



KW-iRS
KWARA STATE INTERNAL REVENUE SERVICE

2017 ANNUAL REPORT

FINANCIAL REPORTS & STATEMENTS





KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE



“Ours is a balanced programme for tax reform based upon the social contract with the aim of blocking leakages by changing the people, the process and the technology of tax administration for efficiency.”



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www.irs.kw.gov.ng

Abdulfatah Ahmed

‘Mobilizing Revenue for the Strategic Development of Kwara State’





vision

To Mobilize Revenue for the Strategic Development of Kwara State.

mission



To serve the residents of Kwara State using the most convenient strategies that will add value and integrity to the revenue mobilization process and actualize the developmental objectives of the Government.

core values



S H I R T

SERVICE

HONESTY

INTEGRITY

RESPONSIBILITY

TRUST

KWARA STATE

BRIEF HISTORY

Kwara State is one of the 36 states that make up the Federal Republic of Nigeria, Africa's most populous country. Kwara State shares her boundaries with the Republic of Benin on the West and the River Niger on the North, Ekiti and Kogi States on the East, and Oyo and Osun States on the South.

The capital city, Ilorin is situated 306km inland from the coastal city of Lagos and 500km from the federal capital, Abuja. Major towns include Offa, Ajase-Ipo, and Jebba. Other towns include Patigi, Erin-Ile, Ilofa, Osi, Lafiagi, Afon, Kaiama, Isanlu-Isin, Omu-Aran, Share, Shonga, Ilesha Baruba and Igbaja.

Kwara State was created in May 1967, as one of the first of 12 states to replace the nation's four regions. Originally the State was known as West Central State, but the name was later changed to Kwara, a local name for the Niger River. The size of the State has been reduced over the years, as new states have been created within the federation. The total landmass of Kwara State today is 32,500 square kilometres.

Kwara State is known as 'the State of Harmony' on



account of the peaceful relations that exist among its multicultural and diverse population of about 2.5 million people (2006 Census Figure) estimated to have grown to about 3.5 million now. Followers of the three great religious faiths to be found in Nigeria, Islam, Christianity and traditional, coexist within the State.

States in Nigeria enjoy a high degree of autonomy. Each state, for example, can set industrial policy and independently seeks to attract investment. This is normally located within a broader national policy and must naturally comply with federal rules (with regard to import duties, for example). Energy policy is the sole preserve of the federal government, although this is changing, as the option of using Independent Power Producers (IPP) becomes more attractive. Each state is divided into Local Government Areas (LGAs) and, in the case of Kwara, there are 16 such LGAs, namely; Asa, Baruten, Edu, Ekiti, Ifelodun, Irepodun, Isin, Ilorin East, Ilorin South, Ilorin West, Kaiama, Moro, Patigi, Offa, Oke-Ero, and Oyun.

Geography

Kwara State comprises rainforest in the southern

parts with wooded savannah covering the larger part of the State. The soil is fertile and the State is well watered by the various tributaries of the Niger River which run through hills and valleys, none of which rise to any great height. The western section of the State is at a slightly higher altitude than the eastern.

Kwara is a summer rainfall area, with an annual rainfall range of 1,000 mm to 1,500 mm. The months of December and January coincide with the cold and dry harmattan period. Average maximum temperatures vary between 300.C and 350.C.

Unique Selling Point

Kwara State is known for its peaceful character, its innovation and its strong educational sector. In recent years, it has come to be known as the home of commercial agriculture, as a result of the New Nigerian Farmers initiative. Also known as the Shonga Farms Project, after the name of the town where the commercial farming is being practised, the New Nigerian Farmers initiative has got Nigerians and foreigners talking about Kwara State in a new way.

Kwara State has changed in the public eyes from being a 'civil service' State to being the State where the Shonga Farmers are succeeding. Kwarans believe this could happen on a broader scale in the Federal Republic of Nigeria, a land of immense agricultural potential. Following the success of this Project, over 20 other commercial farm projects have been sited in the State successfully. Milk products and rice currently make up US\$1.2billion of the nation's US\$4billion food-importation-bill a situation that a well-organised commercial agriculture has the potential to reverse.



Alhaji (Dr) Abdulfatah Ahmed
Executive Governor, Kwara State



Elder Peter Kisira
Deputy Governor, Kwara State



Muritala Awodun, PhD
Executive Chairman

THE BOARD



Muritala Awodun, PhD
Board Chairman



Alhaji Ibrahim Salaudeen
Member



Mr. AbdulAzeez T. Oyelowo
Member



Mr. Ezekiel O. Bamigboye
Member



Dr. Salihu Ahmed
Member



Mr. Babatunde Idris Mahmud
Member



Alhaji Rasaq Olorunmako
Member

THE BOARD



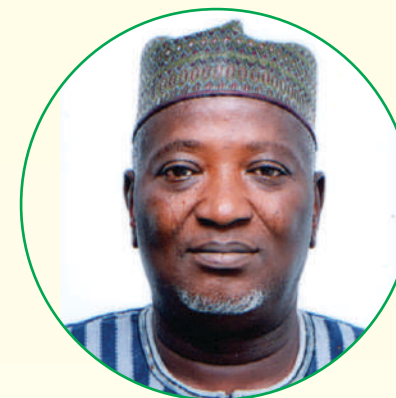
Mr Jimoh A. Mumini, Esq
Member



Mr. Ahmed A. Mohammed
Member



Mrs Adenike Babajamu
Member



Alhaji Nuhu O. Mohammed
Member



Dr. Kayode Waheed
Member



Alhaji Rasaq Umar
Member



Alhaji Mudashiru A. Oladapo
Member



Mr. Lateef A. Okandeji, Esq
(Secretary/ Legal Adviser)

THE MANAGEMENT



Muritala Awodun, PhD
Executive Chairman



Mr Olusegun Olaniyi
Director, Informal Sector



Mrs Adenike Babajamu
Director, Admin & Operations



Mr Nuhu Olaide Muhammed
Director, HNIs & Corporate



Mrs Iyabo Abubakar
Director, Property Tax



Mr Lateef Okandeji
Director, Legal & Enforcement



Mr 'Lekan Rotimi
Director, Tax Assessment & Audit



Mrs Omolara Ojulari
Assist. Director, MDAs

The modern tax administrator is expected to have the capacity to think out solutions that are exceptional and poignant in the drive for tax collection.

Abdulfatah Ahmed

The Birth of Kwara State Internal Revenue Service

The Kwara State Government, in its efforts to increase and diversify its revenue base for financial freedom and bolstered efficacy in governance, on June 22nd 2015 signed the Kwara State Revenue Administration Law, 2015 (Law No.6 of 2015). With the signing of this law, the Kwara State Internal Revenue Service was given birth to and the old arrangement of a Board of Internal Revenue (BIR) as a department in the Ministry of Finance became defunct.

Kwara State Internal Revenue Service (KW-IRS), as established by this Law, becomes the sole **agency** responsible for the effective and efficient administration of tax and related revenue matters on behalf of the Kwara State Government with the following mandates:

- To maintain the integrity of the tax laws and processes by eliminating all instances of multiple taxation;
- To assist the State Government to attain specific economic and social policies, systems and targets; and
- To stimulate voluntary compliance so as to advance maximum representation of the populace in executive decision making.



In keeping with the mandate for the KW-IRS, and charged with the care and management of the taxes covered by the Internal Revenue Law, the KW-IRS set out to pursue the vision;
to mobilize revenue for the strategic development of Kwara State

This vision was carefully crafted to be driven by the mission;
to serve the residents of Kwara State using the most convenient strategies that will add value and integrity to the revenue mobilization process and actualize the developmental objectives of the Government

The question **arising** from the above vision and mission statements, on the lips of most people is; how will KW-IRS create, deliver and capture value as expected? However, the answer to this question was clearly expressed in our choice of business model; the Business Model Canvass, which captures the various segments of our stakeholders and set us up on the appropriate strategy for delivery of the expected value to the residents of Kwara State. This business model adopted revolves around our ability to provide answers to questions relating to these various segments of our operations.

