



REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS
ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

BUKKUYUM LOCAL GOVERNMENT

ZAMFARA STATE

For The Year Ended
31ST DECEMBER 2020



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OFFICE OF THE AUDITOR GENERAL FOR LOCAL GOVERNMENTS

ZAMFARA STATE OF NIGERIA

☎ 204868

P.M.B. 01015, Gusau

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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 2020 was submitted to this office on 13th July, 2021.

1.3 PREVIOUS AUDITOR'S GENERAL REPORTS:

The previous year's 2019 financial audit report was submitted to the Honorable House of Assembly on 7th October, 2020 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 ₦ 172,779,449 (One hundred and seventy-two million, seven hundred and seventy-nine thousand, four hundred and forty- nine Naira) was received from Exchange gain difference, excess bank charges recovered, distribution of Non-oil revenue, share of forex equalization, share of solid minerals, stabilization fund and federal government intervention fund by the local government, but the revenue was not referred to the State house of Assembly for proper appropriation. It was expended without proper appropriation.

2.5 TRANSFER FROM OTHER GOVERNMENT AGENCIES:

During the year under review the sum ₦89,221,082 (Eighty-nine million, two hundred and twenty-one thousand, eighty-two Naira) was reported by the local government as transfer from Revenue advert account, development saving account, home vestors concept ltd, Multi plus Investment etc. 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.



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. But it was observed that, the cash books were not balanced and closed at the end of every month as required by financial memoranda. Also reconciliation between the cash book and bank statements was observed to be ignored by the officers responsible for its preparation.

b. Non 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. 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.

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 ₦ 373,265,316 (Three hundred and seventy-three million, two hundred and sixty-five thousand, three hundred and sixteen 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 a total number of 17 files were approved for payment of retirement/death benefits from both the local Government and LGEA with consist of 14 voluntary/compulsory retirement and 3 death staff and their total benefits standing at ₦13,590,507(Thirteen million, five hundred and ninety thousand, five hundred and seven Naira). Out of these amounts the sum of ₦6,312,193(Six million, three hundred and twelve thousand, one hundred and ninety-three Naira) stood as total claims for 10number local government staff while L G E A staff totaling to 7 number gulfed the sum of ₦7,278,314(Seven million, two hundred and seventy-eight thousand, three hundred and fourteen 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 ₦2,810,844(Two million, eight hundred and ten thousand, eight hundred and forty-four Naira) for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2020 the investment value stood at ₦120,201,490.00(One hundred and twenty million, two hundred and one thousand, four hundred and ninety naira). The investment holding is as shown below: -



S/N	NAME OF THE COMPANY	VALUE 2020 (₦)	VALUE 2019 (₦)
1	Gamji Bank	301,170	301,170
2	Kaduna Textile	-	-
3	CCNN Sokoto	-	-
4	Sokoto Investment Co	-	-
5	SICL Communication	-	-
6	Ashaka Cement	-	-
7	NNPC Nig.	-	-
8	FSB International Bank	-	-
9	Bank of the North	-	-
10	Zamfara Fertilizer Co.	1,500,000	1,500,000
11	T/Mafara Clay Ind. Co.	-	-
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	117,351,490	117,351,490
	TOTAL	120,201,490	120,201,490

2.10 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of ₦465,887,881.00 (Four hundred and sixty-five million, eight hundred and eighty-seven thousand, eight hundred and eighty-one 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 and VAT) was ₦ 2,093,172,420.00 (Two billion, ninety - three million, one hundred and seventy-two thousand, four hundred and twenty Naira) while the actual collection for the year was ₦1,964,515,475.00(One billion, nine hundred and sixty-four million, five hundred and fifteen thousand, four hundred and seventy-five Naira). The actual revenue represents 94% of the total projected revenue. Also this can be seen as per table below: -



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Statutory Allocation	1,740,153,693	1,646,051,840	1,432,471,899
2.	VAT	440,197,826	447,120,580	532,043,576
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	732,659,848	-	-
5.	Non-oil Revenue	76,726,207	-	-
	Total	2,989,737,574	2,093,172,420	1,964,515,475

