



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 2021



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OFFICE OF THE AUDITOR GENERAL FOR LOCAL GOVERNMENTS

ZAMFARA STATE OF NIGERIA

☎ 204868

P.M.B. 01015, Gusau

Date: 21st October, 2022

Ref. No: LGA/AA/VOL.II/187

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 2021 was submitted to this office on 21st September, 2022.

1.3 PREVIOUS AUDITOR'S GENERAL REPORTS:

The previous year's i.e. 2020 financial year audit report was submitted to the Honorable House of Assembly on 17th September, 2021 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.



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 **₦138,741,354** (One hundred and thirty-eight million, seven hundred and forty-one thousand, three hundred and fifty-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, share of ecological fund and FAAC Deduction 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 OTHER TRANSFERS:

During the year under review the sum **₦34,523,295** (Thirty-four million, five hundred and twenty-three thousand, two hundred ninety-five Naira) was reported by the local government as transfer from Breed Seed Nigerian Limited and Masak Global Concept. Observation arising from this transfer revealed that, what the transfer is meant for has not been stated, whether 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. **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 captured in the cash books in accordance with IPSAS code classification. Equally, recurrent and capital expenditure of the local government was accorded the same as that of revenue. It was observed that, there was no mixed up in the codification of revenue and expenditure, IPSAS codes are used for recording of income and expenditure in the cash book and other books of account, so also 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 and other charges. 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 ₦178,845,631.15 (One hundred and seventy-eight million, eight hundred and forty-five thousand, six hundred and thirty-one Naira) was paid as personnel cost by the local government and other charges. 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 24 files were approved from both the local Government and LGEA which consist of 23 voluntary/compulsory retirement and 1 death staff with their total benefits standing at **₦31,506,171 (Thirty-one million, five hundred and six thousand, one hundred and seventy-one Naira)**. Out of these amounts the sum of **₦3,855,173, (Three million, eight hundred and fifty-five thousand, one hundred and seventy-one Naira)** stood as total claims for 1 number local government staff while L G E A staff totaling to 23 number gulfed the sum of **₦27,650,998 (Twenty-seven million, six hundred and fifty thousand, nine hundred and ninety-eight 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, 960,439 (One million, nine hundred and sixty thousand, four hundred and thirty-nine Naira)** for the pension funds.



2.9 INVESTMENTS:

As at 31st December, 2021 the investment value stood at **₦113,012,226.00** (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 2021 (₦)	VALUE 2020 (₦)
1	Ganji 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 **₦731,264,863.00** (Seven hundred and thirty-one million, two hundred and sixty-four thousand, eight hundred and sixty-three 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 was **₦1,353,163,840** (One billion, three hundred and fifty-three million, one hundred and sixty-three thousand, eight hundred and forty Naira) **while** the actual collection for the year was **₦1,188,326,549** (One billion, one hundred and eighty-eight million, three hundred and twenty-six thousand, five hundred and forty-nine Naira). The actual revenue represents almost 88% of the projected revenue. Also this can be seen below: -



S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021(₦)	Actual 2021 (₦)
1.	Statutory Allocation	1,172,988,192	1,353,163,840	1,188,326,549
	Total	1,172,988,192	1,353,163,840	1,188,326,549

3.2 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of **₦164, 835,291.00** (One hundred and sixty -four million, eight hundred thirty-five thousand, two hundred and ninety-one Naira) was revealed as per statutory receipts. This represents 12% shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)	Deficit 2021 (₦)
1.	Statutory Allocation	1,172,988,192	1,353,163,840	1,188,328,549	164,835,291
	Total	1,172,988,192	1,353,163,840	1,188,328,549	164,835,291

3.2a STATUTORY RECIEPTS(SURPLUS) :-

During the year under review there is no surplus made in respect to statutory receipt by the local government.

