

ZAMFARA STATE OF NIGERIA



Report

OF THE

Auditor - General

FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

Maru 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 balanced and closed at the end of every month as provided by financial memoranda.
- b. **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 vise-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 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 were 37 files were given approval from both the local Government and LGEA with total benefits standing at **₦25,412,086**(Twenty-five million, four hundred and twelve thousand, eighty-six Naira). Out of these amounts the sum of **₦7,854,814**(Seven million, eight hundred and fifty-four thousand, eight hundred and fourteen Naira) stood as total claims for 14 number local government staff, while L G E A staff totaling to 23 number gulfed the sum of **₦17,557,272**(Seventeen million, five hundred and fifty-seven thousand, two hundred and seventy-two 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 **₦4,995,024**(Four million, nine hundred and ninety-five thousand, twenty-four Naira) for the pension funds.

2.7 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	GamjiBank	162,500	162,500
2	Kaduna Textile	-	-
3	CCNN Sokoto	227,500	227,500
4	SokotoMortgage	425,862	425,862
5	SICL Communication	-	-
6	Ashaka Cement Co	-	-
7	NNPC Nig.	-	-
8	FSB International Bank	-	-
9	Bank Of the North	-	-
10	Zamfarafertilizer 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	86,720,581	86,720,581
	TOTAL	92,561,986	92,561,986

2.9 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 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 Revenue) was **₦4,341,720,590.00** (Four billion, three hundred and forty-one million, seven hundred and twenty thousand, five hundred and ninety Naira) while the actual collection for the year was **₦4,738,905,837.00** (Four billion, seven hundred and thirty-eight million, nine hundred and five thousand, eight hundred and thirty-seven Naira). The actual revenue represents 109.15% 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	1,766,955,962	2,303,328,230	2,612,400,011
2.	VAT	417,004,313	471,782,150	544,317,919
3.	Excess Crude Oil			
4.	Excess Paris Refund	630,000,000	1,566,610,210	1,582,187,907
	Total	2,813,960,275	4,341,720,590	4,738,905,837

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **₦397,185,247.00** (Three hundred and ninety-seven million, one hundred and eighty-five thousand, two hundred and forty-seven Naira) was revealed and it represent 9.15% 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	1,766,955,962	2,303,328,230	2,612,400,011	309,071,781
2.	Vat	417,004,313	471,782,150	544,317,919	72,535,769
3.	Excess Paris Refund	630,000,000	1,566,610,210	1,582,187,907	15,577,697
	Total	2,813,960,275	4,341,720,590	4,738,905,837	397,185,247

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review no deficit was recorded in respect of Statutory receipts by this local Government.

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦106,411,020.00** (One hundred and six million, four hundred and eleven thousand, twenty Naira) while the actual collection for the year was **₦282,822,855.00** (Two hundred and eighty-two million, eighthundred and twenty-two thousand, eight hundred and fifty-five Naira)The actual revenue represents 265.78% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)
1.	Direct Taxes			
2.	License	91,628,669	39,542,740	62,104,925
3.	Mining Rents			
4.	Royalties			
5.	Fees	63,956,902	25,449,710	76,655,114
6.	Fines			
7.	Sales		8,849,720	
8.	Earnings	58,193,455	23,349,720	58,611,600
9.	Sales/Rent on Govt. Buildings	23,343,889	9,219,130	20,774,825
10.	Sales/Rent on Lands & Others			
11.	Investment Income	8,087,440		4,791,186
12.	Re-imbursement			59,885,205
	Total	294,800,070	106,411,020	282,822,855

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦185,261,555** (One hundred and eighty-five million, two hundred and sixty-one thousand, five hundred and fifty-five Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018(₦)	Surplus 2018 (₦)
1.	License	91,628,669	39,542,740	62,104,925	22,562,185
2.	Fees	63,956,902	25,449,710	76,655,114	51,205,404
3.	Earnings	58,193,455	23,349,720	58,611,600	35,261,880
4.	Sales	-		-	
5.	Investment Income	8,087,440		-	-
6.	Sales/Rent on buildings		9,219,130	20,774,825	11,555,695
7.	Re-Imbursement	-		59,885,205	59,885,205
8.	Interest earned			4,791,186	4,791,186
	Total	294,800,070	97,561,300	282,822,855	185,261,555

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **N8,849,720** (Eight million, eight hundred and forty-nine thousand seven hundred and twenty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018(₦)	Deficit 2018 (₦)
1.	Sales	-	8,849,720	-	8,849,720
	Total		8,849,720	-	8,849,720

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 **N2,624,679,370.00** (Two billion, six hundred and twenty-four million, six hundred and seventy-nine thousand, three hundred and seventy Naira) during the year under review, but in the actual the sum of **N924,166,771.00** (Nine hundred and twenty-four million, one hundred and sixty-six thousand, seven hundred and seventy-one Naira) was realized. This represents 35.21% of the total budgeted amount.

