

ZAMFARA STATE OF NIGERIA

Report

OF THE

AUDITOR - GENERAL



FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

GUSAU 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 Samara 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, financial year 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 **N703,837,318** (Seven hundred and three million, eight hundred and thirty-seven thousand, three hundred and eighteen 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 **N1,204,231,053** (One billion, two hundred and four million, two hundred and thirty -one thousand, fifty -three 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 as the cash book is characterized by little cancellations and alterations. Moreover the cash books were not balanced and closed at the end of every month. Additionally bank reconciliation between the cash book and bank statement has never been carried out throughout the year this local government.
- b. **NonClassification 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. It was observed that, there was a mixed up in the codification of revenue and expenditure, sometimes old method of Head and Sub head is use while sometime IPSAS codes are used for recording of income and expenditure in the cash book and other books of account, despite the fact that the local government budget was prepared according to IPSAS approved format.
- 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 not made physically available for my scrutiny. For the year under review the sum N **597,162,881** (Five hundred and ninety -seven million, one hundred and sixty-two thousand, eight hundred and eighty -one 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 39 files were approved from both the local Government and LGEA which consist of 25 voluntary/compulsory retirement and 14 death staff with their total benefits standing at **₦40,730,903 (Forty million, seven hundred and thirty thousand, nine hundred and three Naira)**. Out of these amounts the sum of **₦18,778,175 (Eighteen million, seven hundred and seventy-eight thousand, one hundred and seventy-five Naira)** stood as total claims for 20 number local government staff while LGEA staff totaling to 19 number gulfed the sum of **₦21,952,728 (Twenty-one million, nine hundred and fifty-two thousand, seven hundred and twenty-eight 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 **₦4,095,696.00 (Four million, ninety-five thousand, six hundred and ninety-six Naira)** for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2019 the investment value stood at **₦92,561,986.00** (Ninety-two million, five hundred and sixty-onethousand, nine hundred and eighty-sixnaira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2019 (₦)	VALUE 2018 (₦)
1	Gamin Bank	125,000	125,000
2	Soot Investment Co. Ltd	500,000	500,000
3	CCNN Soot	200,000	200,000
4	Soot Cooperative Bank	100,000	100,000
5	Gusau Community Bank	100,000	100,000
6	Zamfara Investment Co.	499,760	2,000,000
7	Urban Dev. Bank Plc		-
8	FSB International Bank	-	-
9	Unity Bank (BON)	91,645	91,645
10	Zamfara Fertilizer Co.	2,000,000	1,000,000
11	T/Mafara Bricks B. Ind.	1,000,000	499,760
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

2.10 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 **₦3,332,333,710.00**(Three billion, three hundred and thirty-two million, three hundred and thirty-three thousand, seven hundred and ten Naira) **while** the actual collection for the year was **₦3,987,807,062.00**(Three billion, nine hundredeighty-seven million, eight hundred and seven thousand, sixty-two Naira). The actual revenue represents almost 120% of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Statutory Allocation	2,657,142,903	2,767,210,570	2,321,247,296
2.	VAT	553,640,518	560,146,720	586,893,527
3.	Excess Crude Oil	-	13,061,051	-
4.	Excess Paris Refund	1,609,286,231	-	977,318,670
5.	Non- Oil Revenue		247,063,773	103,347,569
	Total	4,820,069,652	3,332,333,710	3,987,807,062

3.2

STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of **₦1,004,065,477** (One billion, four million,sixty-five thousand,four hundred and seventy-sevenNaira) was revealed and it represent30% rise on the projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Surplus 2018(₦)
1.	VAT	553,640,518	560,146,720	586,893,527	26,746,807
2.	Excess Paris Refund	1,609,286,231	-	977,318,670	977,318,670
	Total	2,162,926,749	560,146,720	1,564,212,197	1,004,065,477

3.3

STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of **₦589,679,478**(Five hundred and eighty-nine million, six hundred and seventy-nine thousand, four hundred and seventy-eight Naira) was revealed as per statutory receipts. This represents 17.6% shortage of the projected statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Deficit 2019 (₦)
1,	Statutory Allocation	2,657,142,903	2,767,210,570	2,321,247,296	445,963,274
	Non- Oil Revenue		247,063,773	103,347,569	143,716,204
	Total	2,657,142,903	3,014,274,343	2,424,594,865	589,679,478

3.4

INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦242,346,940** (Two hundred and forty-two million, three hundred and forty-six thousand, nine hundred and forty Naira) **while** the actual collection was **₦52,246,710.00**(Forty-two million, two hundred and forty-six thousand, seven hundred and ten Naira)The actual revenue represents almost 0.22% of the projected revenue.

