

ZAMFARA STATE OF NIGERIA

Report

OF THE

AUDITOR - GENERAL



FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

GUMMI LOCAL GOVERNMENT

IN

ZAMFARA STATE

FOR THE

YEAR ENDED

31st December 2019

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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 2019 was submitted to this office on 20th August, 2020

1.3 PREVIOUS AUDITOR'S GENERAL REPORTS:

The previous year's . 2018 financial audit report was submitted to the Honorable House of Assembly on 6th November, 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.

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 UN APPROPRIATED REVENUE:

During the year under review it was observed that, the sum of ₦ **620,812,001** (Six hundred and twenty million, eight hundred and twelve thousand, one Naira) was received from Excess Paris club refund by the local government, but the revenue was not refereed for proper appropriation. It was expended without proper appropriation.

2.5 TRANSFER FROM OTHER GOVERNMENT AGENCIES:

During the year under review the sum ₦ **764,951,200** (Seven hundred and sixty -four million, nine hundred and fifty- one thousand, two Naira) was reported by the local government as transfer from Accountant General (MOF) FAAC Account and University Special project. Observation arising from this transfer revealed that, what the transfer is meant for has not been stated, weather it is loan to the local government or repayment of loan by the state government. More over this fund represent 30% of the total actual statutory allocation of the local government.

2.6 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. Only the monthly reconciliation with the bank statements was observed to be neglected.
- b. **Classification of revenues and expenditure in accordance with IPSAS codes :** According to what I observed, internally generated revenues of the local government and the statutory allocations were not captured in the cash books in accordance with IPSAS code classification. Equally, recurrent and capital expenditure of the local government surpass the same defect as that of revenue.
- 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. Local government staff salaries were posted in the cash books, but the payment vouchers were made not physically available for my scrutiny. For the year under review the sum ₦ **359,559,287** (Three hundred and fifty nine million, five hundred and fifty-nine thousand, two hundred and eighty-seven Naira) was paid as personnel cost by the local government.
- 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.

2.7

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 25 files were given approval from both the local Government and LGEA with consist of 17 voluntary/compulsory retirement and 8 death staff and the total benefits standing at **₦12,059,680.00(Twelve million, fifty-nine thousand, six hundred and eighty Naira)** Out of these amounts the sum of **₦8,875,162.00(Eight million, eight hundred and seventy-five thousand, one hundred and sixty-two Naira)** stood as total claims for 21 number local government staff while L G E A staff totaling to 4 number gulfed the sum of **₦ 3,184,518.00(Three million, one hundred and eighty-four thousand, five hundred and eighteen Naira)**

2.8

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 **₦1,332,857.00(One million, three hundred and thirty -two thousand eight hundred and fifty-seven Naira)** for the pension funds.

2.9

INVESTMENTS

As at 31st December, 2019 the investment value stood at **₦108,188,667.00(One hundred and eight million, one hundred and eighty-eight thousand, six hundred and sixty-sevonnaira)**. The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2018 (₦)	VALUE 2017 (₦)
1	Oceanic Bank	-	-
2	Kaduna Textile	-	-
3	CCNN Soot	748,006	748,006
4	SootCement Co.	-	-
5	SICL Communication	-	-
6	Ashaka Cement Co	-	-
7	NNPC Nig.	-	-
8	FSB International Bank	-	-
9	Bank Of the North	-	-
10	Zamfara Investment Co.	2,000,000	2,000,000
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
	TOTAL	108,188,667	108,188,667

2.10 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of **₦94,383,562.00** (Ninety-four million, three hundred and eighty-three thousand, five hundred and sixty-two 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 **₦2,200,689,080.00** (Two billion,two hundred million,six hundred and eighty-nine thousand, eighty Naira) **while** the actual collection for the year was **₦2,563,701,098.00.00**(Two billion,five hundred and sixty - threemillion,seven hundred and onethousand,ninety eight Naira). The actual revenue 116.5% of the total projected revenue. Also this can be seen as per table below:-

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Statutory Allocation	1,522,632,931.00	1,836,630,020	1,474,501,842
2.	VAT	351,683,324.00	360,897,940	403,374,070
3.	Excess Crude Oil	8,296,636.00	3,161,120	-
4.	Excess Paris Refund	1,022,250,200.00	-	620,812,001
5.	Non-Oil Revenue	156,939,758.00	-	65,013,183
	Total	3,061,802,849.00	2,200,689,080	2,563,701,098

