

ZAMFARA STATE OF NIGERIA



Report

OF THE

Auditor - General

FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

B/Magaji Local Government

IN

ZAMFARA STATE

FOR THE

YEAR ENDED

31ST DECEMBER 2018

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OFFICE OF THE AUDITOR GENERAL FOR LOCAL GOVERNMENTS ZAMFARA STATE OF NIGERIA

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Date: 17th September, 2019

Ref. No: LG/AA/VOLI/177

1.0 INTRODUCTION

1.1 MANDATE:

In my certification of the financial statements (accounts) generated by the local government, I subjected the reliability of the statements to the extent of my observations raised on the treasury records. What I am presenting to the public accounts committee, here under are those observations.

In this wise, each financial statement (hereby attached) is to be read in conjunction with these observations for easy comprehension. In accordance with section 92 of the local government law 2012 of the Zamfara state and section 24 of the public finance (control and management) act 1958 as amended, the account submitted to the office of the Auditor General for local government by the Director of Finance have been certified correct as mandated by the law, but subjected to some observations made in this report.

1.2 SUBMISSION OF REPORTS:

The correct Annual Accounts of the local government for the year 2018 was submitted to this office on 11th June, 2019

1.3 PREVIOUS AUDITOR'S GENERAL REPORTS:

The previous year's. 2017 financial audit report was submitted to the Honorable House of Assembly on 30th January, 2019 by this office for their oversight function and further necessary action.

2.0 OTHER OBSERVATIONS

2.1 ANNUAL ESTIMATES:

The delay in the distribution of the approved estimates has become a tradition, as in almost every year it was submitted between the month of June and July of the year.

2.2 EXPENDITURE MANDATES:

In the course of the period under review, there was a fiscal working relationship between the state Government and the fourteen Local Governments. The legal framework for this arrangement was largely defined by the memorandum of understanding consented to by the Chairmen. Major projects executed fall under the existing framework. A closer scrutiny of this scheme would reveal inadequate arrangement for timely expenditure returns to the Local Governments. Local Governments treasuries took unnecessary longer time before they brought these types of expenditures to book.

2.3 PERSONNEL EMOLUMENT REGISTER (P.E):

This important record was observed to be not in existence in the local government. A situation that had aggravated the current state of affairs with regard to management and control of personnel emoluments. The worrisome phenomenon of ghost workers could be traced to the neglect suffered by this control record. The financial memorandum being in operation in the local government made a remarkable provision for this but alas, it was conveniently abandoned to allow for an easy manipulation of salary.

2.4 ACCOUNTING RECORDS:

During the year under review, it was observed that, there was fearful maintenance of the books of accounts and other accounting records by the local government. The manner in which this aspect was handled by the local government is fairly commendable. Some of the observation made includes the following:

- a. **Entries in the cash books:** It was observed that the cash books maintained for the period under review were fairly maintained and are free from mistakes and unnecessary cancellations. Only that, the cash books were not balanced and closed at the end of every month.
- b. **Improper classification of revenues and expenditure:** According to what I observed, internally generated revenues of the local government were not classified correctly as provided in the budget, equally, there are several cases where a recurrent expenditure head will be charged in the capital expenditure provision and vice-versa.
- c. **Outstanding Payment Vouchers:** A significant number of payment vouchers were observed to have not been presented for my examination; this had resulted into a staggering sum of **₦3,250,000.00 (Three million, two hundred and fifty thousand Naira)** standing as outstanding payment vouchers i.e. payments whose evidences could not be ascertained. Efforts made by my office to have them examined proved abortive.

- d. **Plant Register:** The local government did not keep the register of its plants and machineries. The operation of this register in any organization is central to the proper control of this type of asset. It also makes the disposal of the asset to be made in a most prudent manner. Conversely, the non-operation of the register by the local government had negated the basis of accountability.

2.5 CERTIFICATION OF RETIRING BENEFITS:

It is a mandate for this office to receive, process and raised an authority for payment of retirement benefits. During the period under review 17 files were received from this local government, whereonly files were given approval from both the local

Government and LGEA with total benefits standing at **₦27,288,777.00**(Twenty-seven million, two hundred and eighty-eight thousand, seven hundred and seventy-seven).

