



REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS
ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

TSAFE 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 ₦ 173,131,184 (One hundred and seventy-three million, one hundred and thirty-one thousand, one hundred and eighty-four 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 ₦89,824,653 (Eighty-nine million, eight hundred and twenty-four thousand, six hundred and fifty-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 poorly maintained, the cash books are torn due to poor handling and characterized with cancellations and alterations. The cash books were not balanced and closed at the end of every month. In addition that, 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 ₦375,944,986 (Three hundred and seventy-five million, nine hundred and forty-four thousand, nine hundred and eighty-six 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 23files were approved from both the local Government and LGEA which consist of 16 voluntary/compulsory retirement and 7 death staff with their total benefits standing at ₦17,718,767 (Seventeen million, seven hundred and eighteen thousand, seven hundred and sixty-sevenNaira). Out of these amounts the sum of ₦9,598,867(Nine million, five hundred and ninety-eight thousand, eight hundred and sixty-sevenNaira) stood as total claims for 17 number local government staff, while L G E A staff totaling to 6 number gulfed the sum of ₦8,119,900(Eight million, one hundred and nineteen thousand, nine hundred 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 ₦842,516(Eight hundred and forty-two thousand, five hundred and sixteen Naira) for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2020 the investment value stood at ₦113,175,347.00(One hundred and thirteen million, one hundred and seventy-five thousand, three hundred and forty-sevonnaira). The investment holding is as shown below: -



S/N	NAME OF THE COMPANY	VALUE 2020 (₦)	VALUE 2019 (₦)
1	Gamji Bank	720,000	720,000
2	Bricks Block Ind.	2,500,000	2,500,000
3	Sokoto Investment Co.	-	-
4	Sokoto Mortgage	655,173	655,173
5	SICL Communication	-	-
6	Sokoto Cement Co.	504,000	504,000
7	Urban Dev. Bank Plc	-	-
8	FSB International Bank	-	-
9	Unity Bank (BON)	855,513	855,513
10	Zamfara Fertilizer Co.	2,500,000	2,500,000
11	T/Mafara Bricks B. Ind.	-	-
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	104,090,661	104,090,661
	TOTAL	113,175,347	113,175,347

2.10 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of ₦464,500,791.00 (Four hundred and sixty-four million, five hundred thousand, seven hundred and ninety-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 ₦2,092,558,460 (Two billion, ninety-two million, five hundred and fifty-eight thousand, four hundred and sixty Naira) while the actual collection for the year was ₦2,023,366,339 (Two billion, twenty-three million, three hundred and sixty-six thousand, three hundred and thirty-nine Naira). The actual revenue represents 97% of the total projected revenue. Also this can be seen as per table below: -



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FOR THE YEAR ENDED 31st December, 2020**

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Statutory Allocation	1,743,696,201	1,624,164,550	1,435,388,045
2.	VAT	471,129,556	468,393,910	587,978,294
3.	Excess Paris Refund	734,151,357	-	-
4.	Non-oil Revenue	76,882,402	-	-
	Total	3,025,859,516	2,092,558,460	2,023,366,339

3.2 STATUTORY RECEIPT (SURPLUS):

During the year under review, a surplus of ₦119,584,384 (One hundred and nineteen million, five hundred and eighty-four thousand, three hundred and eighty-four Naira) was revealed and it represent 33% 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	471,129,556	468,393,910	587,978,294	119,584,384
2.	Excess Paris Refund	734,151,357	-	-	-
	Non-oil Revenue	76,882,402	-	-	-
	Total	1,282,163,315	468,393,910	587,978,294	119,584,384

3.3 STATUTORY RECEIPT (DEFICIT):

In the year under review a deficit of ₦188,776,505 (One hundred and eighty-eight million, seven hundred and seventy-six thousand, five hundred and five Naira) was revealed as per statutory Allocation. 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	1,743,696,201	1,624,164,550	1,435,388,045	188,776,505
	Total	1,743,696,201	1,624,164,550	1,435,388,045	188,776,505



3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦156,607,460 (One hundred and fifty-six million, six hundred and seven thousand, four hundred and sixty Naira) while the actual collection for the year was ₦42,817,953 (Forty-two million, eight hundred and seventeen thousand, nine hundred and fifty-three Naira). The actual revenue represents 27% of the total projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Direct Taxes	25,176,051	4,200,000	9,386,510
2.	License	17,873,090	22,700,000	10,523,470
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	-	18,437,000	539,720
6.	Fines	13,410,555	1,200,000	2,802,000
7.	Sales	-	2,400,000	-
8.	Earnings	56,481,750	101,270,260	19,466,513
9.	Sales/Rent on Govt. Buildings	-	450,200	-
10.	Sales/Rent on Lands & Others	-	1,200,000	99,740
11.	Repayments-General	-	2,150,000	-
12.	Investment Income	-	1,100,000	-
13.	Interest Earned	-	1,500,000	-
14.	Re-imburement	-	-	-
	Total	112,941,446	156,607,460	42,817,953

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of ₦6,788,510 (Six million, seven hundred and eighty-eight thousand, five hundred and ten Naira). The table below give full details: -



