

**GOVERNMENT OF KANO STATE**



*Report  
of*

**THE AUDITOR-GENERAL  
FOR LOCAL GOVERNMENTS  
FOR THE YEAR, 2020**

*Submitted to the*  
**KANO STATE HOUSE OF ASSEMBLY**



*On the Accounts of*  
**44 LOCAL GOVERNMENT COUNCIL**

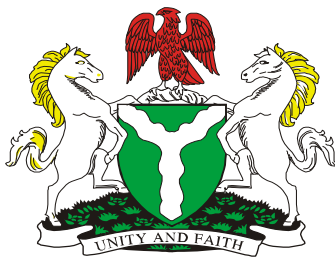
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2020  
OFFICE OF THE AUDITOR-GENERAL  
FOR LOCAL GOVERNMENTS**

**3<sup>RD</sup> Floor Gidan Murtala, P.M.B 3174, Kano**

**Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)**

**E-mail: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)**

## **AJINGI LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**AJINGI LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Ajingi Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



**PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.MurtalaUbaleDanbayye	Executive Chairman
2	Alh.Sa'aduJibrin	Vice Chairman
3	Alh.UsmanAlani	Local Government Secretary
4	Alh. Ali Muhammad SaniFaragai	Director Personnel Management
5	Alh.AkiluKasim	Treasurer
6	Alh. Umar Sarki	C.P.O
7	Alh. Mustapha Rabi'uZakirai	HOD Community
8	Alh.Usman Bashir	HOD Medical & Health
9	Alh. Sale Mamuda	HOD Agric
10	Alh.Auwalu Ahmad Darki	HOD Works & Housing
11	Alh.AshiruShu'aibu Kura	HOD PRS
12	Alh. Bello Abdullahi	HOD WESH

**OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

**DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	27,938,597.77	2,234,436,363.90
Local Revenue	88,645,971.42	2,796,014.48
Statutory Allocation	1,837,389,824.68	1,912,727,254.40
<b>Resource Available</b>	<b>1,953,974,393.87</b>	<b>4,149,959,632.78</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,448,884,879.35	1,436,622,712.04
Capital Expenditure	489,122,792.66	478,900,556.84
<b>Total Expenditure</b>	<b>1,938,007,672.01</b>	<b>1,915,523,268.88</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>15,966,721.86</b>	<b>813,159,589.34</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplus balance of =N=15,966,721.86, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=630,433,770.01**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=630,433,770.01 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N= 0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore as at 31<sup>st</sup> December, 2020 there is a balance of =N=630,433,770.01 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		630,433,770.01
2	Savings 5%		0.00
	Others		630,433,770.01
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>630,433,770.01</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=2,356,276,956.71**

**Observation:**

During the year under review the sum of =N=3,56,76,599.00 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=2,019,396,774.32 and January to December, 2020 net allocation of =N=1,837,39,824.68. However, we observed that only the total sum of =N=1,500,509,642.29 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=2,356,276,956.71.

1	Opening Balance 1/1/2020		<b>2,019,396,774.32</b>
2	Net Allocation Jan – Dec 2020		1,837,389,824.68
3	<b>Total</b>	<b>3=(1+2)</b>	<b>3,856,786,599.00</b>
4	Actual Amount Released:		
	• Releases through LG Bank		991,456,512.85
	• Salaries & Wages		509,053,129.44
		Total	1,500,509,642.29
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>2,356,276,956.71</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	15,966,721.86	27,938,597.77
Investments	49,341,530.87	49,341,530.87
Advances	2,986,710,726.72	2,746,950,868.79
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>3,052,018,979.45</b>	<b>2,824,230,997.43</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	182,584,076.69	182,584,076.69
Balance of Assets over Liabilities	2,869,434,920.76	2,641,646,920.74
<b>Total Liabilities</b>	<b>3,052,018,979.45</b>	<b>2,824,230,997.43</b>

The Net Asset of =N=2,869,434,920.76 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=49,341,530.87**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=173,081,769.28**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	432,880,450.00	88,645,971.42	344,234,478.58	0.00
Statutory Allocation	2,615,957,550.19	1,837,389,824.68	778,567,725.51	0.00
<b>Total Revenue</b>	<b>3,048,838,000.19</b>	<b>1,926,035,796.10</b>	<b>1,122,802,204.09</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,302,602,185.88	1,448,884,879.35	853,717,306.53	0.00
Capital	726,889,495.21	249,362,934.73	477,526,560.48	0.00
<b>Total Expenditure</b>	<b>3,029,491,681.09</b>	<b>1,698,247,814.08</b>	<b>1,331,243,867.01</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=344,234,478.58

During the period under review, the sum of =N=432,880,550.00 was estimated to be generated from local sources. However, only the sum of =N=88,645,971.42(20%) was actually generated. This indicates a shortfall of =N=344,234,478.58 (80%) as described below:

<b>Source</b>	<b>Approved</b>	<b>Actual</b>	<b>Under</b>	<b>Excess</b>
Tax Revenue	1,400,000.00	0.00	1,400,000.00	0.00
Non Tax Revenue	70,880,450.00	3,717,500.62	67,162,949.38	0.00
Investment Income	7,550,000.00	674,705.00	6,875,295.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,253,765.80	257,746,234.20	0.00
Extraordinary Items	1,000,000.00	0.00	1,000,000.00	0.00
Prep./Arrears of Revenue	50,000.00	0.00	50,000.00	0.00
<b>Totals</b>	<b>432,880,450.00</b>	<b>88,645,971.42</b>	<b>344,234,478.58</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=787,747,206.70

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,615,957,550.19 as against the actual figure of =N=1,837,389,824.68. Thus showing a shortfall of =N=787,747,206.70 (30%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,678,470,040.19	1,169,976,564.44	508,493,475.75	0.00
Local Govt Share of VAT	486,683,117.00	495,862,598.19	0.00	9,179,481.19
Other Fed. Allocated Revenue	390,804,393.00	171,550,662.05	219,253,730.95	0.00
10% State Allocation	60,000,000.00	0.00	60,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,615,957,550.19</b>	<b>1,837,389,824.68</b>	<b>787,747,206.70</b>	<b>9,179,481.19</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1). Recurrent**

The Council projected a recurrent expenditure of =N=2,302,602,185.88 in the approved Estimates during the year but incurred an expenditure of =N=1,448,884,879.35.

#### **Observation:**

Over =N=42,518,132.09

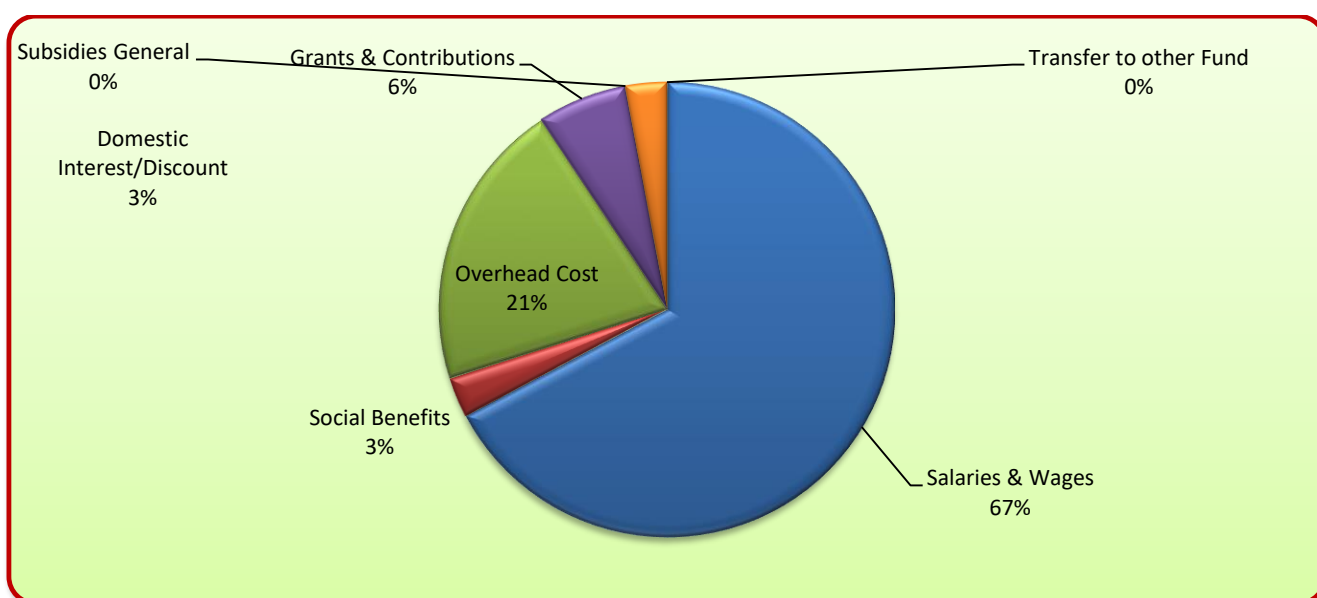
Although there was a total savings of =N=896,235,438.62, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,421,749,506.88	974,607,396.70	447,142,110.18	0.00
Social Benefits	50,956,614.00	40,909,090.92	10,047,523.08	0.00
verhead Cost	716,050,867.00	298,946,458.62	417,104,408.38	0.00
Grants & Contributions	113,845,198.00	91,903,801.02	21,941,396.98	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,302,602,185.88</b>	<b>1,448,884,879.35</b>	<b>896,235,438.62</b>	<b>42,518,132.09</b>





## (2). Capital

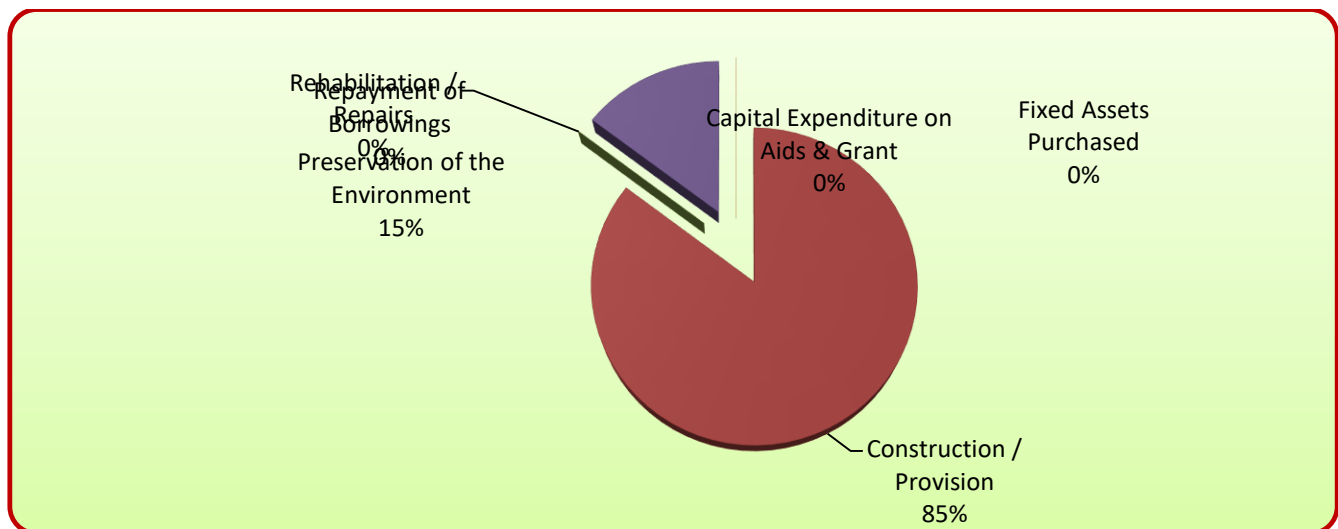
### **Observation:**

Savings: =N=477,526,560.48

The Council was observed to have projected a total of =N=726,889,495.21 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=249,362,934.73 was spent in the execution of projects. This indicates a savings of =N=477,526,560.48 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	18,000,000.00	0.00	18,000,000.00	0.00
Construction / Provision	535,850,000.00	212,787,086.13	323,062,913.87	0.00
Rehabilitation / Repairs	100,539,495.21	0.00	100,539,495.21	0.00
Preservation of the Env.	72,500,000.00	36,575,848.60	35,924,151.40	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>726,889,495.21</b>	<b>249,362,934.73</b>	<b>477,526,560.48</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

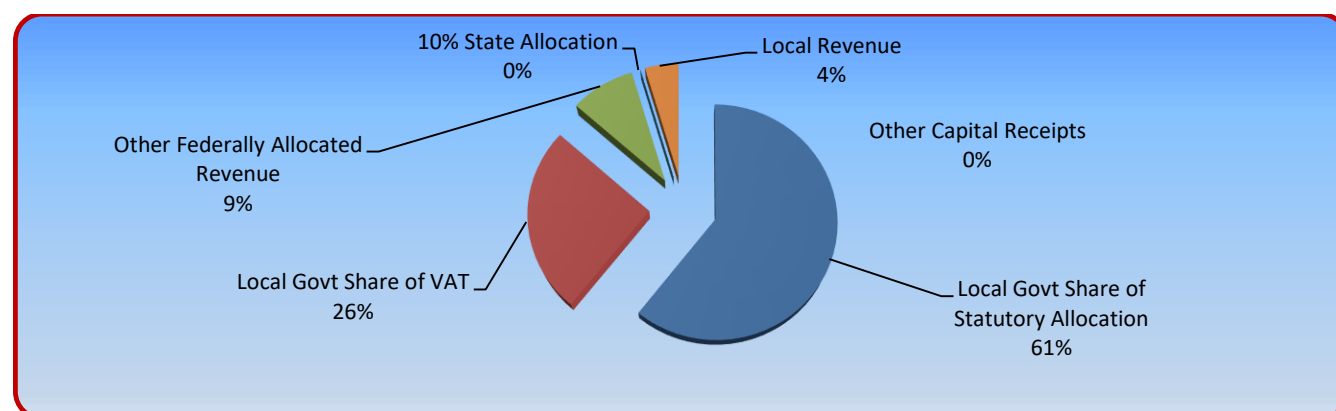
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

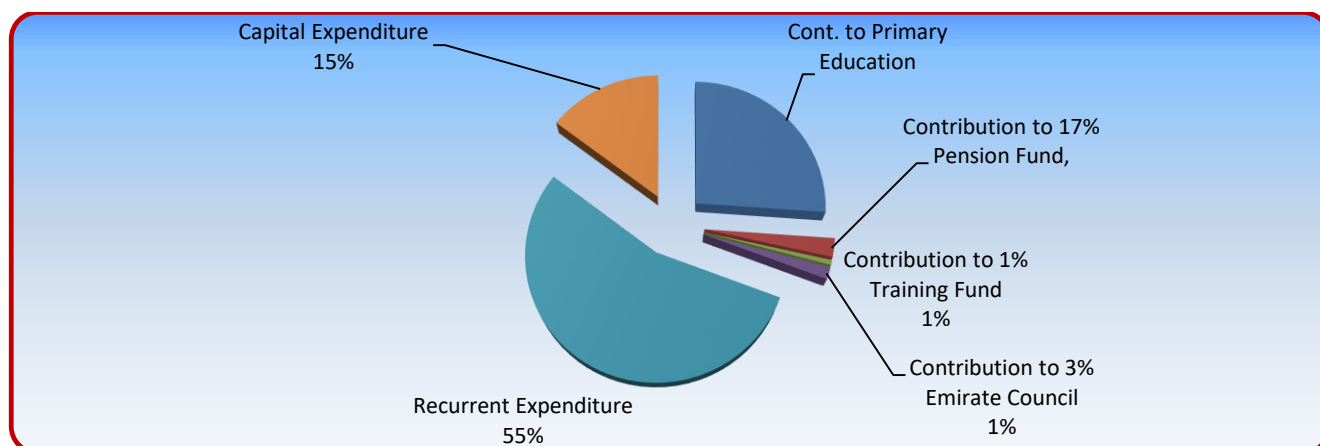
**TOTAL REVENUE: =N=1,926,035,796.10**

Local Govt Share of Statutory Allocation	1,169,976,564.44
Local Govt Share of VAT	495,862,598.19
Other Federally Allocated Revenue	171,550,662.05
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	88,645,971.42
<b>Total</b>	<b>1,926,035,796.10</b>



**TOTAL EXPENDITURE: =N=1,698,247,814.08**

Cont. to Primary Education	443,616,574.09
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,655,829.15
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	927,036,718.55
Capital Expenditure	249,362,934.73
<b>Total</b>	<b>1,698,247,814.08</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

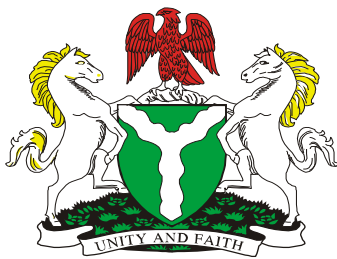
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **ALBASU LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**ALBASU LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Albasu Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Mu'azuGwagwarandan	Executive Chairman
2	Alh.Shehu Suleiman Saya-Saya	Vice Chairman
3	Alh.MuhdYaroAlbasu	Local Government Secretary
4	Alh. Tajo Muhd Gaya	Director Personnel Management
5	Alh.Rabi'uTukurUtai	Treasurer
6	Alh.Sani A. Sani	C.P.O
7	Alh. Bashir Dadu Gaya	HOD Community
8	Alh.AbdurazakIdrisUsman	HOD Medical & Health
9	Alh.AbubakarDahiru	HOD Agric
10	Alh.IdrisSa'idu	HOD Works & Housing
11	Alh.GarbaGambo	HOD PRS
12	Alh. Umar Inuwa	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	25,319,006.67	2,060,484,863.14
Local Revenue	84,398,319.26	4,934,152.89
Statutory Allocation	1,885,676,072.53	1,962,294,762.56
<b>Resource Available</b>	<b>1,995,393,398.46</b>	<b>4,027,713,778.59</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,637,160,977.41	1,386,970,159.23
Capital Expenditure	252,103,593.95	171,590,319.62
<b>Total Expenditure</b>	<b>1,889,264,571.36</b>	<b>1,558,560,478.85</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>106,128,827.10</b>	<b>2,469,153,299.74</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplus balance of =N=106,128,827.10 an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=613,095,228.53**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=613,095,228.53 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore as at 31<sup>st</sup> December, 2020 there is a balance of =N=613,095,228.53 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		613,095,228.53
2	Savings 5%		0.00
	Others		613,095,228.53
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>613,095,228.53</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=1,833,687,581.52**

**Observation:**

During the year under review the sum of =N=3,682,854,319.49 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,797,178,246.96 and January to December, 2020 net allocation of =N=1,885,676,072.53. However, we observed that only the total sum of =N=1,849,166,737.97 was released to the Local Government by the Ministry for Local Governments, thereby leaving a retained balance of =N=1,833,687,581.52.

1	Opening Balance 1/1/2020		<b>1,797,178,246.96</b>
2	Net Allocation Jan – Dec 2020		1,885,676,072.53
3	<b>Total</b>	<b>3=(1+2)</b>	<b>3,682,854,319.49</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,359,809,818.23
	• Salaries & Wages		489,356,919.74
		Total	1,849,166,737.97
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>1,833,687,581.52</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	65,168,242.30	25,319,006.67
Investments	49,849,673.22	49,849,673.22
Advances	2,446,782,810.05	2,504,652,128.85
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>2,561,800,725.57</b>	<b>2,579,820,808.74</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	33,197,589.64	110,667,509.00
Balance of Assets over Liabilities	2,528,603,135.93	2,469,153,299.74
<b>Total Liabilities</b>	<b>2,561,800,725.57</b>	<b>2,579,820,808.74</b>

The Net Asset of =N=2,528,603,135.93 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=49,849,673.22**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=33,197,589.64**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	439,910,000.00	84,398,319.26	355,511,680.74	0.00
Statutory Allocation	4,170,114,485.94	1,885,676,072.53	2,284,438,413.41	0.00
<b>Total Revenue</b>	<b>4,610,024,485.94</b>	<b>1,970,074,391.79</b>	<b>2,639,950,094.15</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,069,812,153.00	1,637,160,977.41	432,651,175.59	0.00
Capital	959,117,861.00	252,103,593.95	707,014,267.05	0.00
<b>Total Expenditure</b>	<b>3,028,930,014.00</b>	<b>1,889,264,571.36</b>	<b>1,139,665,442.64</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=355,511,680.74

During the period under review, the sum of =N=439,910,000.00 was estimated to be generated from local sources. However, only the sum of =N=84,398,319.26(19%) was actually generated. This indicates a shortfall of =N=355,511,680.74 (81%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	680,000.00	15,000.00	665,000.00	0.00
Non Tax Revenue	78,830,000.00	62,650.00	78,767,350.00	0.00
Investment Income	6,000,000.00	61,450.00	5,938,550.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,254,219.26	256,745,780.74	0.00
Extraordinary Items	3,000,000.00	5,000.00	2,995,000.00	0.00
Prep./Arrears of Revenue	400,000.00	0.00	400,000.00	0.00
<b>Totals</b>	<b>439,910,000.00</b>	<b>84,398,319.26</b>	<b>355,511,680.74</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

##### **Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able

to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=2,284,438,413.41

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,170,114,485.94 as against the actual figure of =N=1,885,676,072.53. Thus showing a shortfall of =N=2,284,438,413.41 (55%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,620,417,663.93	1,198,363,477.52	1,422,054,186.41	0.00
Local Govt Share of VAT	908,934,321.91	511,294,645.00	397,639,676.91	0.00
Other Fed. Allocated Revenue	556,762,500.10	176,017,950.01	380,744,550.09	0.00
10% State Allocation	84,000,000.00	0.00	84,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>4,170,114,485.94</b>	<b>1,885,676,072.53</b>	<b>2,284,438,413.41</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,069,812,153.00 in the approved Estimates during the year but incurred an expenditure of =N=1,637,160,977.41.

#### **Observation:**

Over =N=42,518,132.09

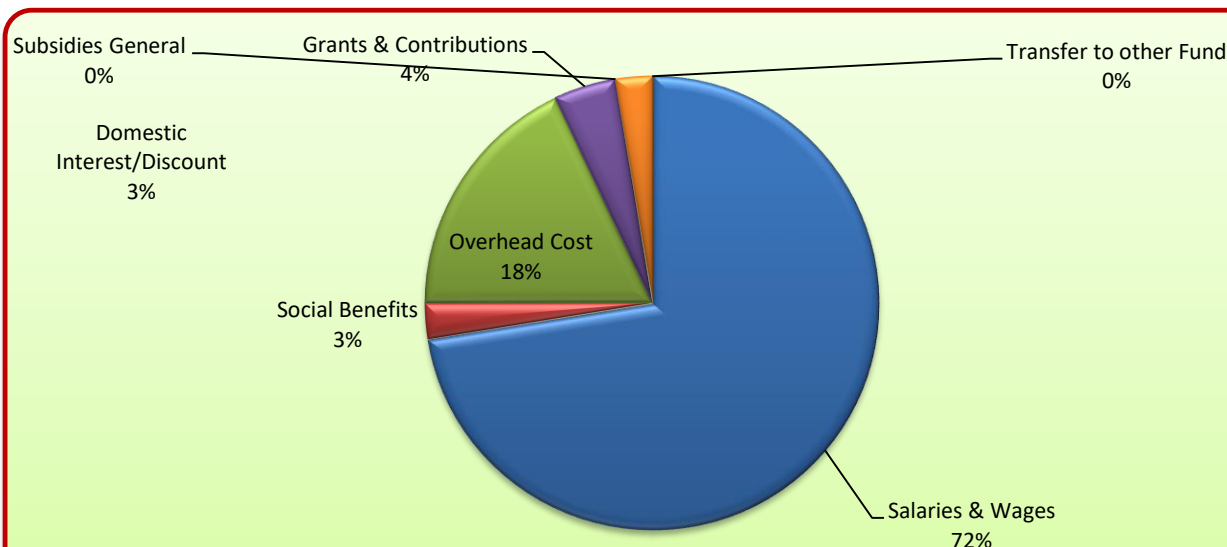
Although there was a total savings of =N=475,169,307.68, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Acual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,217,543,651.00	1,186,506,176.11	31,037,474.89	0.00
Social Benefits	54,949,541.00	40,909,090.92	14,040,450.08	0.00
Overhead Cost	644,554,044.00	294,837,487.64	349,716,556.36	0.00
Grants & Contributions	152,764,917.00	72,390,090.65	80,374,826.35	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,069,812,153.00</b>	<b>1,637,160,977.41</b>	<b>475,169,307.68</b>	<b>42,518,132.09</b>



## (2). Capital

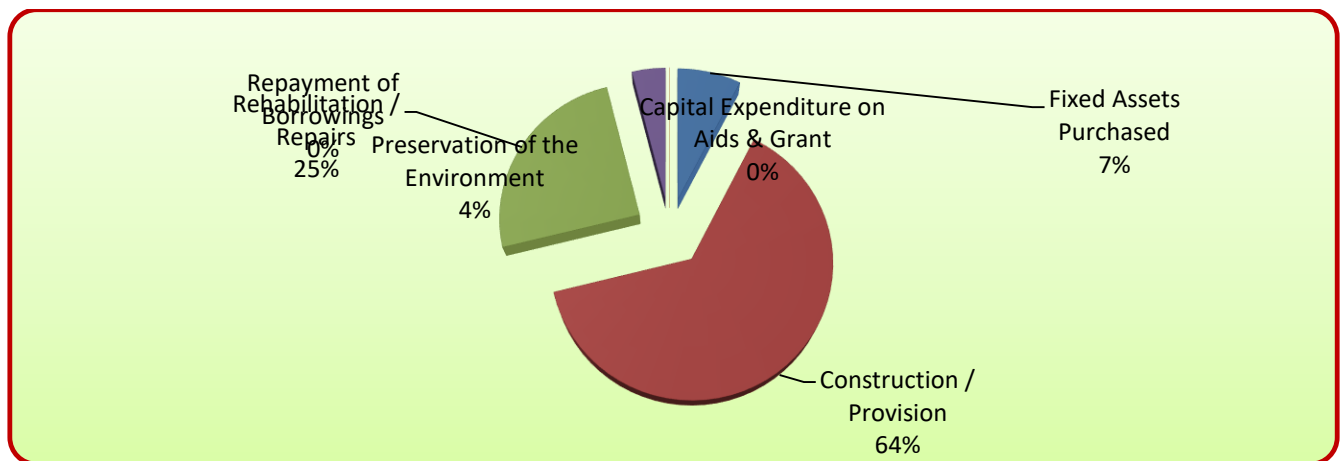
### **Observation:**

Savings: =N=707,014,267.05

The Council was observed to have projected a total of =N=959,117,861.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=252,103,593.95 was spent in the execution of projects. This indicates a savings of =N=707,014,267.05 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	214,800,000.00	19,000,000.00	195,800,000.00	0.00
Construction / Provision	563,807,114.00	160,374,470.62	403,432,643.38	0.00
Rehabilitation / Repairs	160,510,747.00	62,729,123.33	97,781,623.67	0.00
Preservation of the Env.	20,000,000.00	10,000,000.00	10,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>959,117,861.00</b>	<b>252,103,593.95</b>	<b>707,014,267.05</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

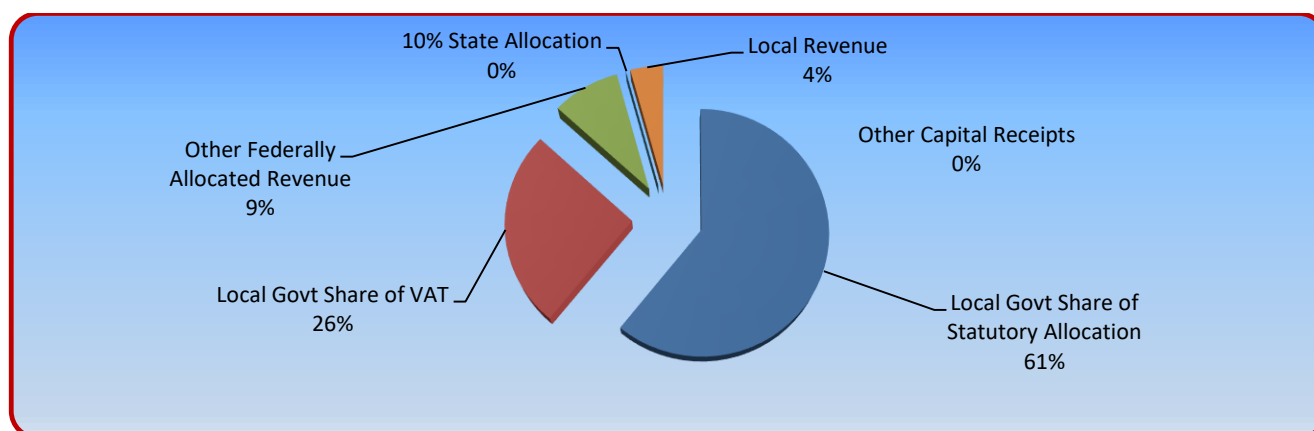
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

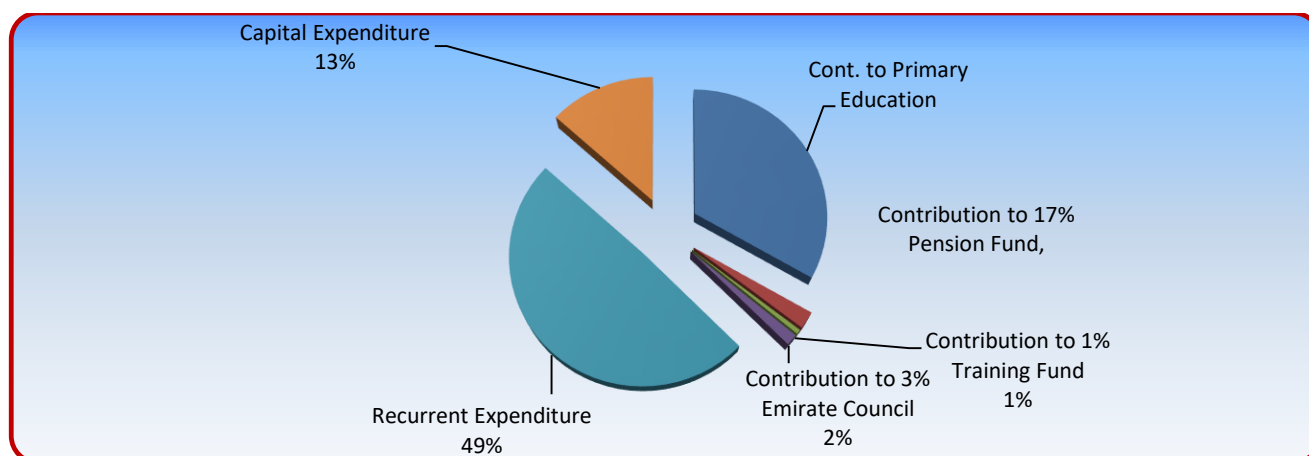
**TOTAL REVENUE: =N=1,970,074,391.79**

Local Govt Share of Statutory Allocation	1,198,363,477.52
Local Govt Share of VAT	511,294,645.00
Other Federally Allocated Revenue	176,017,950.01
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	84,398,319.26
<b>Total</b>	<b>1,970,074,391.79</b>



**TOTAL EXPENDITURE: =N=1,889,264,571.36**

Cont. to Primary Education	628,589,124.88
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,936,104.47
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	930,059,990.50
Capital Expenditure	252,103,593.95
<b>Total</b>	<b>1,889,264,571.36</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

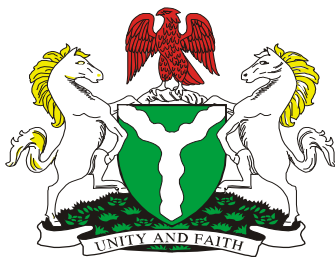
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**



## **BAGWAI LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**BAGWAI LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Bagwai Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.InuwaZanginaDangada	Executive Chairman
2	Alh.Aminu Bello Gogori	Vice Chairman
3	Alh.AbdullahiAliyuBagwai	Local Government Secretary
4	Alh.HamisulbrahiKwankwaso	Director Personnel Management
5	Alh.Sale Ibrahim Jama'a	Treasurer
6	Alh.Rabi'uldrisGarko	C.P.O
7	Alh.MagajiShehuYako	HOD Community
8	Alh.LawanYahaya	HOD Medical & Health
9	Alh.Shafi'uUsman	HOD Agric
10	Alh.SaniShanono	HOD Works & Housing
11	Alh.Ibrahim Adamu	HOD PRS
12	Alh.Bashir Lawani	HOD WESH

## **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

## **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

**FINANCIAL AND BUDGETARY HIGHLIGHTS****SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b>REVENUE :</b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	20,581,375.71	1,341,781,355.83
Local Revenue	96,863,730.28	269,700.00
Statutory Allocation	1,739,146,544.97	1,805,116,267.51
<b>Resource Available</b>	<b>1,856,591,650.96</b>	<b>3,147,167,323.34</b>
<b>EXPENDITURE:</b>		
Recurrent Expenditure	1,552,495,210.77	1,362,332,858.02
Capital Expenditure	404,093,969.63	237,510,941.30
<b>Total Expenditure</b>	<b>1,956,589,180.40</b>	<b>1,599,843,799.32</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-99,997,529.44</b>	<b>1,547,323,524.02</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=99,997,529.44, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=566,378,920.00**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=566,378,920.99 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore as at 31<sup>st</sup> December, 2020 there is a balance of =N=566,378,920.00 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		566,378,920.99
2	Savings 5%		0.00
	Others		566,378,920.99
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>566,378,920.99</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=892,786,064.34**

**Observation:**

During the year under review the sum of =N=2,755,582,034.53 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,016,435,489.55 and January to December, 2020 net allocation of =N=1,739,146,544.97. However, we observed that only the total sum of =N=1,862,795,970.19 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=892,786,064.34.

1	Opening Balance 1/1/2020		<b>1,016,435,489.55</b>
2	Net Allocation Jan – Dec 2020		1,739,146,544.97
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,755,582,034.53</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,393,368,936.95
	• Salaries & Wages		469,427,033.24
		Total	1,862,795,970.19
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>892,786,064.34</b>



**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	48,970,601.09	20,581,375.71
Investments	48,445,149.24	48,445,149.24
Advances	1,459,164,985.33	1,587,936,480.05
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,556,580,735.66</b>	<b>1,656,963,005.00</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	123,290,321.95	103,093,686.15
Balance of Assets over Liabilities	1,433,290,413.71	1,553,869,318.85
<b>Total Liabilities</b>	<b>1,556,580,735.66</b>	<b>1,656,963,005.00</b>

The Net Asset of =N=1,433,290,413.71 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=48,445,149.24**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=76,073,533.20**

##### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

##### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	464,542,500.00	96,863,730.28	367,678,769.72	0.00
Statutory Allocation	3,749,280,581.00	1,739,146,544.97	2,010,134,036.03	0.00
<b>Total Revenue</b>	<b>4,213,823,081.00</b>	<b>1,836,010,275.25</b>	<b>2,377,812,805.75</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	1,873,156,216.00	1,552,495,210.77	320,661,005.23	0.00
Capital	1,155,256,830.00	404,093,969.63	751,162,860.37	0.00
<b>Total Expenditure</b>	<b>3,028,413,046.00</b>	<b>1,956,589,180.40</b>	<b>1,071,823,865.60</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=367,678,769.72

During the period under review, the sum of =N=464,542,500.00 was estimated to be generated from local sources. However, only the sum of =N=96,863,730.28(21%) was actually generated. This indicates a shortfall of =N=367,678,769.72 (79%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	1,850,000.00	175,000.00	1,675,000.00	0.00
Non Tax Revenue	100,162,500.00	4,952,681.75	95,209,818.25	0.00
Investment Income	6,830,000.00	677,750.00	6,152,250.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	13,700,000.00	0.00	13,700,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	91,058,298.53	249,941,701.47	0.00
Extraordinary Items	1,000,000.00	0.00	1,000,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>464,542,500.00</b>	<b>96,863,730.28</b>	<b>367,678,769.72</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

**2). Statutory Allocation****Observation:**

Shortfall: =N=2,010,134,036.03

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,749,280,581.00 as against the actual figure of =N=1,739,146,544.97. Thus showing a shortfall of =N=2,010,134,036.03 (54%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,448,125,007.00	1,092,671,395.32	1,355,453,611.68	0.00
Local Govt Share of VAT	561,714,280.00	484,238,166.24	77,476,113.76	0.00
Other Fed. Allocated Revenue	649,441,294.00	162,236,983.41	487,204,310.59	0.00
10% State Allocation	90,000,000.00	0.00	90,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,749,280,581.00</b>	<b>1,739,146,544.97</b>	<b>2,010,134,036.03</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

**Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=1,873,156,216.00 in the approved Estimates during the year but incurred an expenditure of =N=1,552,495,210.77.

#### **Observation:**

Over =N=42,518,132.09

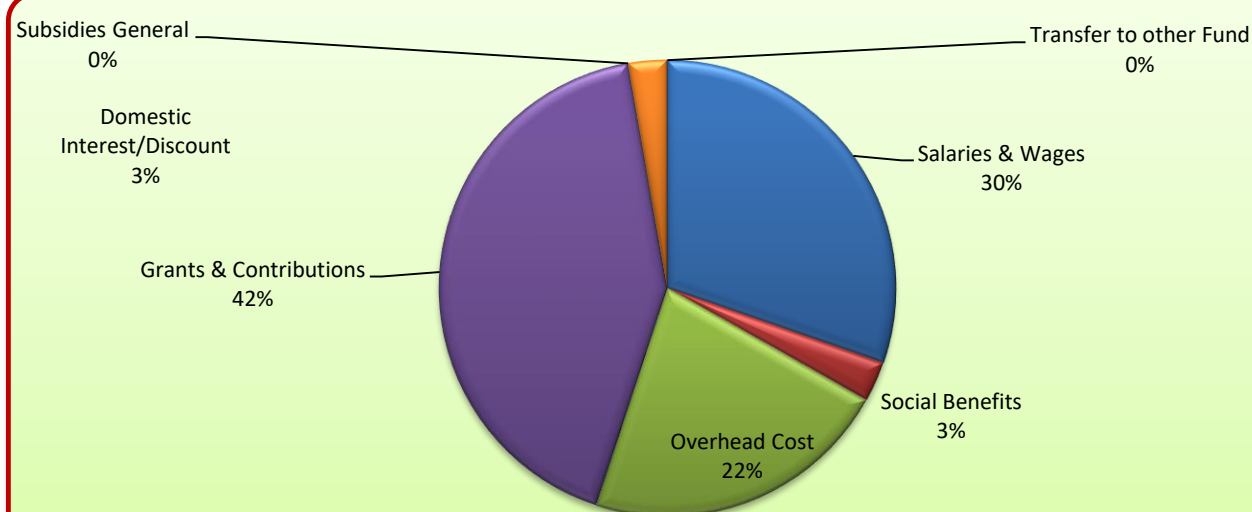
Although there was a total savings of =N=363,179,137.32, we further observed total sum of =N=42, 518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	668,013,200.00	470,464,080.29	197,549,119.71	0.00
Social Benefits	50,500,000.00	44,318,181.83	6,181,818.17	0.00
Overhead Cost	492,600,000.00	339,744,799.91	152,855,200.09	0.00
Grants & Contributions	662,043,016.00	655,450,016.65	6,592,999.35	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,873,156,216.00</b>	<b>1,552,495,210.77</b>	<b>363,179,137.32</b>	<b>42,518,132.09</b>



## (2). Capital

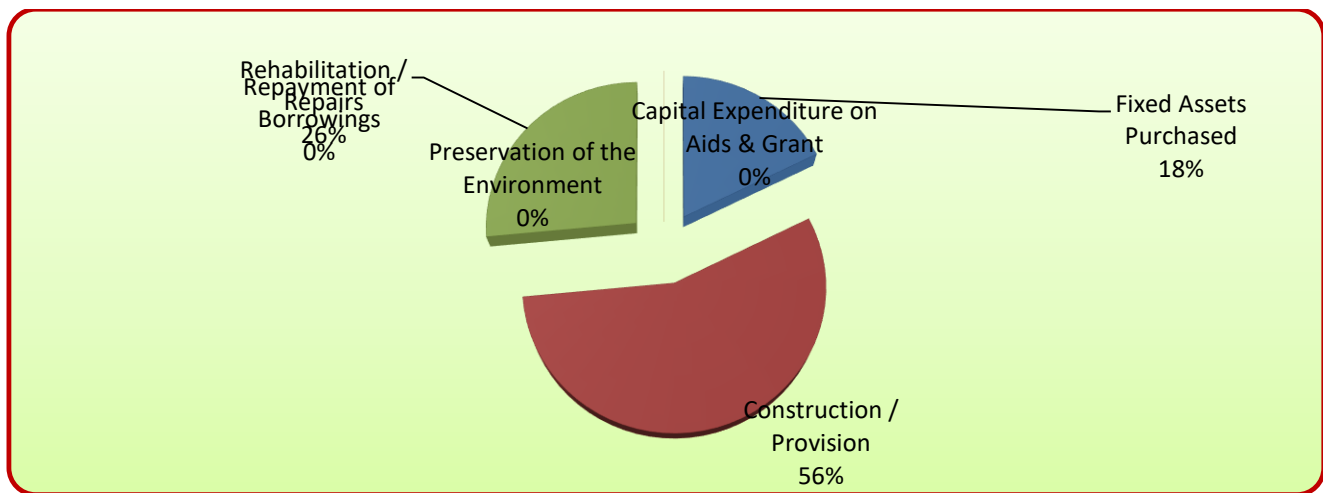
### **Observation:**

**Savings: =N=751,162,860.37**

The Council was observed to have projected a total of =N=1,155,256,30.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=404, 093,969.63 was spent in the execution of projects. This indicates a savings of =N=751,162,860.37 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	280,080,000.00	71,709,592.52	208,370,407.48	0.00
Construction / Provision	616,616,830.00	225,356,259.13	391,260,570.87	0.00
Rehabilitation / Repairs	242,560,000.00	107,028,117.98	135,531,882.02	0.00
Preservation of the Env.	16,000,000.00	0.00	16,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,155,256,830.00</b>	<b>404,093,969.63</b>	<b>751,162,860.37</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

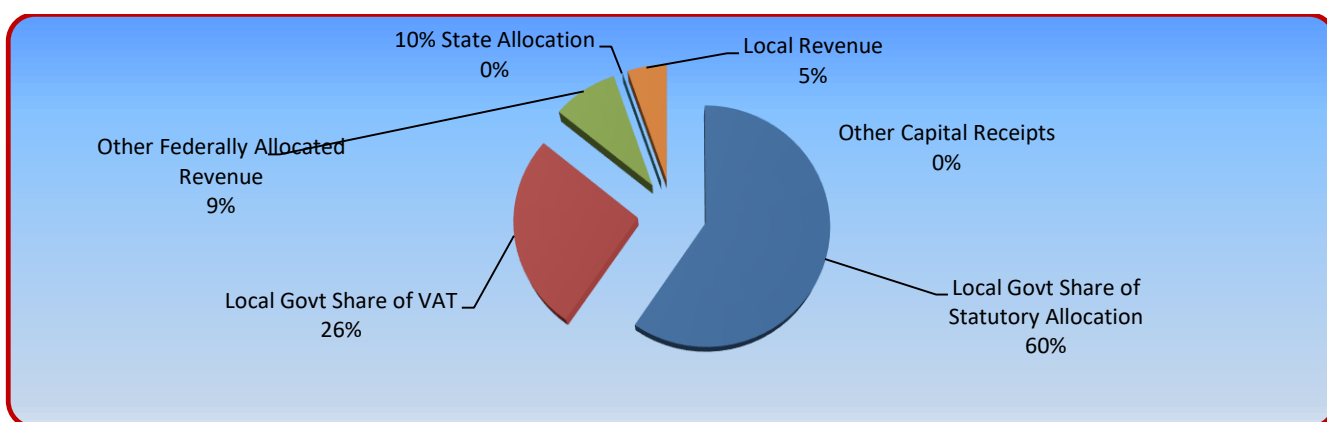
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

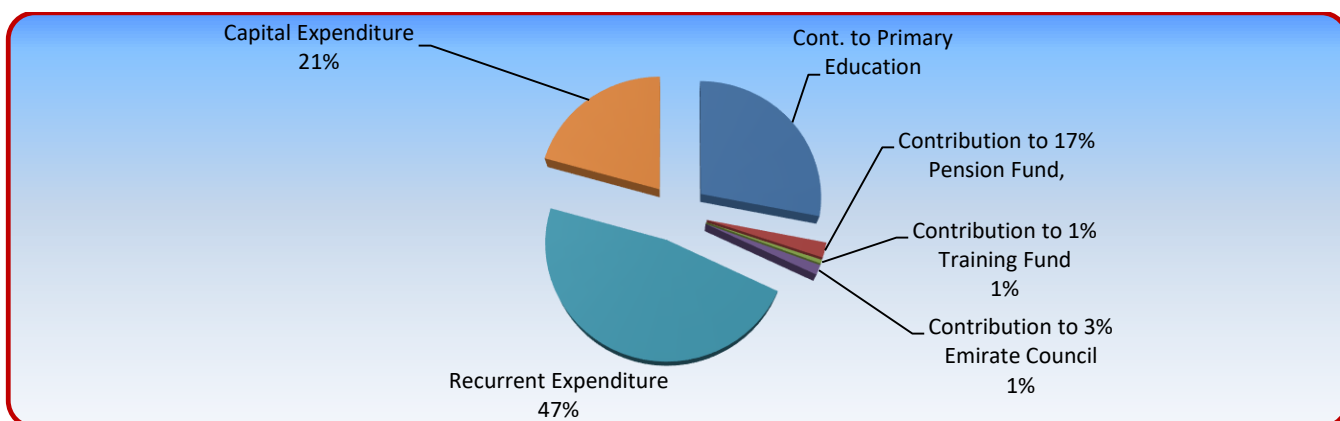
**TOTAL REVENUE: =N=1,836,010,275.25**

Local Govt Share of Statutory Allocation	1,092,671,395.32
Local Govt Share of VAT	484,238,166.24
Other Federally Allocated Revenue	162,236,983.41
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	96,863,730.28
<b>Total</b>	<b>1,836,010,275.25</b>



**TOTAL EXPENDITURE: =N=1,956,589,180.40**

Cont. to Primary Education	549,274,789.55
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,072,731.85
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	925,571,931.81
Capital Expenditure	404,093,969.63
<b>Total</b>	<b>1,956,589,180.40</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

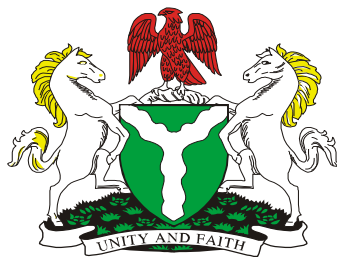
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **BEBEJI LOCAL GOVERNMENT COUNCIL**



#

GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
BEBEJI LOCAL GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Bebeji Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Ali NamadiBebeji	Executive Chairman
2	Alh. Ibrahim Musa	Vice Chairman
3	Alh.Usman Hassan	Local Government Secretary
4	Alh.Lawan B. Tanko	Director Personnel Management
5	Alh.YakubuMato	Treasurer
6	Alh.UsmanSani Kura	C.P.O
7	Alh. Suleiman R. Suleiman	HOD Community
8	Alh. Umar Sani	HOD Medical & Health
9	Alh.Usman Umar	HOD Agric
10	Alh.SaniAbubakar	HOD Works & Housing
11	Alh.Aminuldris	HOD PRS
12	Alh.Aminu Suleiman Goro	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<u>REVENUE :</u>	=N=	=N=
Balance as at 1/1/2020	24,651,497.60	2,082,017,266.21
Local Revenue	108,432,424.12	3,911,764.55
Statutory Allocation	1,869,814,960.37	1,944,753,401.79
<b>Resource Available</b>	<b>2,002,898,882.09</b>	<b>4,030,682,432.55</b>
<u>EXPENDITURE:</u>		
Recurrent Expenditure	1,645,952,081.66	1,365,578,418.33
Capital Expenditure	109,453,311.95	50,896,818.76
<b>Total Expenditure</b>	<b>1,755,405,393.61</b>	<b>1,416,475,237.09</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>247,493,488.48</b>	<b>2,614,207,195.46</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplus balance of =N=247,493,488.48 an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=607,953,303.57**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=607,953,303.57 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore as at 31<sup>st</sup> December, 2020 there is a balance of =N=607,953,303.57 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		607,953,303.57
2	Savings 5%		0.00
	Others		607,953,303.57
3	<b>Total Savings</b>	(1+2)	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>607,953,303.57</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=2,193,516,143.82**

**Observation:**

During the year under review the sum of =N=3,837,172,376.03 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,967,357,415.66 and January to December, 2020 net allocation of =N=1,869,814,960.37. However, we observed that only the total sum of =N=1,643,656,232.21 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=2,193,516,143.82.

1	Opening Balance 1/1/2020		<b>1,967,357,415.66</b>
2	Net Allocation Jan – Dec 2020		1,869,814,960.37
3	<b>Total</b>	<b>3=(1+2)</b>	<b>3,837,172,376.03</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,171,208,944.11
	• Salaries & Wages		472,447,288.10
		Total	1,643,656,232.21
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>2,193,516,143.82</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	27,301,748.27	24,651,497.60
Investments	48,447,129.33	48,447,129.33
Advances	2,801,469,447.39	2,581,417,176.88
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>2,877,218,324.99</b>	<b>2,654,515,803.81</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	40,448,078.05	40,308,608.35
Balance of Assets over Liabilities	2,836,770,246.94	2,614,207,195.46
<b>Total Liabilities</b>	<b>2,877,218,324.99</b>	<b>2,654,515,803.81</b>

The Net Asset of =N=2,836,770,246.94 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments=N=48,447,129.33**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=9,428,029.34**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	66,451,000.00	108,432,424.12	0.00	41,981,424.12
Statutory Allocation	3,958,493,115.00	1,869,814,960.37	2,088,678,154.63	0.00
<b>Total Revenue</b>	<b>4,024,944,115.00</b>	<b>1,978,247,384.49</b>	<b>2,088,678,154.63</b>	<b>41,981,424.12</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,025,995,222.00	1,645,952,081.66	380,043,140.34	0.00
Capital	2,488,200,000.00	109,453,311.95	2,378,746,688.05	0.00
<b>Total Expenditure</b>	<b>4,514,195,222.00</b>	<b>1,755,405,393.61</b>	<b>2,758,789,828.39</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=62,872,341.68

During the period under review, the sum of =N=66,451,000.00 was estimated to be generated from local sources. However, only the sum of =N=108,432,424.12 (37%) was actually generated. This indicates a shortfall of =N=62,872,341.68 (63%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	400,000.00	1,000,000.00	0.00	600,000.00
Non Tax Revenue	61,841,000.00	2,705,658.32	59,135,341.68	0.00
Investment Income	2,210,000.00	473,000.00	1,737,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	2,000,000.00	0.00	2,000,000.00	0.00
Domestic Loans/Borrowings	0.00	104,253,765.80	0.00	104,253,765.80
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>66,451,000.00</b>	<b>108,432,424.12</b>	<b>62,872,341.68</b>	<b>104,853,765.80</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=2,088,678,154.63

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,958,493,115.00 as against the actual figure of =N=1,869,814,960.37. Thus showing a shortfall of =N=2,088,678,154.63 (53%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,534,290,760.00	1,185,397,402.91	1,348,893,357.09	0.00
Local Govt Share of VAT	1,084,391,208.00	509,908,850.23	574,482,357.77	0.00
Other Fed. Allocated Revenue	178,780,602.00	174,508,707.23	4,271,894.77	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	92,030,545.00	0.00	92,030,545.00	0.00
<b>Totals</b>	<b>3,958,493,115.00</b>	<b>1,869,814,960.37</b>	<b>2,088,678,154.63</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,025,995,222.00 in the approved Estimates during the year but incurred an expenditure of =N=1,645,952,081.66.

### **Observation:**

Over =N=60,923,018.47

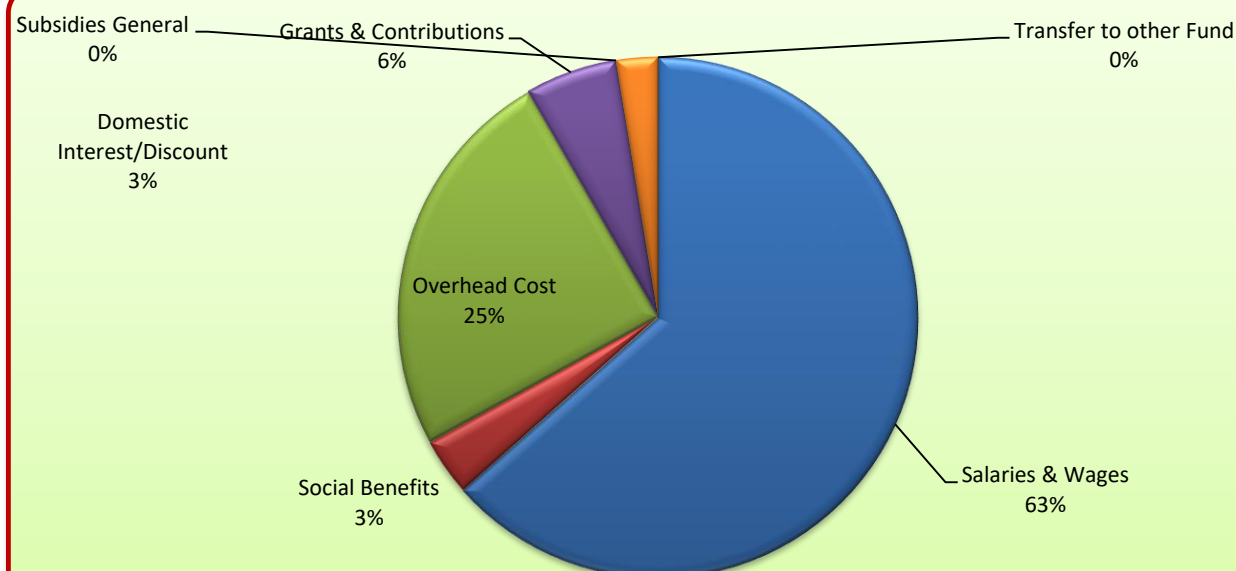
Although there was a total savings of =N=440,966,158.81, we further observed total sum of =N=60,923,018.47 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,123,473,488.00	1,044,773,278.32	78,700,209.68	0.00
Social Benefits	40,050,000.00	58,454,886.38	0.00	18,404,886.38
Overhead Cost	693,971,690.00	405,832,414.79	288,139,275.21	0.00
Grants & Contributions	168,500,044.00	94,373,370.08	74,126,673.92	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,025,995,222.00</b>	<b>1,645,952,081.66</b>	<b>440,966,158.81</b>	<b>60,923,018.47</b>





## (2). Capital

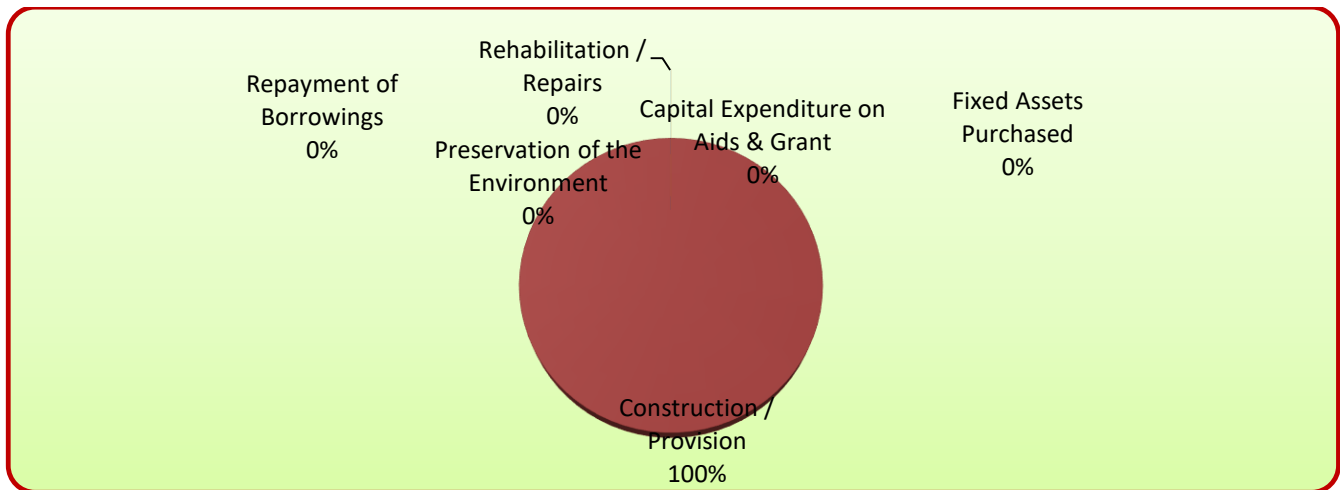
### **Observation:**

Savings: =N=2,378,746,688.05

The Council was observed to have projected a total of =N=2,488,200,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=109,453,311.95 was spent in the execution of projects. This indicates a savings of =N=2,378,746,688.05 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	183,000,000.00	0.00	183,000,000.00	0.00
Construction / Provision	1,815,200,000.00	109,453,311.95	1,705,746,688.05	0.00
Rehabilitation / Repairs	388,000,000.00	0.00	388,000,000.00	0.00
Preservation of the Env.	102,000,000.00	0.00	102,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,488,200,000.00</b>	<b>109,453,311.95</b>	<b>2,378,746,688.05</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

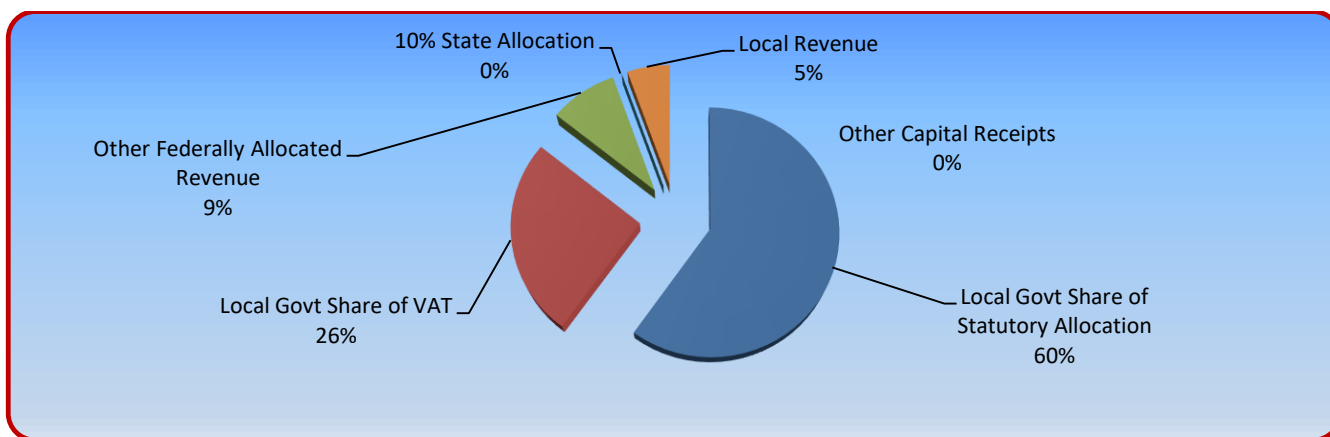
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

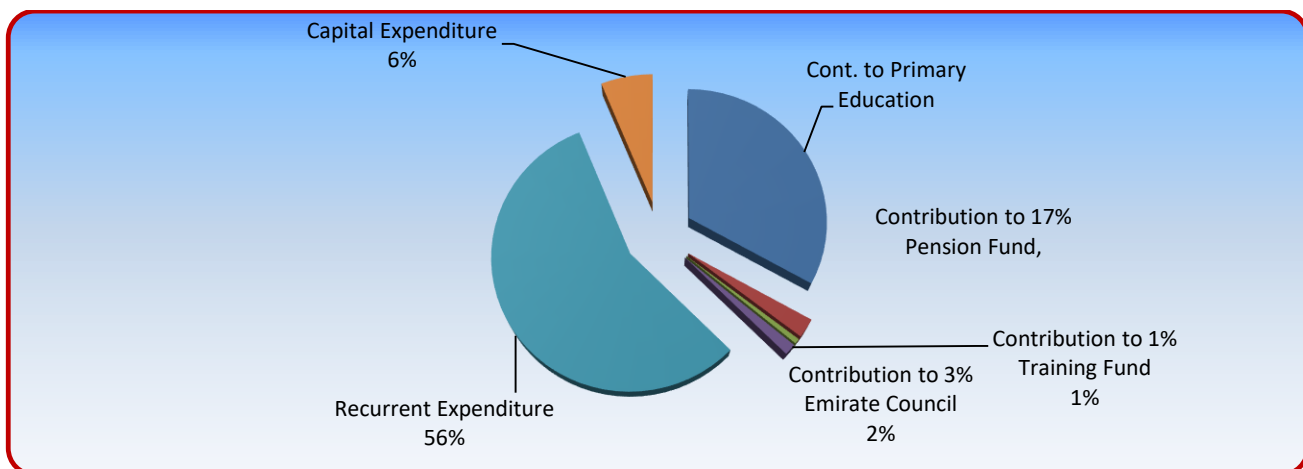
**TOTAL REVENUE: =N=1,978,247,384.49**

Local Govt Share of Statutory Allocation	1,185,397,402.91
Local Govt Share of VAT	509,908,850.23
Other Federally Allocated Revenue	174,508,707.23
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	108,432,424.12
<b>Total</b>	<b>1,978,247,384.49</b>



**TOTAL EXPENDITURE: =N=1,755,405,393.61**

Cont. to Primary Education	581,001,736.64
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,841,645.99
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	989,199,608.11
Capital Expenditure	109,453,311.95
<b>Total</b>	<b>1,755,405,393.61</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

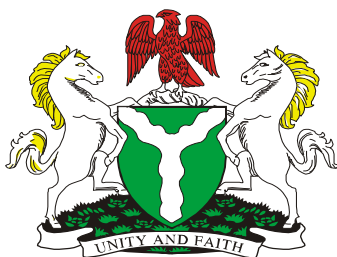
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **BICHI LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**BICHI LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Bichi Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Yusuf Muhd Sabo	Executive Chairman
2	Alh. Idris Muhammad	Vice Chairman
3	Alh. Garba Usman	Local Government Secretary
4	Alh. Lawan Abdullahi Daa	Director Personnel Management
5	Alh. Ibrahim M. Dankwano	Treasurer
6	Alh. Sabo Muhd Sagagi	C.P.O
7	Alh. Umar Bashir	HOD Community
8	Alh. Ali Uba	HOD Medical & Health
9	Alh. Abubakar A. Ranka	HOD Agric
10	Alh. Sule Musa	HOD Works & Housing
11	Alh. Aminu A. Muhd	HOD PRS
12	Alh. Abdulhamid Tsai bu	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<u>REVENUE :</u>	=N=	=N=
Balance as at 1/1/2020	14,487,531.64	563,073,803.11
Local Revenue	119,175,120.04	7,756,621.76
Statutory Allocation	2,242,245,443.73	2,338,269,954.05
<b>Resource Available</b>	<b>2,375,908,095.41</b>	<b>2,909,100,378.92</b>
<u>EXPENDITURE:</u>		
Recurrent Expenditure	2,053,858,199.50	2,033,166,244.49
Capital Expenditure	355,652,980.35	194,378,773.71
<b>Total Expenditure</b>	<b>2,409,511,179.85</b>	<b>2,227,545,018.20</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-33,603,084.44</b>	<b>681,555,360.72</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=33,603,084.44 an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=646,096,896.66**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=646,096,896.66 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore as at 31<sup>st</sup> December, 2020 there is a balance of =N=646,096,896.66 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		646,096,896.66
2	Savings 5%		0.00
	Others		646,096,896.66
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>646,096,896.66</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=232,285,787.64**

**Observation:**

During the year under review the sum of =N=2,454,642,502.88 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=212,397,059.14 and January to December, 2020 net allocation of =N=2,242,245,443.74. However, we observed that only the total sum of =N=2,222,356,715.24 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=232,285,787.64.

1	Opening Balance 1/1/2020		212,397,059.14
2	Net Allocation Jan – Dec 2020		2,242,245,443.74
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,454,642,502.88</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,613,282,257.84
	• Salaries & Wages		609,074,457.40
		Total	2,222,356,715.24
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>232,285,787.64</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	26,561,251.16	14,487,531.64
Investments	41,556,807.35	41,556,807.35
Advances	878,382,684.30	938,547,019.90
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>946,500,742.81</b>	<b>994,591,358.89</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	143,243,749.83	313,035,998.17
Balance of Assets over Liabilities	803,256,992.98	681,555,360.72
<b>Total Liabilities</b>	<b>946,500,742.81</b>	<b>994,591,358.89</b>

The Net Asset of =N=803,256,992.98 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=41,556,807.35**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=94,079,261.85**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	395,748,500.00	119,175,120.04	276,573,379.96	0.00
Statutory Allocation	2,754,252,919.00	2,242,245,443.73	512,007,475.27	0.00
<b>Total Revenue</b>	<b>3,150,001,419.00</b>	<b>2,361,420,563.77</b>	<b>788,580,855.23</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,499,407,860.07	2,053,858,199.50	445,549,660.57	0.00
Capital	830,651,349.00	355,652,980.35	474,998,368.65	0.00
<b>Total Expenditure</b>	<b>3,330,059,209.07</b>	<b>2,409,511,179.85</b>	<b>920,548,029.22</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=276,573,379.96

During the period under review, the sum of =N=395,748,500.00 was estimated to be generated from local sources. However, only the sum of =N=119,175,120.04(30%) was actually generated. This indicates a shortfall of =N=276,573,379.96 (70%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	1,400,000.00	870,000.00	530,000.00	0.00
Non Tax Revenue	48,761,000.00	3,755,938.11	45,005,061.89	0.00
Investment Income	3,567,500.00	1,854,880.00	1,712,620.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	112,694,301.93	229,305,698.07	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	20,000.00	0.00	20,000.00	0.00
<b>Totals</b>	<b>395,748,500.00</b>	<b>119,175,120.04</b>	<b>276,573,379.96</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.



## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=721,344,325.19

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,754,252,919.00 as against the actual figure of =N=2,242,245,443.73. Thus showing a shortfall of =N=721,344,325.19 (19%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,085,050,031.00	1,436,740,674.61	648,309,356.39	0.00
Local Govt Share of VAT	600,202,888.00	596,167,919.20	4,034,968.80	0.00
Other Fed. Allocated Revenue	0.00	209,336,849.92	0.00	209,336,849.92
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,754,252,919.00</b>	<b>2,242,245,443.73</b>	<b>721,344,325.19</b>	<b>209,336,849.92</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,499,407,860.07 in the approved Estimates during the year but incurred an expenditure of =N=2,053,858,199.50.

#### **Observation:**

Over =N=42,518,132.09

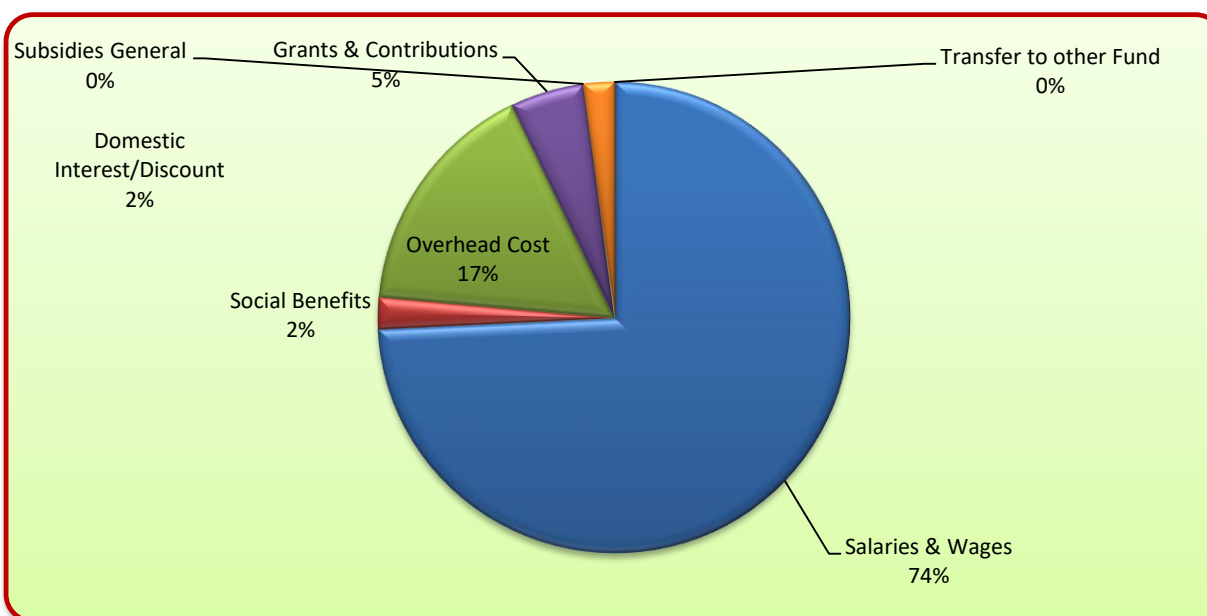
Although there was a total savings of =N=488,067,792.66, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,778,954,030.07	1,525,074,545.42	253,879,484.65	0.00
Social Benefits	71,439,139.00	44,318,181.83	27,120,957.17	0.00
Overhead Cost	541,800,000.00	337,951,740.95	203,848,259.05	0.00
Grants & Contributions	107,214,691.00	103,995,599.21	3,219,091.79	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,499,407,860.07</b>	<b>2,053,858,199.50</b>	<b>488,067,792.66</b>	<b>42,518,132.09</b>



## (2). Capital

### **Observation:**

Savings: =N=474,998,368.65

The Council was observed to have projected a total of =N=830,651,349.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=355,652,980.35 was spent in the execution of projects. This indicates a savings of =N=474,998,368.65 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	38,049,980.00	10,526,000.00	27,523,980.00	0.00
Construction / Provision	524,120,171.00	185,424,360.76	338,695,810.24	0.00
Rehabilitation / Repairs	251,481,198.00	151,507,165.11	99,974,032.89	0.00
Preservation of the Env.	17,000,000.00	8,195,454.48	8,804,545.52	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>830,651,349.00</b>	<b>355,652,980.35</b>	<b>474,998,368.65</b>	<b>0.00</b>

Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

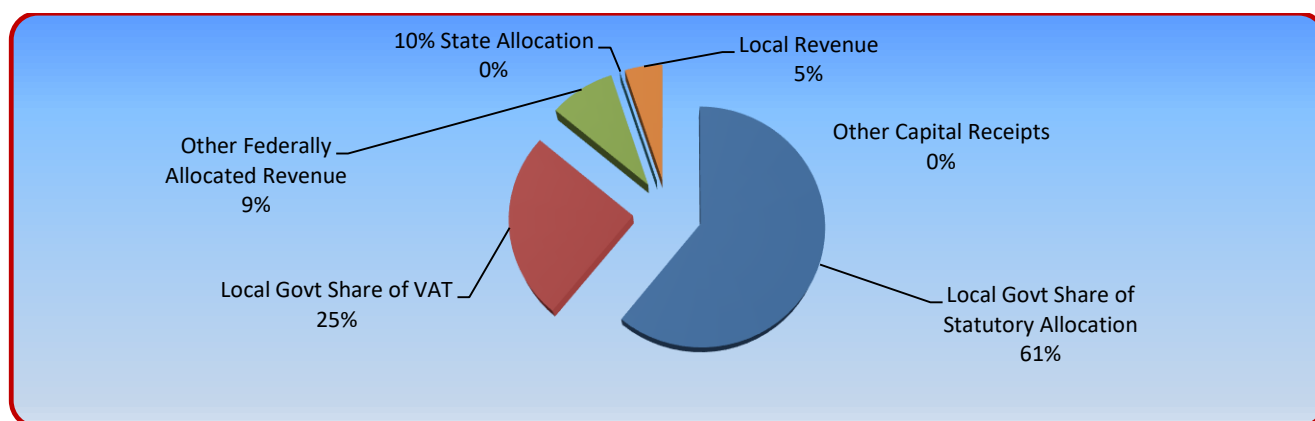
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

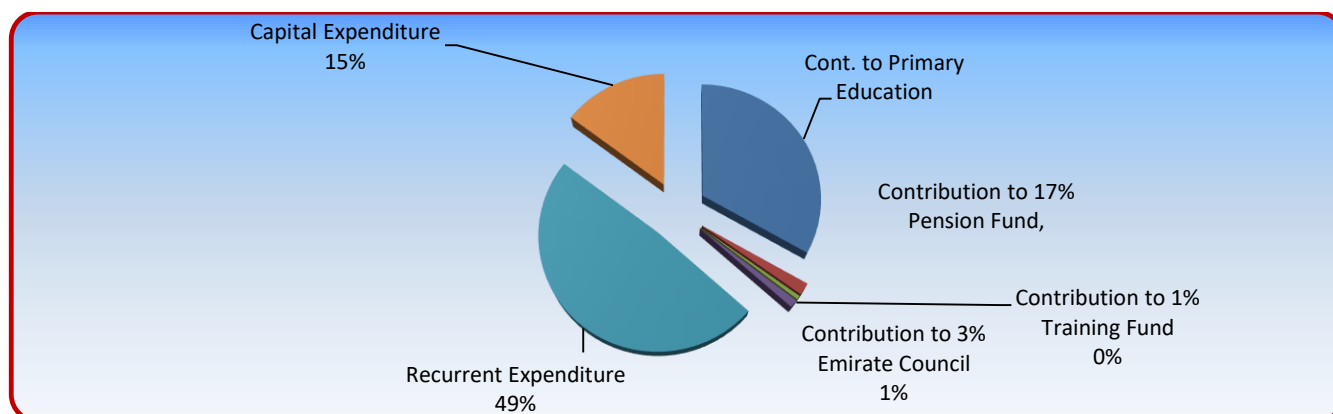
**TOTAL REVENUE: =N=2,361,420,563.77**

Local Govt Share of Statutory Allocation	1,436,740,674.61
Local Govt Share of VAT	596,167,919.20
Other Federally Allocated Revenue	209,336,849.92
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	119,175,120.04
<b>Total</b>	<b>2,361,420,563.77</b>



**TOTAL EXPENDITURE: =N= 2,409,511,179.85**

Cont. to Primary Education	800,565,192.25
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	13,024,683.90
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,172,692,565.79
Capital Expenditure	355,652,980.35
<b>Total</b>	<b>2,409,511,179.85</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **BUNKURE LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**BUNKURE LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Bunkure Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Abdurra'uf Umar Barkum	Executive Chairman
2	Alh. Abba Kawu	Vice Chairman
3	Alh.AminuJibrin	Local Government Secretary
4	Alh.Garba Suleiman	Director Personnel Management
5	Alh. Bello Bahara	Treasurer
6	Alh. Umar Usman	C.P.O
7	Alh.IbrahimMuhd	HOD Community
8	Hajiya Halima Ibrahim.	HOD Medical & Health
9	Alh.GarbaAbubakarGarko	HOD Agric
10	Alh. Ali Bello Dambatta	HOD Works & Housing
11	Alh.AbdullahiShu'aibu	HOD PRS
12	Alh. Isa MuhdKore	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor

and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	7,149,143.22	1,039,929,585.13
Local Revenue	90,485,251.20	372,150.00
Statutory Allocation	1,805,678,725.91	1,877,866,018.61
<b>Resource Available</b>	<b>1,903,313,120.33</b>	<b>2,918,167,753.74</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,580,754,239.87	1,417,588,091.03
Capital Expenditure	294,985,011.31	124,202,486.45
<b>Total Expenditure</b>	<b>1,875,739,251.18</b>	<b>1,541,790,577.48</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>27,573,869.15</b>	<b>1,376,377,176.26</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplus balance of =N=27,573,869.15 an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=588,714,389.14**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=588,714,389.14 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore as at 31<sup>st</sup> December, 2020 there is a balance of =N=588,714,389.14 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		588,714,389.14
2	Savings 5%		0.00
	Others		588,714,389.14
3	<b>Total Savings</b>	(1+2)	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>588,714,389.14</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=773,527,702.62**

**Observation:**

During the year under review the sum of =N=2,602,218,173.94 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=796,539,448.03 and January to December, 2020 net allocation of =N=1,805,678,725.91. However, we observed that only the total sum of =N=1,828,690,471.32 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=773,527,702.62.

1	Opening Balance 1/1/2020		<b>796,539,448.03</b>
2	Net Allocation Jan – Dec 2020		1,805,678,725.91
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,602,218,173.94</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,277,493,312.71
	• Salaries & Wages		551,197,158.61
		Total	1,828,690,471.32
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>773,527,702.62</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	4,562,123.74	7,149,143.22
Investments	49,188,949.65	49,188,949.65
Advances	1,377,027,594.44	1,400,039,279.85
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,430,778,667.83</b>	<b>1,456,377,372.72</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	80,000,196.46	80,000,196.46
Balance of Assets over Liabilities	1,350,778,471.37	1,376,377,176.26
<b>Total Liabilities</b>	<b>1,430,778,667.83</b>	<b>1,456,377,372.72</b>

The Net Asset of =N=1,350,778,471.37 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=49,188,949.65**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

### **[a]Personal Advances: =N=1,337,552.68**

#### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=1,337,552.68.

#### **Recommendation**

Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.

### **[b]. Impersonal (Others): =N=13,447,950.00**

#### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=13,447,950.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

#### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=68,003,596.98**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.



## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	467,463,493.00	90,485,251.20	376,978,241.80	0.00
Statutory Allocation	3,522,383,586.00	1,805,678,725.91	1,716,704,860.09	0.00
<b>Total Revenue</b>	<b>3,989,847,079.00</b>	<b>1,896,163,977.11</b>	<b>2,093,683,101.89</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,167,742,470.00	1,580,754,239.87	586,988,230.13	0.00
Capital	1,786,459,698.00	294,985,011.31	1,491,474,686.69	0.00
<b>Total Expenditure</b>	<b>3,954,202,168.00</b>	<b>1,875,739,251.18</b>	<b>2,078,462,916.82</b>	<b>0.00</b>

### **REVENUE:**

#### **(1). Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=376,988,241.80

During the period under review, the sum of =N=467,463,493.00 was estimated to be generated from local sources. However, only the sum of =N=90,485,251.20 (19%) was actually generated. This indicates a shortfall of =N= 376,988,241.80 (81%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	62,155,000.00	200,000.00	61,955,000.00	0.00
Non Tax Revenue	62,208,493.00	635,598.60	61,572,894.40	0.00
Investment Income	900,000.00	910,000.00	0.00	10,000.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	88,739,652.60	253,260,347.40	0.00
Extraordinary Items	200,000.00	0.00	200,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>467,463,493.00</b>	<b>90,485,251.20</b>	<b>376,988,241.80</b>	<b>10,000.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

**Shortfall: =N=1,752,274,343.08**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,522,383,586.00 as against the actual figure of =N=1,805,678,725.91. Thus showing a shortfall of =N=1,752,274,343.08 (49%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,452,237,045.00	1,144,658,363.04	1,307,578,681.96	0.00
Local Govt Share of VAT	868,175,842.00	492,480,180.88	375,695,661.12	0.00
Other Fed. Allocated Revenue	132,970,699.00	168,540,181.99	0.00	35,569,482.99
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,522,383,586.00</b>	<b>1,805,678,725.91</b>	<b>1,752,274,343.08</b>	<b>35,569,482.99</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,167,742,470.00 in the approved Estimates during the year but incurred an expenditure of =N=1,580,754,239.87.

