



REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS
ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

MARADUN 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 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 UNAPPROPRIATED REVENUE:

During the year under review it was observed that, the sum of N 171,673,616 (One hundred and seventy-one million, six hundred and seventy-three thousand, six hundred and sixteen 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 N88,675,188 (Eighty-eight million, six hundred and seventy-five thousand, one hundred and eighty-eight 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, 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 book and bank statement has never been carried out throughout the year by 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 ₦ 235,160,087 (Two hundred and thirty-five million, one hundred and sixty thousand, eighty-seven 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.



2.6

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 files were received from this local government were 24files were approved from both the local Government and LGEA which consist of 18 voluntary/compulsory retirement and 6 death staff with their total benefits standing at ₦13,938,776(Thirteen million, nine hundred and thirty-eight thousand, seven hundred and seventy-sixNaira). Out of these amounts the sum of ₦10,145,511(Ten million, one hundred and forty-five thousand, five hundred and eleven Naira) stood as total claims for 20 number local government staff while L G E A staff totaling to 4 number gulfed the sum of ₦3,793,264(Three million, seven hundred and ninety-three thousand, two hundred and sixty-four 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 ₦1,388,524(One million, three hundred and eighty-eight thousand, five hundred and twenty-four naira) for the pension funds.

2.8

INVESTMENTS:

As at 31st December,2020the investment value stood at ₦109,647,661.00 (One hundred and nine million, six hundred and forty-seven thousand, six hundred and sixty-onenaira). The investment holding is as shown below: -



S/N	NAME OF THE COMPANY	VALUE 2020(₦)	VALUE 2019 (₦)
1	Oceanic Bank	-	-
2	Kaduna Textile	-	-
3	CCNN Sokoto	-	-
4	Sokoto Cement Co.	-	-
5	SICL Communication	-	-
6	Ashaka Cement Co	297,000	297,000
7	NNPC Nig.	-	-
8	FSB International Bank	-	-
9	Bank Of the North	-	-
10	Gusau fertilizer Co.	2,000,000	2,000,000
11	T/Mafara Bricks B. Ind.	2,000,000	2,000,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	104,000,661	104,000,661
	TOTAL	109,647,661	109,647,661

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 ₦2,100,378,360 (Two billion, one hundred million, three hundred and seventy-eight thousand, three hundred and sixty Naira) while the actual collection for the year was ₦1,954,543,882 (One billion, nine hundred and fifty-four million, five hundred and forty-three thousand, eight hundred and eighty-two Naira). The actual revenue represents 93% 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	1,729,016,261	1,655,162,250	1,423,303,709
2.	VAT	438,798,025	445,216,110	531,240,173
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	727,970,636	-	-
5.	Non-Oil Revenue	76,235,139	-	-
	Total	2,972,020,061	2,100,378,360	1,954,543,882

3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of ₦86,024,063 (Eighty-sixmillion,twenty-four thousand, sixty - three 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	438,798,025	445,216,110	531,240,173	86,024,063
2.	Excess Paris Refund	727,970,636	-	-	-
3.	Non-Oil Revenue	76,235,139	-	-	-
	Total	1,243,003,800	445,216,110	531,240,173	86,024,063

3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of ₦231,858,541(Two hundred and thirty-one million, eight hundred and fifty-eightthousand,five hundred and forty-one Naira) was revealed as per statutory Allocation. This represents 14 % shortage of the projected Statutory Allocation revenue as shown below:



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	Statutory Allocation	1,729,016,261	1,655,162,250	1,423,303,709	231,858,541
	Total	1,729,016,261	1,655,162,250	1,423,303,709	231,858,541

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦102,980,120 (One hundred and two million, nine hundred and eighty thousand, one hundred and twenty Naira) while the actual collection for the year was ₦51,077,622 (Fifty-one million, seventy-seventhousand, six hundred and twenty-two Naira) The actual revenue represents 50% of the total projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 20 20 (₦)	Actual 2020 (₦)
1.	Direct Taxes	73,818,860	-	16,751,451
2.	License	11,021,640	14,433,030	4,453,301
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	23,751,507	24,134,640	11,794,050
6.	Fines	10,921,510	1,420,000	5,700,250
7.	Sales	-	16,355,500	-
8.	Earnings	22,562,502	38,022,400	12,378,570
9.	Sales/Rent on Govt. Buildings	-	2,346,000	-
10.	Sales/Rent on Lands & Others	-	2,653,600	-
11.	Repayments-General	-	-	-
12.	Investment Income	-	1,308,000	-
13.	Interest Earned	-	2,306,950	-
	Total	142,076,019	102,980,120	51,077,622



3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of ₦21,031,701 (Twenty-one million, thirty-one thousand, seven hundred and one Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 20 20 (₦)	Surplus 2020 (₦)
1.	Direct Taxes	73,818,860	-	16,751,451	16,751,451
	Fines	10,921,510	1,420,000	5,700,250	4,280,250
	Total	84,740,370	1,420,000	22,451,701	21,031,701

