

ZAMFARA STATE OF NIGERIA



Report

OF THE

Auditor - General

FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

Kaura Namoda 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 (2018) financial and audit reports were sent 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-visa.
- 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 N81,354,201.00(Eighty-one million, three hundred and fifty-fourthousand,two hundred and oneNaira) standing as outstanding payment vouchers i.e. payments whose evidences could not be ascertained. In addition to that all the salary payment vouchers of the local government were observed to be outstanding. 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 files were received from this local government where, only 47 files were given approval from both the local Government and LGEA with total benefits standing at **N47,911,816.00** (Forty-seven million, nine hundred and eleven thousand, eight hundred and sixteen Naira). Out of these amounts the sum of **N11,031,091** (Eleven million, thirty-one thousand, ninety-one Naira) stood as total claims for 17 number local government staff while L G E A staff totaling to 30 number gulfed the sum of **N36,880,725** (Thirty-six million, eight hundred and eighty thousand, seven hundred and twenty-five 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 **N6,844,844.00** (Six million, eight hundred and forty-four thousand, eight hundred and forty-four naira eighty-four kobo) for the pension funds.

2.7 INVESTMENTS:

As at 31st December, 2018 the investment value stood at **N118,853,631.00** (One hundred and eighteen million, eight and fifty-three thousand, six hundred and thirty-onenaira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018(₦)	VALUE 2017 (₦)
1	Gamji Bank	80,211	80,211
2	Fertilizer company	2,000,000	2,000,000
3	Kaduna Textile	750,000	-
4	CCNN Sokoto	-	-
5	Sokoto Investment Co.	500,000	500,000
6	SICL Communication	-	-
7	Ashaka Cement Co	750,000	750,000
8	NNPC Nig.	-	-
9	FSB International Bank	-	-
10	Bank Of the North	-	-
11	Micro Finance Bank	26,291,645	5,178,329
12	T/Mafara Bricks B. Ind.	1,833,000	1,833,000
13	Intercontinental Bank	1,350,000	1,350,000
14	Bright way Solid Min. Dev. Co	86,720,581	86,720,581
	TOTAL	118,853,631	118,853,631

2.8 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES):

The sum of **N404,084,515** (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 RECEIPTS:

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) was **N3,605,863,670** (Three billion, six hundred and five million, eight hundred and sixty-three thousand, six hundred and seventy Naira) while the actual collection for the year was **N3,660,633,787** (Three billion, six hundred and sixty million, six hundred and thirty-three thousand, seven hundred and eighty-seven Naira). The actual revenue represents almost 101.52% of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)
1.	Statutory Allocation	1,380,148,126	1,930,892,400	2,017,984,757
2.	VAT	409,616,699	464,571,270	420,465,955
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	490,000,000	1,210,400,000	1,222,183,075
	Total	2,279,764,825	3,605,863,670	3,660,633,787

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **N98,875,432.00** (Ninety-eight million, eight hundred and seventy-five thousand, four hundred and thirty-two Naira) was revealed and it represent 3.15% rise on the 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	1,380,148,126	1,930,892,400	2,017,984,757	87,092,357
2.	Excess Crude Oil	-	-	-	-
3.	Excess Paris Refund	490,000,000	1,210,400,000	1,222,183,075	11,783,075
	Total	1,870,148,126	3,141,292,400	3,240,167,832	98,875,432

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review only one heads revealed a deficit of **N44,105,315.00** (Forty-four million, one hundred and five thousand, three hundred and fifteen Naira). This represents 1.22% shortage of the projected revenue as shown below:

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)	Deficit 201 8 (N)
1.	Vat Allocation	409,616,699	464,571,270	420,465,955	44,105,315
	Total	409,616,699	464,571,270	420,465,955	44,105,315

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **N244,340,000** (Two hundred and forty-four million, three hundred and forty thousand, Naira) while the actual collection was **N228,081,140** (Two hundred and twenty-eight million, eighty-one thousand, one hundred and forty Naira)The actual revenue represents almost 93.35 % of the projected revenue.