#### **Observation:**

Over =N=47,004,018.89

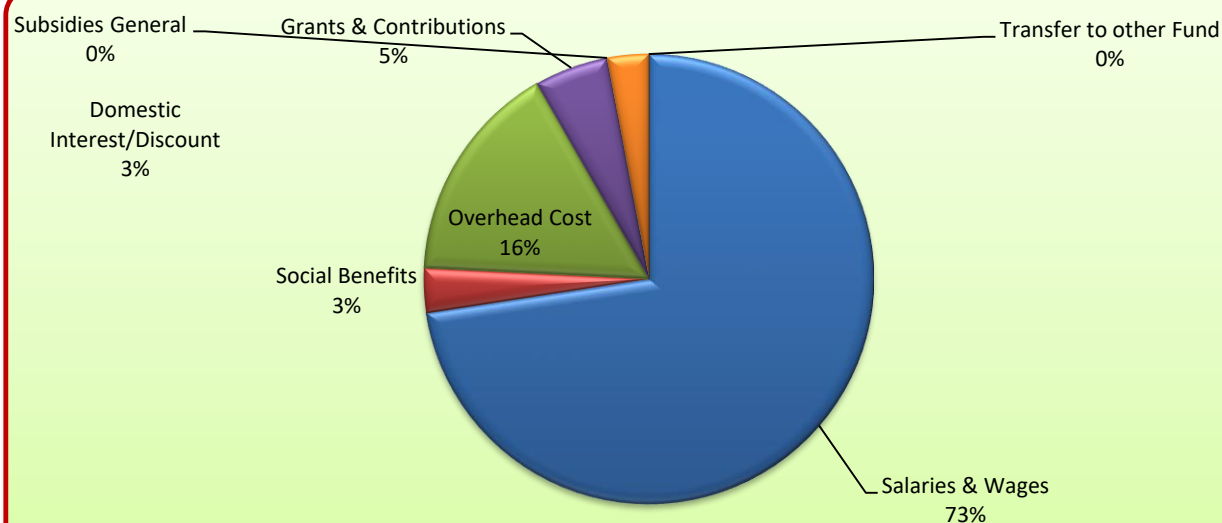
Although there was a total savings of =N=633,992,249.02, we further observed total sum of =N=47,004,018.89 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,159,378,948.00	1,147,714,845.08	11,664,102.92	0.00
Social Benefits	52,000,000.00	50,079,090.00	1,920,910.00	0.00
Overhead Cost	492,030,000.00	252,320,787.85	239,709,212.15	0.00
Grants & Contributions	464,333,522.00	83,635,498.05	380,698,023.95	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	47,004,018.89	0.00	47,004,018.89
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,167,742,470.00</b>	<b>1,580,754,239.87</b>	<b>633,992,249.02</b>	<b>47,004,018.89</b>



## **(2). Capital**

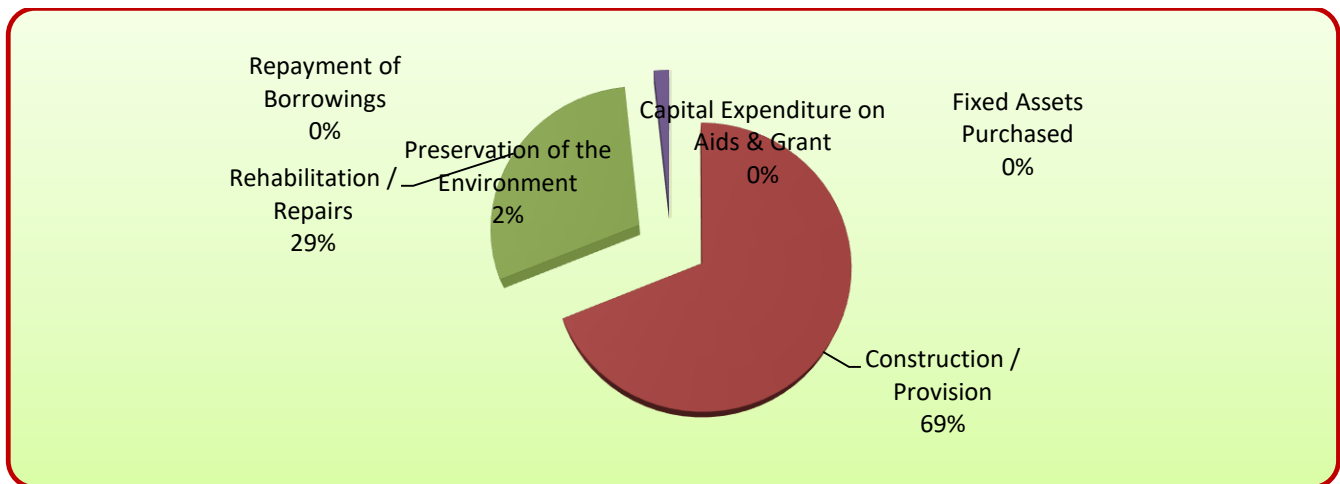
### **Observation:**

Savings: =N=1,491,474,686.69

The Council was observed to have projected a total of =N=1,786,459,698.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=294,985,011.31 was spent in the execution of projects. This indicates a savings of =N=1,491,474,686.69 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	212,700,000.00	0.00	212,700,000.00	0.00
Construction / Provision	973,500,000.00	203,010,314.96	770,489,685.04	0.00
Rehabilitation / Repairs	560,259,698.00	86,974,696.35	473,285,001.65	0.00
Preservation of the Env.	40,000,000.00	5,000,000.00	35,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,786,459,698.00</b>	<b>294,985,011.31</b>	<b>1,491,474,686.69</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

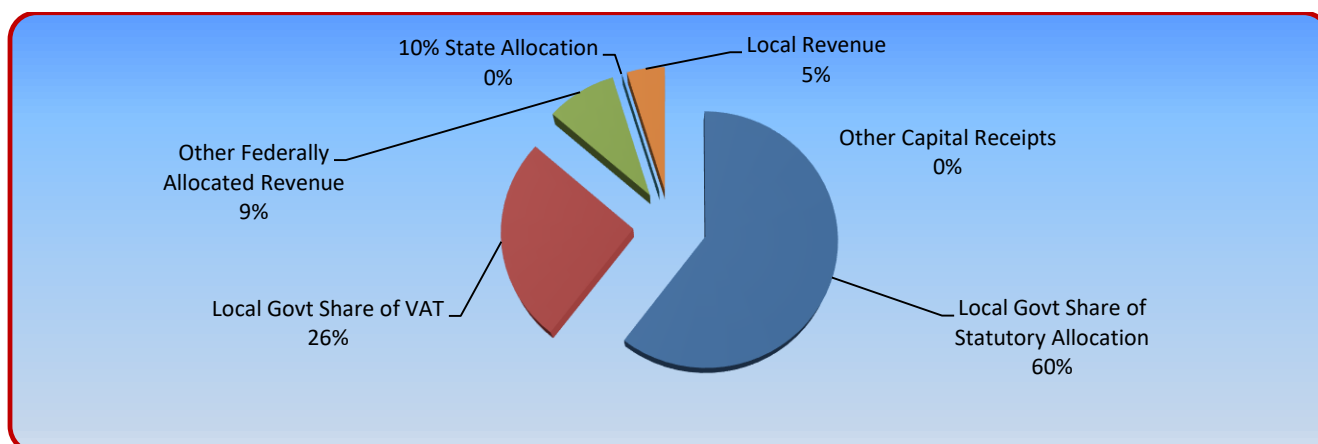
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

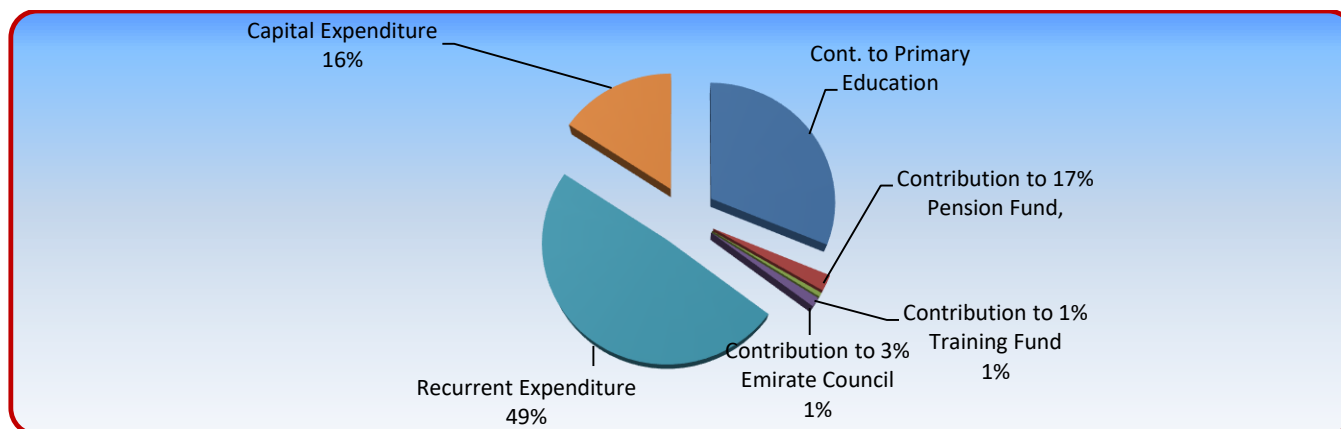
### **TOTAL REVENUE: =N=1,896,163,977.11**

Local Govt Share of Statutory Allocation	1,144,658,363.04
Local Govt Share of VAT	492,480,180.88
Other Federally Allocated Revenue	168,540,181.99
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	90,485,251.20
<b>Total</b>	<b>1,896,163,977.11</b>



### **TOTAL EXPENDITURE: =N=1,875,739,251.18**

Cont. to Primary Education	586,409,231.35
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,467,378.97
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	918,968,538.63
Capital Expenditure	294,985,011.31
<b>Total</b>	<b>1,875,739,251.18</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

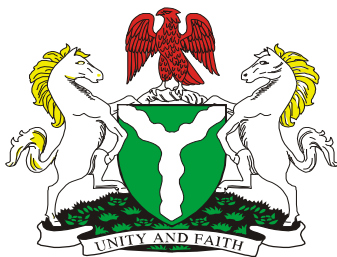
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **DALA LOCAL GOVERNMENT COUNCIL**





**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2020.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**DALA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Dala Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Ibrahim Suleiman Dan'isile	Executive Chairman
2	Alh.SagirSani Ahmad	Vice Chairman
3	Alh.AminuSaniKaulaha	Local Government Secretary
4	Alh.Mahammud Farouk	Director Personnel Management
5	Alh.Danladi Ibrahim	Treasurer
6	Alh.Muhd Abdu Diguwa	C.P.O
7	Alh. Suleiman Muhd	HOD Community
8	Alh. Farouk Abdussalam	HOD Medical & Health
9	Alh.Babangida S. Inuwa	HOD Agric
10	Alh.UsmanKabiru	HOD Works & Housing
11	Alh.Harisu Isa Rano	HOD PRS
12	Alh.AbdulkadirLawan	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	28,655,194.93	-98,088,608.48
Local Revenue	170,696,045.02	50,761,199.22
Statutory Allocation	2,848,406,532.76	2,979,366,176.85
<b>Resource Available</b>	<b>3,047,757,772.71</b>	<b>2,932,038,767.59</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,850,698,204.36	2,799,907,134.05
Capital Expenditure	117,726,042.51	176,201,022.55
<b>Total Expenditure</b>	<b>2,968,424,246.87</b>	<b>2,976,108,156.60</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>79,333,525.84</b>	<b>-44,069,389.01</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplus balance of =N=79,333,525.84, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=629,913,185.80**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=629,913,185.80 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=629,913,185.80 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		629,913,185.80
2	Savings 5%		0.00
	Others		629,913,185.80
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>629,913,185.80</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(1,034,764,130.89)**

**Observation:**

During the year under review the negative sum of =N=796,353,531.01 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=2,848,406,532.77 was recorded in the Council books of account. However, =N=2,423,226,522.95 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=663,590,609.70 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=1,034,764,130.89 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		-796,353,531.01
2	Net Allocation Jan – Dec 2020		2,848,406,532.77
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,052,053,001.76</b>
4	Actual Amount Released:		
	• Releases through LG Bank		2,423,226,522.95
	• Salaries & Wages		663,590,609.70
		Total	3,086,817,132.65
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-1,034,764,130.89</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020	YEAR 2019
	=N=	=N=
Liquid Assets	8,751,917.81	28,655,194.93
Investments	48,730,531.92	48,730,531.92
Advances	629,913,185.80	794,470,994.02
Balance of Liabilities over Asset	463,669,890.60	44,069,389.01
<b>Total Assets</b>	<b>1,151,065,526.13</b>	<b>915,926,109.88</b>

### **LIABILITIES:**

	YEAR 2020	YEAR 2019
	=N=	=N=
Short term Loan	0.00	0.00
Deposits	1,151,065,526.13	915,926,109.88
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>1,151,065,526.13</b>	<b>915,926,109.88</b>

The Net Liability of =N=463,669,890.60 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=48,730,531.92**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=90,544,828.77**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	590,110,000.00	170,696,045.02	419,413,954.98	0.00
Statutory Allocation	6,176,969,575.00	2,848,406,532.76	3,328,563,042.24	0.00
<b>Total Revenue</b>	<b>6,767,079,575.00</b>	<b>3,019,102,577.78</b>	<b>3,747,976,997.22</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	3,166,824,809.00	2,850,698,204.36	316,126,604.64	0.00
Capital	3,676,958,570.00	117,726,042.51	3,559,232,527.49	0.00
<b>Total Expenditure</b>	<b>6,843,783,379.00</b>	<b>2,968,424,246.87</b>	<b>3,875,359,132.13</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=419,413,954.98

During the period under review, the sum of =N=590,110,000.00 was estimated to be generated from local sources. However, only the sum of =N=170,696,045.02 (29%) was actually generated. This indicates a shortfall of =N=419,413,954.98 (71%) as described below:

<b>Source</b>	<b>Approved</b>	<b>Actual</b>	<b>Under</b>	<b>Excess</b>
Tax Revenue	22,000,000.00	6,065,000.00	15,935,000.00	0.00
Non Tax Revenue	185,710,000.00	15,110,354.19	170,599,645.81	0.00
Investment Income	19,200,000.00	16,637,000.00	2,563,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	20,000,000.00	12,000,000.00	8,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	119,983,690.83	222,016,309.17	0.00
Extraordinary Items	1,200,000.00	900,000.00	300,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>590,110,000.00</b>	<b>170,696,045.02</b>	<b>419,413,954.98</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

**Shortfall: =N=3,328,563,042.24**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=6,176,969,575.00 as against the actual figure of =N=2,848,406,532.76. Thus showing a shortfall of =N=3,328,563,042.24 (54%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	3,644,136,472.00	1,847,603,101.88	1,796,533,370.12	0.00
Local Govt Share of VAT	876,058,773.00	734,760,476.94	141,298,296.06	0.00
Other Fed. Allocated Revenue	783,650,000.00	266,042,953.94	517,607,046.06	0.00
10% State Allocation	78,600,000.00	0.00	78,600,000.00	0.00
Other Capital Receipts	794,524,330.00	0.00	794,524,330.00	0.00
<b>Totals</b>	<b>6,176,969,575.00</b>	<b>2,848,406,532.76</b>	<b>3,328,563,042.24</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=3,166,824,809.00 in the approved Estimates during the year but incurred an expenditure of =N=2,850,698,204.36.

#### **Observation:**

Over =N=358,761,805.11

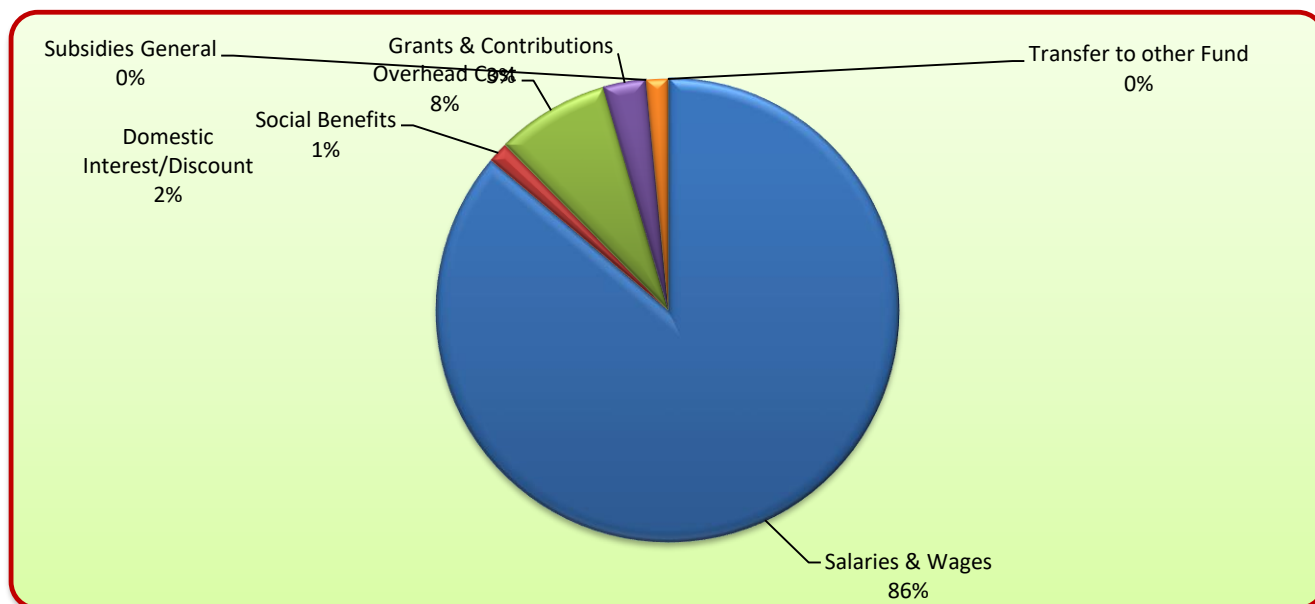
Although there was a total savings of =N=674,888,409.75, we further observed total sum of =N=358,761,805.11 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	2,147,269,690.00	2,457,105,931.20	0.00	309,836,241.20
Social Benefits	145,289,119.00	40,909,090.92	104,380,028.08	0.00
Overhead Cost	795,966,000.00	225,457,618.33	570,508,381.67	0.00
Grants & Contributions	78,300,000.00	84,707,431.82	0.00	6,407,431.82
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,166,824,809.00</b>	<b>2,850,698,204.36</b>	<b>674,888,409.75</b>	<b>358,761,805.11</b>



## (2). Capital

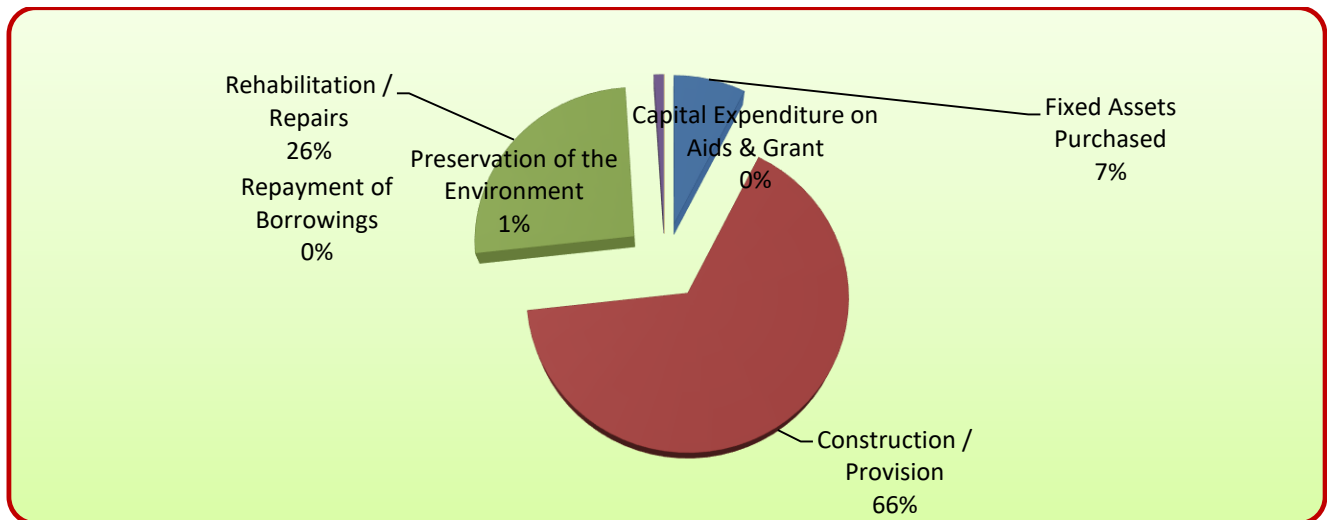
### **Observation:**

Savings: =N=3,559,232,527.49

The Council was observed to have projected a total of =N=3,676,958,570.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=117,726,042.51 was spent in the execution of projects. This indicates a savings of =N=3,559,232,527.49 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	514,700,000.00	8,840,909.30	505,859,090.70	0.00
Construction / Provision	1,889,500,000.00	77,381,511.23	1,812,118,488.77	0.00
Rehabilitation / Repairs	946,758,570.00	30,315,000.00	916,443,570.00	0.00
Preservation of the Env.	326,000,000.00	1,188,621.98	324,811,378.02	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>3,676,958,570.00</b>	<b>117,726,042.51</b>	<b>3,559,232,527.49</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

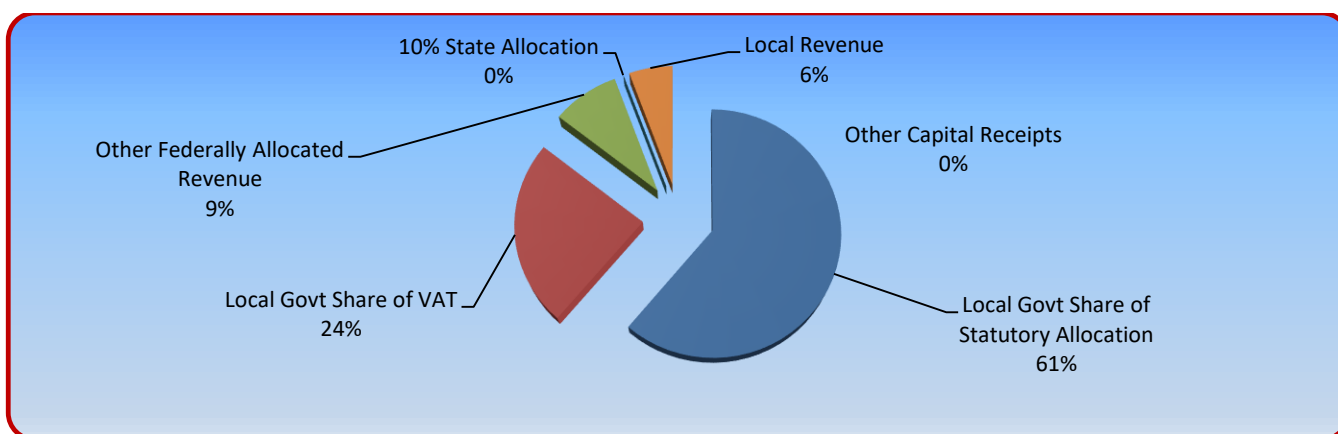
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

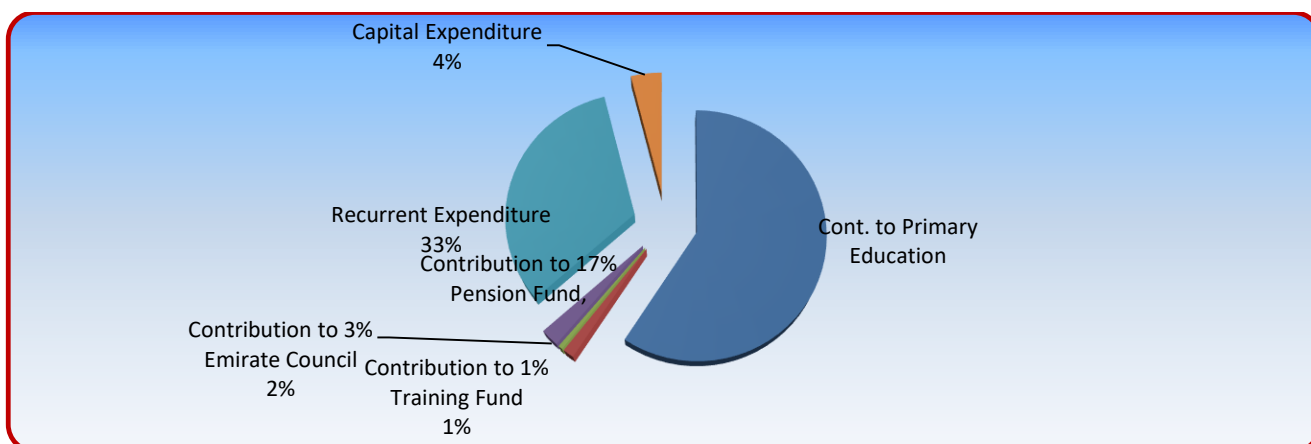
**TOTAL REVENUE: =N=3,019,102,577.78**

Local Govt Share of Statutory Allocation	1,847,603,101.88
Local Govt Share of VAT	734,760,476.94
Other Federally Allocated Revenue	266,042,953.94
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	170,696,045.02
<b>Total</b>	<b>3,019,102,577.78</b>



**TOTAL EXPENDITURE: =N= 2,968,424,246.87**

Cont. to Primary Education	1,758,611,477.90
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	16,578,953.42
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	967,098,682.12
Capital Expenditure	117,726,042.51
<b>Total</b>	<b>2,968,424,246.87</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

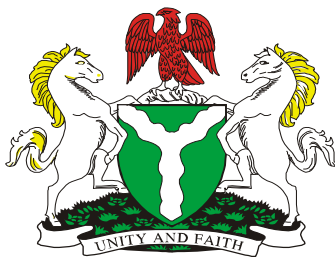
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **DAMBATTA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**DAMBATTA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Dambatta Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.AbdullahiMuhdKore	Executive Chairman
2	Alh.HamisuMagajiGaladima	Vice Chairman
3	Alh.NasiruYaroDambatta	Local Government Secretary
4	Alh. Ibrahim Shekare	Director Personnel Management
5	Alh.Gambo Ado N. Bichi	Treasurer
6	Alh.MuhdShehu	C.P.O
7	Alh.BaffaSunusi	HOD Community
8	Hajiya.HadizaYusu Gaya	HOD Medical & Health
9	Alh.Gambolbrahi	HOD Agric
10	Alh.AkiluBaffa	HOD Works & Housing
11	Alh. Musa Ali Zumbur	HOD PRS
12	Alh.Abdul'azizAliyu	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	12,811,885.43	-1,039,136,594.36
Local Revenue	90,802,662.41	7,169,628.60
Statutory Allocation	1,971,729,539.01	2,054,037,411.64
<b>Resource Available</b>	<b>2,075,344,086.85</b>	<b>1,022,070,445.88</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,309,270,252.46	1,964,785,872.27
Capital Expenditure	212,278,388.39	383,087,257.89
<b>Total Expenditure</b>	<b>2,521,548,640.85</b>	<b>2,347,873,130.16</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-446,204,554.00</b>	<b>-1,325,802,684.28</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=446,204,554.00, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=479,584,184.18.**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=479,584,184.18 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=479,584,184.18 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		479,584,184.18
2	Savings 5%		0.00
	Others		479,584,184.18
3	<b>Total Savings</b>	(1+2)	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>479,584,184.18</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(2,139,680,910.66)**

**Observation:**

During the year under review the negative sum of =N=1,680,950,705.25 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,971,729,539.01 was recorded in the Council books of account. However, =N=1,739,112,658.10 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=691,347,086.32 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=2,139,680,910.66 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-1,680,950,705.25</b>
2	Net Allocation Jan – Dec 2020		1,971,729,539.01
3	<b>Total</b>	<b>3=(1+2)</b>	<b>290,778,833.76</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,739,112,658.10
	• Salaries & Wages		691,347,086.32
		Total	2,430,459,744.42
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-2,139,680,910.66</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	7,303,292.72	12,811,885.43
Investments	40,748,315.89	40,748,315.89
Advances	499,928,325.38	467,361,204.97
Balance of Liabilities over Asset	1,784,819,123.71	1,325,802,684.28
<b>Total Assets</b>	<b>2,332,799,057.70</b>	<b>1,846,724,090.57</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	2,332,799,057.70	1,846,724,090.57
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>2,332,799,057.70</b>	<b>1,846,724,090.57</b>

The Net Liability of =N=1,784,819,123.71 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=40,748,315.89**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]Personal Advances: =N=5,939,131.20

### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=5,939,131.20.

### **Recommendation**

**Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.**

[b]. Impersonal (Others): =N=14,405,010.00

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=14,405,010.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=95,699,961.68**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	418,299,994.13	90,802,662.41	327,497,331.72	0.00
Statutory Allocation	2,822,623,076.62	1,971,729,539.01	850,893,537.61	0.00
<b>Total Revenue</b>	<b>3,240,923,070.75</b>	<b>2,062,532,201.42</b>	<b>1,178,390,869.33</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,764,117,872.77	2,309,270,252.46	454,847,620.31	0.00
Capital	1,201,880,212.21	212,278,388.39	989,601,823.82	0.00
<b>Total Expenditure</b>	<b>3,965,998,084.98</b>	<b>2,521,548,640.85</b>	<b>1,444,449,444.13</b>	<b>0.00</b>

### **REVENUE:**

#### **(1). Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=328,179,331.72

During the period under review, the sum of =N=418,299,994.13 was estimated to be generated from local sources. However, only the sum of =N=90,802,662.41 (22%) was actually generated. This indicates a shortfall of =N=328,179,331.72 (78%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	0.00	682,000.00	0.00	682,000.00
Non Tax Revenue	67,299,994.13	2,543,896.61	64,756,097.52	0.00
Investment Income	9,000,000.00	3,323,000.00	5,677,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,253,765.80	257,746,234.20	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>418,299,994.13</b>	<b>90,802,662.41</b>	<b>328,179,331.72</b>	<b>682,000.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

##### **Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able

to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

**Shortfall: =N=1,029,729,470.90**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,822,623,076.62 as against the actual figure of =N=1,971,729,539.01. Thus showing a shortfall of =N=1,029,729,470.90 (30%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,168,434,709.55	1,258,801,160.80	909,633,548.75	0.00
Local Govt Share of VAT	350,000,000.00	528,835,933.29	0.00	178,835,933.29
Other Fed. Allocated Revenue	235,188,367.07	184,092,444.92	51,095,922.15	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,822,623,076.62</b>	<b>1,971,729,539.01</b>	<b>1,029,729,470.90</b>	<b>178,835,933.29</b>

We observed that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,764,117,872.77 in the approved Estimates during the year but incurred an expenditure of =N=2,309,270,252.46.

#### **Observation:**

Over =N=42,518,132.09

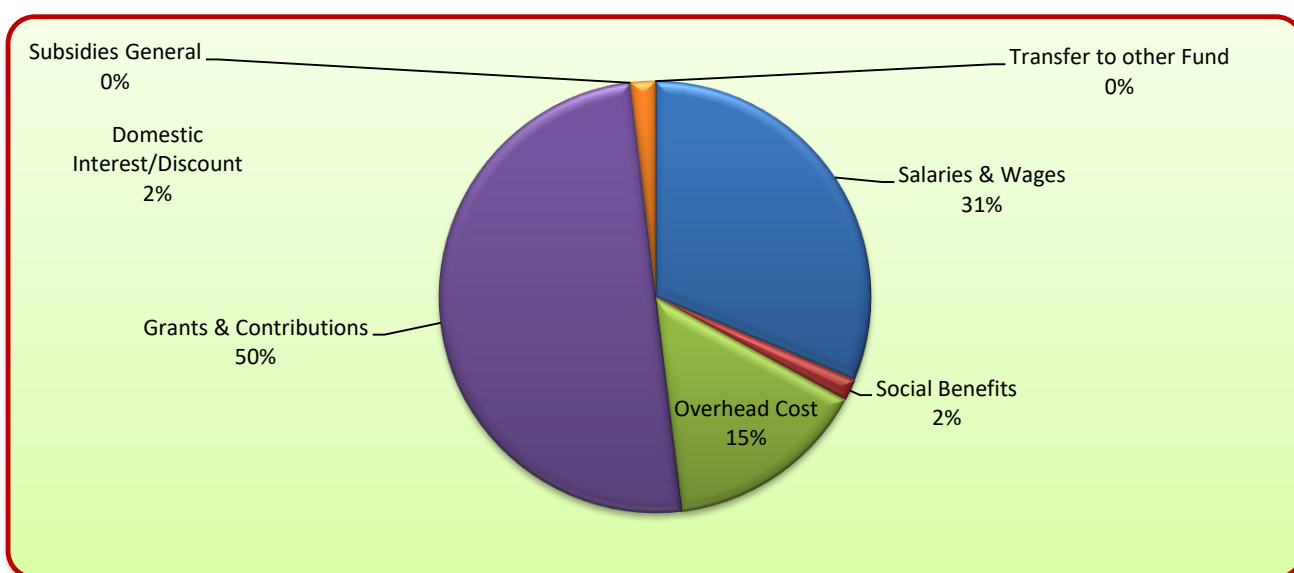
Although there was a total savings of =N=497,365,752.40, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	909,779,513.68	722,550,718.91	187,228,794.77	0.00
Social Benefits	50,500,000.00	37,685,998.20	12,814,001.80	0.00
Overhead Cost	644,451,922.00	349,615,573.49	294,836,348.51	0.00
Grants & Contributions	1,159,386,437.09	1,156,899,829.77	2,486,607.32	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,764,117,872.77</b>	<b>2,309,270,252.46</b>	<b>497,365,752.40</b>	<b>42,518,132.09</b>



## (2). Capital

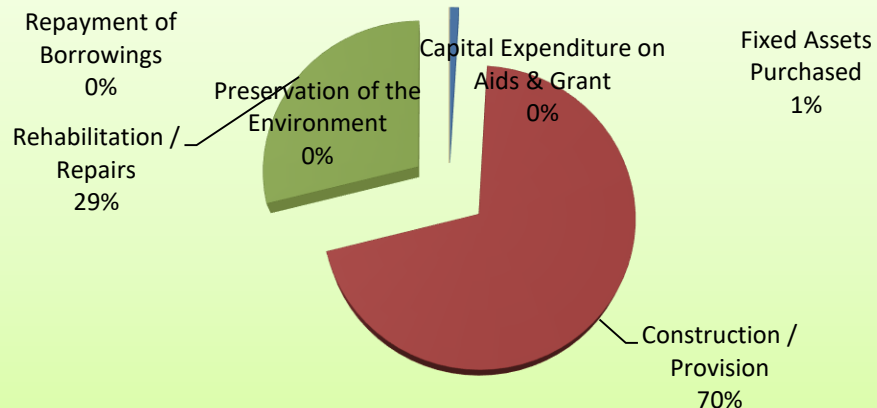
### **Observation:**

Savings: =N=989,601,823.82

The Council was observed to have projected a total of =N=1,201,880,212.21 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=212,278,388.39 was spent in the execution of projects. This indicates a savings of =N=989,601,823.82 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	87,600,000.00	2,000,000.00	85,600,000.00	0.00
Construction / Provision	875,280,212.21	148,870,376.37	726,409,835.84	0.00
Rehabilitation / Repairs	228,000,000.00	61,408,012.02	166,591,987.98	0.00
Preservation of the Env.	11,000,000.00	0.00	11,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,201,880,212.21</b>	<b>212,278,388.39</b>	<b>989,601,823.82</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

### **RECOMMENDATION:**

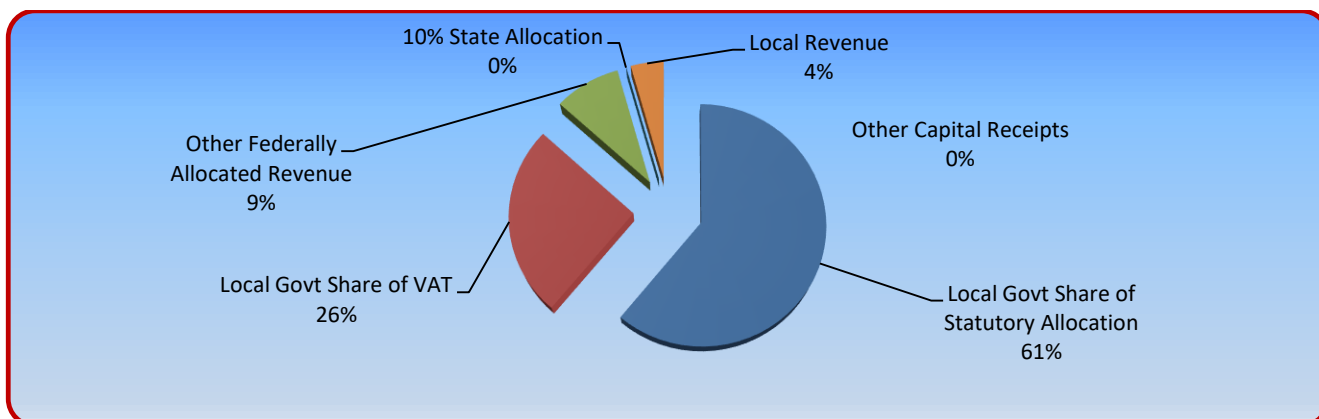
We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.



## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

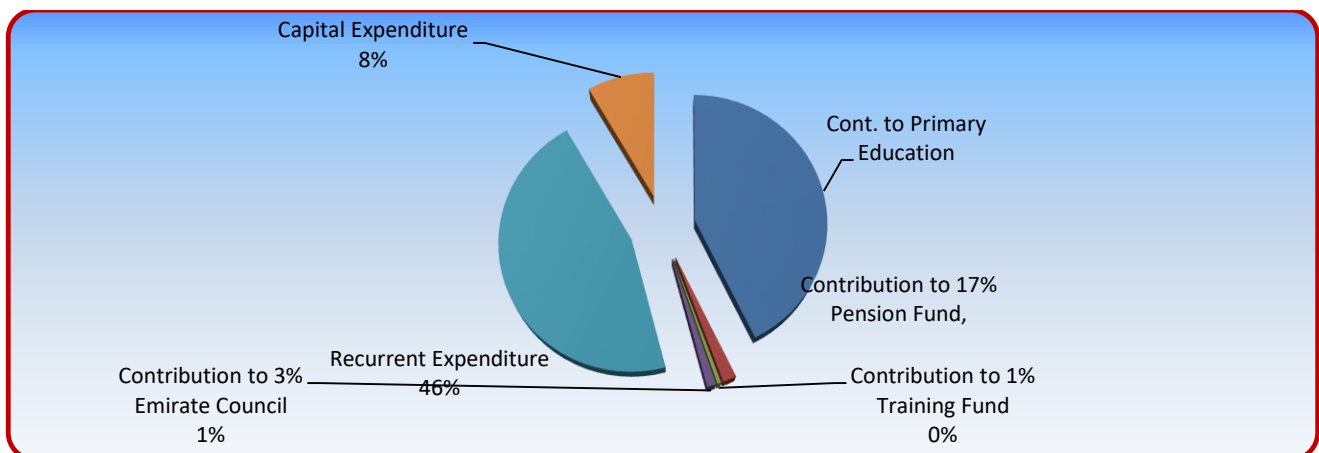
**TOTAL REVENUE: =N= 2,062,532,201.42**

Local Govt Share of Statutory Allocation	1,258,801,160.80
Local Govt Share of VAT	528,835,933.29
Other Federally Allocated Revenue	184,092,444.92
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	90,802,662.41
<b>Total</b>	<b>2,062,532,201.42</b>



**TOTAL EXPENDITURE: =N=2,521,548,640.85**

Cont. to Primary Education	1,078,211,544.42
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,442,070.43
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,152,040,880.05
Capital Expenditure	212,278,388.39
<b>Total</b>	<b>2,521,548,640.85</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

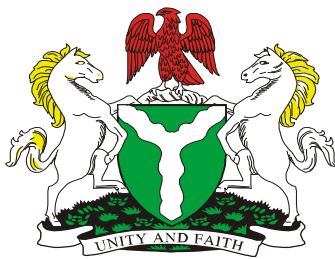
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **DAWAKIN KUDU LOCAL GOVERNMENT**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**DAWAKIN KUDU LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Dawakin Kudu Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Nasiru Ibrahim Matage	Executive Chairman
2	Alh.Yakubu Musa Nera	Vice Chairman
3	Alh. Abba Inuwa	Local Government Secretary
4	Alh.Jamaluddeen Muhammad	Director Personnel Management
5	Alh.DanladiBakoDanhassan	Treasurer
6	Alh.UkashatuAliyu	C.P.O
7	Alh.SuunusilliyasuMadobi	HOD Community
8	Alh.LawanZakirai	HOD Medical & Health
9	Alh. Ibrahim Muhd	HOD Agric
10	Alh. Sabo Ibrahim Yalwa	HOD Works & Housing
11	Alh.HarunaAliyuAbdullahi	HOD PRS
12	Alh.Abdulkarim Muhammad	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.



## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	11,128,950.12	-420,840,280.01
Local Revenue	103,075,168.95	6,005,021.25
Statutory Allocation	2,095,392,976.04	2,188,473,429.75
<b>Resource Available</b>	<b>2,209,597,095.11</b>	<b>1,773,638,170.99</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,337,632,749.40	2,090,619,877.69
Capital Expenditure	356,925,716.00	48,540,474.77
<b>Total Expenditure</b>	<b>2,694,558,465.40</b>	<b>2,139,160,352.46</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-484,961,370.29</b>	<b>-365,522,181.47</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=484,961,370.29 an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=570,342,614.06**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=570,342,614.06 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=570,342,614.06 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		570,342,614.06
2	Savings 5%		0.00
	Others		570,342,614.06
3	<b>Total Savings</b>	(1+2)	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>570,342,614.06</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(1,265,281,852.02)**

**Observation:**

During the year under review the negative sum of =N=843,662,735.15 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=2,095,392,976.03 was recorded in the Council books of account. However, =N=1,727,828,034.70 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=789,184,058.20 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=1,265,281,852.02 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-843,662,735.15</b>
2	Net Allocation Jan – Dec 2020		2,095,392,976.03
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,251,730,240.88</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,727,828,034.70
	• Salaries & Wages		789,184,058.20
		Total	2,517,012,092.90
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-1,265,281,852.02</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	-326,400.54	11,128,950.12
Investments	48,633,070.33	48,633,070.33
Advances	570,342,614.06	606,394,594.54
Balance of Liabilities over Asset	861,612,501.88	365,522,181.47
<b>Total Assets</b>	<b>1,480,261,785.73</b>	<b>1,031,678,796.46</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	1,480,261,785.73	1,031,678,796.46
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>1,480,261,785.73</b>	<b>1,031,678,796.46</b>

The Net Liability of =N=861,612,501.88 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=48,633,070.33**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=99,663,834.99**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	466,900,000.00	103,075,168.95	363,824,831.05	0.00
Statutory Allocation	5,232,207,663.70	2,095,392,976.04	3,136,814,687.66	0.00
<b>Total Revenue</b>	<b>5,699,107,663.70</b>	<b>2,198,468,144.99</b>	<b>3,500,639,518.71</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,791,847,382.17	2,337,632,749.40	454,214,632.77	0.00
Capital	2,892,500,000.00	356,925,716.00	2,535,574,284.00	0.00
<b>Total Expenditure</b>	<b>5,684,347,382.17</b>	<b>2,694,558,465.40</b>	<b>2,989,788,916.77</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=363,824,831.05

During the period under review, the sum of =N=466,900,000.00 was estimated to be generated from local sources. However, only the sum of =N=103,075,168.95(22%) was actually generated. This indicates a shortfall of =N=363,824,831.05. (78%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	18,000,000.00	6,230,000.00	11,770,000.00	0.00
Non Tax Revenue	82,900,000.00	5,806,464.21	77,093,535.79	0.00
Investment Income	19,000,000.00	6,730,000.00	12,270,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,258,704.74	257,741,295.26	0.00
Extraordinary Items	5,000,000.00	50,000.00	4,950,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>466,900,000.00</b>	<b>103,075,168.95</b>	<b>363,824,831.05</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

### **Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=3,136,814,687.66

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=5,232,207,663.70 as against the actual figure of =N=2,095,392,976.04. Thus showing a shortfall of =N=3,136,814,687.66 (60%)as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,609,921,019.00	1,353,162,384.63	1,256,758,634.37	0.00
Local Govt Share of VAT	1,271,952,953.61	546,448,421.71	725,504,531.90	0.00
Other Fed. Allocated Revenue	481,333,691.09	195,782,169.70	285,551,521.39	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	800,000,000.00	0.00	800,000,000.00	0.00
<b>Totals</b>	<b>5,232,207,663.70</b>	<b>2,095,392,976.04</b>	<b>3,136,814,687.66</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,791,847,382.17 in the approved Estimates during the year but incurred an expenditure of =N=2,337,632,749.40.

### **Observation:**

Over =N=42,518,132.09

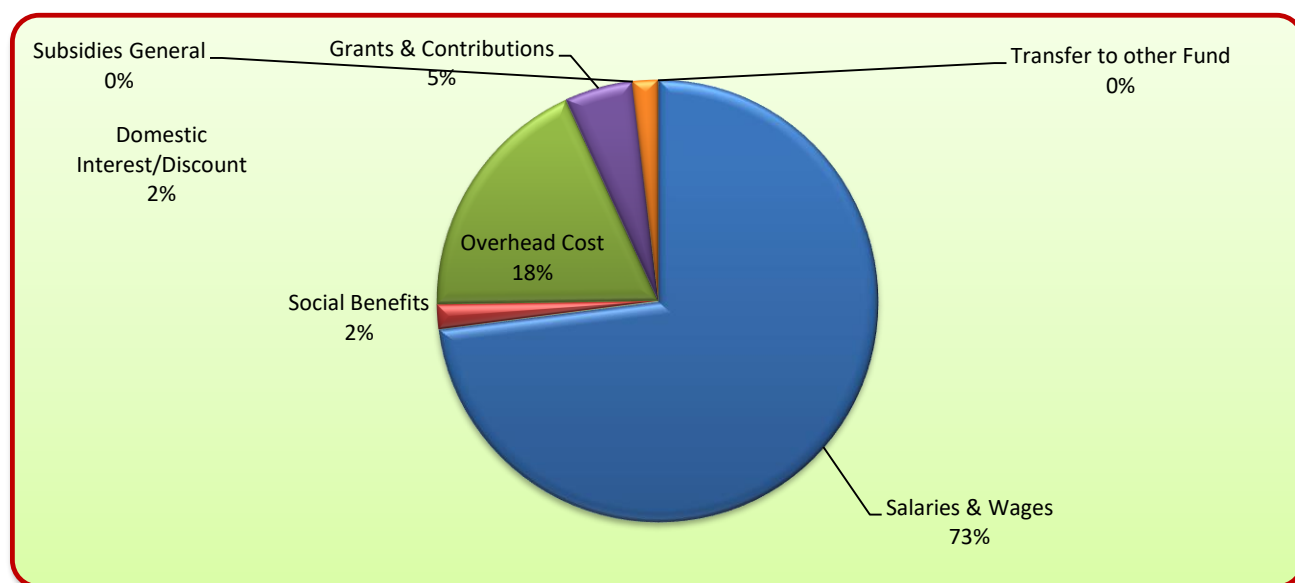
Although there was a total savings of =N=496,732,764.86 we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,878,342,382.17	1,706,676,262.58	171,666,119.59	0.00
Social Benefits	44,900,000.00	40,909,090.92	3,990,909.08	0.00
Overhead Cost	741,605,000.00	430,262,411.55	311,342,588.45	0.00
Grants & Contributions	127,000,000.00	117,266,852.26	9,733,147.74	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,791,847,382.17</b>	<b>2,337,632,749.40</b>	<b>496,732,764.86</b>	<b>42,518,132.09</b>





## (2). Capital

### **Observation:**

Savings: =N=2,535,574,284.00

The Council was observed to have projected a total of =N=2,892,500,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

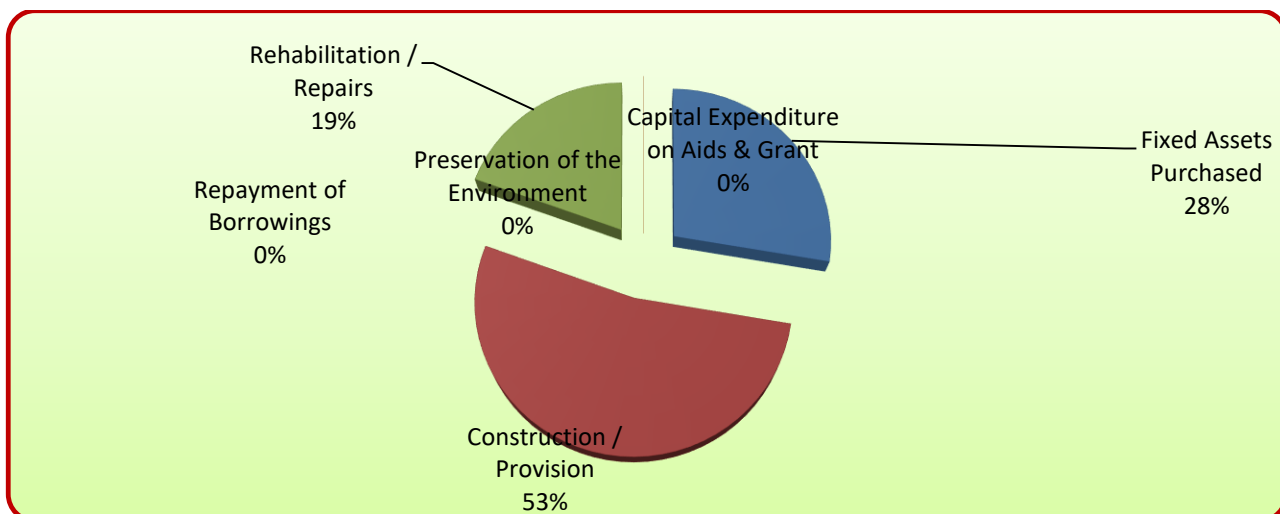
However, only the sum of =N=356,925,716.00 was spent in the execution of projects. This indicates a savings of =N=2,535,574,284.00 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	367,000,000.00	98,751,784.76	268,248,215.24	0.00
Construction / Provision	1,413,500,000.00	188,567,153.99	1,224,932,846.01	0.00
Rehabilitation / Repairs	1,092,000,000.00	69,606,777.25	1,022,393,222.75	0.00
Preservation of the Env.	20,000,000.00	0.00	20,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,892,500,000.00</b>	<b>356,925,716.00</b>	<b>2,535,574,284.00</b>	<b>0.00</b>

Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

### **RECOMMENDATION:**

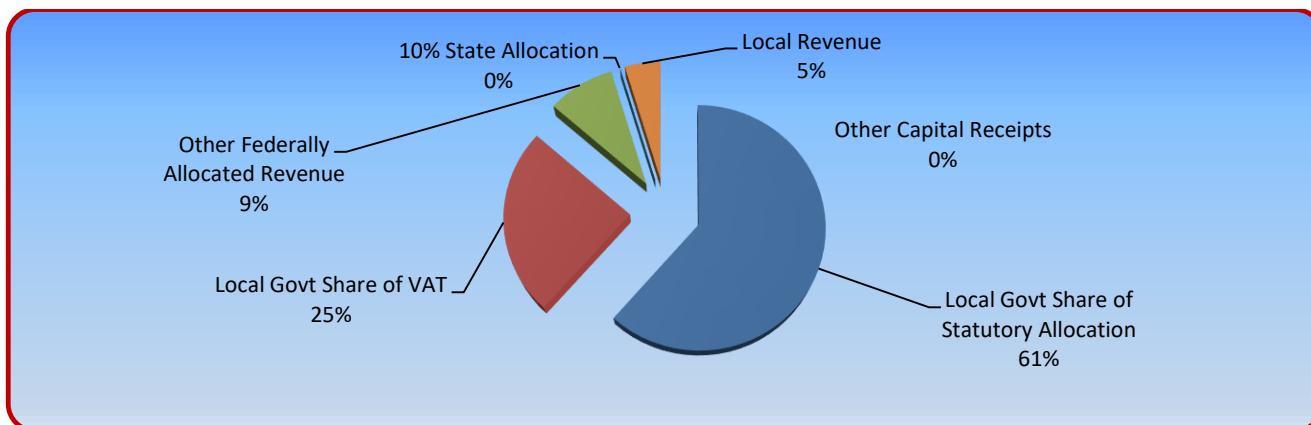
We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.



## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

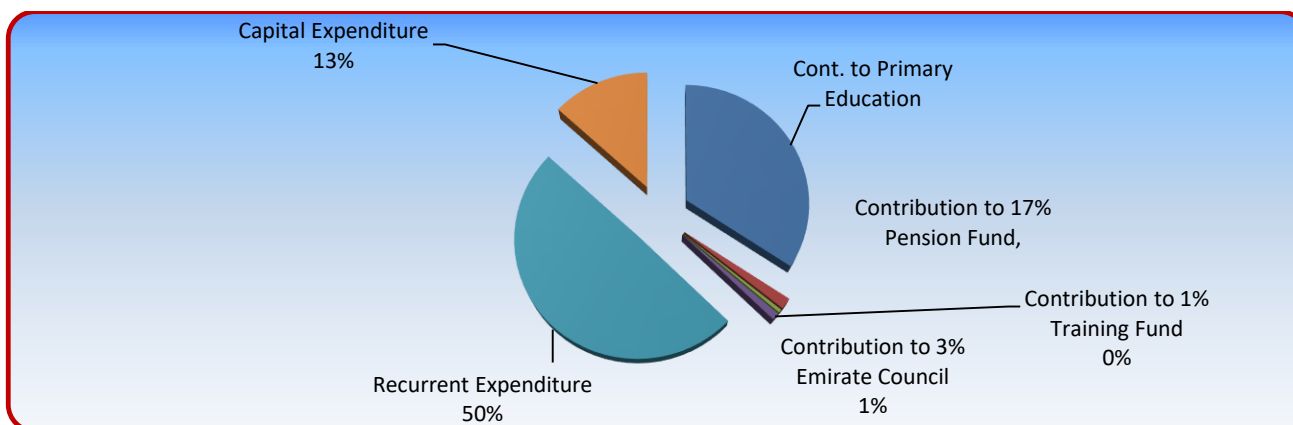
**TOTAL REVENUE: =N=2,198,468,144.99**

Local Govt Share of Statutory Allocation	1,353,162,384.63
Local Govt Share of VAT	546,448,421.71
Other Federally Allocated Revenue	195,782,169.70
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	103,075,168.95
<b>Total</b>	<b>2,198,468,144.99</b>



**TOTAL EXPENDITURE: =N= 2,694,558,465.40**

Cont. to Primary Education	924,431,861.76
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	12,174,105.88
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,333,451,024.20
Capital Expenditure	356,925,716.00
<b>Total</b>	<b>2,694,558,465.40</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

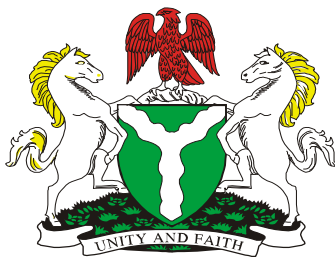
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **DAWAKIN TOFA LOCAL GOVERNMENT**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**DAWAKIN TOFA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Dawakin Tofa Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Ado TambaiKwa	Executive Chairman
2	Alh.GarbaYahaya	Vice Chairman
3	Alh.Yakubu Sale Danbazau	Local Government Secretary
4	Alh.MagajiAlbasu	Director Personnel Management
5	Alh.Nazifi Ado	Treasurer
6	Alh.Rabi'uldrisGaro	C.P.O
7	Alh. Hassan I. Karaye	HOD Community
8	Alh.Kabiru Musa	HOD Medical & Health
9	Alh.SunusiBaffaAlbasu	HOD Agric
10	Alh.Akilu Muhammad	HOD Works & Housing
11	Alh. Isa Abba Umar	HOD PRS
12	Alh.Magaji Ali Fagge	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	25,720,828.01	855,562,656.84
Local Revenue	124,667,409.72	45,198,743.95
Statutory Allocation	2,129,144,241.76	2,219,535,717.45
<b>Resource Available</b>	<b>2,279,532,479.49</b>	<b>3,120,297,118.24</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,599,310,645.47	1,969,875,026.48
Capital Expenditure	414,242,092.25	186,260,186.18
<b>Total Expenditure</b>	<b>2,013,552,737.72</b>	<b>2,156,135,212.66</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>265,979,741.77</b>	<b>964,161,905.58</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplus balance of =N=265,979,741.77, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=636,001,394.02**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=636,001,394.02 in the 5% Stabilization Account has also made a statutory contribution of =N=. This includes =N=0.00as 5% Stabilization and other contribution made by the Local Government of =N=0.00into the savings account.However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore as at 31<sup>st</sup> December, 2020 there is a balance of =N=636,001,394.02 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		636,001,394.02
2	Savings 5%		0.00
	Others		636,001,394.02
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>636,001,394.02</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liase with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=323,553,602.32**

**Observation:**

During the year under review the sum of =N=2,695,827,592.16 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=566,683,350.39 and January to December, 2020 net allocation of =N=2,129,144,241.77. However, we observed that only the total sum of =N=2,372,273,989.84 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=323,553,602.32.

1	Opening Balance 1/1/2020		<b>566,683,350.39</b>
2	Net Allocation Jan – Dec 2020		2,129,144,241.77
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,695,827,592.16</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,723,350,740.46
	• Salaries & Wages		648,923,249.38
		Total	2,372,273,989.84
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>323,553,602.32</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	15,426,848.74	25,720,828.01
Investments	45,535,804.72	45,535,804.72
Advances	1,086,668,458.34	1,330,405,985.84
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,147,631,111.80</b>	<b>1,401,662,618.57</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	444,316,078.52	437,500,712.99
Balance of Assets over Liabilities	703,315,033.28	964,161,905.58
<b>Total Liabilities</b>	<b>1,147,631,111.80</b>	<b>1,401,662,618.57</b>

The Net Asset of =N=703,315,033.28 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

### **ASSETS**

#### **(1) Investments =N=45,535,804.72**

##### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

##### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

### **[a]. Impersonal (Others): =N=127,113,462.00**

#### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=127,113,462.00 remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

#### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=160,705,401.18**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b><u>REVENUE</u></b>				
Internally Generated Revenue	522,294,000.00	124,667,409.72	397,626,590.28	0.00
Statutory Allocation	3,464,311,359.60	2,129,144,241.76	1,335,167,117.84	0.00
<b>Total Revenue</b>	<b>3,986,605,359.60</b>	<b>2,253,811,651.48</b>	<b>1,732,793,708.12</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b><u>EXPENDITURE</u></b>				
Recurrent	2,369,917,987.00	1,599,310,645.47	770,607,341.53	0.00
Capital	1,124,611,245.92	414,242,092.25	710,369,153.67	0.00
<b>Total Expenditure</b>	<b>3,494,529,232.92</b>	<b>2,013,552,737.72</b>	<b>1,480,976,495.20</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=397,626,590.28

During the period under review, the sum of =N=522,294,000.00 was estimated to be generated from local sources. However, only the sum of =N=124,667,409.72 (24%) was actually generated. This indicates a shortfall of =N=397,626,590.28 (76%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	17,500,000.00	5,230,000.00	12,270,000.00	0.00
Non Tax Revenue	84,194,000.00	14,380,500.00	69,813,500.00	0.00
Investment Income	68,000,000.00	20,743,000.00	47,257,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	5,000,000.00	0.00	5,000,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,313,909.72	256,686,090.28	0.00
Extraordinary Items	6,500,000.00	0.00	6,500,000.00	0.00
Prep./Arrears of Revenue	100,000.00	0.00	100,000.00	0.00
<b>Totals</b>	<b>522,294,000.00</b>	<b>124,667,409.72</b>	<b>397,626,590.28</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.



## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=1,383,302,992.15

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,464,311,359.60 as against the actual figure of =N=2,129,144,241.76. Thus showing a shortfall of =N=1,383,302,992.15 (39%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,175,498,208.00	1,362,639,550.61	812,858,657.39	0.00
Local Govt Share of VAT	519,583,131.60	567,719,005.91	0.00	48,135,874.31
Other Fed. Allocated Revenue	398,830,020.00	198,785,685.24	200,044,334.76	0.00
10% State Allocation	30,000,000.00	0.00	30,000,000.00	0.00
Other Capital Receipts	340,400,000.00	0.00	340,400,000.00	0.00
<b>Totals</b>	<b>3,464,311,359.60</b>	<b>2,129,144,241.76</b>	<b>1,383,302,992.15</b>	<b>48,135,874.31</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,369,917,987.00 in the approved Estimates during the year but incurred an expenditure of =N=1,599,310,645.47.

#### **Observation:**

Over =N=42,518,133.09

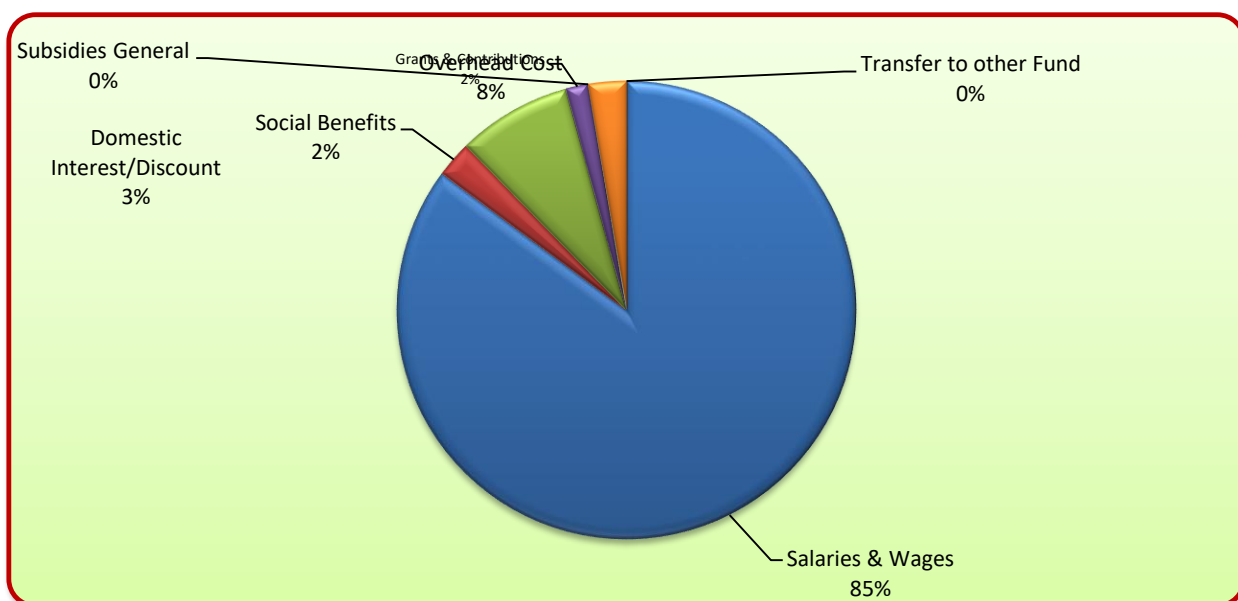
Although there was a total savings of =N=813,125,474.62, we further observed total sum of =N=42,518,133.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,411,507,485.00	1,361,899,790.64	49,607,694.36	0.00
Social Benefits	90,610,502.00	40,969,090.92	49,641,411.08	0.00
Overhead Cost	806,800,000.00	128,879,598.56	677,920,401.44	0.00
Grants & Contributions	61,000,000.00	25,044,032.26	35,955,967.74	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,133.09	0.00	42,518,133.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,369,917,987.00</b>	<b>1,599,310,645.47</b>	<b>813,125,474.62</b>	<b>42,518,133.09</b>



## (2). Capital

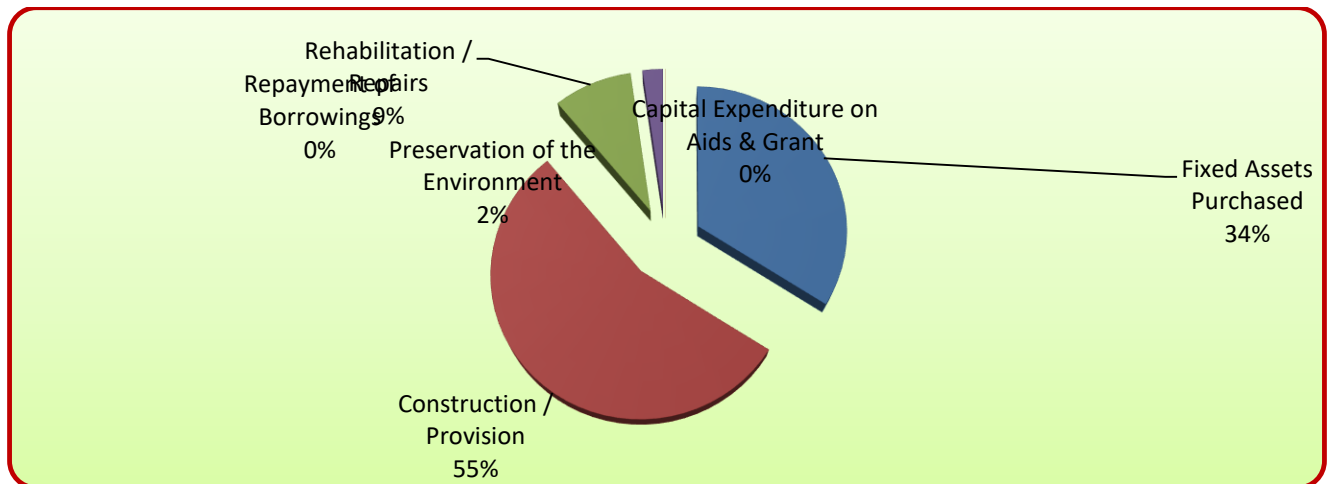
### **Observation:**

Savings: =N=710,369,153.67

The Council was observed to have projected a total of =N=1,124,611,245.92 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=414,242,092.25 was spent in the execution of projects. This indicates a savings of =N=710,369,153.67 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	322,000,000.00	140,859,840.00	181,140,160.00	0.00
Construction / Provision	670,111,245.92	227,622,998.25	442,488,247.67	0.00
Rehabilitation / Repairs	107,500,000.00	36,419,254.00	71,080,746.00	0.00
Preservation of the Env.	25,000,000.00	9,340,000.00	15,660,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,124,611,245.92</b>	<b>414,242,092.25</b>	<b>710,369,153.67</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

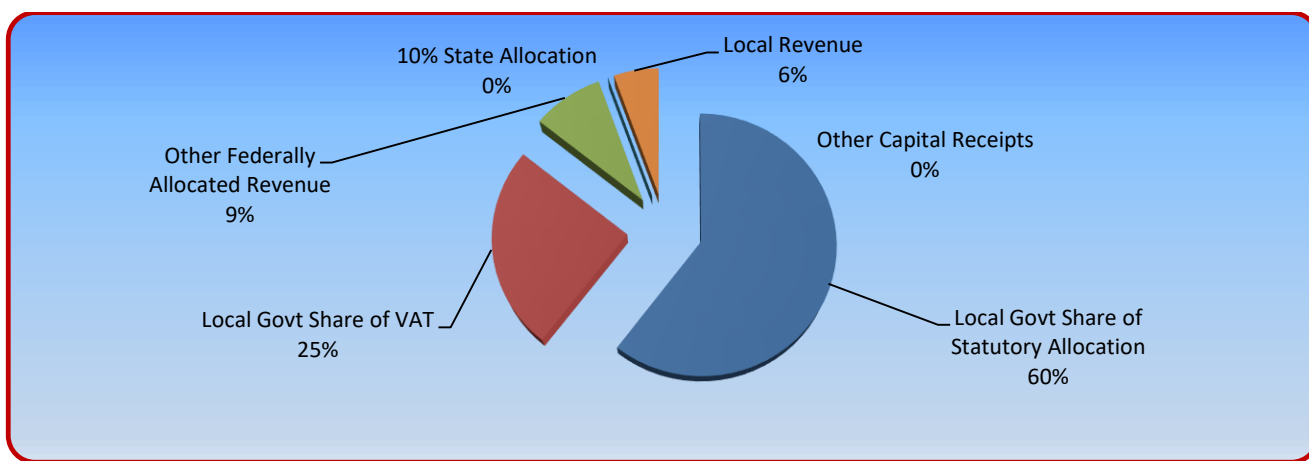
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

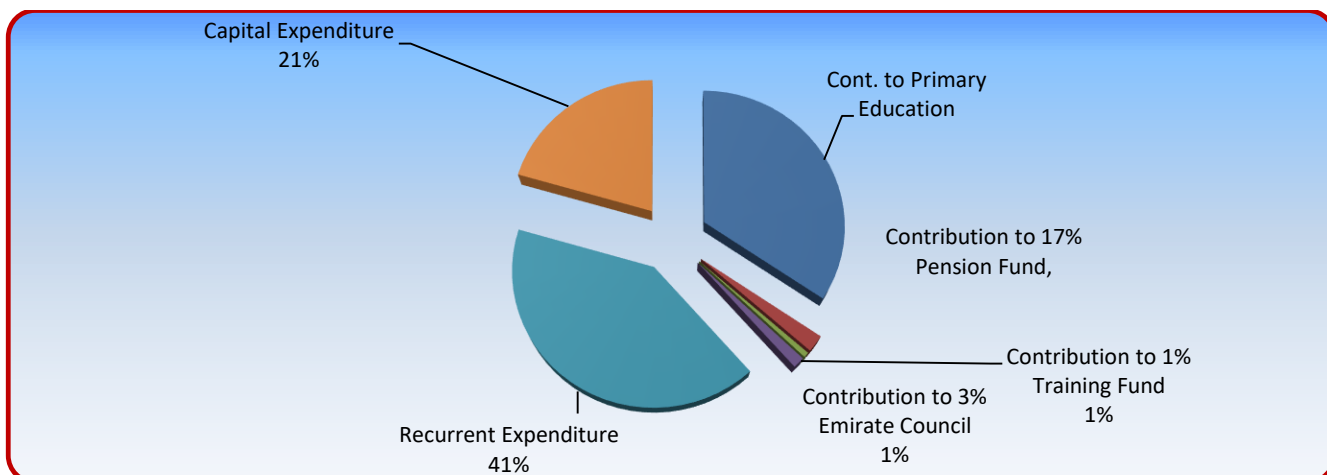
### TOTAL REVENUE: =N=2,253,811,651.48

Local Govt Share of Statutory Allocation	1,362,639,550.61
Local Govt Share of VAT	567,719,005.91
Other Federally Allocated Revenue	198,785,685.24
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	124,667,409.72
<b>Total</b>	<b>2,253,811,651.48</b>



### TOTAL EXPENDITURE: =N=2,013,552,737.72

Cont. to Primary Education	693,424,444.52
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	12,363,201.29
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	825,947,242.10
Capital Expenditure	414,242,092.25
<b>Total</b>	<b>2,013,552,737.72</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

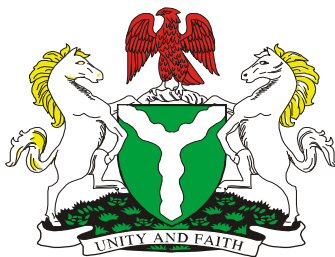
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **DOGUWA LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
DOGUWA LOCAL GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Doguwa Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.MamudaHudu	Executive Chairman
2	Alh.DaudaHamisuFalgore	Vice Chairman
3	Alh. Idi SaniDoguwa	Local Government Secretary
4	Alh.TijjaniAbdullahi	Director Personnel Management
5	Alh.YakubuMatoYandalla	Treasurer
6	Alh. Ibrahim Muhd Kura	C.P.O
7	Alh. Ali Ibrahim	HOD Community
8	Alh.HashimIsyaku	HOD Medical & Health
9	Alh.GhaliHamza Kura	HOD Agric
10	Alh.Shehu Suleiman	HOD Works & Housing
11	Alh.NasiruYakubu	HOD PRS
12	Alh. Bashir LawanKuru	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	111,154,268.61	2,621,847,999.00
Local Revenue	107,965,355.30	4,157,018.00
Statutory Allocation	1,917,994,871.64	2,011,246,670.92
<b>Resource Available</b>	<b>2,137,114,495.55</b>	<b>4,637,251,687.92</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,758,907,871.17	1,293,829,884.68
Capital Expenditure	277,920,941.65	73,324,989.63
<b>Total Expenditure</b>	<b>2,036,828,812.82</b>	<b>1,367,154,874.31</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>100,285,682.73</b>	<b>3,270,096,813.61</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a surplus balance of =N=100,285,682.73, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=628,700,391.53**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=628,700,391.53 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2019 there is a balance of =N=628,700,391.53 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		628,700,391.53
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>628,700,391.53</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>628,700,391.53</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=2,685,811,635.56**

**Observation:**

During the year under review the sum of =N=4,510,586,154.82 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=2,592,591,283.18 and January to December, 2020 net allocation of =N=1,917,994,871.64. However, we observed that only the total sum of =N=1,824,774,519.26 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=2,685,811,635.56.

1	Opening Balance 1/1/2020		<b>2,592,591,283.18</b>
2	Net Allocation Jan – Dec 2020		1,917,994,871.64
3	<b>Total</b>	<b>3=(1+2)</b>	<b>4,510,586,154.82</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,400,313,642.58
	• Salaries & Wages		424,460,876.68
		Total	1,824,774,519.26
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>2,685,811,635.56</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	6,438,402.57	111,154,268.61
Investments	51,804,254.80	51,804,254.80
Advances	3,339,701,134.08	3,239,480,781.71
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>3,397,943,791.45</b>	<b>3,402,439,305.12</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	138,715,563.72	132,342,491.51
Balance of Assets over Liabilities	3,259,228,227.73	3,270,096,813.61
<b>Total Liabilities</b>	<b>3,397,943,791.45</b>	<b>3,402,439,305.12</b>

The Net Asset of =N=3,259,228,227.73 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

### **ASSETS**

#### **(1) Investments =N=51,804,254.80**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

### **[a]. Impersonal (Others): =N=25,189,107.00**

#### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=25,189,107.00 remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

#### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=85,424,213.29**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.



## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	464,607,500.00	107,965,355.30	356,642,144.70	0.00
Statutory Allocation	4,950,475,514.00	1,917,994,871.64	3,032,480,642.36	0.00
<b>Total Revenue</b>	<b>5,415,083,014.00</b>	<b>2,025,960,226.94</b>	<b>3,389,122,787.06</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,153,820,645.00	1,758,907,871.17	394,912,773.83	0.00
Capital	3,061,230,000.00	277,920,941.65	2,783,309,058.35	0.00
<b>Total Expenditure</b>	<b>5,215,050,645.00</b>	<b>2,036,828,812.82</b>	<b>3,178,221,832.18</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=360,392,144.70

During the period under review, the sum of =N=464,607,500.00 was estimated to be generated from local sources. However, only the sum of =N=107,965,355.30 (23%) was actually generated. This indicates a shortfall of =N=360,392,355.30 (77%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	470,000.00	240,500.00	229,500.00	0.00
Non Tax Revenue	106,937,500.00	17,343,302.35	89,594,197.65	0.00
Investment Income	3,150,000.00	375,670.00	2,774,330.00	0.00
Interest Earned	50,000.00	0.00	50,000.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,255,882.95	257,744,117.05	0.00
Extraordinary Items	2,000,000.00	5,750,000.00	0.00	3,750,000.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>464,607,500.00</b>	<b>107,965,355.30</b>	<b>360,392,144.70</b>	<b>3,750,000.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

**Shortfall: =N=3,032,480,642.36**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,950,475,514.00 as against the actual figure of =N=1,917,994,871.64. Thus showing a shortfall of =N=3,032,480,642.26 (61%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,718,802,318.00	1,262,978,538.94	1,455,823,779.06	0.00
Local Govt Share of VAT	1,223,484,492.00	475,484,447.64	748,000,044.36	0.00
Other Fed. Allocated Revenue	939,188,704.00	179,531,885.06	759,656,818.94	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>4,950,475,514.00</b>	<b>1,917,994,871.64</b>	<b>3,032,480,642.36</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,153,820,645.00 in the approved Estimates during the year but incurred an expenditure of =N=1,758,907,871.17.