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020(₦)	Surplus 2020(₦)
1.	Direct Taxes	25,176,051	4,200,000	9,386,510	5,186,510
2.	Fines	13,410,555	1,200,000	2,802,000	1,602,000
	Total	38,586,606	5,400,000	12,188,510	6,788,510

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦120,578,017 (One hundred and twenty million, five hundred and seventy-eight thousand, seventeen Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020(₦)	Deficit 2020 (₦)
1.	License	17,873,090	22,700,000	10,523,470	12,176,530
2.	Fees	-	18,437,000	539,720	17,897,280
3.	Sales	-	2,400,000	-	2,400,000
4.	Earnings	56,481,750	101,270,260	19,466,513	81,803,747
5.	Sales/Rent on Govt. Buildings	-	450,200	-	450,200
6.	Sales/Rent on Lands & Others	-	1,200,000	99,740	1,100,260
7.	Repayments- General	-	2,150,000	-	2,150,000
8.	Investment Income	-	1,100,000	-	1,100,000
9.	Interest Earned	-	1,500,000	-	1,500,000
	Total	74,354,840	151,207,460	30,629,443	120,578,017



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 ₦2,586,497,794 (Two billion, five hundred and eighty-six million, four hundred and ninety-seven thousand, seven hundred and ninety-four Naira) during the year under review, but in the actual the sum of ₦2,342,602,077 (Two billion, three hundred and forty-two million, six hundred and two thousand, seventy-seven Naira) was realized. 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	(224,049,195)	372,212,080	128,316,362
2.	External Loans LGC	717,420,262	2,214,285,714	2,214,285,714
	Total	493,371,067	2,586,497,794	2,342,602,077

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 ₦243,895,718 (Two hundred and forty-three million, eight hundred and ninety-five thousand, seven hundred and eighteen Naira) 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 ₦2,586,497,794 (Two billion, five hundred and eighty-six million, four hundred and ninety-seven thousand, seven hundred and ninety-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,215,967,883 (Two billion, two hundred and fifteen million, nine hundred and sixty-seven thousand, eight hundred and eighty-three Naira). This represents 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	862,000,000	798,833,945
2.	Economic Sector	284,178,276	759,000,000	721,787,211
3.	Social Services Sector	956,890,012	965,497,794	695,346,727
	Total	1,589,130,607	2,586,497,794	2,215,967,883

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of ₦370,529,911 (Three hundred and seventy million, five hundred and twenty-nine thousand, nine hundred and eleven 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	862,000,000	798,833,945	63,166,055
2.	Economic Sector	284,178,276	759,000,000	721,787,211	37,212,789
	Social Services Sector	956,890,012	965,497,794	695,346,727	270,151,067
	Total	1,589,130,607	2,586,497,794	2,215,967,883	370,529,911



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 ₦482,620,500 (Four hundred and eighty-two million, six hundred and twenty thousand, five hundred Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of ₦375,944,986 (Three hundred and seventy-five million, nine hundred and forty-four thousand, nine hundred and eighty-six Naira) was paid to 1,606 staff of the local government. This resulted to a savings of ₦106,675,514 (One hundred and six million, six hundred and seventy-five thousand, five hundred and fourteen Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was ₦477,000,000 (Four hundred and seventy-seven million Naira). Whereas the actual expenditure for the year stood at ₦526,559,127 (Five hundred and twenty-six million, five hundred and fifty-nine thousand, one hundred and twenty-seven Naira), this resulted to a deficit of ₦49,559,127 (Forty-nine million, five hundred and fifty-nine thousand, one hundred and twenty-seven 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 ₦625,000,000.00 (Six hundred twenty-five million Naira) while the actual expenditure for the year stood at ₦554,426,883 (Five hundred and fifty-four million, four hundred and twenty-six thousand, eight hundred and eighty-three Naira). This resulted to a savings of ₦70,573,117 (Seventy million, five hundred and seventy-three thousand, one hundred and seventeen Naira).

The table below shows the full details: -



S/N	DESCRIPTION	ACTUAL 2019 (₦)	ESTIMATED 2020(₦)	ACTUAL 2020(₦)	SAVINGS/DE FICIT 2020 (₦)
1.	Primary Sch. Teachers Sal	274,644,757	340,000,000	321,175,038	18,824,962
2.	Training Funds	17,436,962	20,000,000	12,650,318	7,349,682
3.	Contribution to Emirate	87,184,810	90,000,000	66,802,435	23,197,565
4.	Contribution to Pension	85,714,286	87,000,000	85,714,286	1,285,714
5.	Common Services	34,873,924	36,000,000	28,177,594	7,822,406
6.	Agency for Mass Edu. Salary	42,867,025	52,000,000	39,907,212	12,092,788
	Contr Emirate Securty	26,274,894			
	Zasiec	65,102,047			
	Total	634,098,705	625,000,000	554,426,883	70,573,117

3.16 CRF CHARGES-PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦127,000,000 (One hundred and twenty-seven million Naira). Whereas the actual expenditure for the year stood at ₦282,562,947 (Two hundred and eighty-two million, five hundred and sixty-two thousand, nine hundred and forty-seven Naira). This resulted to a deficits of ₦155,562,947 (One hundred and fifty-five million, five hundred and sixty-two thousand, nine hundred and forty-seven 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)**

