

ZAMFARA STATE OF NIGERIA

Report

OF THE

AUDITOR - GENERAL



FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

SHINKAFI 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 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

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 **N 599,942,904** (Five hundred and ninety -nine million, nine hundred and forty -two thousand, nine hundred and four Naira) which represent 24.4% of actual statutory allocation, was received from Excess Paris club refund by the local government, but the revenue was not refereed for p roper appropriation. It was expended without proper appropriation.

2.5 TRANSFER FROM OTHER GOVERNMENT AGENCIES:

During the year under review the sum **N739,236,748** (Seven hundred and thirty -nine million, two hundred and thirty -six thousand, seven hundred and forty -eight 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, the cash books are free from cancellations and alterations. Only that the cash books were not balanced and closed at the end of every month. Additionally bank reconciliation between the cash books and bank statements has never been carried out throughout the year by 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 **340,354,795** (Three hundred and forty million, three hundred and fifty-four thousand, seven hundred and ninety -five Naira) was paid as personnel cost by the local government. 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.

2.7

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 43files were approved from both the local Government and LGEA which consist of 32 voluntary/compulsory retirement and 11 death staff with their total benefits standing at **₦16,751,407 (Sixteen million, seven hundred and fifty - one thousand, four hundred and seven Naira)**. Out of these amounts the sum of **₦ 8,601,849 (Eight million, six hundred and one thousand, eight hundred and forty-nine Naira)** stood as total claims for 30 number local government staff while L G E A staff totaling to 13 number gulfed the sum of **₦8,149,558(Eight million, one hundred and forty-nine thousand, five hundred and fifty-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 **₦19,104,208(Nineteen million,one hundred and four thousand,two hundred and eight Naira)** for the pension funds.

2.9

INVESTMENTS:

As at 31st December, 2019 the investment value stood at **₦113,012,226.00(One hundred and thirteen million, twelve thousand, two hundred and twenty-six naira)**. The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2019(₦)	VALUE 2018 (₦)
1	Gamji Bank	56,250	56,250
2	Kaduna Textile	-	-
3	Sokoto Investment Co.	22,500	22,500
4	Sokoto Mortgage	294,827	294,827
5	Micro finance Bank	26,291,645	26,291,645
6	Ashaka Cement Co	1,825,200	1,825,200
7	Urban Dev. Bank Plc	225,000	225,000
8	FSB International Bank	340,800	340,800
9	Unity Bank (BON)	82,480	82,480
10	Fertilizer Blending Co.	1,500,000	1,500,000
11	T/Mafara Bricks B. Ind.	1,000,000	1,000,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	86,720,581	86,720,581
		113,012,226	113,012,226

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 **₦2,133,976,850**(Two billion,one hundred and thirty-three million,nine hundred and seventy-six thousand,eight hundred and fifty Naira) **while** the actual collection for the year was **₦2,457,938,292**(Two billion,four hundred and fifty-seven million,nine hundred and thirty-eight thousand,two hundred and ninety-twoNaira). The actual revenue represents almost 115% of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2017 (₦)	Estimate 2018(₦)	Actual 2018 (₦)
1.	Statutory Allocation	1,631,130,233	1,782,155,930	1,424,935,272
2.	VAT	339,861,205	348,766,070	370,232,403
3.	Excess Crude Oil		3,054,850	
4.	Excess Paris Refund	987,886,433	-	599,942,904
5.	Non-oil Revenue			62,827,713
	Total	2,958,877,871	2,133,976,850	2,457,938,292

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **₦684,236,950** (Six hundred and eighty-four million, two hundred and thirty-six thousand, nine hundred and fifty Naira) was revealed and it represent 2.28% rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Surplus 2019(₦)
1.	VAT	339,861,205	348,766,070	370,232,403	21,466,333
	Excess Paris Refund	987,886,433	-	599,942,904	599,942,904
	Non-oil Revenue			62,827,713	62,827,713
	Total	1,327,747,638	348,766,070	1,033,003,020	684,236,950

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of **₦65,454,352.00**(Sixty-five million, four hundred fifty-four thousand, three hundred and fifty-two Naira) was revealed as per statutory receipts. This represents 2.21% shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Deficit 2019(₦)
1.	Statutory Allocation	1,631,130,233	1,782,155,930	1,424,935,272	357,220,658
2	Excess Crude Oil		3,054,850		3,054,850
	Total	1,418,903,043	1,785,210,780	1,424,935,272	360,275,508

3.4

INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦169,459,390** (One hundred and sixty-nine million, four hundred and fifty-nine thousand, three hundred and ninety Naira) **while** the actual collection was **₦143,458,443** (One hundred and forty -three million, four hundred and fifty-eight thousand, four hundred and forty-three Naira) The actual revenue represents almost 84.5% of the projected revenue.

