



REPORT OF THE AUDITOR - GENERAL

**FOR LOCAL GOVERNMENTS
ON IPSAS CASH**

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

GUMMI LOCAL GOVERNMENT

ZAMFARA STATE

**For The Year Ended
31ST DECEMBER 2020**



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OFFICE OF THE
AUDITOR GENERAL
FOR LOCAL GOVERNMENTS

REPORT OF THE AUDITOR GENERAL
ON IPSAS CASH GENERAL PURPOSE FINANCIAL STATEMENTS
OF GUMMI LOCAL GOVERNMENT
FOR THE YEAR ENDED 31st December, 2020



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, financial year 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 ₦ 165,982,378 (One hundred and sixty-five million, nine hundred and eighty-two thousand, three hundred and seventy-eight 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 ₦88,240,021 (Eighty-eight million, two hundred and forty thousand, twenty-one 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 fairly maintained as the cash book is characterized by little 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:** 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 ₦ 346,730,090 (Three hundred and forty-six million, seven hundred and thirty thousand, ninety 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.



2.6 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 a total number of 25 files were approved for payment of retirement/death benefits from both the local Government and LGEA with consist of 21 voluntary/compulsory retirement and 4 death staff and their total benefits standing at ₦32,030,858(Thirty-two million, thirty thousand, eight hundred and fifty-eight Naira). Out of these amounts the sum of ₦4,305,770(Four million, three hundred and five thousand, seven hundred and seventy Naira) stood as total claims for 3 number local government staff while L G E A staff totaling to 22 number gulfed the sum of ₦27,725,089(Twenty-seven million, seven hundred and twenty-five thousand, eighty-nine 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, to be deducted out of the individual pensioner's benefit. Therefore, this office was able to save the sum ₦7,680,855.00(Seven million, six hundred and eighty thousand, eight hundred and fifty-fiveNaira) for the pension funds.

2.8 INVESTMENTS:

As at 31st December, 2020 the investment value stood at ₦95,977,047.00(Ninety-five million, nine hundred and seventy-seven thousand, forty-seven naira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2020 (₦)	VALUE 2019 (₦)
1	Gamji Bank	56,000	56,000
2	Sokoto Investment Co. Ltd	24,000	24,000
3	CCNN Sokoto		
4	Sokoto Cooperative Bank		
5	Gusau Community Bank		
6	Zamfara Investment Co.		
7	Urban Dev. Bank Plc		-
8	FSB International Bank	-	-
9	Unity Bank (BON)	-	-
10	Zamfara Fertilizer Co.	2,000,000	2,000,000
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	90,453,047	90,453,047
	TOTAL	95,977,047	95,977,047



2.9 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 ₦2,001,089,320.00 (Two billion, one million, eighty-nine thousand, three hundred and twenty Naira) while the actual collection for the year was ₦1,900,865,145.00 (One billion, nine hundred million, eight hundred and sixty-five thousand, one hundred and forty-five Naira). The actual revenue represents 95 % 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	1,671,696,779	1,566,545,010	1,376,119,057
2.	VAT	430,302,045	434,544,310	524,746,088
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	703,837,318	-	-
5.	Non-Oil Revenue	73,707,830	-	-
	Total	2,879,543,972	2,001,089,320	1,900,865,145



3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of ₦90,201,778.00 (Ninety million, two hundred and one thousand, seven hundred and seventy-eight Naira) was revealed and it represents a 4.5% 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	430,302,045	434,544,310	524,746,088	90,201,778
2.	Excess Paris Refund	703,837,318	-	-	-
3.	Non-Oil Revenue	73,707,830	-	-	-
	Total	1,207,847,193	434,544,310	524,746,088	90,201,778

3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of ₦190,425,953 (One hundred and ninety million, four hundred and twenty-five thousand, nine hundred and fifty-three Naira) was recorded as per statutory Allocation.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	Statutory Allocation	1,671,696,779	1,566,545,010	1,376,119,057	190,425,953
	Total	1,671,696,779	1,566,545,010	1,376,119,057	190,425,953



3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦ 87,738,610.00 (Eighty-seven million, seven hundred and thirty-eight thousand, six hundred and ten Naira) while the actual collection for the year was ₦48,426,539 (Forty-eight million, four hundred and twenty-six thousand, five hundred and thirty-nine Naira) The actual revenue represents 55% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Direct Taxes	16,603,793	7,000,000	6,752,912
2.	License	9,189,142	30,738,610	2,579,090
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	26,094,004	13,000,000	15,352,840
6.	Fines	6,368,661	-	3,823,397
7.	Sales	-	-	-
8.	Earnings	33,845,081	30,000,000	15,487,429
9.	Sales/Rent on Govt. Buildings	-	7,000,000	-
10.	Sales/Rent on Lands & Others	7,143,891	-	4,430,871
11.	Investment Income	-	-	-
12.	Interest Earned	-	-	-
	Total	99,244,572	87,738,610	48,426,539