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Transfer from CRF	491,597,305	1,624,679,370	206,746,509
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262
	Total	734,454,448	2,624,679,370	924,166,771

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 **₦1,700,512,599.00**(One billion, seven hundred million, five hundred and twelve thousand, five hundred and ninety-nine Naira) was reported by the Local Government Council.

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Deficit 2018 (₦)
1.	Transfer from CRF	491,597,305	1,624,679,370	206,746,509	1,417,932,861
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262	282,579,738.00
	Total	734,454,448	2,624,679,370	924,166,771	1,700,512,599.00

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦2,624,679,370.00**(Two billion, six hundred and twenty-four million, six hundred and seventy-nine thousand, three hundred and seventy Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦906,054,155.00**(Nine hundred and six million, fifty-four thousand, one hundred and fifty-five Naira). This represent 34.52% 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	103,000,000	44,818,389
2.	Economic Sector	318,254,895	1,471,110,210	489,686,663
3.	Social Services Sector	266,977,760	1,050,569,160	371,549,103
	Total	709,680,219	2,624,679,370	906,054,155

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦1,718,625,215** (One billion, seven hundred and eighteen million, six hundred and twenty-five thousand,two hundred and fifteenNaira) was revealed in the twosectors as shown in the table below: -.

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Savings 2018 (₦)
1.	Administrative Sector	124,447,564	103,000,000	44,818,389	58,181,611
2.	Economic Sector	318,254,895	1,471,110,210	489,686,663	981,423,547
3.	Social Dev Sector	266,977,760	1,050,569,160	371,549,103	679,020,057
	Total	709,680,219	2,624,679,370	906,054,155	1,718,625,215

3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, no capital expenditure deficit was recorded.

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

The sum of **₦535,449,020** (Five hundred and thirty-five million, four hundred and forty-nine thousand, twenty Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦434,899,797** (Four hundred and thirty-four million, eight hundred and ninety-nine thousand, seven hundred and ninety-seven Naira) was expended. This resulted to a savings of **₦100,549,223** (One hundred million, five hundred and forty-nine thousand, two hundred and twenty-three Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦1,219,965,640.00**(One billion,twohundred andnineteen million, nine hundred and sixty-five thousand, six hundred and forty Naira). Whereas the actual expenditure for the year stood at **₦1,215,112,040**(One billion, two hundred and fifteen million, one hundred and twelve thousand, forty Naira), this resulted to a savings of **₦4,853,600** (Four million,eight hundred and fifty-three thousand,six hundred 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 **₦743,230,070**(Seven hundred and forty-three million, two hundred and thirty thousand, seventy Naira) while the actual expenditure for the year stood at **₦561,869,664**(Five hundred and sixty-one million, eight hundred andsixty-nine thousand, six hundred sixty-four Naira). This resulted to a savings of **₦181,360,406** (One hundred and eighty-one million, three hundred and sixty thousand, four hundred and six Naira). The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2017 (₦)	ESTIMATED 2018 (₦)	ACTUAL 2018 (₦)	SAVINGS 2018(₦)
1.	Primary Sch. Teachers Sal	217,492,509	242,495,400	235,492,509	7,002,891
2.	Training Funds	14,931,156	46,104,230	23,566,554	22,537,676
3.	Contribution to Emirate	78,575,994	123,555,880	117,832,767	5,723,113
4.	Contribution to Pension	59,142,857	72,198,230	86,478,571	(14,280,341)
5.	Common Services	31,430,398	88,545,540	47,133,107	41,412,433
6.	Agency for Mass Edu. Salary	51,366,156	70,330,790	51,366,156	18,964,634
	Zasiec	-	100,000,000	-	100,000,000
		452,939,069	743,230,070	561,869,664	181,360,406

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

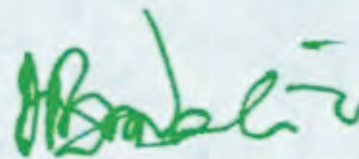
During the year under review the estimated Public debt charge of the local government was **₦160,807,510** (One hundred and sixty million, eight hundred and seven thousand, five hundred and ten Naira). Whereas the actual expenditure for the year stood at **₦160,322 459.00** (One hundred and sixty million, three hundred and twenty-two thousand, four hundred fifty-nine Naira). This resulted to a savings of **₦485,051.00** (Four hundred and eighty-five thousand, fifty-one 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)**