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Direct Taxes	57,847,173	52,800,000	43,270,232
2.	License	31,770,941	-	24,089,210
3.	Mining Rents			
4.	Royalties			
5.	Fees	23,180,191	48,400,000	5,005,000
6.	Fines		4,000,000	410,100
7.	Sales		8,260,000	
8.	Earnings	129,064,127	49,999,390	70,683,901
9.	Sales/Rent on Govt. Buildings		6,000,000	
10.	Sales/Rent on L ands & Others			
11.	Investment Income			
12.	Interest Earned			
	Total	241,862,431	169,459,390	143,458,443

3.5

INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦44,773,721** (Forty-four million, seven hundred and seventy-three thousand, seven hundred and twenty-one Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Surplus 2019 (₦)
1.	License	31,770,941	-	24,089,210	24,089,210
2.	Earnings	129,064,127	49,999,390	70,683,901	20,684,511
	Total	217,080,290	49,999,390	94,773,111	44,773,721

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦64,774,668**(Sixty-four million, seven hundred and seventy-four thousand, six hundred sixty-eight Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Deficit 2019 (₦)
1.	Direct Taxes	57,847,173	52,800,000	43,270,232	9,529,768
2.	Fees	23,180,191	48,400,000	5,005,000	43,395,000
3.	Fines		4,000,000	410,100	3,589,900
5.	Sales		8,260,000		8,260,000
	Total	355,762,177	113,460,000	48,685,332	64,774,668

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 **₦1,704,071,760**(One billion,seven hundred and four million,seventy-one thousand,seven hundred and sixty Naira) during the year under review, but in the actual the sum of **₦1,421,229,790** (One billion, four hundred and twenty-one million,two hundred and twenty-nine thousand,seven hundred and ninety Naira) was realized. This represents 83% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Transfer from CRF	(34,525,689)	704,071,760	1,421,229,790
2.	External Loans LGC	717,420,262	1,000,000,000	-
	Total	682,894,573	1,704,071,760	1,421,229,790

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review, a surplus of **N 717,158,030** (Seven hundred and seventeen million, one hundred and fifty-eight thousand, thirty Naira) was made in respect of capital receipt by the 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**(One billion) was reported by the Local Government Council. The origin of this deficit is from External loans of the local government.

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦1,704,071,760**(One billion, seven hundred and four million, seventy-one thousand, seven hundred and sixty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦1,288,852,100** (One billion, two hundred and eighty-eight million, eight hundred and fifty-two thousand, one hundred and Naira). This represents 75.6% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Administrative Sector	44,818,389	663,978,170	348,851,219
2.	Economic Sector	453,917,622	576,000,000	250,969,670
3.	Social Services Sector	171,549,103	464,093,590	689,031,211
	Total	670,285,113	1,704,071,760	1,288,852,100

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **N 1,526,742,726.00**(One billion, five hundred and twenty-six million, seven hundred and forty-two thousand, seven hundred and twenty-six Naira) was revealed in two sectors as shown in the table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Savings 2019 (₦)
1.	Administrative Sector	44,818,389	663,978,170	348,851,219	315,126,951
2.	Economic Sector	453,917,622	576,000,000	250,969,670	325,030,330
	Total	498,736,011	1,239,978,170	599,820,889	640,157,281

3.12 **CAPITAL EXPENDITURE (DEFICIT):**

For the year under review, a deficit **N 224,937,621** (Two hundred and twenty-four thousand, nine hundred and thirty -seven thousand, six hundred and twenty -one Naira) was recorded as per Capital expenditure by the local government.

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

The sum of **₦339,523,570** (Three hundred and thirty-nine million, five hundred and twenty-three thousand, five hundred and seventy Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦331,421,457** (Three hundred and thirty-one million, four hundred and twenty -one thousand, four hundred and fifty-seven Naira) was paid to **1,140** staff of the local government. This resulted to a savings of **N8,102,113** (Eight million, one hundred and two thousand, one hundred and thirteen Naira).

3.14 **OVERHEAD CHARGES:**

During the year under review the estimated overhead cost of the local government was **₦478,350,000** (Four hundred and seventy-eight million, three hundred and fifty thousand Naira). Whereas the actual expenditure for the year stood at **₦527,088,900** (Five hundred and twenty-seven million, eighty-eight thousand, nine hundred Naira), this resulted to a deficit of **N48,738,900** (Forty-eight million, seven hundred and thirty-seven thousand, nine hundred and 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 **₦511,157,570**(Five hundred and eleven million, one hundred and fifty-seven thousand, five hundred and seventy Naira) while the actual expenditure for the year stood at **₦521,781,043** (Five hundred and twenty-one million, seven hundred and eighty-one thousand, forty-three Naira). This resulted to a savings of **₦10,623,473**(Ten million, six hundred and twenty-three thousand, four hundred and seventy-three Naira).

The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2017 (₦)	ESTIMATED 2018 (₦)	ACTUAL 2018 (₦)	DEFICIT/SURPLUS 2018(₦)
1.	Primary Sch. Teachers Sal	211,610,493	230,610,490	212,390,589	18,219,901
2.	Training Funds	14,714,484	3,300,000	14,249,353	(10,949,353)
3.	Contribution to Emirate	73,572,420	36,480,000	71,246,764	(34,766,764)
4.	Contribution to Pension	86,478,571	60,414,310	85,714,286	(25,299,976)
5.	Common Services	29,428,968	17,892,390	28,498,705	(10,606,315)
6.	Agency for Mass Edu. Salary	26,633,436	26,460,380	28,716,951	(2,256,571)
7.	Contr to Emirate security		36,000,000	15,862,349	20,137,651
	Zasiec		100,000,000	65,102,047	34,897,953
	Total	442,438,372	511,157,570	521,781,043	(10,623,473)

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦116,000,000**(One hundred and sixteen million Naira). Whereas the actual expenditure for the year stood at **₦23,843,586.00**(Twenty-three million, eight hundred and forty-three thousand, five hundred and eighty-six Naira). This resulted to a savings of **₦92,156,414.00**(Ninety-two million, one hundred and fifty-six thousand, four hundred 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)

