

ZAMFARA STATE OF NIGERIA



Report

OF THE

Auditor - General

FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

Gusau 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 financial memoranda. Also monthly reconciliation was ignored completely by this local government.
- 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, and sometime even the statutory receipts which include VAT and Excess Crude proceeds. 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 **₦ 23,510,664.**(Twenty three million, five hundred and ten thousand, six hundred and sixty-four 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 57 files were received from this local government with total benefits standing at **₦70,344,900**(Seventy million three hundred and forty-four thousand nine hundred Naira). Out of these amounts the sum of **₦29,551,944**(Twenty-nine million five hundred and fifty-one thousand nine hundred and forty-four Naira) stood as total claims for 27local governmentstaff, while 30 L G E A staff benefits gulped the sum of **₦40,792,956** (Forty million seven hundred and ninety-two thousand nine hundred and fifty-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 **₦16,642,668.00**(Sixteen million, six hundred and forty-two thousand, six hundred and sixty-eightNaira) for the pension funds.

2.8 INVESTMENTS:

As at 31st December, 2018 the investment value stood at **₦92,561,986.00** (Ninety-two million, five hundred and sixty-one thousand, nine hundred and eighty-six naira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018 (₦)	VALUE 2017 (₦)
1	Gamin Bank	125,000	125,000
2	Soot Investment Co. Ltd	500,000	500,000
3	CCNN Soot	200,000	200,000
4	Soot Cooperative Bank	100,000	100,000
5	Gusau Community Bank	100,000	100,000
6	Zamfara Investment Co.	499,760	2,000,000
7	Urban Dev. Bank Plc		-
8	FSB International Bank	-	-
9	Unity Bank (BON)	91,645	91,645
10	Zamfara Fertilizer Co.	2,000,000	1,000,000
11	T/Mafara Bricks B. Ind.	1,000,000	499,760
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	86,720,581	86,720,581
	TOTAL	92,561,986	92,561,986

2.9 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES):

The sum of **N404,084,515.00** (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 **₦4,469,514,750.00**(Four billion, four hundred and sixty-nine million, five hundred and fourteen thousand, seven hundred and fifty Naira) while the actual collection for the year was **₦4,820,069,652.00** (Four billion, eight hundred twenty million, sixty-nine thousand, six hundred and fifty-two Naira). The actual revenue represents almost 107.84% of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Statutory Allocation	1,807,093,841	2,342,354,810	2,657,142,903
2.	VAT	481,013,4656	534,259,940	553,640,518
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	658,000,000	1,592,900,000	1,609,286,231
	Total	2,946,107,306	4,469,514,750	4,820,069,652

3.2 STATUTORY RECEIPT (SURPLUS):

During the year under review, a surplus of **₦331,174,324** (Three hundred and thirty-one million, one hundred seventy-four thousand, three hundred and twenty-four Naira) was revealed and it represent 108.42% rise on the projected revenue as can be seen in the table below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Surplus 2018(₦)
1.	Statutory Allocation	1,807,093,841	2,342,354,810	2,657,142,903	314,788,093
2.	Excess Crude Oil	-	-	-	-
3.	Excess Paris Refund	658,000,000	1,592,900,000	1,609,286,231	16,386,231
	Total	2,465,093,841	3,935,254,810	4,266,429,134	331,174,324

3.3 STATUTORY RECEIPT (DEFICIT):

In the year under review a deficit of **₦619,422** (Six hundred and nineteen thousand four hundred and twenty-two Naira) was revealed as per statutory receipts. This represents 12% shortage of the projected statutory Allocation revenue as shown

b below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Deficit 201 8 (₦)
1.	Vat Allocation	360,159,035	416,296,840	412,387,539	3,909,301
	Total	360,159,035	416,296,840	412,387,539	3,909,301

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦260,585,500** (Two hundred and sixty million, five hundred and eighty- five thousand, five hundred Naira) while the actual collection for the year was **₦209,686,850**(Two hundred and nine million, six hundred and eighty-six thousand, eight hundred and fifty Naira)The actual revenue represents 80.47% of the total projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)
1.	Direct Taxes	22,246,221	-	-
2.	License	50,360,190	30,170,500	-
3.	Mining Rents	-	-	43,900,150
4.	Royalties	-	-	-
5.	Fees	29,189,600	68,432,980	20,390,100
6.	Fines	-	3,870,500	5,000,000
7.	Sales	-	17,891,620	4,600,000
8.	Earnings	83,900,100	65,549,900	93,900,300
9.	Sales/Rent on Govt. Buildings	43,500,250	9,090,000	5,400,000
10.	Sales/Rent on Lands &Others	-	20,780,000	9,400,104
11.	Repayments-General	-	-	-
12.	Investment Income	20,930,000	24,500,000	16,500,200
13.	Interest Earned	-	20,300,000	10,595,996
	Total	250,126,361	260,585,500	209,686,850

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue did not revealed any Surplus

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦601,768,822.00** (Six hundred and one million,seven hundred and sixty-eight thousand,eight hundred and twenty-two Naira). The table below give fulldetails: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Deficit 2018 (₦)
1.	Direct Taxes	-	154,913,260	75,812,668	79,100,592
2.	Licences	144,358,334	126,500,000	16,237,742	110,262,258
3.	Fees	40,416,870	98,654,000		98,654,000
4.	Sales	-	30,342,930	-	30,342,930
5.	Earnings	149,276,294	221,114,790	72,359,019	148,755,771
6.	Sales/Rent on Govt. Buildings	66,482,318	85,720,000	35,546,729	50,173,271
7.	Sales/Rent on land and others		69,480,000	-	69,480,000
8.	Investment Income	-	15,000,000	-	15,000,000
	Total	256,175,482	605,744,980	256,175,482	601,768,822.00

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 **₦3,171,285,160**(Three billion, one hundred and seventy-one million, two hundred and eighty-five thousand, one hundred and sixty Naira) during the year under review, but in the actual the sum of **₦616,157,566.00**(Six hundred and sixteen million,one hundred and fifty-seven thousand,five hundred and sixty-sixNaira) was realized. This represent 68.76% of the total budget amount. The details are shown below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Transfer from CRF	500,306,322	2,171,285,160	(101,262,697.00)
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262.00
	Total	743,163,464	3,171,285,160	616,157,566.00

3.8 CAPITAL RECEIPTS (SURPLUS):

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

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of **₦2,555,127,595.00** (Two billion, five hundred and fifty-five million, one hundred and twenty-seven thousand, five hundred and ninety-five Naira) was reported by the Local Government .