#### **Observation:**

Over =N=50,580,300.71

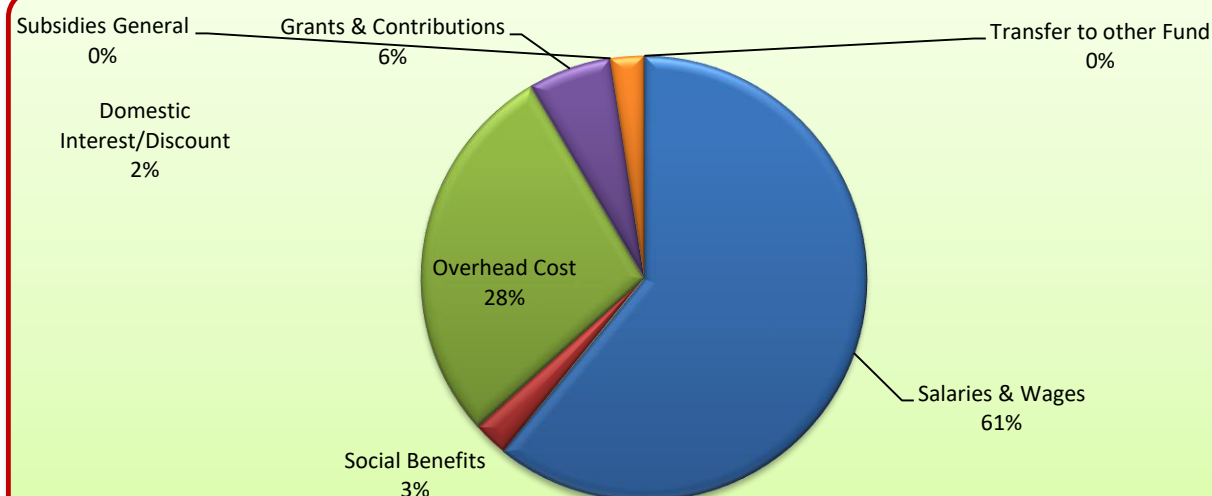
Although there was a total savings of =N=445,493,074.54, we further observed total sum of =N=50,580,300.71 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,307,716,466.00	1,070,712,766.85	237,003,699.15	0.00
Social Benefits	50,500,000.00	44,218,181.83	6,281,818.17	0.00
Overhead Cost	697,604,179.00	495,396,621.78	202,207,557.22	0.00
Grants & Contributions	98,000,000.00	106,062,168.62	0.00	8,062,168.62
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,153,820,645.00</b>	<b>1,758,907,871.17</b>	<b>445,493,074.54</b>	<b>50,580,300.71</b>



## (2). Capital

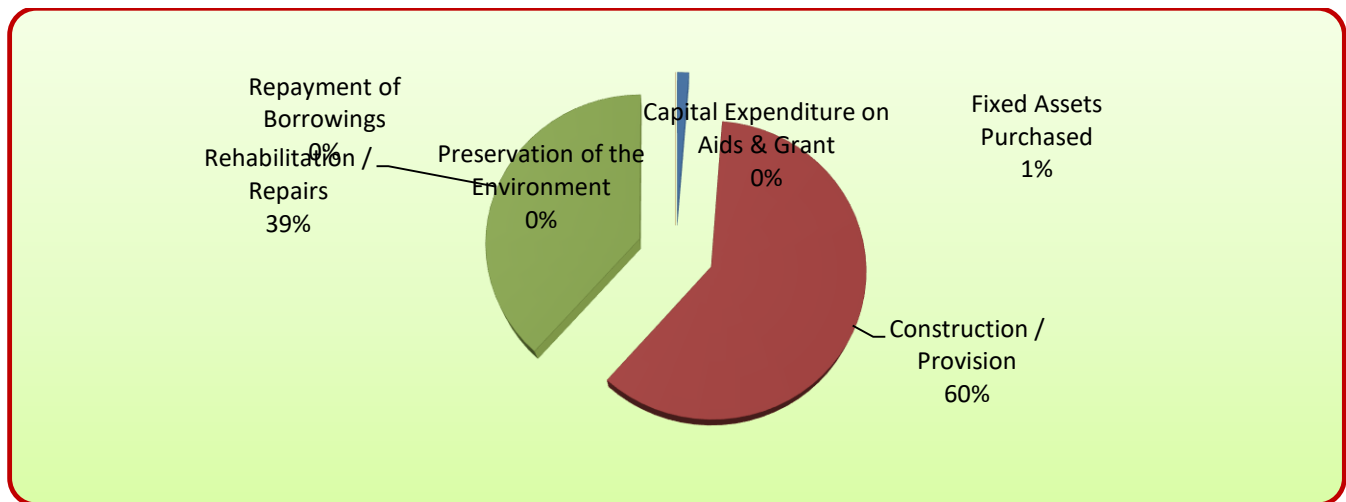
### **Observation:**

Savings: =N=2,783,309,058.35

The Council was observed to have projected a total of =N=3,061,230,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=277,920,941.65 was spent in the execution of projects. This indicates a savings of =N=2,783,309,058.35 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	178,600,000.00	3,500,000.00	175,100,000.00	0.00
Construction / Provision	2,259,500,000.00	167,640,409.86	2,091,859,590.14	0.00
Rehabilitation / Repairs	511,130,000.00	106,780,531.79	404,349,468.21	0.00
Preservation of the Env.	112,000,000.00	0.00	112,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>3,061,230,000.00</b>	<b>277,920,941.65</b>	<b>2,783,309,058.35</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

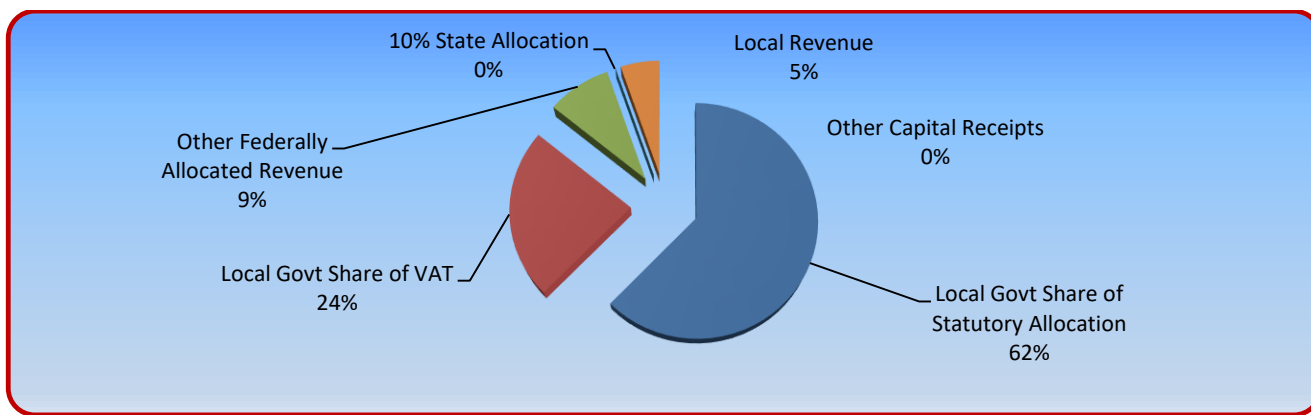
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

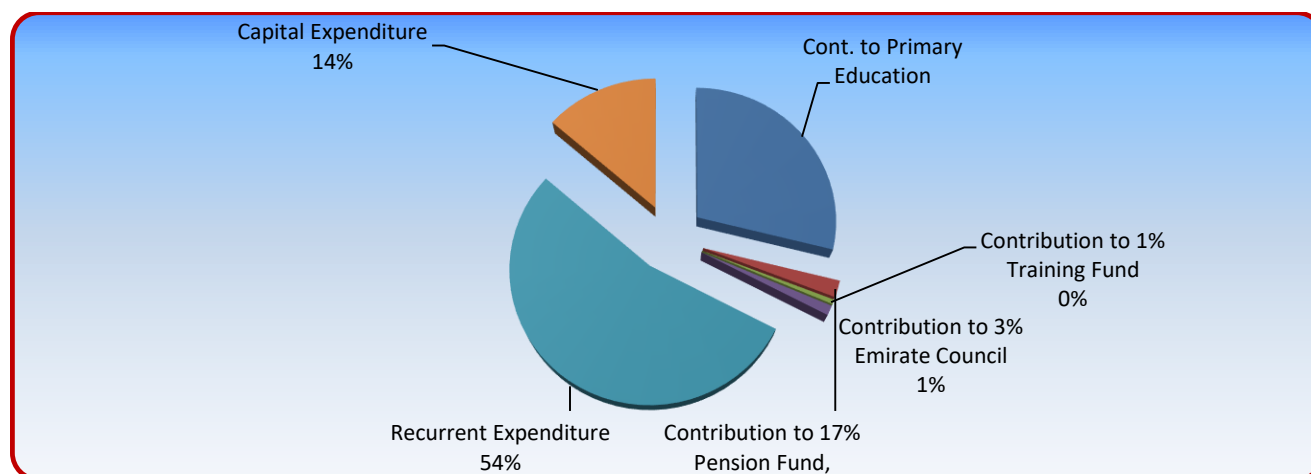
### **TOTAL REVENUE: =N=2,025,960,226.94**

Local Govt Share of Statutory Allocation	1,262,978,538.94
Local Govt Share of VAT	475,484,447.64
Other Federally Allocated Revenue	179,531,885.06
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	107,965,355.30
<b>Total</b>	<b>2,025,960,226.94</b>



### **TOTAL EXPENDITURE: =N=2,036,828,812.82**

Cont. to Primary Education	588,041,943.90
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,153,678.16
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	1,094,803,158.19
Capital Expenditure	277,920,941.65
<b>Total</b>	<b>2,036,828,812.82</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

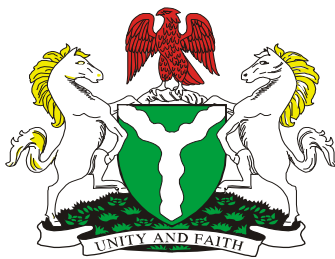
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **FAGGE LOCAL GOVERNMENT COUNCIL**





GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**FAGGE LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Fagge Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statue is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Ibrahim MuhdAbdullahi	Executive Chairman
2	Alh.MusaMuhdObe	Vice Chairman
3	Alh.UsainiSani	Local Government Secretary
4	Alh.AuwaluMadakiMadobi	Director Personnel Management
5	Alh.Nasiru Umar Gwangwazo	Treasurer
6	Alh. Ali Musa	C.P.O
7	Alh. Hassan Abdullahi	HOD Community
8	Alh.AlkasimIdrisMuhd	HOD Medical & Health
9	Alh. Muhammad Abbas Saminu	HOD Agric
10	Alh.AbdulkadirMagaji	HOD Works & Housing
11	Alh.SaniMuhdKaraye	HOD PRS
12	Alh.Mu'azu Ahmad Muhammad	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

**FINANCIAL AND BUDGETARY HIGHLIGHTS****SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b>REVENUE :</b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	38,094,071.66	-6,020,176,837.43
Local Revenue	190,611,116.71	98,416,672.71
Statutory Allocation	1,938,254,948.83	2,019,051,349.70
<b>Resource Available</b>	<b>2,166,960,137.20</b>	<b>-3,902,708,815.02</b>
<b>EXPENDITURE:</b>		
Recurrent Expenditure	2,802,593,153.90	2,745,968,852.67
Capital Expenditure	269,266,589.92	79,293,669.98
<b>Total Expenditure</b>	<b>3,071,859,743.82</b>	<b>2,825,262,522.65</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-904,899,606.62</b>	<b>-6,727,971,337.67</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=904,899,606.62, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=323,553,193.41**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=323,553,193.41 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=323,553,193.41 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		323,553,193.41
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>323,553,193.41</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>323,553,193.41</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(7,983,467,073.88)**

**Observation:**

During the year under review the negative sum of =N=7,074,250,356.62 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,938,254,948.84 was recorded in the Council books of account. However, =N=2,132,749,470.12 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=714,722,195.98 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=7,983,467,073.88 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-7,074,250,356.62</b>
2	Net Allocation Jan – Dec 2020		1,938,254,948.84
3	<b>Total</b>	<b>3=(1+2)</b>	<b>-5,135,995,407.78</b>
4	Actual Amount Released:		
	• Releases through LG Bank		2,132,749,470.12
	• Salaries & Wages		714,722,195.98
		Total	2,847,471,666.10
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-7,983,467,073.88</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	27,370,288.17	38,094,071.66
Investments	47,833,070.33	47,833,070.33
Advances	348,484,132.30	333,153,193.41
Balance of Liabilities over Asset	7,670,965,015.95	6,727,971,337.67
<b>Total Assets</b>	<b>8,094,652,506.75</b>	<b>7,147,051,673.07</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	8,094,652,506.75	7,147,051,673.07
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>8,094,652,506.75</b>	<b>7,147,051,673.07</b>

The Net Liability of =N=7,670,965,015.95 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

### **ASSETS**

**(1) Investments =N=47,833,070.33**

### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]. Impersonal (Others): =N=24,930,938.89.

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=24,930,938.89 remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=98,685,986.27**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	371,948,469.44	190,611,116.71	181,337,352.73	0.00
Statutory Allocation	4,068,464,808.16	1,938,254,948.83	2,130,209,859.33	0.00
<b>Total Revenue</b>	<b>4,440,413,277.60</b>	<b>2,128,866,065.54</b>	<b>2,311,547,212.06</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	3,547,286,404.78	2,802,593,153.90	744,693,250.88	0.00
Capital	976,888,777.60	269,266,589.92	707,622,187.68	0.00
<b>Total Expenditure</b>	<b>4,524,175,182.38</b>	<b>3,071,859,743.82</b>	<b>1,452,315,438.56</b>	<b>0.00</b>

### **REVENUE:**

#### **(1). Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=278,001,136.25

During the period under review, the sum of =N=371,948,469.44 was estimated to be generated from local sources. However, only the sum of =N=190,611,116.71 (51%) was actually generated. This indicates a shortfall of =N=278,001,136.25 (49%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	114,000,000.00	16,805,000.00	97,195,000.00	0.00
Non Tax Revenue	162,398,469.44	45,005,833.19	117,392,636.25	0.00
Investment Income	80,000,000.00	32,085,000.00	47,915,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	3,100,000.00	0.00	3,100,000.00
Domestic Loans/Borrowings	0.00	93,563,783.52	0.00	93,563,783.52
Extraordinary Items	15,000,000.00	0.00	15,000,000.00	0.00
Prep./Arrears of Revenue	550,000.00	51,500.00	498,500.00	0.00
<b>Totals</b>	<b>371,948,469.44</b>	<b>190,611,116.71</b>	<b>278,001,136.25</b>	<b>96,663,783.52</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=2,130,209,859.33

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,068,464,808.16 as against the actual figure of =N=1,938,254,948.83. Thus showing a shortfall of =N=2,130,209,859.33 (52%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,959,000,000.00	1,237,319,754.36	721,680,245.64	0.00
Local Govt Share of VAT	728,410,000.00	519,960,408.28	208,449,591.72	0.00
Other Fed. Allocated Revenue	1,162,054,808.16	180,974,786.19	981,080,021.97	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	150,000,000.00	0.00	150,000,000.00	0.00
<b>Totals</b>	<b>4,068,464,808.16</b>	<b>1,938,254,948.83</b>	<b>2,130,209,859.33</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=3,547,286,404.78 in the approved Estimates during the year but incurred an expenditure of =N=2,802,593,153.90.

#### **Observation:**

Over =N=42,518,132.07

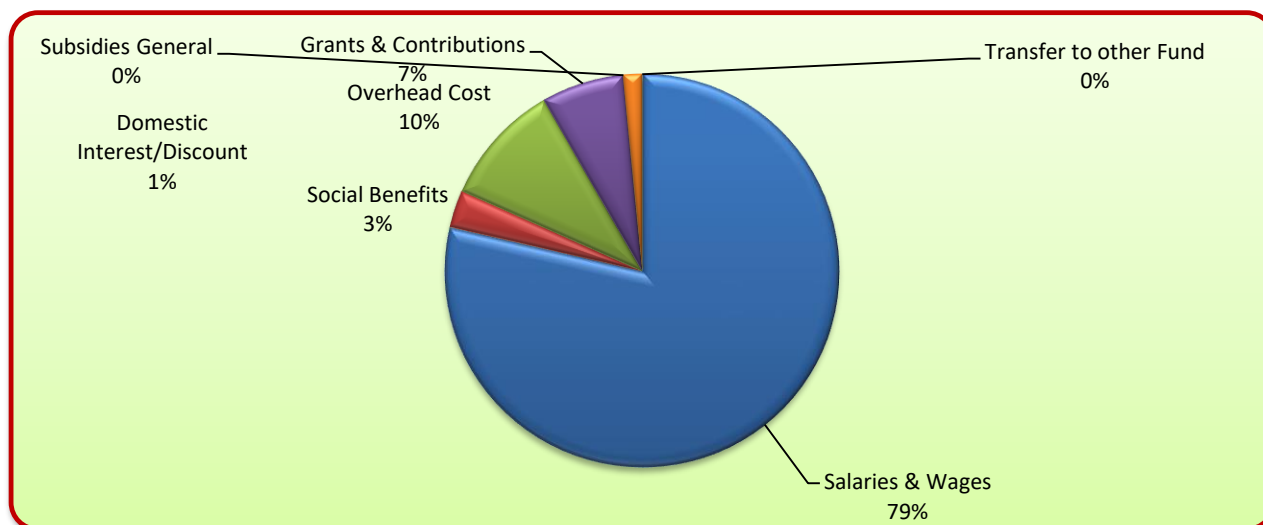
Although there was a total savings of =N=787,211,382.95, we further observed total sum of =N=42,518,132.07 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	2,256,810,188.78	2,202,256,733.54	54,553,455.24	0.00
Social Benefits	92,668,216.00	85,846,464.38	6,821,751.62	0.00
Overhead Cost	957,950,000.00	282,757,571.61	675,192,428.39	0.00
Grants & Contributions	239,858,000.00	189,214,252.30	50,643,747.70	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.07	0.00	42,518,132.07
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,547,286,404.78</b>	<b>2,802,593,153.90</b>	<b>787,211,382.95</b>	<b>42,518,132.07</b>



## (2). Capital

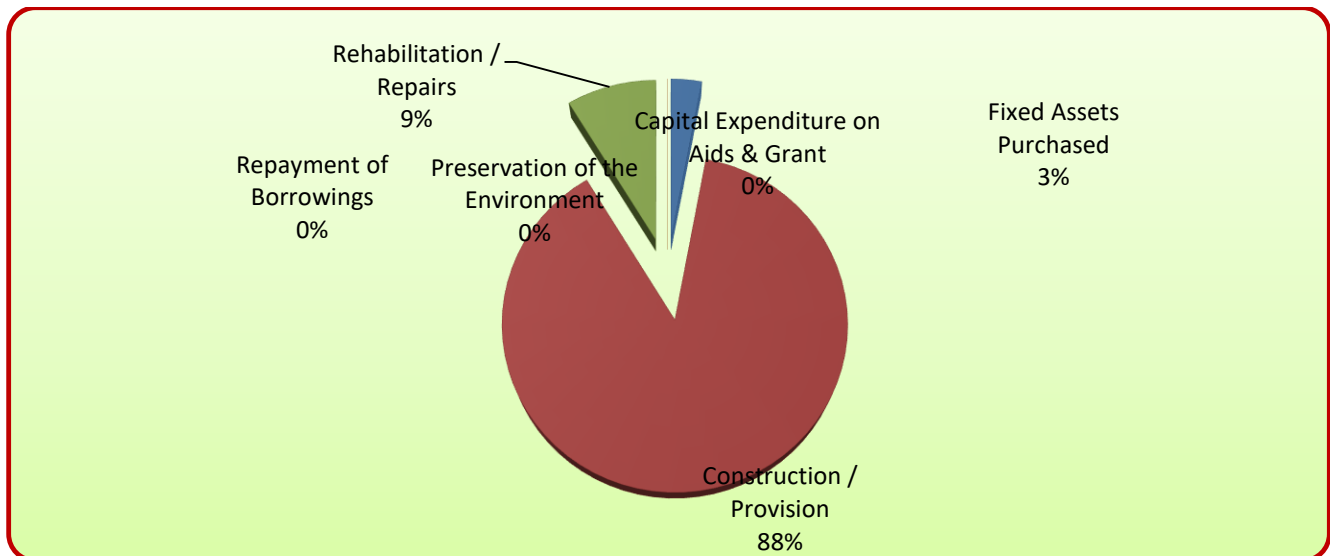
### **Observation:**

Savings: =N=707,622,187.68

The Council was observed to have projected a total of =N=976,888,777.60 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=269,266,589.92 was spent in the execution of projects. This indicates a savings of =N=707,622,187.68 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	80,150,000.00	8,000,000.00	72,150,000.00	0.00
Construction / Provision	688,238,777.60	237,766,589.92	450,472,187.68	0.00
Rehabilitation / Repairs	187,000,000.00	23,500,000.00	163,500,000.00	0.00
Preservation of the Env.	21,500,000.00	0.00	21,500,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>976,888,777.60</b>	<b>269,266,589.92</b>	<b>707,622,187.68</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

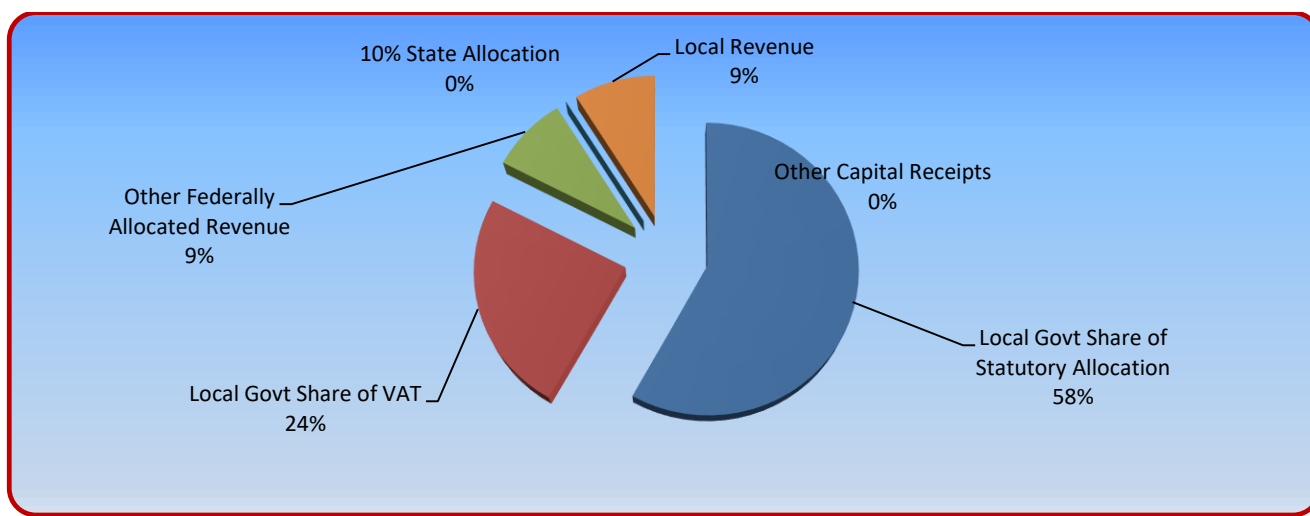
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

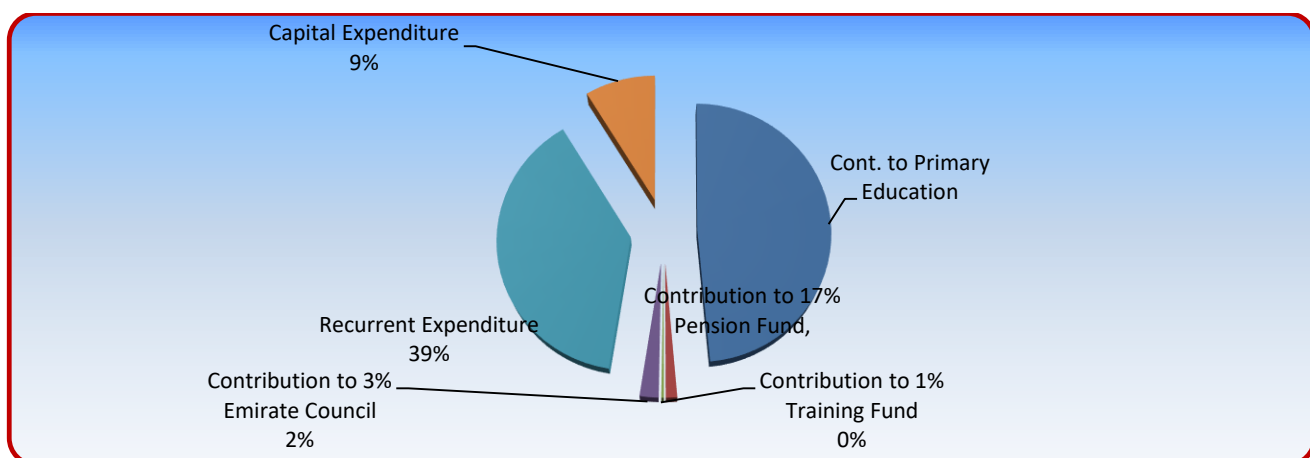
### **TOTAL REVENUE: =N=2,128,866,065.54**

Local Govt Share of Statutory Allocation	1,237,319,754.36
Local Govt Share of VAT	519,960,408.28
Other Federally Allocated Revenue	180,974,786.19
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	190,611,116.71
<b>Total</b>	<b>2,128,866,065.54</b>



### **TOTAL EXPENDITURE: =N=3,071,859,743.82**

Cont. to Primary Education	1,493,459,327.64
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	9,656,586.29
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	1,191,068,149.05
Capital Expenditure	269,266,589.92
<b>Total</b>	<b>3,071,859,743.82</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **GABASAWA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>ST</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**GABASAWA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Gabasawa Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.MaheGarbaGarundanga	Executive Chairman
2	Alh.Aminu Musa Jijitar	Vice Chairman
3	Alh. Musa InuwaZakirai	Local Government Secretary
4	Alh.BelloIsma'il	Director Personnel Management
5	Alh.BelloRufa'l Gaya	Treasurer
6	Alh.AdoGarba	C.P.O
7	HajiyaNafisa A. Khalil	HOD Community
8	Alh.Kabiru Musa	HOD Medical & Health
9	Alh.SalisuSaniTofa	HOD Agric
10	Alh.Balarabe Bello	HOD Works & Housing
11	Alh.AminuDauda	HOD PRS
12	Alh.Sagiru Muhammad Kabo	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	7,534,043.95	709,176,710.46
Local Revenue	115,569,265.68	19,967,376.17
Statutory Allocation	2,013,031,867.80	2,099,804,816.05
<b>Resource Available</b>	<b>2,136,135,177.43</b>	<b>2,828,948,902.68</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,950,689,091.52	1,697,593,452.43
Capital Expenditure	255,041,941.94	150,405,354.19
<b>Total Expenditure</b>	<b>2,205,731,033.46</b>	<b>1,847,998,806.62</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-69,595,856.03</b>	<b>980,950,096.06</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a deficit balance of =N=69,595,856.03, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=588,793,304.73**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=588,793,304.73 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=588,793,304.73 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		588,793,304.73
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>588,793,304.73</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>588,793,304.73</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=582,846,663.30**

**Observation:**

During the year under review the sum of =N=2,664,817,206.55 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=651,785,338.74 and January to December, 2020 net allocation of =N=2,013,031,867.81. However, we observed that only the total sum of =N=2,081,970,543.25 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=582,846,663.30.

1	Opening Balance 1/1/2020		651,785,338.74
2	Net Allocation Jan – Dec 2020		2,013,031,867.81
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,664,817,206.55</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,474,046,383.17
	• Salaries & Wages		607,924,160.08
		Total	2,081,970,543.25
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>582,846,663.30</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	4,193,737.82	7,534,043.95
Investments	50,653,870.80	50,653,870.80
Advances	1,196,647,940.33	1,264,880,615.77
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,251,495,548.95</b>	<b>1,323,068,530.52</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	347,675,352.87	342,118,434.46
Balance of Assets over Liabilities	903,820,196.08	980,950,096.06
<b>Total Liabilities</b>	<b>1,251,495,548.95</b>	<b>1,323,068,530.52</b>

The Net Asset of =N=903,820,196.08 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

### **ASSETS**

#### **(1) Investments =N=50,653,870.80**

### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]Personal Advances: =N=435,852.42

### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=435,852.42.

### **Recommendation**

**Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.**

[b]. Impersonal (Others): =N=24,572,119.88

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=24,572,119.88 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=320,425,679.07**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	445,135,000.00	115,569,265.68	329,565,734.32	0.00
Statutory Allocation	2,774,243,977.80	2,013,031,867.80	761,212,110.00	0.00
<b>Total Revenue</b>	<b>3,219,378,977.80</b>	<b>2,128,601,133.48</b>	<b>1,090,777,844.32</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,472,893,563.83	1,950,689,091.52	522,204,472.31	0.00
Capital	810,531,024.80	255,041,941.94	555,489,082.86	0.00
<b>Total Expenditure</b>	<b>3,283,424,588.63</b>	<b>2,205,731,033.46</b>	<b>1,077,693,555.17</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=329,565,734.32

During the period under review, the sum of =N=445,135,000.00 was estimated to be generated from local sources. However, only the sum of =N=115,569,265.68 (26%) was actually generated. This indicates a shortfall of =N=329,565,734.32 (74%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	400,000.00	0.00	400,000.00	0.00
Non Tax Revenue	76,235,000.00	2,384,873.75	73,850,126.25	0.00
Investment Income	12,000,000.00	250,090.00	11,749,910.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	112,694,301.93	228,305,698.07	0.00
Extraordinary Items	5,000,000.00	0.00	5,000,000.00	0.00
Prep./Arrears of Revenue	500,000.00	240,000.00	260,000.00	0.00
<b>Totals</b>	<b>445,135,000.00</b>	<b>115,569,265.68</b>	<b>329,565,734.32</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=885,255,201.85

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,774,243,977.80 as against the actual figure of =N=2,013,867.80. Thus showing a shortfall of =N=885,255,201.85 (27%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,023,319,601.80	1,292,824,206.95	730,495,394.85	0.00
Local Govt Share of VAT	417,105,997.00	532,182,169.16	0.00	115,076,172.16
Other Fed. Allocated Revenue	179,058,572.00	188,025,491.69	0.00	8,966,919.69
10% State Allocation	39,000,000.00	0.00	39,000,000.00	0.00
Other Capital Receipts	115,759,807.00	0.00	115,759,807.00	0.00
<b>Totals</b>	<b>2,774,243,977.80</b>	<b>2,013,031,867.80</b>	<b>885,255,201.85</b>	<b>124,043,091.85</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

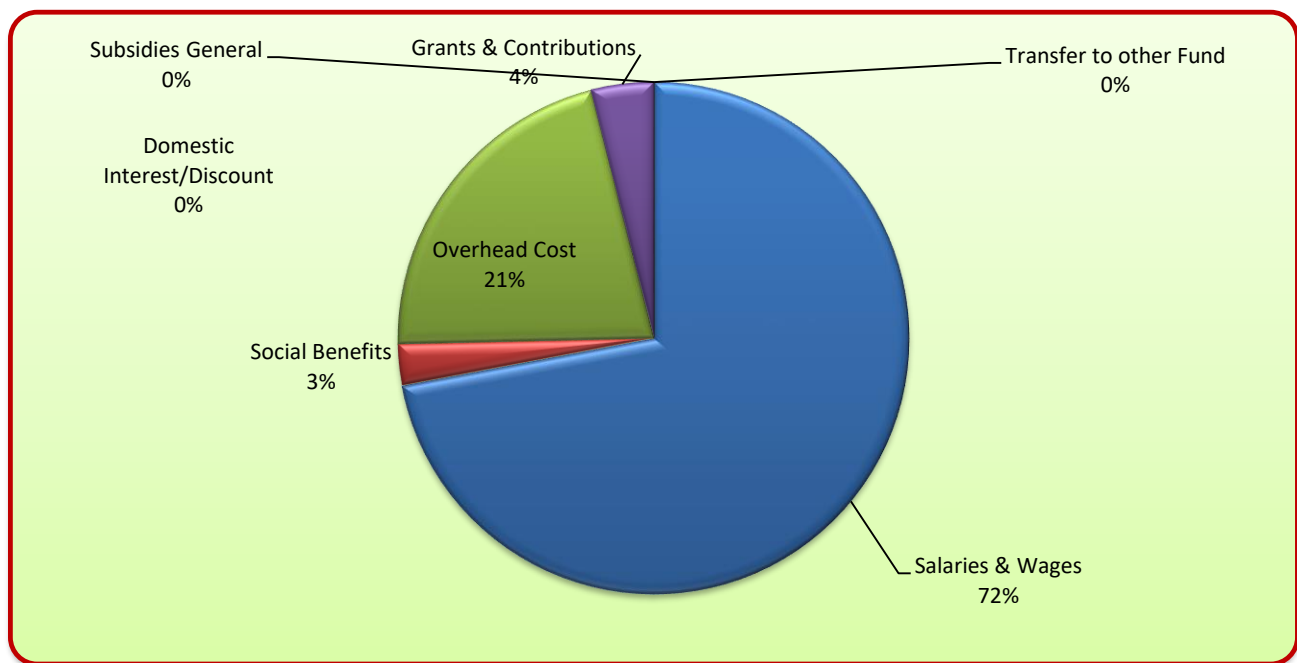
The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,472,893,563.83 in the approved Estimates during the year but incurred an expenditure of =N=1,950,689,091.52.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,626,294,867.83	1,405,173,510.60	221,121,357.23	0.00
Social Benefits	78,698,696.00	50,943,534.63	27,755,161.37	0.00
Overhead Cost	659,900,000.00	417,448,999.65	242,451,000.35	0.00
Grants & Contributions	108,000,000.00	77,123,046.64	30,876,953.36	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	0.00	0.00	0.00
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,472,893,563.83</b>	<b>1,950,689,091.52</b>	<b>522,204,472.31</b>	<b>0.00</b>





## (2). Capital

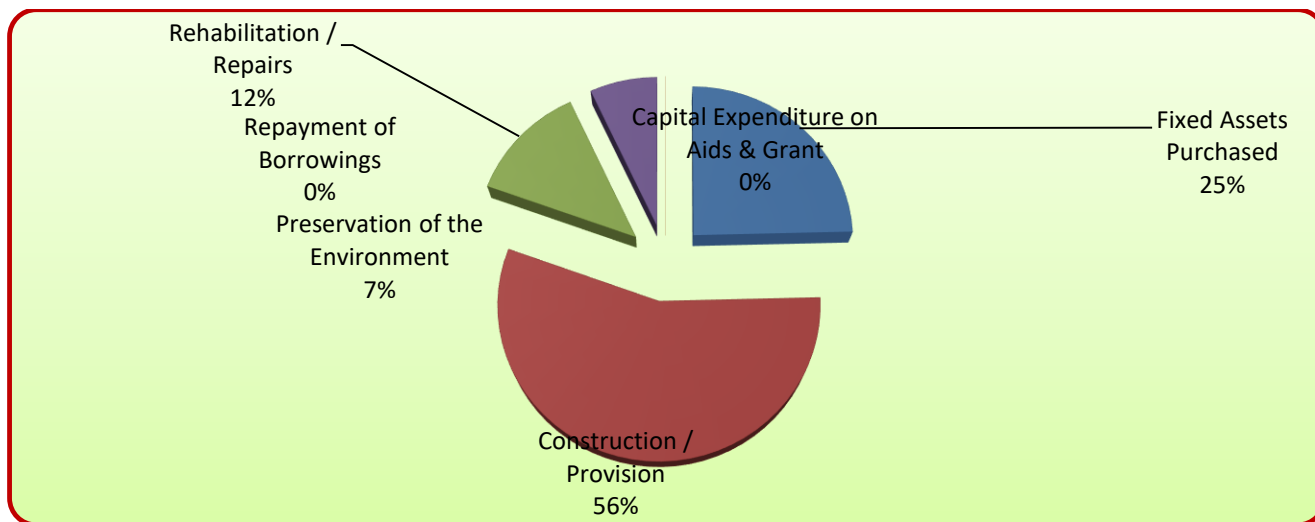
### **Observation:**

Savings: =N=555,489,082.86

The Council was observed to have projected a total of =N=810,531,024.80 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=255,041,941.94 was spent in the execution of projects. This indicates a savings of =N=555,489,082.86 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	96,500,000.00	62,799,704.75	33,700,295.25	0.00
Construction / Provision	582,500,000.00	142,400,211.67	440,099,788.33	0.00
Rehabilitation / Repairs	76,531,024.80	31,968,517.88	44,562,506.92	0.00
Preservation of the Env.	55,000,000.00	17,873,507.64	37,126,492.36	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>810,531,024.80</b>	<b>255,041,941.94</b>	<b>555,489,082.86</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

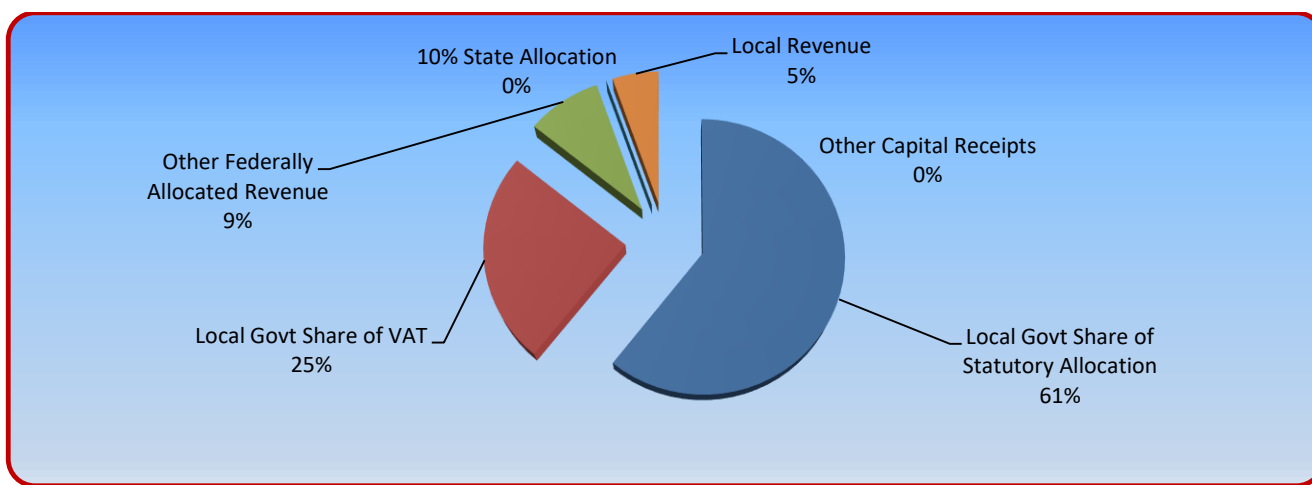
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

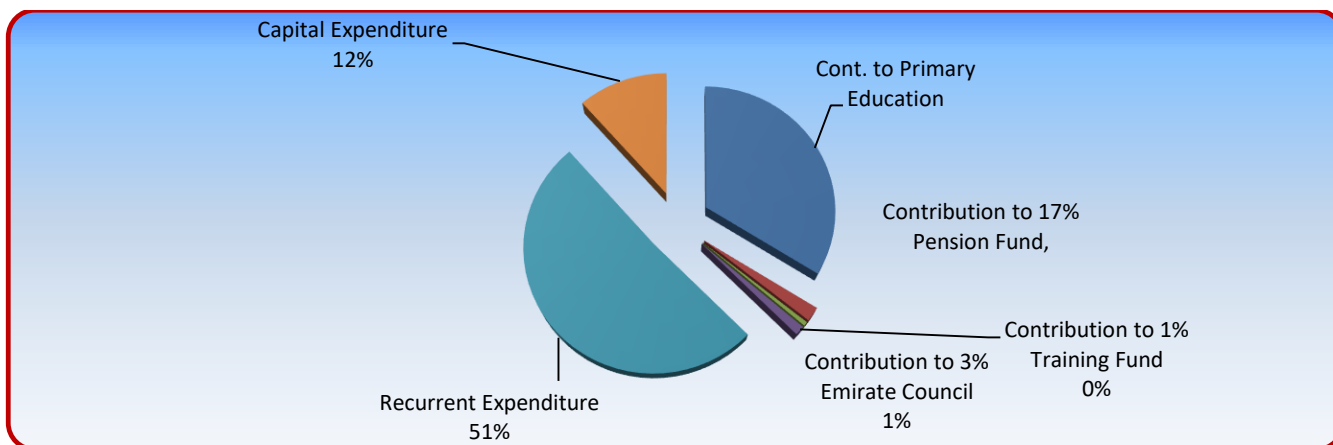
### **TOTAL REVENUE: =N=2,128,601,133.48**

Local Govt Share of Statutory Allocation	1,292,824,206.95
Local Govt Share of VAT	532,182,169.16
Other Federally Allocated Revenue	188,025,491.69
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	115,569,265.68
<b>Total</b>	<b>2,128,601,133.48</b>



### **TOTAL EXPENDITURE: =N=2,205,731,033.46**

Cont. to Primary Education	746,602,079.91
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,688,210.79
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,124,823,043.26
Capital Expenditure	255,041,941.94
<b>Total</b>	<b>2,205,731,033.46</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

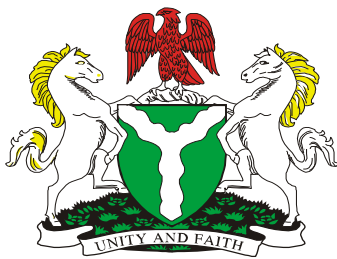
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **GARKO LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**GARKO LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Garko Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Salisu Musa Sarina	Executive Chairman
2	Alh. Muhammad SaniAuwal	Vice Chairman
3	Alh.Sanilliyasu	Local Government Secretary
4	Alh.HaliluYakubuKunya	Director Personnel Management
5	Alh.AuwaluMu'azu	Treasurer
6	Alh.SaniAyubaDarki	C.P.O
7	Alh. Ibrahim Hassan Uba	HOD Community
8	Alh.Shu'aibuldrisTsaure	HOD Medical & Health
9	Alh.AbubakarDahiru	HOD Agric
10	Alh.Balarabe Bello Gaya	HOD Works & Housing
11	Alh.Sani Ahmad Dawaki	HOD PRS
12	Alh.Abubakar Abba Sheshe	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	31,561,499.63	1,570,728,038.95
Local Revenue	86,847,065.75	1,589,765.00
Statutory Allocation	1,806,624,528.30	1,881,600,383.50
<b>Resource Available</b>	<b>1,925,033,093.68</b>	<b>3,453,918,187.45</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,569,221,137.56	1,246,447,531.85
Capital Expenditure	200,522,884.00	127,081,284.05
<b>Total Expenditure</b>	<b>1,769,744,021.56</b>	<b>1,373,528,815.90</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>155,289,072.12</b>	<b>2,080,389,371.55</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a surplus balance of =N=155,289,072.12, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=591,747,428.39**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=591,747,428.39 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2019 there is a balance of =N=591,747,428.39 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		591,747,428.39
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>591,747,428.39</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>591,747,428.39</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=1,655,896,374.68**

**Observation:**

During the year under review the sum of =N=3,253,997,343.72 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,447,372,815.42 and January to December, 2020 net allocation of =N=1,806,624,528.30. However, we observed that only the total sum of =N=1,598,100,969.04 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=1,655,896,374.68.

1	Opening Balance 1/1/2020		1,447,372,815.42
2	Net Allocation Jan – Dec 2020		1,806,624,528.30
3	<b>Total</b>	<b>3=(1+2)</b>	<b>3,253,997,343.72</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,143,701,294.86
	• Salaries & Wages		454,399,674.18
		Total	1,598,100,969.04
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>1,655,896,374.68</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	146,344.75	31,561,499.63
Investments	47,833,070.33	47,833,070.33
Advances	2,247,643,803.07	2,092,249,147.39
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>2,295,623,218.15</b>	<b>2,171,643,717.35</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	91,506,274.11	91,506,274.11
Balance of Assets over Liabilities	2,204,116,944.04	2,204,116,944.05
<b>Total Liabilities</b>	<b>2,295,623,218.15</b>	<b>2,295,623,218.16</b>

The Net Asset of =N=2,204,116,944.04 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=47,833,070.33**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=49,270,435.75**

##### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

##### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	502,171,250.00	86,847,065.75	415,324,184.25	0.00
Statutory Allocation	4,005,000,000.00	1,806,624,528.30	2,198,375,471.70	0.00
<b>Total Revenue</b>	<b>4,507,171,250.00</b>	<b>1,893,471,594.05</b>	<b>2,613,699,655.95</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,114,975,410.80	1,569,221,137.56	545,754,273.24	0.00
Capital	915,751,034.00	200,522,884.00	715,228,150.00	0.00
<b>Total Expenditure</b>	<b>3,030,726,444.80</b>	<b>1,769,744,021.56</b>	<b>1,260,982,423.24</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=415,324,184.25

During the period under review, the sum of =N=502,171,250.00 was estimated to be generated from local sources. However, only the sum of =N=86,847,065.75 (17%) was actually generated. This indicates a shortfall of =N=415,324,184.25 (83%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	1,950,000.00	0.00	1,950,000.00	0.00
Non Tax Revenue	118,471,250.00	1,591,300.00	116,879,950.00	0.00
Investment Income	24,250,000.00	1,002,000.00	23,248,000.00	0.00
Interest Earned	300,000.00	0.00	300,000.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,253,765.75	257,746,234.25	0.00
Extraordinary Items	5,000,000.00	0.00	5,000,000.00	0.00
Prep./Arrears of Revenue	200,000.00	0.00	200,000.00	0.00
<b>Totals</b>	<b>502,171,250.00</b>	<b>86,847,065.75</b>	<b>415,324,184.25</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.



## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=2,198,375,471.70

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,005,000,000.00 as against the actual figure of =N=1,806,624,528.30. Thus showing a shortfall of =N=2,198,375,471.70 (55%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,750,000,000.00	1,153,204,993.96	1,596,795,006.04	0.00
Local Govt Share of VAT	626,000,000.00	484,700,075.36	141,299,924.64	0.00
Other Fed. Allocated Revenue	400,000,000.00	168,719,458.98	231,280,541.02	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	160,000,000.00	0.00	160,000,000.00	0.00
<b>Totals</b>	<b>4,005,000,000.00</b>	<b>1,806,624,528.30</b>	<b>2,198,375,471.70</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,114,975,410.80 in the approved Estimates during the year but incurred an expenditure of =N=1,569,221,137.56.

### **Observation:**

Over =N=42,518,132.04

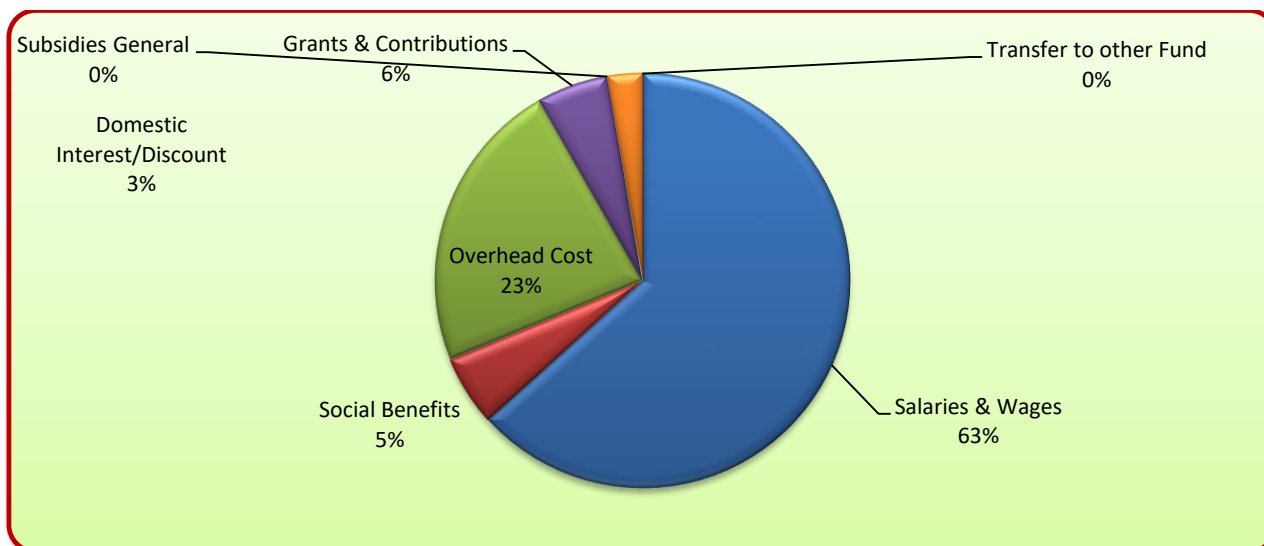
Although there was a total savings of =N=588,272,405.28, we further observed total sum of =N=42,518,132.04 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,287,735,410.80	993,973,479.56	293,761,931.24	0.00
Social Benefits	86,500,000.00	85,846,464.38	653,535.62	0.00
Overhead Cost	621,740,000.00	359,795,376.64	261,944,623.36	0.00
Grants & Contributions	119,000,000.00	87,087,684.94	31,912,315.06	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.04	0.00	42,518,132.04
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,114,975,410.80</b>	<b>1,569,221,137.56</b>	<b>588,272,405.28</b>	<b>42,518,132.04</b>



## **(2). Capital**

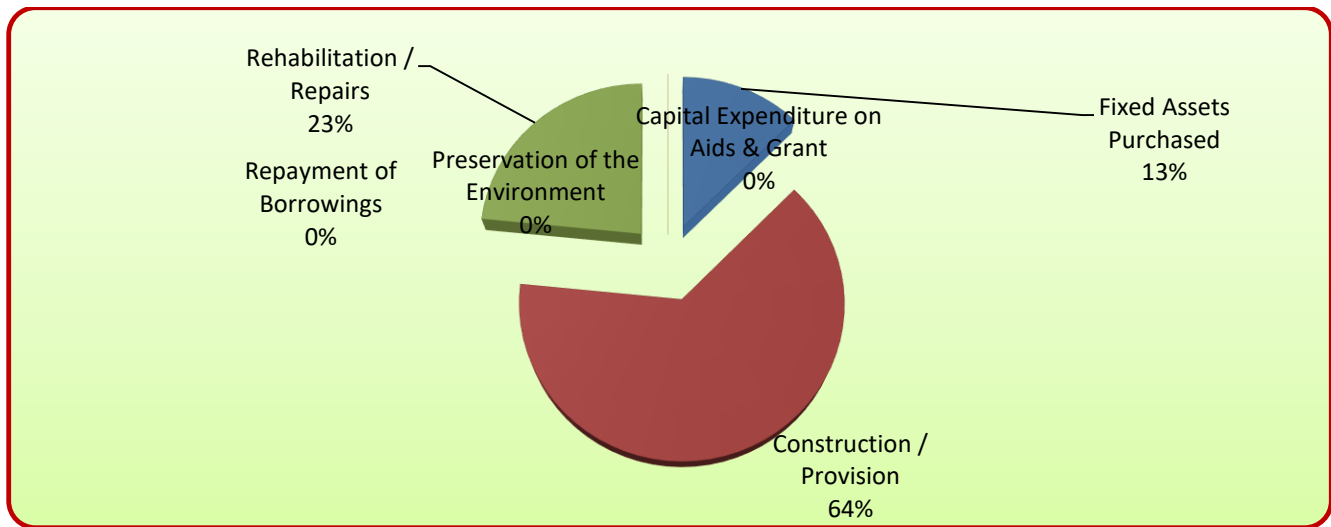
### **Observation:**

Savings: =N=715,228,150.00

The Council was observed to have projected a total of =N=915,751,034.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=200,522,884.00 was spent in the execution of projects. This indicates a savings of =N=715,228,150.00 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	110,700,000.00	25,000,000.00	85,700,000.00	0.00
Construction / Provision	553,551,034.00	128,517,385.94	425,033,648.06	0.00
Rehabilitation / Repairs	235,000,000.00	47,005,498.06	187,994,501.94	0.00
Preservation of the Env.	16,500,000.00	0.00	16,500,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>915,751,034.00</b>	<b>200,522,884.00</b>	<b>715,228,150.00</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

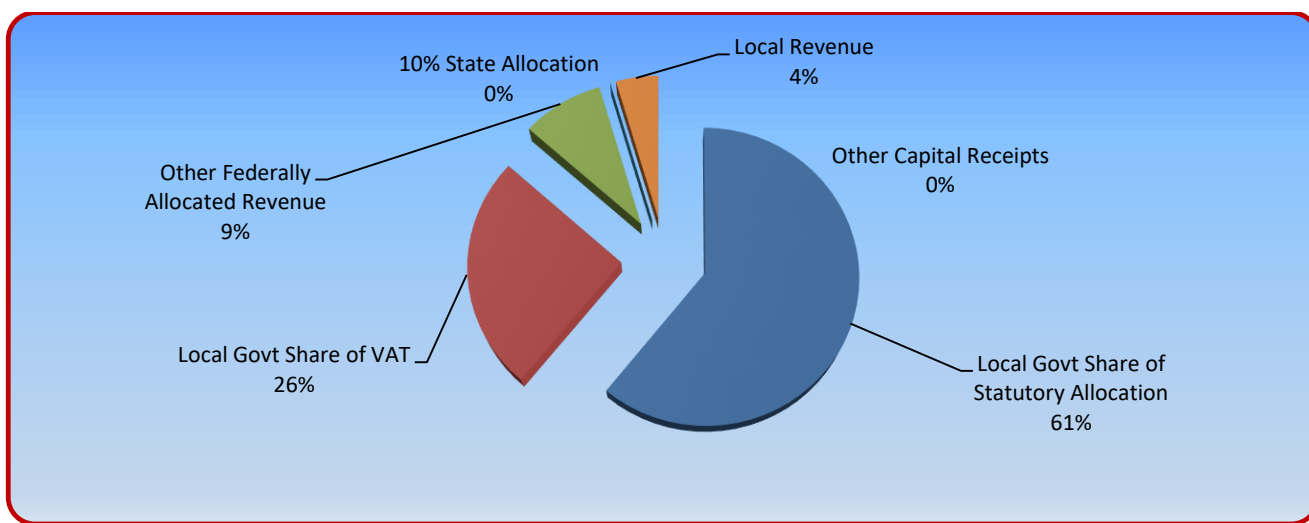
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

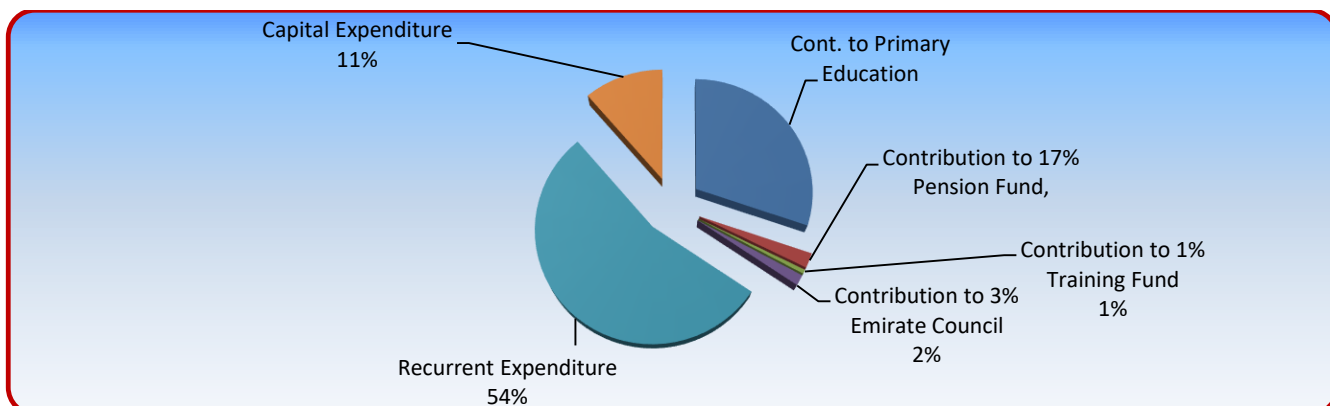
### **TOTAL REVENUE: =N=1,893,471,594.05**

Local Govt Share of Statutory Allocation	1,153,204,993.96
Local Govt Share of VAT	484,700,075.36
Other Federally Allocated Revenue	168,719,458.98
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	86,847,065.75
<b>Total</b>	<b>1,893,471,594.05</b>



### **TOTAL EXPENDITURE: =N=1,769,744,021.56**

Cont. to Primary Education	534,745,318.98
Contribution to 17% Pension Fund	37,500,000.01
Contribution to 1% Training Fund	10,478,117.68
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	959,831,034.25
Capital Expenditure	200,522,884.00
<b>Total</b>	<b>1,769,744,021.56</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

**GARUN MALAM LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)

Email: [lauditkano@gmail.com](mailto:lauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**GARUN MALAM LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Garun Malam Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.MudassirAliyuDakasoye	Executive Chairman
2	Alh.AminuHaladu G/Babba	Vice Chairman
3	Alh.Lawan Abdu G/Babba	Local Government Secretary
4	Alh.ShazaliGarba	Director Personnel Management
5	Alh.YakubuMatoYandalla	Treasurer
6	Alh. Umar MuhdKabara	C.P.O
7	Alh.MuhdNamadiBunkure	HOD Community
8	Alh. Mustapha	HOD Medical & Health
9	Alh. Mustapha Ibrahim	HOD Agric
10	Alh.Abdulkadir M. Arabi	HOD Works & Housing
11	Alh.SaminuBakoRano	HOD PRS
12	Alh.Aminu Yusuf	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	36,333,789.88	2,868,455,465.59
Local Revenue	155,553,420.28	5,509,868.61
Statutory Allocation	1,752,555,334.69	1,835,008,393.75
<b>Resource Available</b>	<b>1,944,442,544.85</b>	<b>4,708,973,727.95</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,687,300,726.79	1,212,199,405.49
Capital Expenditure	82,697,534.04	103,815,636.64
<b>Total Expenditure</b>	<b>1,769,998,260.83</b>	<b>1,316,015,042.13</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>174,444,284.02</b>	<b>3,392,958,685.82</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplus balance of =N=174,444,284.02, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=608,313,824.48**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=608,313,824.48 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=608,313,824.48 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		608,313,824.48
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>608,313,824.48</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>608,313,824.48</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=1,485,037,415.47**

**Observation:**

During the year under review the sum of =N=4,435,448,809.13 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=2,682,893,474.43 and January to December, 2020 net allocation of =N=1,752,555,334.70. However, we observed that only the total sum of =N=1,485,037,415.47 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=2,950,411,393.66.

1	Opening Balance 1/1/2020		
2	Net Allocation Jan – Dec 2020		2,682,893,474.43
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,752,555,334.70</b>
4	Actual Amount Released:		<b>4,435,448,809.13</b>
	• Releases through LG Bank		1,045,183,809.54
	• Salaries & Wages		439,853,605.93
		Total	1,485,037,415.47
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>2,950,411,393.66</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	7,371,446.45	36,333,789.88
Investments	62,209,704.62	62,209,704.62
Advances	3,558,725,218.14	3,391,652,380.57
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>3,628,306,369.21</b>	<b>3,490,195,875.07</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	97,237,189.25	97,237,189.25
Balance of Assets over Liabilities	3,531,069,179.96	3,392,958,685.82
<b>Total Liabilities</b>	<b>3,628,306,369.21</b>	<b>3,490,195,875.07</b>

The Net Asset of =N=3,531,069,179.96 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=62,209,704.62**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=57,438,387.20**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.



## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b>REVENUE</b>	<b>Approved</b>	<b>Actual</b>	<b>Under</b>	<b>Excess</b>
Internally Generated Revenue	401,641,068.00	155,553,420.28	246,087,647.72	0.00
Statutory Allocation	3,720,482,561.00	1,752,555,334.69	1,967,927,226.31	0.00
<b>Total Revenue</b>	<b>4,122,123,629.00</b>	<b>1,908,108,754.97</b>	<b>2,214,014,874.03</b>	<b>0.00</b>

<b>EXPENDITURE</b>	<b>Approved</b>	<b>Actual</b>	<b>Savings</b>	<b>Over</b>
Recurrent	2,026,018,754.74	1,687,300,726.79	338,718,027.95	0.00
Capital	1,566,839,673.00	82,697,534.04	1,484,142,138.96	0.00
<b>Total Expenditure</b>	<b>3,592,858,427.74</b>	<b>1,769,998,260.83</b>	<b>1,822,860,166.91</b>	<b>0.00</b>

### **REVENUE:**

#### **✚ (1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=268,499,991.15

During the period under review, the sum of =N=401,641,068.00 was estimated to be generated from local sources. However, only the sum of =N=155,553,420.28 (39%) was actually generated. This indicates a shortfall of =N=268,499,991.15 (61%) as described below:

<b>Source</b>	<b>Approved</b>	<b>Actual</b>	<b>Under</b>	<b>Excess</b>
Tax Revenue	6,600,000.00	29,012,343.43	0.00	22,412,343.43
Non Tax Revenue	46,341,068.00	1,669,600.00	44,671,468.00	0.00
Investment Income	5,500,000.00	72,200.00	5,427,800.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	124,799,276.85	217,200,723.15	0.00
Extraordinary Items	1,200,000.00	0.00	1,200,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>401,641,068.00</b>	<b>155,553,420.28</b>	<b>268,499,991.15</b>	<b>22,412,343.43</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=1,967,927,226.31

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,720,482,561.00 as against the actual figure of =N=1,752,555,334.69. Thus showing a shortfall of =N=1,967,927,226.31 (53%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,460,442,593.00	1,147,187,291.38	1,313,255,301.62	0.00
Local Govt Share of VAT	798,220,668.00	441,354,928.19	356,865,739.81	0.00
Other Fed. Allocated Revenue	401,819,300.00	164,013,115.12	237,806,184.88	0.00
10% State Allocation	60,000,000.00	0.00	60,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,720,482,561.00</b>	<b>1,752,555,334.69</b>	<b>1,967,927,226.31</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,026,018,754.74 in the approved Estimates during the year but incurred an expenditure of =N=1,687,300,726.79.

### **Observation:**

Over =N=42,518,132.09

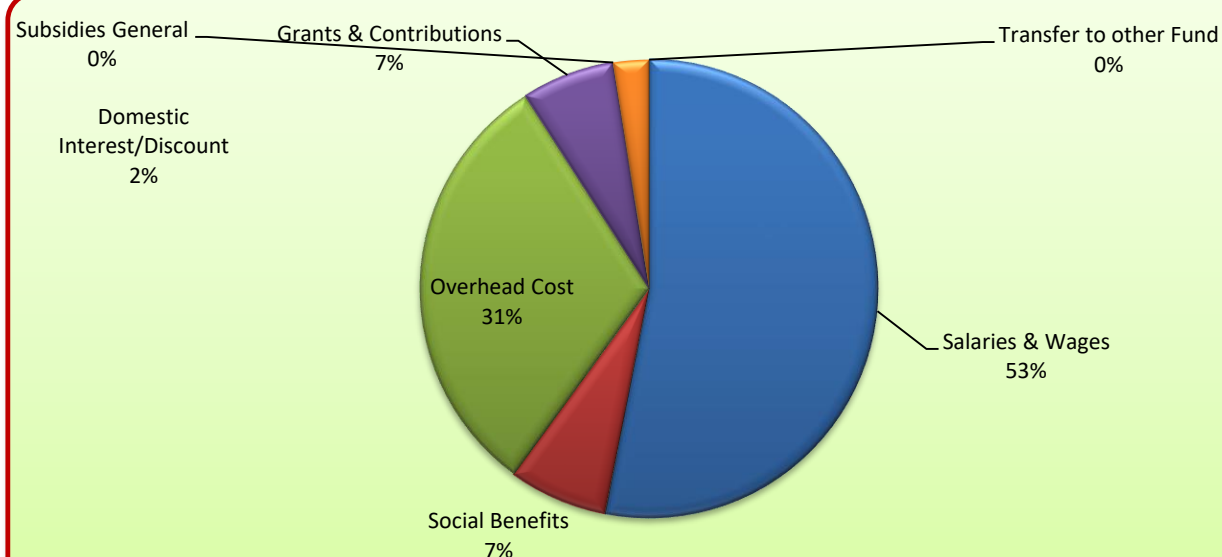
Although there was a total savings of =N=381,236,160.04, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,171,427,271.74	895,372,163.94	276,055,107.80	0.00
Social Benefits	126,221,983.00	117,742,053.09	8,479,929.91	0.00
Overhead Cost	606,869,500.00	520,633,427.93	86,236,072.07	0.00
Grants & Contributions	121,500,000.00	111,034,949.74	10,465,050.26	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,026,018,754.74</b>	<b>1,687,300,726.79</b>	<b>381,236,160.04</b>	<b>42,518,132.09</b>



## (2). Capital

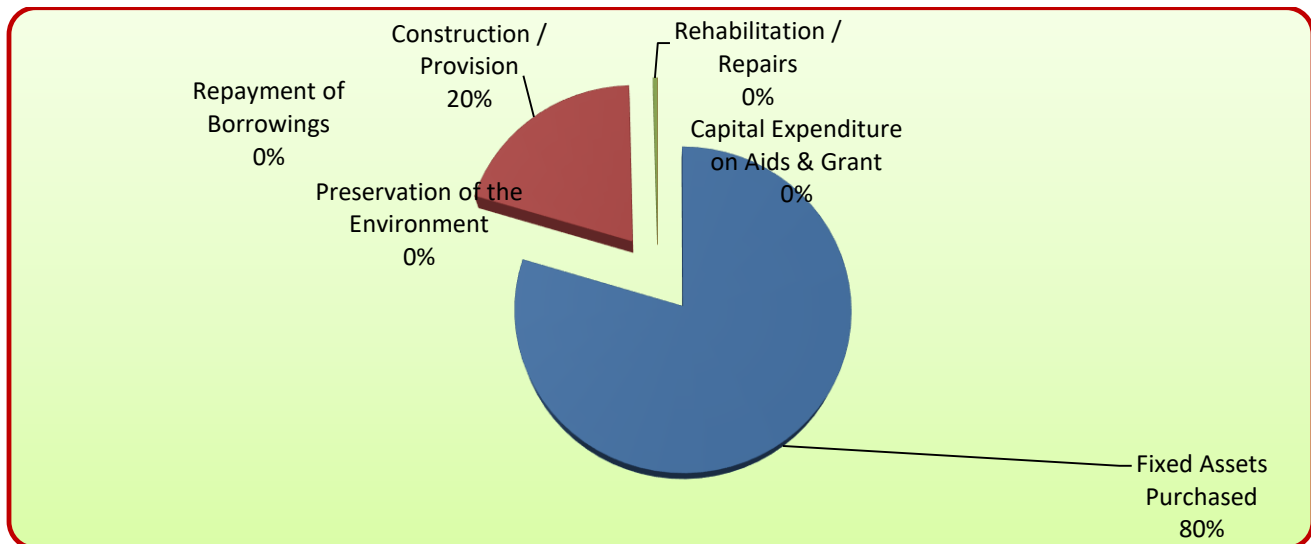
### **Observation:**

Savings: =N=1,484,142,138.96

The Council was observed to have projected a total of =N=1,566,839,673.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=82,697,534.04 was spent in the execution of projects. This indicates a savings of =N=1,484,142,138.96 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	121,400,000.00	65,860,000.00	55,540,000.00	0.00
Construction / Provision	832,600,000.00	16,487,534.04	816,112,465.96	0.00
Rehabilitation / Repairs	567,839,673.00	350,000.00	567,489,673.00	0.00
Preservation of the Env.	45,000,000.00	0.00	45,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,566,839,673.00</b>	<b>82,697,534.04</b>	<b>1,484,142,138.96</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

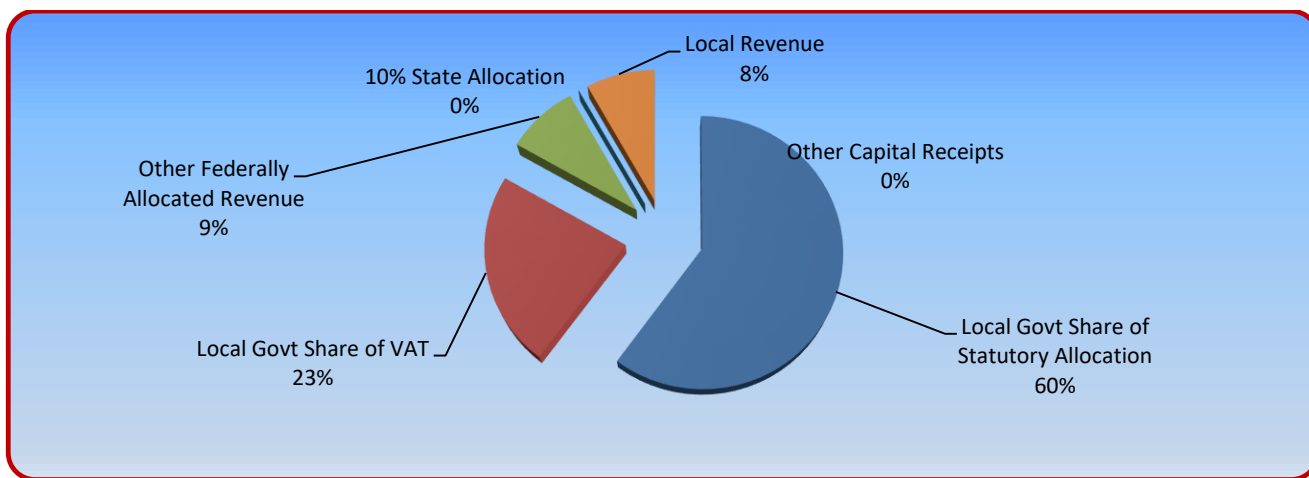
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

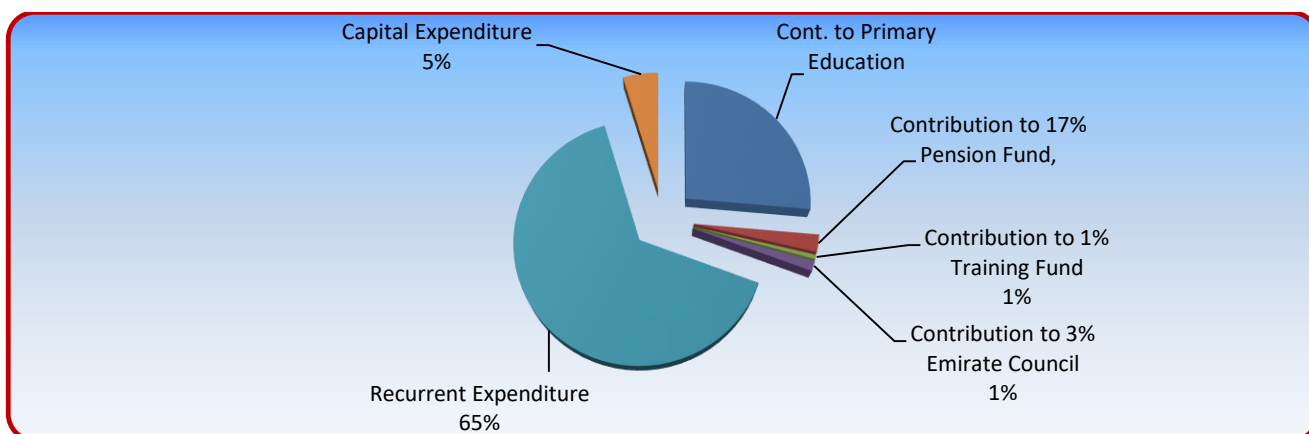
### **TOTAL REVENUE: =N=1,908,108,754.97**

Local Govt Share of Statutory Allocation	1,147,187,291.38
Local Govt Share of VAT	441,354,928.19
Other Federally Allocated Revenue	164,013,115.12
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	155,553,420.28
<b>Total</b>	<b>1,908,108,754.97</b>



### **TOTAL EXPENDITURE: =N=1,769,998,260.83**

Cont. to Primary Education	467,212,109.31
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,181,212.23
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	1,144,998,314.33
Capital Expenditure	82,697,534.04
<b>Total</b>	<b>1,769,998,260.83</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

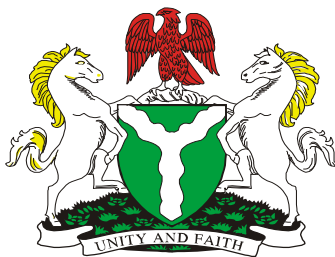
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

**GAYA LOCAL GOVERNMENT COUNCIL**





**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**GAYALOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of GayaLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Ahmad TijjaniAbdullahi	Executive Chairman
2	Alh.Usman Abdu Gaya	Vice Chairman
3	Alh. Hassan Abdu	Local Government Secretary
4	Alh. Ado Dan'azumi	Director Personnel Management
5	Alh. Bello Bahara	Treasurer
6	Alh.Shkuranu Umar Nuhu	C.P.O
7	Alh. Mansur Nalado	HOD Community
8	Alh.AbdullahiBako	HOD Medical & Health
9	Alh.NasiruYakubuWudil	HOD Agric
10	Alh. Yusuf MuhdWudil	HOD Works & Housing
11	Alh. Ali Ahmad Yanshana	HOD PRS
12	Alh.Nafi'u Suleiman	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

**FINANCIAL AND BUDGETARY HIGHLIGHTS****SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b>REVENUE :</b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	30,286,850.44	-346,630,490.12
Local Revenue	166,024,591.87	2,656,517.83
Statutory Allocation	1,943,337,334.58	2,024,109,152.93
<b>Resource Available</b>	<b>2,139,648,776.89</b>	<b>1,680,135,180.64</b>
<b>EXPENDITURE:</b>		
Recurrent Expenditure	1,801,828,024.34	1,852,482,470.93
Capital Expenditure	277,247,453.80	33,058,475.49
<b>Total Expenditure</b>	<b>2,079,075,478.14</b>	<b>1,885,540,946.42</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>60,573,298.75</b>	<b>-205,405,765.78</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a surplusbalance of =N=60,573,298.75, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=583,932,402.65**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=583,932,402.65 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=583,932,402.65 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		583,932,402.65
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>583,932,402.65</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>583,932,402.65</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(881,004,706.12)**

**Observation:**

During the year under review the negative sum of =N=789,762,797.65 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,943,337,334.59 was recorded in the Council books of account. However, =N=1,379,328,283.01 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=655,250,960.05 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=881,004,706.12 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>(789,762,797.65)</b>
2	Net Allocation Jan – Dec 2020		1,943,337,334.59
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,153,574,536.94</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,379,328,283.01
	• Salaries & Wages		655,250,960.05
		Total	2,034,579,243.06
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>(881,004,706.12)</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	6,317,620.06	30,286,850.44
Investments	45,364,904.68	45,364,904.68
Advances	583,932,402.65	623,097,789.60
Balance of Liabilities over Asset	361,961,448.75	205,405,765.78
<b>Total Assets</b>	<b>997,576,376.14</b>	<b>904,155,310.50</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	997,576,376.14	904,155,310.50
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>997,576,376.14</b>	<b>904,155,310.50</b>

The Net Liability of =N=361,961,448.75 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=45,364,904.68**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=83,469,744.68**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	395,390,000.00	166,024,591.87	229,365,408.13	0.00
Statutory Allocation	3,123,800,571.10	1,943,337,334.58	1,180,463,236.52	0.00
<b>Total Revenue</b>	<b>3,519,190,571.10</b>	<b>2,109,361,926.45</b>	<b>1,409,828,644.65</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,082,199,756.17	1,801,828,024.34	280,371,731.83	0.00
Capital	977,342,883.10	277,247,453.80	700,095,429.30	0.00
<b>Total Expenditure</b>	<b>3,059,542,639.27</b>	<b>2,079,075,478.14</b>	<b>980,467,161.13</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=229,365,408.13**

During the period under review, the sum of =N=395,390,000.00 was estimated to be generated from local sources. However, only the sum of =N=166,024,591.87 (42%) was actually generated. This indicates a shortfall of =N=229,365,408.13 (58%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	470,000.00	0.00	470,000.00	0.00
Non Tax Revenue	46,470,000.00	3,225,256.29	43,244,743.71	0.00
Investment Income	1,450,000.00	838,890.00	611,110.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	5,000,000.00	0.00	5,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	161,960,445.58	180,039,554.42	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>395,390,000.00</b>	<b>166,024,591.87</b>	<b>229,365,408.13</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=1,302,514,274.25

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,123,800,571.10 as against the actual figure of =N=1,943,337,334.58. Thus showing a shortfall of =N=1,302,514,274.25 (38%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,137,518,592.10	1,239,846,599.76	897,671,992.34	0.00
Local Govt Share of VAT	400,000,000.00	522,051,037.73	0.00	122,051,037.73
Other Fed. Allocated Revenue	300,000,000.00	181,439,697.09	118,560,302.91	0.00
10% State Allocation	39,000,000.00	0.00	39,000,000.00	0.00
Other Capital Receipts	247,281,979.00	0.00	247,281,979.00	0.00
<b>Totals</b>	<b>3,123,800,571.10</b>	<b>1,943,337,334.58</b>	<b>1,302,514,274.25</b>	<b>122,051,037.73</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,082,199,756.17 in the approved Estimates during the year but incurred an expenditure of =N=1,801,828,024.34.