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)
1.	Direct Taxes	38,150,000	-	10,000
2.	License	76,130,000	26,770,000	
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees		2,377,660	-
6.	Fines	-	-	-
7.	Sales	-	18,000,000	-
8.	Earnings	185,680,000	153,400,000	226,934,140
9.	Sales/Rent on Govt. Buildings	6,600,000	43,792,340	1,137,000
10.	Sales/Rent on Lands & Others			
11.	Investment Income	-		-
	Total	306,560,000	244,340,000	228,081,140

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, only two heads of independent revenue revealed a Surplus of **N73,544,140.00** (Seventy three million, five hundred and forty-four thousand, one hundred and forty Naira). The details are shown in the table below : -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)	Surplus 2018 (N)
1.	Direct Taxes	38,150,000	-	10,000	10,000
2.	Earnings	185,680,000	153,400,000	226,934,140	73,534,140
	Total	223,830,000	153,400,000	226,944,140	73,544,140

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, three heads of independent revenue revealed a Deficit of **N89,803,000** (Eighty-nine million eight hundred and three thousand, Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)	Deficit 2018 (N)
1.	Licenses	76,130,000	26,770,000	-	26,770,000
2.	Fees	-	2,377,660	-	2,377,660
3.	Sales	-	18,000,000	-	18,000,000
4.	Sales/Rent on buildings	6,600,000	43,792,340	1,137,000	42,655,340
		82,730,000	90,940,000	1,137,000	89,803,000

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 **N2,612,438,710** (Two billion, six hundred and twelve thousand, four hundred and thirty-eight thousand, seven hundred and ten Naira) during the year under review, but in the actual the sum of **N882,087,919.00** (Eight hundred and eighty-two million, eighty-seven thousand, nine hundred and nineteen Naira) was realized. This represents 33.76% of the total budget amount. The details are shown below:

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)
1.	Transfer from CRF	562,078,807	1,612,438,710	164,667,657.00
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262.00
	Total	804,935,950	2,612,438,710	882,087,919.00

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review no surplus was recorded in respect of capital receipt of this Local Government.

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of **N1,730,350,791.00** (One billion, seven hundred and thirty million, three hundred and fifty thousand seven hundred and ninety-one Naira) was recorded by the Local Government. The break down are shown as per the table below :-

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)	Deficit 2018 (N)
1.	Transfer from CRF	562,078,807	1,612,438,710	164,667,657.00	1,447,771,053.00
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262.00	282,579,738.00
	Total	804,935,950	2,612,438,710	882,087,919.00	1,730,350,791.00

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year the sum of **N2,612,438,710** (Two billion, six hundred and twelve thousand, four hundred and thirty-eight thousand, seven hundred and ten Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **N865,997,878.00** (Eight hundred and sixty-five million, nine hundred and ninety-seven thousand, eight hundred and seventy-eight Naira). This represents 33.15% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)
1.	Administrative Sector	124,447,564	637,282,400	44,818,422
2.	Economic Sector	382,754,895	870,390,590	649,630,353
3.	Social Sector	266,977,760	1,104,765,720	171,549,103
	Total	774,180,219	2,612,438,710	865,997,878

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **N1,746,440,832.00** (One billion, seven hundred and forty-six million, four hundred and forty thousand, eight hundred and thirty-two Naira) was revealed 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	637,282,400	44,818,422	592,463,978
2.	Economic Sector	382,754,895	870,390,590	649,630,353	220,760,237
3.	Social Sector	266,977,760	1,104,765,720	171,549,103	933,216,617
	Total	774,180,219	2,612,438,710	865,997,878	1,746,440,832

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 **₦367,868,320.00** (Three hundred and sixty-seven million, eight hundred and sixty-eight thousand, three hundred and twenty Naira) was budgeted by this local government as personal cost for the year. While in the actual only the sum of **₦359,926,320** (Three hundred and fifty-nine million, nine hundred and twenty-six thousand, three hundred and twenty Naira) was expended. This resulted to a savings of **₦7,942,000.00** (Seven million, nine hundred and forty-two thousand Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦1,080,300,000.00** (One billion, eighty million, three hundred thousand Naira). Whereas the actual expenditure for the year stood at **₦881,897,790.00** (Eight hundred and eighty-one million, eight hundred and ninety-seven thousand, seven hundred and ninety Naira), this resulted to a savings of **₦198,402,210.00** (One hundred and ninety-eight million, four hundred and two thousand, two hundred and ten Naira)

3.15 CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue for the year under review of this Local Government was **₦527,263,300** (Five hundred and twenty-seven million, two hundred and sixty-three thousand, three hundred Naira) while the actual expenditure for the year stood at **₦506,939,841** (Five hundred and six million, nine hundred and thirty-nine thousand, eight hundred and forty-one Naira). This resulted to a savings of **₦20,323,459** (Twenty million, three hundred and twenty-three thousand, four hundred and fifty-nine Naira). The table below shows the full details: -

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)**