CUSTOMER SEGMENTATION
VALUE PROPOSITIONS
CHANNELS OF DISTRIBUTION
CUSTOMER RELATIONSHIPS
REVENUE STREAMS
KEY RESOURCES
KEY ACTIVITIES
KEY PARTNERSHIPS
COST STRUCTURE

The specific strategy we have chosen to bring about the required change in revenue mobilization in Kwara State, that adequately provides answers to all of the above questions, is built on a 'five-force' PRESS Framework (**for the first phase of our establishment referred to as our start-up stage**) which is an acronym for;



- P** • PATRONIZING & PERSUADING the populace to accept, embrace and support the activities of the Service (KW-IRS), and voluntarily come into the taxable base
- R** • RAISING & RECRUITING support for the activities of the Service (KW-IRS) from the various stakeholders and overcoming the anticipated societal resistance from them
- E** • ELICITING & ENERGIZING commitment from the newly recruited staff of the Service (KW-IRS) and the management team, towards realizing the targets/purpose of change
- S** • SELECTING & STAFFING of the organization's change team expected to be fired up for performance and excellence through careful selection process and consistent training
- S** • SEQUENCING & SYSTEMATIC pursuit of the daily, weekly, monthly and annual reporting strategy setting critical day by day targets and deliverables

The above specific strategy was consolidated into the following broad goals and objectives for the Service;

- Maximizing the collection rates by eliminating existing leakages through improved tax collection strategies;
- Expansion of the taxable base by bringing in those not captured into the tax net;

- Developing a solid data base through critical data gathering and information dissemination using appropriate information technology; and
- Advising the government on tax and social policy measures responsive and supportive of the administration's developmental agenda and business/human welfare focus.

Where there is no law, there is no sin, says the popular adage. This informs why we have to come up with what could be regarded as the rules and regulations of the Service, but well captured in an unambiguous way.

We created what is considered the Core Values for the Service which we all at KW-IRS pledged to be guided by. These **Core Values** were captured under the acronym; SHIRT for ease of remembrance and effectiveness, the SHIRT as our core values stands for;

Service to the residents of Kwara State which is our customer base,
Honesty in the course of delivery of the service as a guiding principle,
Integrity of our service to the people and our employers,
Responsibility to the Service and the served, and
Trust that will make everyone involved operate with openness.

These core values capture the whole essence of the existence of the Service and are expected to be abided to by all of the staff and management of the Revenue Service. We pride the core values as the SHIRT we put on that must not be stained but be jealously guided to ensure continuous service acceptable to the people.

With the creation of the Kwara State Internal Revenue Service began a new dawn in Kwara Revenue and the reform of revenue mobilization desired by the government through its PPT Model of changing the people, the process and the technology of revenue administration in the State.

“What the government noticed in terms of leakages in the collection process which the new Service was charged to block through new people, process and technology was a great challenge that everyone thought could not be accomplished, particularly in a period of recession”.

Abdulfatah Ahmed



EXECUTIVE CHAIRMAN'S STATEMENT

CONSOLIDATING OUR START-UP YEAR OF ACCEPTABLE SERVICE



Muritala Awodun, PhD
Executive Chairman

There is always a premise underlying most of our assumptions and beliefs. The premise is that happiness is an algorithmic that can be worked for and earned or achieved like gaining admission into the university or planning and building a house.

There is always a premise underlying most of our assumptions and beliefs. The premise is that happiness is an algorithmic that can be worked for and earned or achieved like gaining admission into the university or planning and building a house. This premise about happiness is in itself a problem because happiness is not a solvable equation. Dissatisfaction and unease are inherent parts of human nature and these are necessary components for the creation of consistent happiness.

EXECUTIVE CHAIRMAN'S STATEMENT

In the 2016 Annual Report, we arrived at a conclusion that happiness comes from solving problems, and this was proven by the ability of the Service to come up with a changed people, process and technology to solve the problem of IGR leakages in the State. We were quick to also draw our attention to the fact that with each problems solved, another is created.

In the 2016 Annual Report, we arrived at a conclusion that happiness comes from solving problems, and this was proven by the ability of the Service to come up with a changed people, process and technology to solve the problem of IGR leakages in the State. We were quick to also draw our attention to the fact that with each problems solved, another is created.

Our operations in 2017, however has confirmed that happiness itself is a problem. This is based on the philosophy that pain and loss are inevitable in life, and we should let go of trying to resist them because life itself is a form of suffering. The rich suffer because of their riches, the poor suffer because of their poverty, people without a family suffer because they have no family, people with a family suffer because of their family. People who pursue worldly pleasures suffer because of their worldly pleasures, and people who abstain from worldly pleasures suffer because of their abstention.

EXECUTIVE CHAIRMAN'S STATEMENT

At the Revenue Service, in 2017, we have to go through our share of all of these, testing our people, process and technology, but at the end of it all, we came out victorious with a N19.6 billion total IGR figure and a consolidated system that can stand the test of time. We also proudly were able to show to the entire tax family (the Joint Tax Board) our reform model that became a bride of several other State IRS.

What we have come to realise is that the Start-up Strategy as implemented in 2016 and 2017 has proven to be successful for the Kwara State Internal Revenue Service, and it is therefore time to begin to look beyond start-up and face the coming challenges of growth which we know will soon begin to stare us in the face.

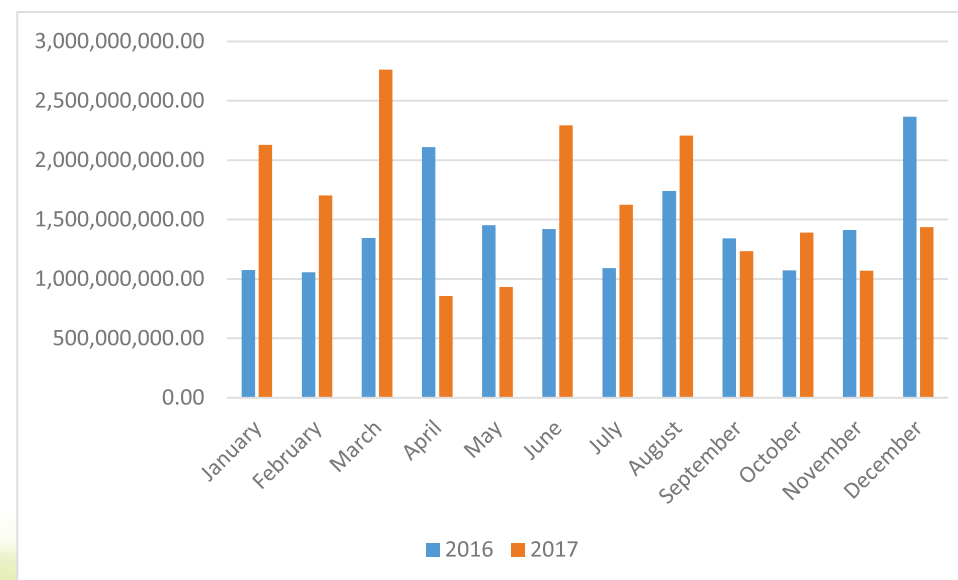
Having successfully solved the problem of Start-up of the Revenue Service, the next problem is that of growth, and in the last quarter of the year 2017, we commenced our preparations for growth in the years to come.

Muritala Awodun, PhD
Executive Chairman

What we have come to realise is that the Start-up Strategy as implemented in 2016 and 2017 has proven to be successful for the Kwara State Internal Revenue Service, and it is therefore time to begin to look beyond start-up and face the coming challenges of growth which we know will soon begin to stare us in the face.

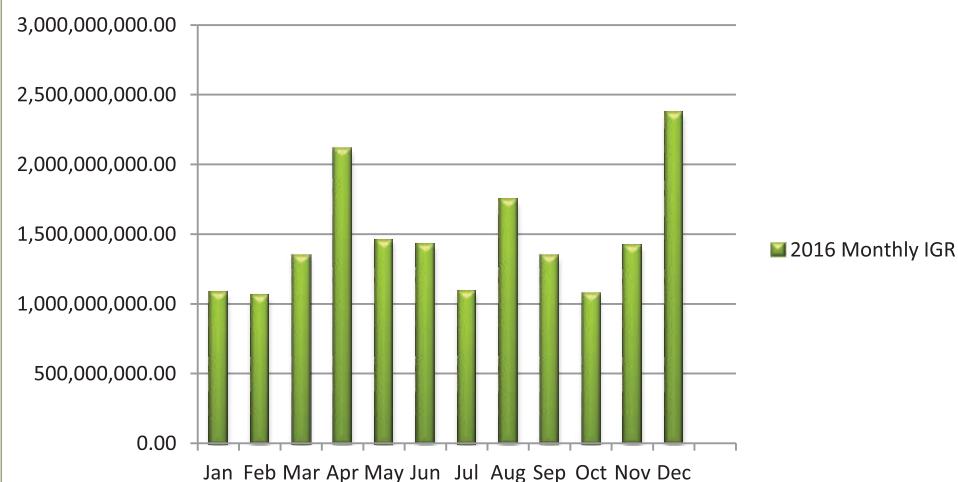
2016/2017 IGR REPORT

MONTH	2016	2017
	=N=	=N=
JANUARY	1,076,081,980.52	2,129,585,168.88
FEBRUARY	1,056,457,127.19	1,703,499,804.17
MARCH	1,344,492,692.03	2,761,882,349.45
APRIL	2,110,078,504.05	856,699,870.61
MAY	1,451,551,890.69	931,339,128.30
JUNE	1,419,497,366.58	2,293,483,279.02
JULY	1,090,316,199.47	1,623,547,631.50
AUGUST	1,741,289,691.52	2,205,980,537.05
SEPTEMBER	1,342,223,145.55	1,234,993,457.75
OCTOBER	1,071,084,804.21	1,390,453,093.68
NOVEMBER	1,412,482,737.62	1,070,561,163.68
DECEMBER	2,367,102,752.79	1,435,848,028.43
TOTAL	17,292,647,892.12	19,637,873,512.22

