



# REPORT OF THE **AUDITOR - GENERAL**

FOR LOCAL GOVERNMENTS  
ON IPSAS CASH

**GENERAL PURPOSE FINANCIAL STATEMENTS**  
OF

**BIRNIN MAGAJI 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

Ref. No: LGA/AA/VOL.II/165

## 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 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 fairly maintained by the local government. A situation that had helped in reducing the previous state of affairs with regard to management and control of personnel emoluments. The document should be properly use so that the ghost workers phenomenon bedeviling the local government could be overcome in totality.

### **2.4 UN APPROPRIATED REVENUE:**

During the year under review it was observed that, the sum of ₦ 158,805,851 (One hundred and fifty-eight million, eight hundred and five thousand, eight hundred and fifty-one 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 ₦82,323,020 (Eighty-two million, three hundred and twenty-three thousand, twenty 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 and are free from mistakes and unnecessary cancellations. Only that, the cash books were not balanced and closed at the end of every month. Also bank reconciliation between cash book and bank statements surpass a very serious neglect in 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 ₦ 263,014,689 (Two hundred and sixty-three million, fourteen thousand, six hundred and eighty Naira) was paid as personnel cost 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 a total number of 27 files were approved for payment of retirement/death benefits from both the local Government and LGEA with consist of 21 voluntary/compulsory retirement and 6 death staff and their total benefits standing at ₦11,558,686 (Eleven million, five hundred and fifty-eight thousand, six hundred and eighty-six Naira). Out of these amounts the sum of ₦5,441,029(Five million, four hundred and forty-one thousand, twenty-nineNaira) stood as total claims for 12 number local government staff while L G E A staff totaling to 15 number gulfed the sum of ₦6,117,657(Six million, one hundred and seventeen thousand, six hundred and fifty-seven 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 N2,926,557.00(Two million, nine hundred and twenty-six thousand, five hundred and fifty-seven Naira) for the pension funds.

## **2.9 INVESTMENTS:**

As at 31st December, 2020 the investment value stood at N91,842,143.00(Ninety-one million, eight hundred and forty-two thousand, one hundred and forty-threenaira). The investment holding is as shown below: -





S/N	NAME OF THE COMPANY	VALUE 2020(₦)	VALUE 2019 (₦)
1	Gamji (Oceanic) Bank	45,000	45,000
2	First Bank Plc	29,700	29,700
3	CCNN Sokoto	69,828	-
4	Sokoto mortgage finance	45,000	69,828
5	SICL Communication	130,000	45,000
6	Ashaka Cement Co	41,240	-
7	U.A.C Nig. Plc Lagos	130,000	130,000
8	FSB International Bank	-	-
9	Bank Of the North (Unity Bank Plc)	41,240	41,240
10	Zamfara Investment Co.	2,000,000	2,000,000
11	T/Mafara Bricks B. Ind.	2,000,000	2,000,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	86,131,375	86,131,375
	<b>TOTAL</b>	<b>91,842,143</b>	<b>91,842,143</b>

## 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 ALLOCATION:

During the year under review, the estimated Statutory Receipt of this local government (which consist of Statutory Allocation and VAT) was ₦1,939,859,300.00(One billion, nine hundred and thirty-nine million, eight hundred and fifty-nine thousand, three hundred naira) while the actual collection for the year was ₦1,814,702,823.00(One billion, eight hundred and fourteen million, seven hundred and two thousand, eight hundred and twenty-three naira). The actual revenue represents almost 94 % of the projected revenue. Also this can be seen below: -





S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Statutory Allocation	1,599,418,160	1,525,629,970	1,316,620,237
2.	VAT	409,473,244	414,229,330	498,082,586
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	673,405,729	-	-
5.	Non-oil Revenue	70,520,948	-	-
	<b>Total</b>	<b>2,752,818,081</b>	<b>1,939,859,300</b>	<b>1,814,702,823</b>

### 3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of ₦83,853,256.00 (Seven hundred fifty-eight million, four hundred and ninety-eight thousand, six hundred and forty-one Naira) was revealed and it represent 4 % 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	409,473,244	414,229,330	498,082,586	83,853,256
2.	Excess Paris Refund	673,405,729	-	-	-
3.	Non-oil Revenue	70,520,948	-	-	-
	<b>Total</b>	<b>1,153,399,921</b>	<b>414,229,330</b>	<b>498,082,586</b>	<b>83,853,256</b>

