

ZAMFARA STATE OF NIGERIA

Report

OF THE

AUDITOR - GENERAL



FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

KAURA NAMODA 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, 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 ₦ 742,231,129 (Seven hundred and forty -two million, two hundred and thirty-one thousand, one hundred and twenty- nine Naira) which represent 24% of actual statutory allocation, 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 ₦914,561,240 (Nine hundred and fourteen million, five hundred and sixty- one thousand, two hundred and forty 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 poorly maintained as the cash book sare characterized by a lot of 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:** A significant number of payment vouchers were observed to have not been presented for my examination; this had resulted into a staggering sum of **₦242,332,102.00**(Two hundred and forty-two million, three hundred and thirty-two thousand, one hundred and two Naira) standing as outstanding payment vouchers i.e. payments whose evidences could not be ascertained. In addition to that all the salary payment vouchers of the local government were observed to be outstanding. Efforts made by my office to have them examined proved abortive.

2.6 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 15 files were approved from both the local Government and LGEA which consist of 9 voluntary/compulsory retirement and 6 death staff with their total benefits standing at **₦15,649,700(Fifteen million, six hundred and forty -nine thousand, seven hundred Naira)**. Out of these amounts the sum of **₦6,819,308(Six million, eight hundred and nineteen thousand, three hundred and eight Naira)** stood as total claims for 10 number local government staff while L G E A staff totaling to 5 number gulfed the sum of **₦8,830,392(Eight million, eight hundred and thirty thousand, three hundred and ninety-two Naira)**.

2.7 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, this office was able to save the sum **₦3,208,850.00(Three million, two hundred and eight thousand, eight hundred and fifty naira)** for the pension funds.

2.8 INVESTMENTS:

As at 31st December, 2019 the investment value stood at **₦118,853,631.00(One hundred and eighteen million, eight and fifty-three thousand, six hundred and thirty -onenaira)**. The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2019(₦)	VALUE 2018 (₦)
1	Gamji Bank	80,211	80,211
2	Fertilizer company	2,000,000	2,000,000
3	Kaduna Textile	750,000	-
4	CCNN Sokoto	-	-
5	Sokoto Investment Co.	500,000	500,000
6	SICL Communication	-	-
7	Ashaka Cement Co	750,000	750,000
8	NNPC Nig.	-	-
9	FSB International Bank	-	-
10	Bank Of the North	-	-
11	Micro Finance Bank	26,291,645	5,178,329
12	T/Mafara Bricks B. Ind.	1,833,000	1,833,000
13	Intercontinental Bank	1,350,000	1,350,000
14	Bright way Solid Min. Dev. Co	86,720,581	86,720,581
	TOTAL	118,853,631	118,853,631

2.9 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 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) was **₦2,588,829,520** (Two billion five hundred and eighty-eight million eight hundred and twenty-nine thousand five hundred and twenty Naira) **while** the actual collection for the year was **₦3,064,280,682** (Three billion, sixty-four million,two hundred and eighty thousand, six hundred and eighty-twoNaira). The actual revenue represents almost 118.3 % of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Statutory Allocation	2,017,984,757	2,153,567,370	1,762,886,616
2.	VAT	420,465,955	431,482,780	481,434,399
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	1,222,183,075	-	742,231,129
5.	Non-Oil Revenue			77,728,538
	Total	3,660,633,787	2,588,829,520	3,064,280,682

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **₦770,008,048.00** (Seven hundred and seventy million, eight thousand, forty-eight Naira) was revealed and it represent 30% rise on the projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018 (₦)	Actual 2018 (₦)	Surplus 2018(₦)
1.	VAT	420,465,955	431,482,780	481,434,399	49,951,619
2.	Excess Paris Refund	1,222,183,075	-	742,231,129	742,231,129
3.	Non-Oil Revenue			77,728,538	77,728,538
	Total	1,642,649,030	431,482,780	1,301,394,066	770,008,048

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review only one heads revealed a deficit of **₦390,680,754.00**(Three hundred and ninety million six hundred and eighty thousand,seven hundred and fift y-fourNaira). This represents 15% shortage of the projected revenue as shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Deficit 2019 (₦)
1.	Statutory Allocation	2,017,984,757	2,153,567,370	1,762,886,616	390,680,754
	Total	2,017,984,757	2,153,567,370	1,762,886,616	390,680,754

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦227,800,010** (Two hundred and twenty-seven million, eight hundred, ten Naira) **while** the actual collection was **₦180,300,000** (One hundred and eighty million, three hundred thousand, Naira). The actual revenue represents almost 79 % of the projected revenue.

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Direct Taxes	10,000	-	5,100,000
2.	License		30,250,000	11,000,000
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	-	3,700,000	-
6.	Fines	-	-	1,400,000
7.	Sales	-	18,000,000	-
8.	Earnings	226,934,140	154,850,010	153,500,000
9.	Sales/Rent on Govt. Buildings	1,137,000	21,000,000	9,300,000
10.	Sales/Rent on Lands & Others			
11.	Investment Income	-	-	-
	Total	228,081,140	227,800,010	180,300,000

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, only two heads of independent revenue revealed a Surplus of **₦6,500,000.00** (Six million, five hundred thousand Naira). The details are shown in the table below : -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019(₦)	Surplus 2019 (₦)
1.	Direct Taxes	10,000	-	5,100,000	5,100,000
2.	Fines	-	-	1,400,000	1,400,000
	Total	10,000	-	6,500,000	6,500,000