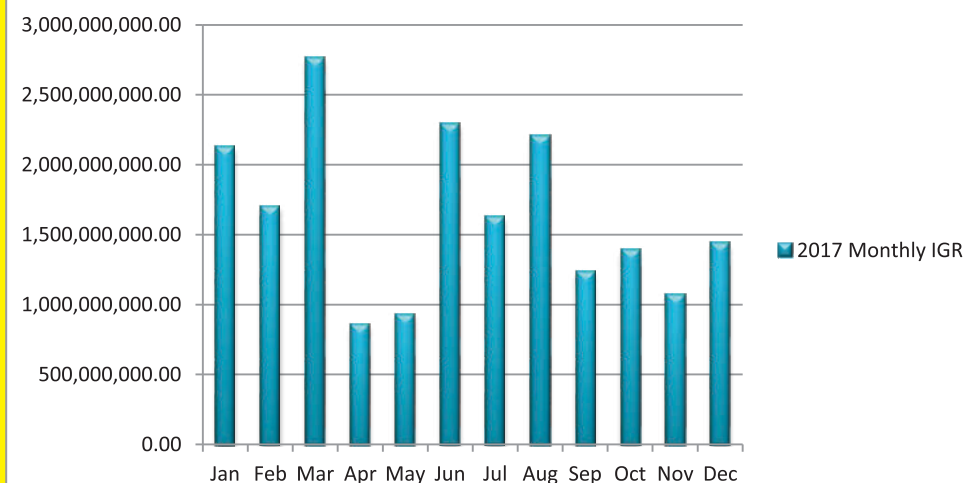


2016/2017 IGR REPORT

2016 Monthly IGR



2017 Monthly IGR

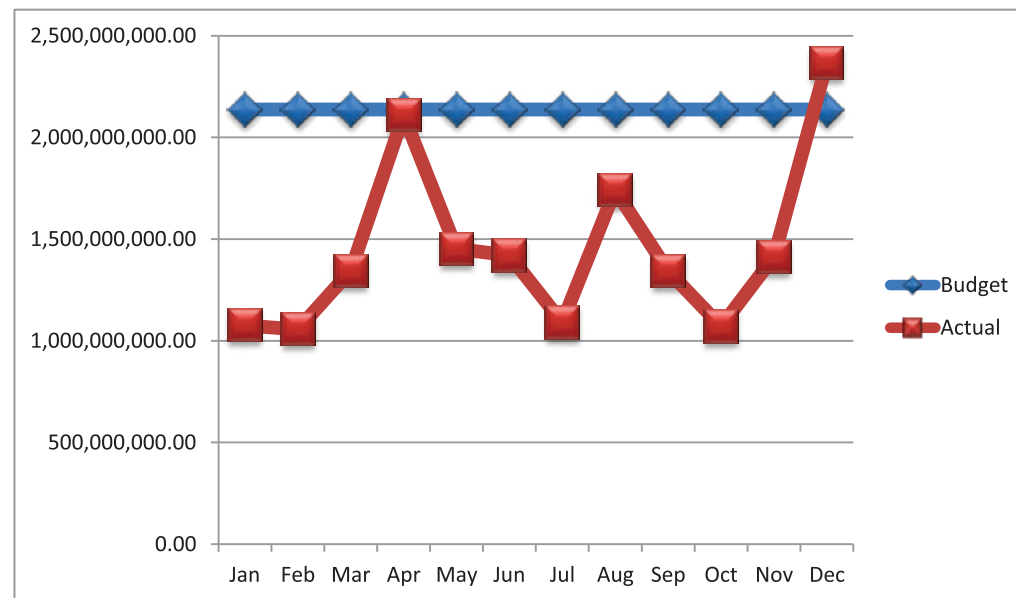


IGR REPORT

BUDGET, ACTUAL PERFORMANCE AND COMPARISON WITH PREVIOUS YEAR

2016 BUDGET 2016 ACTUAL

January	2,136,637,438.36	1,076,081,980.52
February	2,136,637,438.36	1,056,457,127.19
March	2,136,637,438.36	1,344,492,692.03
April	2,136,637,438.36	2,110,078,504.05
May	2,136,637,438.36	1,451,551,890.69
June	2,136,637,438.36	1,419,497,366.58
July	2,136,637,438.36	1,090,316,199.47
August	2,136,637,438.36	1,741,289,691.52
September	2,136,637,438.36	1,342,223,145.55
October	2,136,637,438.36	1,071,084,804.21
November	2,136,637,438.36	1,412,482,737.62
December	2,136,637,438.36	2,367,102,752.79
TOTAL	25,639,649,260.33	17,292,647,892.12

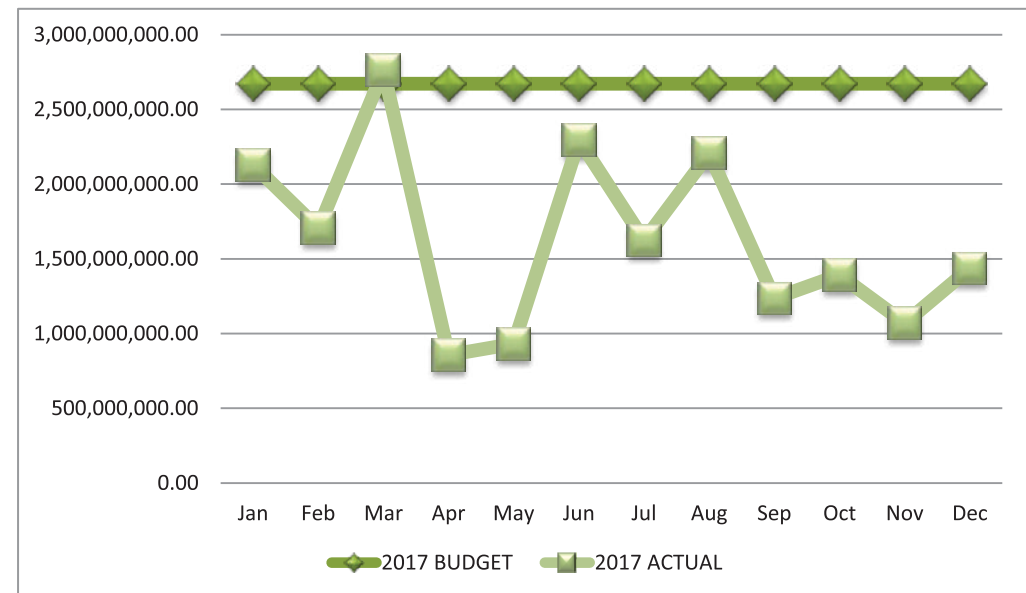


IGR REPORT

BUDGET, ACTUAL PERFORMANCE AND COMPARISON WITH PREVIOUS YEAR

2017 BUDGET 2017 ACTUAL

January	2,671,429,533.5	2,129,585,168.88
February	2,671,429,533.5	1,703,499,804.17
March	2,671,429,533.5	2,761,882,349.45
April	2,671,429,533.5	856,699,870.61
May	2,671,429,533.5	931,339,128.30
June	2,671,429,533.5	2,293,483,279.02
July	2,671,429,533.5	1,623,547,631.50
August	2,671,429,533.5	2,205,980,537.05
September	2,671,429,533.5	1,234,993,457.75
October	2,671,429,533.5	1,390,453,093.68
November	2,671,429,533.5	1,070,561,163.68
December	2,671,429,533.5	1,435,848,028.43
TOTAL	32,057,154.402	19,637,873,512.22



DIRECTORATE OPERATIONS

(REVENUE & NON-REVENUE DIRECTORATES)

1. EXECUTIVE CHAIRMAN'S OFFICE

- a. Accounts, Finance and Reconciliation Department
- b. Internal Audit and Monitoring Department
- c. Corporate Affairs Department
- d. Research Department

2. ADMINISTRATION AND OPERATIONS DIRECTORATE

- a. Admin Department
- b. HRM Department
- c. Help Desk/Support Department
- d. ICT Department

3. TAX ASSESSMENT AND AUDIT DIRECTORATE

- a. Tax Audit Department b. Tax Assessment Department
- c. Tax Information and Investigation Department

4. MINISTRIES, DEPARTMENT AND AGENCIES DIRECTORATE

- a. Ministries and Parastatals Department
- b. Road Taxes Department
- c. Hospital Management Department

5. CORPORATES DIRECTORATE

- a. PAYE Department b. Direct Assessment Department
- c. Arrears & Remittance Department

6. INFORMAL SECTOR & SPECIAL DUTIES DIRECTORATE

- a. Artisans Department b. Markets Department
- c. LGAs Department



7. PROPERTY TAX AND OTHER REVENUES DIRECTORATE

- a. Commercial Department
- b. Residential Department
- c. Remittances Department

8. LEGAL AND ENFORCEMENT DIRECTORATE

- a. Legal Department b. Enforcement Department
- c. Board Matters /Company Secretariat Department

DIRECTORATE OPERATIONS

(REVENUE & NON-REVENUE DIRECTORATES)

After a full year of operations in 2016, the Service thought it wise for efficiency to re-organize the directorates, and made some few structural changes. The 2017 structure is as follows:

EXECUTIVE CHAIRMAN'S OFFICE

The Executive Chairman's Office supervises four departments which are; Accounts & Finance, Internal Audit, Corporate Affairs & Research Departments.