#### **Observation:**

Over =N=80,883,657.85

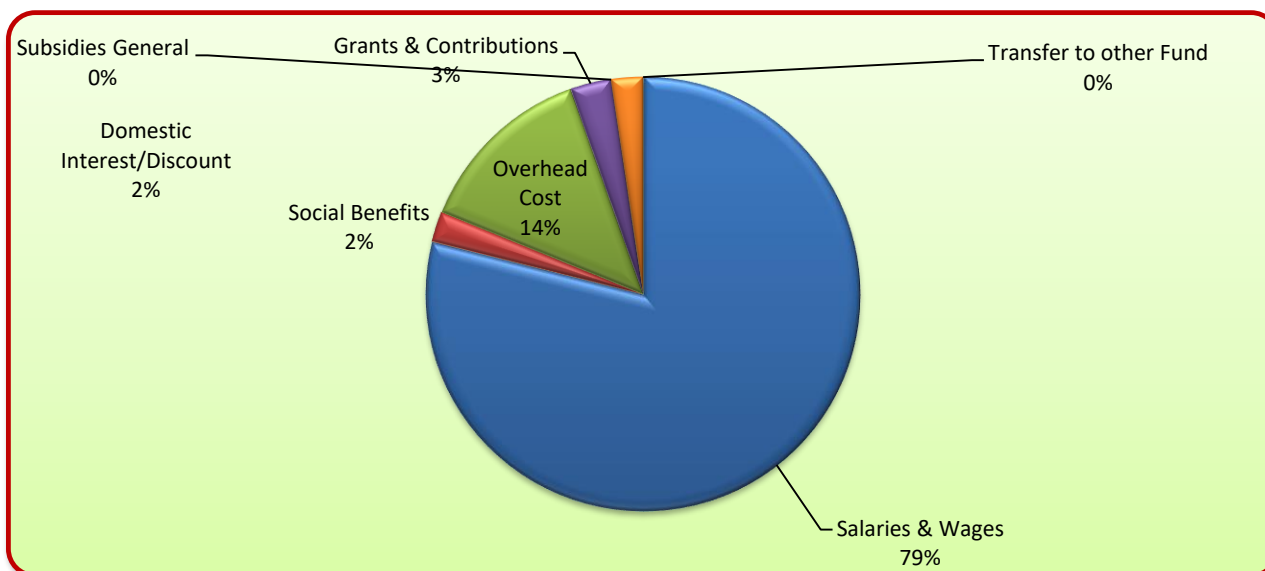
Although there was a total savings of =N=361,255,389.68, we further observed total sum of =N=80,883,657.85 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<b><u>Detail</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Salaries & Wages	1,383,189,756.17	1,421,555,281.93	0.00	38,365,525.76
Social Benefits	50,500,000.00	40,909,090.91	9,590,909.09	0.00
Overhead Cost	577,010,000.00	241,885,852.77	335,124,147.23	0.00
Grants & Contributions	71,500,000.00	54,959,666.64	16,540,333.36	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,082,199,756.17</b>	<b>1,801,828,024.34</b>	<b>361,255,389.68</b>	<b>80,883,657.85</b>



## (2). Capital

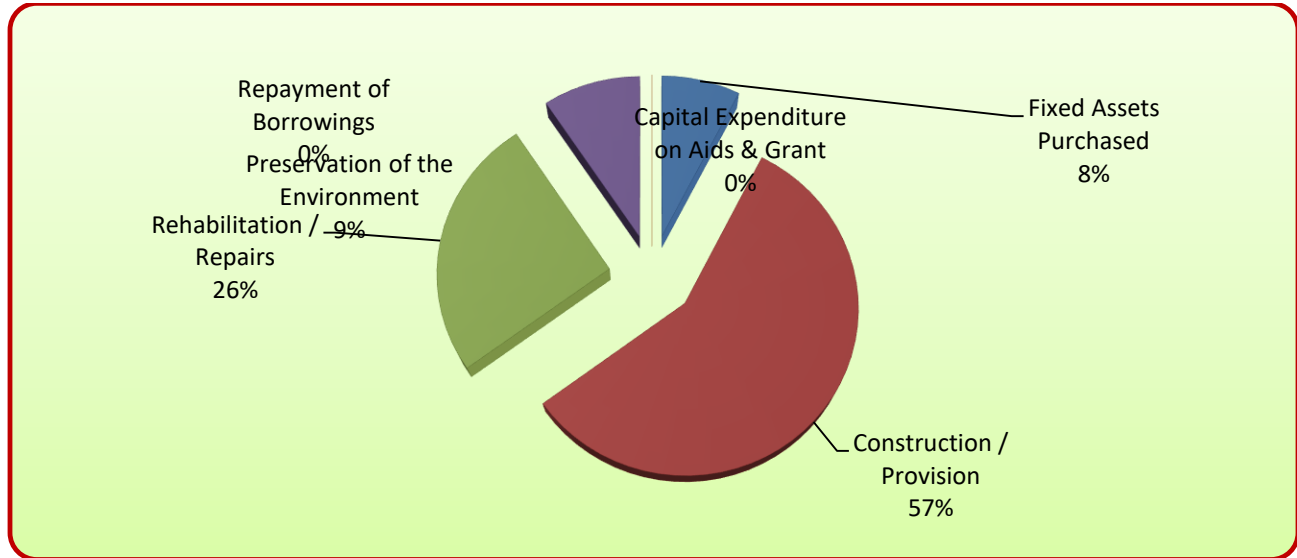
### **Observation:**

Savings: =N=700,095,429.30

The Council was observed to have projected a total of =N=977,342,883.10 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=277,247,453.80 was spent in the execution of projects. This indicates a savings of =N=700,095,429.30 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	71,100,000.00	21,040,890.60	50,059,109.40	0.00
Construction / Provision	684,500,000.00	159,136,311.65	525,363,688.35	0.00
Rehabilitation / Repairs	188,742,883.10	70,948,412.45	117,794,470.65	0.00
Preservation of the Env.	33,000,000.00	26,121,839.10	6,878,160.90	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>977,342,883.10</b>	<b>277,247,453.80</b>	<b>700,095,429.30</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

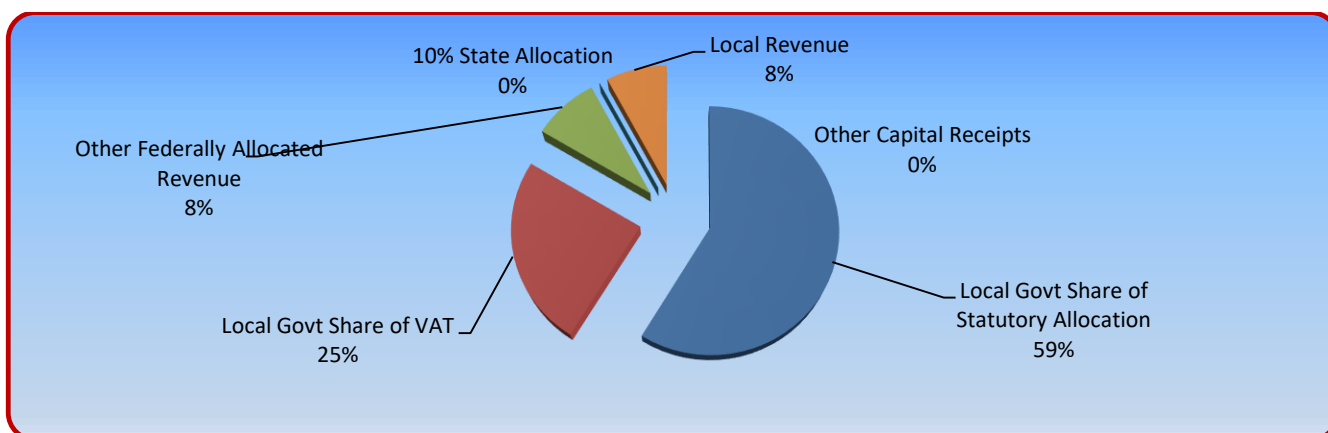
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

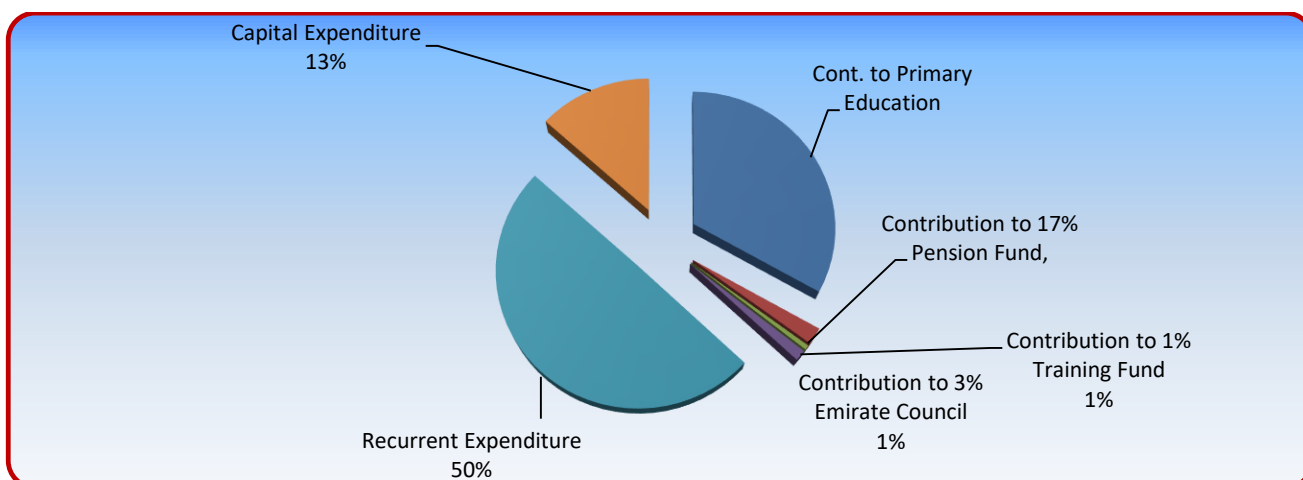
### TOTAL REVENUE: =N=2,109,361,926.45

Local Govt Share of Statutory Allocation	1,239,846,599.76
Local Govt Share of VAT	522,051,037.73
Other Federally Allocated Revenue	181,439,697.09
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	166,024,591.87
<b>Total</b>	<b>2,109,361,926.45</b>



### TOTAL EXPENDITURE: =N=2,079,075,478.14

Cont. to Primary Education	689,898,856.92
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,275,781.73
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,033,077,628.13
Capital Expenditure	277,247,453.80
<b>Total</b>	<b>2,079,075,478.14</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **GEZAWA LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup>January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**GEZAWA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Gezawa Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.HusuUsmanZainawa	Executive Chairman
2	Alh.AbdulhalimLiman	Vice Chairman
3	Alh.Aminu Sale Uba	Local Government Secretary
4	Alh.Halilu Ibrahim Kundila	Director Personnel Management
5	Alh.IdrisBardeKore	Treasurer
6	HajiyaHafsatAbdullahi	C.P.O
7	Alh.MukhtarAbdullahi	HOD Community
8	Alh. Bashir AbdullahiMinjibir	HOD Medical & Health
9	Alh.AuwaluUsmanZakirai	HOD Agric
10	Alh.Magaji Ibrahim Ungogo	HOD Works & Housing
11	Alh.BalaAbdurraham	HOD PRS
12	Alh. Ahmad UsmanGetso	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	24,925,296.29	-40,942,417.50
Local Revenue	105,138,944.99	61,418,745.19
Statutory Allocation	2,223,912,687.86	2,315,942,481.41
<b>Resource Available</b>	<b>2,353,976,929.14</b>	<b>2,336,418,809.10</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,084,344,437.89	1,947,847,196.50
Capital Expenditure	146,896,309.42	140,030,755.13
<b>Total Expenditure</b>	<b>2,231,240,747.31</b>	<b>2,087,877,951.63</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>122,736,181.83</b>	<b>248,540,857.47</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=122,736,181.83, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=603,597,199.84**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=603,597,199.84 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=603,597,199.84 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		603,597,199.84
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>603,597,199.84</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>603,597,199.84</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(373,453,418.05)**

**Observation:**

During the year under review the negative sum of =N=284,414,380.52 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=2,223,912,687.86 was recorded in the Council books of account. However, =N=1,564,164,286.78 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=748,787,438.61 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=373,453,418.05 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-284,414,380.52</b>
2	Net Allocation Jan – Dec 2020		2,223,912,687.86
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,939,498,307.34</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,564,164,286.78
	• Salaries & Wages		748,787,438.61
		Total	2,312,951,725.39
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-373,453,418.05</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	11,269,056.30	24,925,296.29
Investments	60,302,491.34	60,302,491.34
Advances	603,597,199.84	637,731,365.80
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>675,168,747.48</b>	<b>722,959,153.43</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	551,751,255.53	474,418,295.96
Balance of Assets over Liabilities	123,417,491.95	248,540,857.47
<b>Total Liabilities</b>	<b>675,168,747.48</b>	<b>722,959,153.43</b>

The Net Asset of =N=123,417,491.95 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

### **ASSETS**

#### **(1) Investments =N=60,302,491.34**

### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=162,825,454.72**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	527,701,869.00	105,138,944.99	422,562,924.01	0.00
Statutory Allocation	4,009,410,645.60	2,223,912,687.86	1,785,497,957.74	0.00
<b>Total Revenue</b>	<b>4,537,112,514.60</b>	<b>2,329,051,632.85</b>	<b>2,208,060,881.75</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,766,585,910.12	2,084,344,437.89	682,241,472.23	0.00
Capital	1,609,317,570.00	146,896,309.42	1,462,421,260.58	0.00
<b>Total Expenditure</b>	<b>4,375,903,480.12</b>	<b>2,231,240,747.31</b>	<b>2,144,662,732.81</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=422,562,924.01

During the period under review, the sum of =N=527,701,869.00 was estimated to be generated from local sources. However, only the sum of =N=105,138,944.99 (20%) was actually generated. This indicates a shortfall of =N=422,562,924.01 (80%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	76,545,400.00	13,320,000.00	63,225,400.00	0.00
Non Tax Revenue	76,136,469.00	6,695,086.56	69,441,382.44	0.00
Investment Income	8,020,000.00	844,490.00	7,175,510.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	25,000,000.00	0.00	25,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,279,368.43	257,720,631.57	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>527,701,869.00</b>	<b>105,138,944.99</b>	<b>422,562,924.01</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=1,785,497,957.74

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,009,410,645.60 as against the actual figure of =N=2,223,912,687.86. Thus showing a shortfall of =N=1,785,497,957.74 (45%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,284,556,475.60	1,415,818,867.66	868,737,607.94	0.00
Local Govt Share of VAT	943,665,538.00	600,569,566.77	343,095,971.23	0.00
Other Fed. Allocated Revenue	712,188,632.00	207,524,253.43	504,664,378.57	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>4,009,410,645.60</b>	<b>2,223,912,687.86</b>	<b>1,785,497,957.74</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,766,585,910.12 in the approved Estimates during the year but incurred an expenditure of =N=2,084,344,437.89.

#### **Observation:**

Over =N=42,518,283.09

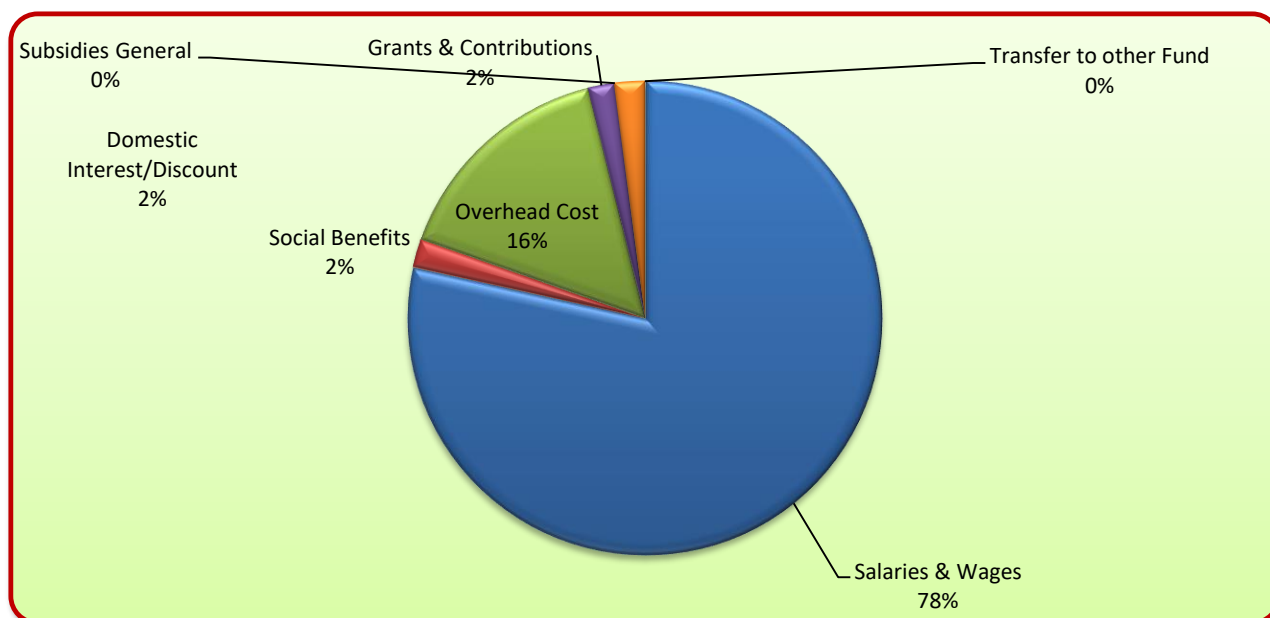
Although there was a total savings of =N=724,759,755.32, we further observed total sum of =N=42,518,283.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	2,072,249,658.00	1,635,102,097.25	437,147,560.75	0.00
Social Benefits	64,600,000.00	40,909,090.92	23,690,909.08	0.00
Overhead Cost	521,236,252.12	327,961,267.14	193,274,984.98	0.00
Grants & Contributions	108,500,000.00	37,853,699.49	70,646,300.51	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,283.09	0.00	42,518,283.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,766,585,910.12</b>	<b>2,084,344,437.89</b>	<b>724,759,755.32</b>	<b>42,518,283.09</b>





## (2). Capital

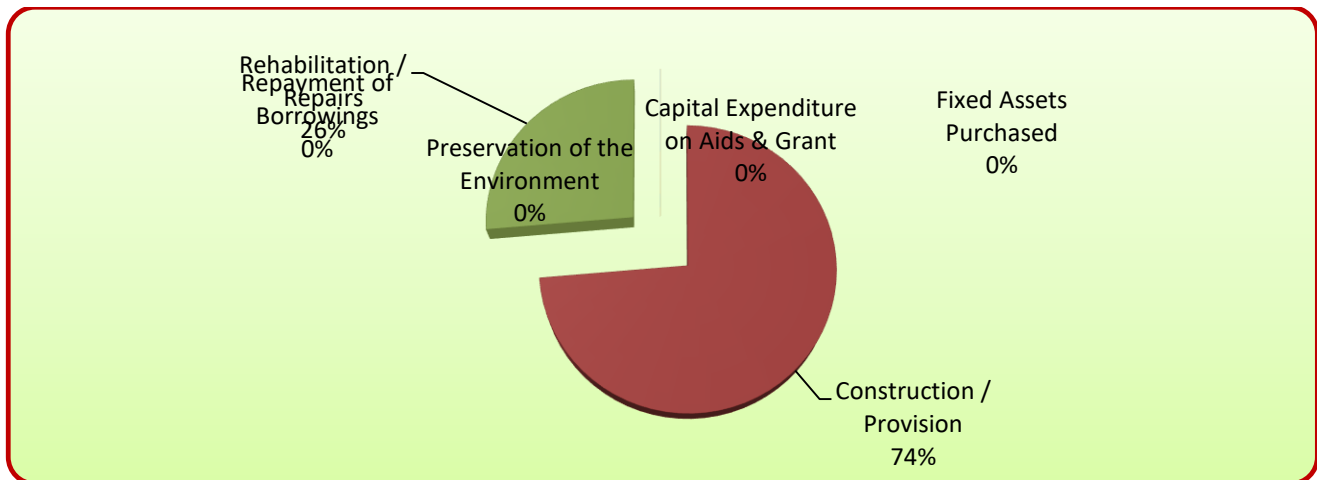
### **Observation:**

Savings: =N=1,462,421,260.58

The Council was observed to have projected a total of =N=1,609,317,570.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=146,896,309.42 was spent in the execution of projects. This indicates a savings of =N=1,462,421,260.58 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	28,232,262.00	0.00	28,232,262.00	0.00
Construction / Provision	1,215,085,308.00	108,184,108.91	1,106,901,199.09	0.00
Rehabilitation / Repairs	335,000,000.00	38,712,200.51	296,287,799.49	0.00
Preservation of the Env.	31,000,000.00	0.00	31,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,609,317,570.00</b>	<b>146,896,309.42</b>	<b>1,462,421,260.58</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

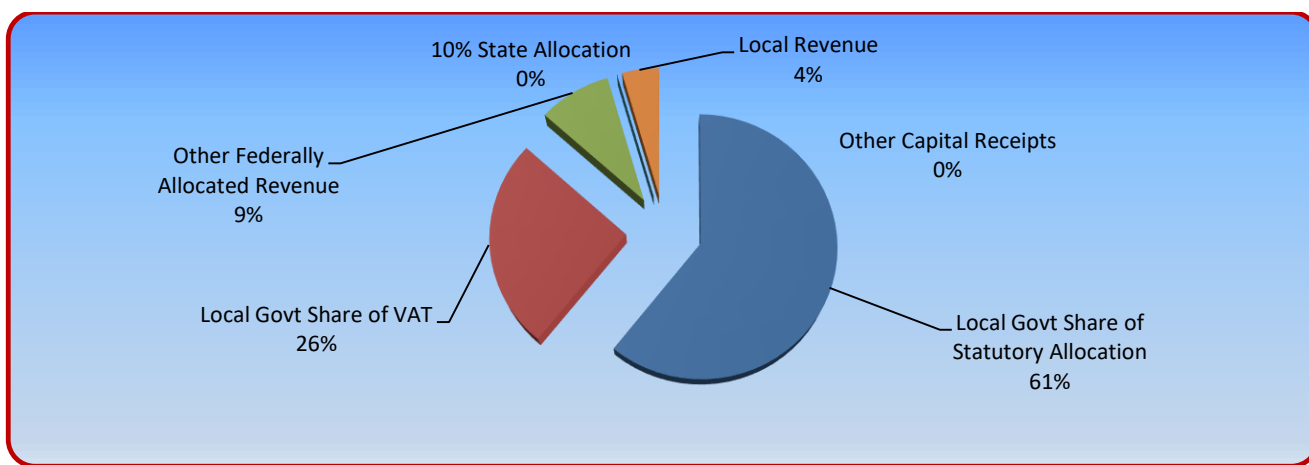
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

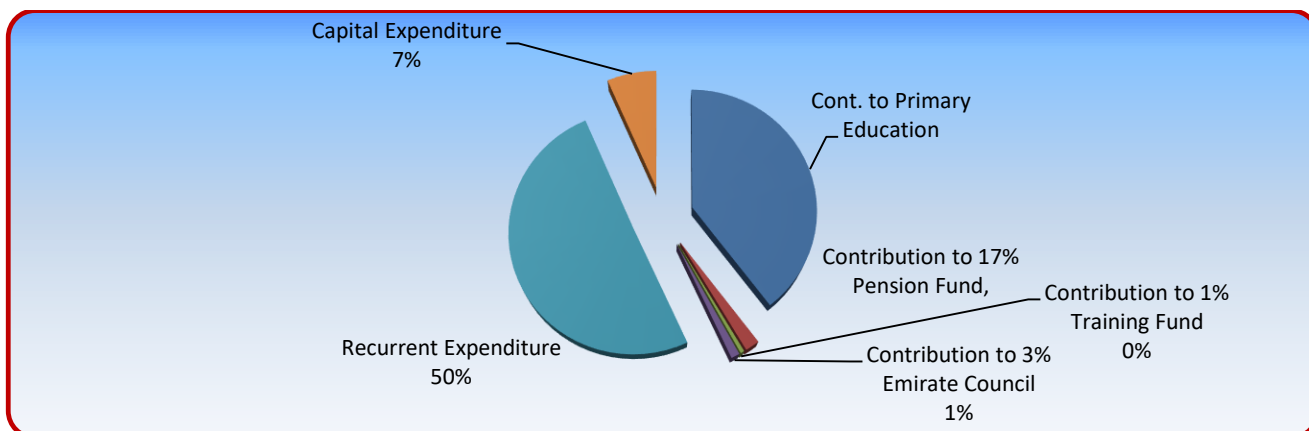
### TOTAL REVENUE: =N=2,329,051,632.85

Local Govt Share of Statutory Allocation	1,415,818,867.66
Local Govt Share of VAT	600,569,566.77
Other Federally Allocated Revenue	207,524,253.43
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	105,138,944.99
<b>Total</b>	<b>2,329,051,632.85</b>



### TOTAL EXPENDITURE: =N=2,231,240,747.31

Cont. to Primary Education	884,635,416.12
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,245,651.12
Contribution to 3% Emirate Council	24,444,444.42
Recurrent Expenditure	1,123,109,835.31
Capital Expenditure	146,896,309.42
<b>Total</b>	<b>2,231,240,747.31</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

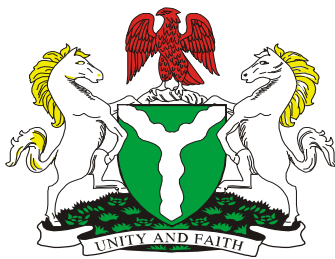
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **GWALE LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgauditkano.org](http://www.lgauditkano.org)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**GWALE LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Gwale Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Khalid IshaqDiso	Executive Chairman
2	Alh.BasiruKassimDandago	Vice Chairman
3	Alh.AbdullahiSarki	Local Government Secretary
4	Alh.AuwaluMakamaDambatta	Director Personnel Management
5	Haj.BintaAbdullahi	Treasurer
6	Alh.LawanMakama	C.P.O
7	Alh. Muhammad H. Ajumawa	HOD Community
8	Alh.AliyuHaruna	HOD Medical & Health
9	Alh. Umar Musa Yau	HOD Agric
10	Alh.DahiruAlhassanDambatta	HOD Works & Housing
11	Alh. Ado Abdu Maimakawa	HOD PRS
12	Alh.Balarabe M. Bello	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	28,674,194.85	-3,042,298,529.55
Local Revenue	163,573,597.99	11,290,300.00
Statutory Allocation	2,627,119,306.00	2,746,911,654.56
<b>Resource Available</b>	<b>2,819,367,098.84</b>	<b>-284,096,574.99</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	3,712,968,831.64	3,240,534,687.32
Capital Expenditure	404,251,422.55	227,057,344.49
<b>Total Expenditure</b>	<b>4,117,220,254.19</b>	<b>3,467,592,031.81</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-1,297,853,155.35</b>	<b>-3,751,688,606.80</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=1,297,853,155.35, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N= 549,375,313.75**

**Observation:**

During the year under review the Local Government had an opening Balance of =N= 549,375,313.75 in the 5% Stabilization Account has also made a statutory contribution of =N= 0.00. This includes =N= 0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2019 there is a balance of =N=549,375,313.75 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		549,375,313.75
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>549,375,313.75</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>549,375,313.75</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(5,494,197,905.01)**

**Observation:**

During the year under review the negative sum of =N=4,249,054,383.22 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=2,627,119,306.00 was recorded in the Council books of account. However, =N=2,978,582,687.51 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=893,680,140.28 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=5,494,197,905.01 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-4,249,054,383.22</b>
2	Net Allocation Jan – Dec 2020		2,627,119,306.00
3	<b>Total</b>	<b>3=(1+2)</b>	<b>-1,621,935,077.22</b>
4	Actual Amount Released:		
	• Releases through LG Bank		2,978,582,687.51
	• Salaries & Wages		893,680,140.28
		Total	3,872,262,827.79
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-5,494,197,905.01</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	9,083,117.99	28,674,194.85
Investments	42,789,987.13	42,789,987.13
Advances	549,375,313.75	611,168,065.30
Balance of Liabilities over Asset	5,081,653,943.32	3,751,688,606.80
<b>Total Assets</b>	<b>5,682,902,362.19</b>	<b>4,434,320,854.08</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	5,682,902,362.19	4,434,320,854.08
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>5,682,902,362.19</b>	<b>4,434,320,854.08</b>

The Net Liability of =N=5,081,653,943.32 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

### **ASSETS**

#### **(1) Investments =N=42,789,987.13**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=129,358,510.41**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	668,685,675.00	163,573,597.99	505,112,077.01	0.00
Statutory Allocation	6,406,313,364.50	2,627,119,306.00	3,779,194,058.50	0.00
<b>Total Revenue</b>	<b>7,074,999,039.50</b>	<b>2,790,692,903.99</b>	<b>4,284,306,135.51</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	4,123,146,683.57	3,712,968,831.64	410,177,851.93	0.00
Capital	2,315,200,000.00	404,251,422.55	1,910,948,577.45	0.00
<b>Total Expenditure</b>	<b>6,438,346,683.57</b>	<b>4,117,220,254.19</b>	<b>2,321,126,429.38</b>	<b>0.00</b>

### **REVENUE:**

#### **(1). Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=505,112,077.00**

During the period under review, the sum of =N=668,685,675.00 was estimated to be generated from local sources. However, only the sum of =N=163,573,597.99(24%) was actually generated. This indicates a shortfall of =N=505,112,077.01 (76%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	59,000,000.00	8,881,562.00	50,118,438.00	0.00
Non Tax Revenue	225,185,675.00	6,651,636.51	218,534,038.49	0.00
Investment Income	42,500,000.00	9,733,000.00	32,767,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	138,307,399.48	203,692,600.52	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>668,685,675.00</b>	<b>163,573,597.99</b>	<b>505,112,077.01</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.



## **2). Statutory Allocation**

### **Observation:**

**Shortfall: =N=3,834,588,368.38**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=6,406,313,364.50 as against the actual figure of =N=2,627,119,306.00. Thus showing a shortfall of =N=3,834,588,368.38(59%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	3,813,400,000.00	1,702,198,915.13	2,111,201,084.87	0.00
Local Govt Share of VAT	2,283,913,364.50	679,526,080.99	1,604,387,283.51	0.00
Other Fed. Allocated Revenue	190,000,000.00	245,394,309.88	0.00	55,394,309.88
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	50,000,000.00	0.00	50,000,000.00	0.00
<b>Totals</b>	<b>6,406,313,364.50</b>	<b>2,627,119,306.00</b>	<b>3,834,588,368.38</b>	<b>55,394,309.88</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1). Recurrent**

The Council projected a recurrent expenditure of =N= 4,123,146,683.57 in the approved Estimates during the year but incurred an expenditure of =N=3,712,968,831.64.

#### **Observation:**

Over =N=42,518,132.09

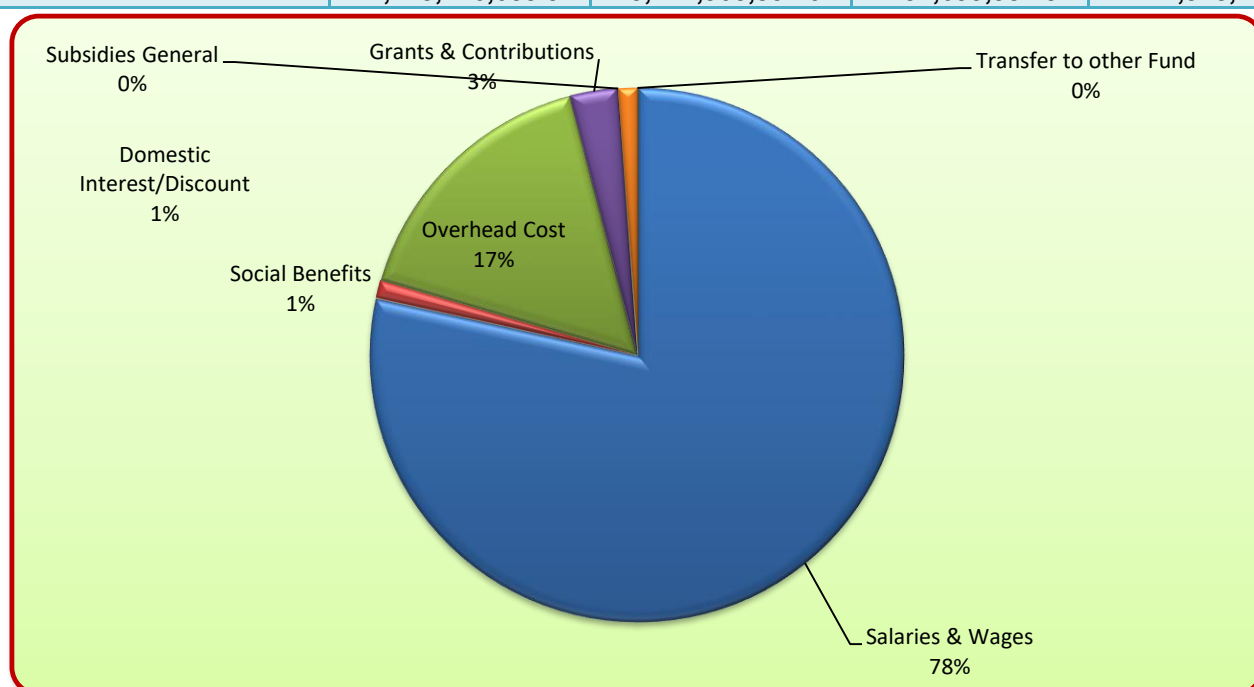
Although there was a total savings of =N=452,695,984.02, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<b><u>Detail</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Salaries & Wages	3,061,888,642.23	2,911,713,548.31	150,175,093.92	0.00
Social Benefits	93,599,412.80	40,909,090.92	52,690,321.88	0.00
Overhead Cost	851,309,946.54	610,528,551.41	240,781,395.13	0.00
Grants & Contributions	116,348,682.00	107,299,508.91	9,049,173.09	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>4,123,146,683.57</b>	<b>3,712,968,831.64</b>	<b>452,695,984.02</b>	<b>42,518,132.09</b>



## (2). Capital

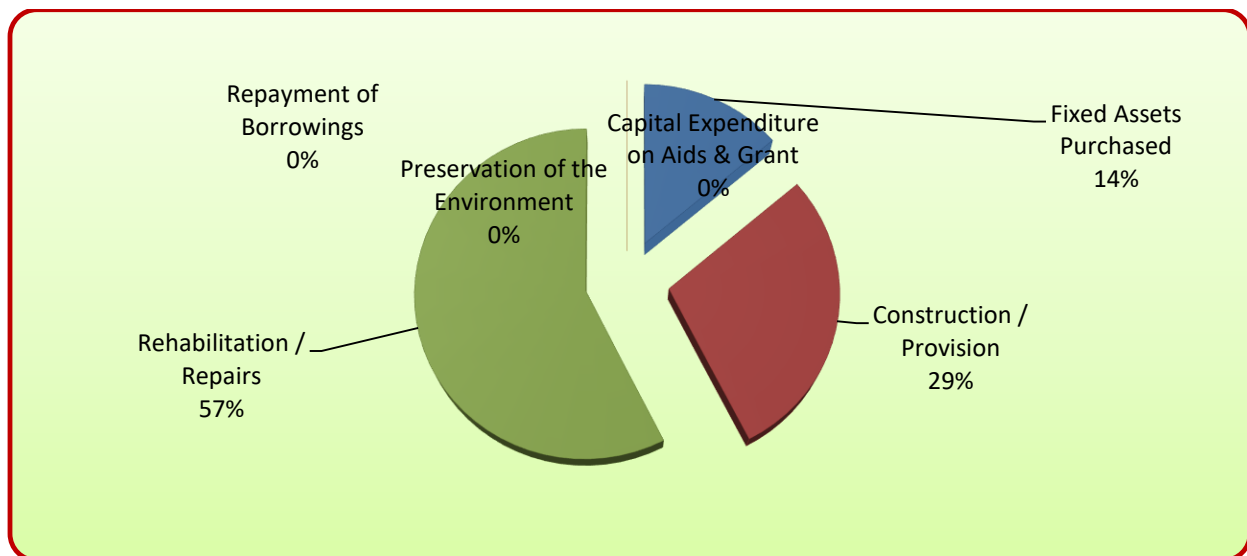
### **Observation:**

Savings: =N=1,910,948,577.45

The Council was observed to have projected a total of =N= 2,315,200,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=404,251,422.55 was spent in the execution of projects. This indicates a savings of =N= 1,910,948,577.45 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	107,700,000.00	56,236,777.76	51,463,222.24	0.00
Construction / Provision	1,385,500,000.00	115,639,062.05	1,269,860,937.95	0.00
Rehabilitation / Repairs	820,000,000.00	232,375,582.74	587,624,417.26	0.00
Preservation of the Env.	2,000,000.00	0.00	2,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,315,200,000.00</b>	<b>404,251,422.55</b>	<b>1,910,948,577.45</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

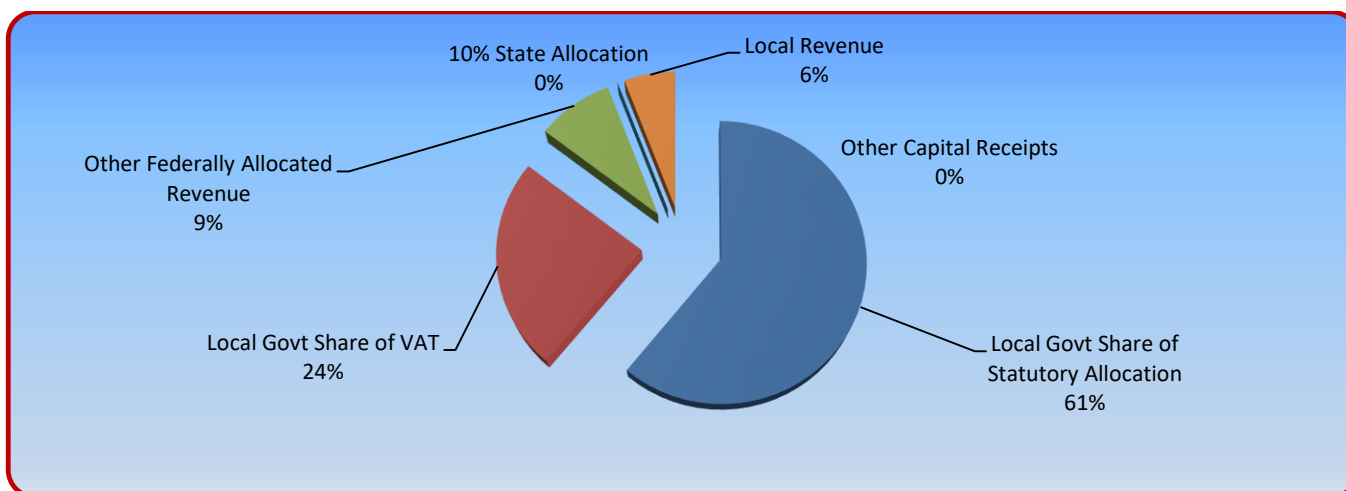
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

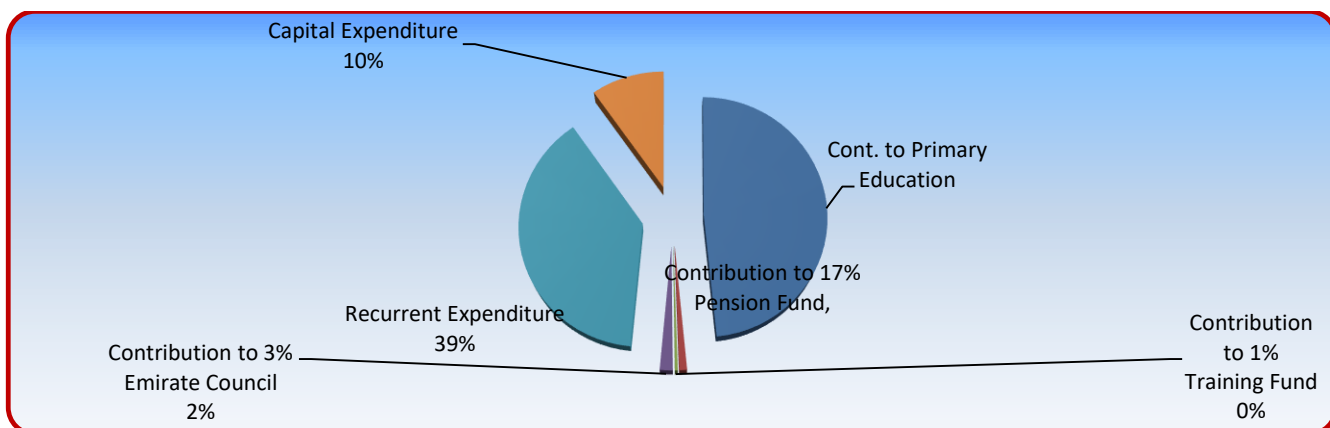
### **TOTAL REVENUE: =N=2,790,692,903.99**

Local Govt Share of Statutory Allocation	1,702,198,915.13
Local Govt Share of VAT	679,526,080.99
Other Federally Allocated Revenue	245,394,309.88
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	163,573,597.99
<b>Total</b>	<b>2,790,692,903.99</b>



### **TOTAL EXPENDITURE: =N= 4,117,220,254.19**

Cont. to Primary Education	1,995,022,394.70
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	15,284,437.95
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	1,594,252,908.07
Capital Expenditure	404,251,422.55
<b>Total</b>	<b>4,117,220,254.19</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

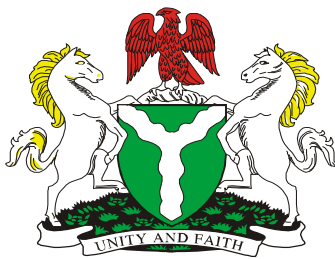
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **GWARZO LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**GWARZO LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Gwarzo Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statue is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Engr. Bashir AbdullahiKutama	Executive Chairman
2	Alh. Ibrahim Abdullahi	Vice Chairman
3	Alh.Sa'iduBala	Local Government Secretary
4	Alh. Ibrahim Kasim	Director Personnel Management
5	Alh.Rabiu Ismail Adamu	Treasurer
6	Alh.Auwalu Ibrahim Alhaji	C.P.O
7	Alh.BalaMaiunguwa	HOD Community
8	Alh. Ali UbaFagen-Kawo	HOD Medical & Health
9	Alh.Sadi D Adamu	HOD Agric
10	Alh.AbdulkadirMagajiDambatta	HOD Works & Housing
11	Alh.Binta Ahmad Darma	HOD PRS
12	Alh.JafaruTsoho	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	23,621,849.46	-1,954,602,950.42
Local Revenue	89,036,053.42	5,593,068.80
Statutory Allocation	1,847,889,076.38	1,921,483,618.60
<b>Resource Available</b>	<b>1,960,546,979.26</b>	<b>-27,526,263.02</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,944,814,062.58	1,748,795,957.12
Capital Expenditure	249,871,648.88	278,910,152.69
<b>Total Expenditure</b>	<b>2,194,685,711.46</b>	<b>2,027,706,109.81</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-234,138,732.20</b>	<b>-3,476,906,674.61</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=234,138,732.20, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=496,100,912.18**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=496,100,912.18 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=496,100,912.18 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		496,100,912.18
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>496,100,912.18</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>496,100,912.18</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(2,747,581,410.38)**

**Observation:**

During the year under review the negative sum of =N=2,505,975,991.76 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,847,889,076.39 was recorded in the Council books of account. However, =N=1,580,671,517.77 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=508,822,977.24 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=2,747,581,410.38 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-2,505,975,991.76</b>
2	Net Allocation Jan – Dec 2020		1,847,889,076.39
3	<b>Total</b>	<b>3=(1+2)</b>	<b>-658,086,915.37</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,580,671,517.77
	• Salaries & Wages		508,822,977.24
		Total	2,089,494,495.01
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-2,747,581,410.38</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Liquid Assets	14,258,681.42	23,621,849.46
Investments	61,079,439.80	61,079,439.80
Advances	503,263,343.85	503,263,343.85
Balance of Liabilities over Asset	2,312,992,954.49	2,055,232,372.83
<b>Total Assets</b>	<b>2,891,594,419.56</b>	<b>2,643,197,005.94</b>

### **LIABILITIES:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Short term Loan	0.00	0.00
Deposits	2,891,594,419.56	2,643,197,005.94
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>2,891,594,419.56</b>	<b>2,643,197,005.94</b>

The NetLiability of =N= 2,312,992,954.49 is equal to the difference between the total assets and liabilities.

### **Financial Status: Unhealthy**

## **ASSETS**

(1) Investments =N=61,079,439.80

### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]Personal Advances: =N=7,162,431.67.

### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=7,162,431.67.

### **Recommendation**

**Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.**

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=83,115,972.59**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.



## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	465,214,000.00	89,036,053.42	376,177,946.58	0.00
Statutory Allocation	2,996,661,083.60	1,847,889,076.38	1,148,772,007.22	0.00
<b>Total Revenue</b>	<b>3,461,875,083.60</b>	<b>1,936,925,129.80</b>	<b>1,524,949,953.80</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,356,574,058.00	1,944,814,062.58	411,759,995.42	0.00
Capital	1,090,245,774.00	249,871,648.88	840,374,125.12	0.00
<b>Total Expenditure</b>	<b>3,446,819,832.00</b>	<b>2,194,685,711.46</b>	<b>1,252,134,120.54</b>	<b>0.00</b>

### **REVENUE:**

#### **(1). Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=376,177,946.58

During the period under review, the sum of =N=465,214,000.00 was estimated to be generated from local sources. However, only the sum of =N=89,036,053.42(19%) was actually generated. This indicates a shortfall of =N= 376,177,946.58(81%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	19,357,000.00	622,420.00	18,734,580.00	0.00
Non Tax Revenue	69,957,000.00	1,578,084.00	68,378,916.00	0.00
Investment Income	24,000,000.00	2,571,080.00	21,428,920.00	0.00
Interest Earned	900,000.00	0.00	900,000.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,264,469.42	256,735,530.58	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>465,214,000.00</b>	<b>89,036,053.42</b>	<b>376,177,946.58</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=1,148,772,007.22

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,996,661,083.60 as against the actual figure of =N=1,847,889,076.38. Thus showing a shortfall of =N=1,148,772,007.22 (38%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,665,947,904.00	1,170,303,803.67	495,644,100.33	0.00
Local Govt Share of VAT	700,160,643.60	505,130,386.94	195,030,256.66	0.00
Other Fed. Allocated Revenue	630,552,536.00	172,454,885.77	458,097,650.23	0.00
10% State Allocation	0.00	0.00	0.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,996,661,083.60</b>	<b>1,847,889,076.38</b>	<b>1,148,772,007.22</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1). Recurrent**

The Council projected a recurrent expenditure of =N=2,356,574,058.00 in the approved Estimates during the year but incurred an expenditure of =N=1,944,814,062.58.

#### **Observation:**

Over =N=42,518,132.07

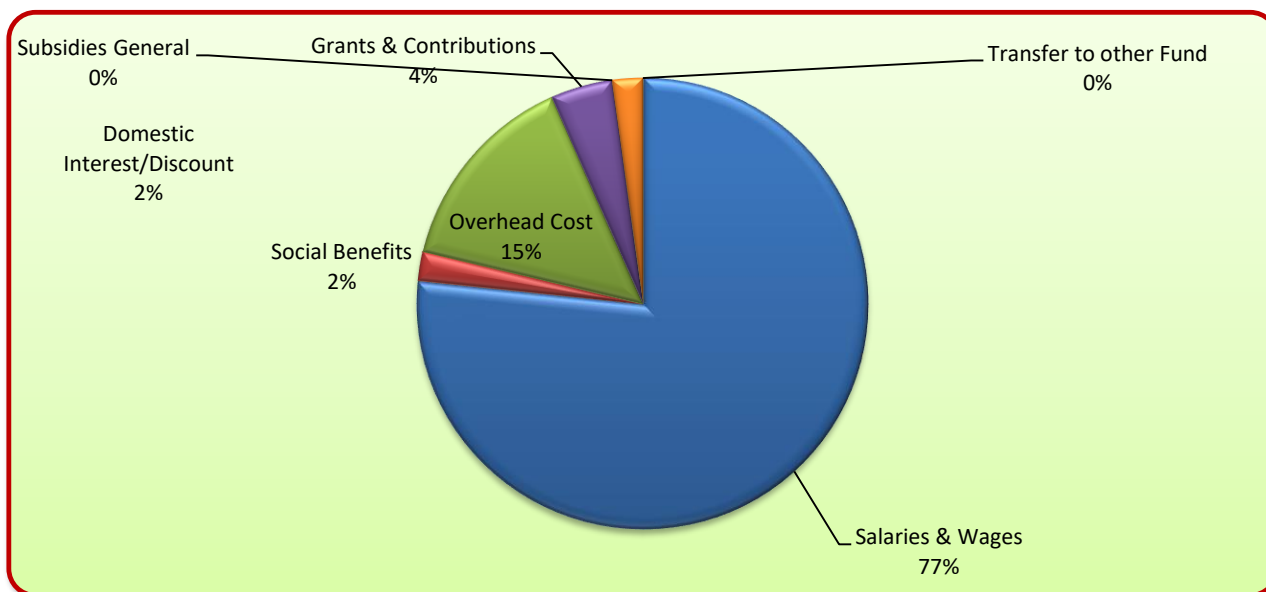
Although there was a total savings of =N=454,278,127.49, we further observed total sum of =N=42,518,132.07 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,653,604,703.00	1,490,152,648.05	163,452,054.95	0.00
Social Benefits	88,469,355.00	40,909,090.92	47,560,264.08	0.00
Overhead Cost	517,500,000.00	285,057,009.74	232,442,990.26	0.00
Grants & Contributions	97,000,000.00	86,177,181.80	10,822,818.20	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.07	0.00	42,518,132.07
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,356,574,058.00</b>	<b>1,944,814,062.58</b>	<b>454,278,127.49</b>	<b>42,518,132.07</b>



## (2). Capital

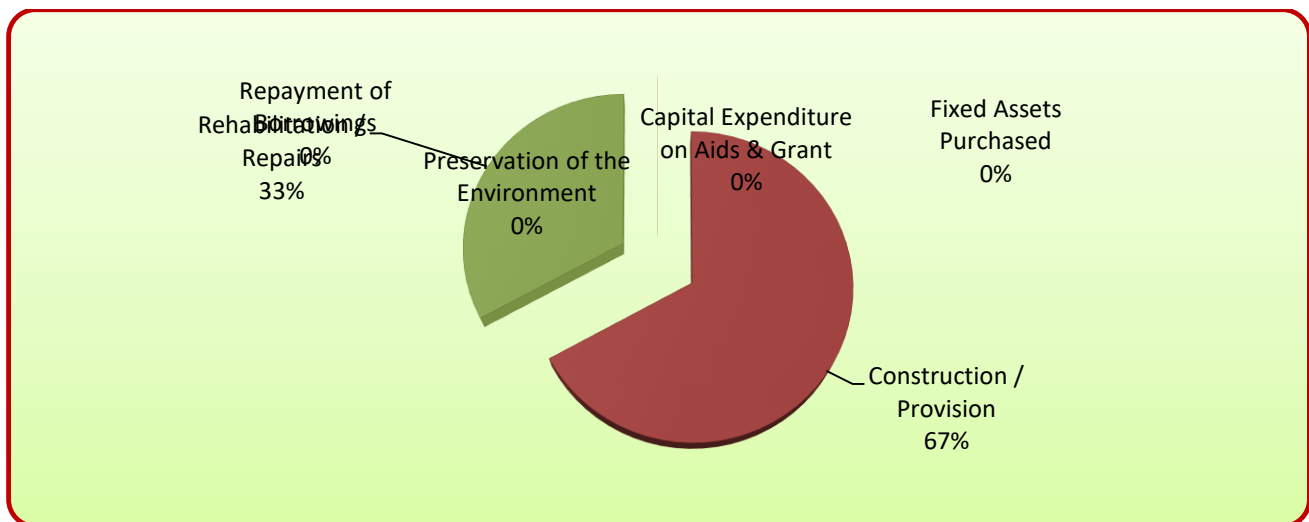
### **Observation:**

Savings: =N=840,374,125.12

The Council was observed to have projected a total of =N=1,090,245,774.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=249,871,648.88 was spent in the execution of projects. This indicates a savings of =N=840,374,125.12 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	107,500,000.00	29,271,212.11	78,228,787.89	0.00
Construction / Provision	621,500,000.00	147,895,082.21	473,604,917.79	0.00
Rehabilitation / Repairs	319,745,774.00	72,705,354.56	247,040,419.44	0.00
Preservation of the Env.	41,500,000.00	0.00	41,500,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,090,245,774.00</b>	<b>249,871,648.88</b>	<b>840,374,125.12</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

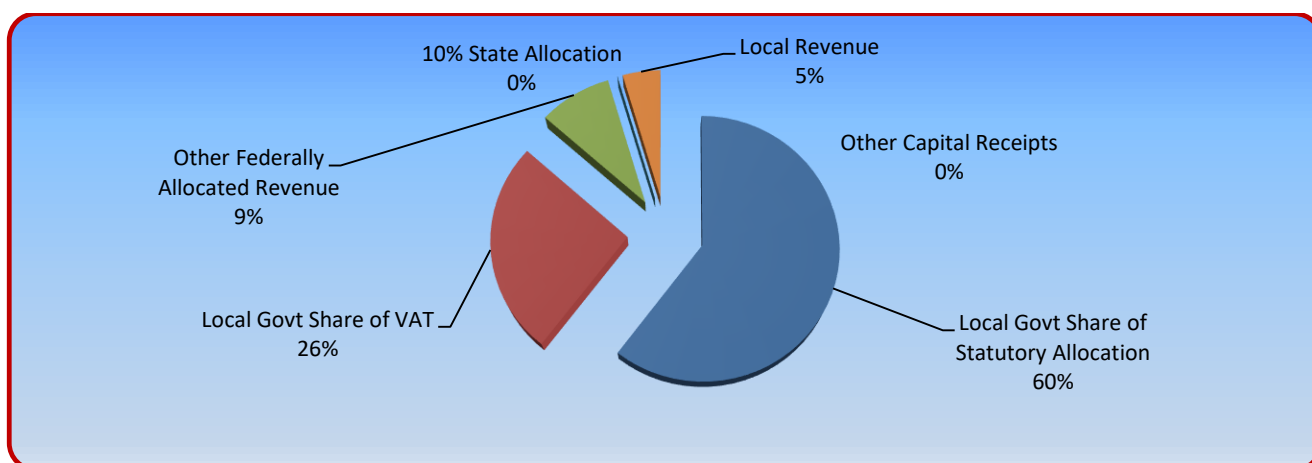
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

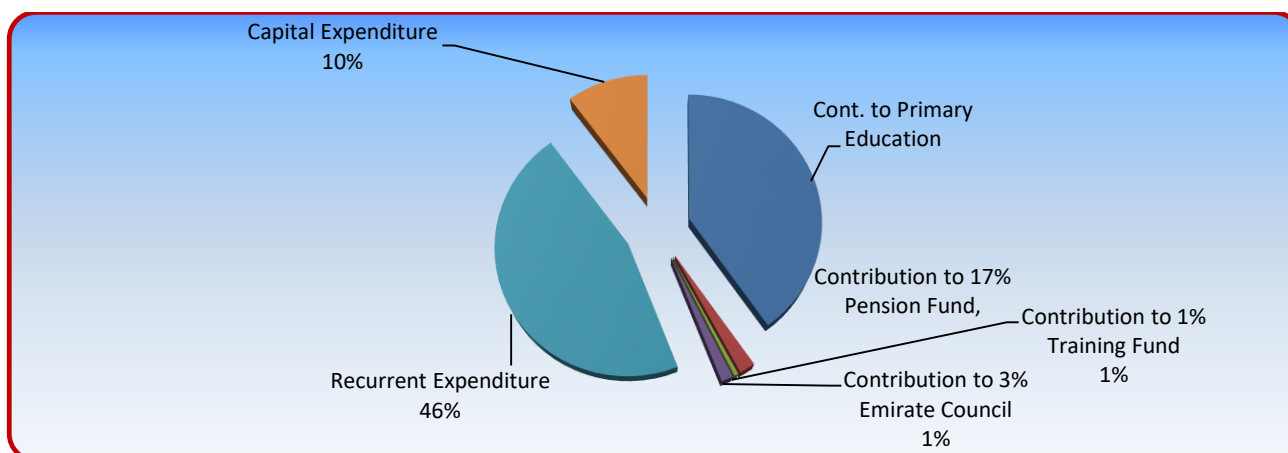
**TOTAL REVENUE: =N= 1,936,925,129.80**

Local Govt Share of Statutory Allocation	1,170,303,803.67
Local Govt Share of VAT	505,130,386.94
Other Federally Allocated Revenue	172,454,885.77
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	89,036,053.42
<b>Total</b>	<b>1,936,925,129.80</b>



**TOTAL EXPENDITURE: =N= 2,165,414,499.35**

Cont. to Primary Education	871,597,119.08
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,712,929.85
Contribution to 3% Emirate Council	30,000,000.00
Recurrent Expenditure	991,594,922.73
Capital Expenditure	220,600,436.77
<b>Total</b>	<b>2,165,414,499.35</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

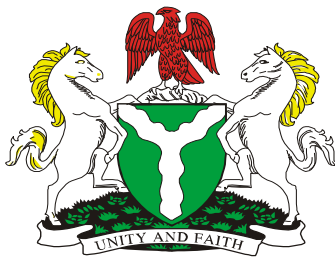
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **KABO LOCAL GOVERNMENT COUNCIL**





**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KABOLOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts ofKabo Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statue is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.SalisuKabiru	Executive Chairman
2	Alh.Sani Abdu	Vice Chairman
3	Alh. Ahmed ShuaibuBalan	Local Government Secretary
4	Alh.AlhassanUsaini	Director Personnel Management
5	Alh. Ahmed Zailani	Treasurer
6	Alh.Wali B. Dankade	C.P.O
7	Alh. Ibrahim Aliyu Umar	HOD Community
8	Alh. Isa Balarabe	HOD Medical & Health
9	Alh.Abdullahi A. Karaye	HOD Agric
10	Alh.DahiruAlhassanDambatta	HOD Works & Housing
11	Alh. Bashir	HOD PRS
12	Alh.Saidu Umar Garo	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	26,883,760.95	-715,202,095.35
Local Revenue	145,334,680.80	4,751,837.71
Statutory Allocation	1,769,083,981.69	1,841,863,754.11
<b>Resource Available</b>	<b>1,941,302,423.44</b>	<b>1,131,413,496.47</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,902,339,378.97	1,632,063,040.43
Capital Expenditure	488,493,181.73	246,697,559.91
<b>Total Expenditure</b>	<b>2,390,832,560.70</b>	<b>1,878,760,600.34</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-449,530,137.26</b>	<b>-747,347,103.87</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficitbalance of =N=449,530,137.26, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N= 535,110,173.85**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=535,110,173.85 in the 5% Stabilization Account. It has also made a statutory contribution of =N= 0.00. This includes =N= 0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=535,110,173.85 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		535,110,173.85
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>535,110,173.85</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>535,110,173.85</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(1,732,318,909.81)**

**Observation:**

During the year under review the negative sum of =N=1,274,558,460.49 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,769,083,981.68 was recorded in the Council books of account. However, =N=1,689,005,700.33 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=537,838,730.67 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=1,732,318,909.81 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-1,274,558,460.49</b>
2	Net Allocation Jan – Dec 2020		1,769,083,981.68
3	<b>Total</b>	<b>3=(1+2)</b>	<b>494,525,521.19</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,689,005,700.33
	• Salaries & Wages		537,838,730.67
		Total	2,226,844,431.00
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-1,732,318,909.81</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b> <b>=N=</b>	<b>YEAR 2019</b> <b>=N=</b>
Liquid Assets	8,230,312.07	26,883,760.95
Investments	46,252,484.46	46,252,484.46
Advances	625,870,711.85	625,870,711.85
Balance of Liabilities over Asset	1,223,761,002.08	747,347,103.87
<b>Total Assets</b>	<b>1,904,114,510.46</b>	<b>1,446,354,061.13</b>

### **LIABILITIES:**

	<b>YEAR 2020</b> <b>=N=</b>	<b>YEAR 2019</b> <b>=N=</b>
Short term Loan`ll	0.00	0.00
Deposits	1,904,114,510.46	1,446,354,061.13
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>1,904,114,510.46</b>	<b>1,446,354,061.13</b>

The Net Liability of =N=1,223,761,002.08 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=46,252,484.46**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

### **[a]. Impersonal (Others): =N=90,760,538.00**

#### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N= 90,760,538.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

#### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=107,774,500.70**

#### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

#### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	394,115,000.00	145,334,680.80	248,780,319.20	0.00
Statutory Allocation	3,758,556,988.00	1,769,083,981.69	1,989,473,006.31	0.00
<b>Total Revenue</b>	<b>4,152,671,988.00</b>	<b>1,914,418,662.49</b>	<b>2,238,253,325.51</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,422,935,687.40	1,902,339,378.97	520,596,308.43	0.00
Capital	1,524,077,088.00	488,493,181.73	1,035,583,906.27	0.00
<b>Total Expenditure</b>	<b>3,947,012,775.40</b>	<b>2,390,832,560.70</b>	<b>1,556,180,214.70</b>	<b>0.00</b>

### **REVENUE:**

#### **(1). Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=248,780,319.20

During the period under review, the sum of =N=394,115,000.00 was estimated to be generated from local sources. However, only the sum of =N=145,334,680.80(37%) was actually generated. This indicates a shortfall of =N=248,780,319.20(63%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	1,600,000.00	0.00	1,600,000.00	0.00
Non Tax Revenue	40,065,000.00	551,915.00	39,513,085.00	0.00
Investment Income	1,450,000.00	529,000.00	921,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	144,253,765.80	196,746,234.20	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>394,115,000.00</b>	<b>145,334,680.80</b>	<b>248,780,319.20</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=2,042,434,713.78

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,758,556,988.00 as against the actual figure of =N=1,769,083,981.69. Thus showing a shortfall of =N=2,042,434,713.78 (53%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,818,534,697.50	1,127,665,659.01	1,690,869,038.49	0.00
Local Govt Share of VAT	423,250,137.00	476,211,844.47	0.00	52,961,707.47
Other Fed. Allocated Revenue	447,772,153.50	165,206,478.21	282,565,675.29	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,758,556,988.00</b>	<b>1,769,083,981.69</b>	<b>2,042,434,713.78</b>	<b>52,961,707.47</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1). Recurrent**

The Council projected a recurrent expenditure of =N=2,422,935,687.40 in the approved Estimates during the year but incurred an expenditure of =N=1,902,339,378.97.

### **Observation:**

Over =N=52,186,941.92

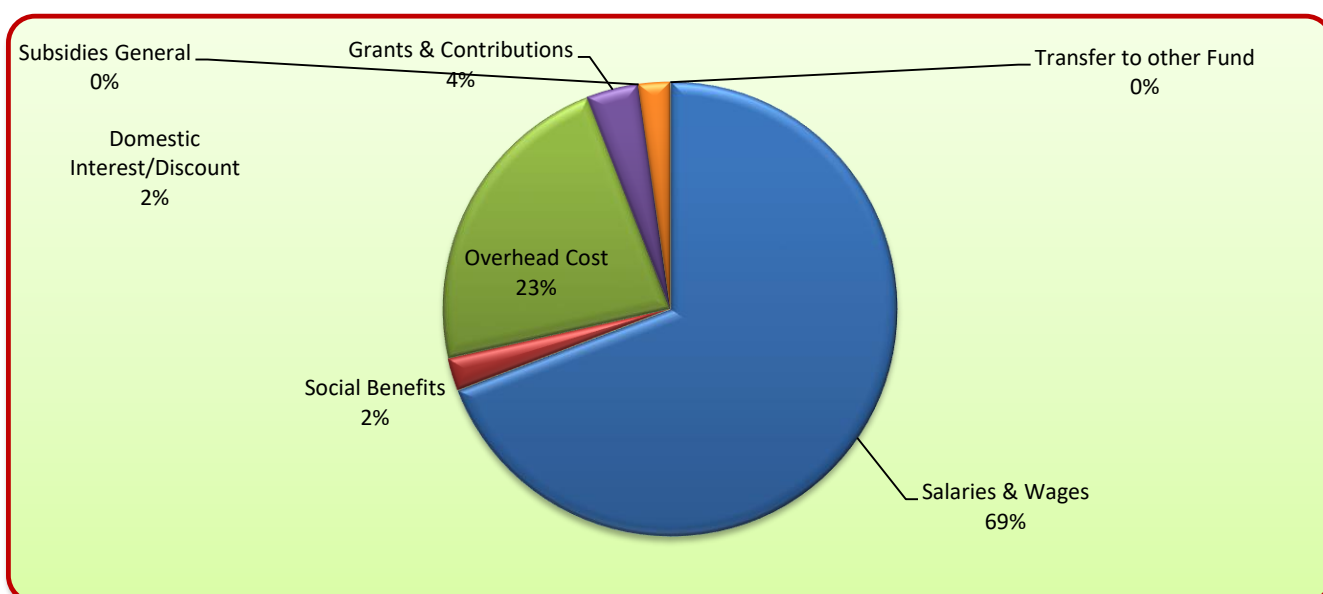
Although there was a total savings of =N=572,783,250.35, we further observed total sum of =N=52,186,941.92 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,565,216,315.40	1,316,000,124.09	249,216,191.31	0.00
Social Benefits	34,649,372.00	44,318,181.83	0.00	9,668,809.83
Overhead Cost	657,570,000.00	429,302,767.41	228,267,232.59	0.00
Grants & Contributions	165,500,000.00	70,200,173.55	95,299,826.45	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,422,935,687.40</b>	<b>1,902,339,378.97</b>	<b>572,783,250.35</b>	<b>52,186,941.92</b>



## (2). Capital

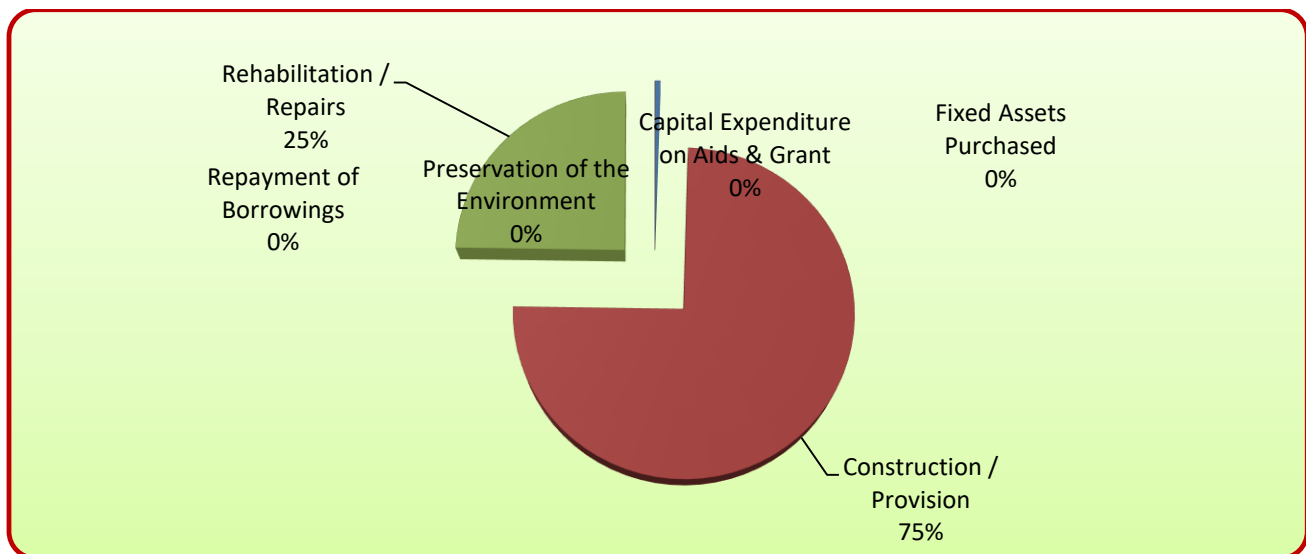
### **Observation:**

Savings: =N=1,035,583,906.27

The Council was observed to have projected a total of =N=1,524,077,088.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=488,493,181.73 was spent in the execution of projects. This indicates a savings of =N=1,035,583,906.27 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	65,200,000.00	2,500,000.00	62,700,000.00	0.00
Construction / Provision	1,148,877,088.00	365,012,117.04	783,864,970.96	0.00
Rehabilitation / Repairs	290,000,000.00	120,981,064.69	169,018,935.31	0.00
Preservation of the Env.	20,000,000.00	0.00	20,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,524,077,088.00</b>	<b>488,493,181.73</b>	<b>1,035,583,906.27</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

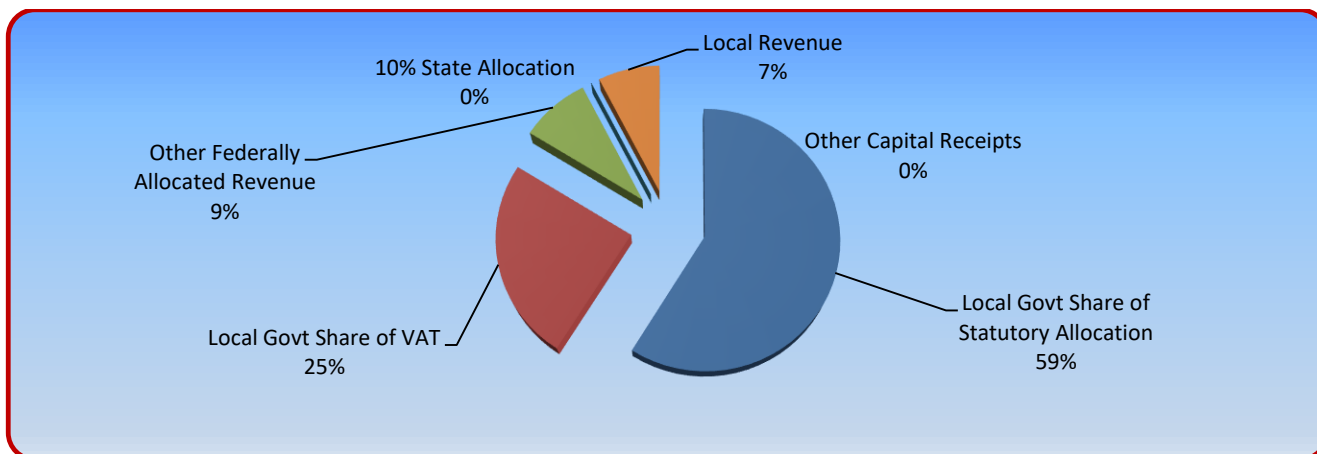
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

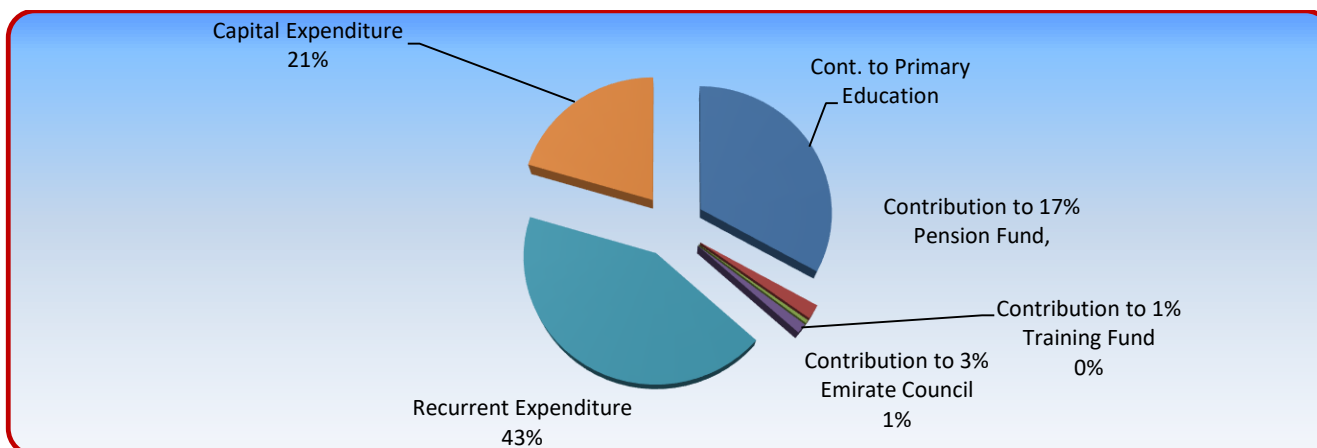
Local Govt Share of Statutory Allocation	1,127,665,659.01
Local Govt Share of VAT	476,211,844.47
Other Federally Allocated Revenue	165,206,478.21
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	145,334,680.80
<b>Total</b>	<b>1,914,418,662.49</b>

**TOTAL REVENUE: =N=1,914,418,662.49**



**TOTAL EXPENDITURE: =N= 2,390,832,560.70**

Cont. to Primary Education	791,728,539.87
Contribution to 17% Pension Fund	44,318,181.83
Contribution to 1% Training Fund	10,257,935.02
Contribution to 3% Emirate Council	30,000,000.00
Recurrent Expenditure	1,026,034,722.25
Capital Expenditure	488,493,181.73
<b>Total</b>	<b>2,390,832,560.70</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **KANO MUNICIPAL LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KANO MUNICIPAL LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Kano Municipal Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provision and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.AlhajiFaizuKamaluAlfindiki	Executive Chairman
2	Alh.DanBelloAminu	Vice Chairman
3	Alh.SunusiTijjaniYola	Local Government Secretary
4	Alh.Abdullahi Muhammad Gwarzo	Director Personnel Management
5	Alh.NuraSaniFagge	Treasurer
6	Alh. Sabo IroMinjibir	C.P.O
7	Alh.Zainab Muhammad Bashir	HOD Community
8	Alh.AliyuJinjiriKiu	HOD Medical & Health
9	Alh. Umar Yau Musa	HOD Agric
10	Alh. Mustapha UbaMinjibir	HOD Works & Housing
11	Alh.KabiruUbale	HOD PRS
12	Alh. Ismail Yusuf Wudil	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	18,289,286.00	-3,218,628,299.72
Local Revenue	179,680,089.48	48,912,513.92
Statutory Allocation	2,564,368,449.63	2,674,787,686.17
<b>Resource Available</b>	<b>2,762,337,825.11</b>	<b>-494,928,099.63</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	3,273,587,069.09	3,181,531,685.50
Capital Expenditure	321,821,264.56	512,095,446.85
<b>Total Expenditure</b>	<b>3,595,408,333.65</b>	<b>3,693,627,132.35</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-833,070,508.54</b>	<b>-4,188,555,231.98</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=**833,070,508.54**, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=465,853,827.31**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=465,853,827.31 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=465,853,827.31 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		465,853,827.31
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>465,853,827.31</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>465,853,827.31</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(5,414,799,027.56)**

**Observation:**

During the year under review the negative sum of =N=4,612,708,404.61 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=2,564,368,449.61 was recorded in the Council books of account. However, =N=2,655,185,645.07 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=711,273,427.49 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=5,414,799,027.56 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-4,612,708,404.61</b>
2	Net Allocation Jan – Dec 2020		2,564,368,449.61
3	<b>Total</b>	<b>3=(1+2)</b>	<b>-2,048,339,955.00</b>
4	Actual Amount Released:		
	• Releases through LG Bank		2,655,185,645.07
	• Salaries & Wages		711,273,427.49
		Total	3,366,459,072.56
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-5,414,799,027.56</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b> <b>=N=</b>	<b>YEAR 2019</b> <b>=N=</b>
Liquid Assets	1,324,465.38	18,289,286.00
Investments	48,963,641.13	48,963,641.13
Advances	465,853,827.31	498,158,178.28
Balance of Liabilities over Asset	5,042,936,444.62	4,188,555,231.98
<b>Total Assets</b>	<b>5,559,078,378.44</b>	<b>4,753,966,337.39</b>

### **LIABILITIES:**

	<b>YEAR 2020</b> <b>=N=</b>	<b>YEAR 2019</b> <b>=N=</b>
Short term Loan	0.00	0.00
Deposits	5,559,078,378.44	4,753,966,337.39
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>5,559,078,378.44</b>	<b>4,753,966,337.39</b>

The Net Liability of =N= 5,042,936,444.62 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=48,963,641.13**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=87,530,346.22**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	554,180,000.00	179,680,089.48	374,499,910.52	0.00
Statutory Allocation	5,909,602,338.00	2,564,368,449.63	3,345,233,888.37	0.00
<b>Total Revenue</b>	<b>6,463,782,338.00</b>	<b>2,744,048,539.11</b>	<b>3,719,733,798.89</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	3,861,892,582.43	3,273,587,069.09	588,305,513.34	0.00
Capital	2,933,800,000.00	321,821,264.56	2,611,978,735.44	0.00
<b>Total Expenditure</b>	<b>6,795,692,582.43</b>	<b>3,595,408,333.65</b>	<b>3,200,284,248.78</b>	<b>0.00</b>

### **REVENUE:**

#### **(1). Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=374,499,910.52

During the period under review, the sum of =N=554,180,000.00 was estimated to be generated from local sources. However, only the sum of =N=179,680,089.48(32%) was actually generated. This indicates a shortfall of =N=374,499,910.52 (68%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	52,000,000.00	9,201,000.00	42,799,000.00	0.00
Non Tax Revenue	72,480,000.00	37,659,647.94	34,820,352.06	0.00
Investment Income	77,200,000.00	12,765,300.00	64,434,700.00	0.00
Interest Earned	500,000.00	0.00	500,000.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	120,054,141.54	221,945,858.46	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>554,180,000.00</b>	<b>179,680,089.48</b>	<b>374,499,910.52</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=3,345,233,888.37

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=5,909,602,338.00 as against the actual figure of =N=2,564,368,449.63. Thus showing a shortfall of =N=3,345,233,888.37 (57%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	3,280,000,000.00	1,643,020,517.27	1,636,979,482.73	0.00
Local Govt Share of VAT	1,550,102,338.00	682,015,112.49	868,087,225.51	0.00
Other Fed. Allocated Revenue	1,010,500,000.00	239,332,819.87	771,167,180.13	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>5,909,602,338.00</b>	<b>2,564,368,449.63</b>	<b>3,345,233,888.37</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1). Recurrent**

The Council projected a recurrent expenditure of =N=3,861,892,582.43 in the approved Estimates during the year but incurred an expenditure of =N=3,273,587,069.09.