3.3 VAT RECEIPTS:

During the year under review, the value added tax was budgeted to the sum of **₦430,241,340** (four hundred and thirty million, two hundred and forty -one thousand ,three hundred and forty Naira) while the actual collection was to the sum of **₦629,229,375**(six hundred and twenty-nine million,two hundred and twenty -nine thousand, three hundred and seventy-five Naira) that it represent an over and above of 146% of the projected revenue, as shown below:-



S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)
1.	VAT	543,880,014	430,241,340	629,229,375
	Total	543,880,014	430,241,340	629,229,375

3.3a VAT ALLOCATION (SURPLUS) :-

For the year under review revealed a surplus of **₦198,988,035** (One hundred and ninety-eight million, nine hundred and eighty-eight thousand, thirty-five Naira) it represent 46% rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)	Surplus 2021 (₦)
1.	VAT	543,880,014	430,241,340	629,229,375	198,988,035
	Total	543,880,014	430,241,340	629,229,375	198,988,035

3.3b VAT ALLOCATION (DEFICIT) :-

In the year under review there is no deficit made in respect to value added tax by this local government.

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦55,922,260**(fifty-five million, nine hundred and twenty-two thousand, two hundred and sixty Naira) **while** the actual collection was **₦46,551,000**(Forty-six million, five hundred and fifty-one thousand, Naira) The actual revenue represents almost 83% of the projected revenue.



S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)
1.	Direct Taxes/Rates	43,270,232	5,000,000	13,541,000
2.	License	24,089,210	38,300,000	8,488,000
3.	Mining Rents			
4.	Royalties			
5.	Fees	1,348,100	7,372,260	1,975,000
6.	Fines	3,873,749		5,369,000
7.	Sales		2,000,000	-
8.	Earnings	23,215,931	3,250,000	16,548,000
9.	Sales/Rent on Govt. Buildings			
10.	Sales/Rent on Lands & Others			
11.	Investment Income			
12.	Interest Earned			
	Total	49,793,699	55,922,260	46,551,000

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦24,444,000** (Twenty-four million, four hundred and forty-four thousand, Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)	Surplus 2021 (₦)
1.	Direct Taxes	43,270,232	-	700,000	700,000
2	Rates	14,428,583	5,000,000	13,471,000	8,471,000
3	Fines	1,348,100	-	1,975,000	1,975,000
4	Earnings	23,215,931	3,250,000	16,548,000	13,298,000
	Total	82,262,846	8,250,000	32,694,000	24,444,000



3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦32,226,260** (Thirty-two million, two hundred and twenty-six thousand, two hundredsixty Naira). The table below gives full details:

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)	Deficit 2021 (₦)
1.	License	24,089,210	38,300,000	13,471,000	24,829,000
2.	Fees	1,348,100	7,372,260	1,975,000	5,397,260
3.	Fines	-	-	-	-
5.	Sales	-	2,000,000	-	2,000,000
	Total	25,437,310	47,672,260	15,446,000	32,226,260

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 **₦1,078,659,120** (One billion, seventy-eight million, six hundred and fifty-nine thousand, one hundred and twenty Naira) during the year under review, but in the actual the sum of **₦200,751,201** (Two hundred million, seven hundred and fifty-one thousand, two hundred and one Naira) was realized. This represents 19% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021(₦)	Actual 2021 (₦)
1.	Transfer from CRF	(56,568,319)	78,659,120	62,658,020
2.	External Loans LGC	2,214,285,714	1,000,000,000	138,093,187
	Total	2,157,717,395	1,078,659,120	200,751,201



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 **₦877, 907,919** (Eight hundred and seventy-seven million, nine hundred and seven thousand nine hundred and nineteen Naira) was reported by the Local Government Council. The origin of this deficit is from External loans of the local government and consolidated revenue funds.

