

ZAMFARA STATE OF NIGERIA



Report

OF THE

Auditor - General

FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

Shinkafi Local Government

IN

ZAMFARA STATE

FOR THE

YEAR ENDED

31ST DECEMBER 2018

TABLE OF CONTENTS

1.0	INTRODUCTION	2
1.1	MANDATE	2
1.2	SUBMISSION OF REPORT.....	2
1.3	PREVIOUS AUDITOR'S REPORT.....	2
2.0	OTHER OBSERVATION.....	2
2.1	ANNUAL ESTIMATE	2
2.2	EXPENDITURE MANDATES	3
2.3	PERSONNEL EMOLUMENT REGISTER (P.E)	3
2.4	ACCOUNTING RECORDS: (a,b,c,d)	3
2.5	CERTIFICATION OF RETIRING BENEFITS.....	4
2.6	RECOVERIES MADE OUT OF PENSION & GRATUITY.....	4
2.7	INVESTMENTS	5
2.8	LOAN REPAYMENT	5
3.0	BUDGET IMPLEMENTATION ANALYSIS	5
3.1	STATUTORY RECEIPTS	5
3.2	STATUTORY RECEIPTS (SURPLUS)	6
3.3	STATUTORY RECEIPT (DEFICIT)	6
3.4	INDEPENDENT REVENUE	7
3.5	INDEPENDENTS REVENUE (SURPLUS)	8
3.6	INDEPENDENT REVENUE (DEFICIT)	8
3.7	CAPITAL RECEIPT	9
3.8	CAPITAL RECEIPT (SURPLUS)	9
3.9	CAPITAL RECEIPT (DEFICIT)	9
3.10	CAPITAL EXPENDITURE	10
3.11	EXCESS CAPITAL EXPENDITURE	10
3.12	CAPITAL EXPENDITURE (DEFICIT).....	10
3.13	PERSONAL COST (INCL. SALARIES ON CRF CHARGES)	11
3.14	OVERHEAD CHARGES	11
3.15	CONSOLIDATED REVENUE FUND CHARGES.....	11
3.16	CRF CHARGES-PUBLIC DEBT CHARGE.....	12
5.0	CONCLUSION	12
6.0	ACKNOWLEDGMENT	12



OFFICE OF THE AUDITOR GENERAL FOR LOCAL GOVERNMENTS

ZAMFARA STATE OF NIGERIA

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Date: 19th September, 2019

Ref. No: LGA/AA/VOLI/183

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, 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.
- 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 vise-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 **N9,646,975.00** (Nine million, six hundred and forty-six thousand, nine hundred and seventy-five 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 files were received from this local government, where 10 files were given approval from both the local Government and LGEA with total benefits standing at **N12,610,948** (Twelve million, six hundred and ten thousand, nine hundred and forty-eight Naira). Out of these amounts the sum of **N6,811,550**(Six million, eight hundred and eleven thousand, five hundred and fifty Naira) stood as total claims for 4number local government staff while L G E A staff totaling to 6 number gulfed the sum of **N5,799,398** (Five million, seven hundred and ninety- nine thousand, three hundred and ninety-eight 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 **N4,521,456** (Four million five hundred and twenty-one thousand four hundred and fifty-six Naira) for the pension funds.

2.7 INVESTMENTS:

As at 31st December, 2018 the investment value stood at N113,012,226.00(One hundred and thirteen million, twelve thousand, two hundred and twenty-six naira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018(₦)	VALUE 2017 (₦)
1	Gamji Bank	56,250	56,250
2	Kaduna Textile	-	-
3	Sokoto Investment Co.	22,500	22,500
4	Sokoto Mortgage	294,827	294,827
5	Micro finance Bank	26,291,645	26,291,645
6	Ashaka Cement Co	1,825,200	1,825,200
7	Urban Dev. Bank Plc	225,000	225,000
8	FSB International Bank	340,800	340,800
9	Unity Bank (BON)	82,480	82,480
10	Fertilizer Blending Co.	1,500,000	1,500,000
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	86,720,581	86,720,581
	Total	113,012,226	113,012,226

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 five 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 ALLOCATION:

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 N2,956,445,790.00(Two billion, nine hundred and fifty-six million, four hundred and forty-five thousand, seven hundred and ninety Naira) while the actual collection for the year wasN2,958,877,871.00(Two billion, nine hundred and fifty-eight million, eight hundred and seventy-seven thousand, eight hundred and seventy-oneNaira). The actual revenue represents almost 100% of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Statutory Allocation	1,111,489,732	1,671,632,790	1,631,130,233
2.	VAT	307,413,311	364,813,000	339,861,205
3.	Excess Crude Oil	-		
4.	Excess Paris Refund	406,000,000	920,000,000	987,886,433
	Total	1,824,903,043	2,956,445,790	2,958,877,871

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **₦67,886,433.00** (Sixty-seven million, eight hundred and eighty-six thousand, four hundred and thirty-three 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.	Excess Paris Refund	307,413,311	920,000,000	987,886,433	67,886,433
	Total	307,413,311	920,000,000	987,886,433	67,886,433

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of **₦65,454,352.00** (Sixty-five million, four hundred fifty-four thousand, three hundred and fifty-two Naira) was revealed as per statutory receipts. This represents 2.21% shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)	Deficit 2018 (N)
1.	Statutory Allocation	1,111,489,732	1,671,632,790	1,631,130,233	40,502,557
2	Vat	307,413,311	364,813,000	339,861,205	24,951,795
	Total	1,418,903,043	2,036,445,790	1,970,991,438	65,454,352

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **N114,103,810.00**(One hundred and fourteen million, one hundred and three thousand, eight hundred and ten Naira) while the actual collection was **N241,862,431.00** (Two hundred and forty-one million, eight-hundred and sixty-two thousand, four hundred and thirty-one Naira)The actual revenue represents almost 211.97% of the projected revenue.

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)
1.	Direct Taxes			57,847,173
2.	License	122,347,477	38,448,500	31,770,941
3.	Mining Rents			
4.	Royalties			
5.	Fees		30,220,800	23,180,191
6.	Fines	212,629,900	4,000,000	
7.	Sales		8,000,000	
8.	Earnings	217,080,290	28,434,510	129,064,127
9.	Sales/Rent on Govt. Buildings	20,784,800	5,000,000	
10.	Sales/Rent on Lands & Others			
11.	Investment Income	14,210,096		
12.	Interest Earned	14,210,096		
	Total	587,052,563	114,103,810	241,862,431

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦158,476,790** (One hundred and fifty-eight million four hundred and seventy-six thousand seven hundred and ninety Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Surplus 2018 (₦)
1.	Direct Taxes	-	-	57,847,173	57,847,173
3.	Earnings	217,080,290	28,434,510	129,064,127	100,629,617
	Total	217,080,290	28,434,510	186,911,300	158,476,790

3.6 INDEPENDENT REVENUE (DEFICIT):

In the year under review, independent revenue revealed a Deficit of **₦30,718,168** (thirty million, seven hundred and eighteen thousand, one hundred and sixty eight). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Deficit 2018 (₦)
1.	Licenses	122,347,477	38,448,500	31,770,941	6,677,559
2.	Fees	-	30,220,800	23,180,191	7,040,609
3.	Fines	212,629,900	4,000,000	-	4,000,000
5.	Sales	-	8,000,000	-	8,000,000
6.	Sales/Rent on Buildings	20,784,800	5,000,000	-	5,000,000
	Total	355,762,177	85,669,300	54,951,132	30,718,168

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 **N2,197,027,840.00** (Two billion, one hundred and ninety-seven million, twenty-seven thousand, eight hundred and forty Naira) during the year under review, but in the actual the sum of **N682,894,573.00** (Six hundred and eighty-two million, eight hundred and ninety-four thousand, five hundred and seventy-three Naira) was realized. This represents 31.08% 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	557,180,052	1,197,027,840	(34,525,689)
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262
	Total	800,037,195	2,197,027,840	682,894,573

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 **N1,514,133,267.00** (One billion, five hundred and fourteen million, one hundred and thirty-three thousand, two hundred and sixty-seven Naira) was reported by the Local Government Council. Table below gives full details :-