The Accounts and Finance Department is saddled with the responsibilities of keeping proper accounting records in accordance with standard accounting practice and financial regulations of the State in respect of all revenues and expenditure of the Internal Revenue Service, its assets, liabilities and other financial transactions. Other responsibilities include preparing reports including financial statements in accordance with accepted accounting principles and ensuring that the available accounting records of the Internal Revenue Service are adequate and up to date in line with financial regulations.

The Internal Audit Department, an integral part of the Executive Chairman's

Office assists the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. All activities of the department are guided by the Federal Republic of Nigeria Financial Regulation as well as the policies of the Service.

The Corporate Affairs Department is saddled with the responsibility of promoting the image of the organization through advocacy and publicity. It ensures the brand of the Service is maintained through adverts and programmes designed to educate, enlighten and promote the image of the Service. Other activities of the Department include, corporate event organization, news reporting, souvenir production, organizing media parley and tax club quiz competition, Community Impact Program and production of corporate items.

The Research Department carries out research on information that can enhance the revenue mobilization of the State. This includes gathering data, monitoring collections, assessing risks, etc.

ADMINISTRATION AND OPERATIONS DIRECTORATE

Administration and Operations Directorate has four main departments namely; Admin, Human Resources, ICT and Customer Service Department.

The Admin Department is responsible for the day-to-day running of the Kwara State Internal Revenue Service (KW-IRS) including the management of the Service's infrastructures.

The Human Resource Department is responsible for the recruiting and development workforce of the organization. The Directorate is core in the change of the People, Process and

DIRECTORATE OPERATIONS

(REVENUE & NON-REVENUE DIRECTORATES)

Technology model through systematic recruitment, training and retraining of a highly efficient workforce; standardization of processes and adoption of automation for administration and collection Services.

The ICT and Customer Service Departments are responsible for driving technology for the Internal Revenue Service. It is duty of the directorate to apply technology to drive revenue and tax collection and reporting processes through the application of a management systems technology as well as develop a robust taxpayer's database. The Departments are also charged with the provision of IT infrastructure and support to other directorates. The Customer Service Department is responsible for the customer care centre that provides help to taxpayers on various platforms. The Department also reconciles with all banks on related issues such as monthly sweeping of IGR.

TAX ASSESSMENT AND TAX AUDIT DIRECTORATE

The Directorate is divided into two,

namely; Tax Assessment and Tax Audit.

Tax Assessment Department carries out assessment of every taxable persons in employment; individual / venture /enterprise. This is in line with Personal Income Tax Law in the relevant year of assessment. The Directorate ensures Tax Clearance Certificate is issued to tax payer who have settled their tax liability or is not liable to pay tax for the relevant period in line with the statutory provisions.

The Tax Audit Department is saddled with the responsibility to review the reliability and integrity of tax remittances of organizations to ensure that the correct taxes are deducted and remitted to the tax authority.

MINISTRIES, DEPARTMENTS AND AGENCIES DIRECTORATE (MDAs)

The Ministries, Departments and Agencies Directorate has three Departments; Ministries and Parastatal, Hospital Management and Road Taxes. The Ministries and Parastatals Departments collects government revenue such as administrative charges, fees, fines, levies

and rates for the provision of specific services and granting certain privileges.

The Hospital Management Department is responsible for the collection of all revenues due to the State Government from State Hospitals. The collection of Road Taxes is the direct mandate of the Kwara State Internal Revenue Service amongst other collections for the State. This Department focuses on generating revenues from vehicle registration, renewal of vehicle documents and any documents relating to road taxes, such as hackney permit and consolidated emblem.

CORPORATE DIRECTORATE

The Corporate Directorate is a revenue collecting directorate responsible for collecting and accounting for Personal Income Tax of persons on stable employment i.e. Pay As You Earn (PAYE) and High Networth Individuals, Withholding Tax (WHT), Capital Gains Tax and Development Levy.

PAYE Department has the responsibility of PAYE, Development Levy and Withholding

DIRECTORATE OPERATIONS

(REVENUE & NON-REVENUE DIRECTORATES)

Tax collection from corporate organizations. Accounting for revenue collection by classification into appropriate revenue type and delivery of Automated Revenue Receipts to taxpayers, maintenance of revenue profile of taxpayers, recommendation of cases for enforcement.

Direct Assessment Department ensures collection of Personal Income Tax of High Networth individuals, monitoring of WHT remittance for the purpose of identifying HNIs and issuance of demand notice on current year of assessment.

Arrears department is responsible for ensuring organisations and individuals who have outstanding liabilities fulfil them. The Remittance Department is responsible for reconciliation and monitoring of collections as well as issuing receipt to taxpayers after confirmation.

INFORMAL SECTOR

Informal sector is a Directorate saddled

with the responsible of collecting the data of taxpayers that are semi-skilled or without proper financial records. The Directorate also engages consultants to collect some lines of revenue especially for the Local Government Areas. The directorate has three departments namely; Market, which collects Personal Income Tax from the market traders; Artisans, which collects Personal Income Tax from and the Local Governments Department which collects revenues on behalf of LGAs as agreed with them and under the approved local government schedules.

PROPERTY TAX DIRECTORATE

Property Tax Directorate is a revenue collecting directorate saddled with the responsibility of generating revenue for the Kwara State Government through collection of annual land charge as well as increase the tax base via enumeration of properties. There are three major responsibilities of Property Tax Department: Enumeration of Properties, Bills Distribution and Collection.

Property Tax Directorate has three departments; Commercial, Residential and Remittance.

LEGAL AND ENFORCEMENT DIRECTORATE

This Directorate has three departments, namely Legal, Enforcement and Board Matters/Company Secretariat Departments. The legal Department takes responsibility for the legal matters of the Service such as laws, arraignment of recalcitrant taxpayers at the Revenue Court or other courts/Tribunals. The Enforcement Department ensures that payments, filings and declaration and court judgements are duly enforced in line with legal and statutory provisions.



2017

FINANCIAL REPORT

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2017

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CORPORATE INFORMATION

BOARD

1.	Muritala Awodun, Ph.D,	Executive Chairman
2.	Mrs. Adenike Babajamu	Member
3.	Alh. Nuhu O. Muhammed	Member
4.	Mr. Babatunde Idris Mahmud	Member
5.	Dr. Ismail K. Waheed	Member
6.	Dr. Salihu Ahmed	Member
7.	Alh. Rasaq Olorunmako	Member
8.	Mr. Ahmed Abu Mohammed	Member
9.	Mr. Tayo Oyelowo	Member
10.	Mr. Ezekiel O. Bamigboye	Member
11.	Jimoh A. Mumini Esq.	Member
12.	Alh. Mudashiru A. Oladapo	Member
13.	Alh. Muhammed R. Umar	Member
14.	Alh. Ibrahim Salaudeen	Member
15.	Lateef A. Okandeji Esq.	Secretary/Legal Adviser

Registered Office:

27, Ahmadu Bello Way, GRA, Ilorin. Kwara State.

