



REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS
ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

ZURMI 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 UN APPROPRIATED REVENUE:

During the year under review it was observed that, the sum of ₦ 191,207,289 (One hundred and ninety-one million, two hundred and seven thousand, two hundred and eighty-nine 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 ₦98,317,978 (Ninety-eight million, three hundred and seventeen thousand, nine hundred and seventy-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 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 ₦295,770,030 (Two hundred and ninety-five million, seven hundred and seventy thousand, thirty 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 14 voluntary/compulsory retirement and 9 death staff with their total benefits standing at ₦20,862,620 (Twenty million, eight hundred and sixty-two thousand, six hundred and twenty Naira). Out of these amounts the sum of ₦8,071,665(Eight million, seventy-one thousand, six hundred and sixty-fiveNaira) stood as total claims for 11 number local government staff, while L G E A staff totaling to 12 number gulfed the sum of ₦12,790,955(Twelvemillion, seven hundred ninety thousand, five hundred and fifty-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 ₦2,240,706 (Two million, two hundred and forty thousand, seven hundred and six Naira) for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2020 the investment value stood at ₦116,806,931.00 (One hundred and sixteen million, eight hundred and six thousand, nine hundred and thirty-one Naira). The investment holding is as shown below: -



S/N	NAME OF THE COMPANY	VALUE 2020 (₦)	VALUE 2019 (₦)
1	Gamji Bank	-	-
2	Bricks Block Ind.	-	-
3	CCNN Sokoto	812,065	812,065
4	Sokoto Mortgage Bank	500,000	500,000
5	SICL Communication	-	-
6	Sokoto Cement Co.	-	-
7	Micro Finance Bank	26,291,645	26,291,645
8	FSB International Bank	-	-
9	Unity Bank (BON)	242,305	242,305
10	Zamfara Fertilizer Co.	-	-
11	T/Mafara Bricks B. Ind.	-	-
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	87,610,916	87,610,916
	TOTAL	116,806,931	116,806,931

2.10 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 ₦2,354,609,540 (Two billion, three hundred and fifty-four million, six hundred and nine thousand, five hundred and forty Naira) while the actual collection for the year was ₦2,201,858,144 (Two billion, two hundred and one million, eight hundred and fifty-eight thousand, one hundred and forty-four Naira). The actual revenue represents 94% 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	1,925,750,272	1,849,350,430	1,585,252,590
2.	VAT	502,494,855	505,259,110	616,605,554
3.	Excess Paris Refund	810,801,890	-	-
4.	Non-Oil Revenue	84,909,462	-	-
	Total	3,323,956,479	2,354,609,540	2,201,858,144

3.2 STATUTORY RECEIPTS (SURPLUS):

During the year under review, a surplus of ₦111,346,444 (One hundred and eleven million, three hundred and forty-six thousand, four hundred and forty-four Naira) was revealed and it represents 5% 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	502,494,855	505,259,110	616,605,554	111,346,444
	Excess Paris Refund	810,801,890	-	-	-
	Non-Oil Revenue	84,909,462	-	-	-
	Total	1,398,206,207	505,259,110	616,605,554	111,346,444

3.3 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of ₦264,097,840 (Two hundred and sixty-four million, ninety-seven thousand, eight hundred and forty Naira) was revealed as per statutory Allocation. This represents 11% shortage of the projected Vat Allocation revenue as shown below:



S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Deficit 2020(₦)
1.	Statutory Allocation	1,925,750,272	1,849,350,430	1,585,252,590	264,097,840
	Total	1,925,750,272	1,849,350,430	1,585,252,590	264,097,840

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦229,286,840 (Two hundred and twenty-nine million, two hundred and eighty-six thousand, eight hundred and forty Naira) while the actual collection for the year was ₦48,636,938 (Forty-eight million, six hundred and thirty-six thousand, nine hundred and thirty-eight Naira) The actual revenue represents 21% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Direct Taxes	32,024,470	-	7,935,800
2.	Licenses	5,583,390	167,276,840	2,794,380
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	21,353,780	13,480,000	9,304,930
6.	Fines	-	200,000	-
7.	Sales	-	3,700,000	-
8.	Earnings	26,460,180	42,430,000	17,590,300
9.	Sales/Rent of Government Buildings	-	2,200,000	-
10.	Sales/Rent on Lands and Others	31,607,990	-	9,723,088
11.	Repayments- General	-	-	-
12.	Investment income	-	-	-
13.	Interest Earned	19,475,610	-	1,288,440
14.	Re-Imbursement	-	-	-
	Total	136,505,420	229,286,840	48,636,938