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018(N)	Actual 2018 (N)	Deficit 2018
1.	Transfer from CRF	557,180,052	1,197,027,840	(34,525,689)	1,231,553,529
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262	282,579,738
	Total	800,037,195	2,197,027,840	682,894,573	1,514,133,267

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of ₦2,197,027,840.00 (Two billion, one hundred and ninety-seven million, and twenty-seven thousand, eight hundred and forty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦670,285,113.00 (Six hundred and seventy million, two hundred and eighty-five thousand, one hundred and thirteen Naira). This represents 30.5% 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	210,140,590	44,818,389
2.	Economic Sector	382,754,895	676,000,000	453,917,622
3.	Social Services Sector	266,977,760	1,310,887,250	171,549,103
	Total	774,180,219	2,197,027,840	670,285,113

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of ₦1,526,742,726.00 (One billion, five hundred and twenty-six million, seven hundred and forty-two thousand, seven hundred and twenty-six Naira) was revealed in two sectors as shown in the table below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Savings 2018 (₦)
1.	Administrative Sector	124,447,564	210,140,590	44,818,389	165,322,201
2.	Economic Sector	382,754,895	676,000,000	453,917,622	222,082,378
3.	Social Sector	266,977,760	1,310,887,250	171,549,103	1,139,338,147
	Total	774,180,219	2,197,027,840	670,285,113	1,526,742,726

3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, no deficit was recorded in respect of capital expenditure by the Local Government.

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

The sum of **N300,871,760.00**(Three hundred million, eight hundred and seventy-one thousand, seven hundred and sixty Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **N299,125,341.00**(Two hundred and ninety-nine million, one hundred and twenty-five thousand, three hundred and forty-one Naira) was expended. This resulted to a savings of **N1,746,419.00** (One million, seven hundred and forty-six thousand, four hundred and nineteen Naira).

3.14 **OVERHEAD CHARGES:**

During the year under review the estimated overhead cost of the local government was **N804,621,010.00**(Eighthundred and four million, six hundred and twenty-one thousand, ten Naira). Whereas the actual expenditure for the year stood at **N803,243,109.00** (Eight hundred and three million, two hundred and forty-three thousand, one hundred and nine Naira), this resulted to a savings of **N1,377,901.00** (One million, three hundred and seventy-seven thousand, nine hundred and 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 **N477,695,650.00** (Four hundred and seventy-seven million, six hundred and ninety-five thousand, six hundred and fifty Naira) while the actual expenditure for the year stood at **N442,438,372.00** (Four hundred and forty-two million, four hundred and thirty-eight thousand, three hundred and seventy-two Naira). This resulted to a savings of **N35,257,278**(Thirty-five million, two hundred and fifty-seven thousand, two hundred and seventy-eight Naira).

S/N	DESCRIPTION	ACTUAL 2017 (N)	ESTIMATED 2018 (N)	ACTUAL 2018 (N)	DEFICIT/SUR PLUS 2018(N)
1.	Primary Sch. Teachers Sal	229,610,493	229,610,490	211,610,493	17,999,997
2.	Training Funds	9,322,714	3,420,000	14,714,484	(11,294,484)
3.	Contribution to Emirate	49,061,277	37,660,170	73,572,420	(35,912,250)
4.	Contribution to Pension	59,142,857	62,150,920	86,478,571	(24,327,651)
5.	Common Services	19,624,511	18,220,840	29,428,968	(11,208,128)
6.	Agency for Mass Edu. Salary	26,633,436	26,633,230	26,633,436	(206)
7	Zasiec		100,000,000		100,000,000
	Total	393,395,288	477,695,650	442,438,372	35,257,278

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦116,000,000** (One hundred and sixteen million Naira).

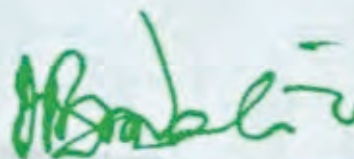
Whereas the actual expenditure for the year stood at **₦23,843,586.00**(Twenty-three million, eight hundred and forty-three thousand, five hundred and eighty-six Naira). This resulted to a savings of **₦92,156,414.00** (Ninety-two million , one hundred and fifty-six thousand, four hundred and fourteen 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)**