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Deficit 2018 (N)
1.	Transfer from CRF	500,306,322	2,171,285,160	(101,262,697.00)	2,272,547,857.00
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262.00	282,579,738.00
	Total	743,163,464	3,171,285,160	616,157,566.00	2,555,127,595.00

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦3,171,285,160** (Three billion, one hundred and seventy-one million, two hundred and eighty-five thousand, one hundred and sixty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦597,742,579.00** (Five hundred and ninety-seven million, seven hundred and forty-two thousand, five hundred and seventy-nine Naira). This represents 18.84 % 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	216,539,960	44,818,389.00
2.	Economic Sector	320,252,890	1,453,394,000	347,760,802.00
3.	Social Sector	266,977,760	1,501,351,340	205,163,388.00
	Total	711,678,214	3,171,285,160	597,742,579.00

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of N2,886,526,721.00 (One billion one hundred and three million one hundred and forty-six thousand six hundred and forty-three 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	216,539,960	44,818,389.00	171,721,571
2.	Economic Sector	320,252,890	1,453,394,000	347,760,802.00	1,418,617,198
3.	Social Sector	266,977,760	1,501,351,340	205,163,388.00	1,296,187,952
	Total	711,678,214	3,171,285,160	597,742,579.00	2,886,526,721

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 **₦420,186,310.00** (Four hundred and twenty million, one hundred and eighty-six thousand, three hundred and ten Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦257,676,190.00** (Two hundred and fifty-seven million, six hundred and seventy-six thousand, one hundred and ninety Naira) was expended. This resulted to a savings of **₦162,510,120** (One hundred and sixty-two million, five hundred and ten thousand, one hundred and twenty Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦1,014,826,750.00** (One billion, fourteen million, eight hundred and twenty-six thousand, seven hundred and fifty Naira). Whereas the actual expenditure for the year stood at **₦1,010,688,350.00** (One billion, ten million, six hundred and eighty-eight thousand, three hundred and fifty Naira), this resulted to a savings of **₦4,138,400.00** (Four million, one hundred and thirty-eight thousand, four hundred Naira)

3.15 CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue for the year under review of this Local Government was **₦902,593,720** (Nine hundred and two million, five hundred and ninety-three thousand, seven hundred and twenty Naira) while the actual expenditure for the year stood at **₦657,844,341** (Six hundred and fifty-seven million, eight hundred and forty-four thousand, three hundred and forty Naira). This resulted to a savings of **₦144,749,379.00** (One hundred and forty-four million, seven hundred and forty-nine thousand, three hundred and seventy-nine Naira). The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2017 (₦)	ESTIMATE D 2018 (₦)	ACTUAL 2018 (₦)	SURPLUS/ DEFICIT 2018(₦)
1.	Primary Sch. Teachers Sal	203,185,420	215,185,420	203,185,420	12,000,000
2.	Training Funds	11,312,180	12,945,740	17,854,553	(4,908,813)
3.	Contribution to emirate	59,530,946	58,728,720	89,272,764	(30,544,044)
4.	Contribution to Pension	59,142,857	61,142,850	86,478,571	(25,335,721)
5.	Common Services	23,812,379	18,209,050	35,709,106	(17,500,056)
6.	Agency for Mass Edu. Salary	31,270,620	33,270,620	31,270,620	2,000,000
7.	Zasiec	-	100,000,000		100,000,000
	Total	388,254,402	499,482,400	463,771,033	35,711,367

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦145,481,320.00** (One hundred and forty-five million, four hundred and eighty-one thousand, three hundred and twenty Naira). Whereas the actual expenditure for the year stood at **₦140,300,580.00** (One hundred and forty million, three hundred thousand, five hundred and eighty Naira). This resulted to a savings of **₦5,180,740.00** (Five million, one hundred and eighty thousand, seven hundred and forty Naira).

S/N	DESCRIPTION	ACTUAL 2017 (₦)	ESTIMATED 2018(₦)	ACTUAL 2018(₦)	DEFICIT 2018(₦)
1.	Primary Sch. Teachers Sal	238,537,451	238,537,450	238,537,451	(1)
2.	Training Funds	11,533,779	10,881,770	18,204,312	(7,322,542)
3.	Contribution to Emirate	60,697,121	60,437,070	91,021,562	(30,584,492)
4.	Contribution to Pension	59,142,857	59,142,860	86,478,571	(27,335,711)
5.	Common Services	24,278,848	21,974,830	36,408,625	(14,433,795)
6.	Agency for Mass Edu. Salary	36,289,320	36,289,320	36,289,320	-
	Zasiec	-	100,000,000	-	100,000,000
		430,479,376	527,263,300	506,939,841	20,323,459

3.16 CRF CHARGES-PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦89,000,000.00 (Eighty-ninemillion Naira).Whereas the actual expenditure for the year stood at ₦8,000,000 (EightymillionNaira). This resulted to a savings of ₦81,000,000 (Eighty-onemillionNaira).

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)**