Out of these amounts the sum of **₦10,924,696.00**(Ten million, nine hundred and twenty-four thousand, six hundred and ninety-six Naira) stood as total claims for 4number local government staff while L G E A staff totaling 13 number gulfed the sum of **₦16,364,081.00** (Sixteen million, three hundred and sixty-four thousand, eighty-one Naira).

2.6 RECOVERIES MADE OUT OF PENSION AND GRATUITY:

In the course of processing the pension files, instances of wrong computation that invariably result into over payment of pension benefits, were detected. It has been a routine to this office for this types of over payment together with those of over stay in the service, to be deducted out of the individual pensioner's benefit. Therefore, this office was able to save the sum **₦1,459,494.00**(One million, four hundred and fifty-nine thousand, four hundred and ninety-four Naira) for the pension funds.

2.7 INVESTMENTS:

As at 31st December, 2018 the investment value stood at **₦91,842,143.00** (Ninety-one million, eight hundred and forty-two thousand, one hundred and forty-threenaira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018(₦)	VALUE 2017 (₦)
1	Gamji (Oceanic) Bank	45,000	45,000
2	First Bank Plc	29,700	29,700
3	CCNN Sokoto	69,828	-
4	Sokoto mortgage finance	45,000	69,828
5	SICL Communication	130,000	45,000
6	Ashaka Cement Co	41,240	-
7	U.A.C Nig. Plc Lagos	130,000	130,000
8	FSB International Bank	-	-
9	Bank Of the North (Unity Bank Plc)	41,240	41,240
10	Zamfara Investment Co.	2,000,000	2,000,000
11	T/Mafara Bricks B. Ind.	2,000,000	2,000,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	86,131,375	86,131,375
	TOTAL	91,842,143	91,842,143

2.8 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES):

The sum of **₦404,084,515.00**(Four hundred and four million, eighty-four thousand, five hundred and fifteen Naira) was paid by the local government for the year under review to various banks as repayment of various loans taken from them.

3.0 BUDGET IMPLEMENTATION ANALYSIS

3.1 STATUTORY RECEIPT:

During the year under review, the estimated Statutory Receipt of this local government (which consist of Statutory Allocation, VAT, Excess Crude and Excess Paris refund Revenue) was **₦3,295,511,870.00**(Three billion, two hundred and ninety-five million, five hundred and eleven thousand, eight hundred and seventy naira) while the actual collection for the year was **₦2,939,714,457.00**(Two billion, nine hundred and thirty-nine million, seven hundred and fourteen thousand, four hundred and fifty-seven naira). The actual revenue represents almost 89 % of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)
1.	Statutory Allocation	1,246,266,217.00	1,803,081,680.00	1,830,861,632.00
2.	VAT	337,551,520.00	394,230,190.00	381,477,105.00
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	455,000,000.00	1,098,200,000.00	1,108,852,825.00
	Total	2,038,817,737.00	3,295,511,870.00	2,939,714,457.00

3.2 STATUTORY RECEIPT (SURPLUS):

During the year under review, a surplus of **₦38,432,777.00** (Thirty-eightmillion, four hundred and thirty-two thousand, seven hundred and seventy-seven Naira) was revealed and it represent 1.31 % rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Surplus 2018(₦)
1.	Statutory Allocation	1,246,266,217.00	1,803,081,680.00	1,830,861,632.00	27,779,952.00
2.	Excess Crude Oil	-	-	-	-
3.	Excess Paris Refund	455,000,000.00	1,098,200,000.00	1,108,852,825.00	10,652,825.00
	Total	1,701,266,217.00	2,901,281,680.00	2,939,714,457.00	38,432,777.00