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦70,588,199 (Seventy million, five hundred and eighty-eight thousand, one hundred and ninety-nine Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	License	11,021,640	14,433,030	4,453,301	9,979,729
2.	Fees	23,751,507	24,134,640	11,794,050	12,340,590
3.	Sales	-	16,355,500	-	16,355,500
4.	Earnings	22,562,502	38,022,400	12,378,570	25,643,830
	Sales/Rent on Govt. Buildings	-	2,346,000		2,346,000
	Sales/Rent on Lands & Others	-	2,653,600		2,653,600
	Investment Income	-	1,308,000		1,308,000
	Interest Earned	-	2,306,950		2,306,950
	Total	57,335,649	99,214,120	28,625,921	70,588,199



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 ₦2,811,735,844 (Two billion, eight hundred and eleven million, seven hundred thirty-five thousand, eight hundred and forty-four Naira) during the year under review, but in the actual the sum of ₦2,460,974,262 (Two billion, four hundred and sixty million, nine hundred seventy-four thousand, two hundred and sixty-two Naira) was realized. This represents 88% of the total budget amount. The details are shown below:

S/ N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	1,995,502,286	597,450,130	246,688,548
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	Total	1,995,502,286	2,811,735,844	2,460,974,262

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 N350,761,582.00(Three hundred and fifty million, seven hundred and sixty-one thousand, five hundred and eighty-twoNaira) 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 ₦2,811,735,844 (Two billion, eight hundred and eleven million, seven hundred thirty-five thousand, eight hundred and forty-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,339,282,084 (Two billion, three hundred and thirty-nine million, two hundred and eighty-two thousand, eighty-four Naira). This represents 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	945,650,000	793,638,823
2.	Economic Sector	282,648,915	1,100,460,000	856,137,679
3.	Social Services Sector	1,207,216,469	765,625,844	689,505,582
	Total	1,837,927,704	2,811,735,844	2,339,282,084

3.11 **EXCESS CAPITAL EXPENDITURE:**

During the year under review a savings of ₦472,453,760.00 (Four hundred and seventy-two million, four hundred and fifty-three thousand, seven hundred and sixty Naira) was revealed in all the three sectors as shown in the table below: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Savings 2020 (₦)
1.	Administrative Sector	348,062,319	945,650,000	793,638,823	152,011,177
2.	Economic Sector	282,648,915	1,100,460,000	856,137,679	244,322,321
	Social Services Sector	1,207,216,469	765,625,844	689,505,582	76,120,262
	Total	1,837,927,704	2,811,735,844	2,339,282,084	472,453,760



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 ₦468,311,080 (Four hundred and sixty-eight million, three hundred and eleven thousand, eighty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of ₦235,160,087 (Two hundred and thirty-five million, one hundred and sixty thousand, eighty-seven Naira) was paid to 1,277 staff of the local government and its ADC. This resulted to a savings of ₦233,150,993 (Two hundred and thirty-three million, one hundred and fifty thousand, nine hundred and ninety-three Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was ₦478,143,400 (Four hundred and seventy-eight million, one hundred and forty-three thousand, four hundred Naira). Whereas the actual expenditure for the year stood at ₦625,237,959 (Six hundred and twenty-five million, two hundred and thirty-seven thousand, nine hundred and fifty-nine Naira), this resulted to a deficit of ₦147,094,559 (One hundred and forty-seven million, ninety-four thousand, five hundred and fifty-nine 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 ₦331,635,850 (Three hundred and thirty-one million, six hundred and thirty-five thousand, eight hundred and fifty Naira) while the actual expenditure for the year stood at ₦483,378,872 (Four hundred and eighty-three million, three hundred and seventy-eight thousand, eight hundred and seventy-two Naira). This resulted to a deficit of ₦151,743,022 (One hundred and fifty-one million, seven hundred and forty-three thousand, twenty-two Naira).

The table below shows the full details: -



S/N	DESCRIPTION	ACTUAL 2019 (₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	SURPLUS/DE FICIT 2020(₦)
1.	Primary Sch. Teachers Sal	227,909,907	150,000,000	259,674,690	(109,674,690)
2.	Training Funds	17,290,163	10,000,000	12,551,084	(2,551,084)
3.	Contribution to emirate	86,450,813	35,000,000	66,232,285	(31,232,285)
4.	Contribution to Pension	85,714,286	40,100,000	85,714,286	(45,614,286)
5.	Common Services	34,580,325	9,000,000	27,935,908	(18,935,908)
6.	Agency for Mass Edu. Salary	33,683,939	20,060,000	31,270,620	(11,210,620)
7.	Contri Emirate Securi	15,808,100			
8.	Zasiec	65,102,047	67,475,850		67,475,850
	Total	566,539,579	331,635,850	483,378,872	(151,743,022)

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦165,818,020.00 (One hundred and sixty-five million, eight hundred and eighteen thousand, twenty Naira). Whereas the actual expenditure for the year stood at ₦235,857,406 (Two hundred and thirty-five million, eight hundred and fifty-seven thousand, four hundred and six Naira). This resulted to a deficits of ₦70,039,386 (Seventy million, thirty-nine thousand, three hundred and eighty-six 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 inadequate 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)**