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, three heads of independent revenue revealed a Deficit of **₦54,000,050** (Fifty-four million,fifty Naira). The table below give fulldetails: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Deficit 2019 (₦)
1.	Licenses	-	30,250,000	11,000,000	19,250,000
2.	Fees	-	3,700,000	-	3,700,000
3.	Sales	-	18,000,000	-	18,000,000
4.	Earnings	226,934,140	154,850,010	153,500,000	1,350,010
5.	Sales/Rent on Govt. Buildings	1,137,000	21,000,000	9,300,000	11,700,00
	Total	228,071,140	227,800,050	173,800,00	54,000,050

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 **₦2,072,153,000**(Two billion, s eventy-two thousand, one hundred and fifty-three thousand, Naira)during the year under review, but in the actual the sum of **₦1,954,089,182** (One billion, nine hundred and fifty-four million, eighty-nine thousand, one hundred and eighty-twoNaira) was realized. This represents94% of the total budget amount. The details are shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Transfer from CRF	164,667,657	1,072,153,000	1,954,089,182
2.	External Loans LGC	717,420,262	1,000,000,000	-
	Total	882,087,919	2,072,153,000	1,954,089,182

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review a surplus of ₦ **881,936,182**(Eight hundred and eighty-one million, nine hundred and thirty-six thousand, one hundred and eighty -two Naira) was recorded in respect of capital receipt of this Local Government. The surplus originated 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 recorded by the Local Government. The deficit was originated from External loans of local government.

3.10 CAPITAL EXPENDITURE:

According to Director of Finance 's report for the year the sum of ₦**2,072,153,000** (Two billion, seventy-two thousand, one hundred and fifty-three thousand, Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦**1,807,228,625.00**(One billion, eight hundred and seven million, two hundred and twenty-eight thousand, six hundred and twenty-five Naira). This represents 87.2% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Administrative Sector	44,818,422	804,777,420	348,062,319
2.	Economic Sector	649,630,353	622,375,580	286,177,539
3.	Social Sector	171,549,103	645,000,000	1,172,988,767
	Total	865,997,878	2,072,153,000	1,807,228,625

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of N **792,913,142** (Seven hundred and ninety-two million,nine hundred and thirteen thousand,one hundred and forty-two Naira)was revealed as shown in the table below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Savings 2019(₦)
1.	Administrative Sector	44,818,422	804,777,420	348,062,319	456,715,101
2.	Economic Sector	649,630,353	622,375,580	286,177,539	336,198,041
	Total	694,448,775	1,427,153,000	643,239,858	792,913,142

3.12 CAPITAL EXPENDITURE (DEFICIT):

For the year under review, a deficit of N **527,988,767** (Five hundred and twenty -seven million, nine hundred and eighty -eight thousand, seven hundred and sixty-seven Naira) were made in respect of capitalexpenditure.

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

The sum of **₦375,332,700.00** (Three hundred and seventy-five million,three hundred and thirty-two thousand,seven hundred Naira)was budgeted by this local government as personal cost for the year. While in the actual only the sum of **₦394,905,046** (Three hundred and ninety-four million, nine hundred and fivethousand, forty-sixNaira)was paid to **1,316** staff of the local government and its ADCs. This resulted to a deficitof **₦19,572,346**(Nineteen million, five hundred and seventy-two thousand, three hundred and forty-sixNaira).

3.14**OVERHEAD CHARGES:**

During the year under review the estimated overhead cost of the local government was **₦540,906,900** (Five hundred and forty million, nine hundred and six thousand, nine hundred Naira). Whereas the actual expenditure for the year stood at **₦590,538,083** (Five hundred and ninety million, five hundred and thirty eight thousand, eighty three Naira), this resulted to a deficit of **₦ 49,631,183** (Forty nine million - six hundred and thirty - one thousand, one hundred and eighty - three Naira)

3.15**CONSOLIDATED REVENUE FUND CHARGES**

The budgeted figure of consolidated revenue for the year under review of this Local Government was **₦569,903,590** (Five hundred and sixty - nine million, nine hundred and three thousand, five hundred ninety Naira) while the actual expenditure for the year stood at **₦609,962,172** (Six hundred and nine million, nine hundred and sixty - two thousand, one hundred and seventy - two Naira). This resulted to a deficit of **₦40,058,582** (Forty million, fifty - eight thousand, five hundred and eighty - two 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	238,537,451	240,537,450	264,090,277	(23,552,827)
2.	Training Funds	18,204,312	12,224,260	17,628,866	(5,404,606)
3.	Contribution to Emirate	91,021,562	61,118,310	88,144,331	(27,026,021)
4.	Contribution to Pension	86,478,571	60,285,710	85,714,286	(25,426,576)
5.	Common Services	36,408,625	22,448,540	35,257,732	(12,809,192)
6.	Agency for Mass Edu. Salary	36,289,320	37,289,320	39,024,632	(1,735,312)
	Contri. To Emirate Secu.		36,000,000	15,000,000	21,000,000
	Zasiec	-	100,000,000	65,102,047	34,897,953

3.16 CRF CHARGES-PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦85,000,000.00** (Eighty-fivemillion Naira). Whereas the actual expenditure for the year stood at **₦102,153,820** (One hundred and two million, one hundred and fifty-three thousand, eight hundred and twenty Naira). This resulted to a deficit of **₦17,153,820** (Seventeenmillion, one hundred and fifty-three thousand, eight hundred and twentyNaira).

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)