### **Observation:**

Over =N=42,518,283.09

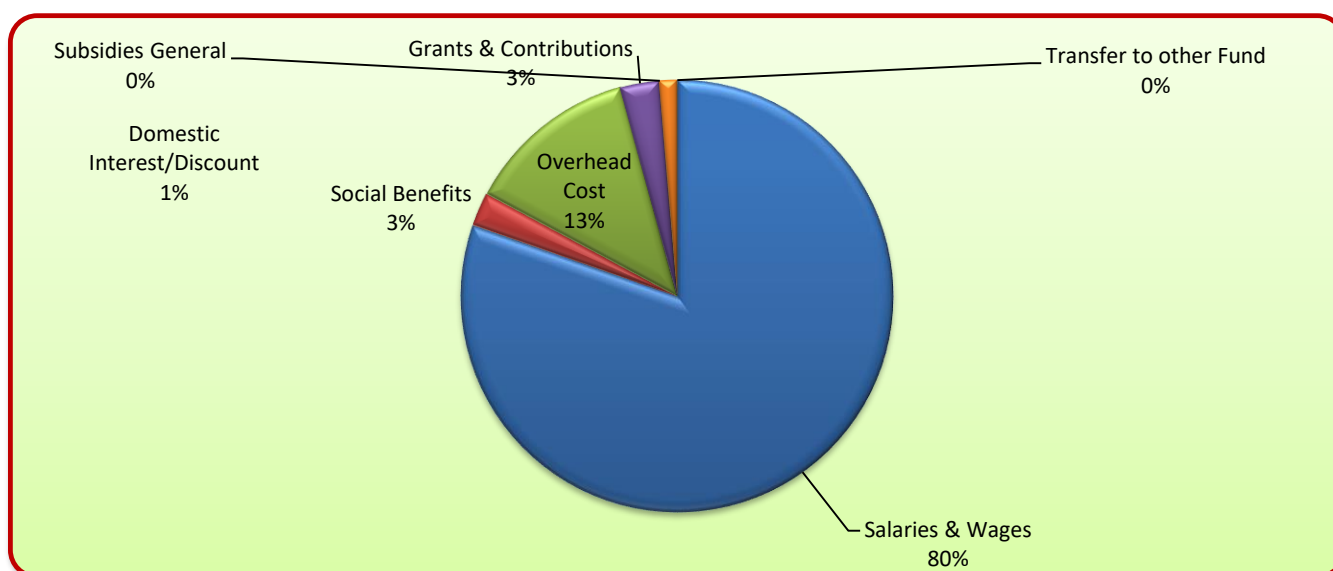
Although there was a total savings of =N=630,823,796.43, we further observed total sum of =N=42,518,283.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	2,876,185,549.43	2,629,559,712.66	246,625,836.77	0.00
Social Benefits	110,197,033.00	81,301,300.02	28,895,732.98	0.00
Overhead Cost	642,510,000.00	424,229,955.23	218,280,044.77	0.00
Grants & Contributions	233,000,000.00	95,977,818.09	137,022,181.91	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,283.09	0.00	42,518,283.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,861,892,582.43</b>	<b>3,273,587,069.09</b>	<b>630,823,796.43</b>	<b>42,518,283.09</b>





## (2). Capital

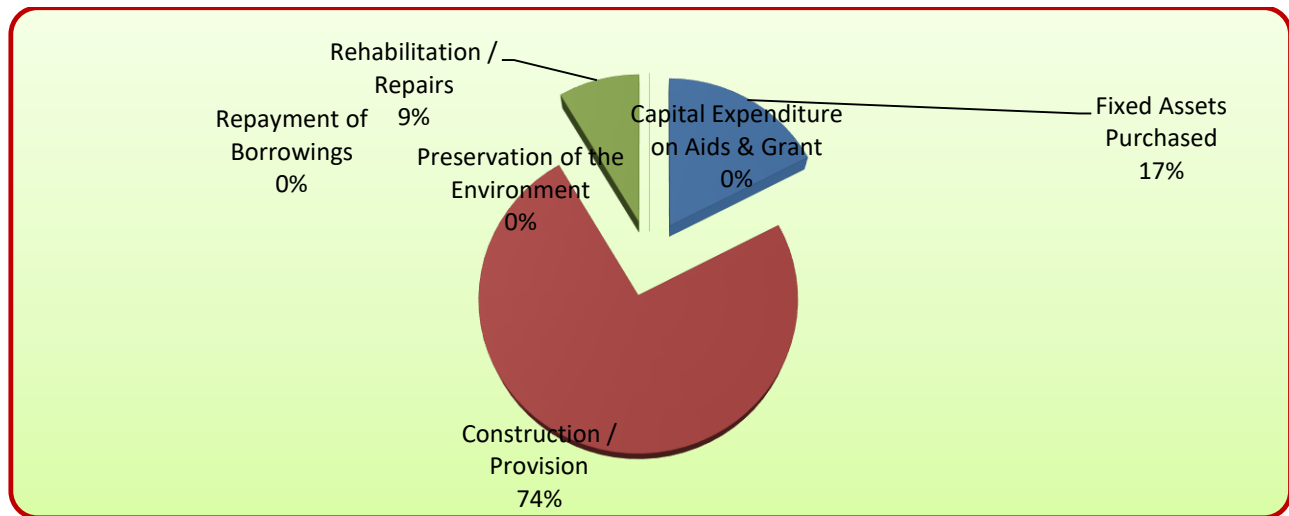
### **Observation:**

Savings: =N=2,611,978,735.44

The Council was observed to have projected a total of =N=2,933,800,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=321,821,264.56 was spent in the execution of projects. This indicates a savings of =N=2,611,978,735.44 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	847,500,000.00	56,067,739.86	791,432,260.14	0.00
Construction / Provision	1,476,500,000.00	238,286,087.39	1,238,213,912.61	0.00
Rehabilitation / Repairs	500,000,000.00	27,467,437.31	472,532,562.69	0.00
Preservation of the Env.	109,800,000.00	0.00	109,800,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,933,800,000.00</b>	<b>321,821,264.56</b>	<b>2,611,978,735.44</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

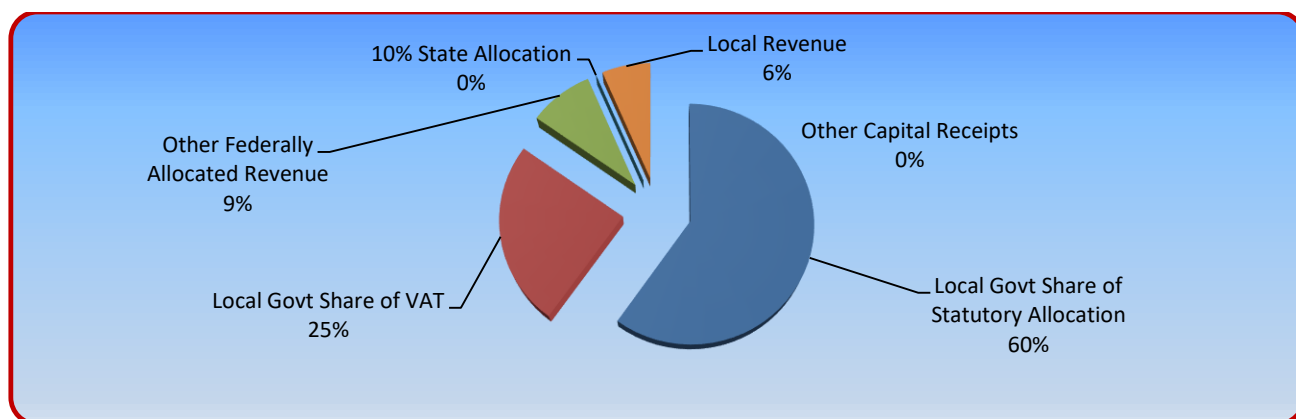
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

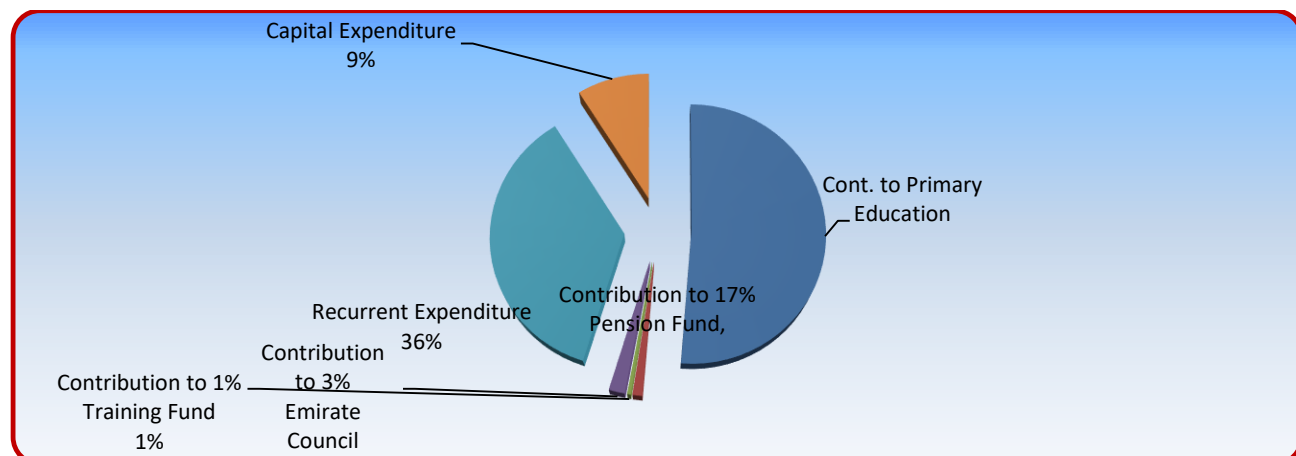
**TOTAL REVENUE: =N= 2,744,048,539.11**

Local Govt Share of Statutory Allocation	1,643,020,517.27
Local Govt Share of VAT	682,015,112.49
Other Federally Allocated Revenue	239,332,819.87
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	179,680,089.48
<b>Total</b>	<b>2,744,048,539.11</b>



**TOTAL EXPENDITURE: =N= 3,595,408,333.65**

Cont. to Primary Education	1,844,975,645.96
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	14,905,554.70
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	1,305,296,777.51
Capital Expenditure	321,821,264.56
<b>Total</b>	<b>3,595,408,333.65</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

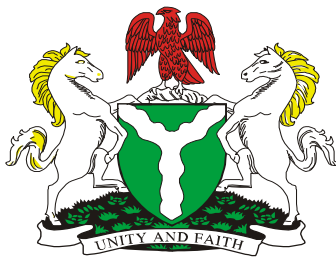
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **KARAYE LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KARAYE LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Karaye Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statue is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Balarabelsyaku	Executive Chairman
2	Alh.Salisulnusa	Vice Chairman
3	Alh.YauAliyuDederi	Local Government Secretary
4	Alh. Mustapha AliyuKiru	Director Personnel Management
5	Alh.Ubale Ibrahim Lakwaya	Treasurer
6	Alh. Musa Kallamu	C.P.O
7	Alh.BalaWakiliDoka	HOD Community
8	Alh.LawanYahayaGetso	HOD Medical & Health
9	Alh. Ibrahim Khalil Musa	HOD Agric
10	Alh.SalisuHarunaDanguda	HOD Works & Housing
11	Alh.AbdulazizSarki	HOD PRS
12	Alh.Nasiru Sale	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	30,490,434.71	1,257,733,861.99
Local Revenue	88,022,595.61	5,716,306.22
Statutory Allocation	1,718,013,361.55	1,788,003,498.80
<b>Resource Available</b>	<b>1,836,526,391.87</b>	<b>3,051,453,667.01</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,583,282,989.25	1,314,045,661.46
Capital Expenditure	184,026,668.31	82,459,179.86
<b>Total Expenditure</b>	<b>1,767,309,657.56</b>	<b>1,396,504,841.32</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>69,216,734.31</b>	<b>1,654,948,825.69</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=69,216,734.31, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=566,051,289.31**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=566,051,289.31 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.0 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=566,051,289.31 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		566,051,289.31
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>566,051,289.31</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>566,051,289.31</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=1,156,144,620.55**

**Observation:**

During the year under review the sum of =N=2,770,384,097.74 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,052,370,736.19 and January to December, 2020 net allocation of =N=1,718,013,361.55. However, we observed that only the total sum of =N=1,614,239,477.19 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=1,156,144,620.55.

1	Opening Balance 1/1/2020		<b>1,052,370,736.19</b>
2	Net Allocation Jan – Dec 2020		1,718,013,361.55
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,770,384,097.74</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,169,505,860.33
	• Salaries & Wages		444,733,616.86
		Total	1,614,239,477.19
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>1,156,144,620.55</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Liquid Assets	8,190,839.33	30,490,434.71
Investments	59,510,206.83	59,510,206.83
Advances	1,722,195,909.87	1,645,434,510.58
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,789,896,956.03</b>	<b>1,735,435,152.12</b>

### **LIABILITIES:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Short term Loan	0.00	0.00
Deposits	96,221,830.74	80,486,326.43
Balance of Assets over Liabilities	1,693,675,125.29	1,654,948,825.69
<b>Total Liabilities</b>	<b>1,789,896,956.03</b>	<b>1,735,435,152.12</b>

The Net Asset of =N=1,693,675,125.29 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=59,510,206.83**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=89,040,126.09**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b><u>REVENUE</u></b>				
Internally Generated Revenue	412,557,000.00	88,022,595.61	324,534,404.39	0.00
Statutory Allocation	2,436,928,225.00	1,718,013,361.55	718,914,863.45	0.00
<b>Total Revenue</b>	<b>2,849,485,225.00</b>	<b>1,806,035,957.16</b>	<b>1,043,449,267.84</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b><u>EXPENDITURE</u></b>				
Recurrent	2,119,899,265.00	1,583,282,989.25	536,616,275.75	0.00
Capital	692,389,475.00	184,026,668.31	508,362,806.69	0.00
<b>Total Expenditure</b>	<b>2,812,288,740.00</b>	<b>1,767,309,657.56</b>	<b>1,044,979,082.44</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=324,534,404.39

During the period under review, the sum of =N=412,557,000.00 was estimated to be generated from local sources. However, only the sum of =N=88,022,595.61(21%) was actually generated. This indicates a shortfall of =N=324,534,404.39 (79%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	80,000.00	20,000.00	60,000.00	0.00
Non Tax Revenue	64,037,000.00	3,333,921.39	60,703,078.61	0.00
Investment Income	2,440,000.00	402,000.00	2,038,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	5,000,000.00	0.00	5,000,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,266,674.22	256,733,325.78	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>412,557,000.00</b>	<b>88,022,595.61</b>	<b>324,534,404.39</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.



## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=784,724,900.34

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,436,928,225.00 as against the actual figure of =N=1,718,013,361.55. Thus showing a shortfall of =N=784,724,900.34 (30%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,707,410,298.00	1,093,493,988.91	613,916,309.09	0.00
Local Govt Share of VAT	398,275,386.00	464,085,422.89	0.00	65,810,036.89
Other Fed. Allocated Revenue	262,242,541.00	160,433,949.75	101,808,591.25	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,436,928,225.00</b>	<b>1,718,013,361.55</b>	<b>784,724,900.34</b>	<b>65,810,036.89</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,119,899,265.00 in the approved Estimates during the year but incurred an expenditure of =N=1,583,282,989.25.

#### **Observation:**

Over =N=42,518,132.09

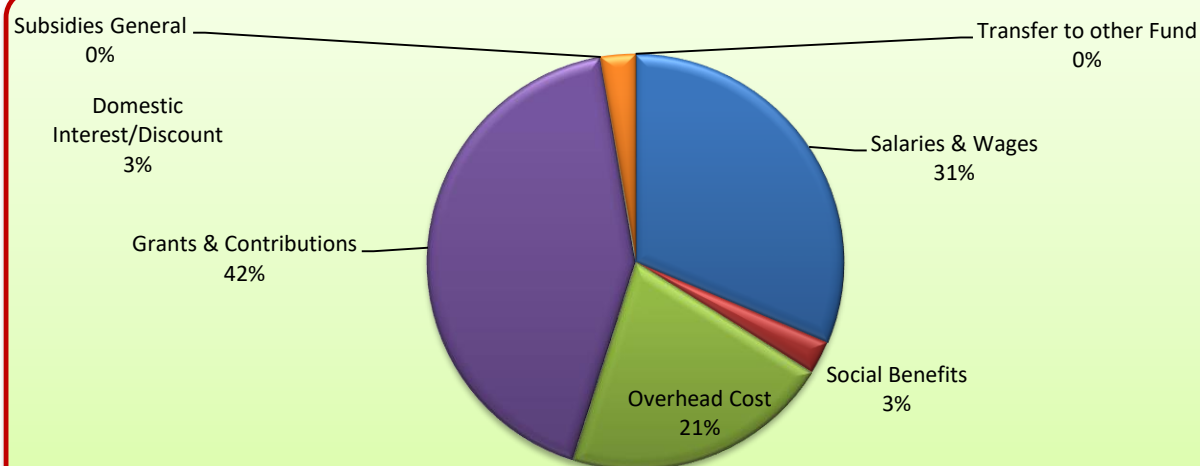
Although there was a total savings of =N=579,134,407.84, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	727,812,769.00	496,278,790.65	231,533,978.35	0.00
Social Benefits	111,000,000.00	40,909,090.92	70,090,909.08	0.00
Overhead Cost	579,625,724.00	331,795,284.72	247,830,439.28	0.00
Grants & Contributions	701,460,772.00	671,781,690.87	29,679,081.13	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,119,899,265.00</b>	<b>1,583,282,989.25</b>	<b>579,134,407.84</b>	<b>42,518,132.09</b>



## (2). Capital

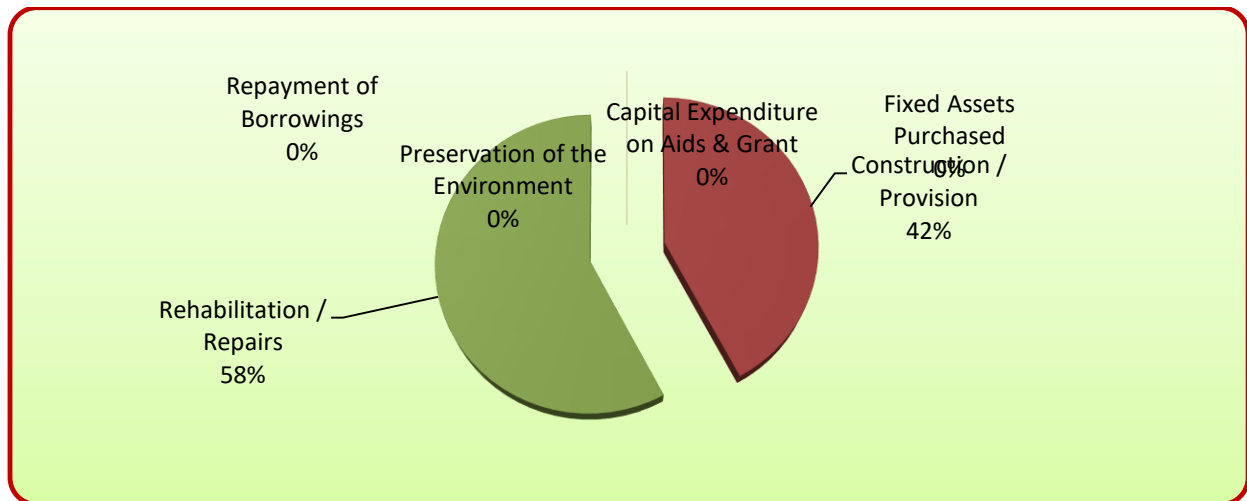
### **Observation:**

Savings: =N=508,362,806.69

The Council was observed to have projected a total of =N=692,389,475.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=184,026,668.31 was spent in the execution of projects. This indicates a savings of =N=508,362,806.69 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	6,000,000.00	0.00	6,000,000.00	0.00
Construction / Provision	290,389,475.00	77,578,950.91	212,810,524.09	0.00
Rehabilitation / Repairs	396,000,000.00	106,447,717.40	289,552,282.60	0.00
Preservation of the Env.	0.00	0.00	0.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>692,389,475.00</b>	<b>184,026,668.31</b>	<b>508,362,806.69</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

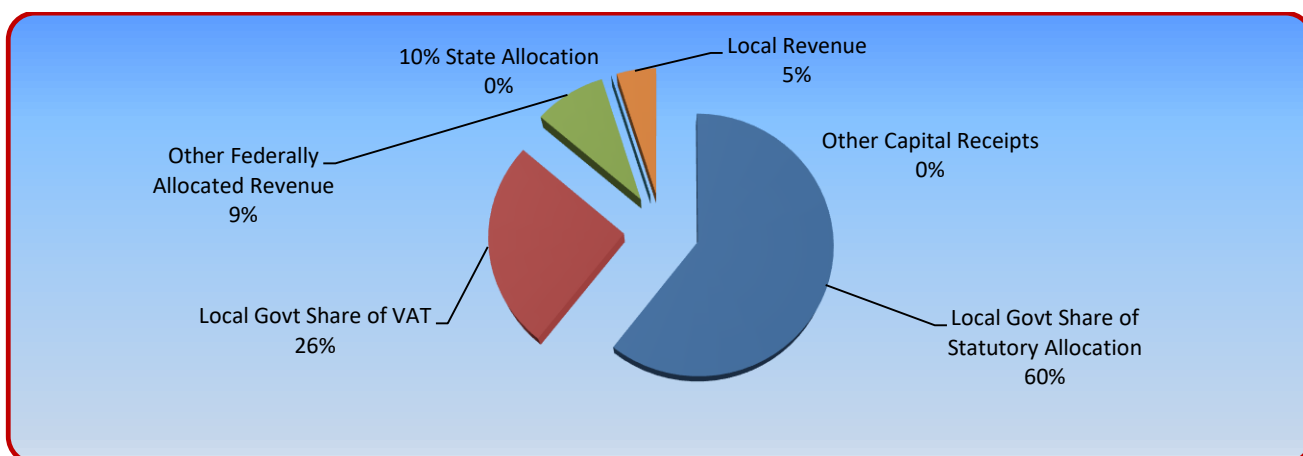
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

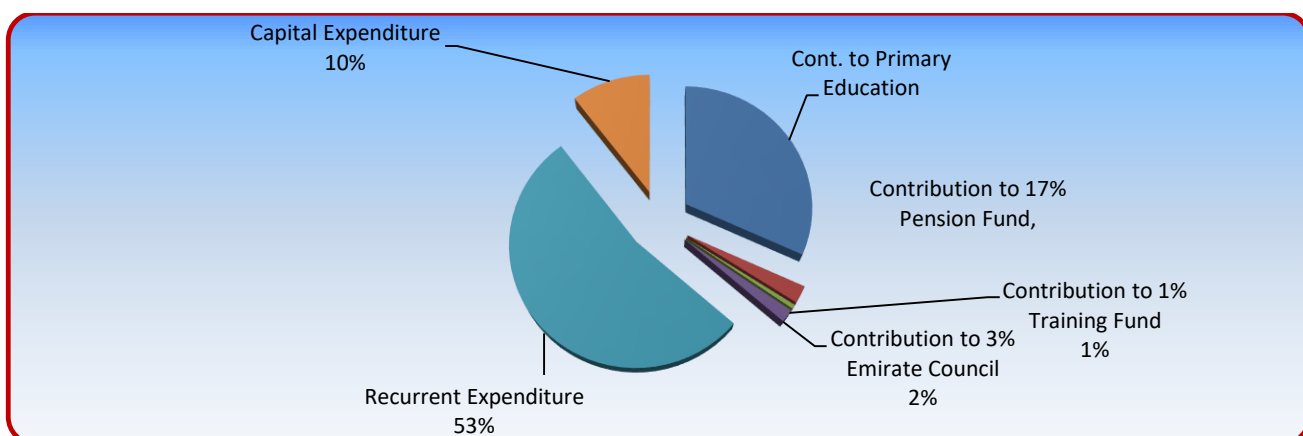
### **TOTAL REVENUE: =N=1,806,035,957.16**

Local Govt Share of Statutory Allocation	1,093,493,988.91
Local Govt Share of VAT	464,085,422.89
Other Federally Allocated Revenue	160,433,949.75
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	88,022,595.61
<b>Total</b>	<b>1,806,035,957.16</b>



### **TOTAL EXPENDITURE: =N=1,767,309,657.56**

Cont. to Primary Education	561,427,144.58
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	9,958,771.56
Contribution to 3% Emirate Council	30,000,000.00
Recurrent Expenditure	940,987,982.19
Capital Expenditure	184,026,668.31
<b>Total</b>	<b>1,767,309,657.56</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

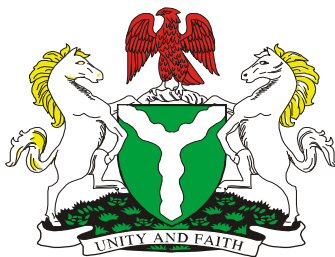
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **KIBIYA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KIBIYA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Kibiya Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.AlkasimAbdullahiShike	Executive Chairman
2	Alh.KabiruShehuKibiya	Vice Chairman
3	Alh.AuwaluSabiukibiya	Local Government Secretary
4	Alh. Ibrahim AdamuFanda	Director Personnel Management
5	Alh. Mustapha Sheriff Anwar	Treasurer
6	Alh.AbdussalamAbdulkarim	C.P.O
7	Alh. Sabo Ado Rano	HOD Community
8	Alh.SaiduMadaki	HOD Medical & Health
9	Alh.JibrinSafiyanuKachako	HOD Agric
10	Alh. Ahmed Ali Yakasai	HOD Works & Housing
11	Alh.Dahiru Musa Ungogo	HOD PRS
12	Alh.Ameen Sheriff Kabara	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	14,890,188.94	2,456,755,742.95
Local Revenue	86,304,189.64	1,985,623.29
Statutory Allocation	1,724,487,877.20	1,796,814,475.32
<b>Resource Available</b>	<b>1,825,682,255.78</b>	<b>4,255,555,841.56</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,527,698,368.93	1,287,938,208.60
Capital Expenditure	262,476,495.40	33,032,625.00
<b>Total Expenditure</b>	<b>1,790,174,864.33</b>	<b>1,320,970,833.60</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>35,507,391.45</b>	<b>2,934,585,007.96</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=35,507,391.45, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=615,825,616.46**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=615,825,616.46 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=615,825,616.46 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		615,825,616.46
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>615,825,616.46</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>615,825,616.46</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=2,292,063,955.55**

**Observation:**

During the year under review the sum of =N=3,990,478,608.20 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=2,265,990,731.00 and January to December, 2020 net allocation of =N=1,724,487,877.20. However, we observed that only the total sum of =N=1,698,414,652.65 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=2,292,063,955.55.

1	Opening Balance 1/1/2020		<b>2,265,990,731.00</b>
2	Net Allocation Jan – Dec 2020		1,724,487,877.20
3	<b>Total</b>	<b>3=(1+2)</b>	<b>3,990,478,608.20</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,256,772,572.02
	• Salaries & Wages		441,642,080.63
		Total	1,698,414,652.65
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>2,292,063,955.55</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Liquid Assets	12,014,203.36	14,890,188.94
Investments	47,927,040.82	47,927,040.82
Advances	2,943,876,234.36	2,917,803,009.81
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>3,003,817,478.54</b>	<b>2,980,620,239.57</b>

### **LIABILITIES:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Short term Loan	0.00	0.00
Deposits	48,915,268.07	46,035,231.61
Balance of Assets over Liabilities	2,954,902,210.47	2,934,585,007.96
<b>Total Liabilities</b>	<b>3,003,817,478.54</b>	<b>2,980,620,239.57</b>

The Net Asset of =N=2,954,902,210.47 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

(1) Investments =N=47,927,040.82

### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]Personal Advances: =N=3,698,190.91

### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=3,698,190.91.

### **Recommendation**

**Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.**

[b]. Impersonal (Others): =N=32,288,471.44

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=32,288,471.44 remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=41,561,847.07**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.



## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	535,408,000.00	86,304,189.64	449,103,810.36	0.00
Statutory Allocation	2,559,337,928.80	1,724,487,877.20	834,850,051.60	0.00
<b>Total Revenue</b>	<b>3,094,745,928.80</b>	<b>1,810,792,066.84</b>	<b>1,283,953,861.96</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	1,869,418,728.83	1,527,698,368.93	341,720,359.90	0.00
Capital	930,252,957.26	262,476,495.40	667,776,461.86	0.00
<b>Total Expenditure</b>	<b>2,799,671,686.09</b>	<b>1,790,174,864.33</b>	<b>1,009,496,821.76</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=449,103,810.36

During the period under review, the sum of =N=535,408,000.00 was estimated to be generated from local sources. However, only the sum of =N=86,304,189.64 (16%) was actually generated. This indicates a shortfall of =N=449,103,810.36 (84%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	270,000.00	0.00	270,000.00	0.00
Non Tax Revenue	192,138,000.00	1,628,153.83	190,509,846.17	0.00
Investment Income	1,000,000.00	422,270.00	577,730.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,253,765.81	256,746,234.19	0.00
Extraordinary Items	1,000,000.00	0.00	1,000,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>535,408,000.00</b>	<b>86,304,189.64</b>	<b>449,103,810.36</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

**Shortfall: =N=898,813,093.69**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,559,337,928.80 as against the actual figure of =N=1,724,487,877.20. Thus showing a shortfall of =N=898,813,093.69 (33%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,831,985,759.10	1,103,559,433.18	728,426,325.92	0.00
Local Govt Share of VAT	395,860,562.70	459,823,604.79	0.00	63,963,042.09
Other Fed. Allocated Revenue	262,491,607.00	161,104,839.23	101,386,767.77	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,559,337,928.80</b>	<b>1,724,487,877.20</b>	<b>898,813,093.69</b>	<b>63,963,042.09</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=1,869,418,728.83 in the approved Estimates during the year but incurred an expenditure of =N=1,527,698,368.93.

#### **Observation:**

Over =N=42,518,132.09

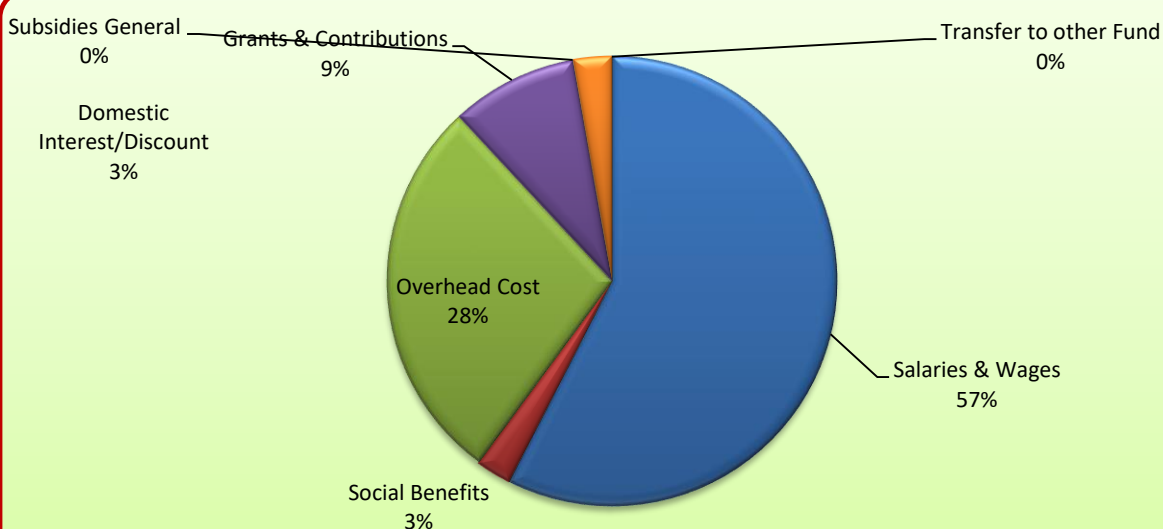
Although there was a total savings of =N=384,238,491.99, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,050,496,728.83	878,620,528.21	171,876,200.62	0.00
Social Benefits	64,700,000.00	39,409,908.10	25,290,091.90	0.00
Overhead Cost	604,022,000.00	427,983,319.54	176,038,680.46	0.00
Grants & Contributions	150,200,000.00	139,166,480.99	11,033,519.01	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,869,418,728.83</b>	<b>1,527,698,368.93</b>	<b>384,238,491.99</b>	<b>42,518,132.09</b>



## (2). Capital

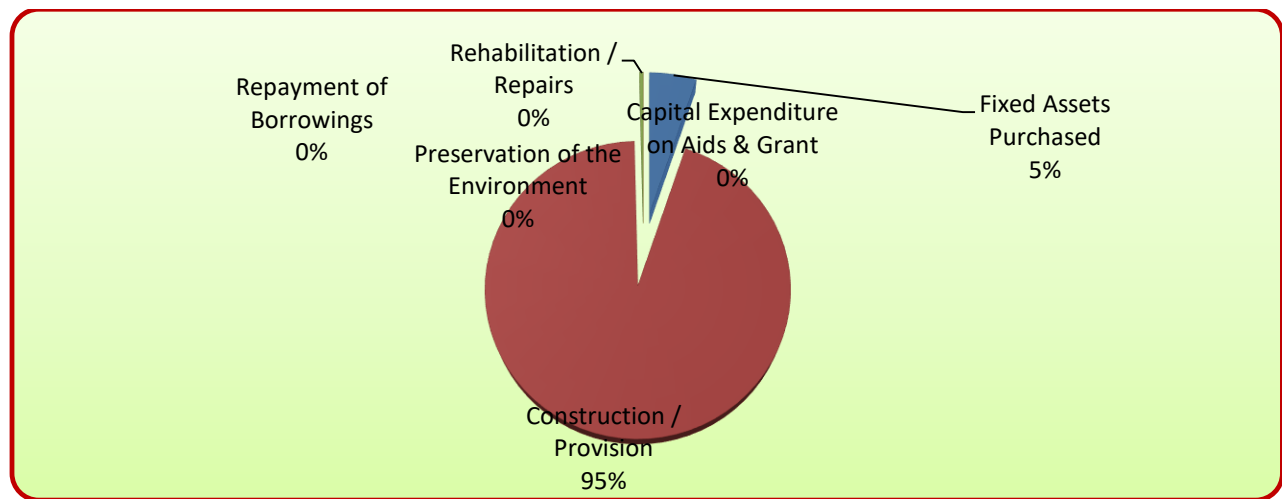
### **Observation:**

Savings: =N=667,776,461.86

The Council was observed to have projected a total of =N=930,252,957.26 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=262,476,495.40 was spent in the execution of projects. This indicates a savings of =N=667,776,461.86 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	64,000,000.00	13,545,454.51	50,454,545.49	0.00
Construction / Provision	754,750,000.00	247,905,490.89	506,844,509.11	0.00
Rehabilitation / Repairs	94,750,000.00	1,025,550.00	93,724,450.00	0.00
Preservation of the Env.	16,752,957.26	0.00	16,752,957.26	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>930,252,957.26</b>	<b>262,476,495.40</b>	<b>667,776,461.86</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

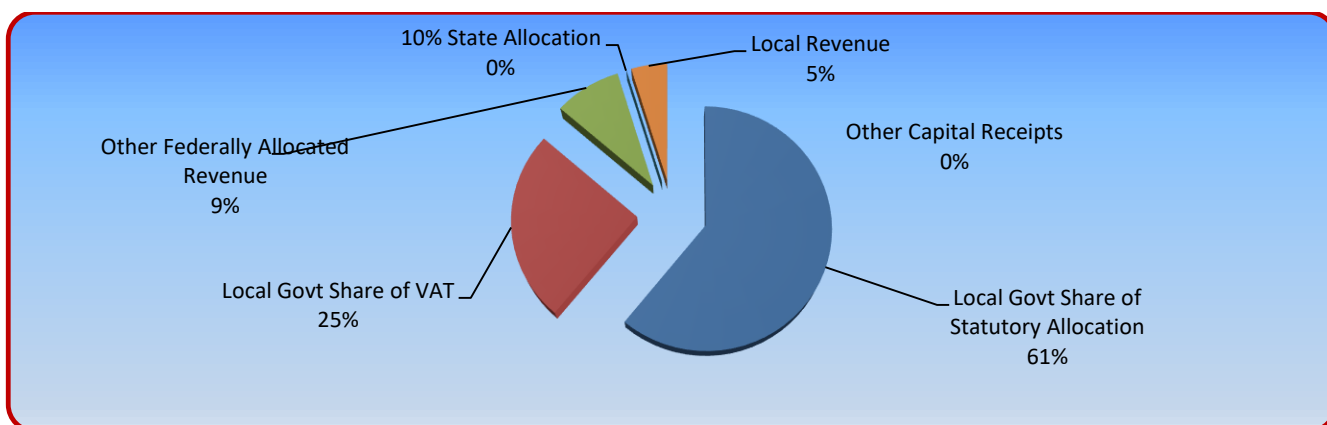
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

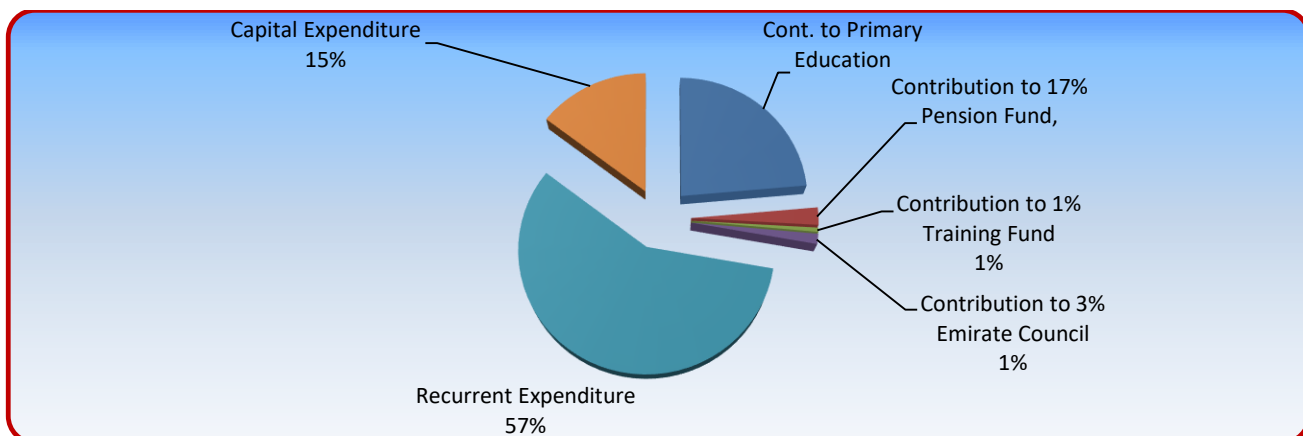
**TOTAL REVENUE: =N=1,810,792,066.84**

Local Govt Share of Statutory Allocation	1,103,559,433.18
Local Govt Share of VAT	459,823,604.79
Other Federally Allocated Revenue	161,104,839.23
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	86,304,189.64
<b>Total</b>	<b>1,810,792,066.84</b>



**TOTAL EXPENDITURE: =N=1,790,174,864.33**

Cont. to Primary Education	422,433,168.52
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,000,466.42
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	1,030,355,643.07
Capital Expenditure	262,476,495.40
<b>Total</b>	<b>1,790,174,864.33</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **KIRU LOCAL GOVERNMENT COUNCIL**





**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KIRU LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended)require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts ofKiru Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statue is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.SalisulsyakuDangora	Executive Chairman
2	Alh.Abdullahi Bello Kiru	Vice Chairman
3	Alh.MagajildrisKiru	Local Government Secretary
4	Alh.Hudu Ben SulaimanDandalama	Director Personnel Management
5	Alh.SalisuLabaran Kura	Treasurer
6	Alh.DanwadaMagaji	C.P.O
7	Alh.AbdulrazakAdamu U/Gini	HOD Community
8	Alh. Abdurrahman Garba	HOD Medical & Health
9	Alh.SaniIshaqSaleh	HOD Agric
10	Alh.Magaji I. Ungogo	HOD Works & Housing
11	Alh.BalarabeAkilu	HOD PRS
12	Alh.Garbalsah	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	27,123,062.16	4,016,818,724.73
Local Revenue	87,299,868.34	1,691,410.00
Statutory Allocation	2,214,987,915.68	2,311,329,494.25
<b>Resource Available</b>	<b>2,329,410,846.18</b>	<b>6,329,839,628.98</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,914,258,549.22	1,571,709,424.88
Capital Expenditure	154,207,192.58	169,983,826.20
<b>Total Expenditure</b>	<b>2,068,465,741.80</b>	<b>1,741,693,251.08</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>260,945,104.38</b>	<b>2,858,619,003.96</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=260,945,104.38, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=687,619,187.04**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=687,619,187.04 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=687,619,187.04 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		687,619,187.04
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>687,619,187.04</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>687,619,187.04</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=4,102,194,606.99**

**Observation:**

During the year under review the sum of =N=6,060,068,876.82 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=3,845,080,961.13 and January to December, 2020 net allocation of =N=2,214,987,915.69. However, we observed that only the total sum of =N=1,957,874,269.83 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=4,102,194,606.99.

1	Opening Balance 1/1/2020		<b>3,845,080,961.13</b>
2	Net Allocation Jan – Dec 2020		2,214,987,915.69
3	<b>Total</b>	<b>3=(1+2)</b>	<b>6,060,068,876.82</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,330,570,746.72
	• Salaries & Wages		627,303,523.11
		Total	1,957,874,269.83
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>4,102,194,606.99</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Liquid Assets	6,440,297.13	27,123,062.16
Investments	48,727,040.82	48,727,040.82
Advances	4,862,211,807.03	4,587,898,161.17
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>4,917,379,144.98</b>	<b>4,663,748,264.15</b>

### **LIABILITIES:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Short term Loan	0.00	0.00
Deposits	95,410,724.86	75,601,886.25
Balance of Assets over Liabilities	4,821,968,420.12	4,588,146,377.90
<b>Total Liabilities</b>	<b>4,917,379,144.98</b>	<b>4,663,748,264.15</b>

The Net Asset of =N=4,821,968,420.12 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=48,727,040.82**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[b]. Impersonal (Others): =N=72,398,013.00

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=72,398,013.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=55,635,363.79**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	418,927,361.25	87,299,868.34	331,627,492.91	0.00
Statutory Allocation	2,559,514,005.16	2,214,987,915.68	344,526,089.48	0.00
<b>Total Revenue</b>	<b>2,978,441,366.41</b>	<b>2,302,287,784.02</b>	<b>676,153,582.39</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	1,860,514,280.33	1,914,258,549.22	0.00	53,744,268.89
Capital	835,000,000.00	154,207,192.58	680,792,807.42	0.00
<b>Total Expenditure</b>	<b>2,695,514,280.33</b>	<b>2,068,465,741.80</b>	<b>680,792,807.42</b>	<b>53,744,268.89</b>

### **REVENUE:**

#### **✚ (1).Internally Generated Revenue**

##### **Observation:**

Shortfall: =N=331,627,492.91

During the period under review, the sum of =N=418,927,361.25 was estimated to be generated from local sources. However, only the sum of =N=87,299,868.34(21%) was actually generated. This indicates a shortfall of =N=331,627,492.91 (79%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	750,000.00	0.00	750,000.00	0.00
Non Tax Revenue	62,177,361.25	881,102.56	61,296,258.69	0.00
Investment Income	7,500,000.00	2,162,000.00	5,338,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	6,250,000.00	0.00	6,250,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,256,765.78	256,743,234.22	0.00
Extraordinary Items	1,250,000.00	0.00	1,250,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>418,927,361.25</b>	<b>87,299,868.34</b>	<b>331,627,492.91</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=510,419,017.68

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,559,514,005.16 as against the actual figure of =N=2,214,987,915.68. Thus showing a shortfall of =N=510,419,017.68 (13%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,865,143,468.32	1,423,724,450.64	441,419,017.68	0.00
Local Govt Share of VAT	555,362,240.89	584,413,844.24	0.00	29,051,603.35
Other Fed. Allocated Revenue	70,008,295.95	206,849,620.80	0.00	136,841,324.85
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,559,514,005.16</b>	<b>2,214,987,915.68</b>	<b>510,419,017.68</b>	<b>165,892,928.20</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=1,860,514,280.33 in the approved Estimates during the year but incurred an expenditure of =N=1,914,258,549.22.

#### **Observation:**

Over =N=174,048,110.32

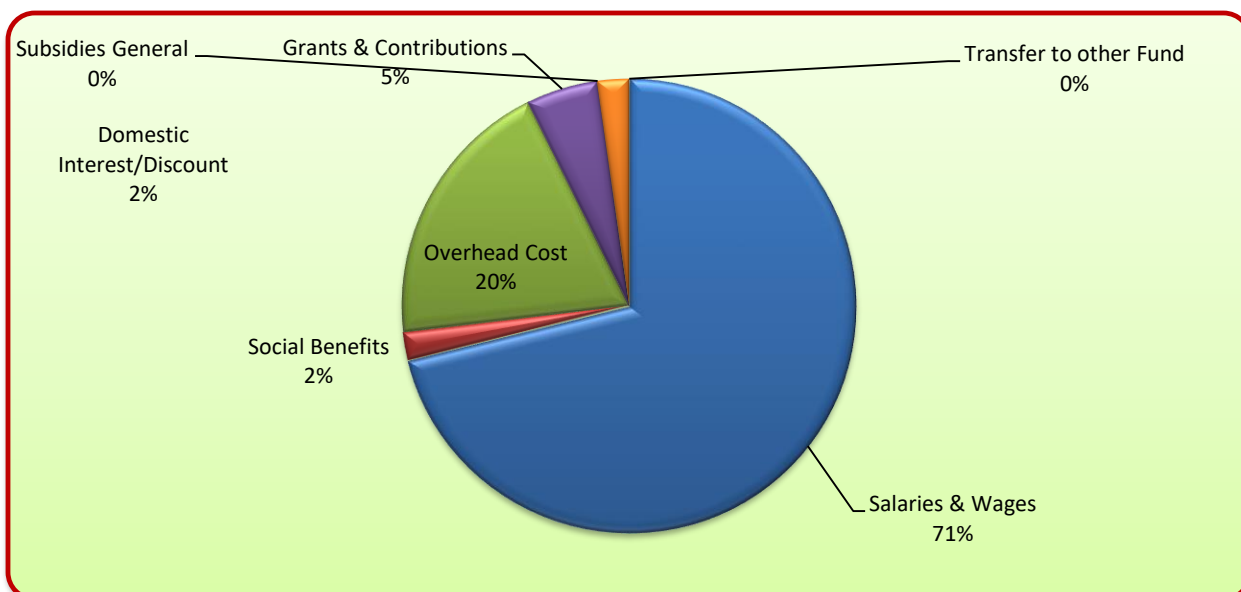
Although there was a total savings of =N=120,303,841.43, we further observed total sum of =N=174,048,110.32 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,230,864,280.33	1,362,394,258.59	0.00	131,529,978.26
Social Benefits	45,000,000.00	37,500,000.01	7,499,999.99	0.00
Overhead Cost	481,650,000.00	374,007,249.42	107,642,750.58	0.00
Grants & Contributions	103,000,000.00	97,838,909.14	5,161,090.86	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.06	0.00	42,518,132.06
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,860,514,280.33</b>	<b>1,914,258,549.22</b>	<b>120,303,841.43</b>	<b>174,048,110.32</b>



## (2). Capital

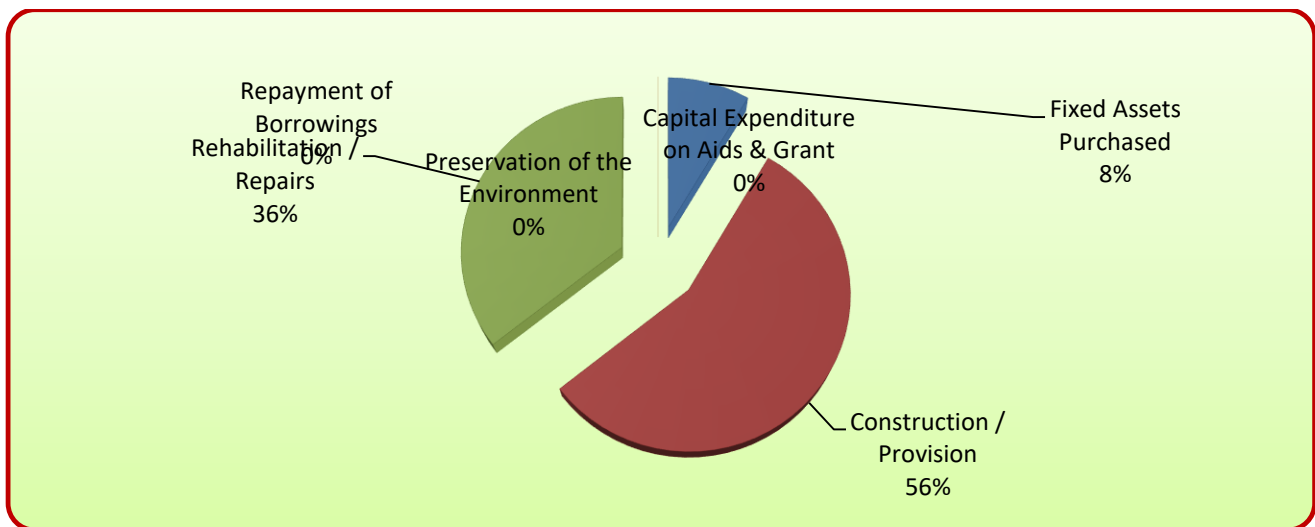
### **Observation:**

Savings: =N=680,792,807.42

The Council was observed to have projected a total of =N=835,000,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=154,207,192.58 was spent in the execution of projects. This indicates a savings of =N=680,792,807.42 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	85,000,000.00	13,084,171.61	71,915,828.39	0.00
Construction / Provision	607,000,000.00	86,195,973.73	520,804,026.27	0.00
Rehabilitation / Repairs	123,000,000.00	54,927,047.24	68,072,952.76	0.00
Preservation of the Env.	20,000,000.00	0.00	20,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>835,000,000.00</b>	<b>154,207,192.58</b>	<b>680,792,807.42</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

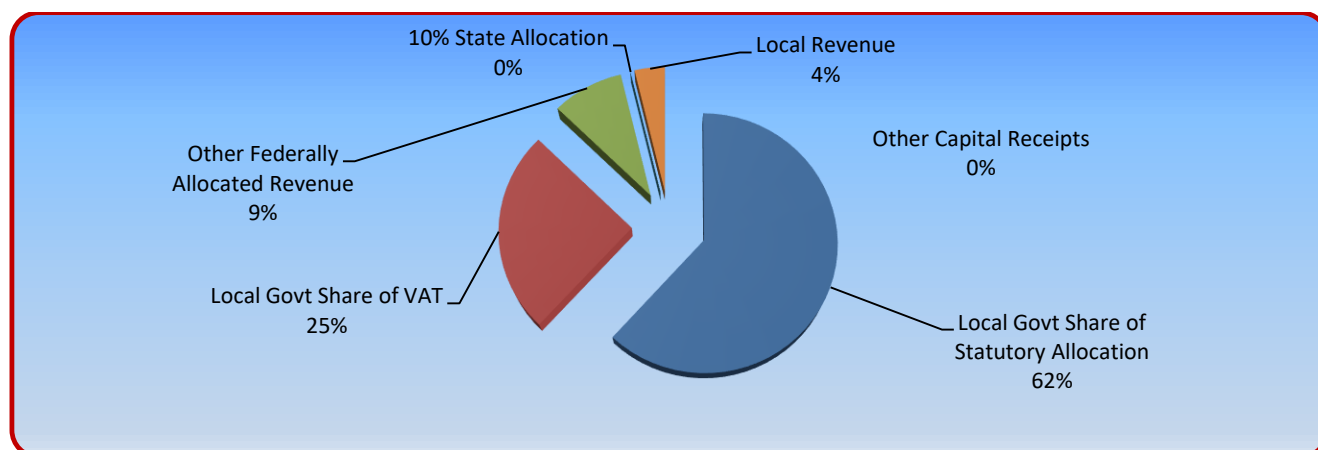
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

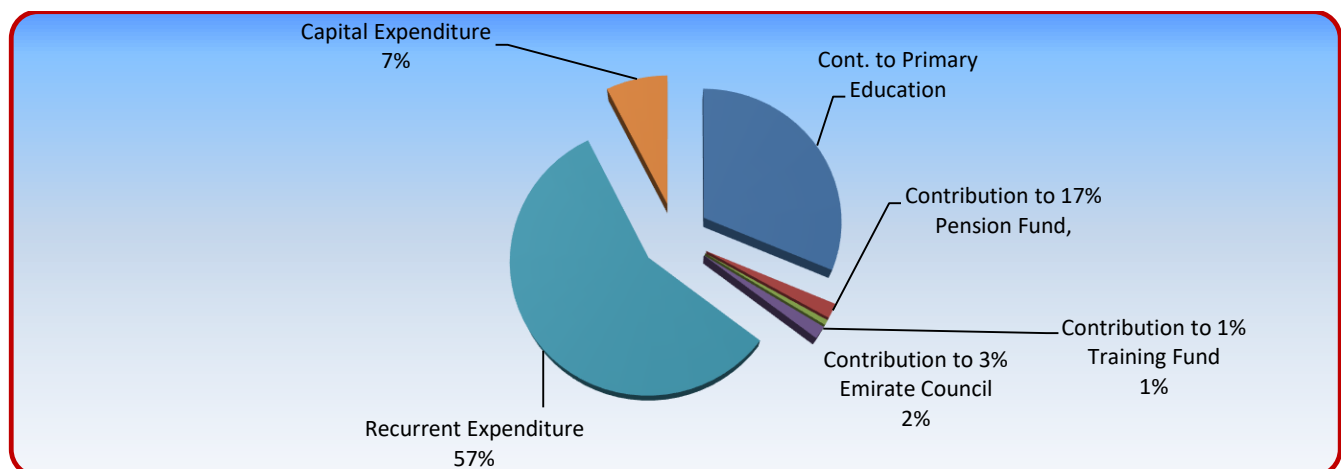
### TOTAL REVENUE: =N=2,302,287,784.02

Local Govt Share of Statutory Allocation	1,423,724,450.64
Local Govt Share of VAT	584,413,844.24
Other Federally Allocated Revenue	206,849,620.80
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	87,299,868.34
<b>Total</b>	<b>2,302,287,784.02</b>



### TOTAL EXPENDITURE: =N=2,068,465,741.80

Cont. to Primary Education	649,259,937.48
Contribution to 17% Pension Fund	37,500,000.01
Contribution to 1% Training Fund	12,868,455.95
Contribution to 3% Emirate Council	32,500,000.00
Recurrent Expenditure	1,182,130,155.78
Capital Expenditure	154,207,192.58
<b>Total</b>	<b>2,068,465,741.80</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

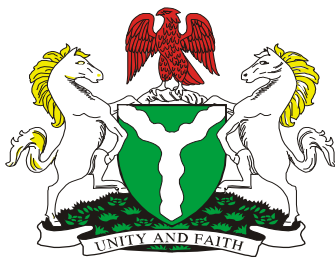
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **KUMBOTSO LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KUMBOTSO LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Kumbotso Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Hassan Garba	Executive Chairman
2	Alh.Shamsu A. Saidu	Vice Chairman
3	Alh.YahayaBalaChalawa	Local Government Secretary
4	Haj.Umma Abbas Sunusi	Director Personnel Management
5	Alh. Abba Saidu	Treasurer
6	Alh.AbdullahiBalaBunkure	C.P.O
7	Alh.Nasiru Ibrahim	HOD Community
8	Alh.UsainiAdamu	HOD Medical & Health
9	Alh.YahayaYaro	HOD Agric
10	Alh.Danjuma Z. Dambatta	HOD Works & Housing
11	Alh.Sulaiman Wada Adamu	HOD PRS
12	Alh. Muhammad Usman	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	29,938,048.60	-2,783,105,633.96
Local Revenue	157,120,390.44	90,051,241.00
Statutory Allocation	2,281,826,918.53	2,377,075,866.26
<b>Resource Available</b>	<b>2,468,885,357.57</b>	<b>-315,978,526.70</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,778,363,748.00	2,781,787,713.53
Capital Expenditure	446,368,163.96	122,252,827.21
<b>Total Expenditure</b>	<b>3,224,731,911.96</b>	<b>2,904,040,540.74</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-755,846,554.39</b>	<b>-3,220,019,067.44</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=755,846,554.39, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=569,649,367.43**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=569,649,367.43 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=569,649,367.43 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		569,649,367.43
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>569,649,367.43</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>569,649,367.43</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(4,405,434,022.56)**

**Observation:**

During the year under review the negative sum of =N=3,586,148,031.00 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=2,281,826,918.53 was recorded in the Council books of account. However, =N=2,259,681,777.04 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=841,431,133.05 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=4,405,434,022.56 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-3,586,148,031.00</b>
2	Net Allocation Jan – Dec 2020		2,281,826,918.53
3	<b>Total</b>	<b>3=(1+2)</b>	<b>-1,304,321,112.47</b>
4	Actual Amount Released:		
	• Releases through LG Bank		2,259,681,777.04
	• Salaries & Wages		841,431,133.05
		Total	3,101,112,910.09
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-4,405,434,022.56</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Liquid Assets	10,575,093.89	29,938,048.60
Investments	59,403,896.72	59,403,896.72
Advances	580,349,129.14	580,349,129.14
Balance of Liabilities over Asset	4,005,803,670.43	3,220,019,067.44
<b>Total Assets</b>	<b>4,656,131,790.18</b>	<b>3,889,710,141.90</b>

### **LIABILITIES:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Short term Loan	0.00	0.00
Deposits	4,656,131,790.18	3,889,710,141.90
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>4,656,131,790.18</b>	<b>3,889,710,141.90</b>

The NetLiability of =N=4,005,803,670.43 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=59,403,896.72**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]Personal Advances: =N=2,397,169.00

### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=2,397,169.00

### **Recommendation**

**Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.**

[b]. Impersonal (Others): =N=8,302,592.71

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=8,302,592.71 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=215,226,204.82**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	749,420,000.00	157,120,390.44	592,299,609.56	0.00
Statutory Allocation	5,820,914,153.00	2,281,826,918.53	3,539,087,234.47	0.00
<b>Total Revenue</b>	<b>6,570,334,153.00</b>	<b>2,438,947,308.97</b>	<b>4,131,386,844.03</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	3,138,741,280.23	2,778,363,748.00	360,377,532.23	0.00
Capital	3,054,500,000.00	446,368,163.96	2,608,131,836.04	0.00
<b>Total Expenditure</b>	<b>6,193,241,280.23</b>	<b>3,224,731,911.96</b>	<b>2,968,509,368.27</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=592,299,609.56

During the period under review, the sum of =N=749,420,000.00 was estimated to be generated from local sources. However, only the sum of =N=157,120,390.44 (21%) was actually generated. This indicates a shortfall of =N=592,299,609.56 (79%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	82,000,000.00	12,700,000.00	69,300,000.00	0.00
Non Tax Revenue	239,620,000.00	10,477,154.65	229,142,845.35	0.00
Investment Income	59,500,000.00	15,209,545.00	44,290,455.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	1,000,000.00	0.00	1,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	118,733,690.79	223,266,309.21	0.00
Extraordinary Items	25,000,000.00	0.00	25,000,000.00	0.00
Prep./Arrears of Revenue	300,000.00	0.00	300,000.00	0.00
<b>Totals</b>	<b>749,420,000.00</b>	<b>157,120,390.44</b>	<b>592,299,609.56</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=3,539,087,234.47

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=5,820,914,153.00 as against the actual figure of =N=2,281,826,918.53. Thus showing a shortfall of =N=3,539,087,234.47 (61%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	3,769,859,528.00	1,454,730,696.76	2,315,128,831.24	0.00
Local Govt Share of VAT	1,258,200,000.00	614,158,057.53	644,041,942.47	0.00
Other Fed. Allocated Revenue	702,854,625.00	212,938,164.24	489,916,460.76	0.00
10% State Allocation	90,000,000.00	0.00	90,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>5,820,914,153.00</b>	<b>2,281,826,918.53</b>	<b>3,539,087,234.47</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=3,138,741,280.23 in the approved Estimates during the year but incurred an expenditure of =N=2,778,363,748.00.

#### **Observation:**

Over =N=99,183,764.57

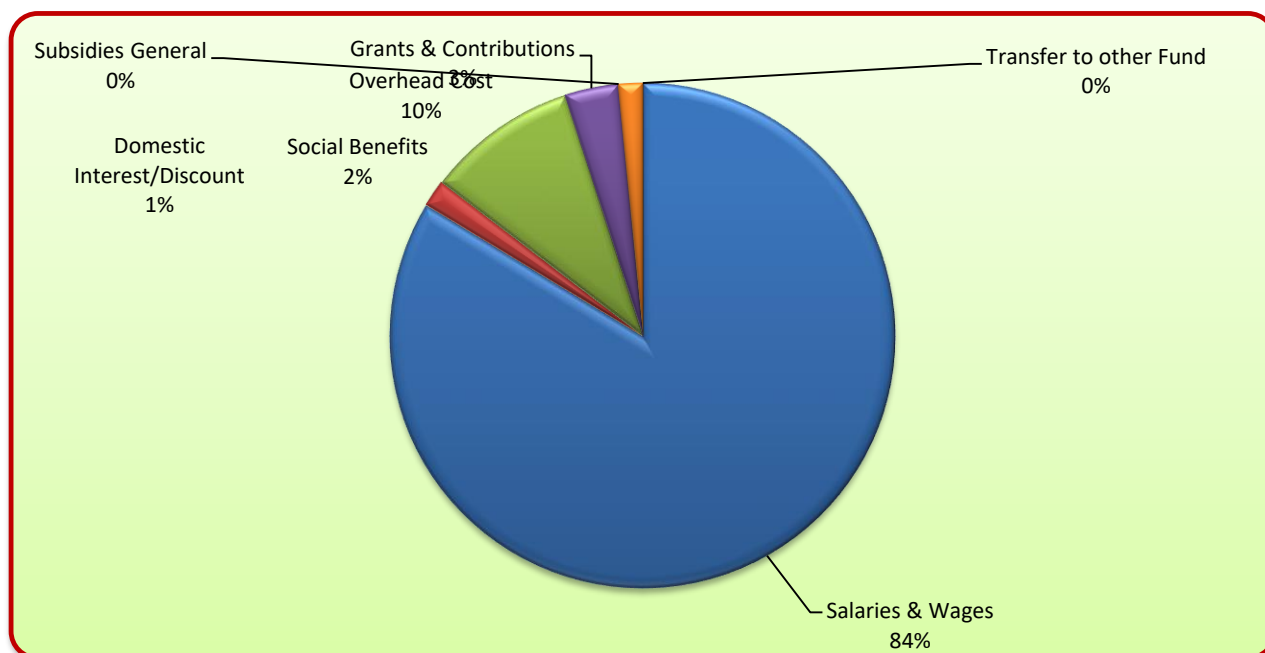
Although there was a total savings of =N=459,561,296.80, we further observed total sum of =N=99,183,764.57 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	2,267,197,062.23	2,323,862,694.75	0.00	56,665,632.52
Social Benefits	50,500,000.00	48,212,408.10	2,287,591.90	0.00
Overhead Cost	646,044,218.00	267,916,112.58	378,128,105.42	0.00
Grants & Contributions	175,000,000.00	95,854,400.52	79,145,599.48	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.05	0.00	42,518,132.05
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,138,741,280.23</b>	<b>2,778,363,748.00</b>	<b>459,561,296.80</b>	<b>99,183,764.57</b>





## (2). Capital

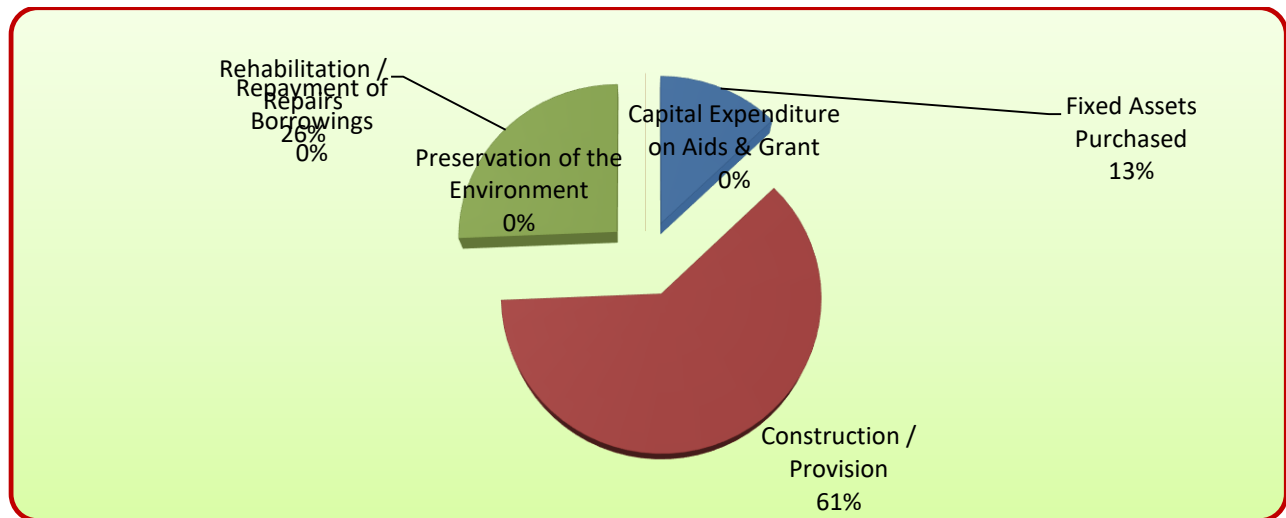
### **Observation:**

Savings: =N=2,608,131,836.04

The Council was observed to have projected a total of =N=3,054,500,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=446,368,163.96 was spent in the execution of projects. This indicates a savings of =N=2,608,131,836.04 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	406,000,000.00	57,046,000.00	348,954,000.00	0.00
Construction / Provision	2,084,500,000.00	274,830,945.99	1,809,669,054.01	0.00
Rehabilitation / Repairs	497,000,000.00	114,491,217.97	382,508,782.03	0.00
Preservation of the Env.	67,000,000.00	0.00	67,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>3,054,500,000.00</b>	<b>446,368,163.96</b>	<b>2,608,131,836.04</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

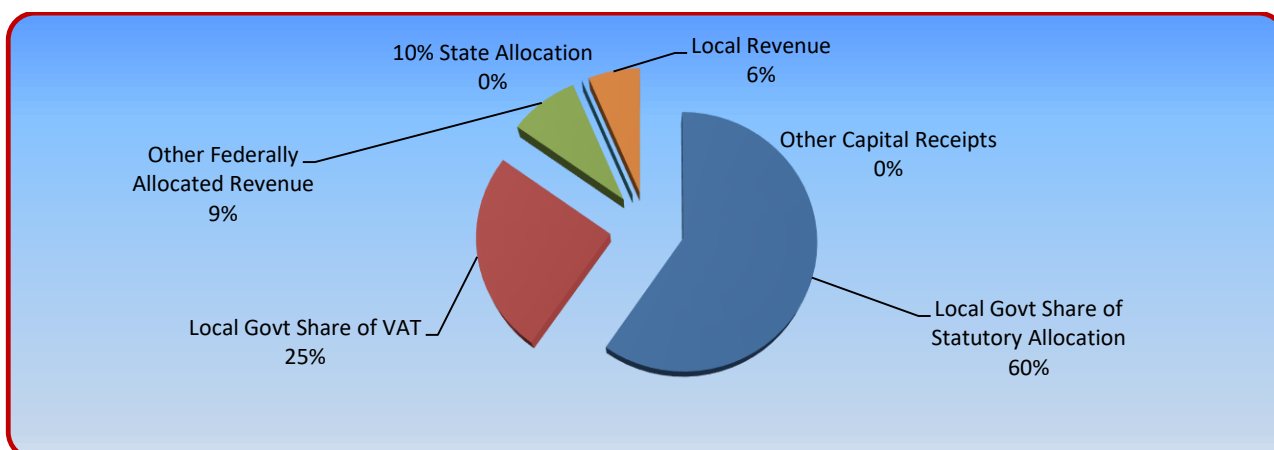
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

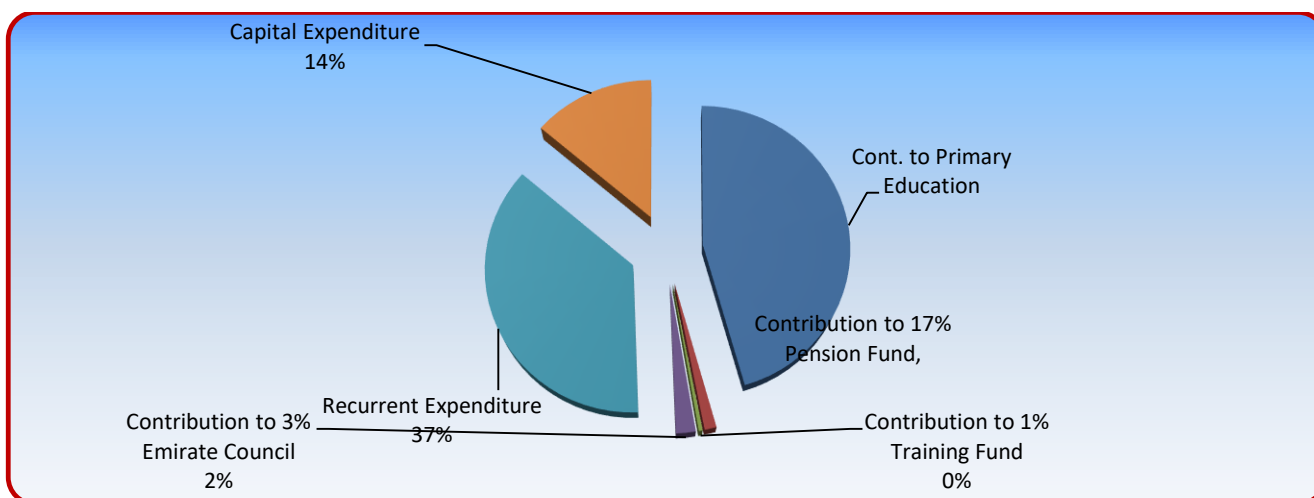
**TOTAL REVENUE: =N=2,438,947,308.97**

Local Govt Share of Statutory Allocation	1,454,730,696.76
Local Govt Share of VAT	614,158,057.53
Other Federally Allocated Revenue	212,938,164.24
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	157,120,390.44
<b>Total</b>	<b>2,438,947,308.97</b>



**TOTAL EXPENDITURE: =N=3,224,731,911.96**

Cont. to Primary Education	1,471,181,110.76
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	13,250,972.85
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	1,185,522,573.47
Capital Expenditure	446,368,163.96
<b>Total</b>	<b>3,224,731,911.96</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

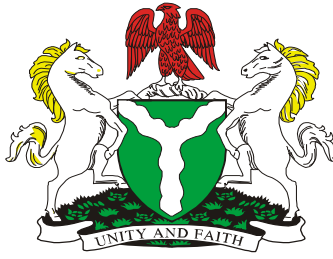
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **KUNCHI LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KUNCHI LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Kunchi Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statue is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Aminu Idi Shuwaki	Executive Chairman
2	Alh. Bashir Shuaibu	Vice Chairman
3	Alh.AbdullahiHabu	Local Government Secretary
4	Alh.AminuAbdullahiYankaba	Director Personnel Management
5	Alh.Abdullahi M. Zubairu	Treasurer
6	Alh.GarbaDayyabu	C.P.O
7	Alh.DasukiAbdullahi	HOD Community
8	Alh. Muhammad Saleh	HOD Medical & Health
9	Alh.SunusiYargwanda	HOD Agric
10	Alh.RabiuHamza D/Zabuwa	HOD Works & Housing
11	Alh.Murtala Muhammad Yako	HOD PRS
12	Alh.SalisuBabangida	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	10,701,530.38	862,886,890.17
Local Revenue	84,851,139.23	5,810,747.51
Statutory Allocation	1,711,431,273.42	1,790,201,189.44
<b>Resource Available</b>	<b>1,806,983,943.03</b>	<b>2,658,898,827.12</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,823,712,561.55	1,468,624,711.84
Capital Expenditure	270,501,516.89	64,250,370.00
<b>Total Expenditure</b>	<b>2,094,214,078.44</b>	<b>1,532,875,081.84</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-287,230,135.41</b>	<b>1,126,023,745.28</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficitbalance of =N=287,230,135.41, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition Unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=565,881,164.52**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=565,881,164.52 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=565,881,164.52 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		565,881,164.52
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>565,881,164.52</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>565,881,164.52</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=301,226,113.84**

**Observation:**

During the year under review the sum of =N=2,261,687,275.96 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=550,256,002.54 and January to December, 2020 net allocation of =N=1,711,431,273.42. However, we observed that only the total sum of =N= was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=301,226,113.84.

1	Opening Balance 1/1/2020		<b>550,256,002.54</b>
2	Net Allocation Jan – Dec 2020		1,711,431,273.42
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,261,687,275.96</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,427,231,588.90
	• Salaries & Wages		533,229,573.22
		Total	1,960,461,162.12
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>301,226,113.84</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Liquid Assets	7,719,482.69	10,701,530.38
Investments	58,803,810.82	58,803,810.82
Advances	867,107,278.36	1,161,637,858.53
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>933,630,571.87</b>	<b>1,231,143,199.73</b>

### **LIABILITIES:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Short term Loan	0.00	0.00
Deposits	105,538,492.38	105,119,454.45
Balance of Assets over Liabilities	828,092,079.49	1,126,023,745.28
<b>Total Liabilities</b>	<b>933,630,571.87</b>	<b>1,231,143,199.73</b>

The Net Asset of =N=828,092,079.49 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=58,803,810.82**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=90,368,235.44**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	493,271,676.50	84,851,139.23	408,420,537.27	0.00
Statutory Allocation	4,869,127,275.72	1,711,431,273.42	3,157,696,002.30	0.00
<b>Total Revenue</b>	<b>5,362,398,952.22</b>	<b>1,796,282,412.65</b>	<b>3,566,116,539.57</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	1,901,361,544.61	1,823,712,561.55	77,648,983.06	0.00
Capital	2,803,500,000.00	270,501,516.89	2,532,998,483.11	0.00
<b>Total Expenditure</b>	<b>4,704,861,544.61</b>	<b>2,094,214,078.44</b>	<b>2,610,647,466.17</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=408,420,537.27

During the period under review, the sum of =N=493,271,676.50 was estimated to be generated from local sources. However, only the sum of =N=84,851,139.23 (17%) was actually generated. This indicates a shortfall of =N=408,420,537.27 (83%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	675,000.00	0.00	675,000.00	0.00
Non Tax Revenue	137,884,176.50	0.00	137,884,176.50	0.00
Investment Income	4,462,500.00	590,000.00	3,872,500.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	6,250,000.00	0.00	6,250,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,261,139.23	257,738,860.77	0.00
Extraordinary Items	2,000,000.00	0.00	2,000,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>493,271,676.50</b>	<b>84,851,139.23</b>	<b>408,420,537.27</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.



## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=3,157,696,002.30

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,869,127,275.72 as against the actual figure of =N=1,711,431,273.42. Thus showing a shortfall of =N=3,157,696,002.30 (65%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,725,725,568.69	1,115,516,339.10	1,610,209,229.59	0.00
Local Govt Share of VAT	856,380,330.33	435,792,562.43	420,587,767.90	0.00
Other Fed. Allocated Revenue	504,266,837.49	160,122,371.89	344,144,465.60	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	713,754,539.21	0.00	713,754,539.21	0.00
<b>Totals</b>	<b>4,869,127,275.72</b>	<b>1,711,431,273.42</b>	<b>3,157,696,002.30</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1). Recurrent**

The Council projected a recurrent expenditure of =N=2,803,500,000.00 in the approved Estimates during the year but incurred an expenditure of =N=1,823,712,561.55.