### 3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of ₦209,009,733.00 (Two hundred and nine million, nine thousand, seven hundred and thirty-three Naira) was revealed as per Statutory Allocation. This represents 13.6 % shortage of the projected Statutory Allocation revenue as shown below:





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FOR THE YEAR ENDED 31st December, 2020**

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Deficit2020(₦)
1.	Statutory Allocation	1,599,418,160	1,525,629,970	1,316,620,237	209,009,733
	<b>Total</b>	<b>1,599,418,160</b>	<b>1,525,629,970</b>	<b>1,316,620,237</b>	<b>209,009,733</b>

### 3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was ₦68,347,480.00 (Sixty -eight million, three hundred and forty-seven thousand, four hundred and eighty Naira) while the actual collection for the year was ₦64,915,941.00(Sixty-four million, nine hundred and fifteen thousand, nine hundred and forty-one Naira)The actual revenue represents95% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Direct Taxes	1,466,762	-	12,951,000
2.	License	437,159	30,740,320	1,680,000
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	8,206,480	32,107,160	20,877,500
6.	Fines	2,567,359	-	7,861,200
7.	Sales	-	500,000	-
8.	Earnings	5,966,630	5,000,000	20,085,416
9.	Sales/Rent on Govt. Buildings	-	-	-
10.	Sales/Rent on Lands & Others	642,890	-	1,460,825
11.	Investment Income	746,221	-	-
12.	Interest Earned	577,584	-	-
	<b>Total</b>	<b>20,611,084</b>	<b>68,347,480</b>	<b>64,915,941</b>





### 3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of ₦35,897,616.00 (Thirty-five million, eight hundred and ninety-seven thousand, six hundred and sixteen Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020 (₦)	Surplus 2020 (₦)
1.	Direct Taxes	1,466,762	-	12,951,000	12,951,000
2.	Fines	2,567,359	-	7,861,200	7,861,200
3.	Earnings	5,966,630	5,000,000	20,085,416	15,085,416
	<b>Total</b>	<b>10,000,751</b>	<b>5,000,000</b>	<b>40,897,616</b>	<b>35,897,616</b>

### 3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of ₦40,789,980.00 (fourty million, seven hundred and eighty-nine thousand, nine hundred and eighty Naira). The table below gives full details: -

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020 (₦)	Actual 2020(₦)	Deficit 2020 (₦)
1.	License	437,159	30,740,320	1,680,000	29,060,320
2.	Fees	8,206,480	32,107,160	20,877,500	11,229,660
3.	Sales	-	500,000	-	500,000
	<b>Total</b>	<b>8,643,639</b>	<b>63,347,480</b>	<b>22,557,500</b>	<b>40,789,980</b>





### **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 ₦2,797,549,774.00 (Two billion, seven hundred and ninety-seven million, five hundred and forty-nine thousand, seven hundred and seventy-four Naira) during the year under review, but in the actual the sum of ₦2,350,409,003.00 (Two billion, three hundred and fifty million, four hundred and nine thousand, three Naira) was realized. This represents 84% of the total budgeted amount. The details are shown below:

<b>S/N</b>	<b>DESCRIPTION</b>	<b>Actual 2019 (₦)</b>	<b>Estimate 2020(₦)</b>	<b>Actual 2020 (₦)</b>
1.	Transfer from CRF	1,643,273,189	583,264,060	136,123,289
2.	External Loans LGC	-	2,214,285,714	2,214,285,714
	<b>Total</b>	<b>1,643,273,189</b>	<b>2,797,549,774</b>	<b>2,350,409,003</b>

### **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 ₦447,140,771.00 (Four hundred and forty-seven million, one hundred and forty thousand, seven hundred and seventy-one Naira) was reported by this local government which have its origin from transfer from consolidated revenue fund.