Auditors:

Adeboye Taiwo & Co, (Chartered Accountants),
Office Road, Opp National Population
Commission, Off Ahmadu Bello Way, GRA,
Ilorin, Kwara State

Principal Bankers:

Guaranty Trust Bank Plc
First City Monument Bank Plc
First Bank Plc

MANAGEMENT

1.	Muritala Awodun, PhD.	Executive Chairman
2.	Isaac Gbenle, PhD	Director, (Rtd Feb., 2017)
3.	Adenike Babajamu (Mrs.)	Director, Admin & Operations
4.	Iyabo Abubakar (Mrs.)	Director, Property & Other Revenue
5.	Nuhu O. Muhammed,	Director, Corporates
6.	Olusegun Olaniyi	Director, Informal Sector & Special Duties
7.	'Lekan Rotimi	Director, Tax Assessment & Audit
8.	Lateef A. Okandeji, Esq	Director, Legal & Enforcement
9.	Omolara M. Ojulari (Mrs.)	Assistant Director, MDA's
10.	Mohammed Kabiru Rufai,	Principal Manager, Accounts & Finance
11.	Mohammed Audu	Senior Manager, Internal Audit

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

BOARDS` REPORT

The Directors have pleasure in presenting to the members of the Service their report together with the audited financial statements for the year ended 31st December, 2017

Legal Form

Kwara State Board of Internal Revenue (BIR) was restructured to be known as Kwara State Internal Revenue Service ("here in referred to as the Service") on 22nd June 2015 through Kwara State Revenue Administration Law No 6 by the Executive Governor of Kwara State. The Service commenced on 1st October, 2015.

Principal Activities

The Service`s principal activities are collection of tax revenue, levies and penalties due to Kwara State Government.

State of Affairs

In the opinion of the Directors, the state of the Service`s affairs continues to be satisfactory and no events have occurred to date which would affect the financial statements presented

Result for the year (Income & Expenditure)

Revenue	₦ 4,940,087,841
Expenses	(5,271,953,380)
Surplus/(Deficit) for the Year	(331,865,539)

Internally Generated Revenue Performance

The Service generated a total sum of N19,726,760,994 during the year ended 31st December, 2017.

Details of the statement of Internally Generated Revenue and disbursements for the year ended 31st December, 2017 are shown on page 29 of this Financial Statements

Auditors

The Auditors, Adeboye Taiwo & Co, (Chartered Accountants), having indicated their willingness to continue in office will do so in accordance with section 357(2) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004

By Order of the Board



Secretary

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statement for the Year Ended 31st December, 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kwara State Revenue Administration Law No 6 of 22 June 2015 as amended requires the directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the company at the end of the year and of its Statement of Financial Performance. The responsibilities include ensuring that the Service:

- Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Service and comply with the requirements of the Kwara State Revenue Administration Law No 6 of 22 June 2015 as amended;
- Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards issued by the International Federation of Accountants as adopted by the Financial Reporting Council of Nigeria and the requirements of the Kwara State Revenue

Administration Law No 6 of 22 June 2015 as amended.

The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Service and of its financial performance. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Service will not remain a going concern for at least twelve months from the date of this statement.



Executive Chairman/
Chairman of Board




Secretary/Legal Adviser

INDEPENDENT AUDITORS` REPORT TO THE DIRECTORS OF KWARA STATE INTERNAL REVENUE SERVICE

We have audited the accompanying financial statements of Kwara State Internal Revenue Service as at 31st December, 2017, set out on pages 2 to 29 which have been prepared on the basis of the significant accounting policies on pages 13 to 21 and other explanatory notes on pages 13 to 29.

Directors` Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Kwara State Revenue Administration Law No 6 of 22 June 2015 as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

Auditors` Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nigerian Auditing Standard issued by Institute of Chartered Accountants of Nigeria and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from 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 auditors' judgment, including

the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 audit

Opinion

In our opinion, the financial statements give true and fair view of the state of affairs of the Service as at 31 December 2017 and of the statement of financial performance and cash flows for the year ended on that date, and have been properly prepared in accordance with International Public Sector Accounting Standards, Financial Reporting Council of Nigeria Act no 6, 2011 and the requirement of the Kwara State Revenue Administration Law No 6 of 22 June 2015 as amended.

For: Adeboye Taiwo & Co.



Adeboye Joseph Taiwo, FCA, CISA, ACTI
Managing Partner



KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

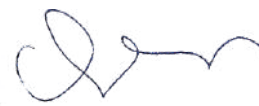
Statement of Financial Position

	Note	2017 N	2016 N
ASSETS			
Current Assets			
Receivables and Prepayments	5	2,830,694,810	517,000,266
Cash and Cash Equivalents	3	2,168,467	434,157,443
Total Current Assets		<u>2,832,863,277</u>	<u>951,157,709</u>
Non-Current Assets			
Property, Plant and Equipment	17	714,469,665	597,384,670
Deposit for Investment in Property	4	37,670,000	17,670,000
Total Non-Current Assets		<u>752,139,665</u>	<u>615,054,670</u>
Total Assets		<u>3,585,002,942</u>	<u>1,566,212,378</u>
LIABILITIES			
Current Liabilities			
Payables & Other Accounts	6	1,654,890,958	643,872,297
Employee Benefits	7	48,241,578	31,418,409
		<u>1,703,132,535</u>	<u>675,290,706</u>
Non-Current Liabilities			
Borrowings		-	-
Total Liabilities		<u>1,703,132,535</u>	<u>675,290,706</u>
CAPITAL GRANT AND ACCUMULATED FUND			
Fund Capital	8	1,107,790,037	589,559,543
Accumulated Fund	9	774,080,369	301,362,129
Total Capital Grant and Accumulated Fund		<u>1,881,870,407</u>	<u>890,921,672</u>
Total Funds and Liabilities		<u>3,585,002,942</u>	<u>1,566,212,379</u>

The financial statements on pages 26 to 55 were approved by the Board of Directors on Friday 7th November, 2018 and signed on its behalf by:



**Executive Chairman/
Chairman of Board**

Secretary/Legal Adviser

The notes on page 37 to 55 are integral part of these financial statements

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Statement of Financial Performance

	Note	2017 N	2016 N
Income	10	4,940,087,841	3,669,999,401
		<u>4,940,087,841</u>	<u>3,669,999,401</u>
Expenses			
Salaries, wages and employee benefits	11	659,602,876	461,531,622
Consultants' Commission	12	3,596,448,116	2,272,578,324
Depreciation and Amortization	13	98,505,989	69,345,238
Supplies and Consumables used	14	196,614,518	81,709,775
Other Operating Expenses	15	720,781,881	490,411,789
		<u>5,271,953,380</u>	<u>3,375,576,748</u>
Surplus/(deficit) for the period		<u>(331,865,539)</u>	<u>294,422,653</u>

The notes on page 37 to 55 are integral part of these financial statements

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Statement of Change in Net Fund

	Notes	Fund Capital N	Accumulated Fund N	Total N
Balance at 01 January 2017		589,559,543	301,362,129	890,921,672
Transaction Recognized Directly in Funds				
Capital grant	8	<u>518,230,494</u>	<u>-</u>	<u>518,230,494</u>
Total Transactions Directly in Funds		<u>1,107,790,037</u>	<u>301,362,129</u>	<u>1,409,152,166</u>
Surplus/(deficit) for the period (Financial Performance)			(331,865,539)	(331,865,539)
Prior Year Adjustments	18	=	<u>804,583,779</u>	<u>804,583,779</u>
Total Revenue and Expenses Recognized for the Period		<u>-</u>	<u>472,718,240</u>	<u>472,718,240</u>
Balance at 31 December 2017		<u>1,107,790,037</u>	<u>774,080,369</u>	<u>1,881,870,407</u>

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Statement of Cash Flow

Statement of Cash Flows

Cash Flow From Operating Activities

Surplus/(deficit) for the period

Adjustment for Non-Cash Transactions:

Depreciation and Amortization

Prior Year Adjustment

Working Capital Changes:

(Increase)/decrease in Receivables & Prepayments

Increase/(decrease) in Account Payables

Increase/(decrease) in Employee Benefits

Net Cash flow From Operating Activities

Cash Flow From Investing Activities

Purchase of PPE

Deposit of Investment

Proceed from sale of Investment

Net Cash Flow from Investing Activities

Cash Flow From Financing Activities

Capital Grant

Net Cash Flow from Financing Activities

Net Increase /(Decrease in Cash & Cash Equivalent)

Cash and Cash Equivalent at the beginning of the Year

Cash and Cash Equivalent at the End of the Year

2017 N	2016 N
(330,477,747)	294,422,558
98,505,989	69,345,238
803,195,987	-
(2,313,694,544)	(515,145,266)
1,011,018,660	643,572,297
16,823,169	31,418,409
(714,628,485)	523,613,236
(215,590,985)	(306,530,608)
(20,000,000)	(17,670,000)
-	-
(235,590,985)	(324,200,608)
518,230,494	231,029,503
518,230,494	231,029,503
(431,988,976)	430,442,132
434,157,443	3,715,311
2,168,467	434,157,443

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Statement of Comparison of Budget and Actual Amounts