3.3 STATUTORY RECEIPT (DEFICIT):

In the year under review a deficit of **₦12,753,085.00** (Twelve million seven hundred and fifty-three thousand eighty-five Naira) was revealed as per Vat Allocation. This represents 3.34 % shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Deficit 2018(₦)
1.	Vat	337,551,520.00	394,230,190.00	381,477,105.00	12,753,085.00
	Total	337,551,520.00	394,230,190.00	381,477,105.00	12,753,085.00

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦174,720,000.00** (One hundred and seventy -four million, seven hundred and twenty thousand Naira) while the actual collection for the year was **₦101,136,754.00** (One hundred and one million, one hundred and thirty-six thousand, seven hundred fifty-four Naira) The actual revenue represents 57.89% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)
1.	Direct Taxes	46,959,150.00	-	-
2.	License	39,945,250.00	62,420,000.00	44,334,769.00
3.	Mining Rents	-	-	-
4.	Royalties	-	-	15,993,377.00
5.	Fees	-	77,300,000.00	-
6.	Fines	-	-	-
7.	Sales	-	19,000,000.00	-
8.	Earnings	63,500,000.00	12,500,000.00	24,163,623.00
9.	Sales/Rent on Govt. Buildings	60,800,300.00	-	-
10.	Sales/Rent on Lands & Others	-	1,500,000.00	7,658,165.00
11.	Investment Income	-	2,000,000.00	8,986,820.00
12.	Interest Earned	500,000.00	-	-
	Total	211,704,700.00	174,720,000.00	101,136,754.00

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)	Surplus 2018 (N)
1.	Direct Taxes	14,196,405.00	3,250,000.00	50,454,060.00	47,204,060.00
2.	License	-	-	-	-
3.	Fees	131,547,360.00	7,550,800.00	48,839,710.00	41,288,910.00
4.	Earnings	110,598,540.00	62,950,600.00	69,237,010.00	6,286,410.00
5.	Interest Earned	-	-	-	-
	Total	256,342,305.00	73,751,400.00	168,530,780.00	94,779,380.00

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **N185,182,310.00** (One hundred and eighty-five million, one hundred and eighty-two thousand three hundred and ten Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)	Deficit 2018 (N)
1.	License	51,454,060.00	60,570,500.00	59,058,400.00	1,512,100.00
2.	Sales	-	45,934,050.00	-	45,934,050.00
3.	Sales/Rent on Govt. Buildings	15,332,480.00	32,375,210.00	9,168,760.00	23,206,450.00
4.	Royalties	-	64,879,210.00	-	64,879,210.00
5.	Repayment General	-	49,650,500.00	-	49,650,500.00
	Total	66,786,540.00	253,409,470.00	68,227,160.00	185,182,310.00

3.7 CAPITAL RECEIPTS:

The Capital receipt of this local government which constitute Transfer from Consolidated Revenue and External Loans of the Local Government was estimated at **N2,479,783,840.00** (Two billion, four hundred and seventy-nine million, seven hundred and eighty-three thousand eight hundred and forty Naira) during the year under review, but in the actual the sum of **N539,808,122.00** (Five hundred and thirty-nine million, eight hundred and eight thousand, one hundred and twenty-two Naira) was realized. This represents 21.76% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Transfer from CRF	554,669,242.00	1,581,669,890.00	(15,323,503.00)
2.	External Loans LGC	242,857,143.00	1,000,000,000.00	717,420,262.00
	Total	797,526,385.00	2,581,669,890.00	702,096,759.00

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review, no surplus was recorded in respect of capital receipt by the local government.

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of **₦1,879,573,131.00** (One billion, eight hundred and seventy-nine million, five hundred and seventy-nine thousand, one hundred and thirty-one Naira) was reported by the Local Government.

