



REPORT OF THE AUDITOR - GENERAL

**FOR LOCAL GOVERNMENTS
ON IPSAS CASH**

**GENERAL PURPOSE FINANCIAL STATEMENTS
OF**

MARU 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 **₦ 226,595,172** (Two hundred and twenty-six million, five hundred and ninety-five thousand, one hundred and seventy-two 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 **₦115,787,193** (One hundred and fifteen million, seven hundred and seventy-eight thousand, one hundred and ninety-three 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 books and bank statements has never been carried out throughout the year by this local government.
- b. **NonClassification 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 **₦385,773,548** (Three hundred and eighty-five million, seven hundred and seventy-three thousand, five hundred and forty-eight 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 29files were approved from both the local Government and LGEA which consist of 20 voluntary/compulsory retirement and 9 death staff with their total benefits standing at **₦12,638,077 (Twelve million, six hundred and thirty-eight thousand, seventy-sevenNaira)**. Out of these amounts the sum of **₦8,472,523(Eight million, four hundred and seventy-two thousand, five hundred and twenty-threeNaira)** stood as total claims for 18 number local government staff while L G E A staff totaling to 11 number gulfed the sum of **₦4,165,553(Four million, one hundred and sixty-five thousand, five hundred and fifty-three 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 **₦2,957,294(Two million, nine hundred and fifty-seven thousand, two hundred and ninety-four Naira)** for the pension funds.

2.8

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-sixnaira)**. The investment holding is as shown below: -



S/N	NAME OF THE COMPANY	VALUE 2020 (₦)	VALUE 2019 (₦)
1	GamjiBank	162,500	162,500
2	Kaduna Textile	-	-
3	CCNN Sokoto	227,500	227,500
4	SokotoMortgage	425,862	425,862
5	SICL Communication	-	-
6	Ashaka Cement Co	-	-
7	NNPC Nig.	-	-
8	FSB International Bank	-	-
9	Bank Of the North	-	-
10	Zamfarafertilizer 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	86,720,581	86,720,581
	TOTAL	92,561,986	92,561,986

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 RECEIPTS:

During the year under review, the estimated Statutory Receipt of this local government (which consist of Statutory Allocation and VAT) was **₦2,757,716,570** (Two billion, seven hundred and fifty-seven million, seven hundred and sixteen thousand, five hundred and seventy Naira) while the actual collection for the year was **₦2,493,257,813** (Two billion, four hundred and ninety-three million, two hundred and fifty-seven thousand, eight hundred and thirteen Naira). The actual revenue represents 90% 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	2,282,160,457	2,201,829,970	1,878,644,821
2.	VAT	532,121,928	555,886,600	614,612,992
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	960,861,872	-	-
	Non-oil Revenue	100,624,167	-	-
	Total	3,875,768,424	2,757,716,570	2,493,257,813

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of **₦58,726,392.00** (Fifty-eight million, seven hundred and twenty-six thousand, three hundred and ninety-two Naira) was revealed and it represent 9.15% 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	532,121,928	555,886,600	614,612,992	58,726,392
2.	Excess Paris Refund	960,861,872	-	-	-
3.	Non-oil Revenue	100,624,167	-	-	-
	Total	1,593,607,967	555,886,600	614,612,992	58,726,392

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of **N 323,185,149** (Three hundred and twenty-three million, one hundred and eighty-five thousand, one hundred and forty-nine Naira) was recorded in respect of Statutory receipts by this local Government. Details is as per table shown below:-



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020(₦)
1.	Statutory Allocation	2,282,160,457	2,201,829,970	1,878,644,821	323,185,149
2.	Excess Crude Oil	-	-	-	-
3.	Total	2,282,160,457	2,519,468,030	2,282,160,457	323,185,149

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **N 86,308,040** (Eighty-sixmillion, three hundred and eight thousand, forty Naira) **while** the actual collection for the year was **N40,149,432**(Forty million, onehundred and forty-nine thousand, four hundred and thirty-two Naira)The actual revenue represents 47% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Direct Taxes	9,757,784	6,454,220	6,773,380
2.	License	3,889,468	30,232,810	3,480,620
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	7,369,762	21,887,710	6,764,961
6.	Fines	-	-	-
7.	Sales	-	4,758,670	-
8.	Earnings	13,298,061	20,242,700	12,122,426
9.	Sales/Rent on Govt. Buildings	-	2,731,930	-
10.	Sales/Rent on Lands & Others	11,913,061	-	10,735,425
11.	Investment Income	733,370	-	272,620
12.	Re-imbursement	37,974,073	-	-
	Total	84,935,579	86,308,040	40,149,432



3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦11,327,205** (Eleven million, three hundred and twenty-seven thousand, two hundred and five Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020(₦)	Surplus 2020 (₦)
1.	Direct Taxes	9,757,784	6,454,220	6,773,380	319,160
2.	Sales/Rent on Lands & Others	11,913,061	-	10,735,425	10,735,425
3.	Investment Income	733,370	-	272,620	272,620
	Total	22,404,215	6,454,220	17,781,425	11,327,205

