



REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS
ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

BUNGUDU 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

Date: 7th September, 2021

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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 UNAPPROPRIATED REVENUE:

During the year under review it was observed that, the sum of ₦ 191,716,074 (One hundred and ninety-one million, seven hundred and sixteen thousand, seventy-four 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 ₦96,084,589 (Ninety million, eighty-four thousand, five hundred and eighty-nine 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 was poorly maintained as the cash book is 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. 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, 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 ₦711,365,795.00 (Seven hundred and eleven million, three hundred and sixty-five thousand, seven hundred and ninety-five Naira) standing as outstanding payment vouchers of both salary and other charges i.e. payments whose evidences could not be ascertained. 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 a total number of 19 files were approved for payment of retirement/death benefits from both the local Government and LGEA with consist of 13 voluntary/compulsory retirement and 6 death staff and their total benefits standing at ₦19,751,392 (Nineteen million, seven hundred and fifty-one thousand, three hundred and ninety-three Naira). Out of these amounts the sum of ₦3,853,434 (Three million, eight hundred and fifty-three thousand, four hundred and thirty-four Naira) stood as total claims for 5 number local government staff while L G E A staff totaling to 14 number gulfed the sum of ₦15,897,959 (Fifteen million, eight hundred and ninety-seven thousand, nine hundred and fifty-nine 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 ₦1,386,963.00 (One million, three hundred and eighty-six thousand, nine hundred and sixty-three naira) for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2020 the investment value stood at ₦87,686,790.00 (Eighty-seven million, six hundred and eighty-six thousand, seven hundred and ninety naira). The



S/N	NAME OF THE COMPANY	VALUE 2020(₦)	VALUE 2019 (₦)
1	Gamji Bank	50,000	50,000
2	Sokoto Investment Co. Ltd	50,000	50,000
3	CCNN Sokoto	200,000	200,000
4	Sokoto Cooperative Bank	152,172	155,172
5	Gusau Community Bank	500,000	500,000
6	Zamfara Investment Co.	297,000	297,000
7	Urban Dev. Bank Plc	346,000	779,410
8	FSB International Bank	400,000	346,000
9	Unity Bank (BON)	400,000	400,000
10	Zamfara Fertilizer Co.	1,500,000	1,500,000
11	T/Mafara Bricks B. Ind.	1,500,000	1,500,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	54,999,974	54,999,974
14.	Micro Finance Bank	26,391,644	26,391,644
	TOTAL	87,686,790	87,686,790

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 ₦2,338,383,710.00 (Two billion, three hundred and thirty-eight million, three hundred and eighty-three thousand, seven hundred and ten Naira) while the actual collection for the year was ₦2,160,686,282.00 (Two billion, one hundred and sixty million, six hundred and eighty-six thousand, two hundred and two Naira). The actual revenue represents 92 % 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	1,920,622,014	1,846,506,070	1,581,031,074
2.	VAT	481,821,127	491,877,640	579,655,208
3	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	808,642,730	-	-
5.	Non-oil revenue	84,683,348	-	-
	Total	3,295,769,219	2,338,383,710	2,160,686,282

3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of ₦87,775,568.00 (Eighty-seven million, seven hundred and seventy-five thousand, five hundred and sixty-eight 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	481,821,127	491,877,640	579,655,208	87,775,568
2.	Excess Paris Refund	808,642,730	-	-	-
3.	Non-oil revenue	84,683,348	-	-	-
	Total	1,375,147,205	491,877,640	579,655,208	87,775,568



3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of ₦265,474,996 (Two hundred and sixty-five million, four hundred and seventy-four thousand, nine hundred and ninety-six Naira) was recorded as per statutory Allocation.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	Statutory Allocation	1,920,622,014	1,846,506,070	1,581,031,074	265,474,996
	Total	1,920,622,014	1,846,506,070	1,581,031,074	265,474,996

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦82,103,600.00 (Eighty-two million, one hundred and three thousand, six hundred Naira) while the actual collection for the year was ₦33,234,000.00 (Thirty-three million, two hundred and thirty-four thousand Naira)The actual revenue represents 40% of the total projected Independent revenue. The details are as per table below:



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FOR THE YEAR ENDED 31st December, 2020**

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Direct Taxes	24,641,115	-	9,285,490
2.	License	7,048,023	12,000,000	3,450,200
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	7,619,921	24,339,760	3,823,350
6.	Fines	6,234,907	2,200,000	2,630,460
7.	Sales	-	8,500,000	-
8.	Earnings	30,807,833	18,390,890	14,044,500
9.	Sales/Rent on Govt. Buildings	-	3,792,640	-
10.	Sales/Rent on Lands & Others	-	1,000,000	-
11.	Repayments-General	-	2,000,000	-
12.	Investment Income	-	5,250,000	-
13.	Interest Earned	7,100,000	4,630,310	-
	Total	83,451,798	82,103,600	33,234,000

