendant unforeseen circumstances of expenditure, but, for other years, the act is not acceptable as it is unexplainable. It is then required that, henceforth, immediate steps should be taken by the administration of all the 17 Local Governments to check reoccurrence.

Ordinarily and generally, proper revenue and expenditure planning would establish a realistic framework of budgetary provisions which if kept in focus provides the necessary guide for prudent financial resource management as the financial year runs; drive the revenue generation efforts and steer the administration away from cost managements pitfall.

## **REVIEW OF REVENUE**

This review is comparative examination of the consolidated total amount of budgeted revenue and the consolidated total amount of actual revenue earned in the financial year ended 31<sup>st</sup> December 2021. Cumulatively the revenue that accrued to and was received by the 17 Local Governments in Enugu was ₦37,324,576,292.64 which represents 89.31% of the consolidated budgeted revenue of

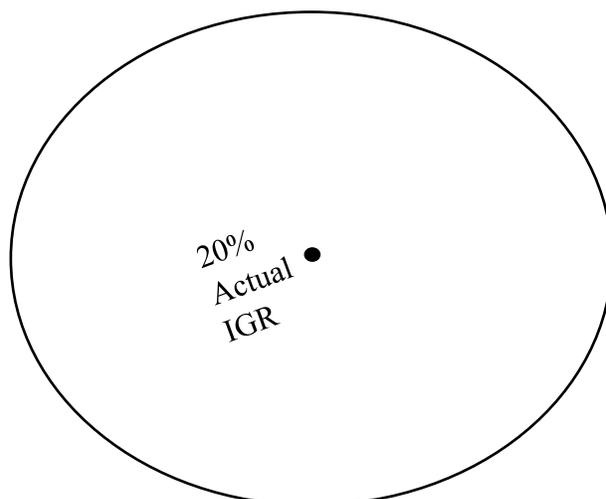
₦41,791,038,084.00 with a negative variance of 10.69% which was mainly introduced by the poor revenue generation from non-tax revenue sources; but the general performance of the Local Governments here was well above average. This performance could be greatly improved upon if definite steps are taken to improve on the planning of internal revenue generation.

### **STATUTORY ALLOCATION**

The consolidated amount of ₦36,641,650,969.64 was received as allocation from federation Account by the Local Governments as against the consolidated budgetary provision of ₦38,380,622,084.00. As indicated, the actual receipt represents 95.46% of the budgetary provision which indicates that the budget appeared very realistic and satisfactory.

### **INTERNALLY GENERATED REVENUE**

A comprehensive review and assessment of the internally generated revenue (IGR) showed that the aggregate amount budgeted as IGR by all the 17 Local Governments was ₦3,410,416,000.00 while the actual revenue generated internally stood at ₦682,925,313.00, representing mere 20% of the consolidated budgeted amount and indicating abysmal collective performance by all the 17 Local Governments in Enugu State. This grossly low performance further indicates that adequate attention is not being paid to the task of generating revenue internally. Invariably therefore, the indication is that all the Local Governments only hope and wait for fund allocations from the Federation Account. This negative attitude if sustained will definitely continue to hamper the growth and development of the Local Government Areas. Urgent steps are therefore required to be taken by various administration of the Local Government to reverse this unacceptable trend. The pie chart below clearly display the lowly input of internally generated revenue to the general revenue pool.



Pie chart showing Budgeted Internally Generated Revenue (BIGR) and Actual Internally Generated Revenue (AIGR)

## **EXPENDITURE REVIEW**

The expenditure patterns had remained the same for all the 17 Local Governments with high concentration on recurrent expenditure. The observed major sources of outflow had been salaries and wages, overhead, Grants, Contribution and subvention with modicum of expenditure on Property Plant, and Equipment (PPE).

### **SALARIES AND WAGES**

The consolidated salaries and wages came to a total amount of ₦19,374,375,543.32 which is less than the consolidated budgeted amount of ₦22,676,151,544.24 showing a positive difference of ₦3,301,776,000.92 and percentage variance of 14.56%. Hence, the indication is that the budget is realistic and performance was frugal.

### **OVERHEAD**

The consolidated actual overhead expenditure came to the sum of ₦5,871,121,665.87 with a negative variance of ₦576,759,962.68 against the budgeted overhead cost of ₦5294,361,703.13. Here, with the negative percentage variance of 9.82% of actual overhead expenditure against the consolidated budgeted overhead cost, the need to keep the budget provisions in view while incurring cost in the course of a given financial year is once thrown up. It will be well if heads of administration at Local Governments especially in Enugu state are guided accordingly.