3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of ₦84,922,996.00 (Eighty-fourmillion,nine hundred and twenty-two thousand, nine hundred and ninety-six Naira) was revealed and it represent 4 % rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Surplus 2020(₦)
1.	VAT	440,197,826	447,120,580	532,043,576	84,922,996
2.	Excess Paris Refund	732,659,848	-	-	-
3.	Non-oil Revenue	76,726,207	-	-	-
	Total	1,249,583,881	447,120,580	532,043,576	84,922,996

3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of ₦213,579,941.00(Two hundred and thirteen million, five hundred and seventy-nine thousand, nine hundred and forty-one Naira) was revealed as per Statutory Allocation and excess crude oil. This represents 10% shortage of the projected Statutory Allocation revenue as shown below:



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	Statutory Allocation	1,740,153,693	1,646,051,840	1,432,471,899	213,579,941
2.	Excess Crude Oil	-	-	-	-
	Total	1,740,153,693	2,132,314,330	1,740,153,693	213,579,941

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦135,029,720.00 (One hundred and thirty-five million, twenty-nine thousand, seven hundred and twenty Naira) while the actual collection for the year was ₦36,092,730.00 (Thirty-six million, ninety-two thousand, seven hundred and thirty Naira) The actual revenue represents 26% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 20 20 (₦)	Actual 2020 (₦)
1.	Direct Taxes	15,443,920	31,250,000	1,880,900
2.	License	9,916,490	54,000,100	3,021,320
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	28,586,350	22,229,620	6,853,480
6.	Fines	8,321,810	-	3,452,170
7.	Sales	-	-	-
8.	Earnings	41,314,260	17,550,000	18,756,820
9.	Sales/Rent on Govt. Buildings	-	-	-
10.	Sales/Rent on Lands & Others	7,639,960	10,000,000	2,128,040
11.	Investment Income	-	-	-
12.	Interest Earned	-	-	-
	Total	111,222,790	135,029,720	36,092,730



3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, only two heads of recurrent revenue revealed a surplus of ₦ 4,658,990 (Four million, six hundred and fifty-eight thousand, nine hundred and ninety Naira) was recorded as regards to Independent Revenue and it emanate from fines and earnings.

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦103,595,980.00 (One hundred and three million, five hundred and ninety-five thousand, nine hundred and eighty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	Direct Taxes	15,443,920	31,250,000	1,880,900	33,856,080
2.	License	9,916,490	54,000,100	3,021,320	55,173,910
3.	Fees	28,586,350	22,229,620	6,853,480	4,963,650
4.	Sales/Rent on Lands & Others	7,639,960	10,000,000	2,128,040	6,360,040
	Total	61,586,720	117,479,720	13,883,740	103,595,980



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 ₦2,847,515,134.00 (Two billion, eight hundred forty-seven million, five hundred and fifteen thousand, one hundred and thirty-four Naira) during the year under review, but in the actual the sum of ₦2,479,364,130.00 (Two billion, four hundred and seventy-nine million, three hundred and sixty-four thousand, one hundred and thirty Naira) was realized. This represents 87% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	1,943,043,830	633,229,420	265,078,416
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	Total	1,943,043,830	2,847,515,134	2,479,364,130

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review, no surplus was made in respect of capital receipt by the local government.

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of ₦368,151,004.00 (Three hundred and sixty-eight million, one hundred and fifty-one thousand, four Naira) was reported by this local government which have it's origin from transfer from consolidated revenue fund.



3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of ₦2,847,515,134.00 (Two billion, eight hundred forty-seven million, five hundred and fifteen thousand, one hundred and thirty-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,356,939,810.00 (Two billion, three hundred and fifty-sixmillion,nine hundred and thirty-ninethousand,eight hundred and ten Naira). The amount is 83% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Administrative Sector	348,062,319	928,000,000	797,580,278
2.	Economic Sector	368,588,590	1,077,515,134	865,422,369
3.	Social Services Sector	1,081,062,494	842,000,000	693,937,163
	Total	1,797,713,404	2,847,515,134	2,356,939,810

3.11 EXCESS CAPITAL EXPENDITURE:

For the year under review, a of Savings ₦490,575,324 (Four hundred and ninety million, five hundred and seventy-five thousand, three hundred and twenty-four Naira) was recorded in respect of capital expenditure of this local government. The details as per shown below:-

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Deficit 2020(₦)
1.	Administrative Sector	348,062,319	928,000,000	797,580,278	130,419,722
2.	Economic Sector	368,588,590	1,077,515,134	865,422,369	212,092,765
3.	Social Services Sector	1,081,062,494	842,000,000	693,937,163	148,062,837
	Total	1,797,713,404	2,847,515,134	2,356,939,810	490,575,324



3.12 CAPITAL EXPENDITURE (DEFICIT):

During the year under review no record of deficits was made in respect of capital expenditure by the local government.