	Original Budget 2017 N	Adjustments 2017 N	Final Budget 2017 N	Actual On Comparable Basis 2017 N	Performance Variance 2017 N
Income					
10% Operational Income from Retention	2,334,425,850	-	2,334,425,850	1,972,676,099	(361,749,751)
15% Consultants' Commission	3,501,638,775	-	3,501,638,775	2,959,014,149	(542,624,626)
Other Income	-	-	-	8,397,593	(8,397,593)
	<u>5,836,064,625</u>	<u>-</u>	<u>5,836,064,625</u>	<u>4,940,087,841</u>	<u>(912,771,969)</u>
Expenses					
Wages, salaries and employee benefits	872,300,138	-	872,300,138	(659,602,876)	212,697,262
Consultants' Commission	4,014,144,068	-	4,014,144,068	(3,596,448,116)	417,695,952
Supplies and consumables used	200,305,508	-	200,305,508	(196,614,518)	3,690,990
Contracted services		-			-
Finance costs	15,408,333	-	15,408,333	(10,855,570)	26,263,903
Other Expenses	<u>733,906,578</u>	<u>-</u>	<u>733,906,578</u>	<u>(709,926,311)</u>	<u>23,980,267</u>
	<u>5,836,064,625</u>	<u>-</u>	<u>5,836,064,625</u>	<u>(5,173,447,391)</u>	<u>684,328,373</u>
Surplus/(deficit) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,359,549)</u>	<u>(228,443,596)</u>

The difference between the Deficit in the Statement of Financial Performance (N331,865,539) and the Statement of Comparison of Budget and Actual Amount of N233,359,549) is the provision for depreciation of N98,505,989 in the year which is not an item in the budget

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

1. Reporting Entity

Kwara State Board of Internal Revenue (BIR) was restructured to be known as Kwara State Internal Revenue ("here in referred to as the Service") on 22nd June, 2015 through Kwara State Revenue Administration Law No 6 by the Executive Governor of Kwara State. The Service commenced operations on 1st October, 2015

The Service's principal activities are collection of tax revenue, levies and penalties due to Kwara State Government. The Service office address is at 27, Ahmadu Bello Way, Kwara State.

1.1 Statement of Compliance and Basis of Preparation–

IPSAS 1 The Service's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Naira, which is the functional and reporting currency of the Service.

The accounting policies have been consistently applied to all the years presented. The financial

statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of Significant Accounting Policies

a) Revenue Recognition

1 Revenue from non-exchange transaction –IPSAS 23

Transfer from other government entities

Revenue from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the assets (Cash, goods, services and property) if the transfer is free from conditions and it is possible that the economic benefits or service potential related to the asset will flow to the Service and can be measured reliably

2 Revenue from exchange transactions-IPSAS 9

Rendering of services

The Service recognizes revenue from rendering of services by reference to the total amount of taxes and other revenue collected on behalf of Kwara State Government when the monthly outcome of the transactions/ revenue generated can be estimated reliably.

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

The statutory retention as operational revenue is usually 10% of the monthly reconciled value of all the Internally Generated Revenue (IGR) collected by the Service

Interest Income

Interest income is accrued using the effective yield method. The effective yield discount estimated future cash receipts through the expected life of the financial assets to that asset net carrying amount

The method applies this yield to the principal outstanding to determine interest each period

Rental Income

Rental income arising from operating leases on investment properties is accounted on a straight- line basis over the lease terms and included in the revenue. The Service does not currently earn Interest Income and Rental Income during the reporting year

b) Budget Information- IPSAS 24

The annual budget is prepared on the cash basis that is all planned costs and income are presented in a single statement to determine the needs of the Service. As a result of the adoption the accrual basis for budgeting purposes there is a need to require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts

c) Investment Property-IPSAS 16

Investment properties are measured initially at cost, including transaction cost. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day maintenance of an investment property

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over its estimated useful life period

Investment properties are derecognized either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal.

The difference between the net disposal proceeds and the carrying of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made from investment property only when there is change in use.

d) Property, Plant and equipment- IPSAS- 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. When significant parts of property, plant and equipment are required

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

to be replaced at intervals the Service recognize such parts as individual assets with specific useful lives and depreciates them accordingly

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. When an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Deprecation on other assets is calculated using the straight-line method to allocate their cost to their residual values on a systematic basis over their estimated useful lives. The average useful lives are as follows:

Land	Nil
Building	5%
Furniture & Fittings	20%
Computer Equipment	20%
Motor Vehicle	25%
Plant & Machinery	10%

Each part of an item of office equipment, furniture and other tangible assets with a cost that is significant in relation to the total cost of the item is depreciated separately.

The asset`s residual values, useful lives and depreciation method are reviewed on an annual basis and are adjusted if appropriate. An asset`s carrying amount is written down to its

recoverable amount if the asset`s carrying is greater than its estimated recoverable amount

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the surplus or deficit under other operating expenses.

e) Intangible Assets- IPSAS-31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Useful life of the intangible assets is assessed as either finite or indefinite.

f) Research and development cost

The Service expenses research cost as incurred. Development costs on an individual project are recognized as intangible assets when the Service can demonstrate.

- 1) The technical feasibility of completing the asset will be available for use or sale
- 2) Its intention to complete and its ability to use or sell the asset
- 3) How the asset will generate future economic benefit or service potential
- 4) The availability of resource to complete the asset

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

- 5) The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefits. During the period of development the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Financial instruments- IPSAS 29

Financial assets

Financial assets within the scope of IPSAS 29 Financial Instrument Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets as appropriate. The Service determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted as an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the effective rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Service has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and less or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Service assesses at each reporting date whether there is objective evidence that financial asset or a service of financial assets is impaired. A financial asset or a service is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial assets or the service of financial asset that can be reliably estimated.

Evidence of impairment may include the following indications

- 1) The debtors or a service of debtors are expecting significant financial difficulty
- 2) Default or delinquency in interest or principal payments
- 3) The probability that debtors will enter bankruptcy or other financial reorganization
- 4) Observable data indicates a measurable decrease in estimated future cash flows (e.g changes in arrears or economic condition that correlate with default).

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings as appropriate. The Service determines the classification of its financial liabilities at initial recognition

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings plus directly attributable transaction costs.

Loan and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process IPSAS 29. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

h) Inventories- IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition initial recognition, inventory is measured at the lower of cost and net realizable value. However, to

the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Inventories are recognized at an expense when deployed for utilization or consumption in the ordinary course of operations of the Service.

l) Provision- IPSAS 19

Provisions are recognized when the Service has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Service expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expenses relating to any provision is presented in the statement of financial performance net of any reimbursable.

Contingent liabilities

The Service does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements,

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

unless the possibility of an out flow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Service does not recognize contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Service in the notes to the financial statements. Contingent assets are assessed continually to ensure that development are appropriately reflected in the financial statements

If it has become virtually certain that an inflow of economic or service potential will arise and the asset's value can be measured reliably, the asset and related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

The Service creates and maintains reserves in terms of specific requirements. The Service states reserves maintained and appropriate policies adopted.

k) Changes in accounting policies and estimates- IPSAS 3

The Service recognizes the effects of change in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

l) Employee benefits-IPSAS- 25 Retirement benefit plans

The Service provides retirement benefits for its employees and Directors. Defined contributory plans are post-employment benefit plans under which Service pays fixed contributions into a separate Service (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employment benefits relating to employee service in the current and prior periods.

The contribution to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

m) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Payables or Receivables denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Related parties – IPSAS 20

The Service regards a related party as a person or a Service with the ability to exert control individually or jointly, or to exercise significant influence over the Service, or vice versa. Members of key management are regarded as related parties and comprise

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

Board of Directors and senior management staff.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized persons which were not surrendered or accounted for at the end of the financial year.

p) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Service's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and

estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Service based its assumptions and estimates on parameters available when the financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Service. Such changes are reflected in the assumptions when they occur. IPSAS1.140

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

3 Cash and Cash Equivalents

Guaranty Trust Bank
First Bank Plc
FCMB
POS Imprest

2017 N	2016 N
94,803	2,021,264
671,808	36,834
871,855	431,569,345
530,000	530,000
<u>2,168,467</u>	<u>434,157,443</u>

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4 Deposit For Investment in Property

HHL Investment & Property

2017 N	2016 N
<u>37,670,000</u>	<u>17,670,000</u>

This represent part deposit made for the purchase of Hub Mall Shops/ Office spaces from HHL Investment & Property Development Company Limited.

