

# ZAMFARA STATE OF NIGERIA



*Report*

OF THE

**Auditor - General**

FOR

**LOCAL GOVERNMENTS**

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

**Gummi 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. 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. The cash books were not balanced and closed at the end of every month as required by the provision of financial memoranda.
- 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-visa.
- 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 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 were 22 files were given approval from both the local Government and LGEA with total benefits standing at **₦24,134,710**(Twenty-four million one hundred thirty-four thousand seven hundred and ten Naira). Out of these amount the sum of **₦12,611,644**(Twelve million six hundred and eleven thousand six hundred and forty-four Naira) stood as total claims for 13 number local government staff while L G E A staff totaling to 9 number gulfed the sum of **₦11,523,066**(Eleven million five hundred and twenty-three thousand sixty-six 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 **₦1,950,125.00**(One million,nine hundred and fifty thousand,one hundred and twenty-five Naira) for the pension funds.

## 2.7 INVESTMENTS:

As at 31st December, 2018 the investment value stood at **₦95,977,047.00** (Ninety-five million, nine hundred and seventy-seven thousand, forty-seven naira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018 (₦)	VALUE 2017 (₦)
1	Gamji Bank	56,000	56,000
2	Sokoto Investment Co. Ltd	24,000	24,000
3	CCNN Sokoto		
4	Sokoto Cooperative Bank		
5	Gusau Community Bank		
6	Zamfara Investment Co.		
7	Urban Dev. Bank Plc		-
8	FSB International Bank	-	-
9	Unity Bank (BON)	-	-
10	Zamfara Fertilizer Co.	2,000,000	2,000,000
11	T/Mafara Bricks B. Ind.	1,000,000	1,000,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	90,453,047	90,453,047
	<b>TOTAL</b>	<b>95,977,047</b>	<b>95,977,047</b>

## 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 **₦3,415,905,240.00** (Three billion, four hundred and fifteen million, nine hundred and five thousand, two hundred and forty Naira) while the actual collection for the year was **₦3,471,395,063.00** (Three billion, four hundred and seventy-one million, three hundred and ninety-five thousand, sixty-three Naira). The actual revenue represents 101.62 % of the total projected revenue. Also this can be seen as per table below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)
1.	Statutory Allocation	1,303,085,931	1,856,378,510	1,913,599,313
2.	VAT	355,731,236	411,974,970	398,716,273
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	476,000,000	1,147,551,760	1,158,962,517
	<b>Total</b>	<b>2,134,817,167</b>	<b>3,415,905,240</b>	<b>3,471,278,103</b>

#### 3.2 STATUTORY RECEIPT (SURPLUS):

During the year under review, a surplus of **₦68,631,560.00** (Sixty-eight million, six hundred and thirty-one thousand, five hundred and sixty Naira) was revealed and it represent 2.28% 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	1,303,085,931	1,856,378,510	1,913,599,313	57,220,803
2.	Excess Crude Oil	-	-	-	-
3.	Excess Paris Refund	476,000,000	1,147,551,760	1,158,962,517	11,410,757
	<b>Total</b>	<b>1,779,085,931</b>	<b>3,003,930,270</b>	<b>3,072,561,830</b>	<b>68,631,560</b>

### 3.3 STATUTORY RECEIPT (DEFICIT):

In the year under review a deficit of ₦13,258,697 (Thirteen million, two hundred and fifty-eight thousand, six hundred and ninety-seven Naira) was revealed as per statutory Allocation. This represents 3.22% shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Deficit 2018 (₦)
1.	Vat Allocation	355,731,236	411,974,970	398,716,273	13,258,697
	<b>Total</b>	<b>355,731,236</b>	<b>411,974,970</b>	<b>398,716,273</b>	<b>13,258,697</b>

### 3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦ 587,610,260 (Five hundred and eighty-seven million, six hundred and ten thousand, two hundred and sixty Naira) while the actual collection for the year was ₦196,184,155 (One hundred and ninety-six million, one hundred and fifty-five thousand Naira) The actual revenue represents. 33.39% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)
1.	Direct Taxes	-	5,000,000	72,704,819
2.	License	52,100,000	94,600,000	-
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	81,200,000	112,700,000	6,962,057
6.	Fines	-	-	16,647,760
7.	Sales	-	35,650,000	-
8.	Earnings	76,400,000	146,660,260	68,232,345
9.	Sales/Rent on Govt. Buildings	18,244,000	30,000,000	29,637,174
10.	Sales/Rent on Lands & Others	-	23,000,000	-
11.	Investment Income	-	40,000,000	2,000,000
12.	Interest Earned	-	100,000,000	-
	<b>Total</b>	<b>227,944,000</b>	<b>587,610,260</b>	<b>196,184,155</b>



### 3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦84,352,579** (Eighty-four million, three hundred and fifty-two thousand, five hundred and seventy-nine Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Surplus 2018 (₦)
1.	Direct taxes	-	5,000,000	72,704,819	67,704,819
2.	Fines	-	-	-	16,647,760
	<b>Total</b>	<b>-</b>	<b>5,000,000</b>	<b>72,704,819</b>	<b>84,352,579</b>

### 3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦475,778,684.00** (Four hundred and seventy-five million, seven hundred and seventy-eight thousand, six hundred and eighty-four Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Deficit 2018 (₦)
1.	License	52,100,000	94,600,000	-	94,600,000
2.	Fees	81,200,000	112,700,000	6,962,057	105,737,943
3.	Sales	-	35,650,000	-	35,650,000
4.	Earnings	76,400,000	146,660,260	68,232,345	78,427,915
5.	Sales/Rent on Buildings	18,244,000	30,000,000	29,637,174	362,826
6.	Sales/Rent on land	-	23,000,000	-	23,000,000
7.	Investment income	-	40,000,000	2,000,000	38,000,000
8.	Interest Earned	-	100,000,000	-	100,000,000
9.	Fines	-	-	-	-
		<b>227,944,000</b>	<b>582,610,260</b>	<b>106,831,576</b>	<b>475,778,684</b>