### 3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of ₦2,797,549,774.00 (Two billion, seven hundred and ninety-seven million, five hundred and forty-nine thousand, seven hundred and seventy-four Naira) was budgeted, while on the actual the capital expenditure of the local government stood at ₦2,230,294,822.00 (Two billion, two hundred and thirty million, two hundred and ninety-four thousand, eight hundred and twenty-two Naira). The amount is 80% of the estimated figure. The details are shown as per table below:

S/N	DESCRIPTION	Actual 2019(₦)	Estimate 2020 (₦)	Actual 2020 (₦)
1.	Administrative Sector	350,402,319	872,000,000	747,775,021
2.	Economic Sector	269,147,348	948,264,060	844,581,275
3.	Social Services Sector	890,442,618	977,285,714	637,938,525
	<b>Total</b>	<b>1,509,992,285</b>	<b>2,797,549,774</b>	<b>2,230,294,822</b>

### 3.11 EXCESS CAPITAL EXPENDITURE:

For the year under review, a deficit of ₦ 567,254,953 (Five hundred and sixty-seven million, two hundred and fifty-four thousand, nine hundred and fifty-three Naira) was made in respect of capital expenditure.

S/N	DESCRIPTION	Actual 2019 (₦)	Estimate 2020(₦)	Actual 2020 (₦)	Deficit 2020 (₦)
1.	Administrative Sector	350,402,319	872,000,000	747,775,021	124,224,979
2.	Economic Sector	269,147,348	948,264,060	844,581,275	103,682,785
3.	Social Services Sector	890,442,618	977,285,714	637,938,525	339,347,189
	<b>Total</b>	<b>1,509,992,285</b>	<b>2,797,549,774</b>	<b>2,230,294,822</b>	<b>567,254,953</b>





### **3.12 CAPITAL EXPENDITURE (DEFICIT):**

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

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

The sum of ₦333,786,470.00 (Three hundred and thirty-three million, seven hundred and eighty-six thousand, four hundred and seventy Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of ₦295,123,044.00 (Two hundred and ninety-five million, one hundred and twenty-three thousand, forty-four Naira) was paid to 1,409 staff of the local government and its ADC. This resulted to a savings of ₦38,663,426.00 (Thirty-eight million, six hundred and sixty-threethousand, four hundred and twenty-six Naira).

### **3.14 OVERHEAD CHARGES:**

During the year under review the estimated overhead cost of the local government was ₦339,494,010.00 (Three hundred and thirty-nine million, four hundred and ninety-four thousand, ten Naira). Whereas the actual expenditure for the year stood at ₦597,875,225.00 (Five hundred and ninety-seven million, eight hundred and seventy-five thousand, two hundred and twenty-five Naira), this resulted to a deficit of ₦258,381,215.00 (Two hundred and fifty-eight million, three hundred and eighty-one thousand, two hundred and fifteen Naira)

### **3.15 CONSOLIDATED REVENUE FUND CHARGES**

The budgeted figure of consolidated revenue for the year under review of this Local Government was ₦444,651,900.00 (Four hundred and forty-four million, six hundred and fifty-one thousand, nine hundred Naira) while the actual expenditure for the year stood at ₦403,679,099.00 (Four hundred and three million, six hundred and seventy-nine thousand, ninety-nine Naira). This resulted to a deficit of ₦40,972,801.00 (Forty million, nine hundred seven-two thousand, eight hundred and one Naira).

The table below shows the full details: -





S/N	DESCRIPTION	ACTUAL 2019 (₦)	ESTIMATED 2020 (₦)	ACTUAL 2020 (₦)	DEFICIT 2020(₦)
1.	Primary Sch. Teachers Sal	170,130,279	202,069,340	202,069,344	(4)
2.	Training Funds	15,994,182	17,456,040	11,674,953	5,781,087
3.	Contribution to Emirate	79,970,908	87,280,190	61,198,314	26,081,876
4.	Contribution to Pension	85,714,286	85,714,290	85,714,286	4
5.	Common Services	31,988,363	34,912,080	25,802,238	9,109,842
6	Agency for Mass Edu. Salary	18,690,802	17,219,960	17,219,964	(4)
7	Contri. To Emirate Security	15,000,000			-
8	Zasiec	65,102,047			-
	<b>Total</b>	<b>482,590,867</b>	<b>444,651,900</b>	<b>403,679,099</b>	<b>40,972,801</b>

### **3.16 CRF CHARGES- PUBLIC DEBT CHARGE:**

During the year under review the estimated Public debt charge of the local government was ₦155,910,340.00 (One hundred and fifty-five million, nine hundred and ten thousand, three hundred and forty Naira). Whereas the actual expenditure for the year stood at ₦228,496,076.00 ( Two hundred and twenty-eight million, four hundred and ninety-six thousand, seventy-six Naira). This resulted to a deficits of ₦72,585,736.00 (Seventy- two million, five hundred and eighty-five thousand, seven hundred and thirty-six 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)**