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of ₦9,715,950.00 (Nine million, seven hundred and fifteen thousand, nine hundred and fifty Naira). The table below gives full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Surplus 2020 (₦)
1.	Direct Taxes	24,641,115	-	9,285,490	9,285,490
2.	Fines	6,234,907	2,200,000	2,630,460	430,460
	Total	30,876,022	2,200,000	11,915,950	9,715,950



3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦65,542,910.00 (Sixty-five million, five hundred and forty-two thousand, nine hundred and ten Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	License	7,048,023	12,000,000	3,450,200	8,549,800
2.	Fees	7,619,921	24,339,760	3,823,350	20,516,410
3.	Sales	-	27,500,000	-	27,500,000
4.	Earnings	30,807,833	18,390,890	14,044,500	4,346,390
5.	Interest Earned	7,100,000	4,630,310	-	4,630,310
	Total	52,575,777	86,860,960	21,318,050	65,542,910

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 ₦2,557,078,134.00 (Two billion, five hundred and fifty-seven million, seventy-eight thousand, one hundred and thirty-four Naira) during the year under review, but in the actual the sum of ₦2,380,342,669.00 (Two billion, three hundred and eighty million, three hundred and forty-two thousand, six hundred and sixty-nine Naira) was realized. This represents 93% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	1,850,528,977	342,792,420	166,056,954
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	Total	1,850,528,977	2,557,078,134	2,380,342,669



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 ₦176,735,466.00 (One hundred and seventy-six million, seven hundred and thirty-five thousand, four hundred and sixty-six Naira) was reported by this local government which have its 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 ₦2,557,078,134.00 (Two billion, five hundred and fifty-seven million, seventy-eight thousand, one hundred and thirty-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,245,397,742.00 (Two billion, two hundred and forty-five million, three hundred and ninety-seven thousand, seven hundred and forty-two Naira). The amount is 88% 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	873,792,420	861,446,671
2.	Economic Sector	312,610,458	844,000,000	618,205,603
3.	Social Services Sector	1,034,484,923	839,285,714	765,745,468
	Total	1,695,157,701	2,557,078,134	2,245,397,742

3.11 EXCESS CAPITAL EXPENDITURE:

For the year under review, a Savings of ₦ 341,680,392 (Three hundred and forty-one million, six hundred and eighty thousand, three hundred and ninety-two Naira) was made in respect of capital expenditure. The table below show the breakdown :-



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Savings 2020(₦)
1.	Administrative Sector	348,062,319	873,792,420	861,446,671	12,345,749
2.	Economic Sector	312,610,458	844,000,000	618,205,603	255,794,397
3.	Social Services Sector	1,034,484,923	839,285,714	765,745,468	73,540,246
	Total	1,695,157,701	2,557,078,134	2,245,397,742	341,680,392

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 ₦753,029,470 (Seven hundred fifty-three million, twenty-nine thousand, four hundred and seventy Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of ₦424,366,058 (Four hundred and twenty-four million, three hundred and sixty-six thousand, fifty-eight Naira) was paid to 2,174 staff of the local government and its ADCs. This resulted to a savings of ₦328,663,412 (Three hundred and twenty-eight million, six hundred and seventy-three thousand, four hundred and twelve Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was ₦347,040,000.00 (Three hundred and forty-seven million, forty thousand Naira). Whereas the actual expenditure for the year stood at ₦526,522,614 (Five hundred and twenty-six million, five hundred and twenty-two thousand, six hundred and fourteen Naira), this resulted to a deficit of ₦179,482,614.00 (One hundred and seventy-nine million, four hundred and eighty-two thousand, six hundred and fourteen 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 ₦642,000,000 (Six hundred and forty-two million Naira) while the actual expenditure for the year stood at ₦652,630,385 (Six hundred and fifty-two million, six hundred and thirty thousand, three hundred and eighty-five Naira). This resulted to a deficit of ₦10,630,385 (Ten million, six hundred and forty-five thousand, nine hundred and eighty-five Naira).

The table below shows the full details: -



S/N	DESCRIPTION	ACTUAL 2019 (₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	DEFICIT/SA VINGS 2020(₦)
1.	Primary Sch. Teachers Sal	351,695,119	420,000,000	408,692,623	11,307,377
2.	Training Funds	19,206,220	15,000,000	13,846,409	1,153,591
3.	Contribution to Emirate	96,031,101	74,000,000	73,674,816	1,674,816
4.	Contribution to Pension	85,714,286	62,000,000	85,714,286	(23,714,286)
5.	Common Services	38,412,440	30,000,000	31,090,455	(1,090,455)
6.	Agency for Mass Edu Salary	42,622,982	41,000,000	39,611,796	1,388,204
7.	Contr. Emirate security	30,000,000			
8.	Zasiec	65,102,047			
	Total	728,784,195	642,000,000	652,630,385	(10,630,385)

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦170,292,080.00 (One hundred and seventy million, two hundred and ninety two thousand, eighty Naira). Whereas the actual expenditure for the year stood at ₦266,655,587.00 (Two hundred and sixty-six million, six hundred and fifty-five thousand, five hundred and eighty-seven Naira) This resulted to a savings of ₦96,363,507.00 (Ninety-six million, three hundred and sixty-threethousand, five hundred and seven 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)**