### 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 **₦2,369,365,540.00** (Two billion,three hundred and sixty-nine million,three hundred and sixty-five thousand,five hundred and forty Naira) during the year under review, but in the actual the sum of **₦520,789,117.00** (Five hundred and twenty million eight, seven hundred and eighty-nine thousand,one hundred and seventeen Naira) was realized. This

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Transfer from CRF	487,298,081	1,369,365,540.00	(196,631,145.00)
2.	External Loans LGC	242,857,143	1,000,000,000.00	717,420,262
	<b>Total</b>	<b>730,155,224</b>	<b>2,369,365,540.00</b>	<b>520,789,117.00</b>

### 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 **₦1,848,576,423.00** (One billion, eight hundred and forty-eight million, five hundred and seventy-six thousand, four hundred and twenty-three Naira) was reported and it originated from the External Loans of the Local Government Council.

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Deficit 2018 (N)
1.	Transfer from CRF	487,298,081	1,369,365,540.00	(196,631,145.00)	1,565,996,685.00
2.	External Loans LGC	242,857,143	1,000,000,000.00	717,420,262	282,579,738.00
	<b>Total</b>	<b>730,155,224</b>	<b>2,369,365,540.00</b>	<b>520,789,117.00</b>	<b>1,848,576,423.00</b>

### 3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦2,369,365,540.00** (Two billion, three hundred and sixty-nine million, three hundred and sixty-five thousand, five hundred and forty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦507,427,397.00** (Five hundred and seven million, four hundred and twenty-seven thousand, three hundred and ninety-seven Naira). This represents 21.4 % 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	186,260,670.00	64,648,873.00
2.	Economic Sector	318,254,895	1,060,753,750.00	254,229,422.00
3.	Social Services Sector	266,977,760	1,122,351,120.00	188,549,103.00
	<b>Total</b>	<b>709,680,219</b>	<b>2,369,365,540.00</b>	<b>507,427,397.00</b>

### 3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦928,136,125.00** (Nine hundred and twenty-eight million, one hundred and thirty-six thousand, one hundred and twenty-five Naira) was revealed in all the three sectors as shown in the table below: -.

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Savings 2018 (₦)
1.	Administrative Sector	124,447,564	186,260,670.00	64,648,873.00	121,611,797.00
2.	Economic Sector	318,254,895	1,060,753,750.00	254,229,422.00	806,524,328.00
3.	Social Sector	266,977,760	1,122,351,120.00	188,549,103.00	933,802,017.00
	<b>Total</b>	<b>709,680,219</b>	<b>2,369,365,540.00</b>	<b>507,427,397.00</b>	<b>928,136,125.00</b>

### 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 **₦433,068,470** (Four hundred and thirty-three million, sixty-eight thousand, four hundred and seventy Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦327,585,805** (Three hundred and twenty-seven million, five hundred and eighty-five thousand, eight hundred and five Naira) was expended. This resulted to a savings of **₦105,482,665** (One hundred and five million, four hundred and eighty-two thousand, six hundred and sixty-five Naira).

### 3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦1,043,580,600.00** (One billion, forty-three million, five hundred and eighty thousand, six hundred Naira). Whereas the actual expenditure for the year stood at **₦1,031,854,519.00** (One billion, thirty-one million, eight hundred and fifty-four thousand, five hundred and nineteen Naira) this resulted to a savings of **₦11,726,081.00** (Eleven million, seven hundred and twenty-six thousand, eighty-one 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 **N738,118,520** (Seven hundred and thirty-eight million, one hundred and eighteen thousand, five hundred and twenty Naira) while the actual expenditure for the year stood at **N510,648,965** (Five hundred and ten million, six hundred and forty-eight thousand, nine hundred and sixty-five Naira). This resulted to a savings of **N227,469,555** (Two hundred and twenty-seven million, four hundred and sixty-nine thousand, five hundred and fifty-five Naira). The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2017(N)	ESTIMATED 2018 (N)	ACTUAL 2018(N)	SAVINGS 2018N)
1.	Primary Sch. Teachers Sal	252,474,158	347,307,400	252,474,158	94,923,242
2.	Training Funds	10,937,165	30,604,000	17,262,648	13,341,352
3.	Contribution to Emirate	57,557,406	88,300,000	86,313,237	1,986,763
4.	Contribution to Pension	59,142,857	90,320,520	86,478,571	3,841,949
5.	Common Services	23,022,962	40,500,000	34,525,925	5,974,705
6.	Agency for Mass Edu. Salary	33,959,056	40,996,600	33,595,056	7,401,544
	ZASIEC	-	-	100,000,000	100,000,000
	<b>Total</b>	<b>437,093,604</b>	<b>738,118,520</b>	<b>510,648,965</b>	<b>227,469,555</b>

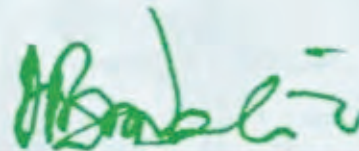
### 3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **N159,529,630.00** (One hundred and fifty-nine million, five hundred and twenty-nine thousand, six hundred and thirty Naira). Whereas the actual expenditure for the year stood at **N98,891,461.00.00** (Ninety-eight million, eight hundred and ninety-one thousand, four hundred and sixty-one Naira) This resulted to a savings of **N60,638,169.00** (Sixty million, six hundred and Thirty-eight thousand, one hundred and sixty-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.



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

