



REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS
ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

GUSAU 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 Samara 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 i.e 2019 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 N 230,476,095 (Two hundred and thirty million, four hundred and seventy-six thousand, ninety-five 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 N82,323,020 (Eighty-two million, three hundred and twenty-three thousand, twenty 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 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 ₦ 607,126,419 (Six hundred and seven million, one hundred and twenty-six thousand, four hundred and nineteen Naira) was paid as personnel cost by the local government and non was made available for my observation.
- 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 33 files were approved for payment of retirement/death benefits from both the local Government and LGEA with consist of 17 voluntary/compulsory retirement and 16 death staff and their total benefits standing at ₦34,667,563(Thirty-four million, six hundred and sixty-seven thousand, five hundred and sixty-threeNaira). Out of these amounts the sum of ₦8,458,617(Eight million, four hundred and fifty-eight thousand, six hundred and seventeen Naira) stood as total claims for 14 number local government staff while L G E A staff totaling to 19 number gulfed the sum of ₦26,208,945(Twenty-six million, two hundred and eight thousand, nine hundred and forty-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 ₦3,816,769.36(Three million, eight hundred and sixteen thousand, seven hundred and sixty-nineNaira) for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2020 the investment value stood at ₦92,561,986.00(Ninety-two million, five hundred and sixty-one thousand, nine hundred and eighty-six naira). The investment holding is as shown below: -



S/N	NAME OF THE COMPANY	VALUE 2020 (₦)	VALUE 2019 (₦)
1	Gamin Bank	125,000	125,000
2	Soot Investment Co. Ltd	500,000	500,000
3	CCNN Soot	200,000	200,000
4	Soot Cooperative Bank	100,000	100,000
5	Gusau Community Bank	100,000	100,000
6	Zamfara Investment Co.	499,760	2,000,000
7	Urban Dev. Bank Plc		-
8	FSB International Bank	-	-
9	Unity Bank (BON)	91,645	91,645
10	Zamfara Fertilizer Co.	2,000,000	1,000,000
11	T/Mafara Bricks B. Ind.	1,000,000	499,760
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	86,720,581	86,720,581
	TOTAL	92,561,986	92,561,986

2.10

REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of ₦464,471,319.00 (Four hundred and sixty-four million, four hundred and seventy-one thousand, three hundred and nineteen 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 ₦2,849,171,340.00 (Two billion, eight hundred and forty-nine million, one hundred and seventy-one thousand, three hundred and forty Naira) while the actual collection for the year was ₦2,619,313,393.00 (Two billion, one hundred nineteen million, three hundred and thirteen thousand, three hundred and ninety - three Naira). The actual revenue represents 92% of the projected revenue. Also this can be seen below: -



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Statutory Allocation	2,321,247,296	2,252,801,760	1,910,820,598
2.	VAT	586,893,527	596,369,580	708,492,795
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	977,318,670	-	-
5.	Non- Oil Revenue	103,347,569	-	-
	Total	3,987,807,062	2,849,171,340	2,619,313,393

3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of ₦112,123,215 (One hundred and twelve million, one hundred and twenty-three thousand, two hundred and fifteen Naira) was revealed and it represent 4% rise on the projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Surplus 2020(₦)
1.	VAT	586,893,527	596,369,580	708,492,795	112,123,215
2.	Excess Paris Refund	977,318,670	-	-	-
	Total	1,004,065,477	596,369,580	708,492,795	112,123,215

3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of ₦341,981,162(Three hundred and forty-one million, nine hundred and eighty-one thousand, one hundred and sixty-one Naira) was revealed as per statutory receipts. This represents 12% shortage of the projected statutory Allocation revenue as shown below:



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1,	Statutory Allocation	2,321,247,296	2,252,801,760	1,910,820,598	341,981,162
	Non- Revenue Oil	103,347,569	-	-	-
	Total	2,424,594,865	2,252,801,760	1,910,820,598	341,981,162

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦66,147,360 (Sixty-six million, one hundred and forty-seven thousand, three hundred and sixty Naira) while the actual collection was ₦58,980,438.00 (Fifty-eight million, nine hundred and eighty thousand, four hundred and thirty-eight Naira) The actual revenue represents 89% of the projected revenue.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 20 20 (₦)	Actual 2020 (₦)
1.	Direct Taxes	16,700,000	15,000,000	27,276,892
2.	License	4,021,230	14,000,000	4,510,000
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	4,360,000	9,700,000	6,646,000
6.	Fines	5,000	-	-
7.	Sales	-	5,052,640	-
8.	Earnings	27,160,480	17,394,720	19,917,546
9.	Sales/Rent on Govt. Buildings	-	1,000,000	-
10.	Sales/Rent on Lands & Others	-	2,000,000	-
11.	Investment Income	-	2,000,000	630,000
	Total	52,246,710	66,147,360	58,980,438



3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a surplus of ₦ 14,799,718 (Fourteen million, seven hundred and ninety-nine thousand, seven hundred and eighteen Naira)

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Surplus 2020 (₦)
1.	Direct Taxes	16,700,000	15,000,000	27,276,892	12,276,892
2.	Earnings	27,160,480	17,394,720	19,917,546	2,522,826
	Total	38,860,480	32,394,720	47,194,438	14,799,718