#### **Observation:**

Over =N=106,025,713.01

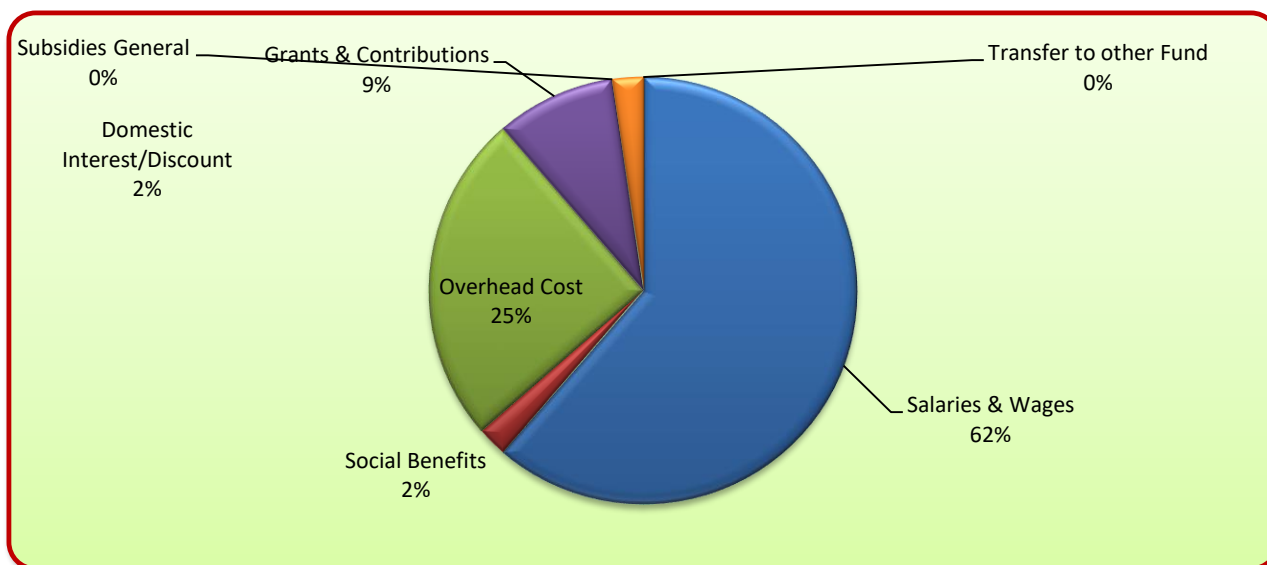
Although there was a total savings of =N=183,674,696.07, we further observed total sum of =N=106,025,713.01 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,155,670,114.89	1,119,304,339.49	36,365,775.40	0.00
Social Benefits	35,500,000.00	40,909,090.92	0.00	5,409,090.92
Overhead Cost	604,191,429.72	456,882,509.05	147,308,920.67	0.00
Grants & Contributions	106,000,000.00	164,098,490.00	0.00	58,098,490.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,901,361,544.61</b>	<b>1,823,712,561.55</b>	<b>183,674,696.07</b>	<b>106,025,713.01</b>



## (2). Capital

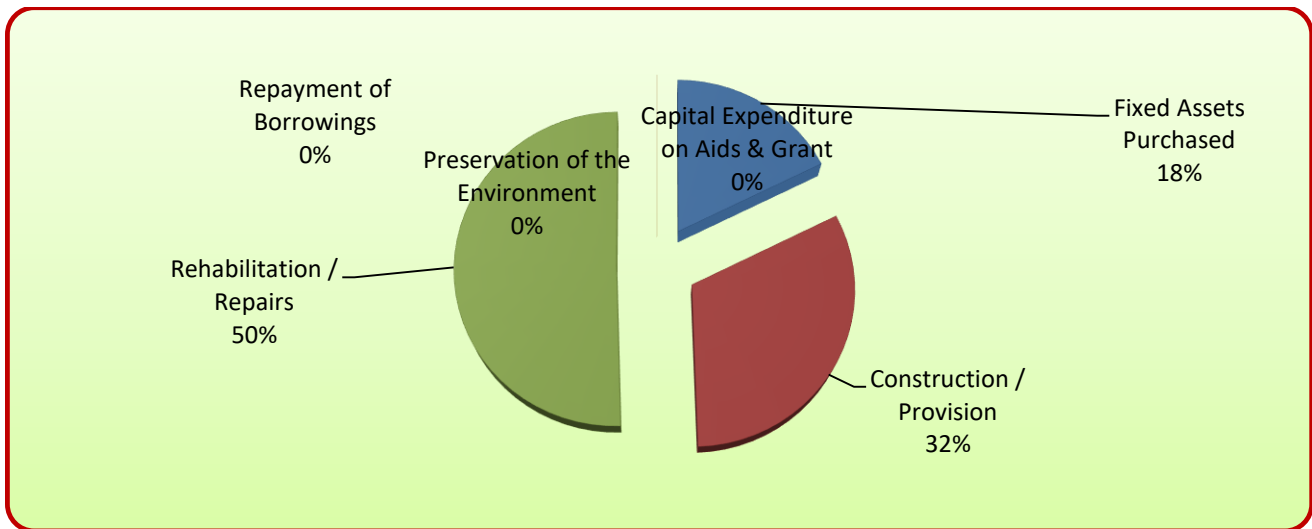
### **Observation:**

Savings: =N=2,532,998,483.11

The Council was observed to have projected a total of =N=2,803,500,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=270,501,516.89 was spent in the execution of projects. This indicates a savings of =N=2,532,998,483.11 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	416,000,000.00	47,995,383.93	368,004,616.07	0.00
Construction / Provision	1,731,500,000.00	85,897,941.97	1,645,602,058.03	0.00
Rehabilitation / Repairs	636,000,000.00	136,608,190.99	499,391,809.01	0.00
Preservation of the Env.	20,000,000.00	0.00	20,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,803,500,000.00</b>	<b>270,501,516.89</b>	<b>2,532,998,483.11</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

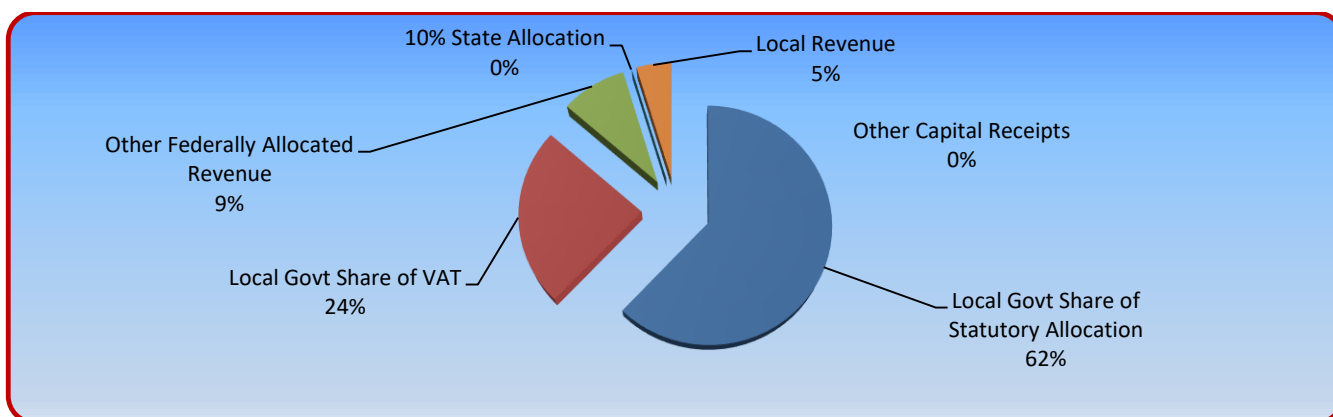
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

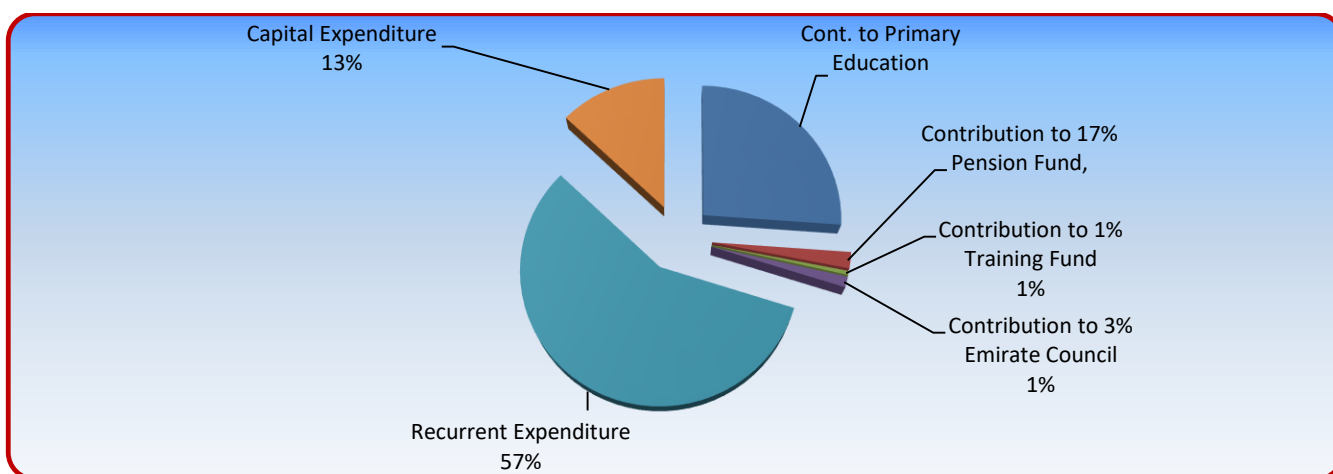
### **TOTAL REVENUE: =N=1,796,282,412.65**

Local Govt Share of Statutory Allocation	1,115,516,339.10
Local Govt Share of VAT	435,792,562.43
Other Federally Allocated Revenue	160,122,371.89
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	84,851,139.23
<b>Total</b>	<b>1,796,282,412.65</b>



### **TOTAL EXPENDITURE: =N=2,094,214,078.44**

Cont. to Primary Education	547,522,306.22
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	9,937,583.61
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,198,676,914.16
Capital Expenditure	270,501,516.89
<b>Total</b>	<b>2,094,214,078.44</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **KURA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No:ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**KURA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48(1) of the Kano State Audit Law 2021(as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Kura Local Government Council for the year ended 31<sup>st</sup> December,2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Mustapha AbdullahiRabiu	Executive Chairman
2	Alh. Ahmed InuwaKadani	Vice Chairman
3	Alh. Umar YauDanHassan	Local Government Secretary
4	Alh. Ado HamiduBayero	Director Personnel Management
5	Alh. Khalid Yusuf Gabasawa	Treasurer
6	Alh.TijjaniSaadu	C.P.O
7	Alh.SaniUbale	HOD Community
8	Alh.AddauUbale	HOD Medical & Health
9	Alh.Garba Muhammad Kabara	HOD Agric
10	Alh. Ahmed KassimKuki	HOD Works & Housing
11	Alh. Bello Baba Muhammad	HOD PRS
12	Alh. Ahmad Wangara	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31(1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Financial Memoranda, Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	8,020,266.82	203,674,596.63
Local Revenue	91,361,228.30	5,219,780.00
Statutory Allocation	1,720,143,346.81	1,789,400,298.72
<b>Resource Available</b>	<b>1,819,524,841.93</b>	<b>1,998,294,675.35</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,395,625,936.57	1,479,610,126.45
Capital Expenditure	288,910,666.61	106,523,436.18
<b>Total Expenditure</b>	<b>1,684,536,603.18</b>	<b>1,586,133,562.63</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>134,988,238.75</b>	<b>412,161,112.72</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=134,988,238.75, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=576,484,762.98**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=576,484,762.98 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=576,484,762.98 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		576,484,762.98
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>576,484,762.98</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>576,484,762.98</b>

**Recommendation:**

In view of the fact that the Ministry still holds the outstanding Stabilization Fund. The Local Government should liaise with the Ministry to know the actual stand of this Fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(413,645,672.28)**

**Observation:**

During the year under review the negative sum of =N=231,364,888.54 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,720,143,346.81 was recorded in the Council books of account. However, =N=1,393,750,864.36 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=508,673,266.19 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=413,645,672.28 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		-231,364,888.54
2	Net Allocation Jan – Dec 2020		1,720,143,346.81
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,488,778,458.27</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,393,750,864.36
	• Salaries & Wages		508,673,266.19
		Total	1,902,424,130.55
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-413,645,672.28</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Liquid Assets	6,735,408.66	8,020,266.82
Investments	40,752,489.80	40,752,489.80
Advances	576,484,762.98	633,331,963.23
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>623,972,661.44</b>	<b>682,104,719.85</b>

### **LIABILITIES:**

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>=N=</b>	<b>=N=</b>
Short term Loan	0.00	0.00
Deposits	455,043,637.47	269,943,607.13
Balance of Assets over Liabilities	168,929,023.97	412,161,112.72
<b>Total Liabilities</b>	<b>623,972,661.44</b>	<b>682,104,719.85</b>

The Net Asset of =N=168,929,023.97 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

**(1) Investments =N=40,752,489.80**

### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=18,887,283.23**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.



## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	452,462,500.00	91,361,228.30	361,101,271.70	0.00
Statutory Allocation	3,954,561,531.00	1,720,143,346.81	2,234,418,184.19	0.00
<b>Total Revenue</b>	<b>4,407,024,031.00</b>	<b>1,811,504,575.11</b>	<b>2,595,519,455.89</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	1,907,012,570.63	1,395,625,936.57	511,386,634.06	0.00
Capital	2,481,500,000.00	288,910,666.61	2,192,589,333.39	0.00
<b>Total Expenditure</b>	<b>4,388,512,570.63</b>	<b>1,684,536,603.18</b>	<b>2,703,975,967.45</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

Shortfall: =N=361,101,271.70

During the period under review, the sum of =N=452,462,500.00 was estimated to be generated from local sources. However, only the sum of =N=91,361,228.30 (20%) was actually generated. This indicates a shortfall of =N=361,101,271.70 (80%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	7,250,000.00	1,690,600.00	5,559,400.00	0.00
Non Tax Revenue	91,212,500.00	3,734,194.69	87,478,305.31	0.00
Investment Income	7,000,000.00	1,610,400.00	5,389,600.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,326,033.61	257,673,966.39	0.00
Extraordinary Items	5,000,000.00	0.00	5,000,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>452,462,500.00</b>	<b>91,361,228.30</b>	<b>361,101,271.70</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

**Shortfall: =N=2,234,418,184.19**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,954,561,531.00 as against the actual figure of =N=1,720,143,346.81. Thus showing a shortfall of =N=2,234,418,184.19 (57%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,290,676,194.00	1,092,462,741.21	1,198,213,452.79	0.00
Local Govt Share of VAT	653,037,631.00	467,075,822.45	185,961,808.55	0.00
Other Fed. Allocated Revenue	492,548,755.00	160,604,783.15	331,943,971.85	0.00
10% State Allocation	55,298,951.00	0.00	55,298,951.00	0.00
Other Capital Receipts	463,000,000.00	0.00	463,000,000.00	0.00
<b>Totals</b>	<b>3,954,561,531.00</b>	<b>1,720,143,346.81</b>	<b>2,234,418,184.19</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=1,907,012,570.63 in the approved Estimates during the year but incurred an expenditure of =N=1,395,625,936.57.

#### **Observation:**

Over =N=42,518,132.09.

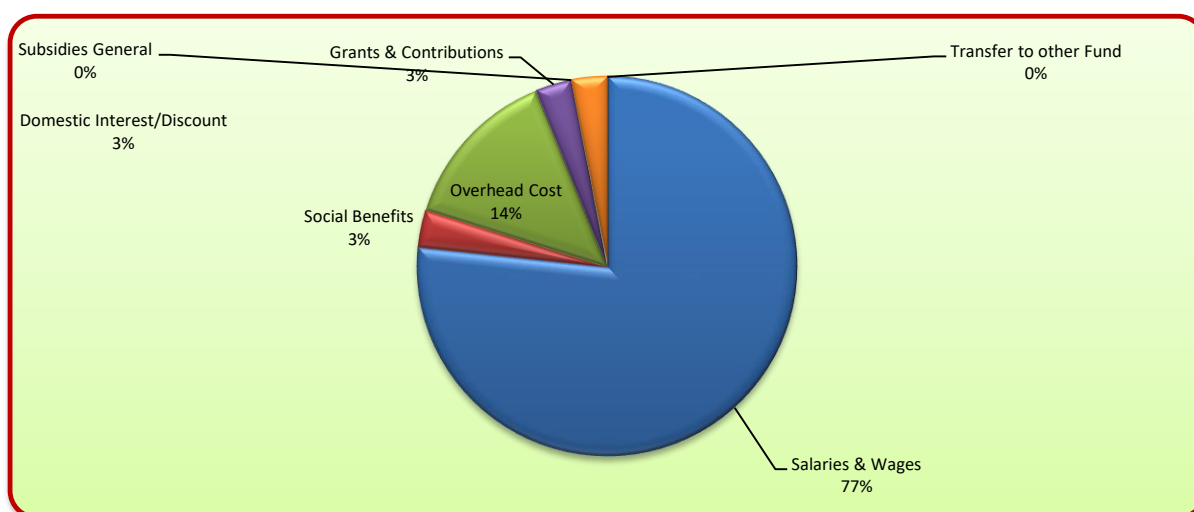
Although there was a total savings of =N=553,904,766.15, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,335,362,570.63	1,069,862,477.00	265,500,093.63	0.00
Social Benefits	45,500,000.00	44,318,181.83	1,181,818.17	0.00
Overhead Cost	454,650,000.00	195,962,183.35	258,687,816.65	0.00
Grants & Contributions	71,500,000.00	42,964,962.30	28,535,037.70	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,907,012,570.63</b>	<b>1,395,625,936.57</b>	<b>553,904,766.15</b>	<b>42,518,132.09</b>



## (2). Capital

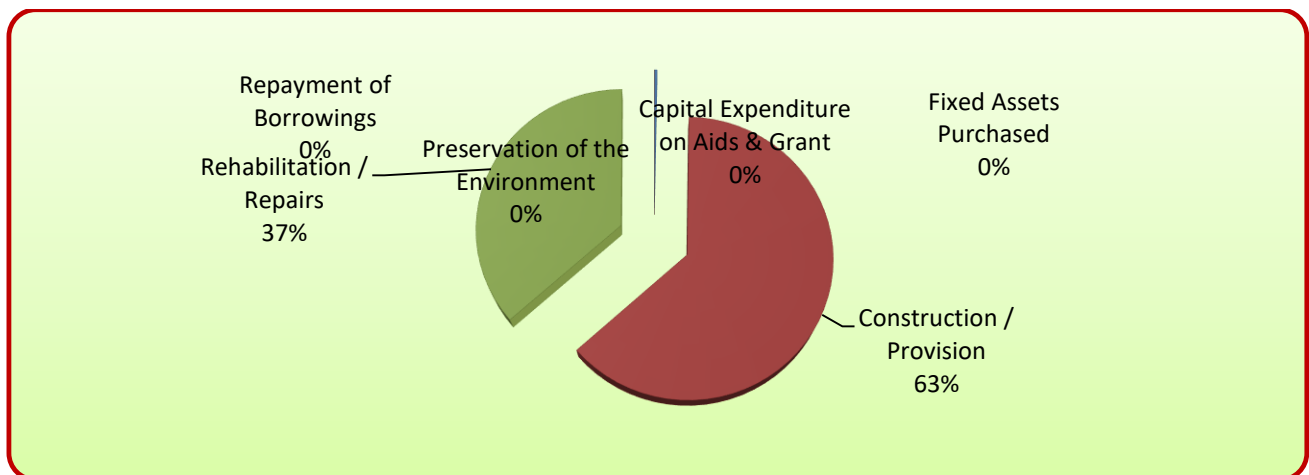
### **Observation:**

Savings: =N=2,192,589,333.39

The Council was observed to have projected a total of =N=2,481,500,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=288,910,666.61 was spent in the execution of projects. This indicates a savings of =N=2,192,589,333.39 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	71,000,000.00	863,636.36	70,136,363.64	0.00
Construction / Provision	1,895,000,000.00	182,510,692.71	1,712,489,307.29	0.00
Rehabilitation / Repairs	394,000,000.00	105,536,337.54	288,463,662.46	0.00
Preservation of the Env.	121,500,000.00	0.00	121,500,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,481,500,000.00</b>	<b>288,910,666.61</b>	<b>2,192,589,333.39</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

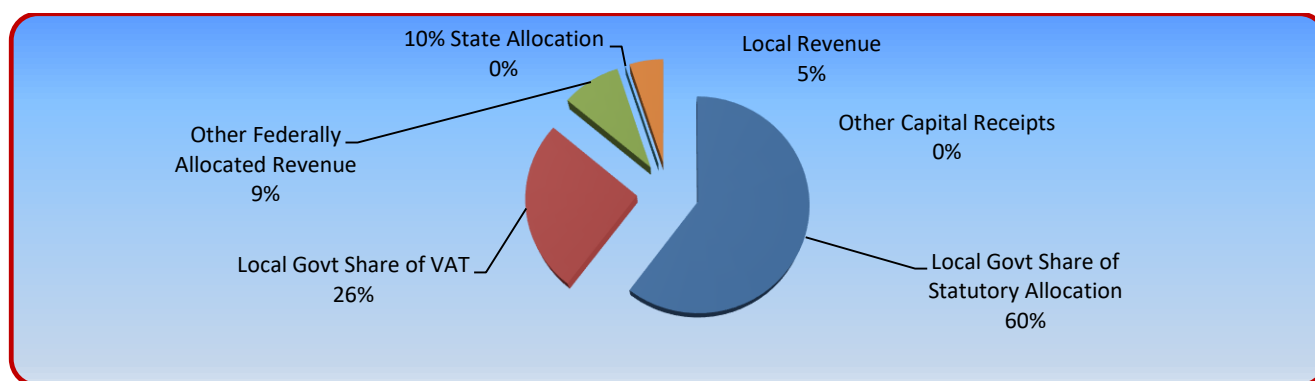
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

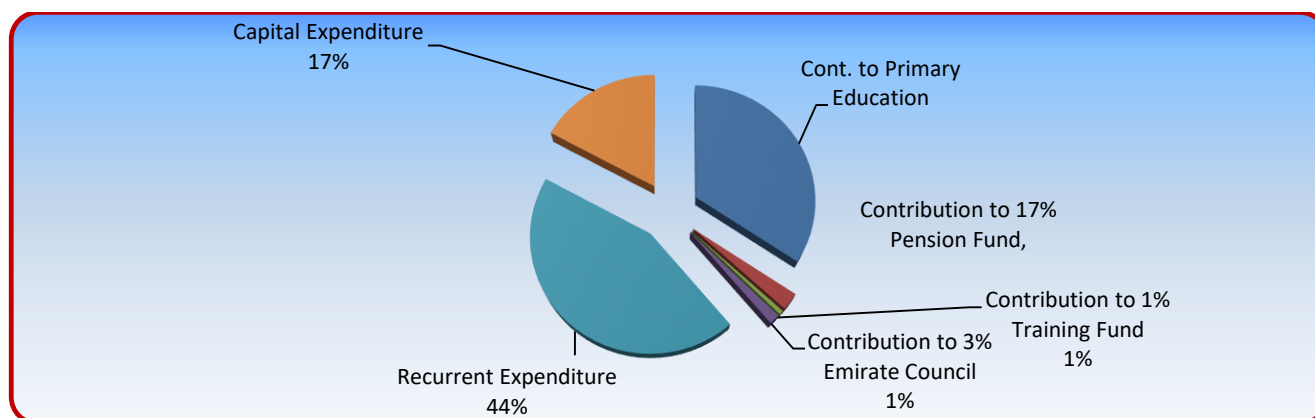
**TOTAL REVENUE: =N=1,811,504,575.11**

Local Govt Share of Statutory Allocation	1,092,462,741.21
Local Govt Share of VAT	467,075,822.45
Other Federally Allocated Revenue	160,604,783.15
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	91,361,228.30
<b>Total</b>	<b>1,811,504,575.11</b>



**TOTAL EXPENDITURE: =N=1,684,536,603.18**

Cont. to Primary Education	577,699,352.44
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	9,969,634.17
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	743,047,859.04
Capital Expenditure	288,910,666.61
<b>Total</b>	<b>1,684,536,603.18</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

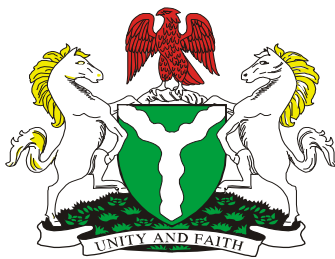
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

**2022  
1443AH**

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **MADOBI LOCAL GOVERNMENT COUNCIL**





**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**MADOBI LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Madobi Local Government Council for the year ended 31<sup>st</sup> December 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Muhammad LawanYahaya	Executive Chairman
2	Alh.SabiuSaiduMadobi	Vice Chairman
3	Alh.Ibrahim Jamal	Local Government Secretary
4	Alh. Muhammad ShehuLambu	Director Personnel Management
5	Alh. Farouk YakubuHausawa	Treasurer
6	Alh.HaasanBalarabe	C.P.O
7	Alh.HabibuTijjani	HOD Community
8	Haj.Saratu Ibrahim	HOD Medical & Health
9	Alh.SalisuSaniTofa	HOD Agric
10	Alh.SuleAdamu	HOD Works & Housing
11	Alh.BalarabeMuhdGezawa	HOD PRS
12	Alh.MuhdAdamuDaurawa	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	36,391,093.29	-131,378,418.49
Local Revenue	86,490,441.97	2,241,199.88
Statutory Allocation	1,713,044,703.95	1,783,898,563.44
<b>Resource Available</b>	<b>1,835,926,239.21</b>	<b>1,654,761,344.83</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,885,519,195.71	1,573,647,150.83
Capital Expenditure	524,335,901.30	84,260,357.00
<b>Total Expenditure</b>	<b>2,409,855,097.01</b>	<b>1,657,907,507.83</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-573,928,857.80</b>	<b>-3,146,163.00</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=-573,928,857.80, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition UnStable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=577,893,176.98**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=577,893,176.98 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=577,893,176.98 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		577,893,176.98
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	577,893,176.98
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	577,893,176.98

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(1,030,744,513.40)**

**Observation:**

During the year under review the negative sum of =N=487,734,991.50 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,713,044,703.94 was recorded in the Council books of account. However, =N=1,569,717,009.09 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=686,337,216.75 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=1,030,744,513.40 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		(487,734,991.50)
2	Net Allocation Jan – Dec 2020		1,713,044,703.94
3	<b>Total</b>	<b>3=(1+2)</b>	1,225,309,712.44
4	Actual Amount Released:		
	• Releases through LG Bank		1,569,717,009.09
	• Salaries & Wages		686,337,216.75
		Total	2,256,054,225.84
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>(1,030,744,513.40)</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	5,249,632.61	36,391,093.29
Investments	48,945,046.55	48,945,046.55
Advances	577,893,176.98	581,844,136.98
Balance of Liabilities over Asset	613,466,114.09	3,146,163.00
<b>Total Assets</b>	<b>1,245,553,970.23</b>	<b>670,326,439.82</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	1,245,553,970.23	670,326,439.82
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>1,245,553,970.23</b>	<b>670,326,439.82</b>

The Net Liability of =N=613,466,114.09 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=48,945,046.55**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=208,991,317.99**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	425,692,942.00	86,490,441.97	339,202,500.03	0.00
Statutory Allocation	3,905,811,370.00	1,713,044,703.95	2,192,766,666.05	0.00
<b>Total Revenue</b>	<b>4,331,504,312.00</b>	<b>1,799,535,145.92</b>	<b>2,531,969,166.08</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,447,440,970.00	1,885,519,195.71	561,921,774.29	0.00
Capital	1,970,250,000.00	524,335,901.30	1,445,914,098.70	0.00
<b>Total Expenditure</b>	<b>4,417,690,970.00</b>	<b>2,409,855,097.01</b>	<b>2,007,835,872.99</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=339,202,500.03**

During the period under review, the sum of =N=425,692,942.00 was estimated to be generated from local sources. However, only the sum of =N=86,490,441.97(20%) was actually generated. This indicates a shortfall of =N=339,202,500.03 (80%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	22,119,314.00	0.00	22,119,314.00	0.00
Non Tax Revenue	59,823,628.00	1,608,000.00	58,215,628.00	0.00
Investment Income	1,750,000.00	330,000.00	1,420,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,552,441.97	256,447,558.03	0.00
Extraordinary Items	1,000,000.00	0.00	1,000,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>425,692,942.00</b>	<b>86,490,441.97</b>	<b>339,202,500.03</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=2,192,766,666.05

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,905,811,370.00 as against the actual figure of =N=1,713,044,703.95. Thus showing a shortfall of =N=2,192,766,666.05 (56%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	1,738,859,980.00	1,093,451,663.04	645,408,316.96	0.00
Local Govt Share of VAT	778,186,263.00	459,585,712.78	318,600,550.22	0.00
Other Fed. Allocated Revenue	786,974,842.00	160,007,328.13	626,967,513.87	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	532,790,285.00	0.00	532,790,285.00	0.00
<b>Totals</b>	<b>3,905,811,370.00</b>	<b>1,713,044,703.95</b>	<b>2,192,766,666.05</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,447,440,970.00 in the approved Estimates during the year but incurred an expenditure of =N=1,885,519,195.71.

#### **Observation:**

##### **Over =N=42,518,132.09**

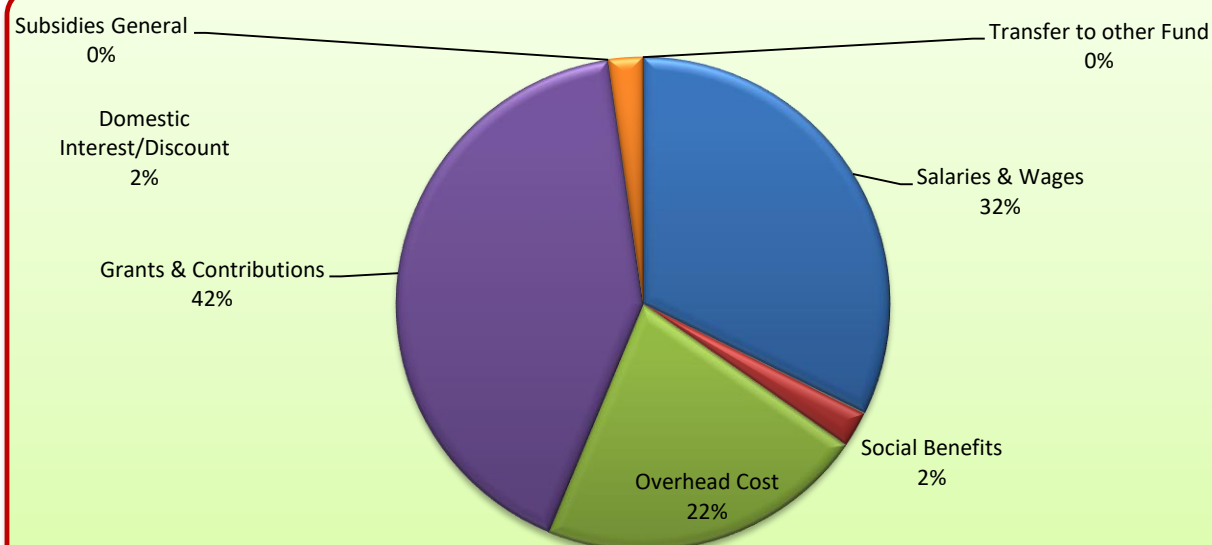
Although there was a total savings of =N=604,439,906.38, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	913,719,605.00	608,893,578.57	304,826,026.43	0.00
Social Benefits	82,953,551.00	44,318,181.83	38,635,369.17	0.00
Overhead Cost	662,630,000.00	407,464,378.83	255,165,621.17	0.00
Grants & Contributions	788,137,814.00	782,324,924.39	5,812,889.61	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,447,440,970.00</b>	<b>1,885,519,195.71</b>	<b>604,439,906.38</b>	<b>42,518,132.09</b>



## (2). Capital

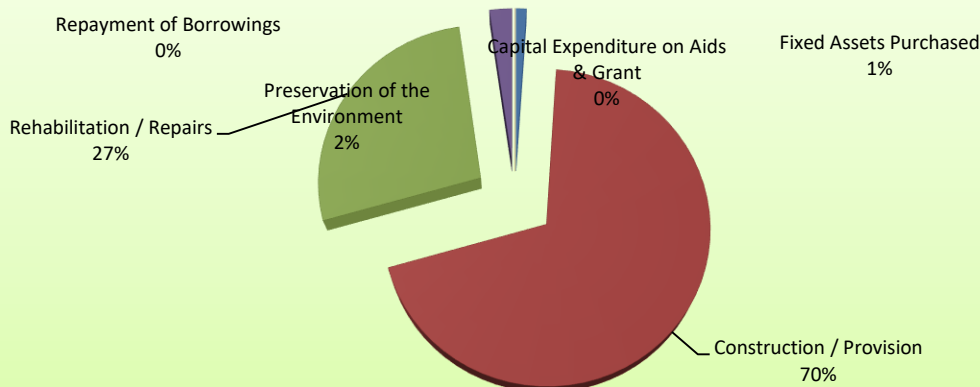
### **Observation:**

Savings: =N=1,445,914,098.70

The Council was observed to have projected a total of =N=1,970,250,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=524,335,901.30 was spent in the execution of projects. This indicates a savings of =N=1,445,914,098.70 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	186,550,000.00	5,540,000.00	181,010,000.00	0.00
Construction / Provision	1,322,500,000.00	364,807,017.17	957,692,982.83	0.00
Rehabilitation / Repairs	396,200,000.00	141,988,884.13	254,211,115.87	0.00
Preservation of the Env.	65,000,000.00	12,000,000.00	53,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,970,250,000.00</b>	<b>524,335,901.30</b>	<b>1,445,914,098.70</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

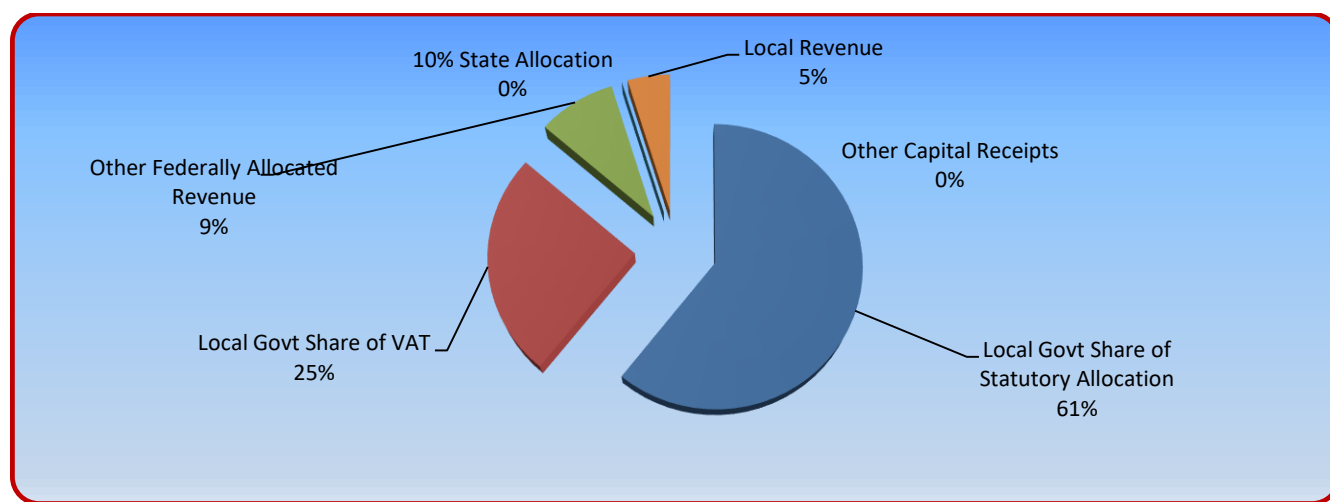
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

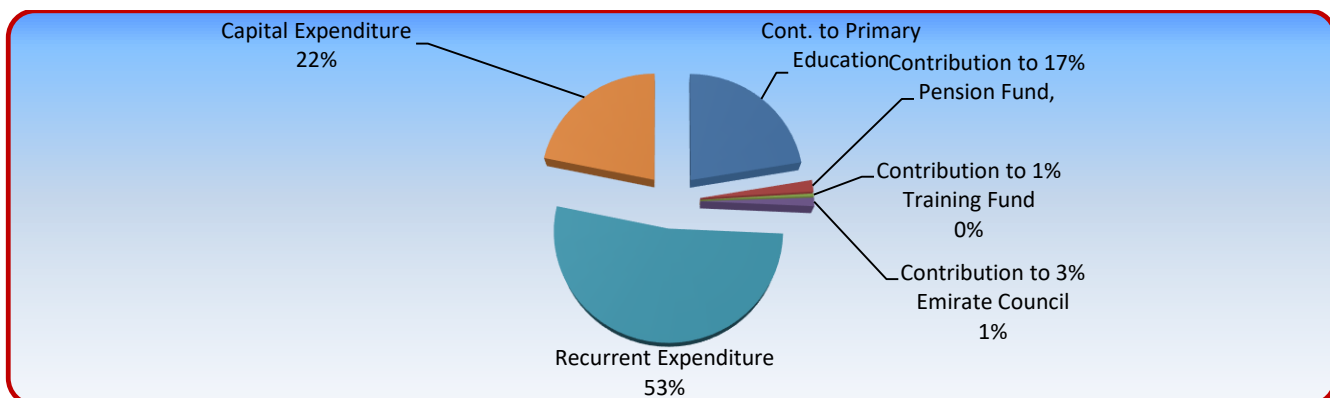
### TOTAL REVENUE: =N=1,799,535,145.92

Local Govt Share of Statutory Allocation	1,093,451,663.04
Local Govt Share of VAT	459,585,712.78
Other Federally Allocated Revenue	160,007,328.13
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	86,490,441.97
<b>Total</b>	<b>1,799,535,145.92</b>



### TOTAL EXPENDITURE: =N=2,409,855,097.01

Cont. to Primary Education	538,742,018.80
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	9,931,823.25
Contribution to 3% Emirate Council	30,000,000.00
Recurrent Expenditure	1,265,936,262.74
Capital Expenditure	524,335,901.30
<b>Total</b>	<b>2,409,855,097.01</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

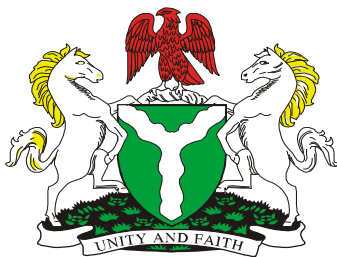
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **MAKODA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**MAKODA LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Makoda Local Government Council for the year ended 31<sup>st</sup> December 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Mahmud Abdullahi	Executive Chairman
2	Alh.YusifBala Mai tsidau	Vice Chairman
3	Alh. Mustapha Sale SabanRuwa	Local Government Secretary
4	Alh. Abdul Ibrahim	Director Personnel Management
5	Alh. Umar MuktarGadanya	Treasurer
6	Alh.AbdussalamAbdulkadir	C.P.O
7	Alh. Abdu A. Adamu	HOD Community
8	Alh.MohdYahaya	HOD Medical & Health
9	Alh.Abdullahi Umar	HOD Agric
10	Alh.Nura I. Abdullahi	HOD Works & Housing
11	Alh.SaniAliyu S/Nagge	HOD PRS
12	Alh.KabiruAbdullahi	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	33,718,528.81	3,219,436,530.68
Local Revenue	93,318,744.50	812,306.00
Statutory Allocation	2,028,172,343.78	2,113,339,984.16
<b>Resource Available</b>	<b>2,155,209,617.09</b>	<b>5,333,588,820.84</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,631,901,045.16	1,380,226,930.39
Capital Expenditure	349,562,170.36	87,699,762.90
<b>Total Expenditure</b>	<b>1,981,463,215.52</b>	<b>1,467,926,693.29</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>173,746,401.57</b>	<b>3,865,662,127.55</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a surplusbalance of =N=173,764,401.57, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable.**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=728,847,493.83**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=728,847,493.83 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=728,847,493.83 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		728,847,493.83
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>728,847,493.83</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>728,847,493.83</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=3,632,010,612.86**

**Observation:**

During the year under review the sum of =N=5,497,041,328.87 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=3,468,868,985.08, and January to December 2020 net allocation of =N=2,028,172,343.79. However, we observed that only the total sum of =N=1,865,030,716.01 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=3,632,010,612.86.

1	Opening Balance 1/1/2020		3,468,868,985.08
2	Net Allocation Jan – Dec 2020		2,028,172,343.79
3	<b>Total</b>	<b>3=(1+2)</b>	<b>5,497,041,328.87</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,260,446,246.99
	• Salaries & Wages		604,584,469.02
		Total	1,865,030,716.01
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>3,632,010,612.86</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	14,272,458.28	33,718,528.81
Investments	48,164,532.52	48,164,532.52
Advances	4,397,791,681.69	4,234,650,053.91
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>4,460,228,672.49</b>	<b>4,316,533,115.24</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	454,538,672.18	450,870,987.69
Balance of Assets over Liabilities	4,005,690,000.31	3,865,662,127.55
<b>Total Liabilities</b>	<b>4,460,228,672.49</b>	<b>4,316,533,115.24</b>

The Net Asset of =N=4,005,690,000.31 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=48,164,532.52**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]. Impersonal (Others): =N=36,933,575.00

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=36,933,575.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

**(1).Un-remitted Government Deposits: =N=319,937,123.27**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	410,158,004.59	93,318,744.50	316,839,260.09	0.00
Statutory Allocation	4,030,147,847.00	2,028,172,343.78	2,001,975,503.22	0.00
<b>Total Revenue</b>	<b>4,440,305,851.59</b>	<b>2,121,491,088.28</b>	<b>2,318,814,763.31</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,230,276,233.85	1,631,901,045.16	598,375,188.69	0.00
Capital	1,688,882,903.32	349,562,170.36	1,339,320,732.96	0.00
<b>Total Expenditure</b>	<b>3,919,159,137.17</b>	<b>1,981,463,215.52</b>	<b>1,937,695,921.65</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=316,839,260.09**

During the period under review, the sum of =N=410,158,004.59 was estimated to be generated from local sources. However, only the sum of =N=93,318,744.50(23%) was actually generated. This indicates a shortfall of =N=316,839,260.09 (77%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	1,000,000.00	0.00	1,000,000.00	0.00
Non Tax Revenue	62,118,004.59	3,002,979.00	59,115,025.59	0.00
Investment Income	4,540,000.00	1,062,000.00	3,478,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	89,253,765.50	252,746,234.50	0.00
Extraordinary Items	500,000.00	0.00	500,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>410,158,004.59</b>	<b>93,318,744.50</b>	<b>316,839,260.09</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

**Shortfall: =N=2,001,975,503.22**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,030,147,847.00 as against the actual figure of =N=2,028,172,343.78. Thus showing a shortfall of =N= (50%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,959,958,414.31	1,295,921,680.45	1,664,036,733.86	0.00
Local Govt Share of VAT	671,189,432.69	542,891,077.71	128,298,354.98	0.00
Other Fed. Allocated Revenue	300,000,000.00	189,359,585.62	110,640,414.38	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	30,000,000.00	0.00	30,000,000.00	0.00
<b>Totals</b>	<b>4,030,147,847.00</b>	<b>2,028,172,343.78</b>	<b>2,001,975,503.22</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,230,276,233.85 in the approved Estimates during the year but incurred an expenditure of =N=1,631,901,045.16.

### **Observation:**

Over =N=42,518,132.09

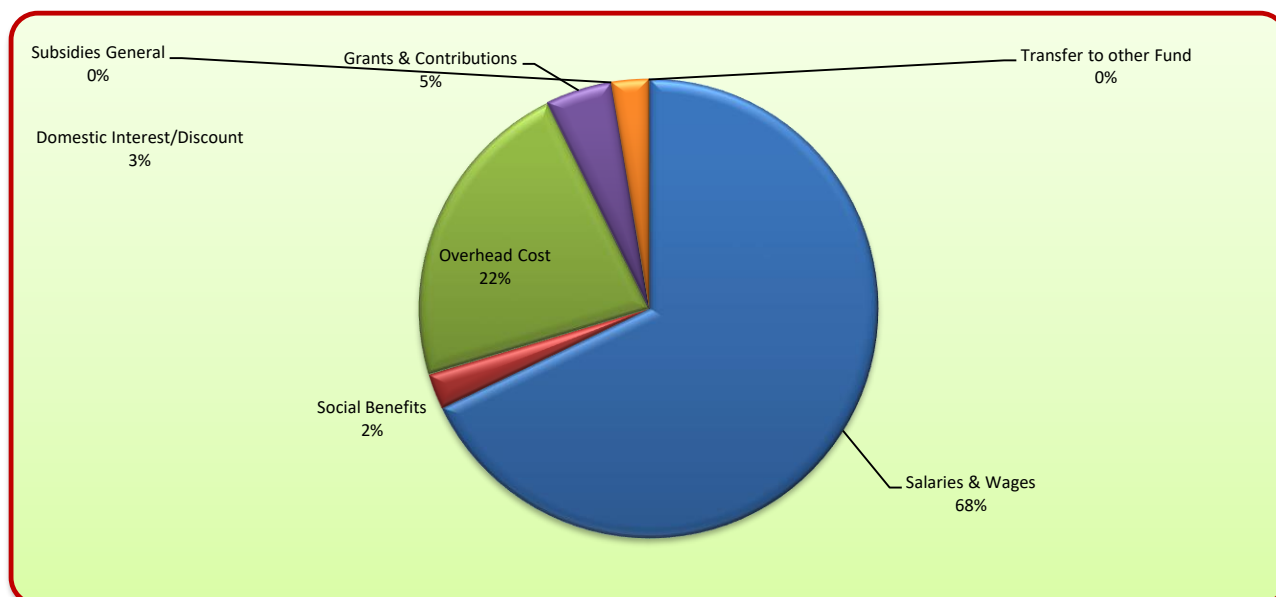
Although there was a total savings of =N=640,893,320.78, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,437,311,233.85	1,107,415,148.05	329,896,085.80	0.00
Social Benefits	42,500,000.00	40,909,090.92	1,590,909.08	0.00
Overhead Cost	630,465,000.00	364,581,382.44	265,883,617.56	0.00
Grants & Contributions	120,000,000.00	76,477,291.66	43,522,708.34	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,230,276,233.85</b>	<b>1,631,901,045.16</b>	<b>640,893,320.78</b>	<b>42,518,132.09</b>





## (2). Capital

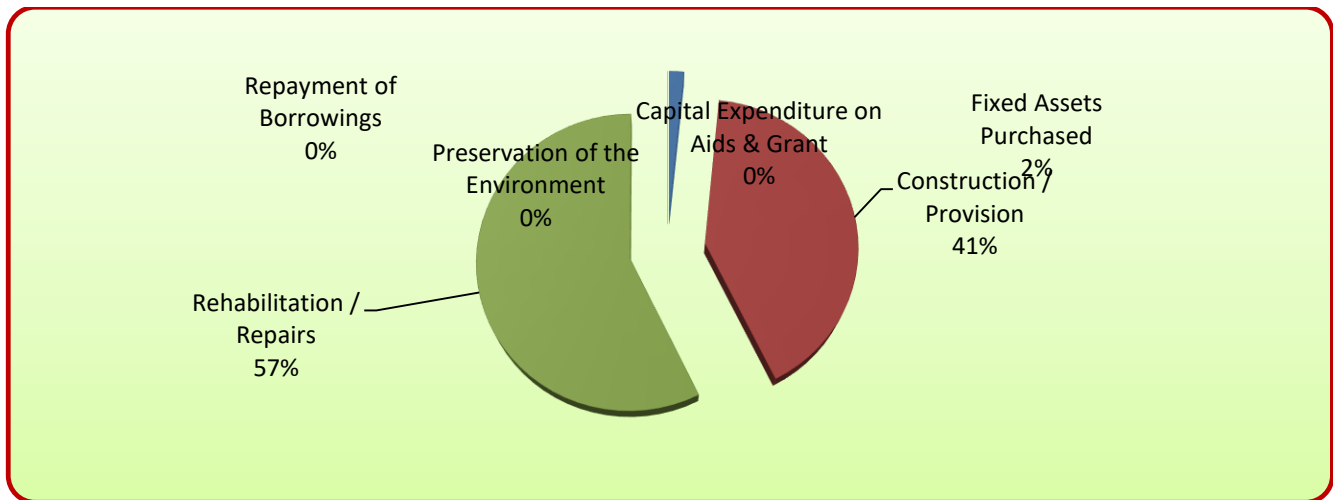
### **Observation:**

Savings: =N=1,339,320,732.96

The Council was observed to have projected a total of =N=1,688,882,903.32 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=349,562,170.36 was spent in the execution of projects. This indicates a savings of =N=1,339,320,732.96 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	153,300,000.00	5,609,687.50	147,690,312.50	0.00
Construction / Provision	850,582,903.32	143,616,487.74	706,966,415.58	0.00
Rehabilitation / Repairs	655,000,000.00	200,335,995.12	454,664,004.88	0.00
Preservation of the Env.	30,000,000.00	0.00	30,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,688,882,903.32</b>	<b>349,562,170.36</b>	<b>1,339,320,732.96</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

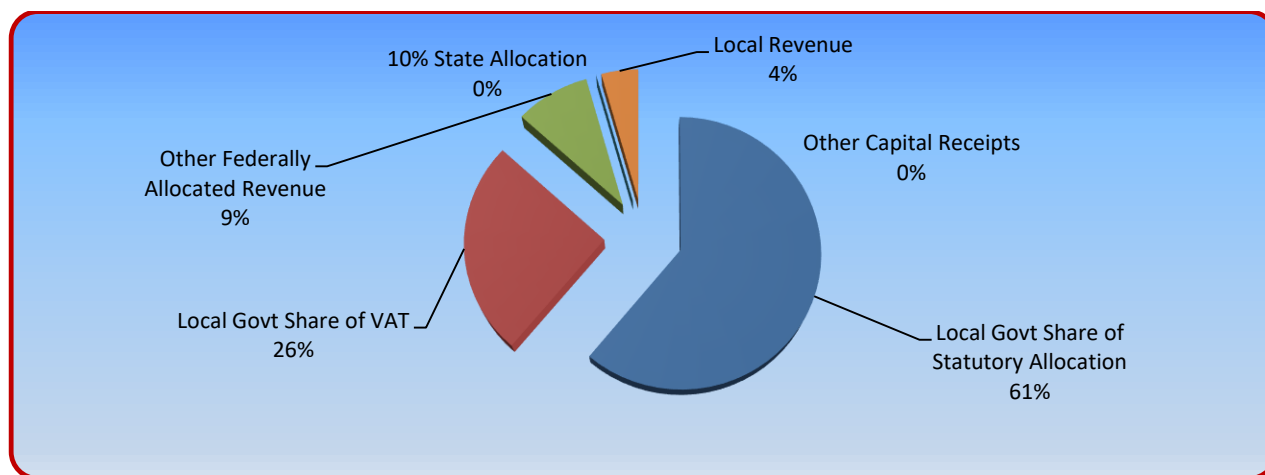
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

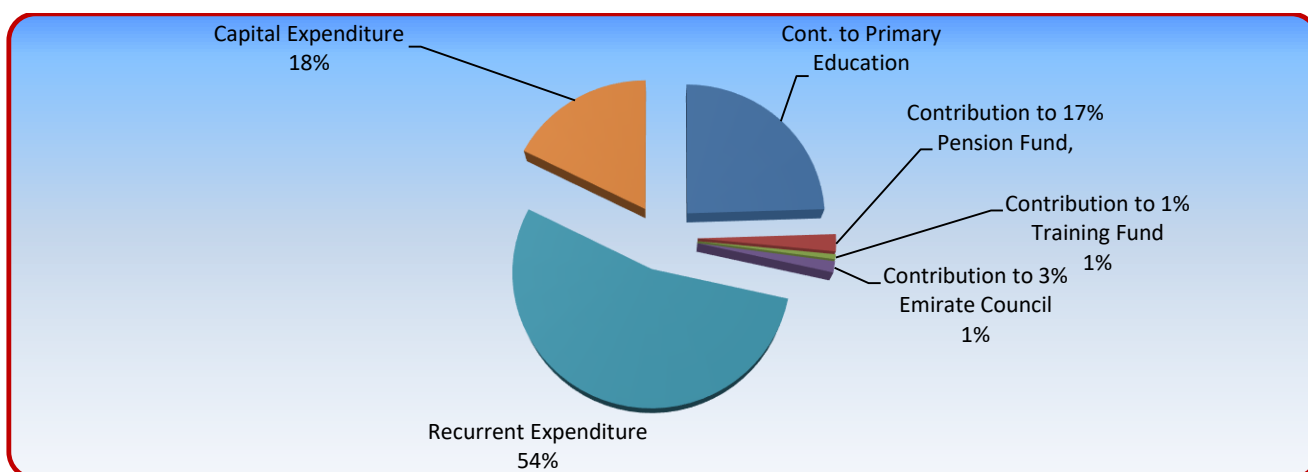
**TOTAL REVENUE: =N=2,121,491,088.28**

Local Govt Share of Statutory Allocation	1,295,921,680.45
Local Govt Share of VAT	542,891,077.71
Other Federally Allocated Revenue	189,359,585.62
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	93,318,744.50
<b>Total</b>	<b>2,121,491,088.28</b>



**TOTAL EXPENDITURE: =N=1,981,463,215.52**

Cont. to Primary Education	485,277,899.26
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,772,278.66
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,067,275,109.68
Capital Expenditure	349,562,170.36
<b>Total</b>	<b>1,981,463,215.52</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

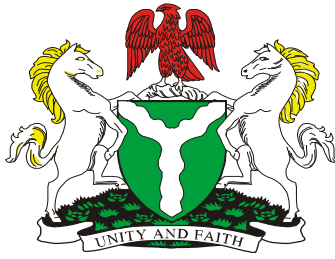
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **MINJIBIR LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**MINJIBIR LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Minjibir Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Sale Ado Munjibir	Executive Chairman
2	Alh.MamudaHaladu	Vice Chairman
3	Alh. Umar Adamu	Local Government Secretary
4	Alh.Jamilu Muhammad Gabasawa	Director Personnel Management
5	Alh.AminuGarbaYanoko	Treasurer
6	Alh. Sabo MuhdSagagi	C.P.O
7	Alh.AuwaluMagajiDanbatta	HOD Community
8	Alh.Surajo Musa	HOD Medical & Health
9	Alh. Bashir Abdulkadir	HOD Agric
10	Alh. Ali Bello	HOD Works & Housing
11	Alh.ShehuSaleh	HOD PRS
12	Alh.Shitu Ismail Yako	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	32,613,720.71	1,639,707,354.23
Local Revenue	85,936,490.80	803,182.00
Statutory Allocation	2,030,681,284.17	2,118,911,501.54
<b>Resource Available</b>	<b>2,149,231,495.68</b>	<b>3,759,422,037.77</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,790,640,587.44	1,821,351,120.76
Capital Expenditure	263,472,825.23	58,726,656.72
<b>Total Expenditure</b>	<b>2,054,113,412.67</b>	<b>1,880,077,777.48</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>95,118,083.01</b>	<b>1,879,344,260.29</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=95,118,083.01, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=556,715,727.56**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=556,715,727.56 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=556,715,727.56 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		556,715,727.56
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	556,715,727.56
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	556,715,727.56

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=1,190,424,943.37**

**Observation:**

During the year under review the sum of =N=3,174,870,851.95 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,144,189,567.77 and January to December 2020 net allocation of =N=2,030,681,284.18. However, we observed that only the total sum of =N=1,984,445,908.58 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=1,190,424,943.37.

1	Opening Balance 1/1/2020		1,144,189,567.77
2	Net Allocation Jan – Dec 2020		2,030,681,284.18
3	<b>Total</b>	<b>3=(1+2)</b>	<b>3,174,870,851.95</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,365,602,090.40
	• Salaries & Wages		618,843,818.18
		Total	1,984,445,908.58
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>1,190,424,943.37</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	12,134,123.80	32,613,720.71
Investments	51,804,259.80	51,804,259.80
Advances	1,747,140,670.93	1,830,124,630.14
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,811,079,054.53</b>	<b>1,914,542,610.65</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	35,198,350.36	35,198,350.36
Balance of Assets over Liabilities	1,775,880,704.17	1,879,344,260.29
<b>Total Liabilities</b>	<b>1,811,079,054.53</b>	<b>1,914,542,610.65</b>

The Net Asset of =N=1,775,880,704.17 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=51,804,259.80**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=28,272,183.90**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	403,938,001.00	85,936,490.80	318,001,510.20	0.00
Statutory Allocation	3,861,826,710.00	2,030,681,284.17	1,831,145,425.83	0.00
<b>Total Revenue</b>	<b>4,265,764,711.00</b>	<b>2,116,617,774.97</b>	<b>2,149,146,936.03</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,192,858,846.00	1,790,640,587.44	402,218,258.56	0.00
Capital	1,839,000,000.00	263,472,825.23	1,575,527,174.77	0.00
<b>Total Expenditure</b>	<b>4,031,858,846.00</b>	<b>2,054,113,412.67</b>	<b>1,977,745,433.33</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=318,001,510.20**

During the period under review, the sum of =N=403,938,001.00 was estimated to be generated from local sources. However, only the sum of =N=85,936,490.80(21%) was actually generated. This indicates a shortfall of =N=318,001,510.20 (79%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	3,000,000.00	0.00	3,000,000.00	0.00
Non Tax Revenue	55,338,001.00	457,225.00	54,880,776.00	0.00
Investment Income	3,600,000.00	725,500.00	2,874,500.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,253,765.80	256,746,234.20	0.00
Extraordinary Items	1,000,000.00	500,000.00	500,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>403,938,001.00</b>	<b>85,936,490.80</b>	<b>318,001,510.20</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.



## 2). Statutory Allocation

### **Observation:**

Shortfall: =N=1,920,836,627.46

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,861,826,710.00 as against the actual figure of =N=2,030,681,284.17. Thus showing a shortfall of =N=1,920,836,627.46 (47%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,888,083,859.00	1,306,059,646.86	1,582,024,212.14	0.00
Local Govt Share of VAT	804,742,851.00	534,930,435.68	269,812,415.32	0.00
Other Fed. Allocated Revenue	100,000,000.00	189,691,201.63	0.00	89,691,201.63
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,861,826,710.00</b>	<b>2,030,681,284.17</b>	<b>1,920,836,627.46</b>	<b>89,691,201.63</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,192,858,846.00 in the approved Estimates during the year but incurred an expenditure of =N=1,790,640,587.44.

#### **Observation:**

Over =N=42,518,132.09

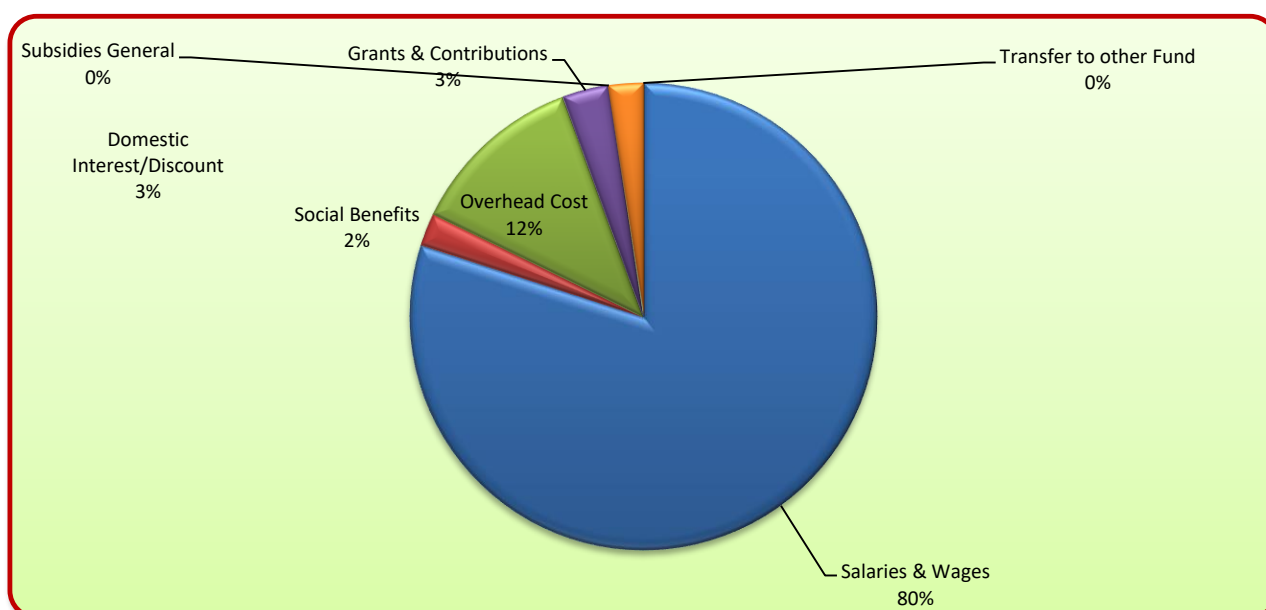
Although there was a total savings of =N=444,736,390.65, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,481,458,846.00	1,431,771,784.98	49,687,061.02	0.00
Social Benefits	60,500,000.00	40,909,090.92	19,590,909.08	0.00
Overhead Cost	588,900,000.00	217,510,617.76	371,389,382.24	0.00
Grants & Contributions	62,000,000.00	57,930,961.69	4,069,038.31	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,192,858,846.00</b>	<b>1,790,640,587.44</b>	<b>444,736,390.65</b>	<b>42,518,132.09</b>



## (2). Capital

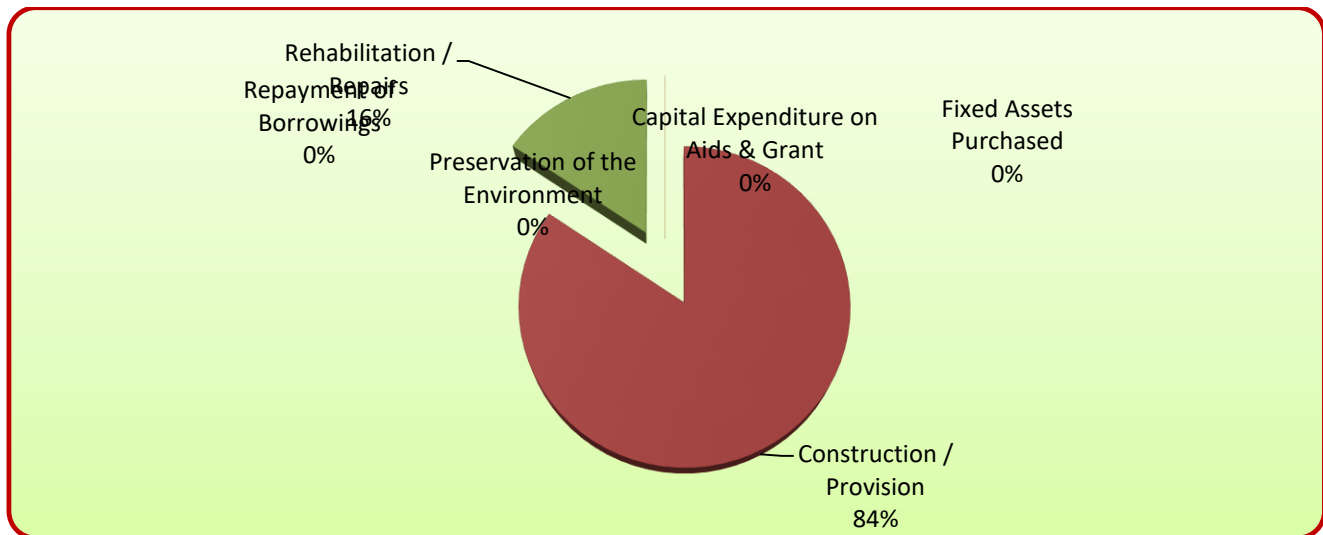
### **Observation:**

Savings: =N=1,575,527,174.77

The Council was observed to have projected a total of =N=1,839,000,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=263,472,825.23 was spent in the execution of projects. This indicates a savings of =N=1,575,527,174.77 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	113,500,000.00	0.00	113,500,000.00	0.00
Construction / Provision	1,539,500,000.00	222,594,683.83	1,316,905,316.17	0.00
Rehabilitation / Repairs	165,000,000.00	40,878,141.40	124,121,858.60	0.00
Preservation of the Env.	21,000,000.00	0.00	21,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,839,000,000.00</b>	<b>263,472,825.23</b>	<b>1,575,527,174.77</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

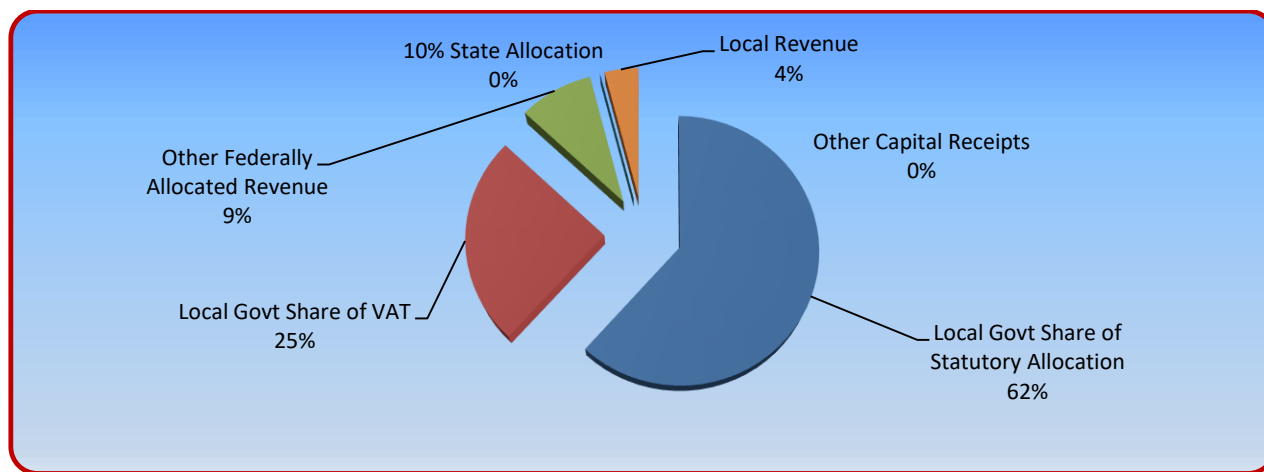
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

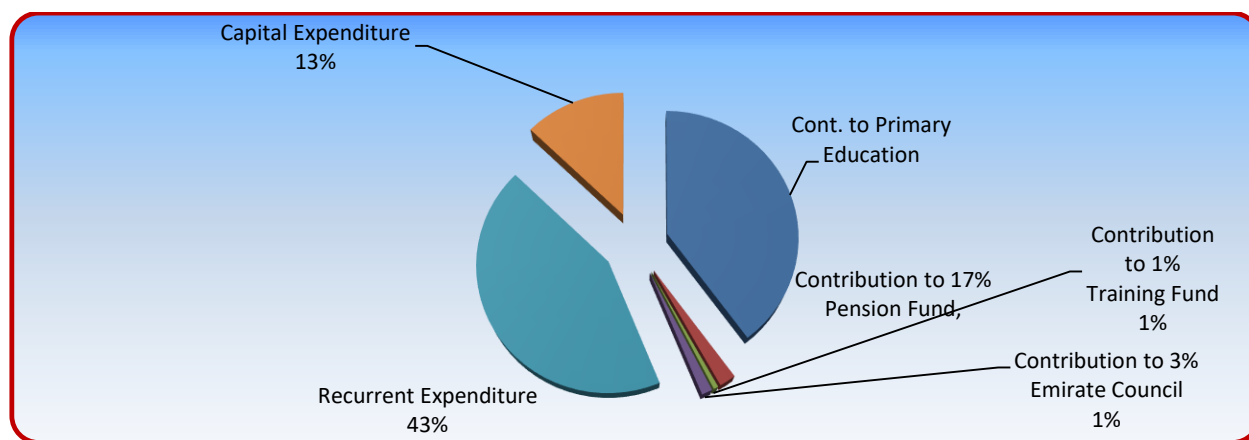
### TOTAL REVENUE: =N=2,116,617,774.97

Local Govt Share of Statutory Allocation	1,306,059,646.86
Local Govt Share of VAT	534,930,435.68
Other Federally Allocated Revenue	189,691,201.63
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	85,936,490.80
<b>Total</b>	<b>2,116,617,774.97</b>



### TOTAL EXPENDITURE: =N=2,054,113,412.67

Cont. to Primary Education	819,321,456.04
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,787,535.58
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	891,955,838.26
Capital Expenditure	263,472,825.23
<b>Total</b>	<b>2,054,113,412.67</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **NASSARAWA LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
NASSARAWA LOCAL GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Nassarawa Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.



## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.AuwaluLawanAranfosu	Executive Chairman
2	Alh.Muazu Ibrahim Hotoro	Vice Chairman
3	Alh.HarazumiShuaibu	Local Government Secretary
4	Alh. Ibrahim Lawan	Director Personnel Management
5	Alh.NazifiShehuMinjibir	Treasurer
6	Alh. Abba MuhdDiso	C.P.O
7	Haj.AsmauAbubakar	HOD Community
8	Alh.RabiuSaniGude	HOD Medical & Health
9	Alh.Babangida S. Inuwa	HOD Agric
10	Alh.Shehu Suleiman	HOD Works & Housing
11	Alh. Muhammad TukurHotoro	HOD PRS
12	Alh. Ibrahim AbdullahiGaro	HOD WESH

## **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

## **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	18,967,508.17	1,350,202,368.88
Local Revenue	256,609,802.36	93,763,004.85
Statutory Allocation	3,491,458,428.81	3,650,719,931.34
<b>Resource Available</b>	<b>3,767,035,739.34</b>	<b>5,094,685,305.07</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,981,385,259.35	2,785,096,338.68
Capital Expenditure	607,862,220.74	233,807,512.10
<b>Total Expenditure</b>	<b>3,589,247,480.09</b>	<b>3,018,903,850.78</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>177,788,259.25</b>	<b>2,075,781,454.29</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a surplusbalance of =N=177,788,259.25, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=832,487,435.51**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=832,487,435.51 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=832,487,435.51 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		832,487,435.51
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>832,487,435.51</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>832,487,435.51</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=1,515,442,961.98**

**Observation:**

During the year under review the sum of =N=4,872,044,185.85 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,380,585,757.04 and January to December, 2020 net allocation of =N=3,491,458,428.81. However, we observed that only the total sum of =N=3,356,601,223.87 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=1,515,442,961.98.

1	Opening Balance 1/1/2020		<b>1,380,585,757.04</b>
2	Net Allocation Jan – Dec 2020		3,491,458,428.81
3	<b>Total</b>	<b>3=(1+2)</b>	<b>4,872,044,185.85</b>
4	Actual Amount Released:		
	• Releases through LG Bank		2,493,809,101.76
	• Salaries & Wages		862,792,122.11
		Total	3,356,601,223.87
5	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>1,515,442,961.98</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	25,177,265.55	18,967,508.17
Investments	59,604,545.18	59,604,545.18
Advances	2,449,730,690.49	2,321,763,338.54
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>2,534,512,501.22</b>	<b>2,400,335,391.89</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	349,197,579.35	324,553,937.60
Balance of Assets over Liabilities	2,185,314,921.87	2,075,781,454.29
<b>Total Liabilities</b>	<b>2,534,512,501.22</b>	<b>2,400,335,391.89</b>

The Net Asset of =N=2,185,314,921.87 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=59,604,545.18**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **(2). Advances**

[a]Personal Advances: =N=143,405.00

### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=143,405.00.

### **Recommendation**

Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.

[b]. Impersonal (Others): =N=101,656,888.00

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=101,656,888.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

### **Deposits**

(1).Un-remitted Government Deposits: =N=235,710,704.27

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.



## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	617,973,000.00	256,609,802.36	361,363,197.64	0.00
Statutory Allocation	8,594,692,380.37	3,491,458,428.81	5,103,233,951.56	0.00
<b>Total Revenue</b>	<b>9,212,665,380.37</b>	<b>3,748,068,231.17</b>	<b>5,464,597,149.20</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	4,357,478,495.55	2,981,385,259.35	1,376,093,236.20	0.00
Capital	4,627,981,444.17	607,862,220.74	4,020,119,223.43	0.00
<b>Total Expenditure</b>	<b>8,985,459,939.72</b>	<b>3,589,247,480.09</b>	<b>5,396,212,459.63</b>	<b>0.00</b>

### **REVENUE:**

#### **✚ (1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=361,363,197.64**

During the period under review, the sum of =N=617,973,000.00 was estimated to be generated from local sources. However, only the sum of =N=256,609,802.36 (42%) was actually generated. This indicates a shortfall of =N=361,363,197.64 (58%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	60,500,000.00	40,302,727.15	20,197,272.85	0.00
Non Tax Revenue	159,473,000.00	39,811,504.54	119,661,495.46	0.00
Investment Income	24,600,000.00	17,772,500.00	6,827,500.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	20,000,000.00	0.00	20,000,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	158,723,070.67	183,276,929.33	0.00
Extraordinary Items	11,200,000.00	0.00	11,200,000.00	0.00
Prep./Arrears of Revenue	200,000.00	0.00	200,000.00	0.00
<b>Totals</b>	<b>617,973,000.00</b>	<b>256,609,802.36</b>	<b>361,363,197.64</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=5,103,233,951.56

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=8,594,692,380.37 as against the actual figure of =N=3,491,458,428.81. Thus showing a shortfall of =N=5,103,233,951.56 (59%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	5,640,183,054.17	2,258,142,517.06	3,382,040,537.11	0.00
Local Govt Share of VAT	1,296,165,000.00	907,406,634.26	388,758,365.74	0.00
Other Fed. Allocated Revenue	1,588,344,326.20	325,909,277.49	1,262,435,048.71	0.00
10% State Allocation	70,000,000.00	0.00	70,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>8,594,692,380.37</b>	<b>3,491,458,428.81</b>	<b>5,103,233,951.56</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=4,357,478,495.55 in the approved Estimates during the year but incurred an expenditure of =N=2,981,385,259.35.

### **Observation:**

Over =N=42,518,132.04

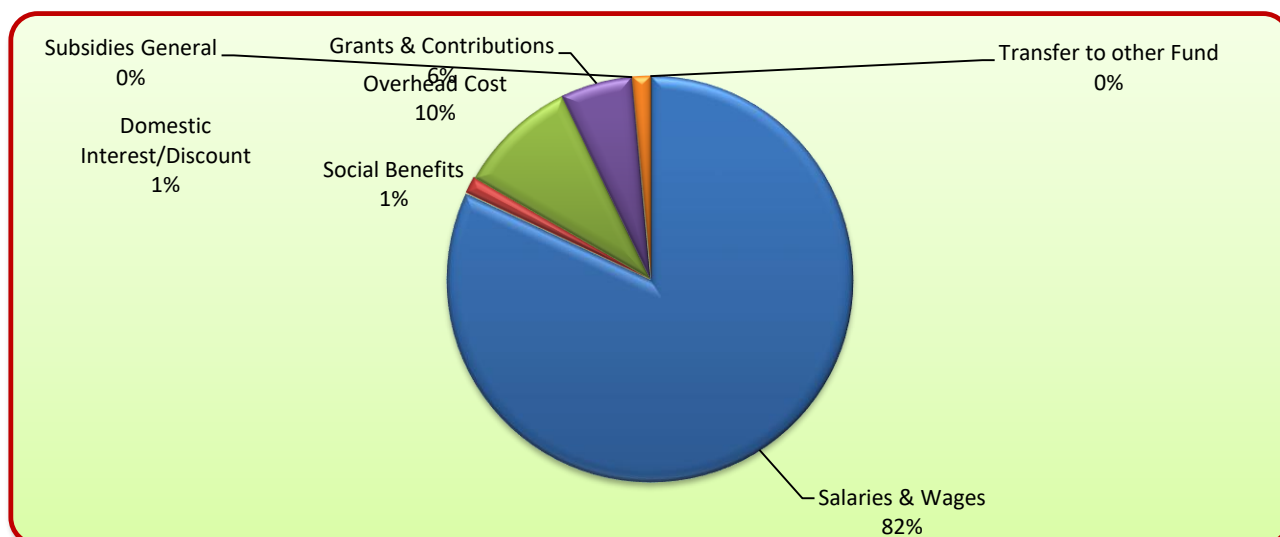
Although there was a total savings of =N=1,418,611,368.24, we further observed total sum of =N=42,518,132.04 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	2,971,658,495.55	2,442,757,612.65	528,900,882.90	0.00
Social Benefits	130,500,000.00	41,014,090.92	89,485,909.08	0.00
Overhead Cost	986,070,000.00	285,100,455.74	700,969,544.26	0.00
Grants & Contributions	269,250,000.00	169,994,968.00	99,255,032.00	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.04	0.00	42,518,132.04
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>4,357,478,495.55</b>	<b>2,981,385,259.35</b>	<b>1,418,611,368.24</b>	<b>42,518,132.04</b>



## (2). Capital

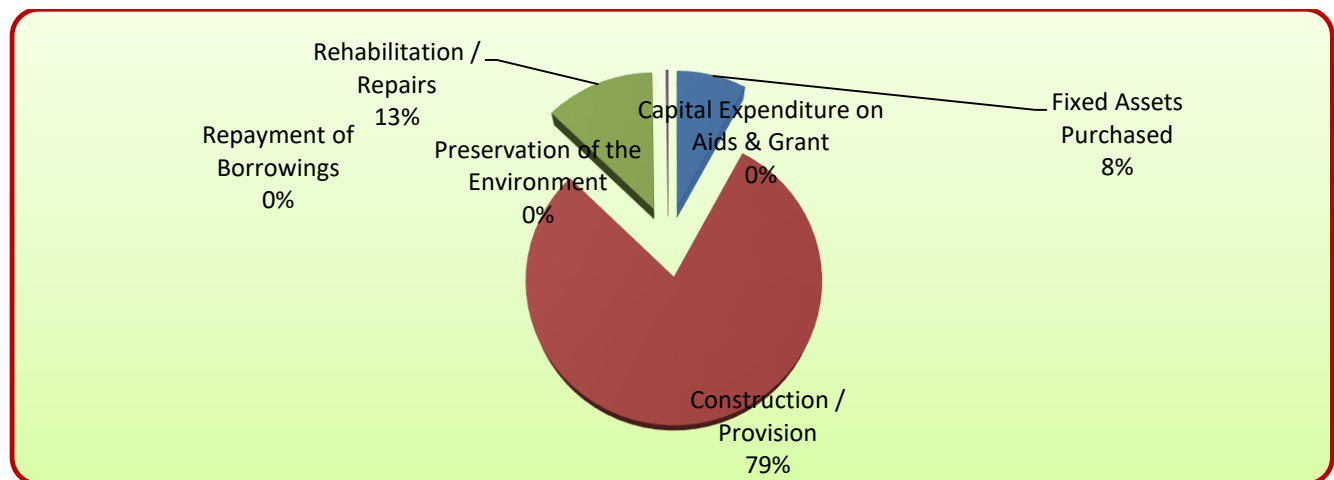
### **Observation:**

Savings: =N=4,020,119,223.43

The Council was observed to have projected a total of =N=4,627,981,444.17 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=607,862,220.74 was spent in the execution of projects. This indicates a savings of =N=4,020,112,223.43 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	602,800,000.00	47,960,093.36	554,839,906.64	0.00
Construction / Provision	2,796,500,000.00	482,713,733.30	2,313,786,266.70	0.00
Rehabilitation / Repairs	1,038,681,444.17	75,666,294.08	963,015,150.09	0.00
Preservation of the Env.	190,000,000.00	1,522,100.00	188,477,900.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>4,627,981,444.17</b>	<b>607,862,220.74</b>	<b>4,020,119,223.43</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

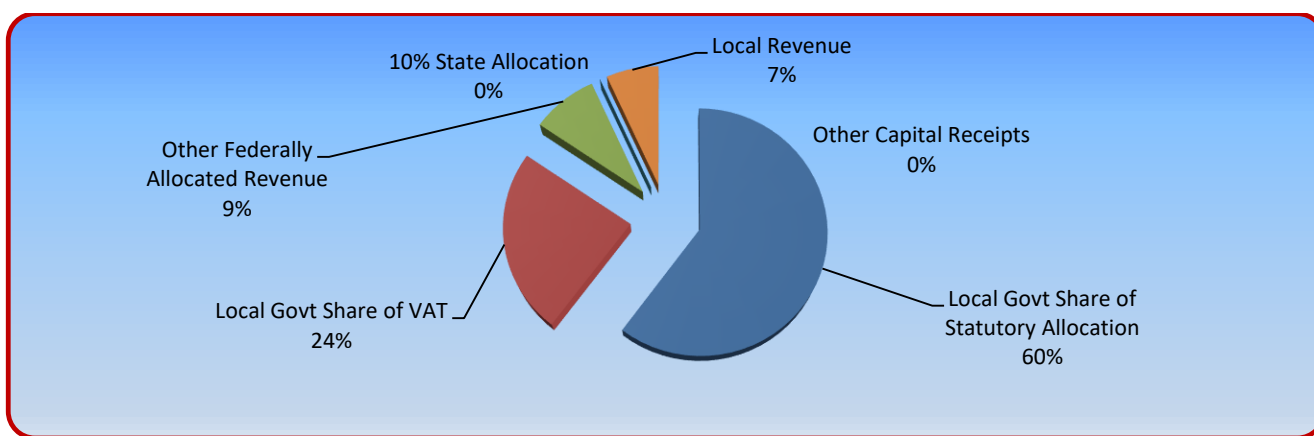
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

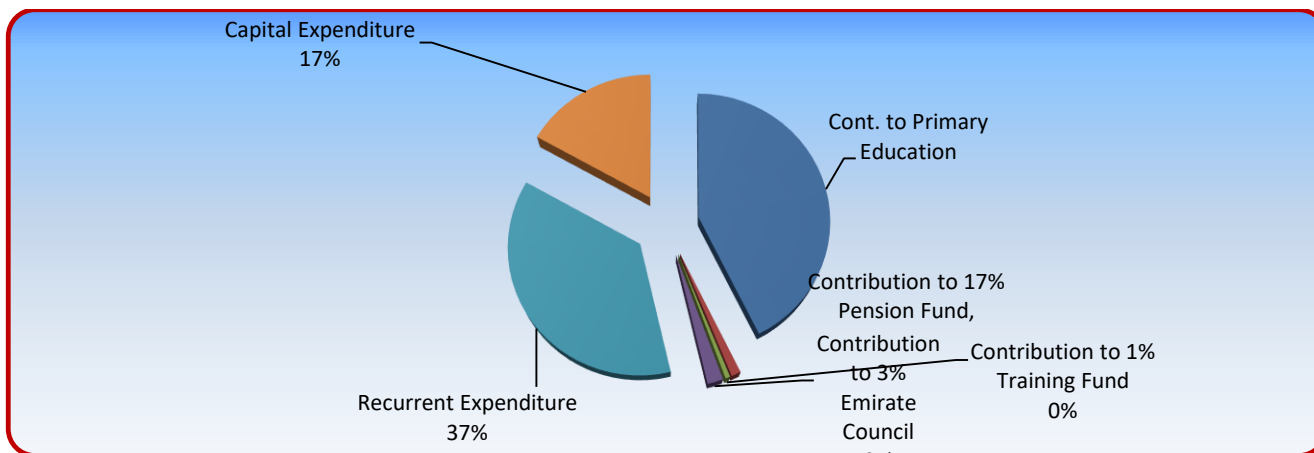
**TOTAL REVENUE: =N=3,748,068,231.17**

Local Govt Share of Statutory Allocation	2,258,142,517.06
Local Govt Share of VAT	907,406,634.26
Other Federally Allocated Revenue	325,909,277.49
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	256,609,802.36
<b>Total</b>	<b>3,748,068,231.17</b>



**TOTAL EXPENDITURE: =N=3,589,247,480.09**

Cont. to Primary Education	1,532,833,166.02
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	20,332,877.36
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	1,319,810,125.05
Capital Expenditure	607,862,220.74
<b>Total</b>	<b>3,589,247,480.09</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

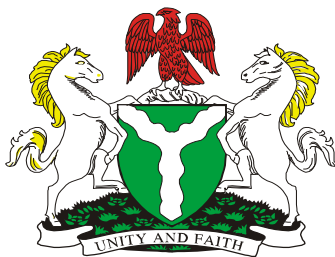
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **RANO LOCAL GOVERNMENT COUNCIL**





**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**RANO LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Rano Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Dahiru Muhammad	Executive Chairman
2	Alh.AlasanDattijo	Vice Chairman
3	Alh.Jamilu Hassan	Local Government Secretary
4	Alh.DanlamiUsman Kura	Director Personnel Management
5	Alh. Muhammad Ibrahim	Treasurer
6	Alh. Umar Sani	C.P.O
7	Alh. Muhammad Rabiu Kura	HOD Community
8	Alh.UsmanUbah	HOD Medical & Health
9	Alh.Shehu Suleiman Hotoro	HOD Agric
10	Alh. Mustapha Lajawa	HOD Works & Housing
11	Alh.MuhdAbdullahiMandawari	HOD PRS
12	Alh.AliyuYahayaAshiru	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	15,970,282.06	747,943,905.85
Local Revenue	89,442,823.75	3,034,960.23
Statutory Allocation	1,764,251,071.33	1,839,056,933.77
<b>Resource Available</b>	<b>1,869,664,177.14</b>	<b>2,590,035,799.85</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,819,386,649.64	1,406,608,337.59
Capital Expenditure	157,758,221.39	220,498,191.27
<b>Total Expenditure</b>	<b>1,977,144,871.03</b>	<b>1,627,106,528.86</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-107,480,693.89</b>	<b>962,929,270.99</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a Deficit balance of =N=107,480,693.89, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Unstable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=546,124,770.40**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=546,124,770.40 in the 5% Stabilization Account has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=546,124,770.40 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		546,124,770.40
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>546,124,770.40</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>546,124,770.40</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=248,347,193.48**

**Observation:**

During the year under review the sum of =N=2,119,529,391.50 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=355,278,320.17 and January to December 2020 net allocation of =N=1,764,251,071.33. However, we observed that only the total sum of =N=1,871,182,198.02 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=248,347,193.48.

