

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 2019

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OFFICE OF THE AUDITOR GENERAL FOR LOCAL GOVERNMENTS ZAMFARA STATE OF NIGERIA

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Date: _____

Ref. No: _____

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.

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 UN APPROPRIATED REVENUE:

During the year under review it was observed that, the sum of **N 810,801,890** (Seven hundred and thirty-four million, one hundred and fifty -one thousand, three hundred and fifty -seven Naira) which represent 24.3% 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 **N999,052,657** (Nine hundred and ninety -nine million, fifty -two thousand, six hundred and fifty -seven 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 **₦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 29files were approved from both the local Government and LGEA which consist of 24 voluntary/comp ulsory retirement and 5 death staff with their total benefits standing at **₦28,138,013 (Twenty-eight million, one hundred and thirty-eight thousand, thirteen Naira)**. Out of these amounts the sum of **₦ 3,108,358 (Three million, one hundred and eight thousand, three hundred and fifty-eight Naira)** stood as total claims for 8 number local government staff, while L G E A staff totaling to 21 number gulfed the sum of **N25,029,655(Twenty-five million, twenty -nine thousand, six hundred and fifty-five 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 **N4,152,953 (Four million,one hundred and fifty-two thousand,nine hundred and fifty-threeNaira)** for the pension funds.

2.9

INVESTMENTS:

As at 31st December, 2019 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 2019 (₦)	VALUE 2018 (₦)
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
	TOTAL	116,806,931	116,806,931

2.10 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of **N94,383,562.00 (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 Revenue) was **₦2,807,996,620** Two (billion,eight hundred and seven million, nine hundred and nine ty-six thousand,six hundred and twentyNaira) **while** the actual collection for the year was **₦3,323,956,479**(Three billion ,three hundred and twenty-three million,nine hundred and fifty-six thousand,four hundred and seventy-nineNaira). T he actual revenue represents 118% 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	2,204,415,564	2,332,522,930	1,925,750,272
2.	VAT	459,310,553	471,345,160	502,494,855
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	1,335,094,026	-	810,801,890
5.	Non-Oil Revenue			84,909,462
	Total	3,998,820,143	2,807,996,620	3,323,956,479

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **₦757,042,123**(Seven hundred and fifty-seven million,forty-two thousand,one hundred and twenty-threeNaira) was re vealed and it represent 27% rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2018		Actual 2019	Surplus 2019(₦)
1.	VAT	459,310,553	471,345,160	502,494,855	31,149,695
	Excess Paris Refund	1,335,094,026	-	810,801,890	810,801,890
	Non-Oil Revenue			84,909,462	84,909,462
	Total	1,502,582,267	471,345,160	1,398,206,207	757,042,123

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of **₦406,772,658** (Four hundred and six million, seven hundred and seventy-two thousand, six hundred and fifty-eight Naira) was revealed as per statutory Allocation. This represents 14% shortage of the projected Vat Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Deficit 2019(₦)
1.	Statutory Allocation	2,204,415,564	2,332,522,930	1,925,750,272	406,772,658
	Total	2,204,415,564	2,332,522,930	1,925,750,272	406,772,658

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦235,859,250** (Two hundred thirty-five million, eight hundred and fifty-nine thousand, two hundred and fifty Naira) **while** the actual collection for the year was **₦136,505,420** (One hundred and thirty-six million, five hundred and five thousand, four hundred and twenty Naira) The actual revenue represents 57.8% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Direct Taxes	-	-	32,024,470
2.	Licenses	53,174,070	162,712,460	5,583,390
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	48,301,171	18,400,000	21,353,780
6.	Fines	-	296,790	-
7.	Sales	48,812,410	6,100,000	-
8.	Earnings	33,860,100	38,350,000	26,460,180
9.	Sales/Rent of Government Buildings	-	10,000,000	-
10.	Sales/Rent on Lands and Others	-	-	31,607,990
11.	Repayments- General	-	-	-
12.	Investment income	10,806,524	-	-
13.	Interest Earned	-	-	19,475,610
14.	Re-Imbursement	-	-	-
	Total	191,954,275	235,859,250	136,505,420

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦86,061,850** (Eighty-six million, sixty-one thousand, eight hundred and fifty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Surplus 2019 (₦)
1.	Direct Taxes	-	-	32,024,470	32,024,470
2.	Fees	48,301,171	18,400,000	21,353,780	2,953,780
3.	Sales/Rent on Lands and Others	-	-	31,607,990	31,607,990
4.	Interest Earned	-	-	19,475,610	19,475,610
	Total	48,301,171	18,400,000	104,618,850	86,061,850

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦185,418,680** (One hundred and eighty-five million, four hundred and eighteen thousand, six hundred and eighty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019(₦)	Deficit 2019 (₦)
1.	Licenses	53,174,070	162,712,460	5,583,390	157,129,070
2.	Fines	-	296,790	-	296,790
3.	Sales	48,812,410	6,100,000	-	6,100,000
4.	Earnings	33,860,100	38,350,000	26,460,180	11,889,820
5.	Sales/Rent of Government Buildings	-	10,000,000		10,000,000
	Total	135,846,580	217,459,250	32,043,570	185,415,680