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦16,914,000.00 (Sixteen million, nine hundred and fourteen thousand Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	License	4,021,230	14,000,000	4,510,000	9,490,000
2.	Fees	4,360,000	9,700,000	6,646,000	3,054,000
3.	Sales/Rent on Govt. Buildings	-	1,000,000	-	1,000,000
4.	Sales/Rent on Lands & Others	-	2,000,000	-	2,000,000
5.	Investment Income	-	2,000,000	630,000	1,370,000
	Total	35,541,710	28,700,000	11,786,000	16,914,000



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 **₦3,098,588,714** (Three billion, ninety-eight million, five hundred and eighty-eight thousand, seven hundred and fourteen Naira) during the year under review, but in the actual the sum of **₦2,689,835,406.00** (Two billion, six hundred and eighty-nine million, eight hundred and thirty-five thousand, four hundred and six Naira) was realized. This represents 87% of the total budget amount. The details are shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	2,341,724,550	884,303,000	475,549,692
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	Total	2,341,724,550	3,098,588,714	2,689,835,406

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 **₦408,753,308.00** (Four hundred and eight million, seven hundred and fifty-three thousand, three hundred and eight Naira) was reported by the Local Government .



3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of ₦3,098,588,714 (Three billion, ninety-eight million, five hundred and eighty-eight thousand, seven hundred and fourteen Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,526,533,899.00 (Two billion, two hundred and twenty-six million, five hundred and thirty-three thousand, eight hundred and ninety-nine Naira). This represents 82 % of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Administrative Sector	408,262,319	1,092,304,090	1,003,224,972
2.	Economic Sector	344,347,716	850,000,000	598,154,746
3.	Social Sector	1,410,062,672	1,156,284,624	925,154,180
	Total	2,162,672,708	3,098,588,714	2,526,533,899

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of ₦572,054,816.00 (Five hundred and seventy-two million, fifty-four thousand, eight hundred and sixteen Naira) was revealed two sectors as shown in the table below: -.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Savings 2020 (₦)
1.	Administrative Sector	408,262,319	1,092,304,090	1,003,224,972	89,079,118
2.	Economic Sector	344,347,716	850,000,000	598,154,746	251,845,254
	Social Sector	1,410,062,672	1,156,284,624	925,154,180	231,130,444
	Total	2,162,672,708	3,098,588,714	2,526,533,899	572,054,816



3.12 CAPITAL EXPENDITURE (DEFICIT):

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

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

The sum of ₦915,063,260.00 (Nine hundred and fifteen million, sixty-three thousand, two hundred and sixty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of ₦607,126,419 (Six hundred and seven million, one hundred and twenty-six thousand, four hundred and nineteen Naira) was paid to 3,062 staff of the local government and its ADCs. This resulted to a savings of ₦307,936,841.00 (Three hundred and seven million, nine hundred and thirty-six thousand, eight hundred and forty-one Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was ₦400,809,300.00 (Four hundred million, eight hundred and nine thousand, three hundred Naira). Whereas the actual expenditure for the year stood at ₦573,918,592.00 (Five hundred and seventy-three million, nine hundred and eighteen thousand, five hundred and ninety-two Naira), this resulted to a deficits of ₦173,109,292.00 (One hundred and seventy-three million, one hundred and nine thousand, two hundred and ninety-two Naira)

3.15 CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue for the year under review of this Local Government was ₦403,631,700 (Four hundred and three million, six hundred and thirty-one thousand, seven hundred Naira) while the actual expenditure for the year stood at ₦706,425,507 (Seven hundred and six million, four hundred and twenty-five thousand, five hundred and seven Naira). This resulted to a deficit of ₦302,793,807.00 (Three hundred and two million, seven hundred and ninety-three thousand, eight hundred and seven Naira).

The table below shows the full details: -



S/N	DESCRIPTION	ACTUAL 2019 (₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	DEFICIT/SAVIN GS 2020(₦)
1.	Primary Sch. Teachers Sal	342,684,076	210,000,000	392,069,036	(182,069,036)
2.	Training Funds	23,212,473	12,631,700	16,554,783	(3,923,083)
3.	Contribution to Emirate	116,062,365	54,000,000	89,236,281	(35,236,281)
4.	Contribution to Pension	85,714,286	40,000,000	85,714,286	(45,714,286)
5.	Common Services	46,424,946	22,000,000	37,686,245	(15,686,245)
6.	Agency for Mass Edu. Salary	91,390,473	60,000,000	85,164,876	25,164,876
7.	Contri. To Emirate Security	15,000,000	5,000,000		
	Zasiec	65,102,047			
	Total	785,590,665	403,631,700	706,425,507	(302,793,807)

3.16 **CRF CHARGES- PUBLIC DEBT CHARGE:**

During the year under review the estimated Public debt charge of the local government was ₦134,178,100 (One hundred and thirty-four million, one hundred and seventy-eight thousand, one hundred Naira). Whereas the actual expenditure for the year stood at ₦309,132,670.00 (Three hundred nine million, one hundred and thirty-two thousand, six hundred and seventy Naira). This resulted to a deficits of ₦174,954,570.00 (One hundred and seventy-four million, nine hundred and fifty-four thousand, five hundred and seventy 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)**

