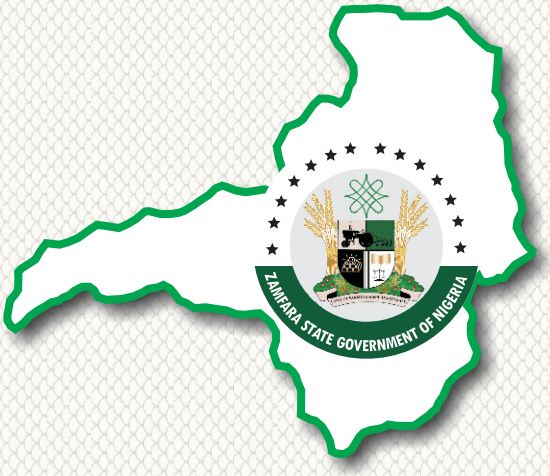

ZAMFARA STATE OF NIGERIA

REPORT

of the

AUDITOR GENERAL

FOR LOCAL GOVERNMENTS

ON IPSAS (CASH)

GENERAL PURPOSE FINANCIAL STATEMENTS

of

SHINKAFI LOCAL GOVERNMENT

For The Year Ended

31st December 2022

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OFFICE OF THE AUDITOR GENERAL
FOR LOCAL GOVERNMENTS
ZAMFARA STATE
ZAMFARA STATE OF NIGERIA

☎ 204868 P.M.B. 01015, Gusau

Date: 6th October, 2023 *Ref. No:* LGA//VOL/214

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 2022 was submitted to this office on 6th October, 2023.

1.3 PREVIOUS AUDITOR'S GENERAL REPORTS:

The previous year i.e. 2021 financial year audit report was submitted to the Honorable House of Assembly on 28thOctober, 2022 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 approve estimate has become a tradition, as in almost every year it was submitted between the months of March to June 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 BUDGETED REVENUE:

During the year under review it was observed that, the sum of **₦545,705,567** (five hundred and forty-five million, seven hundred and five thousand, five hundred and sixty-sevenseven Naira) was received from Exchange gain difference, excess bank charges recovered, distribution of Non-oil excess account,, share of electronic money transfer, share of ecological fund and transfer from other government agencies, 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 **₦5,761,823** (five million, seven hundred and sixty-one thousand, eight hundred twenty-three Naira) was reported by the local government as transfer from Cash Deposit Sanusi, Abubakar S/fawa Dambo, Nasiru Bello cash deposit, Ahmad Cash deposit and Shehu Sani Cash Deposit, 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. 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 period under reviewed sum of **₦132, 185,658.35** (one hundred and thirty-two million, one hundred and eighty-fivethousand, six hundred and fifty-eight naira thirty five kobo) represent the value of outstanding payment vouchers for salary and overhead cost for the period, Most of which were payment for allowances and bank charges by the local government.

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 11files were approved from the local Government and which consist of 10 voluntary/compulsory retirement and 1 death staff with their total benefits standing at **₦11,078,840** (eleven million, seventy-eight thousand, eight hundred and fortyNaira).

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, 886,615**(two million, eight hundred and eighty-six thousand, six hundred and fifteen Naira) for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2022 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 2022(₦)	VALUE 2021 (₦)
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**

2.9 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of **₦977, 232,890.00** (Nine hundred and seventy-seven million, two hundred and thirty-two thousand, eight hundred and ninety 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 **₦1,399,610,320**(One billion, three hundred and ninety-nine million, six hundred and ten hundred and twenty Naira) while the actual collection for the year was **₦1,275,447,444**(One billion, two hundred and seventy-five million, four hundred and forty-seven thousand, four hundred and forty-fourNaira). The actual revenue represents almost 91% of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022(₦)	Actual 2022 (₦)
1.	Statutory Allocation	1,188,328,549	1,399,610,320	1,275,447,444
	Total	**1,188,328,549**	**1,399,610,320**	**1,275,447,444**

3.2 STATUTORY RECEIPTS (DEFICIT):

In the year under review a deficit of **₦124, 162,876.00**(One hundred and twenty-four million, one hundred sixty-two thousand, eight hundred and seventy-six Naira) was revealed as per statutory receipts. This represents 9% shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022 (₦)	Actual 2022	Deficit 2022(₦)
1.	Statutory Allocation	1,188,328,549	1,399,610,320	1,275,447,444	124,162,876
	Total	**1,188,328,549**	**1,399,610,320**	**1,275,447,444**	**124,162,876**