3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, surplus of **₦720,310,314** (Seven hundred and twenty million, three hundred and ten thousand, three hundred and fourteen Naira) was recorded in respect of statutory receipt. Which represent 33.7% increase on estimated statutory allocation. The details is shown below :-

S/ N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Surplus 2019 (₦)
1.	Excess Paris Refund	1,022,250,200	-	620,812,001	620,812,001
2.	Vat	351,683,324	360,897,940	403,374,070	42,476,130
3.	Non-Oil Revenue	156,939,758	-	65,013,183	65,013,183
	Total	1,530,873,282	360,897,940	1,089,199,254	720,301,314

3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of **₦362,120,178.00** (Three hundred sixty-two million, one hundred and twenty thousand, one hundred and seventy-eight naira) was revealed as per statutory Allocation. This represents 19.7% shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Deficit 2019 (₦)
1.	Statutory Allocation	1,522,632,931	1,836,630,020	1,474,501,842	362,120,178
	Total	1,522,632,931	1,836,630,020	1,474,501,842	362,120,178

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦363,246,170.00** (Three hundred and sixty-three million, two hundred and for six thousand one hundred and seventy naira only) while the actual collection for the year was **₦197,085,000.00** (One hundred and ninety-seven million, eighty-fivethousand naira) The actual revenue represents 54% of the total projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Direct Taxes	50,454,060	3,250,000	35,523,120
2.	License	59,058,400	69,570,500	8,404,780
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	48,839,710	69,879,210	47,186,720
6.	Fines	-	12,550,400	15,329,060
7.	Sales	-	50,935,050	-
8.	Earnings	69,237,010	67,950,000	65,169,390
9.	Sales/Rent on Govt. Buildings	9,168,760	35,375,210	-
10.	Sales/Rent on Lands & Others	-	53,735,800	9,600,720
11.	Repayments-General	-	-	-
12.	Investment Income	-	-	-
13.	Interest Earned	-	-	8,500,050
14.	Re- imbursement/Misc	-	-	7,371,160
	Total	236,757,940	363,246,1710	197,085,000

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦50,922,990.00** (Fifty million, nine hundred and twenty-two thousand, nine hundred and ninety Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Surplus 2019 (₦)
1.	Direct Taxes	50,454,060	3,250,000	35,523,120	32,273,120
2.	Fines	-	12,550,400	15,329,060	2,778,660
3.	Interest Earned		-	8,500,050	8,500,050
4.	Re- imbursement/Misc			7,371,160	7,371,160
	Total	-	12,550,400	31,200,270	50,922,990

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦217,084,160.00** (Two hundred and seventeen million, eighty-four thousand, one hundred and sixty Naira) The table below give full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Deficit 2019 (₦)
1.	License	59,058,400	69,570,500	8,404,780	61,165,720
2.	Fees	48,839,710	69,879,210	47,186,720	22,692,490
3.	Sales	-	50,935,050	-	50,935,050
4.	Earnings	69,237,010	67,950,000	65,169,390	2,780,610
5.	Sales/Rent on Govt. Buildings	9,168,760	35,375,210	-	35,375,210
6.	Sales/Rent on Lands & Others	-	53,735,800	9,600,720	44,135,080
	Total	236,757,940	350,695,770	165,884,730	217,084,160

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 **₦1,756,353,180.00** (One billion, seven hundred and fifty-six million, three hundred and fifty-three thousand, one hundred and eighty Naira) during the year under review, but in the actual the sum of **₦1,469,367,025.00** (One billion, four hundred and sixty-nine million, three hundred and sixty-seven thousand, twenty-five Naira) was realized. This represents 83.6% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Transfer from CRF	(177,612,140)	756,353,180	1,469,367,025
2.	External Loans LGC	717,420,262	1,000,000,000	-
	Total	539,808,122	1,756,353,180	1,469,367,025

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review, a surplus of **N713,013,843** (Seven hundred and thirteen million, thirteen thousand, eight hundred and forty-five Naira) was recorded in respect of capital receipt by the local government. The surplus was emanated from transfer from consolidated revenue fund

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of **₦1,000,000,000.00** (One billion Naira) was reported and it was originated from External loans