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

5 Receivables and Prepayments

Account Receivables - 10% Operational Income from Statutory Retention
 Account Receivables- 15% Provision for Consultants' Commission
 Staff Car Loans
 Staff Loan
 Advances to Local Governments
 Trade Union Congress (TUC)
 HMO (Royal Exchange)
 KWIRS (PAYD)
 Receivables- Ministry of Finance (**Note 16**)

2017 N	2016 N
908,897,352	85,993,790
1,363,346,028	
6,750,000	10,865,000
4,397,917	141,476
37,678,751	-
500	-
87,855	-
600	-
509,535,806	420,000,000
<u>2,830,694,810</u>	<u>517,000,266</u>

6 Payables & Other Accounts

Consultants Commission (6.1)
 Accounts Payable (Coscharis Motors)
 IGR Refund
 Other Payables
 VAT Payable
 FGNWHT Payable
 Payables to State Government (Dev.Levy,PAYE,WHT)
 16 Local Government Council
 Contractors
 Accrued Audit Fee

1,155,597,754	431,959,988
-	75,501,204
-	150,250
19,061,099	18,891,534
117,363,010	39,740,079
35,008,369	21,928,399
162,668,842	50,900,843
5,196,000	-
152,593,384	-
7,402,500	4,800,000
<u>1,654,890,958</u>	<u>643,872,297</u>

- 6.1 Provision for Consultants' Commission** - This represent the unpaid balances in respect of the Revenue Collection Consultants engaged by the Service on behalf of the State Government.
 The Provision for Consultants' Commission is 15% of the revenue collected.

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

7 Employee Benefits

Defined Contribution Plan
Contributory pension (7.1)
Unpaid Leave allowance

2017
N

47,498,588
742,989
48,241,578

2016
N

27,112,325
4,306,083
31,418,409

7.1 **Defined Contribution Plan** - The balance on the pension payable accounts represents the amount due to Pension Fund Administrators which are yet to be remitted at year end.

8 Fund Capital

At January 1st
Additions During the Year

589,559,543
518,230,494
1,107,790,037

358,530,040
231,029,503
589,559,543

9 Accumulated Fund

At January 1st
Prior Year Adjustment (Note 18)
Surplus of Income Over (Expenditure)

301,362,129
804,583,779
(331,865,539)
774,080,369

6,939,571
294,422,558
301,362,129

10 Income

Kwara State Govt. (Subvention)
10% Operational Income from Statutory Retention
15% Provision for Consultants' Commission
Other Income

-
1,972,676,099
2,959,014,149
8,397,593
4,940,087,841

719,730,153
1,775,256,670
1,173,289,664
1,722,914
3,669,999,401

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

	2017	2016
	N	N
11 Personnel Expenses		
Salaries and Allowances	605,514,718	423,335,108
Contributory Pension	54,088,158	38,196,513
	<u>659,602,876</u>	<u>461,531,622</u>
12 Consultants' Commission		
Consultants' Commission	3,596,448,116	1,526,885,035
Local Government IGR Account	-	220,376,789
Stabilization Fund RMAFC	-	25,000,000
IGR Refund	-	316,500
Transfer to IF-K Account	-	500,000,000
	<u>3,596,448,116</u>	<u>2,272,578,324</u>
13 Depreciation and Amortization		
Depreciation	98,505,989	69,345,238
	<u>98,505,989</u>	<u>69,345,238</u>
14 Materials & Supplies General		
Office Stationeries/Computer Consumable	17,710,314	739,143
Books and Journals	2,420,000	1,993,400
Newspapers	-	697,493
Magazines & Periodicals (Kwareve Publications)	17,936,120	16,387,614
Printing of Non Security Documents	82,937,994	30,522,133
Printing of Security Documents	75,610,090	31,369,992
	<u>196,614,518</u>	<u>81,709,775</u>
15 Other Operational Expenses		
15.1 Transport & Travel		
Local Transport & Travel	57,571,284	23,803,034
International Transport & Travel	44,320,857	8,352,736
	<u>101,892,141</u>	<u>32,155,770</u>
15.2 Utilities General		
Electricity Charges	6,378,746	2,823,362
Internet Access Charges	14,914,562	29,590,492
	<u>21,293,308</u>	<u>32,413,854</u>

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

15.3 Maintenance service General

	2017 N	2016 N
Maintenance of Motor Vehicle/Transport Equipment	6,804,076	3,540,225.77
Maintenance of Office Furniture	227,200	
Maintenance of Building & Residential QTRS	4,133,783	41,897,695.52
Maintenance of Office/IT Equipments	2,261,370	2,178,450.00
Maintenance of Plant/Generators	694,700	1,656,400
	<u>14,121,129</u>	<u>49,272,771</u>

15.4 Training General

Local Training	28,674,559	19,918,955
Foreign Training	56,859,478	
Seminar, Workshops and Conferences	71,938,255	19,304,526
	<u>157,472,292</u>	<u>39,223,480</u>

15.5 Other Services General

Security Expenses	8,785,334	5,867,132
Cleaning & Fumigation Services	8,082,557	6,570,360
	<u>16,867,891</u>	<u>12,437,492</u>

15.6 Fuel & Lubricant General

Motor Vehicle Fuel Cost	20,252,653	4,144,765
Plant/Generator Fuel Cost	7,507,592	2,970,765
	<u>27,760,245</u>	<u>7,115,530</u>

15.7 Financial Charges - General

Audit Fee	4,500,000	4,500,000
Insurance Premium	6,355,570	4,404,370
	<u>10,855,570</u>	<u>8,904,370</u>

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

15.8 Miscellaneous Expenses - General

	2017 N	2016 N
Refreshment & Meals	4,981,136	2,937,169
Publicity & Advertisements	102,195,035	74,485,704
Postages & Courier Services	1,385,100	395,985
Welfare Package	30,475,710	16,125,400
Subscription to Professional Bodies	6,224,100	5,185,146
Annual Budget Expenses & Administration	331,500	200,000
Operational Expenses	74,213,844	61,886,746
Monitoring & Evaluation (Community Impact)	133,429,419	147,672,372
Meeting/Visitation Expenses	17,283,463	-
	<u>370,519,306</u>	<u>308,888,522</u>
Grand Total Other Operational Expenses	<u>720,781,881</u>	<u>490,411,789</u>

16 Receivables -Ministry of Finance

Construction of Phase 2	267,833,264	-
Office Equipment	75,294,857	-
Motor Vehicles	75,102,373	-
Stabilization Funds- RMAFC	50,000,000	-
Surveyor General Office	18,465,688	-
Essential Mass Tiltling	22,839,625	-
	<u>509,535,806</u>	<u>-</u>

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

17 Property, Plant and Equipment

	Land	Building	Furniture & Fittings N	Plant and Machinery	Office Equipment N	Motor vehicle N	Total N
Cost							
As At 1st January, 2017	200,000,000	224,210,725	33,680,837	6,000,000	10,221,046	192,617,300	666,729,908
Additions for the year	-	101,201,975	11,469,010	-	94,218,832	8,701,169	215,590,985
As at 31 December, 2017	<u>200,000,000</u>	<u>325,412,699</u>	<u>45,149,846</u>	<u>6,000,000</u>	<u>104,439,878</u>	<u>201,318,469</u>	<u>882,320,892</u>
Depreciation							
As At 1st January, 2017	-	11,210,536.23	6,736,167.34	1,200,000.00	2,044,209.23	48,154,325	69,345,238
Charge for the year	-	16,270,635	9,029,969	600,000	20,887,976	51,717,409	98,505,989
At December 31, 2017	-	<u>27,481,171</u>	<u>15,766,137</u>	<u>1,800,000</u>	<u>22,932,185</u>	<u>99,871,734</u>	<u>167,851,227</u>
Carrying Amount							
At December 31, 2017	<u>200,000,000</u>	<u>297,931,528</u>	<u>29,383,710</u>	<u>4,200,000</u>	<u>81,507,693</u>	<u>101,446,734</u>	<u>714,469,665</u>
Carrying Amount							
At December 31, 2016	<u>200,000,000</u>	<u>213,000,188</u>	<u>26,944,669</u>	<u>4,800,000</u>	<u>8,176,837</u>	<u>144,462,975</u>	<u>597,384,670</u>

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

18 Prior Year Adjustment (Statement of Fin. Performance)*

	2017 N	2016 N
Tax Payer Fund	150,250	-
KWIRS Vehicle Registration	701,975	-
Payables Others	16,586,934	-
Consultants' Commission	13,090,872	-
Local Government IGR	81,124,703	-
Local Travel Prior Year Adjustment	109,000	-
VAT on Audit Fee	(15,000)	-
Account Receivable-15%Consultants' Commission	682,148,486	-
KWIRS WHT	4,779,060	-
KWIRS Development Levy	1,433,718	-
FIRS VAT	480,709	-
FIRS WHT	398,122	-
Staff Loan	(126,771)	-
Contractor	(4)	-
Office Equipment	100	-
GTB Expenditue Account (Sundry Income)	<u>3,721,625</u>	<u>-</u>
	<u>804,583,779</u>	<u>-</u>

19 Prior Year Adjustment (IGR Fund)

Keystone Bank	101	-
Sterling Bank	1	-
First Bank of Nigeria Plce	853,276	-
Ecobank	(41)	-
Guaranty Trust Bank	(165,708)	-
Unity Bank	(1,549,340)	-
Access Bank	(5,327,716)	-
Diamond Bank	(6,594,567)	-
Wema Bank	<u>(10,500)</u>	<u>-</u>
	<u>(12,794,494)</u>	<u>-</u>

*Prior Year Adjustment (Statement of Comprehensive Income)

All prior year adjustments in the Statement of Income and Expenditure relates to amendments that were not effected in 2016 Financial Statement on events that occurred but not properly captured now amended in 2017

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

20 Related Party information

Identity of Related Parties

Kwara State Ministry of Finance

The Service is whole established Revenue Agency under the Kwara State Government. During the year, the Service spent a total sum of **₦509,535,806** on the approval of the State Government. This amount is recoverable from the State Government through Ministry of Finance.

