

ZAMFARA STATE OF NIGERIA



Report

OF THE

Auditor - General

FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

Bungudu 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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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, financial year 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:** For the under review, the only payment vouchers that stood as outstanding in this local Government are those of Staff salaries. None of the of Salary vouchers were made available for my observation.

- 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 files were received from this local government, where only 32 files were given approval from both the local Government and LGEA with total benefits standing at **N40,462,555** (Forty million, four hundred and sixty-two thousand, five hundred and fifty-five Naira). Out of these amounts the sum of **N6,026,501** (Six million, twenty-six thousand, five hundred and one Naira) stood as total claims for 7 number local government staff while L G E A staff totaling to 25 number gulfed the sum of **N34,436,054** (Thirty-four million, four hundred and thirty-six thousand, fifty-four 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 **N4,442,672.00** (Four million, four hundred and forty-two thousand, six hundred and seventy-two naira forty-six kobo) for the pension funds.

2.8 INVESTMENTS: As at 31st December, 2018 the investment value stood at **N87,686,790.00** (Eighty-seven million, six hundred and eighty-six thousand, seven hundred and ninety naira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018(₦)	VALUE 2017 (₦)
1	Gamji Bank	50,000	50,000
2	Sokoto Investment Co. Ltd	50,000	50,000
3	CCNN Sokoto	200,000	200,000
4	Sokoto Cooperative Bank	152,172	155,172
5	Gusau Community Bank	500,000	500,000
6	Zamfara Investment Co.	297,000	297,000
7	Urban Dev. Bank Plc	346,000	779,410
8	FSB International Bank	400,000	346,000
9	Unity Bank (BON)	400,000	400,000
10	Zamfara Fertilizer Co.	1,500,000	1,500,000
11	T/Mafara Bricks B. Ind.	1,500,000	1,500,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	54,999,974	54,999,974
14.	Micro Finance Bank	26,391,644	26,391,644
	TOTAL	87,686,790	87,686,790

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 **₦3,808,503,440.00** (Three billion, eight hundred and eight million, five hundred and three thousand, four hundred and forty Naira) while the actual collection for the year was

₦3,988,171,315.00 (Three billion, nine hundred and eighty-eight million, one hundred and seventy-one thousand, three hundred and fifteen Naira).

The actual revenue represents 104.72 % of the total projected revenue.

Also this can be seen as per table below: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)
1.	Statutory Allocation	1,494,398,689	2,040,785,990	2,198,545,223
2.	VAT	393,169,387	448,517,450	458,087,412
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	546,000,000	1,319,200,000	1,331,538,680
	Total	2,433,568,000	3,808,503,440	3,988,171,315

3.2 STATUTORY RECEIPT (SURPLUS):

During the year under review, a surplus of **N179,667,875.00** (One hundred and seventy-nine million, six hundred and sixty-seven thousand, eight hundred and seventy-five Naira) was revealed and it represent.4.50 % rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)	Surplus 2018(N)
1.	Statutory Allocation	1,494,398,689	2,040,785,990	2,198,545,223	157,759,233
2.	VAT	393,169,387	448,517,450	458,087,412	9,569,962.00
3.	Excess Paris Refund	546,000,000	1,319,200,000	1,331,538,680	12,338,680
	Total	2,433,568,000	3,808,503,440	3,988,171,315	179,667,875

3.3 STATUTORY RECEIPT (DEFICIT):

In the year under review no deficit was recorded as per statutory Allocation.

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **N256,758,740.00** (Two hundred and fifty-six million, seven hundred and fifty-eight thousand, seven hundred and forty Naira) while the actual collection for the year was **N163,521,903.00** (One hundred and sixty-three million, five hundred and twenty-one thousand, nine hundred and three Naira)The actual revenue represents 63.69% of the total projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)
1.	Direct Taxes	-	-	47,653,640
2.	License	6,250,000	41,950,000	6,690,540
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	5,262,000	106,000,000	44,740,710
6.	Fines	-	2,000,000	8,430,590
7.	Sales	-	23,500,000	-
8.	Earnings	145,470,000	48,808,740	56,006,423
9.	Sales/Rent on Govt. Buildings	60,140,000	8,000,000	-
10.	Sales/Rent on Lands & Others	-	1,000,000	-
11.	Repayments-General	-	2,000,000	-
12.	Investment Income	-	8,500,000	-
13.	Interest Earned	42,968,890	1,500,000	-
	Total	307,448,890	256,758,740	163,521,903

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **N61,281,913.00** (Sixty-one million, two hundred and eighty-one thousand, nine hundred and thirteen Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)	Surplus 2018 (N)
1.	Direct Tax	-	-	47,653,640	47,653,640
2.	Fines	-	2,000,000	8,430,590	6,430,590
3.	Earnings	145,470,000	48,808,740	56,006,423	7,197,683
	TOTAL	145,470,000	50,808,740	112,090,653	61,281,913