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦1,756,353,180.00** (One billion, seven hundred and fifty - six million, three hundred and fifty - three thousand, one hundred and eighty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦1,340,706,443.00** (One billion, three hundred and forty million, seven hundred and six thousand, four hundred and forty-three Naira). This represents 76% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Administrative Sector	46,768,689	617,521,270	348,922,319
2.	Economic Sector	302,835,184	578,831,910	256,133,529
3.	Social Services Sector	177,969,103	560,000,000	735,650,594
	Total	527,572,976	1,756,353,180	1,340,706,443

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **N591,297,332.00** (Five hundred and ninety-one million, two hundred and ninety-seven thousand, three hundred and thirty-two Naira) was revealed two sectors as shown in the table below: -

S/ N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Savings 2019 (₦)
1.	Administrative Sector	46,768,689	617,521,270	348,922,319	268,598,951
2.	Economic Sector	302,835,184	578,831,910	256,133,529	322,698,381
	Total	767,013,553.00	1,196,353,180	605,055,848	591,297,332

3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, a deficit of **N 175,650,594** (One hundred and seventy-five million, six hundred and fifty thousand, five hundred and ninety-four Naira) was made in respect of capital expenditure, which emanate from Social services sector.

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

The sum of **₦502,214,310.00** (Five hundred and two million, two hundred and fourteen thousand three hundred and ten Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦376,238,913.00** (Three hundred and seventy-six million, two hundred and thirty-eight thousand, nine hundred and thirteen Naira) was paid to 1,527 staff of the local government and its ADC. This resulted to a savings of **₦125,975,397.00** (One hundred and twenty-five million nine hundred and seventy-five thousand, three hundred and ninety-seven Naira).

3.14**OVERHEAD CHARGES:**

During the year under review the estimated overhead cost of the local government was **₦543,810,030.00** (Five hundred and forty-three million, eight hundred and ten thousand, thirty Naira). Whereas the actual expenditure for the year stood at **₦593,009,195.00** (Five hundred and ninety-three million, nine thousand, one hundred and ninety-five Naira), this resulted to a deficit of **₦49,199,165.00** (Forty-nine million one hundred and ninety-ninethousand, one hundred and sixty-five 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 **₦500,865,040** (Five million, eight hundred and six-fifty thousand, forty Naira) while the actual expenditure for the year stood at **₦536,779,837** (Five hundred and thirty-six million, seven hundred and seventy-nine thousand, eight hundred and thirty-seven Naira). This resulted to a deficit of **₦35,914,797** (Thirty-five million, nine hundred and fourteen thousand, seven hundred and ninety-seven Naira).

The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2018 (₦)	ESTIMATED 2019 (₦)	ACTUAL 2019 (₦)	DEFICIT/SAVINGS 2019 (₦)
1.	Primary Sch. Teachers Sal	196,034,736	210,580,370	224,254,895	(13,674,525)
2.	Training Funds	15,226,329	5,321,210	14,745,018	(9,423,808)
3.	Contribution to Emirate	76,131,647	38,287,910	73,725,092	(35,437,182)
4.	Contribution to Pension	86,478,571	64,003,450	85,714,286	(21,710,836)
5.	Common Services	30,452,658	15,810,950	29,490,037	(13,679,087)
6.	Agency for Mass Edu. Salary	26,673,504	27,861,150	28,748,462	(887,312)
7.	Zasic Contri.		103,000,000	65,102,047	37,897,953
8.	Contribution to Emirate Security		36,000,000	15,000,000	21,000,000
	TOTAL	411,714,147	500,865,040	536,779,837	(35,914,797)

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦97,262,935.00 (Ninety-seven million,twohundred and sixty-two thousand,ninehundred and thirty-five Naira).Whereas the actual expenditure for the year stood at ₦107,359,350.00 (One hundred and seven million, three hundred and fifty-ninethousand, threehundred and fifty Naira). This resulted to a deficit of ₦10,096,415.00 (Ten million,ninety-six thousand,fourhundred 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 Public Accounts committee of state house of assembly for their co-operation and show of interest especially on 2018 report send to the committee by this office. I also acknowledge with gratitude the co-operation given to this office by the Chief Executive and Accounting Officers of the local government and the supervising ministry i.e Ministry for Local Governments and community development.



ABUBAKAR DANMALIKI CNA
AUDITOR GENERAL
LOCAL GOVERNMENTS)