Outstanding balances due from related entities

2017	2016
₦	₦
<u>509,535,806</u>	<u>420,000,000</u>
<u>509,535,806</u>	<u>420,000,000</u>

21 Information Regarding Directors & Employees

a Director

The Aggregate Emolument of the Director was:
Remuneration

	2017	2016
	₦	₦
Highest paid Director	<u>13,501,209</u>	<u>13,501,209</u>
	<u>13,501,209</u>	<u>13,501,209</u>

The number of Director with gross emolument within the stated bands was:

	2017	2016
	₦	₦
N5,000,000- N7,000,000	7	6
Above N7,000,000	<u>1</u>	<u>1</u>
	<u>8</u>	<u>7</u>

b Employees

The number of employees in the year were as follows:

	2017	2016
Managerial	37	33
Senior	81	44
Junior	<u>551</u>	<u>454</u>
	<u>669</u>	<u>531</u>

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Notes to the Financial Statements

The costs relating to the above were:

	2017	2016
	N	N
Salaries & Allowances	605,514,718	423,335,108
Other Costs	54,088,876	38,196,513
	<u>659,602,876</u>	<u>461,531,622</u>

Below shows the salary bands and number of employees of the year:

	2017	2016
N300,000- 1,000,000	551	454
N1,000,000 – 2,000,000	68	44
N2,000,000- 3,000,000	28	22
Above N3,000,000	<u>22</u>	<u>11</u>
	<u>669</u>	<u>531</u>

22 Financial Commitments

The Directors are of the opinion that all known commitments which are relevant in assessing the state of affairs of the Service have been taken into consideration in the preparation of these financial statements.

23 Contingent Liabilities

The Directors are of the opinion that there were no contingent liabilities against the Service for the year ended 31 December, 2017.

24 Events after Reporting Period

There is no any post-reporting date event that can have material effect on the state of affairs of the Service as at 31 December, 2017.

25 Approval of Financial Statements

The Financial Statements were approved by the Board of Directors on

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Internally Generated Revenue Performance

	2017	2016
	=N=	=N=
IGR Fund B/F	1,102,067,633	181,509,206
Prior Year Adjustment (Note 19)	(12,794,493.00)	-
	1,089,273,140	181,509,206
Total IGR for the year 2017	<u>19,731,013,744</u>	<u>17,752,566,709</u>
Total IGR fund	<u>20,820,286,884</u>	<u>17,934,075,915</u>
CURRENT YEAR IGR		
Directorate of HNIs & Corporates	6,561,923,283	5,805,836,652
Directorate of Informal Sector	227,718,560	456,235,679
Directorate of Property & Land Charges	124,707,698	425,748,171
Directorate of MDA's	287,980,279	307,557,366
Ministries	2,194,962,650	1,865,391,415
Parastatals	3,697,500,520	2,639,378,864
Tertiary Institutions	6,636,220,754	5,230,440,825
Miscellaneous IGR	-	1,021,977,737
Total Internally Generated Revenue	<u>19,731,013,744</u>	<u>17,752,566,709</u>

KWARA STATE INTERNAL REVENUE SERVICE

Financial Statements for the Year Ended 31st December, 2017

Internally Generated Revenue Performance

<u>DISBURSEMENTS:</u>	2017	2016
Min. of Finance (Jan. 2016 Collections)	-	265,458,146
Sweeping to TSA Account	6,547,042,221	4,957,903,796
Transfer to IF-K Fund	-	1,500,000,000
Kw. St. Project Acct. (Access Bank)	5,900,000	23,437,752
Zenith - 1011809040	-	759,527
Local Governments IGR (70% - 2017)	194,295,589	195,976,789
Capital Expenditure	-	67,584,503
Operational Fund from IGR	3,427,589,144	589,974,220
Retained Collections	6,612,185,647	5,594,680.260
Bank Charges	9,330,636	5,567,080
IGR Refund	3,108,007	316,500
Consultants' Commission	-	1,526,885,035
Kwara E.D.P	184,827,036	-
Stabilization Funds - RMAFC	50,000,000	25,000,000
Hajj/Christian Pilgrims Accounts	<u>2,955,021,583</u>	<u>2,018,464,673</u>
Total Fund Disbursed	<u>19,989,299,864</u>	<u>16,832,008,282</u>
IGR Fund Carried Forward	<u>880,987,020</u>	<u>1,102,067,633</u>

*Sweeping to TSA Account includes payments relating to IF-K. the IF-K payment of N1,500,000,000 in 2016 was made directly from the Service Retention Accounts but such direct payment was made in 2017, hence no figure is reported in this regards.



CORPORATE SOCIAL PARTNERSHIP THROUGH

COMMUNITY IMPACT PROGRAMME

CORPORATE SOCIAL PARTNERSHIP

The community is the basis and reason for introduction of taxes by any form of government. The taxes imposed are sources of revenue for the administration of the community, be it the immediate (local) or distance (state or federal). The social contract between the people and the government establishes the fact that the people within the community have surrendered their sovereignty to the state and therefore contribute towards the common administration of the state.

Based on the above, the community deserves the best of governance from the government and it is this expectation that determines the continued cooperation of the people. In a situation where the people are not getting what they expect from the government, their level of cooperation will be low. It is this understanding that informs our decision to use community service as an advocacy tool in our tax drive.

The community service to the people comes handy to

Drawing from the theory of Corporate Social Responsibility (CSR), the Service also recognizing the fact that the taxes collected are the people's money expected to be utilized by government for the provision of social and economic infrastructure for the people, came up with what could be termed as appropriate version of CSR referred to Corporate Social Partnership (CSP) in the form of Community Impact Programme (CIP)

Abdulfatah Ahmed

convince the people of the good intention of the government and the fact that the government is ready, more than ever before, to utilize the funds generated through taxes collected to better the lives of the people. Today, the community service opens doors, as the people are willing to listen more and cooperate more based on the use of community service as tax advocacy.

Some of the CIPs are as enumerated:

ENVIRONMENT

JANUARY 2017	Clearing of Drainage at Taiwo Road, Ilorin
FEBRUARY 2017	Clearing Drainage at Pakata Road, Ilorin
FEBRUARY 2017	Installation of the Idi Igba Were Transformer, Ilorin
FEBRUARY 2017	Clearing of Yoruba Road Market, Kulende Market, Ipata Market, Baboko Market, Mandate Market, Ilorin
MARCH 2017	Clearing of Water-View Road Drainage, Ilorin
AUGUST 2017	General Cleaning of all Major Market in Kwara State by all KW-IRS Staff

DECEMBER 2017

Clearing of dunk hill at Eyekorin Market, Asa Local Government



ENVIRONMENT



ENVIRONMENT



EDUCATION

MAY 2017	Distribution of exercise books to schools in Kwara North (Edu, Kaiama & Ilesha Baruba)
NOVEMBER 2017	Distribution of sanitary towel and checking of blood pressure level among selected Secondary Schools in Kwara Central
NOVEMBER 2017	Donation of furniture to GSS, Omu Aran and Ilofa Grammar School, Ilofa
NOVEMBER 2017	Distribution of entrepreneurship text book to all student Government Girls Day Secondary School (GDSS) Oko Erin
NOVEMBER 2017	Renovation of a block of Two classrooms at Government Girls Day Secondary School, (GDSS) Oko Erin



EDUCATION



EMPOWERMENT

AUGUST 2017

Empowerment of physically challenged individuals in Kwara State

SEPTEMBER 2017

Donation of cash as working capital to those whose shops were affected by fire again at Baboko Market, Ilorin



ENTERPRISE

SEPTEMBER 2017

Reconstruction of another 40 Burnt Shops at Baboko Market in Ilorin West LGA



EMPLOYMENT

2017

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“Kwara has something to show particularly in the area of revenue reform that was started by this administration with our signing of the Kwara State Revenue Administration Law on the 22nd of June 2015, and thus creating a new Revenue Service for the State with the charge to change the administration of revenue collection in the State”.

Abdulfatah Ahmed