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦2,581,669,890.00** (Two billion, five hundred eighty-one million, six hundred and sixty-nine thousand, eight hundred and ninety Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦688,593,884.00** (Six hundred and eighty-eight million, five hundred and ninety-three thousand, eight hundred and eighty-four Naira). This represents 25.8% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)
1.	Administrative Sector	124,447,564.00	182,600,000.00	57,244,482.00
2.	Economic Sector	380,754,895.00	1,012,478,460.00	456,300,300.00
3.	Social Services Sector	266,977,760.00	1,386,591,430.00	175,049,103.00
	Total	772,180,219.00	2,581,669,890.00	688,593,884.00

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of N1,893,076,006.00 (One billion, eight hundred and ninety-three million, seventy-six thousand, six Naira) was revealed in all the three sectors as shown in the table below: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)	Savings 2018 (N)
1.	Administrative Sector	124,447,564.00	182,600,000.00	57,244,482.00	125,355,518.00
2.	Economic Sector	380,754,895.00	1,012,478,460.00	456,300,300.00	556,178,160.00
3.	Social Sector	266,977,760.00	1,386,591,430.00	175,049,103.00	1,211,542,327.00
	Total	772,180,219.00	2,581,669,890.00	688,593,884.00	1,893,076,006.00

3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, no record of deficit was made in respect of capital expenditure.

3.13 PERSONAL COST (INCL. SALARIES ON CRF CHARGES):

The sum of **₦314,417,400.00** (Three hundred and fourteen million, four hundred and seventeen thousand, four hundred Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦310,517,817.00** (Three hundred and ten million, five hundred and seventeen thousand, eight hundred and seventeen Naira) was expended. This resulted to a savings of **₦3,899,583.00**(Three million, eight hundred and ninety-nine thousand, five hundred and eighty-three Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦917,830,510.00** (Nine hundred and seventeen million, eight hundred and thirty thousand, five hundred and ten Naira). Whereas the actual expenditure for the year stood at **₦910,815,345.00** (Nine hundred and ten million eight hundred and fifteen thousand three hundred and forty-five Naira), this resulted to a savings of **₦7,015,165.00** (Seven million, fifteen thousand, one hundred and sixty-five Naira)

3.15 CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue for the year under review of this Local Government was **₦380,698,370.00** (Three hundred and eighty million, six hundred and ninety-eight thousand, three hundred and seventy Naira) while the actual expenditure for the year stood at **₦384,703,621.00** (Three hundred and eighty-four million, seven hundred and three thousand, six hundred and twenty-one Naira). This resulted to a deficit of **₦4,005,251.00** (Four million, five thousand, two hundred and fifty-one Naira). The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2017 (₦)	ESTIMATED 2018 (₦)	ACTUAL 2018 (₦)	DEFICIT 2018(₦)
1.	Primary Sch. Teachers Sal	148,874,943	153,341,190	148,874,942	4,466,248
2.	Training Funds	10,464,278	5,505,400	16,516,268	(11,010,868)
3.	Contribution to Emirate	55,068,815	27,477,040	82,581,340	(55,104,300)
4.	Contribution to Pension	59,142,857	60,896,550	86,478,571	(25,582,021)
5.	Common Services	22,027,526	15,741,630	33,032,536	(17,290,906)
6.	Agency for Mass Edu. Salary	17,219,964	17,736,560	17,219,964	516,596
	Zasicc		100,000,000		100,000,000
	Total	312,798,383	380,698,370	384,703,621	(4,005,251)

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:


During the year under review the estimated Public debt charge of the local government was **₦117,615,700.00** (One hundred and seventeen million, six hundred and fifteen thousand, seven hundred Naira). Whereas the actual expenditure for the year stood at **₦6,725,921.00** (Six million, seven hundred and twenty-five thousand nine hundred and twenty-one Naira). This resulted to a savings of **₦110,889,779.00** (One hundred and ten million, eight hundred and eighty-nine thousand, seven hundred and seventy-nine Naira)

4.0 CONCLUSION:

This office is bedeviled with a series of problems which include inadequate cash allocation, lack of functional vehicles and failure of the local government executives to respond to my queries.

5.0 ACKNOWLEDGEMENT

I wish to express my sincere gratitude to all staff of this office who contributed immensely in order to make this report a reality. I equally acknowledge with gratitude the co-operation received from Chief Executive and Accounting Officers of the local government.



**ABUBAKAR DANMALIKI CNA
AUDITOR GENERAL
(LOCAL GOVERNMENTS)**

