

# ZAMFARA STATE OF NIGERIA



*Report*

OF THE

**Auditor - General**

FOR

**LOCAL GOVERNMENTS**

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

**Tsafe 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) .....	7
3.6	INDEPENDENT REVENUE (DEFICIT) .....	8
3.7	CAPITAL RECEIPT .....	8
3.8	CAPITAL RECEIPT (SURPLUS) .....	9
3.9	CAPITAL RECEIPT (DEFICIT) .....	9
3.10	CAPITAL EXPENDITURE .....	9
3.11	EXCESS CAPITAL EXPENDITURE .....	9
3.12	CAPITAL EXPENDITURE (DEFICIT).....	10
3.13	PERSONAL COST (INCL. SALARIES ON CRF CHARGES) .....	10
3.14	OVERHEAD CHARGES .....	10
3.15	CONSOLIDATED REVENUE FUND CHARGES.....	10
3.16	CRF CHARGES-PUBLIC DEBT CHARGE.....	11
5.0	CONCLUSION .....	11
6.0	ACKNOWLEDGMENT .....	12



# OFFICE OF THE AUDITOR GENERAL FOR LOCAL GOVERNMENTS ZAMFARA STATE OF NIGERIA

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Date: 19th September, 2019

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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 i.e. 2017 financial audit reports 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. Most of 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, 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 **N40,919,284.00** (Forty million, nine hundred and nineteen thousand, two hundred and eighty-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 files were received from this local government were 28 files were given approval from both the local Government and LGEA with total benefits standing at **N32,217,392** (Thirty-two million, two hundred and seventeen thousand, three hundred and ninety-two Naira). Out of these amounts the sum of **N11,332,495** (Eleven million, three hundred and thirty-two thousand, four hundred and ninety-five Naira) stood as total claims for 14 number local government staff, while L G E A staff totaling to 14 number gulfed the sum of **N20,884,897** (Twenty million, eight hundred and eighty-four thousand, eight hundred and ninety-seven 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 **N2,435,346** (Two million, four hundred and thirty-five thousand, three hundred and forty-six Naira) for the pension funds.

## 2.7 INVESTMENTS:

As at 31st December, 2018 the investment value stood at **N113,175,347.00** (One hundred and thirteen million, one hundred and seventy-five thousand, three hundred and forty-sevonnaira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018 (N)	VALUE 2017 (N)
1	Gamji Bank	720,000	720,000
2	Bricks Block Ind.	2,500,000	2,500,000
3	Sokoto Investment Co.	-	-
4	Sokoto Mortgage	655,173	655,173
5	SICL Communication	-	-
6	Sokoto Cement Co.	504,000	504,000
7	Urban Dev. Bank Plc	-	-
8	FSB International Bank	-	-
9	Unity Bank (BON)	855,513	855,513
10	Zamfara Fertilizer Co.	2,500,000	2,500,000
11	T/Mafara Bricks B. Ind.	-	-
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	104,090,661	104,090,661
	<b>TOTAL</b>	<b>113,175,347</b>	<b>113,175,347</b>

## 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 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 **N3,487,004,210.00** (Three billion, four hundred and eighty-seven million, four thousand, two hundred and ten Naira) while the actual collection for the year was **N3,620,784,893**(Three billion, six hundred and twenty million, seven hundred and eighty-four thousand, eight hundred and ninety-three Naira). The actual revenue represents 103.84% 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	1,364,029,366	1,915,309,650	1,996,017,397
2.	VAT	398,844,236	454,056,530	415,888,850
3.	Excess Crude Oil	-		
4.	Excess Paris Refund	490,000,000	1,117,638,030	1,208,878,646
	<b>Total</b>	<b>2,252,873,602</b>	<b>3,487,004,210</b>	<b>3,620,784,893</b>

### 3.2 STATUTORY RECEIPT (SURPLUS):

During the year under review, a surplus of **₦171,948,363.00** (One hundred and seventy-one million, nine hundred and forty-eight thousand, three hundred and sixty-three Naira) was revealed and it represent 4.93% 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	1,364,029,366	1,915,309,650	1,996,017,397	80,707,747
2.	Excess Paris refund	490,000,000	1,117,638,030	1,208,878,646	91,240,616
	<b>Total</b>	<b>1,762,873,602</b>	<b>3,032,947,680</b>	<b>3,204,896,043</b>	<b>171,948,363</b>

