



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 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/179

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 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 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 totality.

2.4 UN APPROPRIATED REVENUE:

During the year under review it was observed that, the sum of ₦ **154,854,423.00** (One hundred and fifty -four million, eight hundred and fifty-four thousand, four hundred and twenty -three Naira) was received from Exchange gain difference, excess bank charges recovered, distribution of Non-oil revenue, share of forex equalization, share of solid minerals and share of ecological 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 **₦38,750,662.00** (Thirty-eight million, seven hundred and fifty thousand, six hundred and sixty-two Naira) was reported by the local government as transfer from Breed seeds Nigerian Limited and Mazak Global. 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, the cash books were balanced and closed at the end of every month. Also bank reconciliation between cash book and bank statements was fairly observed.
- 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,
- c. **Outstanding Payment Vouchers:** For the under review, the payment vouchers that stood as outstanding in this local Government are those of Staff salaries and other charges posted in the cash books, but the payment vouchers were not made physically available for my scrutiny. For the year under review the sum **₦21,740,341.00** (Twenty-one million, seven hundred and forty thousand, three hundred and forty-one Naira) was paid without payment vouchers from 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



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 43 files were approved for payment of retirement/death benefits from both the local Government and LGEA with consist of 34 voluntary/compulsory retirement and 9 death staff and their total benefits standing at **₦31,719,192.00(Thirty-one million, seven hundred and nineteen thousand, one hundred and ninety-twoNaira)**. Out of these amounts the sum of **₦14,536,492(Fourteen million, five hundred and thirty-six thousand, four hundred and ninety-twoNaira)** stood as total claims for 22 number local government staff while L G E A staff totaling to 21 number gulfed the sum of **₦17,182,700(Seventeen million, one hundred and eighty-two thousand, seven 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 **₦3,653,845.00(Three million,six hundred and fifty-three thousand,eight hundred and forty-five Naira)** for the pension funds.

2.9 INVESTMENTS:

As at 31st December, 2021 the investment value stood at **₦91,842,143.00** (Ninety-one million, eight hundred and forty-two thousand, one hundred and forty-threennaira). The investment holding is as shown below: -



S/N	NAME OF THE COMPANY	VALUE 2021(₦)	VALUE 2020 (₦)
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
	TOTAL	91,842,143	91,842,143

2.10 REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of **₦1,036,927,893.00**(One billion, thirty six million nine hundred and twenty-seven thousand, eight hundred and ninety-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 was **₦1,518,505,900.00**(One billion, five hundred and eighteen million five hundred and five thousand, nine hundred naira) while the actual collection for the year was **₦1,334,657,635.00**(One billion, three hundred and thirty-four million, six hundred and fifty-seven thousand, six hundred and thirty-five 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	1,316,620,237	1,518,505,900	1,334,657,635
2.	Total	1,316,620,237	1,518,505,900	1,334,657,635

3.2 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of **₦183,848,265.00** (One hundred and eighty-three million, eight hundred and forty-eight thousand, two hundred and sixty-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 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)	Deficit 2021 (₦)
1.	Statutory Allocation	1,316,620,237	1,518,505,900	1,334,657,635	(183,848,265)
	Total	1,316,620,237	1,518,505,900	1,334,657,635	(183,848,265)

3.2a STATUTORY (SURPLUS):

No surplus was made in respect to statutory receipt by the local Govt. for the year under review.