1	Opening Balance 1/1/2020		<b>355,278,320.17</b>
2	Net Allocation Jan – Dec 2020		1,764,251,071.33
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,119,529,391.50</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,395,172,913.53
	• Salaries & Wages		476,009,284.49
		Total	1,871,182,198.02
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>248,347,193.48</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.



## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	7,489,946.45	15,970,282.06
Investments	59,842,586.92	59,842,586.92
Advances	794,471,963.89	942,322,078.20
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>861,804,497.26</b>	<b>1,018,134,947.18</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	88,085,150.16	55,205,676.19
Balance of Assets over Liabilities	773,719,347.10	962,929,270.99
<b>Total Liabilities</b>	<b>861,804,497.26</b>	<b>1,018,134,947.18</b>

The Net Asset of =N=773,719,347.10 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=59,842,586.92**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=76,791,965.82**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	81,810,000.00	89,442,823.75	0.00	7,632,823.75
Statutory Allocation	4,857,500,000.00	1,764,251,071.33	3,093,248,928.67	0.00
<b>Total Revenue</b>	<b>4,939,310,000.00</b>	<b>1,853,693,895.08</b>	<b>3,093,248,928.67</b>	<b>7,632,823.75</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,302,122,759.68	1,819,386,649.64	482,736,110.04	0.00
Capital	2,537,865,000.00	157,758,221.39	2,380,106,778.61	0.00
<b>Total Expenditure</b>	<b>4,839,987,759.68</b>	<b>1,977,144,871.03</b>	<b>2,862,842,888.65</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=76,623,575.15**

During the period under review, the sum of =N=81,810,000.00 was estimated to be generated from local sources. However, only the sum of =N=89,442,823.75(1.09%) was actually generated. This indicates a shortfall of =N=76,623,575.15 (0.09%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	3,200,000.00	0.00	3,200,000.00	0.00
Non Tax Revenue	61,010,000.00	2,985,474.85	58,024,525.15	0.00
Investment Income	16,000,000.00	2,200,950.00	13,799,050.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	0.00	84,256,398.90	0.00	84,256,398.90
Extraordinary Items	1,000,000.00	0.00	1,000,000.00	0.00
Prep./Arrears of Revenue	600,000.00	0.00	600,000.00	0.00
<b>Totals</b>	<b>81,810,000.00</b>	<b>89,442,823.75</b>	<b>76,623,575.15</b>	<b>84,256,398.90</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

**Shortfall: =N=3,093,248,928.67**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,857,500,000.00 as against the actual figure of =N=1,764,251,071.33. Thus showing a shortfall of =N=3,093,248,928.67 (64%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	3,257,500,000.00	1,131,053,726.59	2,126,446,273.41	0.00
Local Govt Share of VAT	700,000,000.00	468,366,446.78	231,633,553.22	0.00
Other Fed. Allocated Revenue	350,000,000.00	164,830,897.96	185,169,102.04	0.00
10% State Allocation	50,000,000.00	0.00	50,000,000.00	0.00
Other Capital Receipts	500,000,000.00	0.00	500,000,000.00	0.00
<b>Totals</b>	<b>4,857,500,000.00</b>	<b>1,764,251,071.33</b>	<b>3,093,248,928.67</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,302,122,759.68 in the approved Estimates during the year but incurred an expenditure of =N=1,819,386,649.64.

#### **Observation:**

Over =N=42,578,132.09

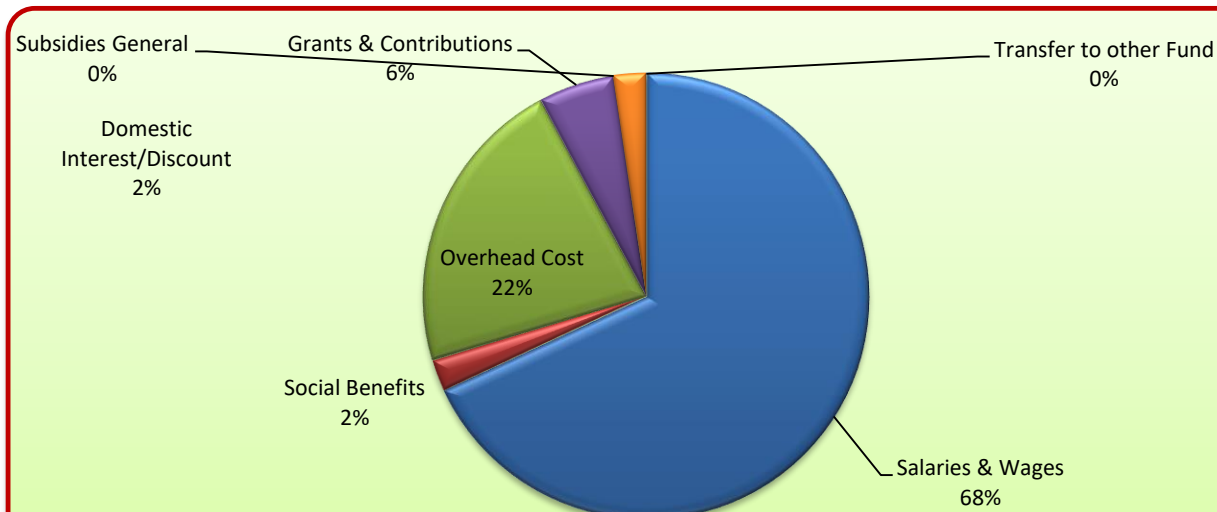
Although there was a total savings of =N=525,314,242.13, we further observed total sum of =N=42,578,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,288,402,759.68	1,239,382,520.85	49,020,238.83	0.00
Social Benefits	46,000,000.00	40,909,090.92	5,090,909.08	0.00
Overhead Cost	817,720,000.00	396,701,955.39	421,018,044.61	0.00
Grants & Contributions	150,000,000.00	99,814,950.39	50,185,049.61	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,578,132.09	0.00	42,578,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,302,122,759.68</b>	<b>1,819,386,649.64</b>	<b>525,314,242.13</b>	<b>42,578,132.09</b>



## (2). Capital

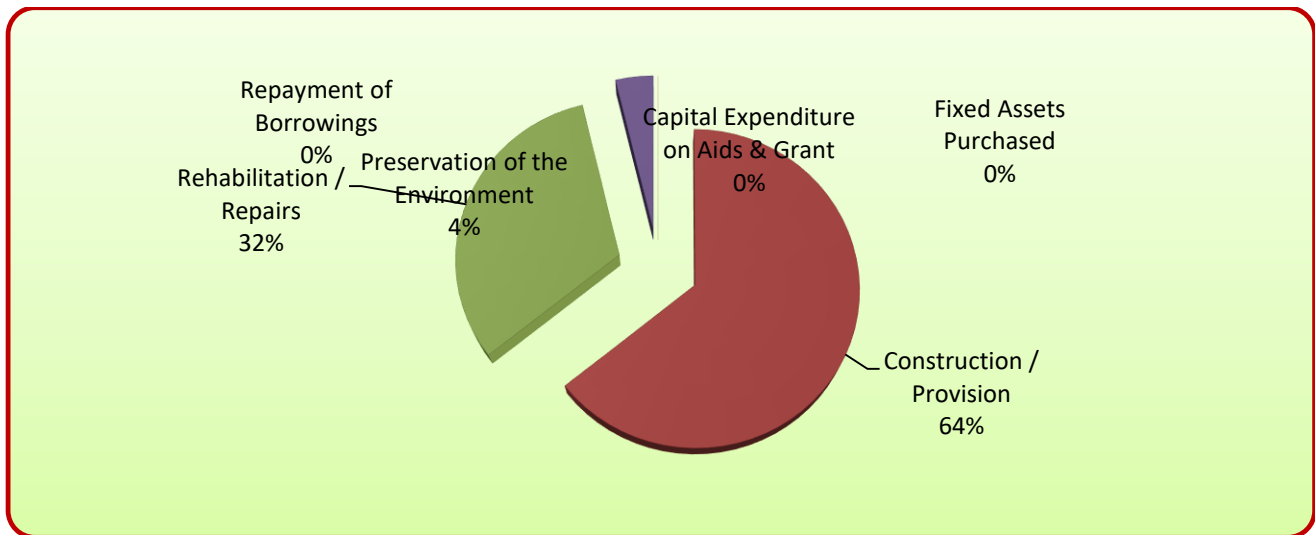
### **Observation:**

Savings: =N=2,380,106,778.61

The Council was observed to have projected a total of =N=2,537,865,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=157,758,221.39 was spent in the execution of projects. This indicates a savings of =N=2,380,106,778.61 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	330,500,000.00	0.00	330,500,000.00	0.00
Construction / Provision	1,626,500,000.00	101,425,774.32	1,525,074,225.68	0.00
Rehabilitation / Repairs	455,865,000.00	50,303,657.41	405,561,342.59	0.00
Preservation of the Env.	125,000,000.00	6,028,789.66	118,971,210.34	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,537,865,000.00</b>	<b>157,758,221.39</b>	<b>2,380,106,778.61</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

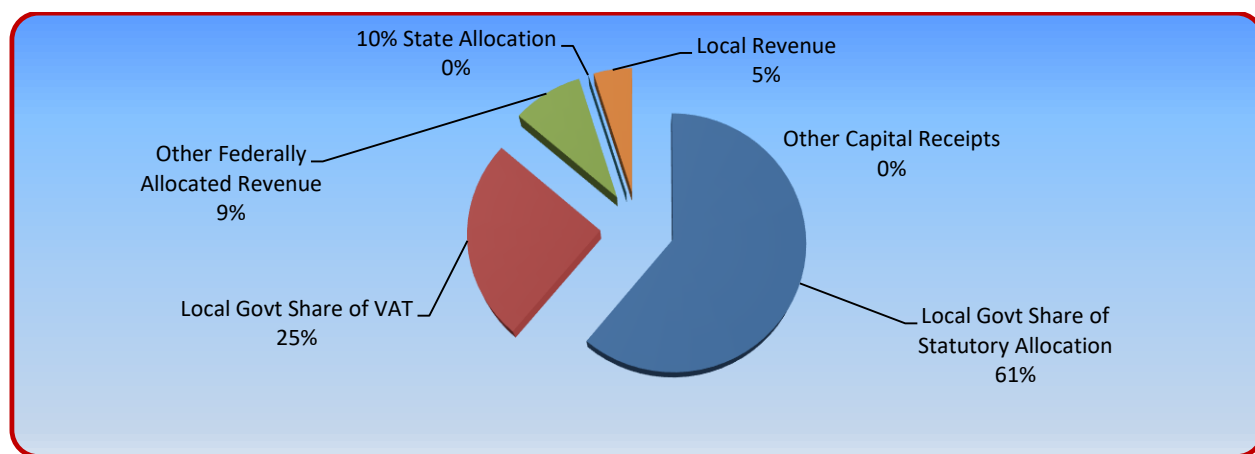
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

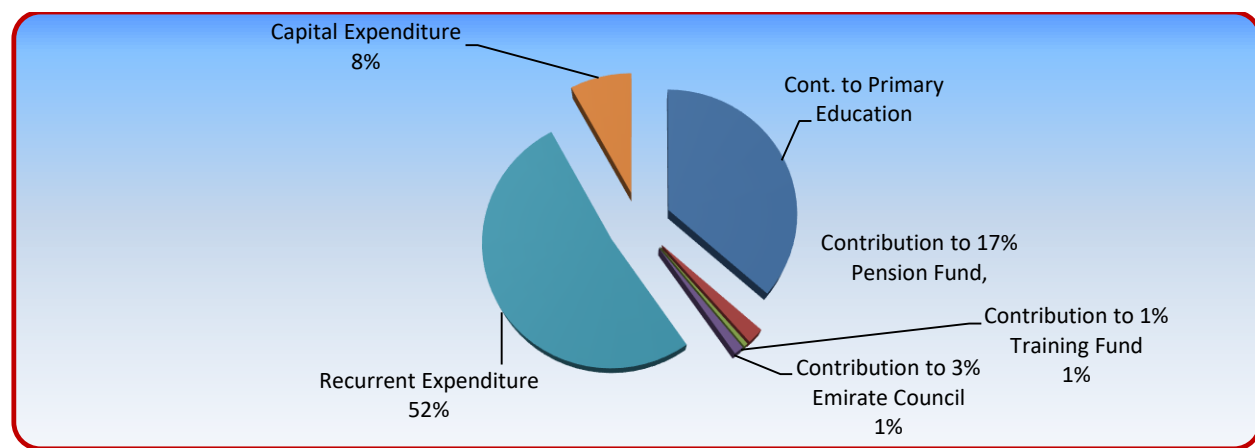
### TOTAL REVENUE: =N=1,853,693,895.08

Local Govt Share of Statutory Allocation	1,131,053,726.59
Local Govt Share of VAT	468,366,446.78
Other Federally Allocated Revenue	164,830,897.96
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	89,442,823.75
<b>Total</b>	<b>1,853,693,895.08</b>



### TOTAL EXPENDITURE: =N=1,977,144,871.03

Cont. to Primary Education	721,999,098.32
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,233,976.61
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	1,022,244,483.79
Capital Expenditure	157,758,221.39
<b>Total</b>	<b>1,977,144,871.03</b>






## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

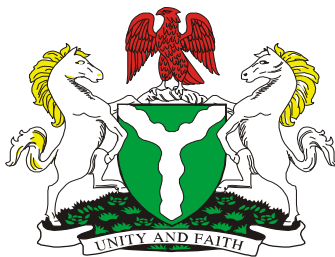
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **RIMIN GADO LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
RIMIN GADO LOCAL GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Rimin Gado Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.MunirDahiruMaigari	Executive Chairman
2	Alh.ShafiuAuduGulu	Vice Chairman
3	Alh.NasiruMagajiRiminGado	Local Government Secretary
4	Alh. Ibrahim Umar	Director Personnel Management
5	Alh. Umar Abubakar	Treasurer
6	Alh. Bashir M. Musa	C.P.O
7	Alh.SalisuBalarabe	HOD Community
8	Alh.IsahBalarabe	HOD Medical & Health
9	Alh. Ibrahim Dabo	HOD Agric
10	Alh.Saadu Bello Gadija	HOD Works & Housing
11	Alh. Suleiman S. Abubakar	HOD PRS
12	Alh. Abba Abdullahi	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	21,536,271.82	3,288,575.75
Local Revenue	88,886,739.64	3,195,476.42
Statutory Allocation	1,709,344,364.81	1,789,816,342.37
<b>Resource Available</b>	<b>1,819,767,376.27</b>	<b>1,796,300,394.54</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,793,114,163.18	1,691,495,385.77
Capital Expenditure	104,869,855.35	85,855,127.94
<b>Total Expenditure</b>	<b>1,897,984,018.53</b>	<b>1,777,350,513.71</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-78,216,642.26</b>	<b>18,949,880.83</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a Deficit balance of =N=78,216,642.26, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Unstable.**



**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=510,938,128.08**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=510,938,128.08 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=510,938,128.08 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		510,938,128.08
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>510,938,128.08</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>510,938,128.08</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(554,884,640.70)**

**Observation:**

During the year under review the negative sum of =N=406,000,068.09 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,709,344,364.82 was recorded in the Council books of account. However, =N=1,336,884,512.85 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=521,344,424.58 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=554,884,640.70 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-406,000,068.09</b>
2	Net Allocation Jan – Dec 2020		1,709,344,364.82
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,303,344,296.73</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,336,884,512.85
	• Salaries & Wages		521,344,424.58
		Total	1,858,228,937.43
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-554,884,640.70</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	12,460,860.84	21,536,271.82
Investments	48,147,049.66	48,147,049.66
Advances	510,938,128.08	559,242,391.86
Balance of Liabilities over Asset	177,411,560.81	0.00
<b>Total Assets</b>	<b>748,957,599.39</b>	<b>628,925,713.34</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	748,957,599.39	609,975,832.51
Balance of Assets over Liabilities	0.00	18,949,880.83
<b>Total Liabilities</b>	<b>748,957,599.39</b>	<b>628,925,713.34</b>

The Net Liability of =N=177,411,560.81 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

### **ASSETS**

#### **(1) Investments =N=48,147,049.66**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=137,926,768.40**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	426,365,000.00	88,886,739.64	337,478,260.36	0.00
Statutory Allocation	1,744,344,364.81	1,709,344,364.81	35,000,000.00	0.00
<b>Total Revenue</b>	<b>2,170,709,364.81</b>	<b>1,798,231,104.45</b>	<b>372,478,260.36</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,094,619,316.01	1,793,114,163.18	301,505,152.83	0.00
Capital	2,676,557,084.00	104,869,855.35	2,571,687,228.65	0.00
<b>Total Expenditure</b>	<b>4,771,176,400.01</b>	<b>1,897,984,018.53</b>	<b>2,873,192,381.48</b>	<b>0.00</b>

### **REVENUE:**

#### **✚ (1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=337,478,260.36**

During the period under review, the sum of =N=426,365,000.00 was estimated to be generated from local sources. However, only the sum of =N=88,886,739.64 (21%) was actually generated. This indicates a shortfall of =N=337,478,260.36 (79%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	3,000,000.00	0.00	3,000,000.00	0.00
Non Tax Revenue	63,665,000.00	3,794,007.86	59,870,992.14	0.00
Investment Income	17,400,000.00	838,965.00	16,561,035.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,253,766.78	256,746,233.22	0.00
Extraordinary Items	1,000,000.00	0.00	1,000,000.00	0.00
Prep./Arrears of Revenue	300,000.00	0.00	300,000.00	0.00
<b>Totals</b>	<b>426,365,000.00</b>	<b>88,886,739.64</b>	<b>337,478,260.36</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=35,000,000.00

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=1,744,344,364.81 as against the actual figure of =N=1,709,344,364.81. Thus showing a shortfall of =N=35,000,000.00 (0.02%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	1,119,371,127.17	1,119,371,127.17	0.00	0.00
Local Govt Share of VAT	429,985,575.51	429,985,575.51	0.00	0.00
Other Fed. Allocated Revenue	159,987,662.13	159,987,662.13	0.00	0.00
10% State Allocation	35,000,000.00	0.00	35,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>1,744,344,364.81</b>	<b>1,709,344,364.81</b>	<b>35,000,000.00</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,094,619,316.01 in the approved Estimates during the year but incurred an expenditure of =N=1,793,114,163.18.

#### **Observation:**

Over =N=42,518,132.09

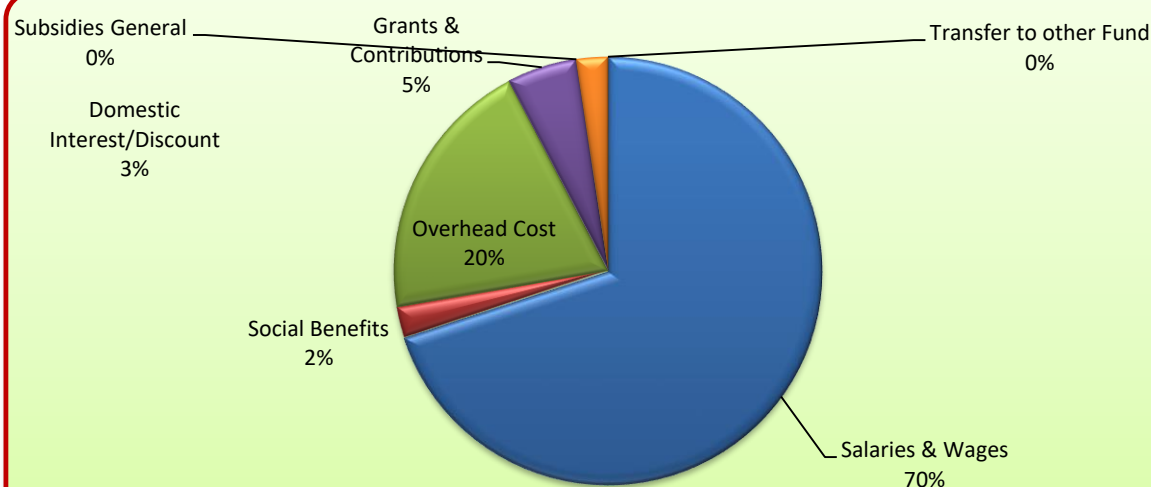
Although there was a total savings of =N=344,023,284.92, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,368,129,316.01	1,255,344,016.49	112,785,299.52	0.00
Social Benefits	45,700,000.00	40,909,090.92	4,790,909.08	0.00
Overhead Cost	578,790,000.00	359,421,386.71	219,368,613.29	0.00
Grants & Contributions	102,000,000.00	94,921,536.97	7,078,463.03	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,094,619,316.01</b>	<b>1,793,114,163.18</b>	<b>344,023,284.92</b>	<b>42,518,132.09</b>





## (2). Capital

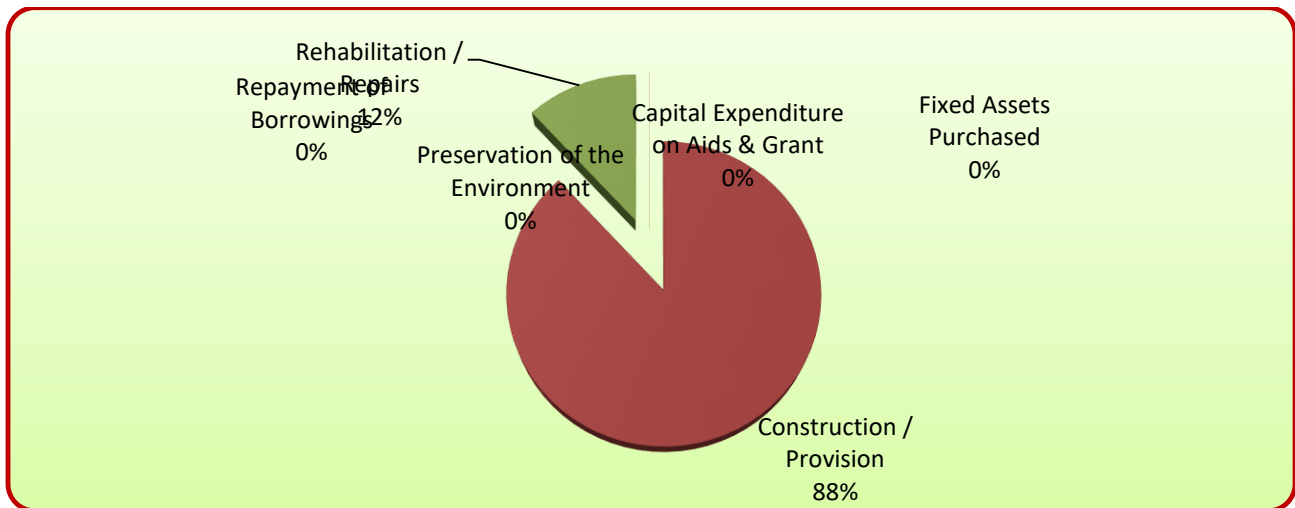
### **Observation:**

Savings: =N=2,571,687,228.65

The Council was observed to have projected a total of =N=2,676,557,084.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=104,869,855.35 was spent in the execution of projects. This indicates a savings of =N=2,571,687,228.65 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	378,700,000.00	0.00	378,700,000.00	0.00
Construction / Provision	1,572,873,830.00	92,389,778.63	1,480,484,051.37	0.00
Rehabilitation / Repairs	679,983,254.00	12,480,076.72	667,503,177.28	0.00
Preservation of the Env.	45,000,000.00	0.00	45,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,676,557,084.00</b>	<b>104,869,855.35</b>	<b>2,571,687,228.65</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

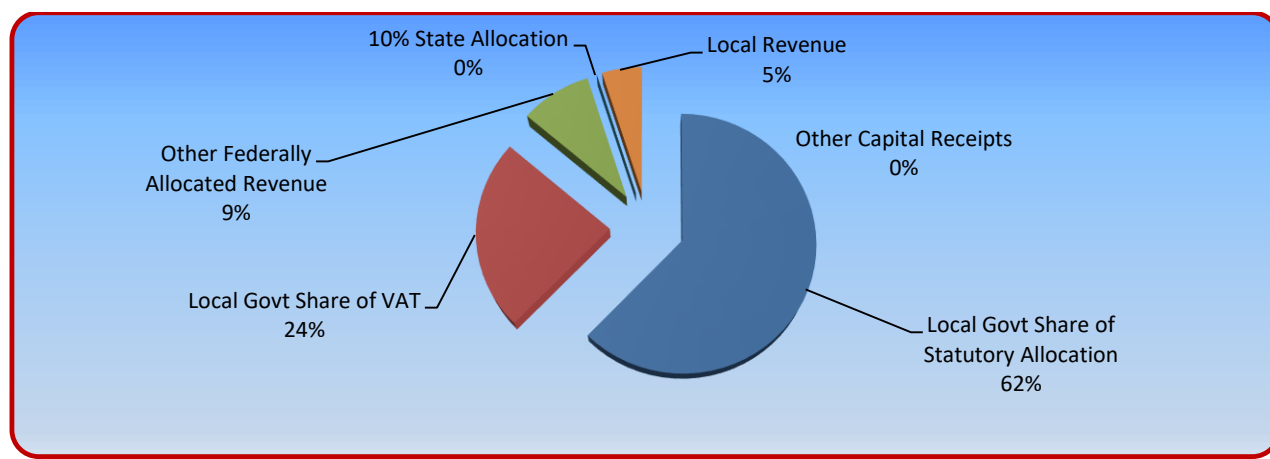
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

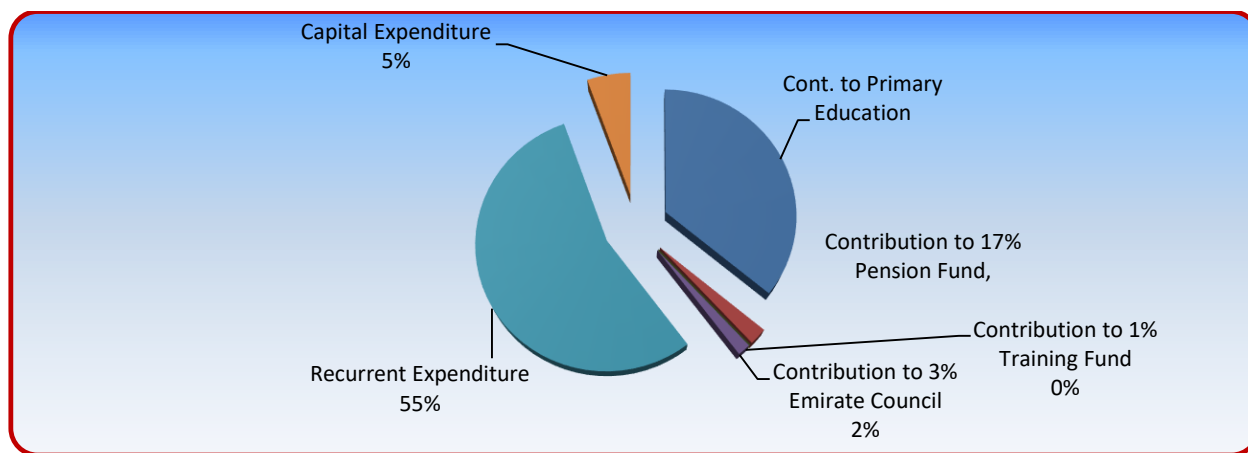
**TOTAL REVENUE: =N=1,798,231,104.45**

Local Govt Share of Statutory Allocation	1,119,371,127.17
Local Govt Share of VAT	429,985,575.51
Other Federally Allocated Revenue	159,987,662.13
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	88,886,739.64
<b>Total</b>	<b>1,798,231,104.45</b>



**TOTAL EXPENDITURE: =N=1,897,984,018.53**

Cont. to Primary Education	682,434,475.55
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	0.00
Contribution to 3% Emirate Council	30,000,000.00
Recurrent Expenditure	1,039,770,596.71
Capital Expenditure	104,869,855.35
<b>Total</b>	<b>1,897,984,018.53</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

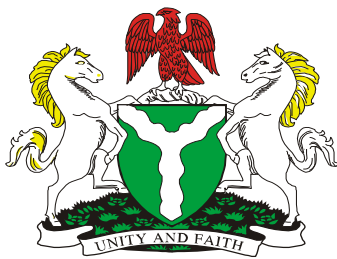
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **ROGO LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**ROGO LOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Rogo Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Mubarak Bello Fulatan	Executive Chairman
2	Alh.SurajoSabiu	Vice Chairman
3	Alh.MalamiDanazumi	Local Government Secretary
4	Alh. Umar Liman T/Wada	Director Personnel Management
5	Alh.Dahiru Ahmed Gora	Treasurer
6	Alh.Nasiru Ali Ahmed	C.P.O
7	Alh. Muhammad Mahmud Kabo	HOD Community
8	Alh.Hamisu Ismail	HOD Medical & Health
9	Alh. Muhammad Saminu Abbas	HOD Agric
10	Alh.Adamu Suleiman	HOD Works & Housing
11	Alh.IsyakuHotoro	HOD PRS
12	Alh.KamiluDatti	HOD WESH

### **UR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.



## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	26,767,197.22	2,669,247,038.65
Local Revenue	92,590,809.99	1,753,251.89
Statutory Allocation	2,082,968,896.13	2,173,664,417.58
<b>Resource Available</b>	<b>2,202,326,903.34</b>	<b>4,844,664,708.12</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,829,644,774.99	1,557,735,381.90
Capital Expenditure	333,775,259.65	46,344,991.14
<b>Total Expenditure</b>	<b>2,163,420,034.64</b>	<b>1,604,080,373.04</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>38,906,868.70</b>	<b>3,240,584,335.08</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=38,906,868.70, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=650,505,921.71**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=650,505,921.71 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2019 there is a balance of =N=650,505,921.71 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		650,505,921.71
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>650,505,921.71</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>650,505,921.71</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=2,568,627,595.98**

**Observation:**

During the year under review the sum of =N=4,592,471,167.11 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=2,509,502,270.98 and January to December 2020 net allocation of =N=2,082,968,896.13. However, we observed that only the total sum of =N=2,023,843,571.13 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=2,568,627,595.98.

1	Opening Balance 1/1/2020		2,509,502,270.98
2	Net Allocation Jan – Dec 2020		2,082,968,896.13
3	<b>Total</b>	<b>3=(1+2)</b>	<b>4,592,471,167.11</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,517,994,984.55
	• Salaries & Wages		505,848,586.58
		Total	2,023,843,571.13
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>2,568,627,595.98</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	378,052.89	26,767,197.22
Investments	59,212,050.19	59,212,050.19
Advances	3,219,133,517.69	3,222,753,796.88
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>3,278,723,620.77</b>	<b>3,308,733,044.29</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	110,297,804.21	68,148,709.21
Balance of Assets over Liabilities	3,168,425,816.56	3,240,584,335.08
<b>Total Liabilities</b>	<b>3,278,723,620.77</b>	<b>3,308,733,044.29</b>

The Net Asset of =N=3,168,425,816.56 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=59,212,050.19**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=89,001,924.12**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	422,255,000.00	92,590,809.99	329,664,190.01	0.00
Statutory Allocation	4,366,153,086.40	2,082,968,896.13	2,283,184,190.27	0.00
<b>Total Revenue</b>	<b>4,788,408,086.40</b>	<b>2,175,559,706.12</b>	<b>2,612,848,380.28</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,230,233,002.00	1,829,644,774.99	400,588,227.01	0.00
Capital	1,686,708,728.40	333,775,259.65	1,352,933,468.75	0.00
<b>Total Expenditure</b>	<b>3,916,941,730.40</b>	<b>2,163,420,034.64</b>	<b>1,753,521,695.76</b>	<b>0.00</b>

### **REVENUE:**

#### **✚ (1).Internally Generated Revenue**

##### **Observation:**

##### **Shortfall: =N=329,664,190.01**

During the period under review, the sum of =N=422,255,000.00 was estimated to be generated from local sources. However, only the sum of =N=92,590,809.99(22%) was actually generated. This indicates a shortfall of =N=329,664,190.01(78%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	2,700,000.00	109,000.00	2,591,000.00	0.00
Non Tax Revenue	67,055,000.00	7,652,622.00	59,402,378.00	0.00
Investment Income	10,500,000.00	573,360.00	9,926,640.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	84,255,827.99	257,744,172.01	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>422,255,000.00</b>	<b>92,590,809.99</b>	<b>329,664,190.01</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

**2).Statutory Allocation****Observation:**

**Shortfall: =N=2,283,184,190.27**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,366,153,086.40 as against the actual figure of =N=2,082,968,896.13. Thus showing a shortfall of =N=2,283,184,190.27 (52%) as described below:

<b>Source</b>	<b>Approved</b>	<b>Actual</b>	<b>Under</b>	<b>Excess</b>
LG Share of Statutory Allocation	3,111,894,554.40	1,339,915,589.47	1,771,978,964.93	0.00
Local Govt Share of VAT	874,633,532.00	548,488,827.85	326,144,704.15	0.00
Other Fed. Allocated Revenue	310,625,000.00	194,564,478.81	116,060,521.19	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>4,366,153,086.40</b>	<b>2,082,968,896.13</b>	<b>2,283,184,190.27</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

**Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.



## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,230,233,002.00 in the approved Estimates during the year but incurred an expenditure of =N=1,829,644,774.99.

#### **Observation:**

Over =N=42,520,193.29

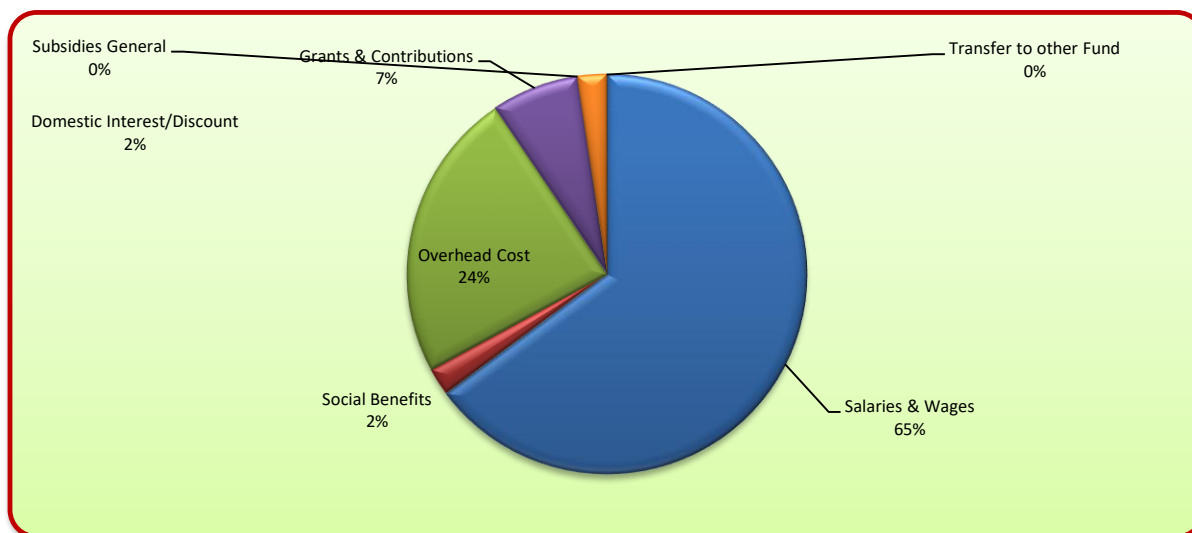
Although there was a total savings of =N=443,108,420.30, we further observed total sum of =N=42,520,193.29 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,516,255,002.00	1,186,277,501.68	329,977,500.32	0.00
Social Benefits	45,500,000.00	40,909,090.92	4,590,909.08	0.00
Overhead Cost	536,478,000.00	430,066,261.78	106,411,738.22	0.00
Grants & Contributions	132,000,000.00	129,871,727.32	2,128,272.68	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,520,193.29	0.00	42,520,193.29
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,230,233,002.00</b>	<b>1,829,644,774.99</b>	<b>443,108,420.30</b>	<b>42,520,193.29</b>



## (2). Capital

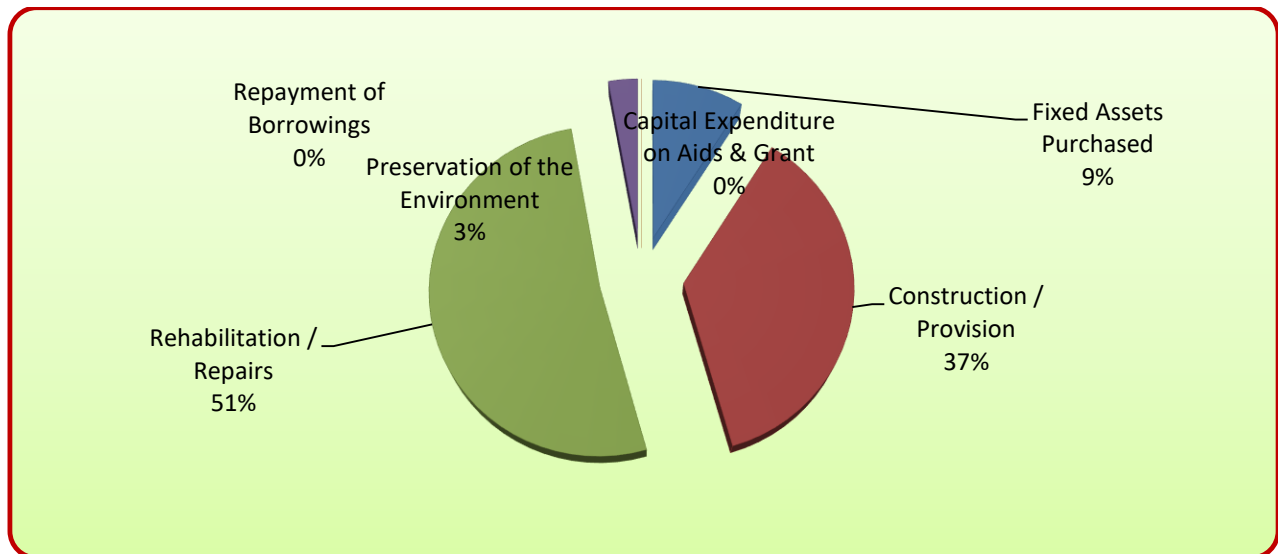
### **Observation:**

Savings: =N=1,352,933,468.75

The Council was observed to have projected a total of =N=1,686,708,728.40 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=333,775,259.65 was spent in the execution of projects. This indicates a savings of =N=1,352,933,468.75 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	97,900,000.00	30,011,792.80	67,888,207.20	0.00
Construction / Provision	1,050,000,000.00	122,135,312.31	927,864,687.69	0.00
Rehabilitation / Repairs	477,808,728.40	172,123,390.91	305,685,337.49	0.00
Preservation of the Env.	61,000,000.00	9,504,763.63	51,495,236.37	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,686,708,728.40</b>	<b>333,775,259.65</b>	<b>1,352,933,468.75</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

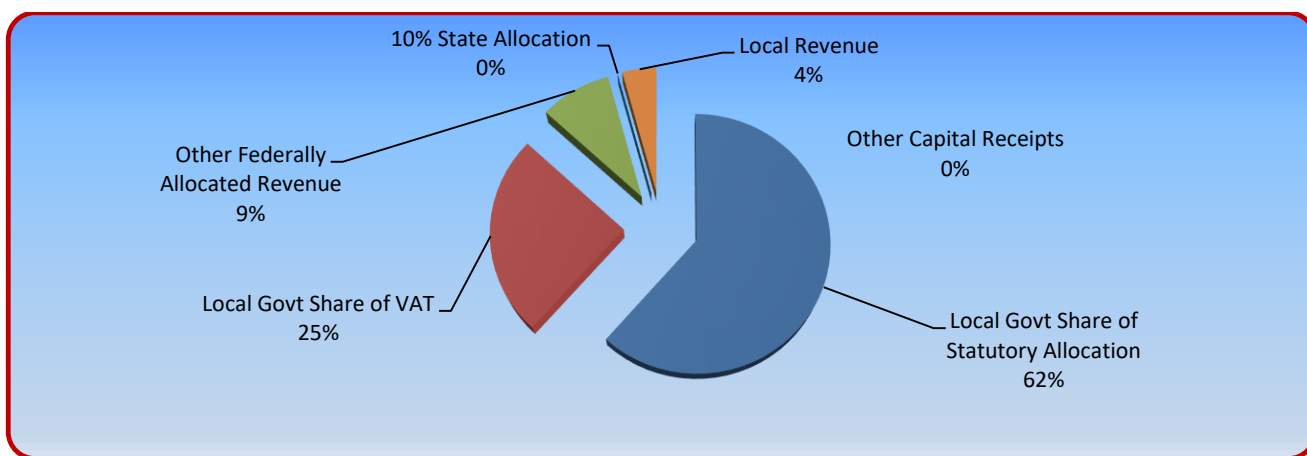
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

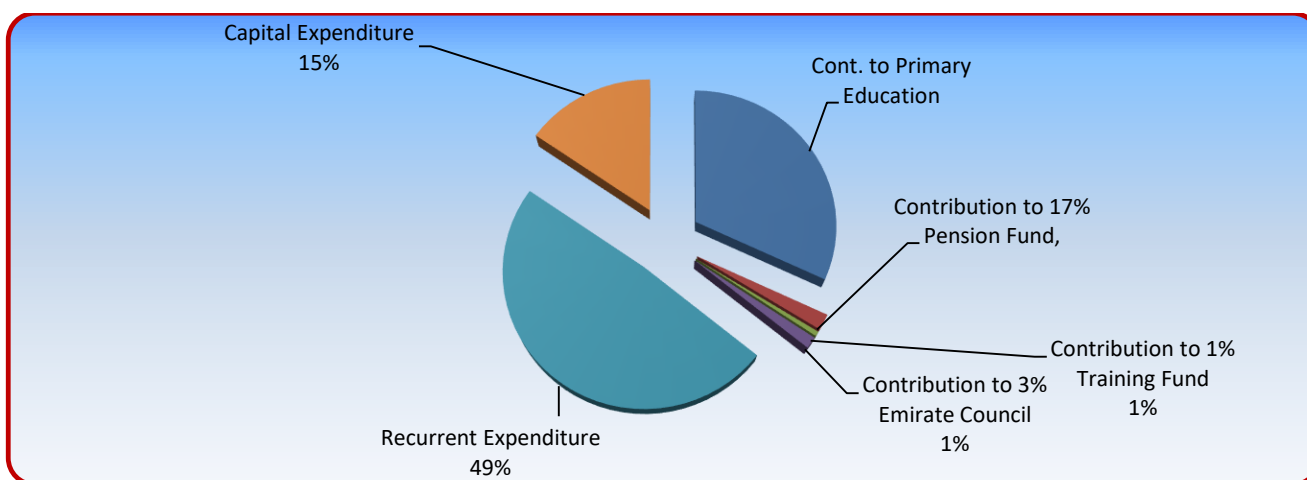
**TOTAL REVENUE: =N=2,175,559,706.12**

Local Govt Share of Statutory Allocation	1,339,915,589.47
Local Govt Share of VAT	548,488,827.85
Other Federally Allocated Revenue	194,564,478.81
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	92,590,809.99
<b>Total</b>	<b>2,175,559,706.12</b>



**TOTAL EXPENDITURE: =N=2,163,420,034.64**

Cont. to Primary Education	690,760,350.86
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	12,098,084.96
Contribution to 3% Emirate Council	30,000,000.00
Recurrent Expenditure	1,055,877,248.25
Capital Expenditure	333,775,259.65
<b>Total</b>	<b>2,163,420,034.64</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

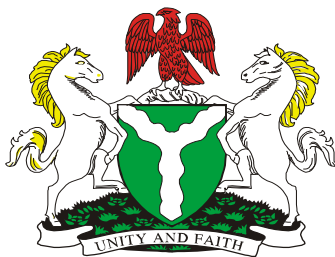
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **SHANONO LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
SHANONOLocal GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of ShanonoLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.AbdullahiShanono	Executive Chairman
2	Alh.HayatuMuhdLeni	Vice Chairman
3	Alh. Musa AdamuSaidu	Local Government Secretary
4	Alh.Mas'uduAbdullahi	Director Personnel Management
5	Alh. Ibrahim SaiduDanbatta	Treasurer
6	Alh. Musa MuhdKalla	C.P.O
7	Alh.Haruna Sale Ungogo	HOD Community
8	Alh.SurajoSadauki	HOD Medical & Health
9	Alh. Ibrahim Dabo	HOD Agric
10	Alh.JamiluJibrinKiru	HOD Works & Housing
11	Alh.UsmanAdamu	HOD PRS
12	Alh.Muktar Mikhail Malam	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.



**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	21,885,284.87	-836,260,537.94
Local Revenue	85,345,084.39	6,418,102.30
Statutory Allocation	1,730,711,233.80	1,802,629,372.20
<b>Resource Available</b>	<b>1,837,941,603.06</b>	<b>972,786,936.56</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,642,306,048.94	1,470,584,778.86
Capital Expenditure	117,892,002.40	145,795,994.42
<b>Total Expenditure</b>	<b>1,760,198,051.34</b>	<b>1,616,380,773.28</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>77,743,551.72</b>	<b>-643,593,836.72</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=77,743,551.72, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=529,676,708.13**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=529,676,708.13 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=529,676,708.13 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		529,676,708.13
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>529,676,708.13</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>529,676,708.13</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(1,235,927,177.70).**

**Observation:**

During the year under review the negative sum of =N=1,224,077,825.07 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,730,711,233.81 was recorded in the Council books of account. However, =N=1,227,400,838.27 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=515,159,748.17 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=1,235,927,177.70 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>-1,224,077,825.07</b>
2	Net Allocation Jan – Dec 2020		1,730,711,233.81
3	<b>Total</b>	<b>3=(1+2)</b>	<b>506,633,408.74</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,227,400,838.27
	• Salaries & Wages		515,159,748.17
		Total	1,742,560,586.44
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-1,235,927,177.70</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	7,816,993.93	21,885,284.87
Investments	48,962,727.23	48,962,727.23
Advances	529,676,708.13	613,347,421.92
Balance of Liabilities over Asset	755,076,997.45	643,593,836.72
<b>Total Assets</b>	<b>1,341,533,426.74</b>	<b>1,327,789,270.74</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	1,341,533,426.74	1,327,789,270.74
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>1,341,533,426.74</b>	<b>1,327,789,270.74</b>

The Net Liability of =N=755,076,997.45 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

## **ASSETS**

### **(1) Investments =N=48,962,727.23**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=84,670,925.57**

##### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

##### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	407,804,885.00	85,345,084.39	322,459,800.61	0.00
Statutory Allocation	2,607,915,809.60	1,730,711,233.80	877,204,575.80	0.00
<b>Total Revenue</b>	<b>3,015,720,694.60</b>	<b>1,816,056,318.19</b>	<b>1,199,664,376.41</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	1,875,773,452.00	1,642,306,048.94	233,467,403.06	0.00
Capital	883,795,416.60	117,892,002.40	765,903,414.20	0.00
<b>Total Expenditure</b>	<b>2,759,568,868.60</b>	<b>1,760,198,051.34</b>	<b>999,370,817.26</b>	<b>0.00</b>

### **REVENUE:**

#### **+ (1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=322,459,800.61**

During the period under review, the sum of =N=407,804,885.00 was estimated to be generated from local sources. However, only the sum of =N=85,345,084.39 (21%) was actually generated. This indicates a shortfall of =N=322,459,800.61 (79%) as described below:

<b>Source</b>	<b>Approved</b>	<b>Actual</b>	<b>Under</b>	<b>Excess</b>
Tax Revenue	1,300,000.00	0.00	1,300,000.00	0.00
Non Tax Revenue	39,104,885.00	904,318.65	38,200,566.35	0.00
Investment Income	3,400,000.00	167,000.00	3,233,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	10,000,000.00	0.00	10,000,000.00	0.00
Domestic Loans/Borrowings	352,000,000.00	84,253,765.74	267,746,234.26	0.00
Extraordinary Items	2,000,000.00	20,000.00	1,980,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>407,804,885.00</b>	<b>85,345,084.39</b>	<b>322,459,800.61</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.



**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=877,204,575.80

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,607,915,809.60 as against the actual figure of =N=1,730,711,233.80. Thus showing a shortfall of =N=877,204,575.80 (34%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	1,395,965,532.60	1,105,559,510.30	290,406,022.30	0.00
Local Govt Share of VAT	601,950,277.00	463,490,168.42	138,460,108.58	0.00
Other Fed. Allocated Revenue	550,000,000.00	161,661,555.08	388,338,444.92	0.00
10% State Allocation	60,000,000.00	0.00	60,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,607,915,809.60</b>	<b>1,730,711,233.80</b>	<b>877,204,575.80</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=1,875,773,452.00 in the approved Estimates during the year but incurred an expenditure of =N=1,642,306,048.94.

#### **Observation:**

Over =N=42,518,132.03

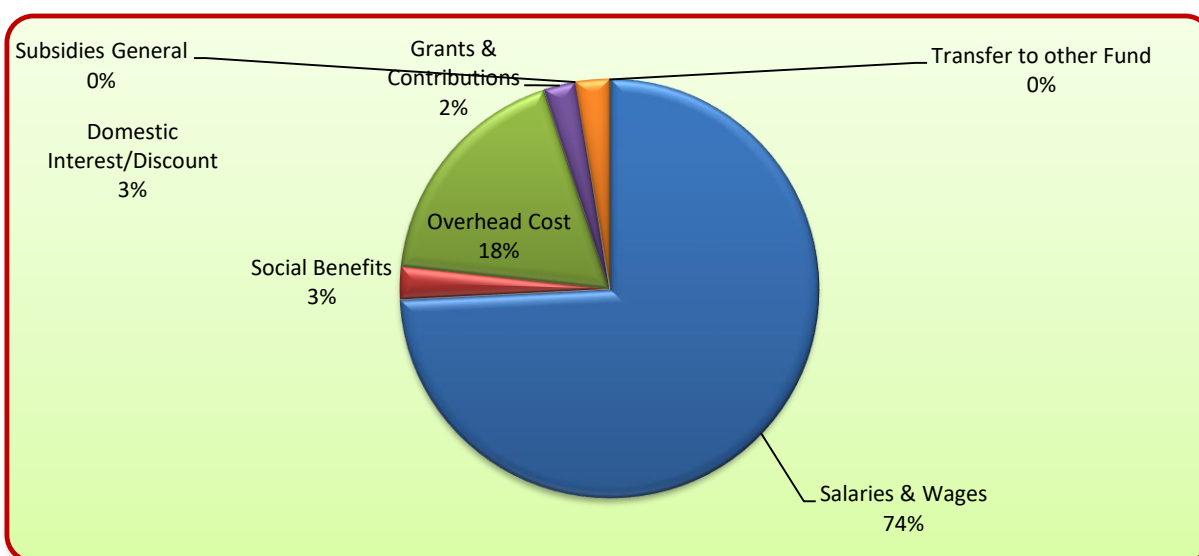
Although there was a total savings of =N=275,985,535.09, we further observed total sum of =N=42,518,132.03 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,240,873,452.00	1,218,979,978.72	21,893,473.28	0.00
Social Benefits	45,500,000.00	40,909,090.92	4,590,909.08	0.00
Overhead Cost	541,400,000.00	299,150,666.27	242,249,333.73	0.00
Grants & Contributions	48,000,000.00	40,748,181.00	7,251,819.00	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.03	0.00	42,518,132.03
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,875,773,452.00</b>	<b>1,642,306,048.94</b>	<b>275,985,535.09</b>	<b>42,518,132.03</b>



## (2). Capital

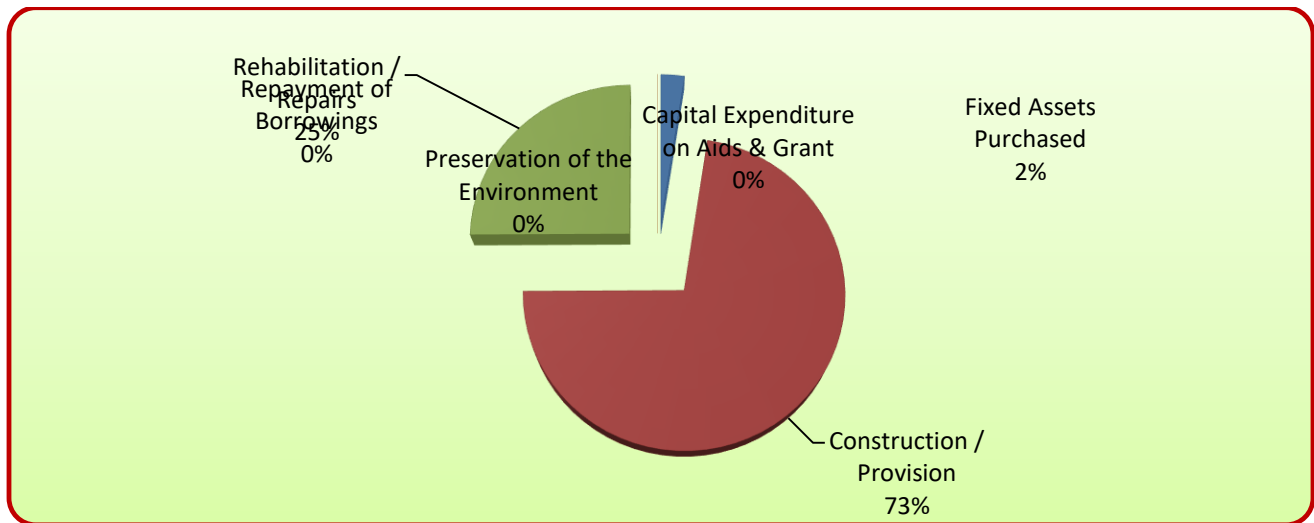
### **Observation:**

Savings: =N=765,903,414.20

The Council was observed to have projected a total of =N=883,795,416.60 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=117,892,002.40 was spent in the execution of projects. This indicates a savings of =N=765,903,414.20 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	84,500,000.00	2,890,173.42	81,609,826.58	0.00
Construction / Provision	643,295,416.60	85,434,828.98	557,860,587.62	0.00
Rehabilitation / Repairs	121,000,000.00	29,567,000.00	91,433,000.00	0.00
Preservation of the Env.	35,000,000.00	0.00	35,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>883,795,416.60</b>	<b>117,892,002.40</b>	<b>765,903,414.20</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

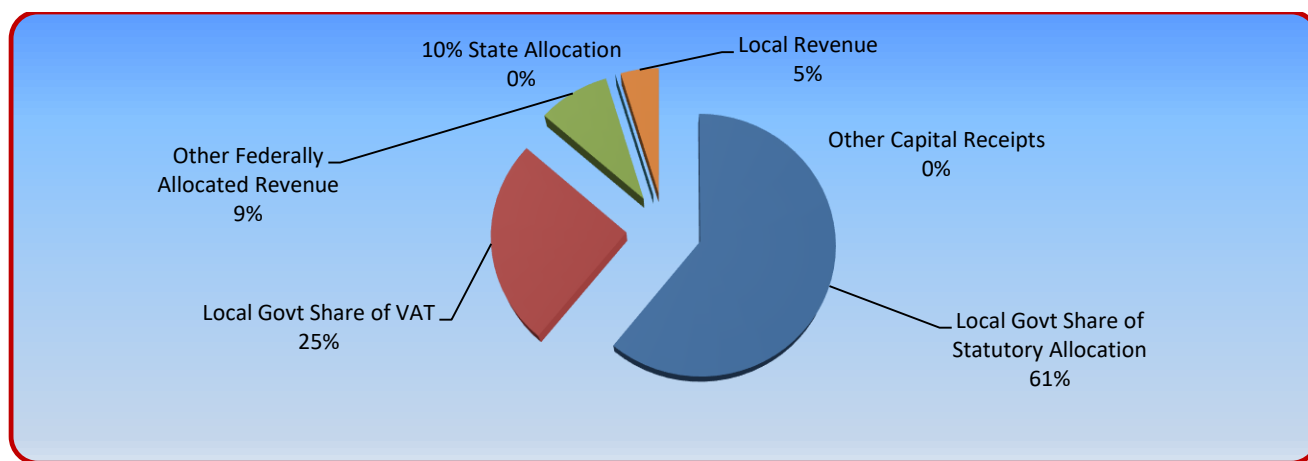
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

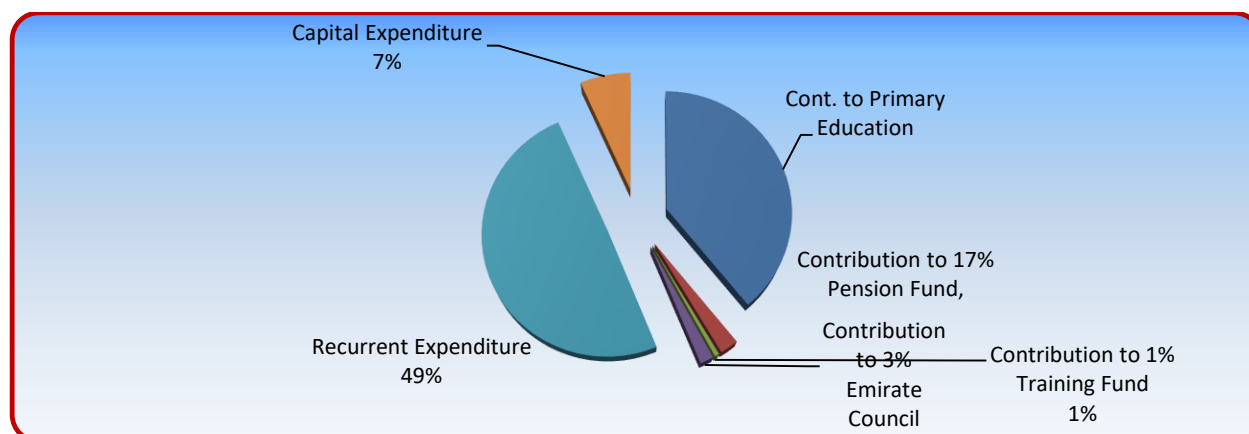
**TOTAL REVENUE: =N=1,816,056,318.19**

Local Govt Share of Statutory Allocation	1,105,559,510.30
Local Govt Share of VAT	463,490,168.42
Other Federally Allocated Revenue	161,661,555.08
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	85,345,084.39
<b>Total</b>	<b>1,816,056,318.19</b>



**TOTAL EXPENDITURE: =N=1,760,198,051.34**

Cont. to Primary Education	689,084,341.82
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,035,499.61
Contribution to 3% Emirate Council	30,000,000.00
Recurrent Expenditure	872,277,116.59
Capital Expenditure	117,892,002.40
<b>Total</b>	<b>1,760,198,051.34</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

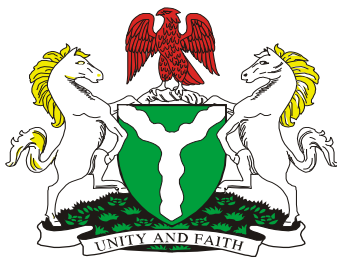
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **SUMAILA LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
SUMAILA LOCAL GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Sumaila Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:



- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Ibrahim HamisuRimi	Executive Chairman
2	Alh.Abubakar Musa Kuliya	Vice Chairman
3	Alh.DalhaldrisAlfindi	Local Government Secretary
4	Alh.Kamilu Manu Ajingi	Director Personnel Management
5	Alh.AbdullahiYusif	Treasurer
6	Alh.SaniAyubaDarki	C.P.O
7	Alh.DalhaMuhdKabawa	HOD Community
8	Alh.SuleUbaToranke	HOD Medical & Health
9	Alh.Abubakar Musa Kwalli	HOD Agric
10	Alh. Bashir Muhd	HOD Works & Housing
11	Alh.GarbaGwadabe	HOD PRS
12	Alh.Haruna Isa Gaida	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	11,653,580.37	2,244,666,976.40
Local Revenue	91,435,154.88	13,652,331.86
Statutory Allocation	2,176,164,680.61	2,270,918,233.97
<b>Resource Available</b>	<b>2,279,253,415.86</b>	<b>4,529,237,542.23</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,999,641,130.27	1,456,895,607.23
Capital Expenditure	115,536,213.48	566,136,492.07
<b>Total Expenditure</b>	<b>2,115,177,343.75</b>	<b>2,023,032,099.30</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>164,076,072.11</b>	<b>2,506,205,442.93</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=164,076,072.11 an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=720,892,647.41**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=720,892,647.41 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=720,892,647.41 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		720,892,647.41
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>720,892,647.41</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>720,892,647.41</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=2,147,631,703.71**

**Observation:**

During the year under review the sum of =N=4,169,815,155.19 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=1,993,650,474.58 and January to December, 2020 net allocation of =N=2,176,164,680.61. However, we observed that only the total sum of =N=2,022,183,451.48 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=2,147,631,703.71.

1	Opening Balance 1/1/2020		
2	Net Allocation Jan – Dec 2020		1,993,650,474.58
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,176,164,680.61</b>
4	Actual Amount Released:		<b>4,169,815,155.19</b>
	• Releases through LG Bank		1,468,235,561.99
	• Salaries & Wages		553,947,889.49
		Total	2,022,183,451.48
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>2,147,631,703.71</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	20,000,586.80	11,653,580.37
Investments	45,364,122.34	45,364,122.34
Advances	2,895,882,871.12	2,741,901,641.99
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>2,961,247,580.26</b>	<b>2,798,919,344.70</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	302,619,645.59	292,713,901.77
Balance of Assets over Liabilities	2,658,627,934.67	2,506,205,442.93
<b>Total Liabilities</b>	<b>2,961,247,580.26</b>	<b>2,798,919,344.70</b>

The Net Asset of =N=2,658,627,934.67 is equal to the difference between the total assets and liabilities.

**Financial Status: Healthy**

## **ASSETS**

### **(1) Investments =N=45,364,122.34**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**



[a]. Impersonal (Others): =N=27,358,520.00.

**Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=27,358,520.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

**Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=146,876,784.49**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	428,821,000.00	91,435,154.88	337,385,845.12	0.00
Statutory Allocation	4,400,942,745.00	2,176,164,680.61	2,224,778,064.39	0.00
<b>Total Revenue</b>	<b>4,829,763,745.00</b>	<b>2,267,599,835.49</b>	<b>2,562,163,909.51</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,058,646,427.89	1,999,641,130.27	59,005,297.62	0.00
Capital	2,742,500,000.00	115,536,213.48	2,626,963,786.52	0.00
<b>Total Expenditure</b>	<b>4,801,146,427.89</b>	<b>2,115,177,343.75</b>	<b>2,685,969,084.14</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=337,385,845.12**

During the period under review, the sum of =N=428,821,000.00 was estimated to be generated from local sources. However, only the sum of =N=91,435,154.88 (21%) was actually generated. This indicates a shortfall of =N=337,385,845.12 (79%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	1,000,000.00	0.00	1,000,000.00	0.00
Non Tax Revenue	83,095,000.00	4,364,670.11	78,730,329.89	0.00
Investment Income	3,600,000.00	2,801,500.00	798,500.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	126,000.00	0.00	126,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,268,984.77	256,731,015.23	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>428,821,000.00</b>	<b>91,435,154.88</b>	<b>337,385,845.12</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=2,224,778,064.39

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,400,942,745.00 as against the actual figure of =N=2,176,164,680.61. Thus showing a shortfall of =N=2,224,778,064.39 (51%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	3,261,234,571.00	1,399,287,661.67	1,861,946,909.33	0.00
Local Govt Share of VAT	712,110,116.00	573,637,725.25	138,472,390.75	0.00
Other Fed. Allocated Revenue	407,211,749.00	203,239,293.69	203,972,455.31	0.00
10% State Allocation	20,386,309.00	0.00	20,386,309.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>4,400,942,745.00</b>	<b>2,176,164,680.61</b>	<b>2,224,778,064.39</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,058,646,427.89 in the approved Estimates during the year but incurred an expenditure of =N=1,999,641,130.27.

#### **Observation:**

Over =N=106,659,480.62

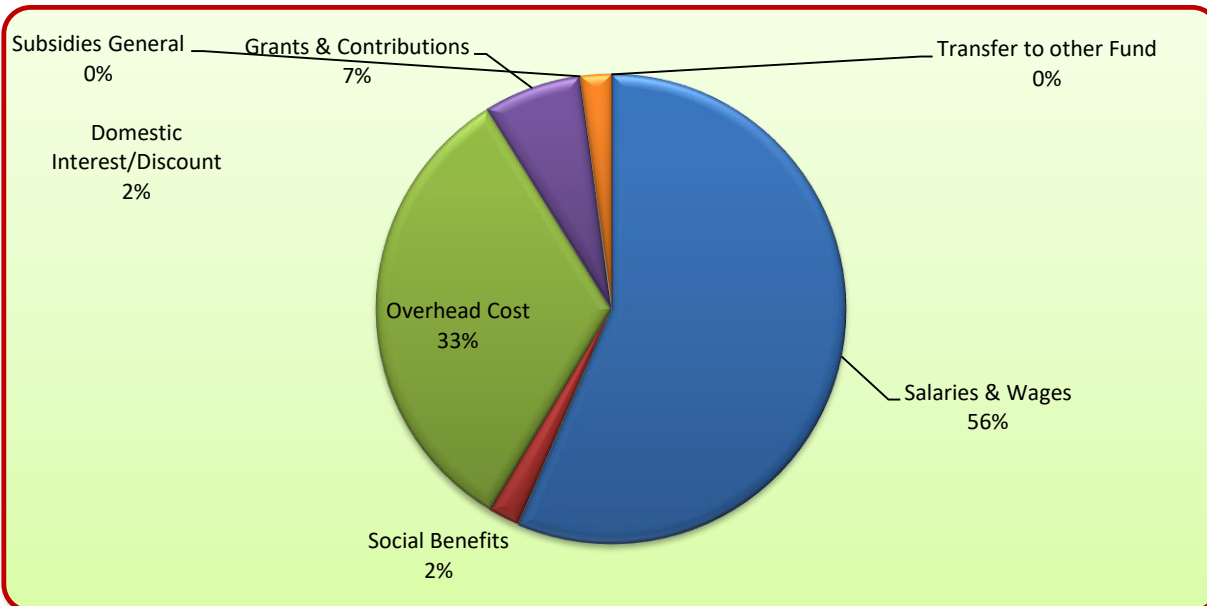
Although there was a total savings of =N=165,664,778.24, we further observed total sum of =N=106,659,480.62 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,258,789,156.89	1,129,274,936.56	129,514,220.33	0.00
Social Benefits	66,000,000.00	42,656,090.92	23,343,909.08	0.00
Overhead Cost	587,046,000.00	651,127,197.53	0.00	64,081,197.53
Grants & Contributions	146,811,271.00	134,004,622.17	12,806,648.83	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,578,283.09	0.00	42,578,283.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,058,646,427.89</b>	<b>1,999,641,130.27</b>	<b>165,664,778.24</b>	<b>106,659,480.62</b>



## **(2). Capital**

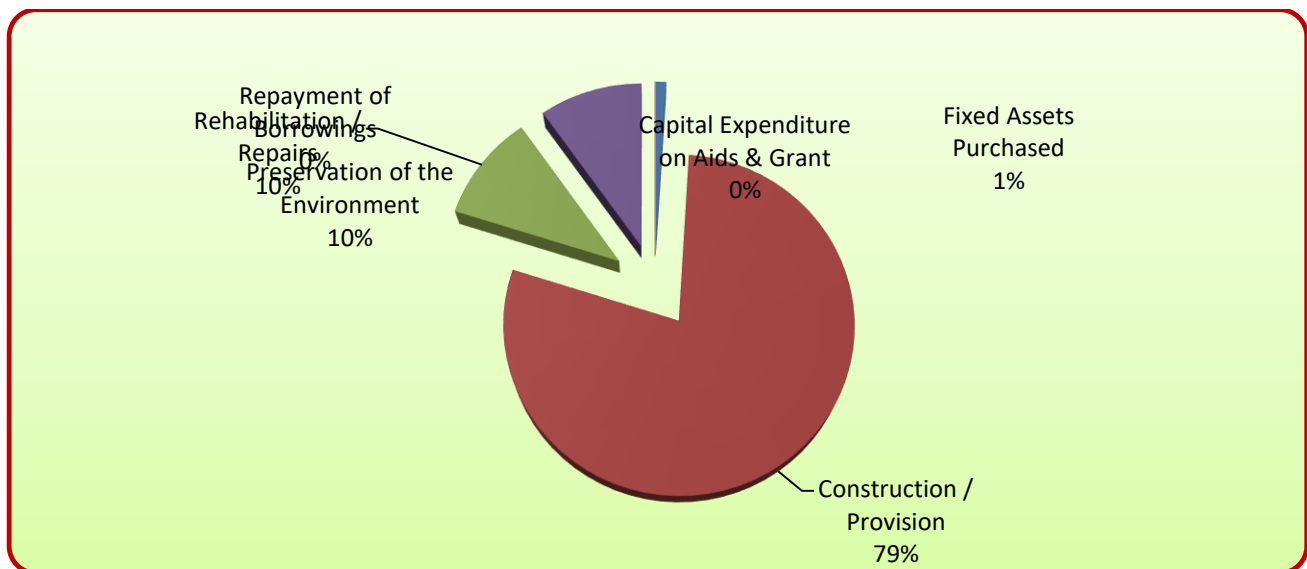
### **Observation:**

Savings: =N=2,626,963,786.52.

The Council was observed to have projected a total of =N=2,742,500,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=115,536,213.48 was spent in the execution of projects. This indicates a savings of =N=2,626,963,786.52 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	102,000,000.00	1,154,286.40	100,845,713.60	0.00
Construction / Provision	1,881,000,000.00	91,116,859.21	1,789,883,140.79	0.00
Rehabilitation / Repairs	684,500,000.00	11,897,616.87	672,602,383.13	0.00
Preservation of the Env.	75,000,000.00	11,367,451.00	63,632,549.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,742,500,000.00</b>	<b>115,536,213.48</b>	<b>2,626,963,786.52</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

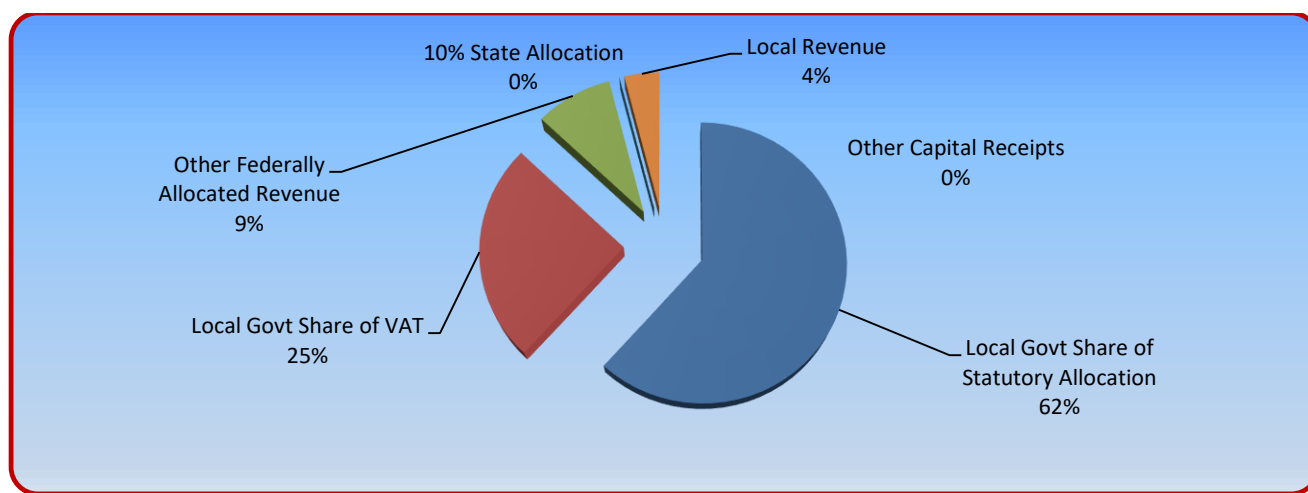
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

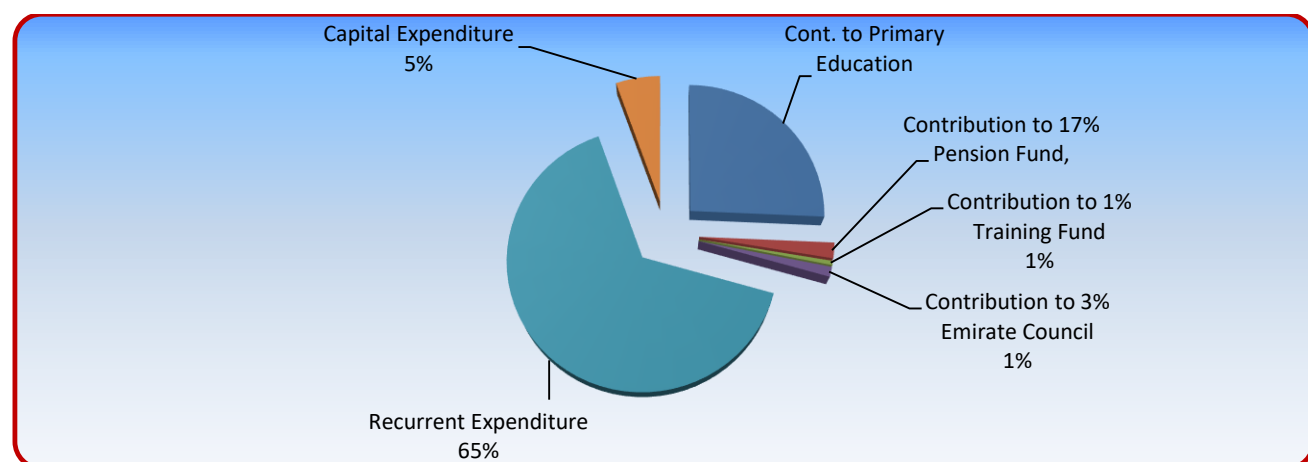
**TOTAL REVENUE: =N=2,267,599,835.49**

Local Govt Share of Statutory Allocation	1,399,287,661.67
Local Govt Share of VAT	573,637,725.25
Other Federally Allocated Revenue	203,239,293.69
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	91,435,154.88
<b>Total</b>	<b>2,267,599,835.49</b>



**TOTAL EXPENDITURE: =N=2,115,177,343.75**

Cont. to Primary Education	543,537,852.01
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,032,048.03
Contribution to 3% Emirate Council	26,000,000.00
Recurrent Expenditure	1,378,162,139.31
Capital Expenditure	115,536,213.48
<b>Total</b>	<b>2,115,177,343.75</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

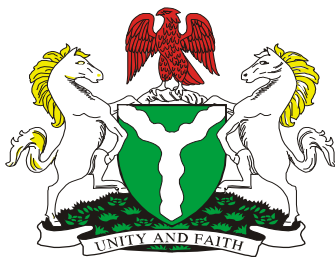
**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

2022  
1443AH



# **TAKAI LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
TAKAILOCAL GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of TakaiLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.BaffaTakai	Executive Chairman
2	Alh.AbdulwasiUbaSaraki	Vice Chairman
3	Alh.YusifHamzaAminu	Local Government Secretary
4	Alh. Bashir Sani	Director Personnel Management
5	Alh.HunainuMuhdGafasa	Treasurer
6	Alh. Bashir Sani	C.P.O
7	Alh. Ado Ibrahim Kura	HOD Community
8	Alh. Ado HaliluGude	HOD Medical & Health
9	Alh.Shehu Suleiman	HOD Agric
10	Alh.Rabiu S. Naibi	HOD Works & Housing
11	Alh.GarbaShuaibuRano	HOD PRS
12	Alh.YakubuGamboTakai	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	30,300,007.77	2,930,873,674.85
Local Revenue	96,488,305.76	4,989,204.43
Statutory Allocation	1,932,733,628.34	2,011,559,239.09
<b>Resource Available</b>	<b>2,059,521,941.87</b>	<b>4,947,422,118.37</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,472,251,807.37	1,407,669,996.66
Capital Expenditure	191,992,798.14	70,891,495.89
<b>Total Expenditure</b>	<b>1,664,244,605.51</b>	<b>1,478,561,492.55</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>395,277,336.36</b>	<b>3,468,860,625.82</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=395,277,336.36, an indication that inflow of money into the Council during the year was more than the outflow.