### 3.3 STATUTORY RECEIPT (DEFICIT):

In the year under review a deficit of **₦38,167,680** (Thirty-eight million, one hundred and sixty-seven thousand, six hundred and eighty Naira) was revealed as per statutory receipt. This represents 1.09% shortage of the projected Statutory receipt revenue as shown below:

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Deficit 2018 (₦)
1	VAT	398,844,236	454,056,530	415,888,850	38,167,680
	<b>Total</b>	<b>398,844,236</b>	<b>454,056,530</b>	<b>415,888,850</b>	<b>38,167,680</b>

### 3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **N201,361,820.00**(Two hundred and one million, three hundred and sixty-one thousand, eight hundred and twenty Naira) while the actual collection for the year was **N198,642,291**(One hundred and ninety-eight million, six hundred and forty-two thousand, two hundred and ninety-one Naira)The actual revenue represents 98.65% of the total projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018 (N)
1.	Direct Taxes	-	-	62,907,738
2.	License	86,642,322	-	57,051,171
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	71,486,226	24,300,000	-
6.	Fines	3,507,060	300,000	-
7.	Sales	37,604,000	5,900,000	-
8.	Earnings	77,515,324	116,250,760	78,683,382
9.	Sales/Rent on Govt. Buildings	-	2,400,000	-
10.	Sales/Rent on Lands & Others	-	4,300,000	-
11.	Repayments-General	-	4,300,000	-
12.	Investment Income	-	1,500,000	-
13.	Interest Earned	-	1,000,000	-
14.	Re-imburement	-	-	-
	<b>Total</b>	<b>235,643,872</b>	<b>201,361,820</b>	<b>198,642,291</b>

### 3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **N78,847,849** (Seventy-eight million, eight hundred and forty-seven thousand, eight hundred and forty-nine Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018(N)	Surplus 2018(N)
1.	Direct Taxes	-	3,507,060	62,907,738	59,400,678
2.	Licenses	86,642,322	37,604,000	57,051,171	19,447,171
	<b>Total</b>	<b>86,642,322</b>	<b>41,111,060</b>	<b>119,958,909</b>	<b>78,847,849</b>



### 3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **N81,267,378.00** (Eighty-one million, two hundred and sixty-seven thousand, three and seventy-eight Naira). The table below give full details:

S/N	DESCRIPTION	Actual 2017 (N)	Estimate 2018 (N)	Actual 2018(N)	Deficit 2018 (N)
1.	Earnings	77,515,324	116,250,760	78,683,382	37,567,378
2.	Royalties				
3.	Fees	71,486,226	24,300,000	-	24,300,000
4.	Fines		300,000	-	300,000
5.	Sales		5,900,000	-	5,900,000
6.	Sales/Rent on Buildings		2,400,000	-	2,400,000
7.	Sales/Rent on Lands		4,300,000	-	4,300,000
8.	Re-payment Gen		4,300,000	-	4,300,000
9.	Investment Income		1,500,000	-	1,500,000
10.	Interest Earned		1,000,000	-	1,000,000
	<b>Total</b>	<b>149,001,550</b>	<b>159,950,760</b>	<b>78,683,382</b>	<b>81,267,378</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 **N2,217,067,850.00** (Two billion, two hundred and seventeen million, sixty-seven thousand, eight hundred and fifty Naira) during the year under review, but in the actual the sum of **N493,371,067.00** (Four hundred and ninety-three million, three hundred and seventy-one thousand, sixty-seven Naira) was realized. This represents 22.25% 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	511,646,751	1,217,067,850	(224,049,195)
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262
	<b>Total</b>	<b>754,503,894</b>	<b>2,217,067,850</b>	<b>493,371,067</b>

### 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 ₦1,723,696,783.00 (One billion, seven hundred and twenty-three million ,six hundred and ninety-six thousand, seven hundred and eighty-three Naira) was reported by the Local Government