3.3 VALUE ADDED TAX :

In the period under review, the budgeted figure of the value added tax was **₦472,186,680** (Four hundred and seventy-two million, one hundred and eighty six thousand, six hundred and eighty Naira), while the actual collection was **₦690,662,232** (Six hundred and ninety million, six hundred and sixty-two thousand, two hundred and thirty-two naira) this represent an over and above of 146 % of the projected budgetary figure, table below shown the details:

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)
1.	VAT	498,082,586	472,186,680	690,662,232
	Total	1,528,544,899	472,186,680	690,662,232



3.3a VAT ALLOCATION (SURPLUS):

During the year under review, a surplus of **₦218,475,552.00** (Two hundred eighteen million, four hundred and seventy-five thousand, five hundred and fifty-two Naira) was revealed from the value added tax which is over and above of 46 % of 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	498,082,586	472,186,680	690,662,232	218,475,552
	Total	1,528,544,899	472,186,680	812,656,046	218,475,552

3.3b VAT (DEFICIT):

There is no record of deficit made for period under review, by the local government council.

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦68,549,500.00** (Sixty-eight million, Five hundred and forty-nine thousand, five hundred Naira) **while** the actual collection for the year was **₦49,489,961.00** (forty-nine million, four hundred and eighty-nine thousand, nine hundred and sixty -one Naira) The actual revenue represents 72% of the projected Independent revenue. The details are as per table below:



S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)
1.	Direct Taxes/Rates	12,951,000	-	14,135,400
2.	License	1,680,000	30,910,100	12,150,700
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	20,877,500	30,100,160	320,000
6.	Fines	7,861,200	-	1,175,000
7.	Sales	-	600,000	-
8.	Earnings	20,085,416	6,939,240	21,708,861
9.	Sales/Rent on Govt. Buildings	-	-	-
10.	Sales/Rent on Lands & Others	1,460,825	-	-
11.	Investment Income	-	-	-
12.	Interest Earned	-	-	-
	Total	64,915,941	68,545,500	49,489,961

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦30,080,021.00** (Thirty million, eighty thousands, twenty Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021 (₦)	Surplus 2021 (₦)
1.	Direct Taxes/Rates	12,951,000	-	14,135,400	14,135,400
2.	Fines	7,861,200	-	1,175,000	1,175,000
3.	Earnings	20,085,825	6,939,240	21,708,861	14,769,621
	Total	40,898,025	6,939,240	37,019,261	30,080,021

3.6 INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦49,139,560.00** (Forty-ninemillion, one hundred and thirty-nine thousand, five hundred and sixty Naira). The table below gives full details: -



S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021 (₦)	Actual 2021(₦)	Deficit 2021 (₦)
1.	License	1,680,000	30,910,100	12,150,700	18,759,400
2.	Fees	20,877,500	30,100,160	320,000	29,780,160
3.	Sales	-	600,000	-	600,000
	Total	22,557,500	61,610,260	12,470,700	49,139,560

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 **₦1,136,794,440 .00**(one billion, one hundred and thirty-six million, seven hundred and ninety-four thousand, four hundred and forty Naira) during the year under review, but in the actual the sum of **₦221,843,465.00** (Two hundred and twenty-one million, eight hundred and forty-three thousand, four hundred and sixty-five Naira) was realized. This represents just 19.5% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021(₦)	Actual 2021 (₦)
1.	Transfer from CRF	136,123,289	136,794,440	66,840,816
2.	External Loans LGC	2,214,285,714	1,000,000,000	155,002,649
	Total	2,350,409,003	1,136,794,440	221,843,465

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 **₦ 914,950,975**, (Nine hundred and fourteen million, Nine hundred and fifty-three thousand, Nine hundred and seventy-five Naira) was reported by this local government which have its origin from transfer from both consolidated revenue fund and the external loans.



