

# BAYERO UNIVERSITY KANO

## MANAGEMENT REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016

*AUGUST, 2017*

Tijjani Musa Isa & Co.  
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# Tijjani Musa Isa & Co.

Tijjani Musa Isa, B.Sc, MIOB, FCCA, FCA  
Managing Partner

Chartered Accountants

27<sup>th</sup> August, 2017

The Vice Chancellor,  
Bayero University, Kano (BUK)  
P.M.B 3011  
Kano.

Dear Sir,

***MANAGEMENT REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016.***

We have examined the Financial Statements for the year ended 31<sup>st</sup> December, 2016.

During the course of our examinations of the books and records of the University, certain matters came to our attention which we believed merit your consideration and these are set out on the pages following.

We must emphasize that the matters dealt with in this report came to our notice during the conduct of our normal review of the system of accounting and internal control in operation. Our review procedure, which was based on selected samples, were designed to enable us express an opinion on the truth and fairness of the Financial Statements of the University for the year ended 31<sup>st</sup> December, 2016.

Accordingly, this report may not necessarily disclose all weaknesses or possible areas that may require improvements in the system such as would have been revealed by a specialized review exercise. Therefore, this report should not be construed as an expression of any matter not *specifically addressed*.

During the audit of the University's Financial Statements for the year ended 31<sup>st</sup> December 2016, we observed the following weaknesses:

**1. *Difference between Personnel Grant and Salary Paid***

Our review of the University's payroll and salary schedule showed that salary paid in the year under review exceeded the personnel grant received by N374,861,315. Below is the breakdown:

	N
Personnel Grant Received	7,043,734,768
Salary Paid in the year	<u>7,418,596,083</u>
<b>Difference</b>	<u><b>374,861,315</b></u>

***Effect/Risk***

It appears the Management funded the difference of N374,861,315 with the Internally Generated Revenue.

***Recommendations***

- i. The Management should provide the auditors with correspondences between the University and the office of the Accountant General of the Federation approving the overspent of salary by N374,861,315.
- ii. Henceforth, Management should ensure that the University's expenses are within the budget provisions.

***Management Response***

*The difference of N374,861,315 between Personnel Grant received from the Federal Government and the actual salaries paid by the by University is a clear indication of Personnel Cost underfunding by the Government. The actual shortfall is much higher than this, as some aspects of salaries (including PAYE, union dues and loan deductions) could not be settled during the financial year. The University had made so many cases on this issue and continues to do so. We are making efforts to get the shortfalls refunded.*



*With the endorsement of the Governing Council, Management had to borrow funds internally to pay net (take-home) salaries to staff members. This was necessary in order to ensure smooth running of the system and uninterrupted academic activities.*

*We have made strong case to enhance Personnel Cost provision in the 2018 Federal Budget so as to eliminate future shortfalls.*

*The University's Personnel cost expenses have been within its budgetary provisions. The problem has been inadequate releases. On its part, Management had taken a number of measures aimed at controlling the personnel costs. These include placing embargo on new employments, as well as on sabbatical and visiting appointments. Even when new facilities were completed and put to use, Management decided to outsource service provision in these facilities, instead of employing new staff to provide the services.*

## **2. Idle Investments**

The Financial Statements disclosed that the University's investment with some quoted Companies was N70,006,000. Our review shows that these investments had remained idle and static for over five (5) years. We also requested for the contact address of the stock broker but it is yet to be provided to us.

### ***Effects/Risks***

- i. The value of these investments as reported in the Financial Statements appears to be misleading.
- ii. It appears the Management does not know the true position of the University's investments with these Companies.

### ***Recommendation***

The Management should provide the auditors with the true position of its investments with these Companies.

### *Management Response*

*The Management has set mechanisms to ascertain the current position of the investment and will recognize any increase and or decrease in value as the case may be. This will reflect in the subsequent financial year's report.*

### **3. *Unremitted Statutory Deductions of N59,570,319***

The Financial Statements reported a total statutory deductions (VAT, WHT and PAYE) of N59,570,319 that was not remitted to the relevant authorities by the University as at 31<sup>st</sup> December, 2016. The breakdown is as follows:

	N
i. Withholding Tax (WHT) Federal	28,544,572
ii. Value Added Tax (VAT)	19,608,192
iii. PAYE/ Withholding Tax (state)	<u>11,417,554</u>
	<u><b>59,570,319</b></u>

### *Effects/Risks*

- i. The relevant tax authority might embarrass the University for deducting its money and not remitting same.
- ii. The University could be made to pay fine and penalty when tax audit is carried out.

### *Recommendations*

- i. Management should ensure that statutory deductions are remitted to the relevant authorities without further delay.
- ii. Henceforth, the Management should ensure that all statutory deductions are made and remitted to the relevant authorities as at when due.

### *Management Response*

- i. *A reason for some of the non-remittance has been given earlier. The amount of N5,987,233.00 was the PAYE tax for a particular month that could not be paid due to shortage in Personnel Cost. It was subsequently paid in 2017.*

*A few other deductions for VAT and WHT for Federal and State Governments were for projects where the net parts had not been paid to the contractors by the end of the year. Payment vouchers had been prepared for both the contractors and taxes, but not effected, hence were accrued in accordance with IPSAS requirement.*

*For some payments made to contractors and vendors towards the end of the year, attempts to make payments for taxes (VAT, WHT and State withholding tax) were not successful on the platform. The payments spilled over to the new financial year.*

*ii. The Management noted the other recommendations on this.*

We would like to express our appreciation for the cooperation received from the management and staff of the university during the Audit exercise. If there is any further clarification, which you may require in respect of this report, please do not hesitate to contact us on 0803-372-7546.

Yours faithfully,  
*For: Tijjani Musa Isa & Co.*

*Tijjani Musa Isa*  
*Managing Partner*