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 **₦1,880,479,570** (One billion, eight hundred and eighty million, four hundred and seventy-nine thousand, five hundred and seventy Naira) during the year under review, but in the actual the sum of **₦2,120,411,891** (Two billion, one hundred and twenty million, four hundred and eleven thousand, eight hundred and ninety-one Naira) was realized. This represents 112.7% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Transfer from CRF	114,406,858	880,479,570	2,120,411,891
2.	External Loans LGC	717,420,262	1,000,000,000	-
	Total	831,827,120	1,880,479,570	2,120,411,891

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review, a surplus of N **1,239,932,321** (One billion,two hundred and thirty -nine million, nine hundred and thirty-two thousand, three hundred and twenty-one Naira) was made in respect of capita l 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 or igin 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 **₦1,880,479,570**(One billion, eight hundred and eighty million, four hundred and seventy-nine thousand, five hundred and seventy Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦1,938,545,561** (One billion, nine hundred and thirty-eight million, five hundred and forty-five thousand, five hundred and sixty-one Naira). This represents 103% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Administrative Sector	74,314,362	829,479,570	348,062,319
2.	Economic Sector	569,542,765	548,000,000	303,144,722
3.	Social Services Sector	171,549,103	503,000,000	1,287,338,521
	Total	815,406,229	1,880,479,570	1,938,545,561

3.11**EXCESS CAPITAL EXPENDITURE:**

During the year under review a savings of N **726,272,529**(Five hundred and twenty-six million, two hundred and seventy-two thousand, five hundred and twenty-nine Naira) was revealed in all the three sectors as shown in the table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Savings 2018 (₦)
1.	Administrative Sector	74,314,362	829,479,570	348,062,319	481,417,251
2.	Economic Sector	569,542,765	548,000,000	303,144,722	244,855,278
	Total	569,542,765	1,377,479,570	651,207,041	726,272,529

3.12**CAPITAL EXPENDITURE (DEFICIT):**

For the year under review, a deficit N **784,338,521** (Seven hundred and eighty-four thousand, three hundred thirty -eight thousand, five 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 **₦472,863,130**(Four hundred and seventy-two million, eight hundred and sixty-three thousand, one hundred and t thirty Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦354,554,361**(Three hundred and fifty-four million, five hundred and fifty-four thousand, three hundred and sixty-one Naira) was paid to **1,248** staff of the local government. This resulted to a savings of **₦118,308,769**(One hundred and eighteen million, three hundred and eighty thousand, seven hundred and sixty-nine Naira).

3.14

OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦488,136,620**(Four hundred and eighty - eight million, one hundred and thirty-six thousand, six hundred and twenty Naira). Whereas the actual expenditure for the year stood at **₦655,626,474**(Six hundred and fifty-five million, six hundred and twenty-six thousand, four hundred and seventy-four Naira). This resulted to a deficit of **₦167,489,854**(One hundred sixty-seven million, four hundred and eighty -nine thousand, eight hundred and fifty-four 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 **₦842,657,410**(Eight hundred forty-two million, six hundred and fifty-seven thousand, four hundred and ten Naira) while the actual expenditure for the year stood at **₦683,935,986** (Six hundred and eighty-three million, nine hundred and thirty-five thousand, nine hundred and eighty-six Naira). This resulted to a savings of **₦156,721,424** (One hundred and fifty-six million, seven hundred and twenty-one thousand, four hundred and twenty-four Naira).

The table below shows the full details: -

	DESCRIPTION	ACTUAL 2018(₦)	ESTIMATED 2019 (₦)	ACTUAL 2019 (₦)	DEFICIT 2019(₦)
1.	Primary Sch. Teachers Sal	234,475,345	300,000,000	280,267,747	19,732,253
2.	Training Funds	19,886,111	17,000,000	19,257,503	(2,257,503)
3.	Contribution to Emirate	99,430,556	80,790,000	96,287,514	(15,497,514)
4.	Contribution to Pension	86,478,571	71,300,000	85,714,286	(14,414,286)
5.	Common Services	39,772,223	41,000,000	38,515,005	2,484,995
6.	Agency for Mass Edu. Salary	64,220,532	64,067,410	68,791,884	(4,724,474)
7.	Contri to Emirate security		36,000,000	30,000,000	6,000,000
8.	Zasiec		232,500,000	65,102,047	167,397,953
	Total	544,263,338	842,657,410	683,935,986	158,721,424

3.16

CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦191,385,800**(One hundred and ninety-one million, three hundred and eighty-five thousand, eight hundred Naira). Whereas the actual expenditure for the year stood at **₦104,915,920** (One hundred and four million, nine hundred and fifteen thousand, nine hundred and twenty Naira). This resulted to a savings of **₦86,469,880** (Eighty-six million, four hundred and sixty-nine thousand, eight hundred and eighty 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)**

