

# ZAMFARA STATE OF NIGERIA



*Report*

OF THE

**Auditor - General**

FOR

**LOCAL GOVERNMENTS**

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

**Zurmi 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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Date: 19th September, 2019

Ref. No: LG/AA/VOL.1/186

## 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. 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. 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 **₦41,113,292.00** (Forty-one million, one hundred and thirteen thousand, two hundred and ninety-two 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 41 files were given approval from both the local Government and LGEA with total benefits standing at **₦56,880,032**(Fifty-six million, eight hundred and eighty thousand,thirty-two Naira). Out of these amounts the sum of **₦11,839,437**(Eleven million, eight hundred and thirty-nine thousand, four hundred and thirty-seven Naira) stood as total claims for 11number local government staff while L G E A staff totaling to 30 number gulfed the sum of **₦45,040,595**(Forty-five million, forty thousand, five hundred and ninety-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 **₦2,406,748** (Two million, four hundred and six thousand, seven hundred and forty-eightNaira) for the pension funds.

## 2.7 INVESTMENTS:

As at 31st December, 2018 the investment value stood at **₦116,806,931.00** (One hundred and sixteen million, eight hundred and six thousand, nine hundred and thirty-one Naira).

The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018 (₦)	VALUE 2017 (₦)
1	Gamji Bank	-	-
2	Bricks Block Ind.	-	-
3	CCNN Sokoto	812,065	812,065
4	Sokoto Mortgage Bank	500,000	500,000
5	SICL Communication	-	-
6	Sokoto Cement Co.	-	-
7	Micro Finance Bank	26,291,645	26,291,645
8	FSB International Bank	-	-
9	Unity Bank (BON)	242,305	242,305
10	Zamfara Fertilizer Co.	-	-
11	T/Mafara Bricks B. Ind.	-	-
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	87,610,916	87,610,916
	<b>TOTAL</b>	<b>116,806,931</b>	<b>116,806,931</b>



## 2.8 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES):

The sum of **₦404,084,515.00**(Four hundred and four million,eighty-four thousand, five hundred and fiveNaira) 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 **₦3,881,924,170.00** (Three billion,eight hundred and eighty-one million, nine hundred and twenty-four thousand, one hundred and seventyNaira) while the actual collection for the year was **₦3,998,820,143.00** (Three billion,nine hundred and ninety-eight million,eight hundred and twenty thousand,one hundred and forty-threeNaira). The actual revenue represents 103% 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	1,502,582,267	2,048,815,960	2,204,415,564
2.	VAT	418,362,882	473,108,210	459,310,553
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	546,000,000	1,360,000,000	1,335,094,026
	<b>Total</b>	<b>2,466,945,149</b>	<b>3,881,924,170</b>	<b>3,998,820,143</b>

### 3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **₦155,599,604.00**(One hundred and fifty-five million,five hundred and ninety-ninethousand, six hundred and fourNaira) was revealed and

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Surplus 2018(₦)
1.	Statutory Allocation	1,502,582,267	2,048,815,960	2,204,415,564	155,599,604
	<b>Total</b>	<b>1,502,582,267</b>	<b>2,048,815,960</b>	<b>2,204,415,564</b>	<b>155,599,604</b>



### 3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of **N38,703,631.00**(Thirty-eight million,seven hundred and three thousand,six hundred and thirty-one Naira) was revealed as per statutory receipt.

This represents 1% shortage of the projected Vat Allocation revenue as shown below

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Deficit 2018 (₦)
1.	VAT	418,362,882	473,108,210	459,310,553	13,797,657
2.	Excess Paris Refund	546,000,000	1,360,000,000	1,335,094,026	24,905,974
	<b>Total</b>	<b>360,159,035</b>	<b>416,296,840</b>	<b>412,387,539</b>	<b>38,703,631</b>

### 3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **N300,884,960.00** (Three hundred million,eight hundred and eighty-four thousand,nine hundred and sixtyNaira) while the actual collection for the year was **N194,454,275.00** (One hundred and ninety-four million,nine hundred and fifty-four thousand,two hundred and seventy-fiveNaira)The actual revenue represents 64.79% 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.	Licenses	28,863,067	216,384,960	53,174,070
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	57,530,446	25,900,000	48,301,171
6.	Fines	-	450,000	-
7.	Sales	9,492,126	12,000,000	48,812,410
8.	Earnings	52,827,079	36,150,000	33,860,100
9.	Sales/Rent of Government Buildings	14,819,401	10,000,000	-
10.	Sales/Rent on Lands and Others	-	-	-
11.	Repayments- General	-	-	-
12.	Investment income	14,423,631	-	10,806,524
13.	Interest Earned	-	-	-
14.	Re-Imbursement	-	-	-
	<b>Total</b>	<b>177,955,750</b>	<b>300,884,960</b>	<b>191,4954,275</b>

### 3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦70,020,105.00** (Seventy million, twenty thousand, one hundred and five Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Surplus 2018 (₦)
1.	Fees	57,530,446	25,900,000	48,301,171	22,401,171
2.	Sales	9,492,126	12,000,000	48,812,410	36,812,410
3.	Investment income	14,423,631	-	10,806,524	10,806,524
	<b>Total</b>	<b>81,446,203</b>	<b>37,900,000</b>	<b>107,920,105</b>	<b>70,020,105</b>