3.2a STATUTORY RECIEPTS (SURPLUS):-

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

3.2 VAT RECEIPTS (SURPLUS):

During the year under review, the value added tax was budgeted to the sum of **₦614,151,610** (six hundred and fourteen million, one hundred and fifty-one thousand, six hundred and ten Naira) while the actual collection was to the sum of **₦769,541,241**(seven hundred and sixty-nine million, five hundred and forty-one thousand, two hundred and forty-one Naira) that it represent an over and above of 125% of the projected revenue, as shown below:-

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022 (₦)	Actual 2022 (₦)
1.	VAT	629,229,375	614,151,610	769,541,241
	Total	**629,229,375**	**614,151,610**	**769,541,241**

3.3a VAT ALLOCATION(SURPLUS):-

For the year under review revealed a surplus of **₦155,389,631** (One hundred and fifty-five million, three hundred and eighty-ninethousand, six hundred and thirty one Naira) it represent 25% rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022 (₦)	Actual 2022 (₦)	Surplus 2022(₦)
1.	VAT	629,229,375	614,151,610	769,541,241	155,389,631
	Total	**629,229,375**	**614,151,610**	**769,541241**	**155,389,631**

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 **₦49,962,640**(forty-nine million, nine hundred and sixty-two thousand, six hundred and forty Naira) while the actual collection was **₦38, 756,110**(thirty-eight million, seven hundred and fifty-sixthousand, one hundred and ten Naira)The actual revenue represents almost 78% of the projected revenue.

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022(₦)	Actual 2022 (₦)
1.	Direct Taxes/	700,000	--	
2	Rate	13,471,000	5,000,000	11,616020
3	License	8,488,000	29,562,640	8,121,710
3.	Mining Rents			
4.	Royalties			
5.	Fees	1,975,000	8,900,000	
6.	Fines	5,369,000		3,267,700
7.	Sales		500,000	-
8.	Earnings	16,548,000	6,000,000	15,750,680
9.	Sales/Rent on Govt. Buildings			
10.	Sales/Rent on Lands & Others			
11.	Investment Income			
12.	Interest Earned			
	Total	**46,551,000**	**49,962,640**	**38,756,110**

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a surplus of **₦19, 634,400**(nineteen million, six hundred and thirty-fourthousand, four hundred and Naira). The table below gives full details: -

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022 (₦)	Actual 2022(₦)	Surplus 2022 (₦)
1	Rates	13,471,000	5,000,000	11,616,020	6,616,020
2	fine	5,369,000	-	3,267,700	3,267,700
3	Earnings	16,548,000	6,000,000	15,750,680	9,750,680
	Total	**35,388,000**	**11,000,000**	**30,634,400**	**19,634,400**

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦30, 840,930** (thirty million, eight hundred and forty thousand, nine hundred and thirty Naira). The table below gives full details: -

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022 (₦)	Actual 2022 (₦)	Deficit 2022 (₦)
1.	License	8,488,000	29,562,640	8,121,710	21,440,930
2.	Fees	1,975,000	8,900,000		8,900,000
3	Sale	500,000	500,000	-	500,000
	Total	**8,488,000**	**38,462,640**	**8,121,710**	**30,840,930**

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 **₦1,278,912,920**(One billion, two hundred and seventy-eight million, nine hundred and twelve thousand, nine hundred and twenty Naira) during the year under review, but in the actual the sum of **₦341, 513,899** (three hundred and forty one million, five hundred and thirteen thousand, eight hundred and ninety-nine Naira) was realized. This represents 26.7% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022(₦)	Actual 2022 (₦)
1.	Transfer from CRF	62,658,020	278,912,920	226,436,248
2.	External Loans LGC	138,093,181	1,000,000,000	115,077,651
	Total	**200,751,201**	**1,278,912,920**	**341,513,899**

