



REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS
ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

SHINKAFI 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

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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 ₦ 141,481,486 (One hundred and Forty-one million, four hundred and eighty-one thousand, four hundred and eighty-six 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 ₦85,392,822 (Eighty-five million, three hundred and ninety-two thousand, eight hundred and twenty-two 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. 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 ₦ 277,682,660 (Two hundred and seventy-seven million, six hundred and eighty-two thousand, six hundred and sixty 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.



2.7 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 files were received from this local government were 13files were approved from both the local Government and LGEA which consist of 10 voluntary/compulsory retirement and 3 death staff with their total benefits standing at ₦13,994,301 (Thirteen million, nine hundred and ninety-four thousand, three hundred and one Naira). Out of these amounts the sum of ₦1,697,560(One million, six hundred and ninety-seven thousand, five hundred and sixty Naira) stood as total claims for 2 number local government staff while L G E A staff totaling to 11 number gulfed the sum of ₦12,296,741(Twelve million, two hundred and ninety-six thousand, seven hundred and forty-one 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 ₦1,074,068(One million, seventy-four thousand, sixty-eight Naira) for the pension funds.



2.9 INVESTMENTS:

As at 31st December, 2020 the investment value stood at N113,012,226.00 (One hundred and thirteen million, twelve thousand, two hundred and twenty-six naira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2020 (₦)	VALUE 2019 (₦)
1	Gamji Bank	56,250	56,250
2	Kaduna Textile	-	-
3	Sokoto Investment Co.	22,500	22,500
4	Sokoto Mortgage	294,827	294,827
5	Micro finance Bank	26,291,645	26,291,645
6	Ashaka Cement Co	1,825,200	1,825,200
7	Urban Dev. Bank Plc	225,000	225,000
8	FSB International Bank	340,800	340,800
9	Unity Bank (BON)	82,480	82,480
10	Fertilizer Blending Co.	1,500,000	1,500,000
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	86,720,581	86,720,581
		113,012,226	113,012,226

2.10 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of N465,887,881.00 (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 ₦1,762,870,210 (One billion, seven hundred and sixty-two million eight hundred and seventy thousand, two hundred and ten Naira) while the actual collection for the year was ₦1,626,868,206 (One billion, six hundred and twenty-six million, eight hundred and sixty-eight thousand, two hundred and six Naira). The actual revenue represents almost 92% of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Statutory Allocation	1,424,935,272	1,390,196,680	1,172,988,192
2.	VAT	370,232,403	372,673,530	453,880,014
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	599,942,904	-	-
5.	Non-oil Revenue	62,827,713	-	-
	Total	2,457,938,292	1,762,870,210	1,626,868,206

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of ₦81,207,484 (Eighty-one million, two hundred and seven thousand, four hundred and eighty-four Naira) was revealed and it represent 4.6% 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	370,232,403	372,673,530	453,880,014	81,207,484
	Excess Paris Refund	599,942,904	-	-	-
	Non-oil Revenue	62,827,713	-	-	-
	Total	1,033,003,020	372,673,530	453,880,014	81,207,484



3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of ₦217,208,488.00 (Two hundred and seventeen million, two hundred eight thousand, four hundred and eighty-eight Naira) was revealed as per statutory receipts. This represents 16% shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020(₦)
1.	Statutory Allocation	1,424,935,272	1,390,196,680	1,172,988,192	217,208,488
	Total	1,424,935,272	1,390,196,680	1,172,988,192	217,208,488

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦173,829,220 (One hundred and seventy-three million, eight hundred and twenty-nine thousand, two hundred and twenty Naira) while the actual collection was ₦49,793,699 (Forty-nine million, seven hundred and ninety-three thousand, six hundred and ninety-nine Naira) The actual revenue represents almost 27% of the projected revenue.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Direct Taxes	43,270,232	-	43,270,232
2.	License	24,089,210	70,850,000	24,089,210
3.	Mining Rents			-
4.	Royalties			-
5.	Fees	5,005,000	33,779,220	1,348,100
6.	Fines	410,100	4,000,000	3,873,749
7.	Sales		41,000,000	-
8.	Earnings	70,683,901	24,200,000	23,215,931
9.	Sales/Rent on Govt. Buildings			-
10.	Sales/Rent on Lands & Others			-
11.	Investment Income			-
12.	Interest Earned			-
	Total	143,458,443	173,829,220	49,793,699



3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of ₦43,270,232 (Forty-three million, two hundred and seventy thousand, two hundred and thirty-two Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Surplus 2020 (₦)
1.	Direct Taxes	43,270,232	-	43,270,232	43,270,232
	Total	43,270,232	-	43,270,232	43,270,232