### **GRANTS/SUBVENTION AND CONTRIBUTION**

The consolidated Grants/Subvention and contribution is a pool of forms of statutory financial support/sponsorship rendered by the 17 Local Governments to some educational institutions, Ministries, Departments and Government Agencies in the state in the Financial year, 2021. The consolidated actual expenditure in this regard amounted to ₦5,120,700,366.36 as the cost prudently incurred with a positive variance of ₦802,430,982.64 (13.54%) against the cumulative budget of ₦5,923,131,349.00.

## PURCHASE/CONSTRUCTION OF ASSETS (PPE)

The consolidated actual expenditure on procurement of additional asset (PPE) during the financial year, 2021, amounts to ₦4,818,149,666.76 which is much lower than the consolidated budgeted amount of ₦7,575,907,924.00 with a huge positive variance of ₦2,757,758,257.24 indicating that the budget value is unrealistic and therefore not very satisfactory.

In summary, the consolidated actual expenditure which amounted to ₦35,184,347,242.31 showed a positive variance of ₦6,285,205,322.12 against the consolidated budgeted expenditure of ₦41,469,552,560.43 with this variance which represents 15.2 percentage points the expenditure budget was generally realistic.

## CASH FLOW ANALYSIS

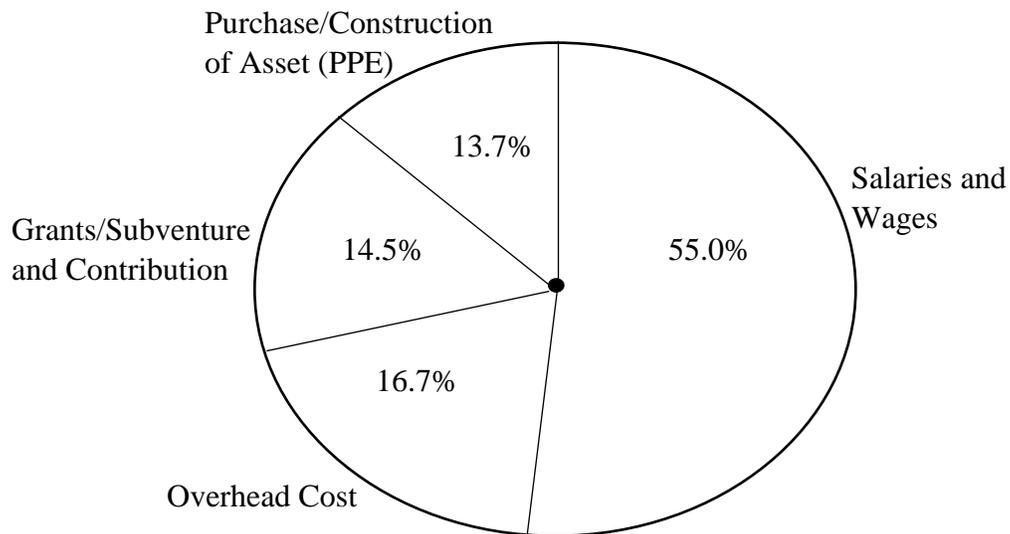
The review and analysis of the cash flow statements of all the 17 Local Governments of Enugu State showed that the cumulative cash inflow for the financial year 2021 amounted to ₦37,324,576,292.64. Total available cash for the year under review stood at ₦37,812,923,336.19 derived as shown below.

Total cash inflow	₦37,324,576,292.64
Cash and cash Equivalent B/F	₦488,347,043.55
	<b><u>₦37,812,923,336.19</u></b>

On the other hand the cumulative amount of cash outflow stood at ₦35,184,347,242.31 which breakdown is as shown below:

❖ Salaries & wages	₦19,374,375,543.32
❖ Overhead Cost	₦5,871,121,665.87
❖ Grants/Subvention & Contribution	₦5,120,700,366.36
❖ Purchase/Construction of Asset	₦4,818,148,666.76

The percentage representation of classified cash outflow is shown in the pie chart below:



Cumulatively, the revenue received from various sources by all the 17 Local Governments of Enugu State presented a positive balance of ₦517,503,013.5 over the consolidated operational expenditure and other charges for the financial year ended 31<sup>st</sup> December 2021.