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 **₦937, 399,021**(nine hundred and thirty-seven million, three hundred and ninety-nine thousand twenty one 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 **₦1,278,912,920**(One billion, two hundred and sevety-eight million, nine hundred and twelve thousand, nine hundred and twenty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦279,610,020**(two hundred and seventy-nine million, six hundred and ten thousand, twenty Naira). This represents 21.8% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022(₦)	Actual 2022 (₦)
1.	Administrative Sector	80,535,875	340,000,000.	101,454,241
2.	Economic Sector	24,770,697	670,000,000,	36,645,893
3.	Social Services Sector	33,080,548	268,912,920	141,509,886
	Total	**138,387,120**	**1,278,912,920**	**279,610,020**

3.11 EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of **₦999,302,900.00**(Nine hundred and ninety nine million, three hundred and two thousand, nine hundred Naira) was revealed in two sectors as shown in the table below: -.

S/N	DESCRIPTION	Actual 2021 (₦)	Estimate 2022(₦)	Actual 2022 (₦)	Savings 2022 (₦)
1.	Administrative Sector	80,535,875	340,000,000	101,454,241	238,545759
2.	Economic Sector	24,770,697	670,000,000	36,645,893	633,354,107
3	Social Services Sector	33,080,548	268,912,920	141,509,886	127,403,034
	Total	**138,387,120**	**1,278,912,920**	**279,610020**	**999,302,900**

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 **₦244, 111,650**(Two hundred and forty-four million, one hundred and eleven thousand, six hundred and fifty Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of **₦119, 302,489**(one hundred and nineteen million, three hundred and two thousand, four hundred and eighty-nine Naira) was paid to 1,035 staff of the local government. This resulted to a saving of **₦124, 809,161** (one hundred and twenty-four million, eight hundred and nine thousand, one hundred and sixty one Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦523, 500,000**(Fivehundred and twenty-three million, five hundred thousand, Naira). Whereas the actual expenditure for the year stood at **₦428,775,191**(fourhundred and twenty eight million, seven hundred and seventy-five thousand, one hundred and ninety-one Naira), this resulted to a savings of **₦94,724,809** (ninety four million, seven hundred and twenty-four thousand, eight hundred and 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 **₦453,200,000**(fourhundred and fifty-three million, two hundred thousand, Naira) while the actual expenditure for the year stood at **₦593,929,358**(Five hundred and ninety-three million, nine hundred and twenty-ninethousand,three hundred and fifty-eight Naira). This resulted to a deficit of **₦140, 729,358**(onehundred and forty million, seven hundred and twenty-nine thousand, three hundred and fifty-eight Naira).

The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2021 (₦)	ESTIMATED 2022(₦)	ACTUAL 2022 (₦)	DEFICIT/SURPLUS 2022(₦)
1.	Primary Sch. Teachers Sal	221,631,951	177,000,000,	230,835,888	(53,835,888)
2.	Training Funds	7,348323	13,000,000,	9,605,862	3,394,138
3	Contribution to Emirate	41,396,668	60,000,000	47,018,842	12,981,158
4	Contribution to Pension	85,714,286	70,200,000	82,500,000	(12,300,000)
5	Common Services	22,939,672	23,000,000	22,530941	469,059
6	Agency for Mass Edu. Salary	26,633,436	25,000,000	27,024,816	(2,024,816)
7	PHC Salary	68,866,152	86,000,000	66,866,152	18,133,848
8	Traditional Rulers Salary			39,711,143	(39,711,143)
9	Salary of New S/Administrator			60,642,857	(60,642,857)
10	Salary of Special Assistant			7,192,857	(7,192,857)
	Total	**474,530,488**	**453,200,000**	**593,929,358**	**(140,729,358)**

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦64,000,000**(Sixty-four million Naira). Whereas the actual expenditure for the year stood at **N308,647,004.00**(three hundred and eight million, six hundred and forty-seven thousand, four Naira). This resulted to deficits of **(₦244, 647,004.00)**(two hundred and forty-four million, six hundred and forty-seventhousand,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 ACKNOWLEDGMENT

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 2021 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.



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AMINU MAMMAGA (CPA/ACCA/ACCrFA)
AUDITOR GENERAL
FOR LOCAL GOVERNMENTS

ZAMFARA STATE OF NIGERIA

REPORT

of the

AUDITOR GENERAL

FOR LOCAL GOVERNMENTS