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦1,078,659,120** (One billion, seventy-eight million, six hundred and fifty-nine thousand, one hundred and twenty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦138,387,120** (One hundred and thirty-eight million, three hundred and eighty-seven thousand, one hundred and twenty Naira). This represents 13% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021(₦)	Actual 2021 (₦)
1.	Administrative Sector	686,026,828	145,382,700	80,535,875
2.	Economic Sector	802,883,132	658,276,420	24,770,697
3.	Social Services Sector	568,511,823	275,000,000	33,080,548
	Total	2,057,412,783	1,078,659,120	138,387,120



3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦940,272,000.00** (Nine hundred and forty million, two hundred and seventytwo thousand, Naira) was revealed in two sectors as shown in the table below: -.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Savings 2020 (₦)
1.	Administrative Sector	686,026,828	145,382,700	80,535,875	64,846,825
2.	Economic Sector	802,883,132	658,276,420	24,770,697	633,505,723
3	Social Services Sector	568,511,823	275,000,000	33,080,548	241,919,452
	Total	2,057,412,783	1,078,659,120	138,387,120	940,272,000

3.12 CAPITAL EXPENDITURE (DEFICIT):

During the year under review, no record of expenditure deficit was made in respect of capital expenditure by the local government.

3.13 PERSONAL COST (INCL. SALARIES ON CRF CHARGES):

The sum of **₦206, 573,420** (Two hundred and six million, five hundred and seventy-three thousand, four hundred and twenty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of **₦222, 618,471** (Two hundred and twenty-two million, six hundred and eighteen thousand, four hundred and seventy-one Naira) was paid to **1,124** staff of the local government. This resulted to a deficit of **₦16,045,051** (sixteen million, forty-five thousand, fifty-one Naira).



3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦499,626,680**(Four hundred and ninety-nine million, six hundred and twenty-six thousand, six hundred and eighty Naira). Whereas the actual expenditure for the year stood at **₦380,692,851**(Three hundred and eighty million, six hundred and ninety-two thousand, eight hundred and fifty-one Naira), this resulted to a savings of **₦118,933,829** (One hundred and eighteen million, nine hundred and thirty-three thousand, eight hundred and twenty-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 **₦688,468,220**(six hundred and eighty-eight million, four hundred and sixty-eight thousand, two hundred and twenty Naira) while the actual expenditure for the year stood at **₦474,530,488** (Four hundred and seventy-four million, five hundred and thirty thousand, four hundred and eighty-eight Naira). This resulted to a savings of **₦213,937,732**(Two hundred and thirteen million, nine hundred and thirty-seven thousand, seven hundred and thirty-two Naira).

The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2020 (₦)	ESTIMATED 2021 (₦)	ACTUAL 2021 (₦)	DEFICIT/SU RPLUS 2021(₦)
1.	Primary Sch. Teachers Sal	233,580,068	210,810,480	221,631,951	(10,821,471)
2.	Training Funds	10,495,385	14,225,710	7,348,323	6,877,387
3.	Contribution to Emirate	54,420,885	70,064,410	41,396,668	28,670,742
4.	Contribution to Pension	85,714,286	80,285,710	85,714,286	(5,248,576)
5.	Common Services	22,929,597	25,907,480	22,939,672	2,967,808
6.	Agency for Mass Edu. Salary	26,633,436	27,432,440	26,633,436	799,004
7.	PHC Salary		259,741,990	68,866,152	190,875,838
	Total	433,773,657	688,468,220	474,530,488	213,937,732



3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦66,000,000**(Sixty-six million Naira).

Whereas the actual expenditure for the year stood at **₦197, 432,774.00**(One hundred and ninety-seven million, four hundred and thirty-two thousand, seven hundred and seventy-four Naira). This resulted to a deficits of **₦131, 432,774.00**(One hundred and thirty-one million, four hundred and thirty-two thousand, seven hundred and seventy-four Naira).

4.0 GENERAL RECOMMENDATIONS

According to the observations set out on the report the following recommendations are here by suggested.

1. Lack of balances and reconciliation in the cash books which were as a result of in adequate 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. Outstanding payment vouchers: the payment vouchers should be traced and be presented for inspection otherwise they will regard as un-vouched expenditure which will be recovered from the officers controlling the vote for the period under review.
3. 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.
4. 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 2020 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 Affairs.

.....
AMINU MAMMAGA(CPA/ACCA/ACCrFA

ACTING AUDITOR GENERAL
FOR LOCAL GOVERNMENTS.