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦121,302,230 (One hundred and twenty-one million, three hundred and two thousand, two hundred thirty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	License	24,089,210	70,850,000	24,089,210	46,760,790
2.	Fees	5,005,000	33,779,220	1,348,100	32,431,120
3.	Fines	410,100	4,000,000	3,873,749	126,251
5.	Sales		41,000,000	-	41,000,000
6.	Earnings	70,683,901	24,200,000	23,215,931	984,069
	Total	100,188,211	173,829,220	52,526,990	121,302,230



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 ₦2,492,830,734 (Two billion, four hundred and ninety-two million, eight hundred and thirty thousand, seven hundred and thirty-four Naira) during the year under review, but in the actual the sum of ₦2,157,717,395 (Two billion, one hundred and fifty-seven million, seven hundred and seventeen thousand, three hundred and ninety-five Naira) was realized. This represents 87% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	703,809,528	278,545,020	(56,568,319)
2.	External Loans LGC	717,420,262	2,214,285,714	2,214,285,714
	Total	1,421,229,790	2,492,830,734	2,157,717,395

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 ₦335,113,339 (One billion) was reported by the Local Government Council. The origin of this deficit is from External loans of the local government.



3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of ₦2,492,830,734 (Two billion, four hundred and ninety-two million, eight hundred and thirty thousand, seven hundred and thirty-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,057,421,783 (Two billion, fifty-seven million, four hundred and twenty-one thousand, seven hundred and eighty-three 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	348,851,219	802,798,890	686,026,828
2.	Economic Sector	250,969,670	917,000,000	802,883,132
3.	Social Services Sector	689,031,211	773,031,844	568,511,823
	Total	1,288,852,100	2,492,830,734	2,057,421,783

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of ₦435,408,951.00 (Four hundred and thirty-five million, four hundred and eight thousand, nine hundred and fifty-one Naira) was revealed.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Savings 2020 (₦)
1.	Administrative Sector	348,851,219	802,798,890	686,026,828	116,772,062
2.	Economic Sector	250,969,670	917,000,000	802,883,132	114,116,868
	Social Services Sector	689,031,211	773,031,844	568,511,823	204,520,021
	Total	1,288,852,100	2,492,830,734	2,057,421,783	435,408,951



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 ₦314,580,350 (Three hundred and fourteen million, five hundred and eighty thousand, three hundred and fifty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of ₦277,682,660 (Two hundred and seventy-seven million, six hundred and eighty-two thousand, six hundred and sixty Naira) was paid to 1,148 staff of the local government. This resulted to a savings of ₦36,897,690 (Thirty-six million, eight hundred and ninety-seven thousand, six hundred and ninety Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was ₦615,541,940 (Six hundred and fifteen million, five hundred and forty-one thousand, nine hundred and forty Naira). Whereas the actual expenditure for the year stood at ₦559,795,455 (Five hundred and fifty-nine million, seven hundred and ninety-five thousand, four hundred and fifty-five Naira), this resulted to a savings of ₦55,746,485 (Fifty-five million, seven hundred and forty-six thousand, four hundred and eighty-five 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 ₦465,698,780 (Four hundred and sixty-five million, six hundred and ninety-eight thousand, seven hundred and eighty Naira) while the actual expenditure for the year stood at ₦433,773,657 (Four hundred and thirty-three million, seven hundred and seventy-three thousand, six hundred and fifty-seven Naira). This resulted to a savings of ₦31,925,123 (Thirty-one million, nine hundred and twenty-five thousand, one hundred and twenty-three Naira).

The table below shows the full details: -



S/N	DESCRIPTION	ACTUAL 2019 (₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	DEFICIT/SU RPLUS 2020(₦)
1.	Primary Sch. Teachers Sal	212,390,589	237,660,048	233,580,068	4,079,980
2.	Training Funds	14,249,353	15,453,059	10,495,385	4,957,674
3.	Contribution to Emirate	71,246,764	72,442,299	54,420,885	18,021,414
4.	Contribution to Pension	85,714,286	85,714,285	85,714,286	(1)
5.	Common Services	28,498,705	27,795,653	22,929,597	4,866,056
6.	Agency for Mass Edu. Salary	28,716,951	26,633,436	26,633,436	0
7.	Contr to Emirate security	15,862,349			
	Zasiec	65,102,047			
	Total	521,781,043	465,698,780	433,773,657	31,925,123

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was N97,000,000(Ninety-seven million Naira). Whereas the actual expenditure for the year stood at N234,543,985.00(Two hundred and thirty-four million, five hundred and forty-three thousand, nine hundred and eighty-fiveNaira). This resulted to a deficits of N137,543,985.00(One hundred and thirty-seven million, five hundred and forty-three thousand, nine hundred and eighty-fiveNaira).



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)**