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **N154,018,750.00** (One hundred and fifty-four million, eighteen thousand, seven hundred and fifty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)	Deficit 2018 (N)
1.	Licenses	6,250,000	41,950,000	6,690,540	35,259,460
2.	Fees	52,620,000	106,000,000	44,740,710	61,259,290
3.	Sales	-	23,000,000	-	23,000,000
4.	Sales/Rent on Lands & Others	1,000,000	8,000,000	-	1,000,000
5.	Repayments- General	-	2,000,000	-	2,000,000
6.	Investment Income	-	8,500,000	-	8,500,000
7.	Interest Earned	42,968,890	15,000,000	-	15,000,000
8.	Sales/rent on buildings	60,140,000	1,000,000	-	8,000,000
		162,978,890	191,950,000	51,431,250	154,018,750.00

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 **N2,239,870,650.00**(Two billion, two hundred thirty-nine million, eight hundred and seventy thousand, six hundred and fifty Naira) during the year under review, but in the actual the sum of **N485,529,085.00** (Four hundred and eighty-five million, five hundred and twenty-nine thousand, eighty-five Naira) was realized. This represents 21.67% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)
1.	Transfer from CRF	488,027,878.00	1,239,870,650.00	(231,891,177.00)
2.	External Loans LGC	242,857,143	1,000,000,000.00	717,420,262.00
	Total	730,885,021.00	2,239,870,650.00	485,529,085.00

3.8 CAPITAL RECEIPTS (SURPLUS):

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

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of **₦1,754,341,565.00** (One billion, seven hundred and fifty-four million, three hundred and forty-one thousand, five hundred and sixty-five Naira) was reported and it originated from the External Loans of the Local Government Council.

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦2,239,870,650.00** (Two billion, two hundred thirty-nine million, eight hundred and seventy thousand, six hundred and fifty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦470,285,112.00** (Four hundred and seventy million, two hundred and eighty-five thousand, one hundred and twelve Naira). This represents 21% 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	356,401,060.00	44,818,388.00
2.	Economic Sector	318,254,895	889,200,000.00	253,917,621.00
3.	Social Services Sector	266,977,760	994,269,590.00	171,549,103.00
	Total	709,680,219	2,239,870,650.00	470,285,112.00

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦1,817,585,538.00** (One billion, eight hundred and seventeen million, five hundred and eighty-five thousand, five hundred and thirty-eight 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	356,401,060.00	44,818,388.00	311,582,672
2.	Economic Sector	318,254,895	889,200,000.00	253,917,621.00	683,282,379
3.	Social Sector	266,977,760	994,269,590.00	171,549,103.00	822,720,487
	Total	709,680,219	2,239,870,650.00	470,285,112.00	1,817,585,538

3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, no records of deficit were made in respect of capital expenditure.

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

The sum of **N545,032,430** (five hundred forty-five million, thirty-two thousand, four hundred and thirty Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **N477,920,341** (Four hundred and seventy-seven million, nine hundred and twenty thousand, three hundred and forty-one Naira) was expended. This resulted to a savings of **N67,112,089** (Sixty-seven million, one hundred and twelve thousand, eighty-nine Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **N1,182,853,000** (One billion, one hundred and eighty-two million, eight hundred and fifty-three thousand, Naira). Whereas the actual expenditure for the year stood at **N1,140,427,712** (One billion, one hundred and forty million, four hundred and twenty-seven thousand, seven hundred and twelve Naira), this resulted to a savings of **N42,425,288.00** (Forty-two million, four hundred and twenty-five thousand, two hundred and eighty-eight Naira)

3.15 CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue fund charges for the year under review of this Local Government was **₦716,138,210** (Seven hundred and sixteen million, one hundred and thirty-eight thousand, two hundred and ten Naira) while the actual expenditure for the year stood at **₦601,130,185** (Six hundred and one million, one hundred and thirty thousand, one hundred and eighty-five Naira). This resulted to a savings of **₦115,008,025** (One hundred and fifteen million, eight thousand, twenty-five Naira). The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2017 (₦)	ESTIMATED 2018 (₦)	ACTUAL 2018 (₦)	DEFICIT 2018(₦)
1.	Primary Sch. Teachers Sal	352,374,580	410,374,580	316,374,580	94,000,000
2.	Training Funds	12,565,771	15,000,000	19,833,155	(4,833,155)
3.	Contribution to Emirate	66,128,034	53,763,630	99,165,774	(45,402,144)
4.	Contribution to Pension	59,142,857	62,000,000	86,478,571	(24,478,571)
5.	Common Services	26,451,214	35,000,000	39,666,309	(4,666,309)
6.	Agency for Mass Edu Salary	39,611,796	40,000,000	39,611,796	388,204
7.	Zasiecc	-	100,000,000	-	100,000,000
	Total	556,274,252	716,138,210	601,130,185	115,008,025

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

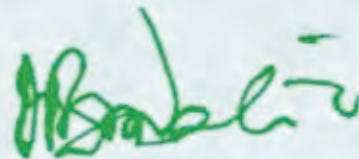
During the year under review the estimated Public debt charge of the local government was **₦154,034,550** (One hundred and fifty million Naira). Whereas the actual expenditure for the year stood at **₦44,651,817.00** (Forty-four million, six hundred and fifty-one thousand, eight hundred and seventeen Naira) This resulted to a savings of **₦109,382,733.00** (One hundred and nine million, three hundred and eighty-two thousand, seven hundred and thirty-three 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 ACKNOWLEDGMENT

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)**