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Direct Taxes	-	47,600,000	16,700,000
2.	License	144,358,334	48,930,000	4,021,230
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	40,416,870	29,580,000	4,360,000
6.	Fines	-	-	5,000
7.	Sales	-	11,046,940	-
8.	Earnings	149,276,294	60,190,000	27,160,480
9.	Sales/Rent on Govt. Buildings	66,482,318	21,000,000	-
10.	Sales/Rent on Lands &Others	-	-	-
11.	Investment Income	-	10,000,000	-
	Total	400,533,817	242,346,940	52,246,710

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue did not revealed any Surplus

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦134,058,290.00** (One hundred and thirty-four million,fifty-eight thousand,two hundred and ninety Naira). The table below give fulldetails: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Deficit 2019 (₦)
1.	Direct Taxes	-	47,600,000	16,700,000	30,900,000
2.	License	144,358,334	48,930,000	4,021,230	44,908,770
3.	Fees	40,416,870	29,580,000	4,360,000	25,220,000
4.	Earnings	149,276,294	60,190,000	27,160,480	33,029,520
	Total	256,175,482	186,300,000	52,241,710	134,058,290

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 **₦1,847,308,210**(One billion,eight hundred and forty-seven million, three hundred and eight thousand,two hundred and tenNaira) during the year under review, but in the actual the sum of **₦2,341,724,550.00**(Two billion, three hundred and forty-one million,seven hundred and twenty-four thousand,five hundred and fiftyNaira) was realized. This represents 126.7% of the total budget amount. The details are shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Transfer from CRF	(101,262,697)	847,308,210	2,341,724,550
2.	External Loans LGC	717,420,262	1,000,000,000	-
	Total	616,157,566	1,847,308,210	2,341,724,550

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review, a surplus of N 1,494,416,340 (One billion, four hundred and ninety -four million, four hundred and sixteen thousand, three hundred and forty Naira) was made in respect of capital receipt by the local government. It was originated from Transfer from consolidated revenue fund.

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of N1,000,000,000.00 (One billion Naira) was reported by the Local Government .

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of N1,847,308,210 (One billion, eight hundred and forty -seven million, three hundred and eight thousand, two hundred and ten Naira) was budgeted, while on the actual the capital expenditure of the local government stood at N2,162,672,708.00 (Two billion, one hundred and sixty-two million, six hundred and seventy-two thousand, seven hundred and eight Naira). This represents 117 % of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2018 (N)	Estimate 2019(N)	Actual 2019 (N)
1.	Administrative Sector	44,818,389	623,657,140	408,262,319
2.	Economic Sector	347,760,802	434,655,150	344,347,716
3.	Social Sector	205,163,388	788,995,920	1,410,062,672
	Total	597,742,579	1,847,308,210	2,162,672,708

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of N 305,702,255.00 (Three hundred and five million, seven hundred and two thousand, two hundred and fifty-five Naira) was revealed two sectors as shown in the table below:-

S/N	DESCRIPTION	Actual 2018 (N)	Estimate 2019(N)	Actual 2019 (N)	Savings 2019 (N)
1.	Administrative Sector	44,818,389	623,657,140	408,262,319	215,394,821
2.	Economic Sector	347,760,802	434,655,150	344,347,716	90,307,434
	Total	392,579,191	1,058,312,290	752,610,035	305,702,255

3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, a deficit of N **621,066,752** (Six hundred and twenty-one million, sixty -six thousand, seven hundred and fifty -two Naira) were made in respect of capital expenditure.

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

The sum of **₦855,772,500.00**(Eight hundred and fifty-five million, seven hundred and seventy-two thousand, five hundred and Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦722,302,071**(Seven hundred and twenty-two million, three hundred and two thousand, seventy-one Naira) was paid to **3,048** staff of the local government and its ADCs. This resulted to a savings of **₦133,470,429.00**(One hundred and thirty -three million, four hundred and seventy thousand, four hundred and twenty-nine Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦694,040,000.00**(Six hundred and ninety-four million, forty thousand Naira). Whereas the actual expenditure for the year stood at **₦655,256,810.00**(Six hundred and fifty -five million, two hundred and fifty-six thousand, eight hundred and ten Naira), this resulted to a saving of **₦38,783,190.00**(Thirty-eight million, seven hundred and eighty-three thousand, one hundred and ninety Naira)

3.15

CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue for the year under review of this Local Government was **₦762,781,130**(Seven hundred and sixty-two million, seven hundred and eighty-one thousand, one hundred and thirty Naira) while the actual expenditure for the year stood at **₦785,590,665** (Seven hundred and eighty-five million, five hundred and ninety thousand, six hundred and sixty-fiveNaira). This resulted to a deficit of **₦22,809,535.00**(Twenty-two million, eight hundred and nine thousand, five hundred and thirty-fiveNaira).

The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2018 (₦)	ESTIMATED 2019 (₦)	ACTUAL 2019 (₦)	DEFICIT/SAVIN GS 2019(₦)
1.	Primary Sch. Teachers Sal	294,439,448	301,702,360	342,684,076	(40,981,716)
2.	Training Funds	23,970,181	24,717,950	23,212,473	1,505,477
3.	Contribution to Emirate	119,850,903	92,790,150	116,062,365	(23,272,215)
4.	Contribution to Pension	86,478,571	68,571,420	85,714,286	(17,142,866)
5.	Common Services	47,940,362	43,834,370	46,424,946	(2,590,576)
6.	Agency for Mass Edu. Salary	85,164,876	95,164,880	91,390,473	3,774,407
7.	Contri. To Emirate Security		36,000,000	15,000,000	21,000,000
	Zasiec	-	100,000,000	65,102,047	34,897,953
	Total	657,864,341	762,781,130	785,590,665	(22,809,535)

3.16

CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦144,927,040**(One hundred and forty-four million,nine hundred and twenty-seven thousand, forty Naira).

Whereas the actual expenditure for the year stood at **₦121,423,384.00**(One hundred twenty-one million, four hundred and twenty-three thousand, three hundred and eighty-fourNaira). This resulted to a savings of **₦23,503,656.00** (Twenty-three million, five hundred and three thousand,six hundred and fifty-sixNaira).

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)**