3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of **₦1,136,794,440.00** (One billion, one hundred and thirty-six million, seven hundred and ninety-four thousand, four hundred and forty Naira) was budgeted, while on the actual the capital expenditure of the local government stood at **₦151,763,299.00** (One hundred and fifty-one million, seven hundred and sixty-three thousand, two hundred and ninety-nine Naira). The amount is just 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	747,775,021	135,000,000	90,397,468
2.	Economic Sector	844,581,275	745,000,000	24,234,580
3.	Social Services Sector	637,938,525	256,794,440	37,131,251
	Total	2,230,294,822	1,136,794,440	151,763,299

3.11 EXCESS CAPITAL EXPENDITURE:

For the year under review, a saving of **₦ 985,031,141.00** (Nine hundred and eighty-five million, thirty-one thousand, one hundred and forty-one Naira) was made in respect of capital expenditure. the table shown below:-

S/N	DESCRIPTION	Actual 2020 (₦)	Estimate 2021(₦)	Actual 2021 (₦)	Saving 2021 (₦)
1.	Administrative Sector	747,775,021	135,000,000	90,397,468	44,602,532
2.	Economic Sector	844,581,275	745,000,000	24,234,580	720,765,420
3.	Social Services Sector	637,938,525	256,794,440	37,131,251	219,663,189
	Total	2,230,294,822	1,136,794,440	151,763,299	985,031,141

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 **₦236,144,300.00** (Two hundred and thirty-six million, one hundred and forty-four thousand, three hundred Naira) was budgeted by this local government as personal cost for the year. While in the actual the net sum of **₦232,539,560.00** (Two hundred and thirty-two million, five hundred and thirty-nine thousand, five hundred and sixty Naira) was paid to **1,405** staff of the local government and its ADC. This resulted to a savings of **₦3,604,740.00** (Three million, six hundred and four thousands seven hundred and forty Naira).

3.14 OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦456,442,780.00** (four hundred and fifty-six million, four hundred and forty-two thousands, seven hundred and eighty Naira). Whereas the actual expenditure for the year stood at **₦395,235,824.00** (Three hundred and ninety-five million, two hundred and thirty-five thousand, eight hundred and twenty-four Naira), this resulted to a Saving of **₦61,206,956.00** (Sixty-one million, two hundred and six thousands, nine hundred and fifty-six Naira)

3.15 CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue for the year under review of this Local Government was **₦749,272,910.00** (Seven hundred and forty-nine million, two hundred and seventy-two thousand, nine hundred and ten Naira) while the actual expenditure for the year stood at **₦421,389,134.00** (Four hundred and twenty-one million, three hundred and eighty-nine thousand, one hundred and thirty-four Naira). This resulted to a saving of **₦327,883,776.00** (Three hundred and twenty-seven million, eight hundred eighty-three thousands, seven hundred and seventy-six Naira). the table below shows the full details:-



S/N	DESCRIPTION	ACTUAL 2020 (₦)	ESTIMATED 2021 (₦)	ACTUAL 2021 (₦)	DEFICIT/SAVING 2021(₦)
1.	Primary Sch. Teachers Sal	202,069,344	202,069,340	189,196,368	12,872,972
2.	Training Funds	11,674,953	17,456,040	8,055,030	9,401,010
3.	Contribution to Emirate	61,198,314	87,280,190	46,544,583	40,735,607
4.	Contribution to Pension	85,714,286	85,714,290	85,714,286	-
5.	Common Services	25,802,238	34,912,080	25,866,254	9,045,826
6	Agency for Mass Edu. Salary	17,219,964	17,219,960	17,219,964	-
7	PHC Staff Salary		304,621,010	48,792,648	255,828,362
8	Zasiecc				-
	Total	403,679,099	749,272,910	421,389,134	327,883,776

3.16 CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦160,587,650.00** (One hundred and sixty million, five hundred and eighty-seven thousand, six hundred and fifty Naira). Whereas the actual expenditure for the year stood at **₦158,739,810.00** (One hundred and fifty-eight million, seven hundred and thirty-nine thousand, eight hundred and ten Naira). This resulted to a saving of **₦1,847,840.00** (One million, eight hundred and forty-seven thousand, eight hundred and forty Naira).

4.0 GENERAL RECOMMENDATIONS

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

1. In the cash books which was fairly maintained, should be keep it up, for transparency and accountability, it is here by recommended that proper training should be organized to the treasury staff of the Local Government for improvement 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 2018 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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