3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of ₦18,947,328 (Eighteen million, nine hundred and forty seven thousand, three hundred and twenty-eight Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Surplus 2020 (₦)
1.	Direct Taxes	32,024,470	-	7,935,800	7,935,800
2.	Sales/Rent on Lands and Others	31,607,990	-	9,723,088	9,723,088
4.	Interest Earned	19,475,610	-	1,288,440	1,288,440
	Total	83,108,070		18,947,328	18,947,328

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦197,397,230 (One hundred and ninety-seven million, three hundred and ninety-seven thousand, two hundred and thirty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020(₦)	Deficit 2020 (₦)
1.	Licenses	5,583,390	167,276,840	2,794,380	164,482,460
2.	Fees	21,353,780	13,480,000	9,304,930	4,175,070
3.	Fines	-	200,000	-	200,000
4.	Sales	-	3,700,000	-	3,700,000
5.	Earnings	26,460,180	42,430,000	17,590,300	24,839,700
	Total	53,397,350	227,086,840	29,689,610	197,397,230



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 ₦2,901,321,464 (Two billion, nine hundred and one million, three hundred and twenty-one thousand, four hundred and sixty-four Naira) during the year under review, but in the actual the sum of ₦2,620,313,133 (Two billion, six hundred and twenty million, three hundred and thirteen thousand, one hundred and thirty-three Naira) was realized. This represents 90% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)
1.	Transfer from CRF	2,120,411,891	687,035,750	406,027,419
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	Total	2,120,411,891	2,901,321,464	2,620,313,133

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 ₦281,008,331 (Two hundred and eighty-one million, eight thousand, three hundred and thirty-one 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 ₦2,901,321,464 (Two billion, nine hundred and one million, three hundred and twenty-one thousand, four hundred and sixty-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,485,026,703 (Two billion, four hundred and eighty-five million, twenty-six thousand, seven hundred and 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	898,000,000	863,261,524
2.	Economic Sector	303,144,722	984,035,750	853,979,178
3.	Social Services Sector	1,287,338,521	1,019,285,714	767,786,002
	Total	1,938,545,561	2,901,321,464	2,485,026,703

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of ₦416,294,760(Four hundred and sixteen million, two hundred and ninety-four 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	898,000,000	863,261,524	34,738,476
2.	Economic Sector	303,144,722	984,035,750	853,979,178	130,056,572
	Social Services Sector	1,287,338,521	1,019,285,714	767,786,002	251,499,712
	Total	1,938,545,561	2,901,321,464	2,485,026,703	416,294,760



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 ₦459,937,430 (Four hundred and fifty-nine million, nine hundred and thirty-seven thousand, four hundred and thirty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of ₦295,770,030 (Two hundred and ninety-five million, seven hundred and seventy thousand, thirty Naira) was paid to 1,257 staff of the local government. This resulted to a savings of ₦164,167,400 (One hundred and sixty-four million, one hundred and sixty-seven thousand, four hundred Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was ₦534,039,860 (Five hundred and thirty-four million, thirty-nine thousand, eight hundred and sixty Naira). Whereas the actual expenditure for the year stood at ₦587,009,186 (Five hundred and eighty-seven million, nine thousand, one hundred and eighty-six Naira). This resulted to a deficit of ₦52,969,326 (Fifty-two million, nine hundred and sixty-nine thousand, three hundred and twenty-six 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 ₦601,550,000 (Six hundred and one million, five hundred and fifty thousand Naira) while the actual expenditure for the year stood at ₦590,324,810 (Five hundred and ninety million, three hundred and twenty-four thousand, eight hundred and ten Naira). This resulted to a savings of ₦11,225,190 (Eleven million, two hundred and twenty-five thousand, one hundred and ninety Naira).

The table below shows the full details: -



	DESCRIPTION	ACTUAL 2019(₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	DEFICIT 2020(₦)
1.	Primary Sch. Teachers Sal	280,267,747	305,000,000	321,459,946	(16,459,946)
2.	Training Funds	19,257,503	19,000,000	13,881,086	5,118,914
3.	Contribution to Emirate	96,287,514	82,350,000	73,874,075	8,475,925
4.	Contribution to Pension	85,714,286	75,200,000	85,714,286	(10,514,286)
5.	Common Services	38,515,005	54,000,000	31,174,885	22,825,115
6.	Agency for Mass Edu. Salary	68,791,884	66,000,000	64,220,532	1,779,468
7.	Contri to Emirate security	30,000,000			
8.	Zasiec	65,102,047			
	Total	683,935,986	601,550,000	590,324,810	11,225,190

3.16 CRF CHARGES-PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was ₦133,000,000(One hundred and thirty-three million Naira). Whereas the actual expenditure for the year stood at ₦238,716,935 (Two hundred and thirty-eight million, seven hundred and sixteen thousand, nine hundred and thirty-five Naira). This resulted to a deficits of ₦105,716,935(One hundred and five million, seven hundred and sixteen thousand, nine hundred and thirty-five 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)**