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

The sum of ₦407,177,640.00 (Four hundred seven million, one hundred and seventy-seven thousand, six hundred and forty Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum ₦322,919,167.00 (Three hundred and twenty-two million, nine hundred and nineteen thousand, one hundred and sixty-seven Naira) was paid to 1,231 staff of the local government and its ADC. This resulted to a savings of ₦84,258,473.00 (Eighty-four million, two hundred and fifty-eight thousand, four hundred and seventy-three Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was ₦513,000,000.00 (Five hundred and thirteen million Naira). Whereas the actual expenditure for the year stood at ₦577,328,582.00 (Five hundred and seventy-seven million, three hundred and twenty-eight thousand, five hundred and eighty-two Naira), this resulted to a deficit of ₦64,328,582.00 (Sixty-four million, three hundred and twenty-eight thousand, five hundred and eighty-two 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 ₦336,170,210.00 (Three hundred and thirty-six million, one hundred and seventy thousand, two hundred and ten Naira) while the actual expenditure for the year stood at ₦414,721,143.00 (Four hundred and fourteen million, seven hundred and twenty - one thousand, one hundred and forty-three Naira). This resulted to a deficit of ₦78,550,933.00 (Seventy-eight million, five hundred and fifty thousand, nine hundred and thirty-three Naira).

The table below shows the full details: -



S/ N	DESCRIPTIO N	ACTUAL 201 9 (₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	DEFICIT/SA VINGS 2020(₦)
1.	Primary Sch. Teachers Sal	205,462,719	200,320,000	214,334,928	(14,014,928)
2.	Training Funds	17,401,537	10,600,210	12,626,377	(2,026,167)
3.	Contribution to Emirate	87,007,685	20,000,000	66,664,481	(46,664,481)
4.	Contribution to Pension	85,714,286	40,090,000	85,714,286	(45,624,286)
5.	Common Services	34,803,074	14,300,000	28,119,271	(13,819,271)
6.	Agency for Mass Edu. Salary	8,037,056	10,860,000	7,261,800	3,598,200
7.	ZasicContri.	65,102,047	20,000,000		20,000,000
8.	Contribution to Emirate Security	15,185,500	20,000,000		20,000,000
	TOTAL	518,713,904	336,170,210	414,721,143	(78,550,933)

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦168,085,110.00 (One hundred and sixty-eight million eighty-five thousand, one hundred and ten Naira). Whereas the actual expenditure for the year stood at ₦230,283,954.00 (Two hundred and thirty million, two hundred and eighty-three thousand, nine hundred and fifty-four Naira). This resulted to a savings of ₦62,198,844.00 (Sixty-two million, one hundred ninety-eight thousand, eight hundred and forty-four Naira).



4.0 GENERAL RECOMMENDATIONS

According to the observations set out on the report the following recommendations are here by suggested.

1. In correct entries in the cash books which was as a result of in adequate and proper training and re-training of the treasury staff, it is here by recommended that proper training should be organized to the treasury staff of the Local Government for proper understanding of the treasury process.
2. Improper classification of revenue and expenditure: this also comes about as result of lack of proper understanding of the National Chart of Accounts (NCOA). It is hereby recommend that the treasury staff should be giving a rigorous training on this important aspect of IPSAS program, which is a vital segment of the program.
3. Outstanding payment vouchers : the payment vouchers should be traced and be presented for inspection otherwise they will regarded as un-vouched expenditure which will be recovered from the officers controlling the vote for the period under review.
4. Plant Register: this document is not in existence over a long period of time, it is here by recommended that the register should be brought back for proper records of Local Government Assets.
5. Budget Implementation Analysis : going by the analysis of budget implementation by this local Government it is hereby recommended that, the local government should put more effort in ensuring that its budget is implemented properly, especially on the aspect of revenue generation, proper machineries should be put in place to ensure that what is due to the local government is collected and duly remitted into the revenue account of the local government. On the expenditure aspect more efforts should be made in seeing that over expenditure is avoided as per as possible.



5.0 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.

6.0 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 2019 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)**