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Deficit 2018
1.	Transfer from CRF	511,646,751	1,217,067,850	(224,049,195)	1,441,117,045
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262	282,579,738
	<b>Total</b>	<b>754,503,894</b>	<b>2,217,067,850</b>	<b>493,371,067</b>	<b>1,723,696,783</b>

### 3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦2,217,067,850.00** (Two billion, two hundred and seventeen million, sixty-seven thousand, eight hundred and fifty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦470,285,113.00** (Four hundred and seventy million, two hundred and eighty-five thousand, one hundred and thirteen Naira). This represents 21.21% 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	307,892,160	44,818,389
2.	Economic Sector	318,254,895	831,804,570	253,917,622
3.	Social Services Sector	266,977,760	1,077,371,120	171,549,103
	<b>Total</b>	<b>709,680,219</b>	<b>2,217,067,850</b>	<b>470,285,113</b>

### 3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦1,746,782,736.00** (One billion, seven hundred and forty-six million, seven hundred and eighty-two thousand, seven hundred and thirty-six 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	307,892,160	44,818,389	263,073,771
2.	Economic Sector	318,254,895	831,804,570	253,917,622	577,886,948
3.	Social Services Sector	266,977,760	1,077,371,120	171,549,103	905,822,017
	<b>Total</b>	<b>709,680,219</b>	<b>2,217,067,850</b>	<b>470,285,113</b>	<b>1,746,782,736</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 **₦444,025,620.00** (Four hundred and forty-four million, twenty-five thousand, six hundred and twenty Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦439,965,288.00** (Four hundred and thirty-nine million, nine hundred and sixty-five thousand, two hundred and eighty-eight Naira) was expended. This resulted to a savings of **₦4,060,332.00** (four million, sixty thousand, three hundred and thirty-two Naira).

### **3.14 OVERHEAD CHARGES:**

During the year under review the estimated overhead cost of the local government was **₦1,127,600,000.00** (One billion, one hundred and twenty-seven million, six hundred thousand Naira). Whereas the actual expenditure for the year stood at **₦1,126,628,126.00** (One billion, one hundred and twenty-six million, six hundred and twenty-eight thousand, one hundred and twenty-six Naira), this resulted to a savings of **₦971,874.00** (Nine hundred seventy-one thousand, eight hundred and seventy-four 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 **₦620,071,380.00** (Six hundred twenty million, seventy-one thousand, three hundred and eighty Naira) while the actual expenditure for the year stood at **₦512,726,757.00** (Five hundred and twelve million, seven hundred and twenty-six thousand, seven hundred and fifty-seven Naira). This resulted to a savings of **₦107,344,623.00** (One hundred and seven million, three hundred and forty-four thousand, six hundred and twenty-three Naira). The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2017 (N)	ESTIMATED 2018(N)	ACTUAL 2018(N)	DEFICIT/SUPPLUS 2018(N)
1.	Primary Sch. Teachers Sal	251,291,821	273,227,420	242,291,821	30,935,599
2.	Training Funds	11,408,225	25,756,500	18,006,144	7,750,356
3.	Contribution to Emirate	60,036,384	76,928,060	90,030,720	(13,102,660)
4.	Contribution to Pension	59,142,857	64,661,990	86,478,571	(21,816,581)
5.	Common Services	24,014,554	30,954,550	36,012,288	(5,057,738)
6.	Agency for Mass Edu. Salary	39,907,212	48,542,860	39,907,212	8,635,648
	<b>Zasiec</b>		100,000,000		100,000,000
	<b>Total</b>	<b>445,801,053</b>	<b>620,071,380</b>	<b>512,726,757</b>	<b>107,344,623</b>

### 3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

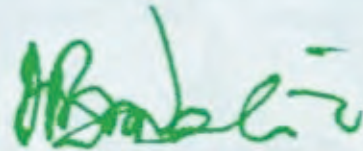
During the year under review the estimated Public debt charge of the local government was **N114,267,840.00** (One hundred and fourteen million, two hundred and sixty-seven thousand, eight hundred and forty Naira). Whereas the actual expenditure for the year stood at **N110,650,470.00** (One hundred and ten million, six hundred and fifty thousand, four hundred and seventy Naira). This resulted to a savings of **N3,617,370** (Three million, six hundred and seventeen thousand, three hundred and seventy 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)**