3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of ₦6,176,237 (Six million, one hundred and seventy-six thousand, two hundred and thirty seven Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Surplus 2020 (₦)
1.	Fees	26,094,004	13,000,000	15,352,840	2,352,840
2.	Fines	6,368,661	-	3,823,397	3,823,397
	Total	30,116,345	13,000,000	19,176,237	6,176,237

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦49,919,179.00 (Forty-nine million, nine hundred and nineteen thousand, one hundred and seventy-nine Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	Direct Taxes	16,603,793	7,000,000	6,752,912	2,47,088
2.	License	9,189,142	30,738,610	2,579,090	28,159,520
3.	Earnings	33,845,081	30,000,000	15,487,429	14,512,571
4.	Sales/Rent on Govt. Buildings	-	7,000,000	-	7,000,000
	Total	59,638,016	74,738,610	24,819,431	49,919,179



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 ₦2,517,918,064.00 (Two billion, five hundred and seventeen million, nine hundred and eighteen thousand, sixty-four Naira) during the year under review. While the actual receipts stood at ₦2,287,305,834.00 (Two billion, two hundred and eighty-seven million, three hundred and five thousand, eight hundred and thirty-four Naira). This represents 91% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	1,671,593,712	303,632,350	73,020,120
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	Total	1,671,593,712	2,517,918,064	2,287,305,834

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 ₦230,612,230.00 (Two hundred and thirty million, six hundred and twelve thousand, two hundred and thirty 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 ₦2,517,918,064.00 (Two billion, five hundred and seventeen million, nine hundred and eighteen thousand, sixty-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,169,514,638.00 (Two billion, one hundred and sixty-nine million, five hundred and fourteen thousand, six hundred and thirty-eight Naira). The amount is 86% 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	799,632,350	773,353,886
2.	Economic Sector	276,677,355	959,285,714	729,462,579
3.	Social Services Sector	910,524,381	759,000,000	666,698,172
	Total	1,535,246,056	2,517,918,064	2,169,514,638

3.11 **EXCESS CAPITAL EXPENDITURE:**

For the year under review, a savings of ₦ 348,403,427 (Three hundred and forty-eight million, four hundred and three thousand, four hundred and twenty-seven Naira) was made in respect of capital expenditure.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	savings 2020(₦)
1.	Administrative Sector	348,062,319	799,632,350	773,353,886	26,278,464
2.	Economic Sector	276,677,355	959,285,714	729,462,579	229,823,135
3.	Social Services Sector	910,524,381	759,000,000	666,698,172	92,301,828
	Total	1,535,246,056	2,517,918,064	2,169,514,638	348,403,427

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 N548,120,840.00 (Five hundred and forty-eight million, one hundred and twenty thousand, eight hundred forty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net salary of N284,894,881 (Two hundred and eighty-four million, eight hundred and ninety-four thousand, eight hundred and eighty-one Naira) was paid to 1,706 staff of the local government and its ADCs. This resulted to a savings of N263,225,959 (Two hundred and sixty-three million, two hundred and twenty-five thousand, nine hundred and fifty-nine Naira).



3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was N506,150,000.00 (Five hundred and six million, one hundred and fifty thousand Naira). Whereas the actual expenditure for the year stood at N572,761,198.00 (Five hundred and seventy-twomillion, seven hundred and sixty-one thousand, one hundred and ninety-eight Naira) this resulted to a deficit of N66,611,190.00 (Sixty-sixmillion, six hundred and eleven thousand, one hundred and ninety 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 N404,000,000 (Four hundred and four million Naira) while the actual expenditure for the year stood at N558,139,253 (Five hundred and fifty-eight million, one hundred and thirty-nine thousand, two hundred and fifty-three Naira). This resulted to a deficit of N154,139,253 (One hundred and fifty-four million, one hundred and thirty-nine thousand, two hundred and fifty-three Naira).

The table below shows the full details: -



S/N	DESCRIPTION	ACTUAL 2019(₦)	ESTIMATED 2020 (₦)	ACTUAL 2020(₦)	DEFICIT/SAV INGS 2020(₦)
1.	Primary Sch. Teachers Sal	286,534,915	200,000,000	335,668,285	(135,668,285)
2.	Training Funds	16,716,968	16,000,000	12,163,583	3,836,417
3.	Contribution to Emirate	83,584,839	63,000,000	64,005,828	(1,005,828)
4.	Contribution to Pension	85,714,286	65,000,000	85,714,286	(20,714,286)
5.	Common Services	33,433,936	30,000,000	26,992,214	3,007,786
6.	Agency for Mass Edu. Salary	36,125,147	30,000,000	33,595,056	(3,595,056)
	Contri. To Emirate Security	15,000,000			
	ZASIEC	65,102,047			
	Total	622,212,137	404,000,000	558,139,253	(154,139,253)

3.16 CRF CHARGES-PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦161,591,400.00 (One hundred and sixty-one million, five hundred and ninety-one thousand, four hundred Naira). Whereas the actual expenditure for the year stood at ₦255,792,227.00 (Two hundred and fifty-five million, seven hundred and ninety-two thousand, two hundred and twenty-seven Naira) This resulted to a deficit of ₦94,200,827.00 (Ninety-four million, two hundred thousand, eight hundred and twenty-sevenone 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)**