3.6 INDEPENDENT REVENUE (DEFICIT):

In the year under review, independent revenue revealed a Deficit of **₦57,485,813** (Fifty-seven million, four hundred and eighty-five thousand, eight hundred and thirteen Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020(₦)	Deficit 2020 (₦)
1.	License	3,889,468	30,232,810	3,480,620	26,752,190
2.	Fees	7,369,762	21,887,710	6,764,961	15,122,749
3.	Sales	-	4,758,670	-	4,758,670
4.	Earnings	13,298,061	20,242,700	12,122,426	8,120,274
5.	Sales/Rent on Govt. Buildings	-	2,731,930	-	2,731,930
	Total	24,557,291	79,853,820	22,368,007	57,485,813



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 **₦3,093,644,364** (Three billion, ninety-threemillion, six hundred and forty-four thousand, three hundred and sixty-four Naira) during the year under review, but in the actual the sum of **₦2,919,105,985** (Two billion, nine hundred and nineteen million, one hundred and five thousand, nine hundred and eighty-five Naira) was realized. This represents 94% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	2,517,096,690	879,358,650	704,820,271
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	Total	2,517,096,690	3,093,644,364	2,919,105,985

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 **₦174,538,379** (One hundred and seventy-four million, five hundred and thirty-eight thousand, three hundred and seventy-nine Naira) was reported by the Local Government Council.



3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦3,093,644,364** (Three billion, ninety-three million, six hundred and forty-four thousand, three hundred and sixty-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦2,815,877,828** (Two billion, eight hundred and fifteen million, eight hundred and seventy-seven thousand, eight hundred and twenty-eight Naira). This represent 91% 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	1,094,500,000	989,392,431
2.	Economic Sector	473,375,944	1,045,000,000	916,883,861
3.	Social Services Sector	1,503,776,726	954,144,364	909,601,536
	Total	2,325,214,989	3,093,644,364	2,815,877,828

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦277,766,536** (Two hundred and seventy-seven million, seven hundred and sixty-six thousand, five hundred and thirty-six Naira) was revealed in the two sectors as shown in the table below: -.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Savings 2020 (₦)
1.	Administrative Sector	348,062,319	1,094,500,000	989,392,431	105,107,569
2.	Economic Sector	473,375,944	1,045,000,000	916,883,861	128,116,139
	Social Services Sector	1,503,776,726	954,144,364	909,601,536	44,542,828
	Total	2,325,214,989	3,093,644,364	2,815,877,828	277,766,536



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 **₦593,030,460** (Five hundred and ninety-three million, thirty thousand, four hundred and sixty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of **₦385,773,548** (Three hundred and eighty-five million, seven hundred and seventy-three thousand, five hundred and forty-eight Naira) was paid to **1,960** staff of the local government and its ADCs. This resulted to a savings of **₦207,256,912** (Two hundred and seven million, two hundred and fifty-six thousand, nine hundred and twelve Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦429,635,500** (Four hundred and twenty-nine million, six hundred and thirty-five thousand, five hundred Naira). Whereas the actual expenditure for the year stood at **₦460,334,984** (Four hundred and sixty million, three hundred and thirty-four thousand, nine hundred and eighty-four Naira), this resulted to a deficit of **₦30,699,484** (Thirty million, six hundred and ninety-nine thousand, four hundred and eighty-four 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 **₦635,000,000** (Six hundred and thirty-five million Naira) while the actual expenditure for the year stood at **₦631,255,174** (Six hundred and thirty-one million, two hundred and fifty-five thousand, one hundred seventy-four Naira). This resulted to a savings of **₦3,744,826** (Three million, seven hundred and Forty four thousand, eight hundred and Twenty six Naira).

The table below shows the full details: -



S/N	DESCRIPTION	ACTUAL 2019 (₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	SAVINGS /DEFICIT 2020(₦)
1.	Primary Sch. Teachers Sal	316,492,829	310,000,000	353,123,428	(43,123,428)
2.	Training Funds	22,821,605	23,000,000	16,290,542	6,709,458
3.	Contribution to Emirate	114,108,023	115,000,000	87,718,033	27,281,967
4.	Contribution to Pension	85,714,286	86,000,000	85,714,286	285,714
5.	Common Services	45,643,209	46,000,000	37,042,730	8,957,270
6.	Agency for Mass Edu. Salary	55,072,182	55,000,000	51,366,156	3,633,844
	Contr Emirate security	30,000,000			
	Zasiec	65,102,047			
		734,954,180	635,000,000	631,255,174	3,744,826

3.16

CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦140,000,000**(One hundred and forty million Naira). Whereas the actual expenditure for the year stood at **₦269,100,422**(Two hundred and sixty-nine million, one hundred thousand, four hundred twenty-two Naira). This resulted to a deficits of **₦129,100,422**(One hundred and twenty-nine million, one hundred thousand, four hundred twenty-two 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)**