### 3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦175,950,790.00** (One hundred and seventy-five million, nine hundred and fifty thousand, seven hundred and ninety Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018(₦)	Deficit 2018 (₦)
1.	Licenses	28,863,067	216,384,960	53,174,070	163,210,890
2.	Fines	-	450,000	-	450,000
3.	Earnings	52,827,079	36,150,000	33,860,100	2,289,900
4.	Sales/Rent of Government Buildings	14,819,401	10,000,000	-	10,000,000
	<b>Total</b>	<b>96,509,547</b>	<b>262,984,960</b>	<b>87,034,170</b>	<b>175,950,790</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 **₦2,720,311,710.00**(Two billion,seven hundred and twenty million,three hundred and eleven thousand,seven hundred and tenNaira) during the year under review, but in the actual the sum of **₦831,827,120.00**(Eight hundred and thirty-one million,eight hundred and twenty-seven thousand,one hundred and twentyNaira) was realized. This represents 30.5% of the total budgeted amount. The details are shown below

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Transfer from CRF	563,290,350	1,720,311,710	114,406,858
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262
	<b>Total</b>	<b>806,147,493</b>	<b>2,720,311,710</b>	<b>831,827,120</b>

### 3.8 CAPITAL RECEIPTS (SURPLUS):

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

### 3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of **₦1,888,484,590.00**(One billion, eight hundred and eighty-eight million, four hundred and eighty-four thousand, five hundred and ninety Naira) was reported and it originated from the External Loans of the Local Government Council.

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)	Deficit 2018
1.	Transfer from CRF	563,290,350	1,720,311,710	114,406,858	1,605,904,852
2.	External Loans LGC	242,857,143	1,000,000,000	717,420,262	282,579,738
	<b>Total</b>	<b>806,147,493</b>	<b>2,720,311,710</b>	<b>831,827,120</b>	<b>1,888,484,590</b>



### 3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦2,720,311,710.00** (Two billion, seven hundred and twenty million, three hundred and eleven thousand, seven hundred and ten Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦815,406,229.00** (Eight hundred and fifteen million, four hundred and six thousand, two hundred and twenty-nine Naira). This represents 29.97% 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	110,600,000	74,314,362
2.	Economic Sector	382,756,895	850,000,000	569,542,765
3.	Social Services Sector	266,977,760	1,759,711,710	171,549,103
	<b>Total</b>	<b>774,182,219</b>	<b>2,720,311,710</b>	<b>815,406,229</b>

### 3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦1,904,905,480.00** (One billion,nine hundred and four million, nine hundred and five thousand, four hundred and eighty 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	110,600,000	74,314,362	36,285,638
2.	Economic Sector	382,756,895	850,000,000	569,542,765	280,457,235
3.	Social Services Sector	266,977,760	1,759,711,710	171,549,103	1,588,162,607
	<b>Total</b>	<b>774,182,219</b>	<b>2,720,311,710</b>	<b>815,406,229</b>	<b>1,904,905,480</b>

### 3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, no records of deficit were made in respect of capital expenditure.

	DESCRIPTION	ACTUAL 2017(₦)	ESTIMATED 2018 (₦)	ACTUAL 2018 (₦)	DEFICIT/SUPLUS 2018(₦)
1.	Primary Sch. Teachers Sal	227,484,500	300,000,000	234,475,345	65,524,655
2.	Training Funds	12,599,323	20,000,000	19,886,111	113,889
3.	Contribution to Emirate	66,304,603	90,487,000	99,430,556	(8,943,556)
4.	Contribution to Pension	59,142,857	70,000,600	86,478,571	(16,477,971)
5.	Common Services	26,521,841	40,000,000	39,772,223	227,777
6.	Agency for Mass Edu. Salary	64,220,532	75,000,000	64,220,532	10,779,468
	<b>Zasiec</b>		100,000,000		100,000,000
		<b>456,273,656</b>	<b>695,487,600</b>	<b>544,263,338</b>	<b>151,224,262</b>



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

The sum of **₦383,745,720.00** (Three hundred and eighty-three million, seven hundred and forty-five thousand, seven hundred and twenty Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦321,385,660.00** (Three hundred and twenty-one million, three hundred and eighty-five thousand, six hundred and sixty Naira) was expended. This resulted to a savings of **₦62,360,060.00** (Sixty-two million, three hundred and sixty thousand, sixty Naira).

### **3.14 OVERHEAD CHARGES:**

During the year under review the estimated overhead cost of the local government was **₦1,058,045,800.00** (One billion, fifty-eight million, forty-five thousand, eight hundred Naira). Whereas the actual expenditure for the year stood at **₦1,057,072,589.00** (One billion, fifty-seven million, forty-five thousand, five hundred and eighty-nine Naira), this resulted to a savings of **₦973,211.00** (Nine hundred seventy-three thousand, two hundred and eleven 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 **₦695,487,600.00** (Six hundred ninety-five million, four hundred and eighty-seven thousand, six hundred Naira) while the actual expenditure for the year stood at **₦544,263,338.00** (Five hundred and forty-four million, two hundred and sixty-three thousand, three hundred and thirty-eight Naira). This resulted to a savings of **₦151,224,262.00** (One hundred and fifty-one million, two hundred and twenty-four thousand, two hundred and sixty-two Naira).

The table below shows the full details: -



### **3.16 CRF CHARGES- PUBLIC DEBT CHARGE:**

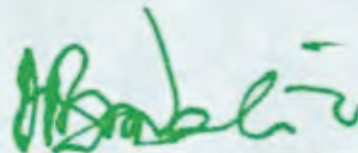
During the year under review the estimated Public debt charge of the local government was **₦151,884,960.00** (One hundred and fifty-one million, eight hundred and eighty-four thousand, nine hundred and sixty Naira). Whereas the actual expenditure for the year stood at **₦43,315,271.00** (Forty-three million, three hundred and fifteen thousand, two hundred and seventy-one Naira). This resulted to a savings of **₦108,569,689.00** (One hundred and eight million, five hundred and sixty-nine thousand, six hundred and eighty-nine 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)**