**Status: Financial Condition Stable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=663,174,134.60**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=663,174,134.60 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=663,174,134.60 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		663,174,134.60
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>663,174,134.60</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>663,174,134.60</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=3,208,267,557.49**

**Observation:**

During the year under review the sum of =N=4,759,565,832.52 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=2,826,832,203.69 and January to December, 2020 net allocation of =N=1,932,733,628.83. However, we observed that only the total sum of =N=1,551,298,275.03 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=3,208,267,557.49.

1	Opening Balance 1/1/2020		<b>2,826,832,203.69</b>
2	Net Allocation Jan – Dec 2020		1,932,733,628.83
3	<b>Total</b>	<b>3=(1+2)</b>	<b>4,759,565,832.52</b>
4	Actual Amount Released:		
	• Releases through LG Bank		996,546,720.05
	• Salaries & Wages		554,751,554.98
		Total	1,551,298,275.03
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>3,208,267,557.49</b>



**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	19,487,291.70	30,300,007.77
Investments	48,943,751.80	48,943,751.80
Advances	3,871,441,692.09	3,490,006,338.29
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>3,939,872,735.59</b>	<b>3,569,250,097.86</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	94,744,162.90	100,389,472.04
Balance of Assets over Liabilities	3,845,128,572.69	3,468,860,625.82
<b>Total Liabilities</b>	<b>3,939,872,735.59</b>	<b>3,569,250,097.86</b>

The Net asset of =N=3,845,128,572.69 is equal to the difference between the total assets and liabilities.

**Financial Status: healthy**

## **ASSETS**

### **(1) Investments =N=48,943,751.80**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=81,718,270.56**

##### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

##### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	387,125,198.72	96,488,305.76	290,636,892.96	0.00
Statutory Allocation	2,418,762,700.50	1,932,733,628.34	486,029,072.16	0.00
<b>Total Revenue</b>	<b>2,805,887,899.22</b>	<b>2,029,221,934.10</b>	<b>776,665,965.12</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	1,776,868,714.00	1,472,251,807.37	304,616,906.63	0.00
Capital	720,250,000.00	191,992,798.14	528,257,201.86	0.00
<b>Total Expenditure</b>	<b>2,497,118,714.00</b>	<b>1,664,244,605.51</b>	<b>832,874,108.49</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

##### **Shortfall: =N=290,636,892.96**

During the period under review, the sum of =N=387,125,198.72 was estimated to be generated from local sources. However, only the sum of =N=96,488,305.76(0.25%) was actually generated. This indicates a shortfall of =N=290,636,892.96 (0.75%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	1,000,000.00	204,000.00	796,000.00	0.00
Non Tax Revenue	36,638,691.72	2,990,040.00	33,648,651.72	0.00
Investment Income	5,200,000.00	1,796,000.00	3,404,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	91,253,765.76	250,746,234.24	0.00
Extraordinary Items	2,286,507.00	244,500.00	2,042,007.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>387,125,198.72</b>	<b>96,488,305.76</b>	<b>290,636,892.96</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

**Shortfall: =N=559,560,424.05**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=2,418,762,700.50as against the actual figure of =N=1,932,733,628.34. Thus showing a shortfall of =N= 559,560,424.05(0.20%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,518,762,700.50	1,228,798,889.23	289,963,811.27	0.00
Local Govt Share of VAT	450,000,000.00	523,531,351.89	0.00	73,531,351.89
Other Fed. Allocated Revenue	400,000,000.00	180,403,387.22	219,596,612.78	0.00
10% State Allocation	50,000,000.00	0.00	50,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>2,418,762,700.50</b>	<b>1,932,733,628.34</b>	<b>559,560,424.05</b>	<b>73,531,351.89</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=1,776,868,714.00 in the approved Estimates during the year but incurred an expenditure of =N=1,472,251,807.37.

### **Observation:**

Over =N=42,518,132.05

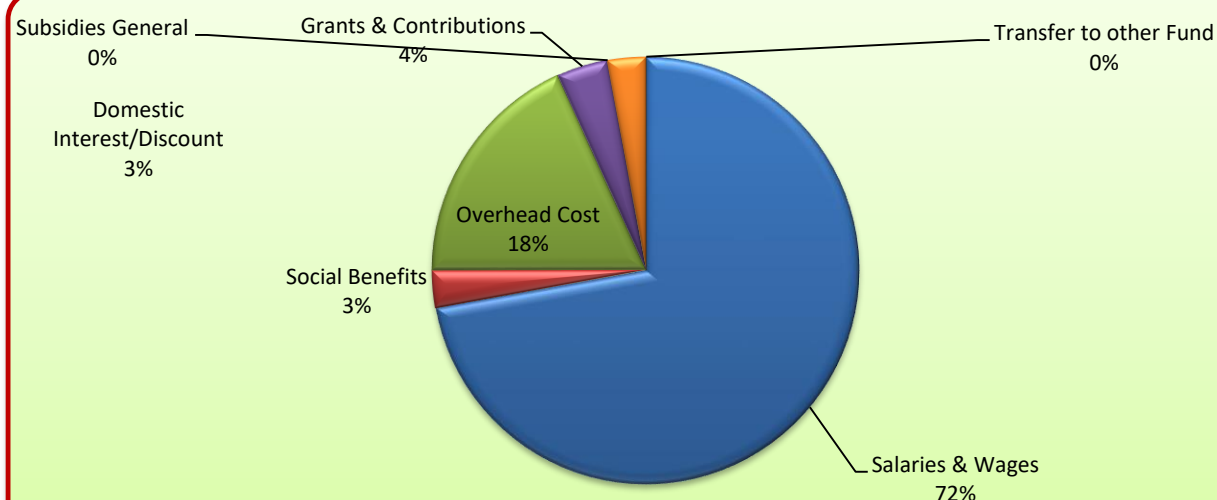
Although there was a total savings of =N=347,135,038.68, we further observed total sum of =N=42,518,132.05 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,133,134,445.00	1,062,807,187.82	70,327,257.18	0.00
Social Benefits	43,000,000.00	40,909,090.92	2,090,909.08	0.00
Overhead Cost	462,134,269.00	268,827,934.21	193,306,334.79	0.00
Grants & Contributions	138,600,000.00	57,189,462.37	81,410,537.63	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.05	0.00	42,518,132.05
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,776,868,714.00</b>	<b>1,472,251,807.37</b>	<b>347,135,038.68</b>	<b>42,518,132.05</b>



## (2). Capital

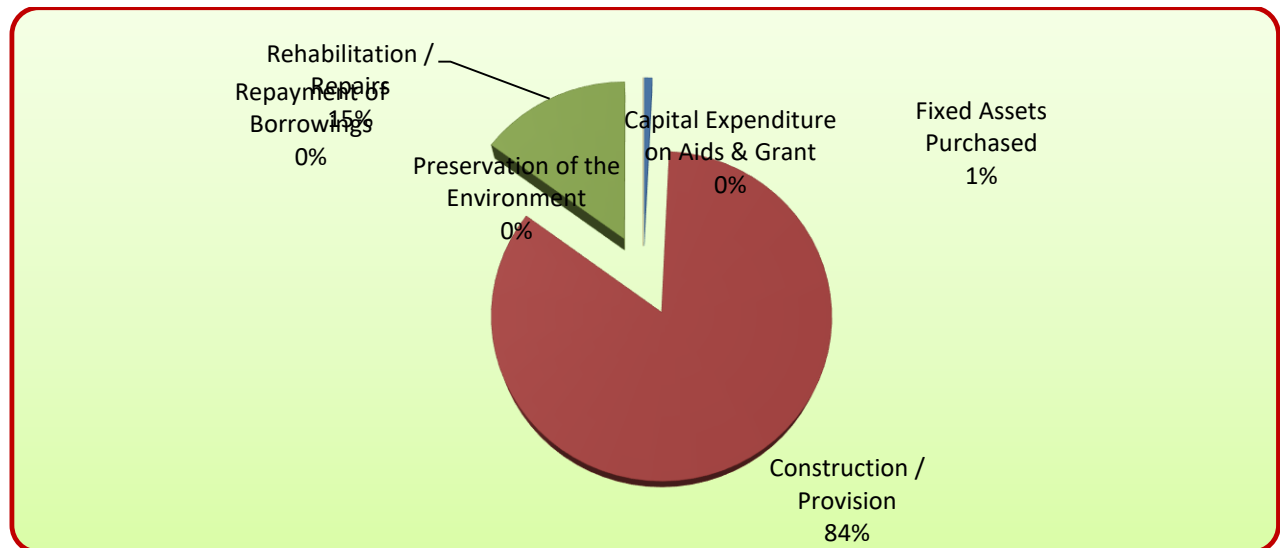
### **Observation:**

Savings: =N=528,257,201.86

The Council was observed to have projected a total of =N=720,250,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=191,992,798.14 was spent in the execution of projects. This indicates a savings of =N=528,257,201.86 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	30,750,000.00	1,500,000.00	29,250,000.00	0.00
Construction / Provision	547,500,000.00	161,860,325.64	385,639,674.36	0.00
Rehabilitation / Repairs	135,000,000.00	28,632,472.50	106,367,527.50	0.00
Preservation of the Env.	7,000,000.00	0.00	7,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>720,250,000.00</b>	<b>191,992,798.14</b>	<b>528,257,201.86</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

### **RECOMMENDATION:**

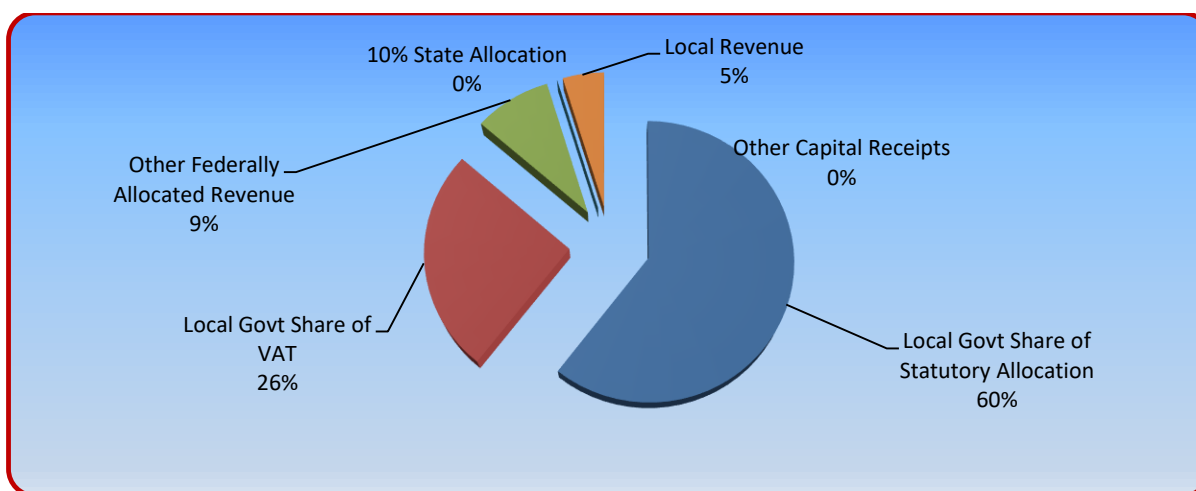
We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.



## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

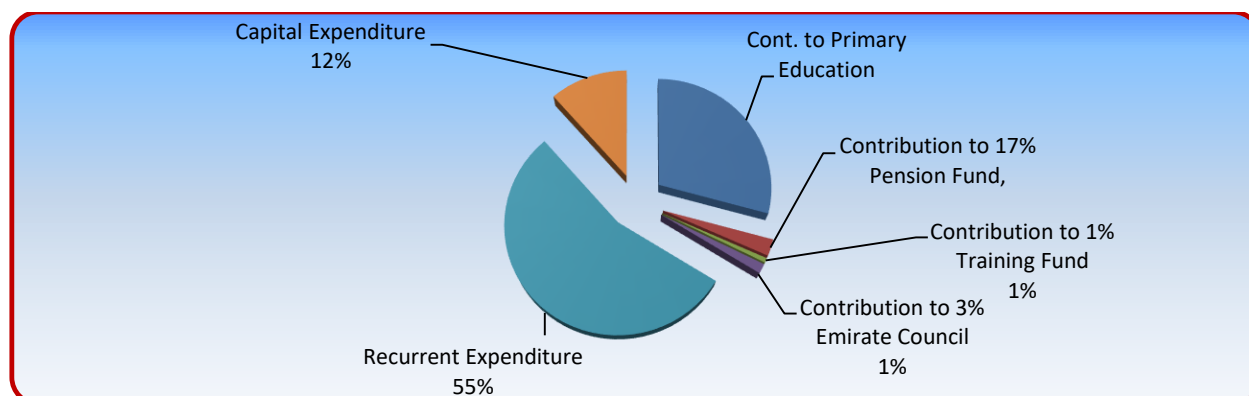
**TOTAL REVENUE: =N=2,029,221,934.10**

Local Govt Share of Statutory Allocation	1,228,798,889.23
Local Govt Share of VAT	523,531,351.89
Other Federally Allocated Revenue	180,403,387.22
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	96,488,305.76
<b>Total</b>	<b>2,029,221,934.10</b>



**TOTAL EXPENDITURE: =N= 1,664,244,605.51**

Cont. to Primary Education	486,504,281.03
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,211,069.04
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	909,627,366.38
Capital Expenditure	191,992,798.14
<b>Total</b>	<b>1,664,244,605.51</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **TARAUNI LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
Audu Bako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
TARAUNILocal GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of TarauniLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.HabuMuhdZakari	Executive Chairman
2	Alh.Nasiru A. ShuaibuHotoro	Vice Chairman
3	Alh.MuhdKaniKademi	Local Government Secretary
4	Alh.IliyasuMuhdSharada	Director Personnel Management
5	Alh.MuttakaSani	Treasurer
6	Alh. Ali Bukar	C.P.O
7	Alh. Bello Kabo	HOD Community
8	Alh.AbdulkarimIsah	HOD Medical & Health
9	Alh. Musa Gundutse	HOD Agric
10	Alh.Yahaya Y. Gwarzo	HOD Works & Housing
11	Alh.Auwalu Sabo	HOD PRS
12	Alh. Ahmed SuleHungu	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.



## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	22,312,809.30	-2,385,785,350.79
Local Revenue	153,385,284.74	31,634,131.52
Statutory Allocation	2,006,770,780.84	2,089,444,569.62
<b>Resource Available</b>	<b>2,182,468,874.88</b>	<b>-264,706,649.65</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,728,456,144.02	2,482,993,784.97
Capital Expenditure	236,116,745.43	80,850,988.72
<b>Total Expenditure</b>	<b>2,964,572,889.45</b>	<b>2,563,844,773.69</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-782,104,014.57</b>	<b>-2,828,551,423.34</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a deficitbalance of =N=782,104,014.57, an indication that inflow of money into the Council during the year was more/less than the outflow.

**Status: Financial Condition unstable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=458,325,079.69**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=458,325,079.69 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2019 there is a balance of =N=458,325,079.69 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		458,325,079.69
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>458,325,079.69</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>458,325,079.69</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N= (4,118,279,918.67)**

**Observation:**

During the year under review the negative sum of =N=3,360,509,044.62 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=2,006,770,780.84 was recorded in the Council books of account. However, =N=1,975,581,085.67 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=788,960,569.22 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=-4,118,279,918.67 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		-3,360,509,044.62
2	Net Allocation Jan – Dec 2020		2,006,770,780.84
3	<b>Total</b>	<b>3=(1+2)</b>	<b>-1,353,738,263.78</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,975,581,085.67
	• Salaries & Wages		788,960,569.22
		Total	2,764,541,654.89
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-4,118,279,918.67</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	14,819,854.60	22,312,809.30
Investments	47,150,585.33	47,150,585.33
Advances	458,325,079.69	495,843,629.69
Balance of Liabilities over Asset	3,632,968,247.21	2,828,551,423.34
<b>Total Assets</b>	<b>4,153,263,766.83</b>	<b>3,393,858,447.66</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	4,153,263,766.83	3,393,858,447.66
Balance of Assets over Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>4,153,263,766.83</b>	<b>3,393,858,447.66</b>

The Net Liability of =N=3,632,968,247.21 is equal to the difference between the total assets and liabilities.

**Financial Status: Unhealthy**

### **ASSETS**

#### **(1) Investments =N=47,150,585.33**

##### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

##### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=28,065,269.13**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	636,584,000.00	153,385,284.74	483,198,715.26	0.00
Statutory Allocation	4,399,840,498.00	2,006,770,780.84	2,393,069,717.16	0.00
<b>Total Revenue</b>	<b>5,036,424,498.00</b>	<b>2,160,156,065.58</b>	<b>2,876,268,432.42</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	985,494,229.26	2,728,456,144.02	0.00	1,742,961,914.76
Capital	2,322,212,274.00	236,116,745.43	2,086,095,528.57	0.00
<b>Total Expenditure</b>	<b>3,307,706,503.26</b>	<b>2,964,572,889.45</b>	<b>2,086,095,528.57</b>	<b>1,742,961,914.76</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

##### **Shortfall: =N=483,198,715.26**

During the period under review, the sum of =N=636,584,000.00 was estimated to be generated from local sources. However, only the sum of =N=153,385,284.74 (0.24%) was actually generated. This indicates a shortfall of =N=483,198,715.26 (0.76%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	60,000,000.00	29,016,000.00	30,984,000.00	0.00
Non Tax Revenue	122,810,000.00	5,611,949.42	117,198,050.58	0.00
Investment Income	92,774,000.00	0.00	92,774,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	20,000,000.00	0.00	20,000,000.00	0.00
Domestic Loans/Borrowings	341,000,000.00	118,757,335.32	222,242,664.68	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>636,584,000.00</b>	<b>153,385,284.74</b>	<b>483,198,715.26</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=2,393,069,717.16

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,399,840,498.00 as against the actual figure of =N=2,006,770,780.84. Thus showing a shortfall of =N=2,393,069,717.16 (0.54%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,774,310,852.00	1,277,770,988.98	1,496,539,863.02	0.00
Local Govt Share of VAT	900,795,037.00	541,684,171.01	359,110,865.99	0.00
Other Fed. Allocated Revenue	684,734,609.00	187,315,620.85	497,418,988.15	0.00
10% State Allocation	40,000,000.00	0.00	40,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>4,399,840,498.00</b>	<b>2,006,770,780.84</b>	<b>2,393,069,717.16</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.



## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=985,494,229.26 in the approved Estimates during the year but incurred an expenditure of =N=2,728,456,144.02

#### **Observation:**

Over =N=1,784,750,165.84

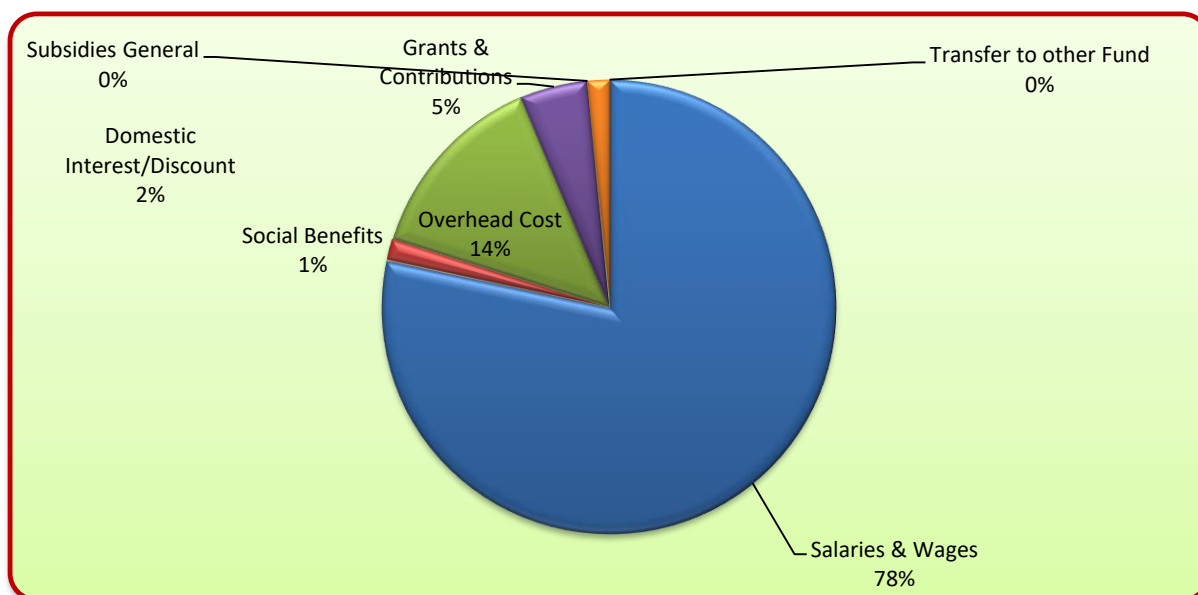
Although there was a total savings of =N=41,788,251.08 we further observed total sum of =N=1,784,750,165.84 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	535,119,972.26	2,136,449,058.17	0.00	1,601,329,085.91
Social Benefits	82,697,342.00	40,909,090.92	41,788,251.08	0.00
Overhead Cost	269,656,915.00	378,185,615.97	0.00	108,528,700.97
Grants & Contributions	98,020,000.00	130,394,246.93	0.00	32,374,246.93
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.03	0.00	42,518,132.03
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>985,494,229.26</b>	<b>2,728,456,144.02</b>	<b>41,788,251.08</b>	<b>1,784,750,165.84</b>



## (2). Capital

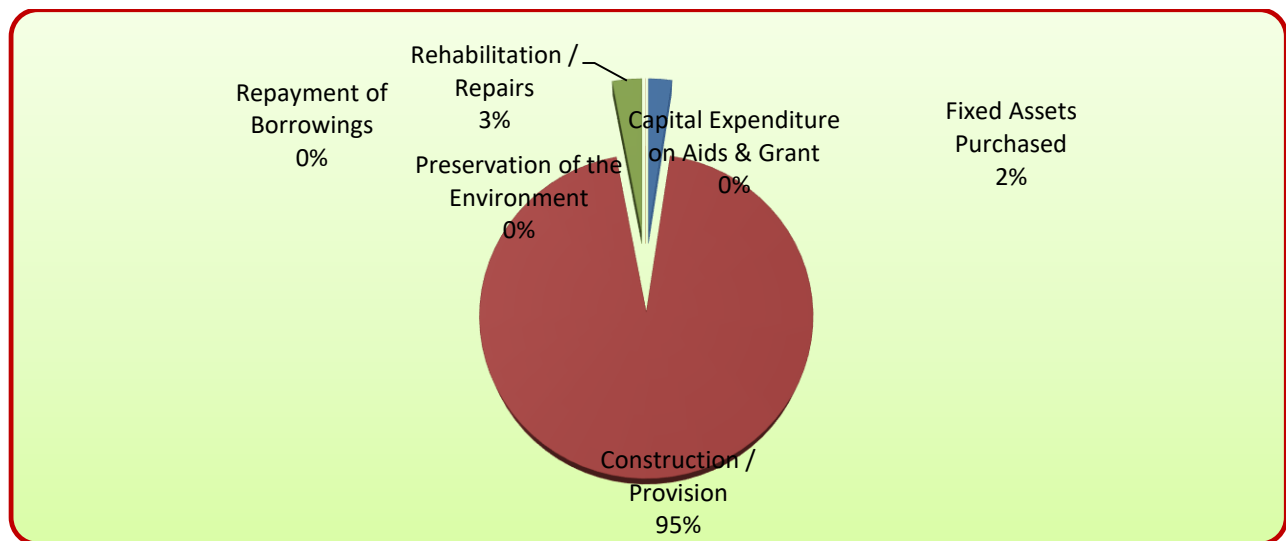
### **Observation:**

Savings: =N=2,086,095,528.57

The Council was observed to have projected a total of =N=2,322,212,274.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=236,116,745.43 was spent in the execution of projects. This indicates a savings of =N=2,086,095,528.57 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	140,500,000.00	5,550,000.00	134,950,000.00	0.00
Construction / Provision	1,688,500,000.00	223,583,289.62	1,464,916,710.38	0.00
Rehabilitation / Repairs	441,212,274.00	6,983,455.81	434,228,818.19	0.00
Preservation of the Env.	52,000,000.00	0.00	52,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,322,212,274.00</b>	<b>236,116,745.43</b>	<b>2,086,095,528.57</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

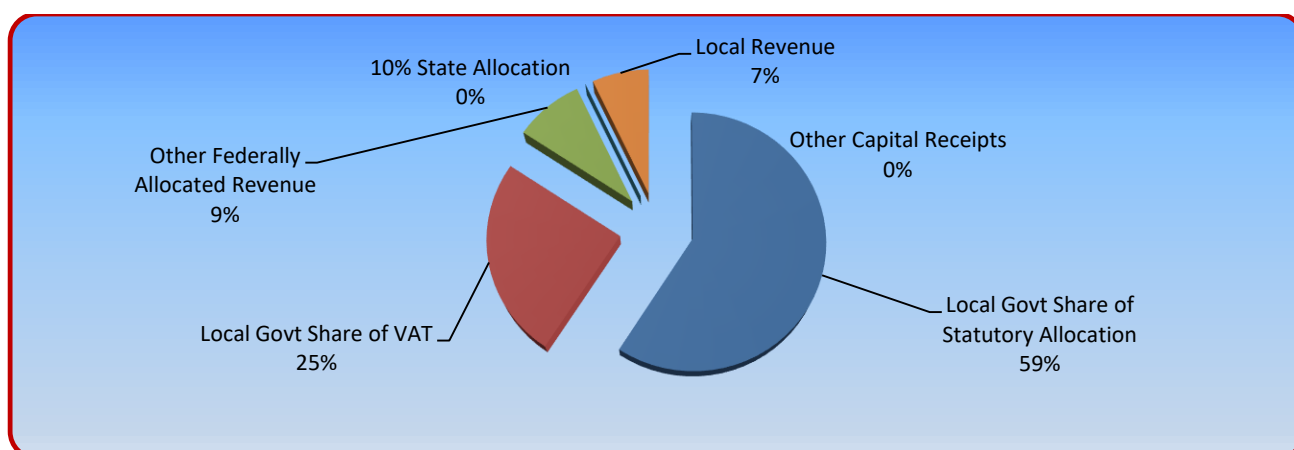
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

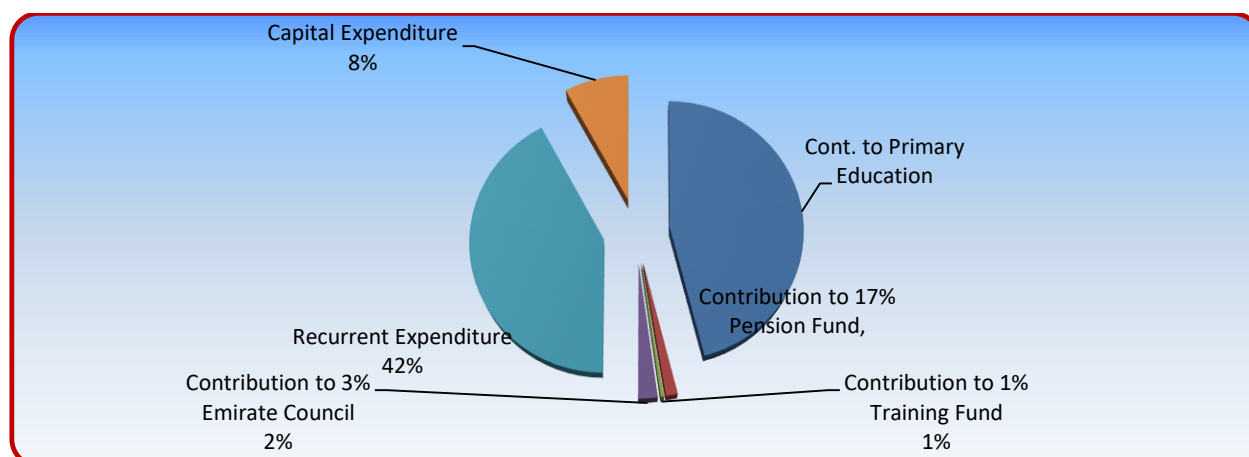
**TOTAL REVENUE: =N=2,160,156,065.58**

Local Govt Share of Statutory Allocation	1,277,770,988.98
Local Govt Share of VAT	541,684,171.01
Other Federally Allocated Revenue	187,315,620.85
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	153,385,284.74
<b>Total</b>	<b>2,160,156,065.58</b>



**TOTAL EXPENDITURE: =N= 2,964,572,889.45**

Cont. to Primary Education	1,364,118,635.63
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	11,644,394.05
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	1,244,284,023.42
Capital Expenditure	236,116,745.43
<b>Total</b>	<b>2,964,572,889.45</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

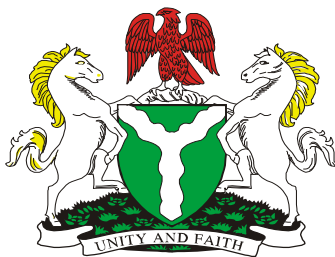
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **TOFA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**TOFALOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of TofaLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Nafi'u M. Garba	Executive Chairman
2	Alh.Tijjani Bello	Vice Chairman
3	Alh.Inusa Idi Maijama'a	Local Government Secretary
4	Alh. Ali Muhammad Daurawa	Director Personnel Management
5	Alh.Rabi'uYa'uBachirawa	Treasurer
6	Alh.IdrisMuhd Said	C.P.O
7	Alh.MunzaliAlhasan	HOD Community
8	Alh.Adda'uUbale	HOD Medical & Health
9	Alh.Sunusi I. Yargwanda	HOD Agric
10	Alh. Mustapha U. Minjibir	HOD Works & Housing
11	Alh.Muhd S. Lambu	HOD PRS
12	Alh. Bashir Mudi	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.



**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	23,482,638.05	764,604,652.19
Local Revenue	88,163,763.53	3,511,780.03
Statutory Allocation	1,574,961,667.81	1,639,957,334.97
<b>Resource Available</b>	<b>1,686,608,069.39</b>	<b>2,408,073,767.19</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,704,224,108.99	1,646,491,522.43
Capital Expenditure	201,936,979.86	100,905,414.20
<b>Total Expenditure</b>	<b>1,906,161,088.85</b>	<b>1,747,396,936.63</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-219,553,019.46</b>	<b>660,676,830.56</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December,2020 has a deficitbalance of =N=219,553,019.46, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition unstable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=523,947,365.39**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=523,947,365.39 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2019 there is a balance of =N=523,947,365.39 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		523,947,365.39
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>523,947,365.39</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>523,947,365.39</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory**

**Allocation as at 31<sup>st</sup> December 2020: =N=(140,982,326.97)**

**Observation:**

During the year under review the sum of =N=49,700,666.53 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,574,961,667.83 was recorded in the Council books of account. However, =N=1,175,261,050.50 was released to the Local Government by the State Ministry for Local Government, while the sum of =N=590,383,610.83 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=140,982,326.97 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>49,700,666.53</b>
2	Net Allocation Jan – Dec 2020		1,574,961,667.83
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,624,662,334.36</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,175,261,050.50
	• Salaries & Wages		590,383,610.83
		Total	1,765,644,661.33
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-140,982,326.97</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	6,986,174.04	23,482,638.05
Investments	44,196,339.28	44,196,339.28
Advances	523,947,365.39	609,504,231.92
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>575,129,878.71</b>	<b>677,183,209.25</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	157,488,705.66	16,506,378.69
Balance of Assets over Liabilities	417,641,173.05	660,676,830.56
<b>Total Liabilities</b>	<b>575,129,878.71</b>	<b>677,183,209.25</b>

The Net asset of =N= 417,641,173.05 is equal to the difference between the total assets and liabilities.

**Financial Status: healthy**

## **ASSETS**

### **(1) Investments =N=44,196,339.28**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=16,380,177.37**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Internally Generated Revenue	447,423,181.00	88,163,763.53	359,259,417.47	0.00
Statutory Allocation	3,445,059,971.00	1,574,961,667.81	1,870,098,303.19	0.00
<b>Total Revenue</b>	<b>3,892,483,152.00</b>	<b>1,663,125,431.34</b>	<b>2,229,357,720.66</b>	<b>0.00</b>

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	2,115,836,852.00	1,704,224,108.99	411,612,743.01	0.00
Capital	1,996,374,152.00	201,936,979.86	1,794,437,172.14	0.00
<b>Total Expenditure</b>	<b>4,112,211,004.00</b>	<b>1,906,161,088.85</b>	<b>2,206,049,915.15</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

##### **Shortfall: =N=359,259,417.47**

During the period under review, the sum of =N=447,423,181.00 was estimated to be generated from local sources. However, only the sum of =N=88,163,763.53 (0.20%) was actually generated. This indicates a shortfall of =N=359,259,417.47 (0.80%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	6,000,000.00	185,000.00	5,815,000.00	0.00
Non Tax Revenue	90,023,181.00	3,214,340.00	86,808,841.00	0.00
Investment Income	10,100,000.00	483,900.00	9,616,100.00	0.00
Interest Earned	300,000.00	0.00	300,000.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	341,000,000.00	84,280,523.53	256,719,476.47	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>447,423,181.00</b>	<b>88,163,763.53</b>	<b>359,259,417.47</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.



**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

**Shortfall: =N=1,870,098,303.19**

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,445,059,971.00 as against the actual figure of =N=1,574,961,667.81 Thus showing a shortfall of =N=1,870,098,303.19 (0.54%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,044,496,471.00	1,005,929,710.84	1,038,566,760.16	0.00
Local Govt Share of VAT	726,479,116.00	421,872,495.35	304,606,620.65	0.00
Other Fed. Allocated Revenue	634,084,384.00	147,159,461.62	486,924,922.38	0.00
10% State Allocation	40,000,000.00	0.00	40,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,445,059,971.00</b>	<b>1,574,961,667.81</b>	<b>1,870,098,303.19</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,115,836,852.00 in the approved Estimates during the year but incurred an expenditure of =N=1,704,224,108.99

#### **Observation:**

Over =N=42,518,132.05

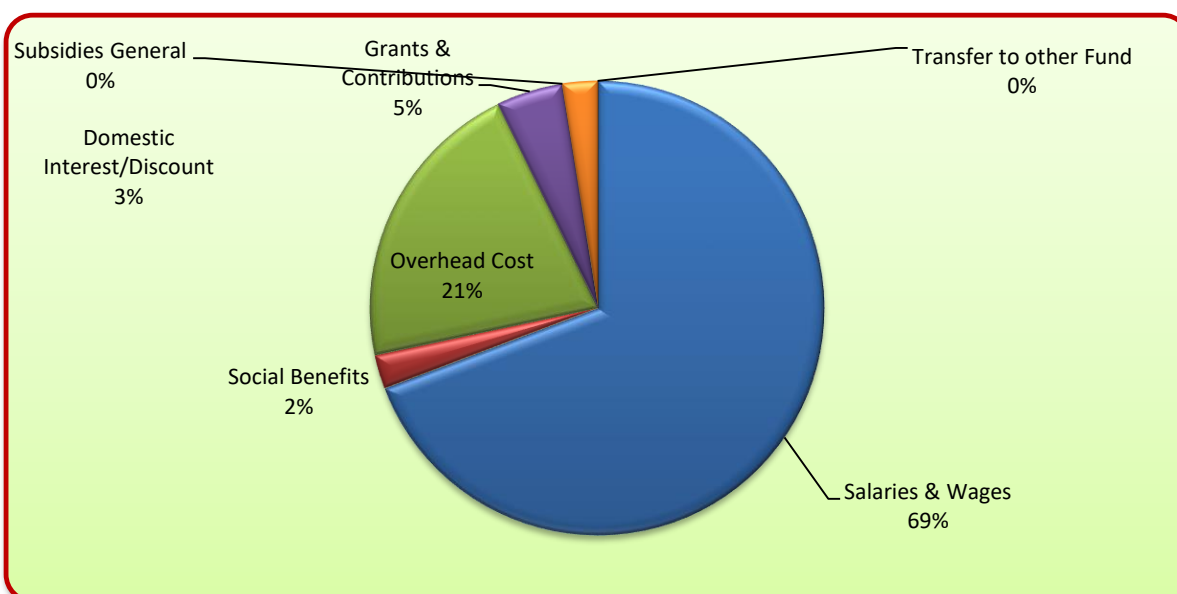
Although there was a total savings of =N=454,130,875.06, we further observed total sum of =N=42,518,132.05 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,366,634,806.00	1,180,430,135.16	186,204,670.84	0.00
Social Benefits	43,509,821.00	40,909,090.92	2,600,730.08	0.00
Overhead Cost	606,386,995.00	360,164,657.90	246,222,337.10	0.00
Grants & Contributions	99,305,230.00	80,202,092.96	19,103,137.04	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.05	0.00	42,518,132.05
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,115,836,852.00</b>	<b>1,704,224,108.99</b>	<b>454,130,875.06</b>	<b>42,518,132.05</b>



## (2). Capital

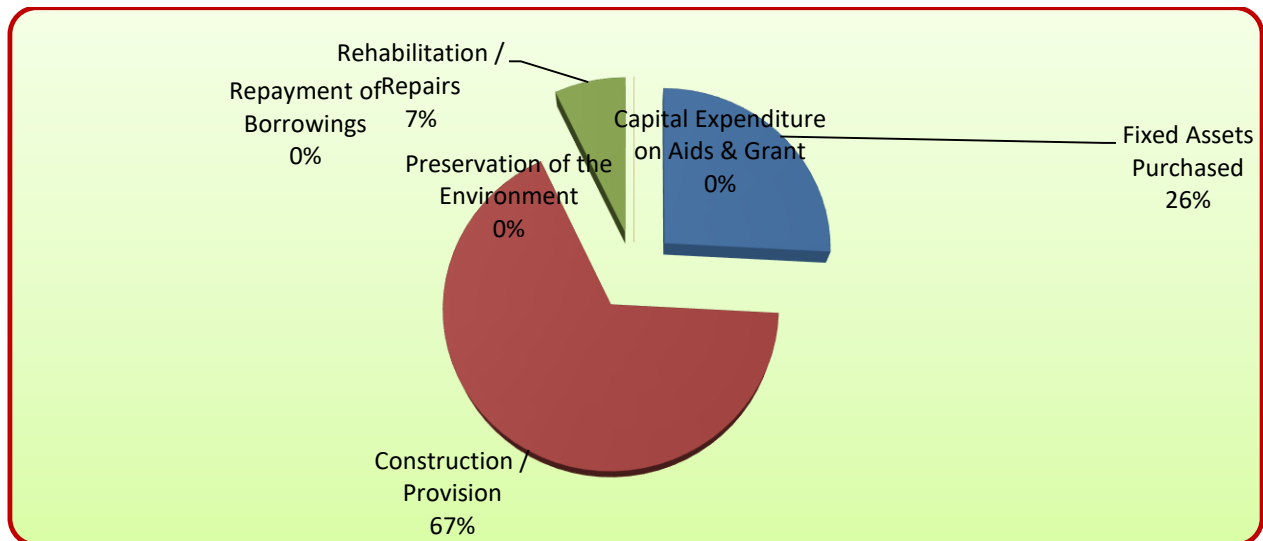
### **Observation:**

Savings: =N=1,794,437,172.14

The Council was observed to have projected a total of =N=1,996,374,152.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=201,936,979.86 was spent in the execution of projects. This indicates a savings of =N=1,794,437,172.14 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	123,750,000.00	52,180,531.43	71,569,468.57	0.00
Construction / Provision	1,626,624,152.00	135,435,969.36	1,491,188,182.64	0.00
Rehabilitation / Repairs	236,000,000.00	14,320,479.07	221,679,520.93	0.00
Preservation of the Env.	10,000,000.00	0.00	10,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,996,374,152.00</b>	<b>201,936,979.86</b>	<b>1,794,437,172.14</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

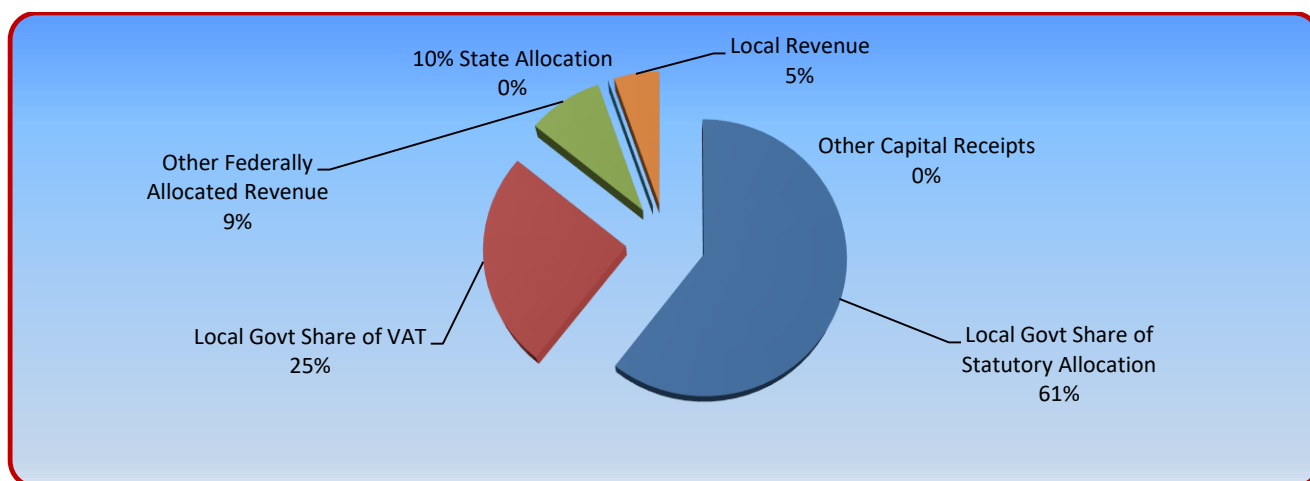
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

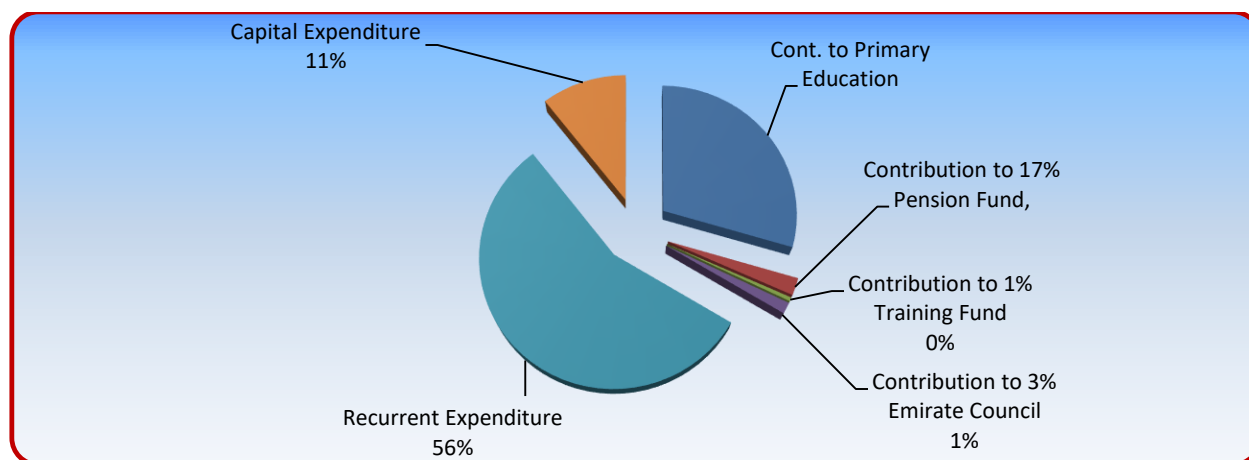
**TOTAL REVENUE: =N=1,663,125,431.34**

Local Govt Share of Statutory Allocation	1,005,929,710.84
Local Govt Share of VAT	421,872,495.35
Other Federally Allocated Revenue	147,159,461.62
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	88,163,763.53
<b>Total</b>	<b>1,663,125,431.34</b>



**TOTAL EXPENDITURE: =N=1,906,161,088.85**

Cont. to Primary Education	563,010,831.97
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	9,126,166.97
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,064,511,352.49
Capital Expenditure	201,936,979.86
<b>Total</b>	<b>1,906,161,088.85</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **TSANYAWA LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
Gidan Murtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref  
No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
TSANYAWA LOCAL GOVERNMENT COUNCIL  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Tsanyawa Local Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:



- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.Kabiru Suleiman Dunbulun	Executive Chairman
2	Alh.TijjaniAbubakar Yan kamaye	Vice Chairman
3	Alh.AminuSaadYakanawa	Local Government Secretary
4	Alh.Abdurrashid Baba Yaro	Director Personnel Management
5	Alh.Rabiu Bello	Treasurer
6	Alh.Dauda S. Zakari	C.P.O
7	Alh. Ado AbdullahiSani	HOD Community
8	Alh.NuraShaaibu	HOD Medical & Health
9	Alh.Isyaku Bello	HOD Agric
10	Alh.RabiuAdamuGaro	HOD Works & Housing
11	Alh.IliyasuMuhdHotoro	HOD PRS
12	Alh.AuwalulsyakuDawanau	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Non-adherence to regulation on advances evidenced in the huge balances of unretired advances
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<u>REVENUE :</u>	=N=	=N=
Balance as at 1/1/2020	22,657,685.12	1,077,270,606.21
Local Revenue	100,695,086.68	11,874,800.80
Statutory Allocation	1,752,211,495.19	1,821,543,994.09
<b>Resource Available</b>	<b>1,875,564,266.99</b>	<b>2,910,689,401.10</b>
<u>EXPENDITURE:</u>		
Recurrent Expenditure	1,529,034,653.92	1,363,329,444.96
Capital Expenditure	267,842,028.05	200,647,017.05
<b>Total Expenditure</b>	<b>1,796,876,681.97</b>	<b>1,563,976,462.01</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>78,687,585.02</b>	<b>1,346,712,939.09</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a surplusbalance of =N=78,687,585.02, an indication that inflow of money into the Council during the year was more/less than the outflow.

**Status: Financial Condition Stable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=554,992,697.98**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=554,992,697.98 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=554,992,697.98 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		554,992,697.98
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>554,992,697.98</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>554,992,697.98</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=1,014,560,509.75**

**Observation:**

During the year under review the sum of =N=2,692,974,925.66 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=940,763,430.47 and January to December, 2020 net allocation of =N=1,752,211,495.19. However, we observed that only the total sum of =N=1,678,414,415.91 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=1,014,560,509.75

1	Opening Balance 1/1/2020		<b>940,763,430.47</b>
2	Net Allocation Jan – Dec 2020		1,752,211,495.19
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,692,974,925.66</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,278,613,275.09
	• Salaries & Wages		399,801,140.82
		Total	1,678,414,415.91
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>1,014,560,509.75</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	11,870,842.44	22,657,685.12
Investments	49,667,441.11	49,667,441.11
Advances	1,589,743,138.08	1,515,946,057.80
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,651,281,421.63</b>	<b>1,588,271,184.03</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	234,577,907.24	241,558,244.94
Balance of Assets over Liabilities	1,416,703,514.39	1,346,712,939.09
<b>Total Liabilities</b>	<b>1,651,281,421.63</b>	<b>1,588,271,184.03</b>

The Net asset of =N=1,416,703,514.39 is equal to the difference between the total assets and liabilities.

**Financial Status: healthy**

## **ASSETS**

### **(1) Investments =N=49,667,441.11**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**



## **(2). Advances**

[a]Personal Advances: =N=9,778,114.35

### **Observation:**

We observed that various officials of the Local Government have recurring outstanding advances against them amounting to =N=9,778,114.35.

### **Recommendation**

**Appropriate measures must be taken to close these outstanding advances. Where all possible action to recover the outstanding personal advances failed, the provisions of Section 72 sub section 1 of the Local Government Law 2006 as amended should be invoked.**

[b]. Impersonal (Others): =N=10,411,815.00.

### **Observation:**

Advances may be made for purposes that will contribute to the efficiency of the Local Government such as financing of works, goods or services. Such advances are expected to be closed within the fiscal year indicating that the purpose for opening such advances have been achieved.

During the year under review, we observed from the schedule of Advances that total sum of =N=10,411,815.00 still remain outstanding as impersonal advances granted contrary to the provisions of the Financial Memoranda.

### **Recommendation:**

To ensure proper accountability in the administration of public funds, all officers concerned should show cause why they failed to close such advances within the fiscal year, otherwise the total amount must be recovered from them.

## **LIABILITY**

## **Deposits**

**(1).Un-remitted Government Deposits: =N=181,460,203.14**

### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

<b><u>REVENUE</u></b>				
Internally Generated Revenue	382,067,000.00	100,695,086.68	281,371,913.32	0.00
Statutory Allocation	3,842,380,266.76	1,752,211,495.19	2,090,168,771.57	<b>0.00</b>
<b>Total Revenue</b>	<b>4,224,447,266.76</b>	<b>1,852,906,581.87</b>	<b>2,371,540,684.89</b>	0.00

<b><u>EXPENDITURE</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Savings</u></b>	<b><u>Over</u></b>
Recurrent	1,679,776,631.26	1,529,034,653.92	150,741,977.34	0.00
Capital	1,152,379,802.99	267,842,028.05	884,537,774.94	0.00
<b>Total Expenditure</b>	<b>2,832,156,434.25</b>	<b>1,796,876,681.97</b>	<b>1,035,279,752.28</b>	<b>0.00</b>

### **REVENUE:**

#### **✚ (1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=288,086,574.52**

During the period under review, the sum of =N=382,067,000.00 was estimated to be generated from local sources. However, only the sum of =N=100,695,086.68 (0.26%) was actually generated. This indicates a shortfall of =N=288,086,574.52 (0.74%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
Tax Revenue	1,980,000.00	1,405,000.00	575,000.00	0.00
Non Tax Revenue	36,117,000.00	7,338,873.92	28,778,126.08	0.00
Investment Income	970,000.00	3,899,661.20	0.00	2,929,661.20
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	343,000,000.00	84,266,551.56	258,733,448.44	0.00
Extraordinary Items	0.00	3,785,000.00	0.00	3,785,000.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>382,067,000.00</b>	<b>100,695,086.68</b>	<b>288,086,574.52</b>	<b>6,714,661.20</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=2,090,168,771.57

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,842,380,266.76 as against the actual figure of =N=1,752,211,495.19. Thus showing a shortfall of =N=2,090,168,771.57 (0.54%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,785,696,355.70	1,109,073,229.76	1,676,623,125.94	0.00
Local Govt Share of VAT	581,500,000.00	479,592,390.55	101,907,609.45	0.00
Other Fed. Allocated Revenue	436,183,911.06	163,545,874.88	272,638,036.18	0.00
10% State Allocation	39,000,000.00	0.00	39,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,842,380,266.76</b>	<b>1,752,211,495.19</b>	<b>2,090,168,771.57</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=1,679,776,631.26 in the approved Estimates during the year but incurred an expenditure of =N=1,529,034,653.92

#### **Observation:**

Over =N=46,127,223.01

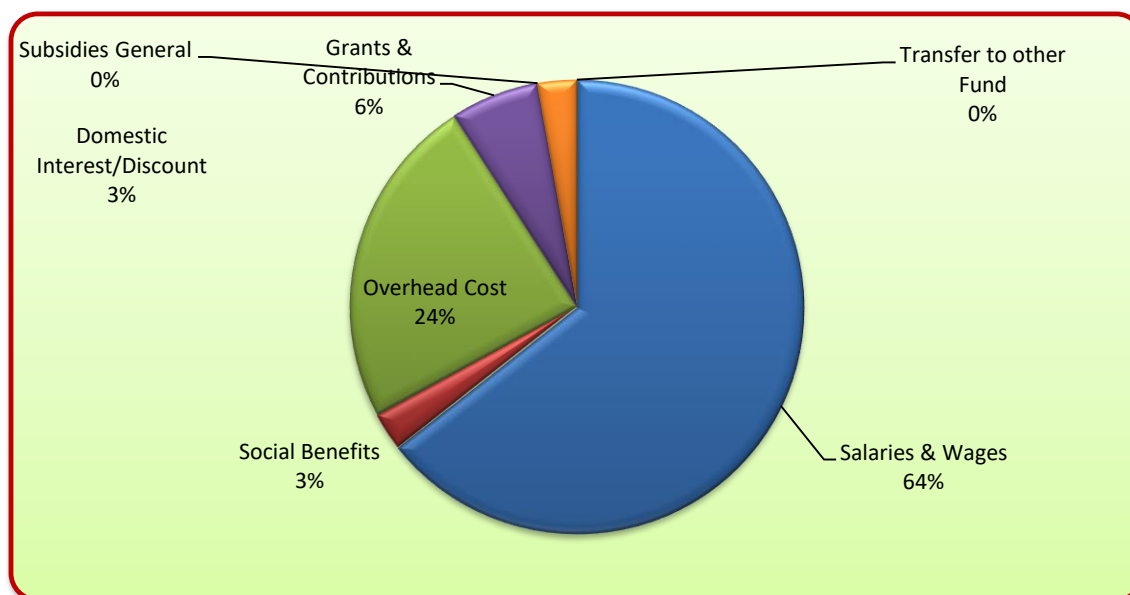
Although there was a total savings of =N=196,869,200.35 we further observed total sum of =N=46,127,223.01 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,063,374,210.18	984,646,764.67	78,727,445.51	0.00
Social Benefits	37,300,000.00	40,909,090.92	0.00	3,609,090.92
Overhead Cost	482,102,421.08	364,359,841.56	117,742,579.52	0.00
Grants & Contributions	97,000,000.00	96,600,824.68	399,175.32	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,679,776,631.26</b>	<b>1,529,034,653.92</b>	<b>196,869,200.35</b>	<b>46,127,223.01</b>



## (2). Capital

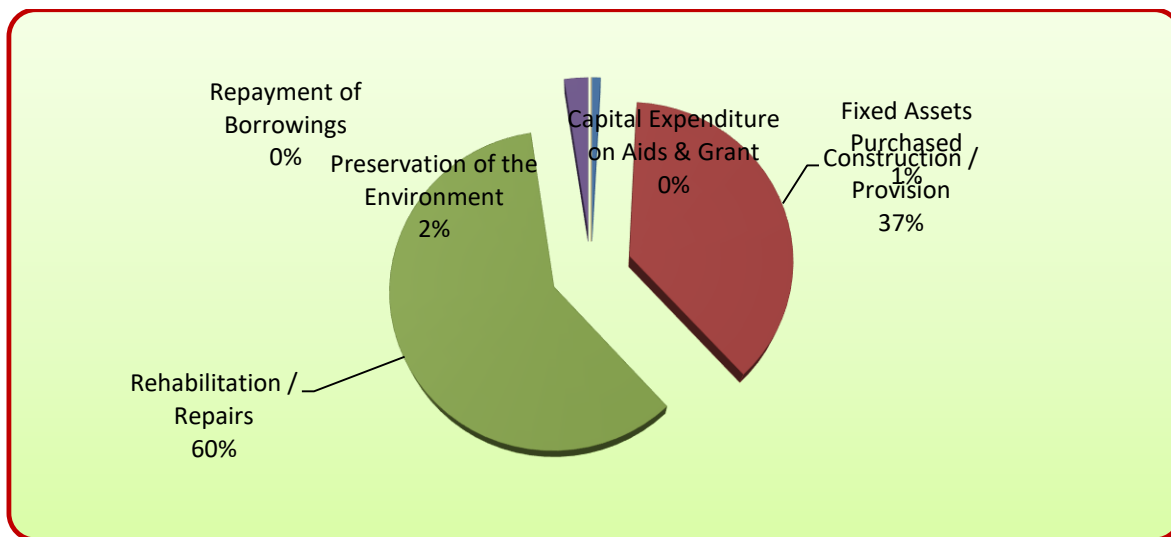
### **Observation:**

Savings: =N=884,537,774.94

The Council was observed to have projected a total of =N=1,152,379,802.99 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=267,842,028.05 was spent in the execution of projects. This indicates a savings of =N=884,537,774.94 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	67,500,000.00	2,272,297.50	65,227,702.50	0.00
Construction / Provision	762,000,000.00	99,882,326.57	662,117,673.43	0.00
Rehabilitation / Repairs	259,879,802.99	159,245,949.33	100,633,853.66	0.00
Preservation of the Env.	63,000,000.00	6,441,454.65	56,558,545.35	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,152,379,802.99</b>	<b>267,842,028.05</b>	<b>884,537,774.94</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

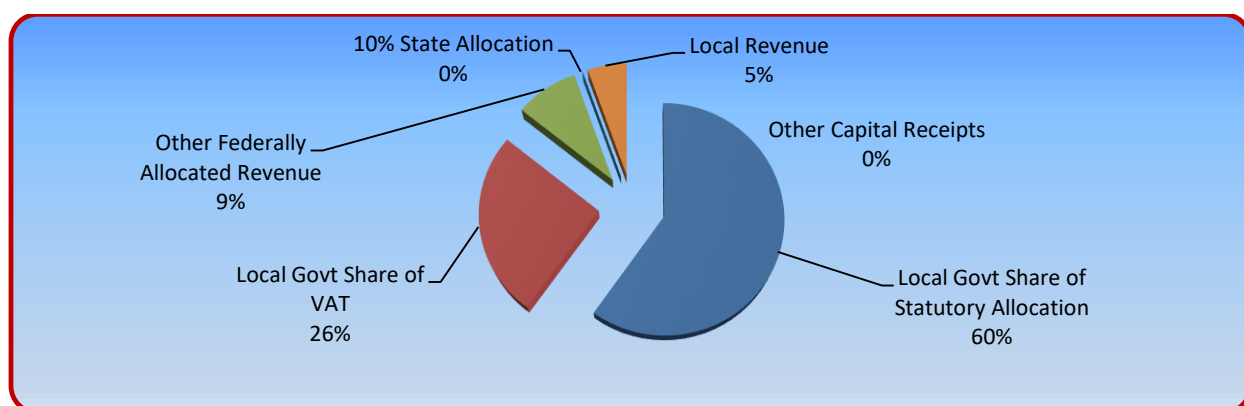
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

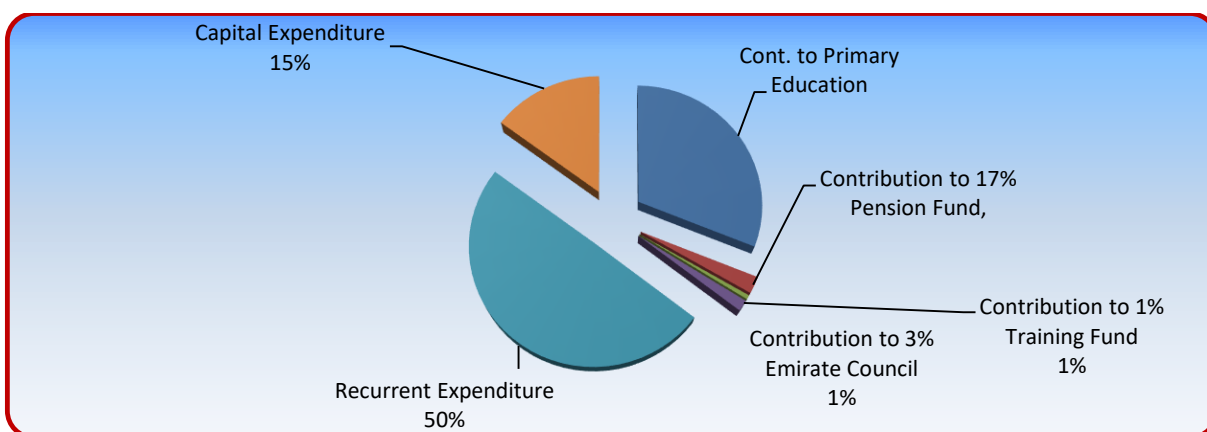
**TOTAL REVENUE: =N=1,852,906,581.87**

Local Govt Share of Statutory Allocation	1,109,073,229.76
Local Govt Share of VAT	479,592,390.55
Other Federally Allocated Revenue	163,545,874.88
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	100,695,086.68
<b>Total</b>	<b>1,852,906,581.87</b>



**TOTAL EXPENDITURE: =N=1,796,876,681.97**

Cont. to Primary Education	558,602,872.33
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	10,154,298.62
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	892,701,725.41
Capital Expenditure	267,842,028.05
<b>Total</b>	<b>1,796,876,681.97</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**



# **TUDUN WADA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**TUDUN WADALOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of Tudun WadaLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh. Ahmed T. Musa	Executive Chairman
2	Alh. Khalid Bakari	Vice Chairman
3	Alh.SalisuAliyu	Local Government Secretary
4	Alh. Umar Inuwa	Director Personnel Management
5	Alh. Farouk Umar	Treasurer
6	Alh.SunusiAbubakar	C.P.O
7	Alh.JibrinSalisu	HOD Community
8	Alh.Haruna Isa Bako	HOD Medical & Health
9	Alh.UsmanMuhd D/Kowa	HOD Agric
10	Alh. Ahmed KassimKuki	HOD Works & Housing
11	Alh.Maje Ibrahim Maje	HOD PRS
12	Alh.AbubakarLadan	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Governments and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<u>REVENUE :</u>	=N=	=N=
Balance as at 1/1/2020	16,013,503.42	592,242,161.25
Local Revenue	87,126,494.42	2,045,766.59
Statutory Allocation	2,118,025,071.97	2,212,072,358.47
<b>Resource Available</b>	<b>2,221,165,069.81</b>	<b>2,806,360,286.31</b>
<u>EXPENDITURE:</u>		
Recurrent Expenditure	2,062,442,030.60	1,729,517,544.30
Capital Expenditure	169,588,145.13	51,663,695.20
<b>Total Expenditure</b>	<b>2,232,030,175.73</b>	<b>1,781,181,239.50</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-10,865,105.92</b>	<b>1,025,179,046.81</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=10,865,105.92 an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition unstable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=537,823,941.86**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=537,823,941.86 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=537,823,941.86 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		537,823,941.86
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>537,823,941.86</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>537,823,941.86</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December, 2020: =N=520,941,730.92**

**Observation:**

During the year under review the sum of =N=2,634,666,550.43 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=516,641,478.46 and January to December 2020 net allocation of =N=2,118,025,071.97. However, we observed that only the total sum of =N=2,113,724,819.51 was released to the Local Government by the Ministry for Local Governments, thereby leaving a retained balance of =N=520,941,730.92.

1	Opening Balance 1/1/2020		<b>516,641,478.46</b>
2	Net Allocation Jan – Dec 2020		2,118,025,071.97
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,634,666,550.43</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,634,449,181.53
	• Salaries & Wages		479,275,637.98
		Total	2,113,724,819.51
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>520,941,730.92</b>



**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	7,883,396.95	16,013,503.42
Investments	48,676,957.08	48,676,957.08
Advances	1,058,765,672.78	1,089,228,472.73
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,115,326,026.81</b>	<b>1,153,918,933.23</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	140,454,183.50	128,739,886.42
Balance of Assets over Liabilities	974,871,843.31	1,025,179,046.81
<b>Total Liabilities</b>	<b>1,115,326,026.81</b>	<b>1,153,918,933.23</b>

The Net asset of =N=974,871,843.31 is equal to the difference between the total assets and liabilities.

**Financial Status: healthy**

## **ASSETS**

### **(1) Investments =N=48,676,957.08**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N= 45,079,805.59**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	Approved	Actual	Under	Excess
<b>REVENUE</b>				
Internally Generated Revenue	388,433,521.00	87,126,494.42	301,307,026.58	0.00
Statutory Allocation	4,937,915,058.98	2,118,025,071.97	2,819,889,987.01	0.00
<b>Total Revenue</b>	<b>5,326,348,579.98</b>	<b>2,205,151,566.39</b>	<b>3,121,197,013.59</b>	<b>0.00</b>

	Approved	Actual	Savings	Over
<b>EXPENDITURE</b>				
Recurrent	2,480,789,920.00	2,062,442,030.60	418,347,889.40	0.00
Capital	2,425,674,289.99	169,588,145.13	2,256,086,144.86	0.00
<b>Total Expenditure</b>	<b>4,906,464,209.99</b>	<b>2,232,030,175.73</b>	<b>2,674,434,034.26</b>	<b>0.00</b>

### **REVENUE:**

#### **✚ (1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=301,307,026.58**

During the period under review, the sum of =N=388,433,521.00 was estimated to be generated from local sources. However, only the sum of =N=87,126,494.42(0.22%) was actually generated. This indicates a shortfall of =N=301,307,026.58 (0.78%) as described below:

Source	Approved	Actual	Under	Excess
Tax Revenue	4,000,000.00	0.00	4,000,000.00	0.00
Non Tax Revenue	30,733,521.00	2,356,365.00	28,377,156.00	0.00
Investment Income	6,700,000.00	4,380,000.00	2,320,000.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	80,390,129.42	261,609,870.58	0.00
Extraordinary Items	5,000,000.00	0.00	5,000,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>388,433,521.00</b>	<b>87,126,494.42</b>	<b>301,307,026.58</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## 2). Statutory Allocation

### **Observation:**

Shortfall: =N=2,819,889,987.01

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=4,937,915,058.98 as against the actual figure of =N=2,118,025,071.97. Thus showing a shortfall of =N=2,819,889,987.01 (0.57%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	3,779,092,493.99	1,367,526,680.06	2,411,565,813.93	0.00
Local Govt Share of VAT	789,822,564.99	552,610,208.98	237,212,356.01	0.00
Other Fed. Allocated Revenue	300,000,000.00	197,888,182.93	102,111,817.07	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>4,937,915,058.98</b>	<b>2,118,025,071.97</b>	<b>2,819,889,987.01</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,480,789,920.00 in the approved Estimates during the year but incurred an expenditure of =N=2,062,442,030.60.

#### **Observation:**

Over =N=42,518,132.09

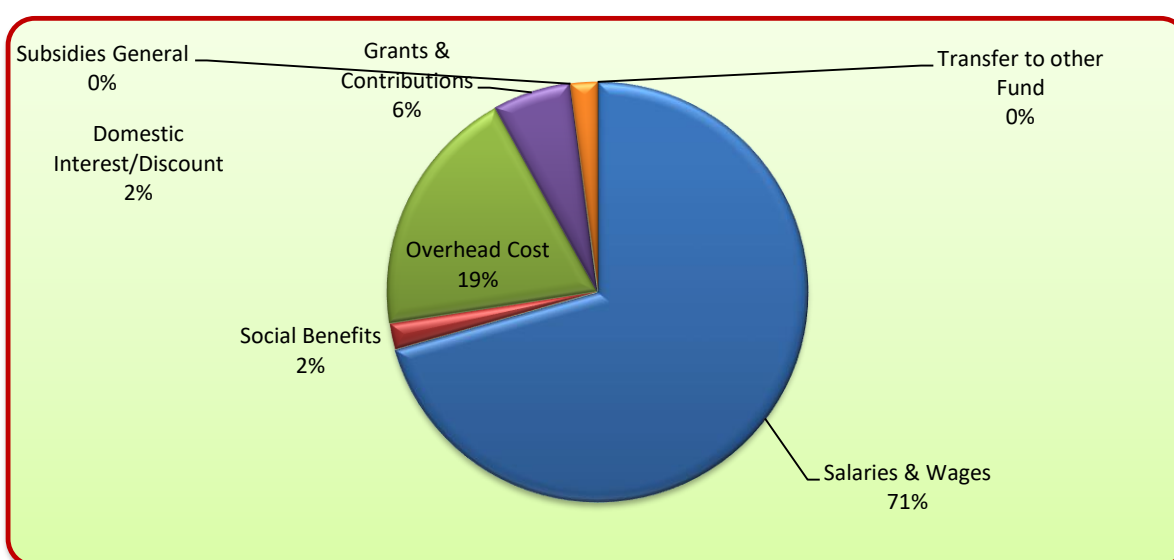
Although there was a total savings of =N=460,866,021.49, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,661,087,788.00	1,456,140,535.19	204,947,252.81	0.00
Social Benefits	51,500,000.00	40,909,090.80	10,590,909.20	0.00
Overhead Cost	641,935,000.00	398,984,168.11	242,950,831.89	0.00
Grants & Contributions	126,267,132.00	123,890,104.41	2,377,027.59	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,480,789,920.00</b>	<b>2,062,442,030.60</b>	<b>460,866,021.49</b>	<b>42,518,132.09</b>



## **(2). Capital**

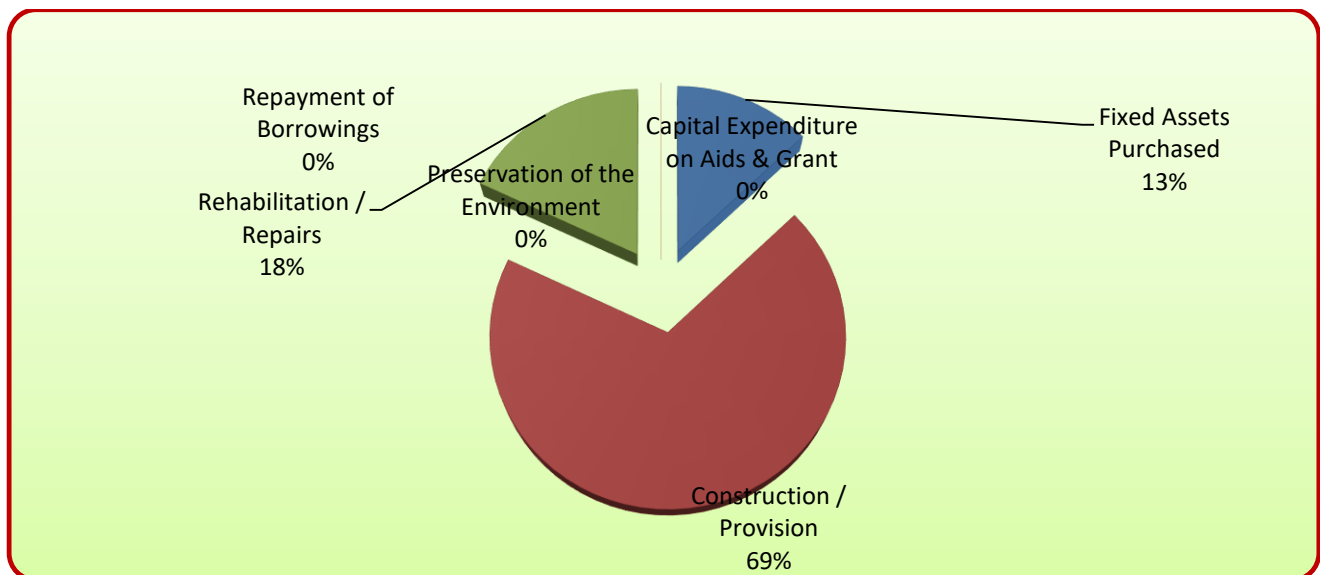
### **Observation:**

Savings: =N=2,256,086,144.86

The Council was observed to have projected a total of =N=2,425,674,289.99 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=169,588,145.13 was spent in the execution of projects. This indicates a savings of =N=2,256,086,144.86 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	189,350,000.00	21,915,500.00	167,434,500.00	0.00
Construction / Provision	1,602,637,774.99	117,077,711.76	1,485,560,063.23	0.00
Rehabilitation / Repairs	582,686,515.00	30,594,933.37	552,091,581.63	0.00
Preservation of the Env.	51,000,000.00	0.00	51,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>2,425,674,289.99</b>	<b>169,588,145.13</b>	<b>2,256,086,144.86</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

### **RECOMMENDATION:**

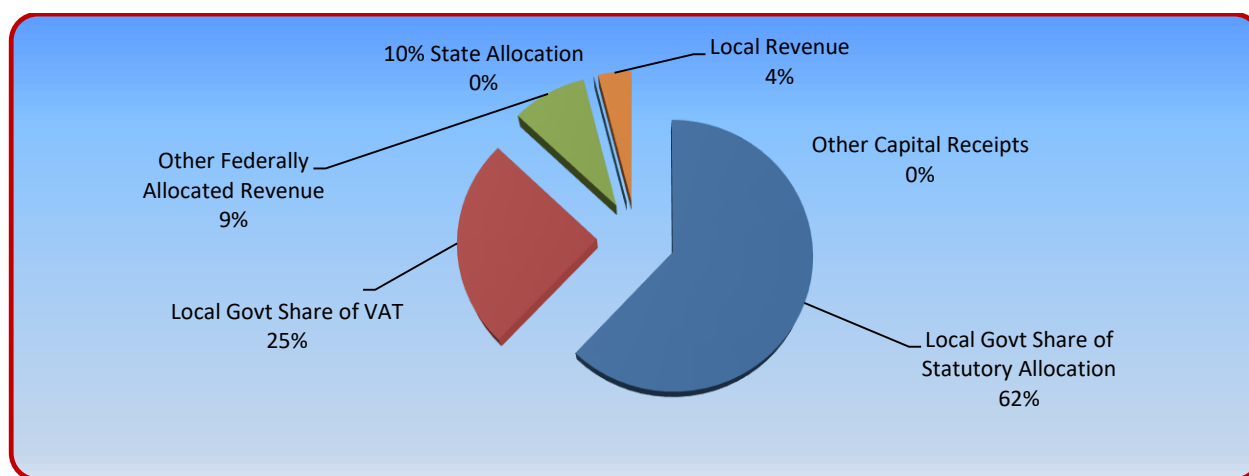
We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.



## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

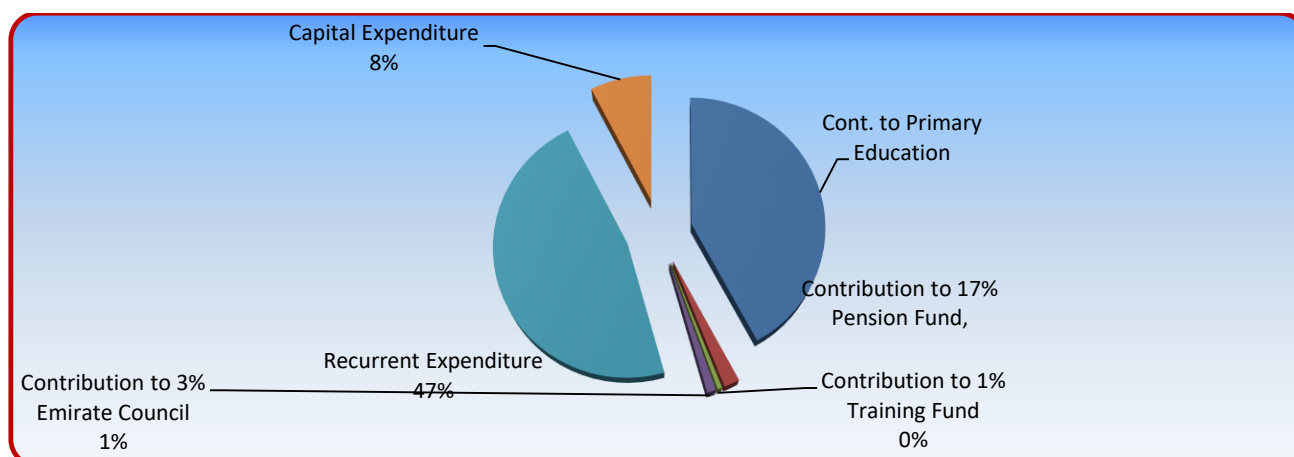
**TOTAL REVENUE: =N=2,205,151,566.39**

Local Govt Share of Statutory Allocation	1,367,526,680.06
Local Govt Share of VAT	552,610,208.98
Other Federally Allocated Revenue	197,888,182.93
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	87,126,494.42
<b>Total</b>	<b>2,205,151,566.39</b>



**TOTAL EXPENDITURE: =N=2,232,030,175.73**

Cont. to Primary Education	940,665,450.76
Contribution to 17% Pension Fund	40,909,090.92
Contribution to 1% Training Fund	12,306,079.02
Contribution to 3% Emirate Council	24,000,000.00
Recurrent Expenditure	1,044,561,409.90
Capital Expenditure	169,588,145.13
<b>Total</b>	<b>2,232,030,175.73</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

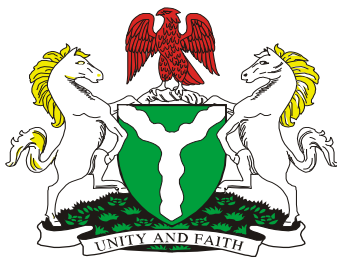
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **UNGOGO LOCAL GOVERNMENT COUNCIL**



GOVERNMENT OF KANO STATE  
OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**UNGOGOLOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of UngogoLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

### **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.AbdullahiGarba Ramat	Executive Chairman
2	Alh.NafiuShuaibuSadiq	Vice Chairman
3	Alh.AbdulmuminiBalaAbdullahi	Local Government Secretary
4	Alh. Ahmad Muhd Tomas	Director Personnel Management
5	Alh.MagajiZakari	Treasurer
6	Alh.Abubakar Idi Waziri	C.P.O
7	Alh.JummaiMuhd	HOD Community
8	Alh.TijjaniJaafaru	HOD Medical & Health
9	Alh. Mustapha Ibrahim	HOD Agric
10	Alh.Abubakar J. Sani	HOD Works & Housing
11	Alh. Bashir Abdu Suleiman	HOD PRS
12	Alh.AbubakarYusifDarki	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.



## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	<b>YEAR 2020</b>	<b>YEAR 2019</b>
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	28,686,936.31	1,372,828,249.50
Local Revenue	134,015,132.10	22,027,856.18
Statutory Allocation	2,519,147,080.64	2,622,292,774.27
<b>Resource Available</b>	<b>2,681,849,149.05</b>	<b>4,017,148,879.95</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	2,258,794,684.44	2,169,476,302.62
Capital Expenditure	426,332,005.02	303,318,439.58
<b>Total Expenditure</b>	<b>2,685,126,689.46</b>	<b>2,472,794,742.20</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-3,277,540.41</b>	<b>1,544,354,137.75</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=3,277,540.41, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition unstable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=694,805,648.69**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=694,805,648.69 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N= 694,805,648.69 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		694,805,648.69
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	(1+2)	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>649,805,648.69</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=960,547,767.60**

**Observation:**

During the year under review the sum of =N=3,498,513,625.01 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=979,366,544.36 and January to December, 2020 net allocation of =N=2,519,147,080.65

However, we observed that only the total sum of =N=2,537,965,857.41 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=960,547,767.60

1	Opening Balance 1/1/2020		979,366,544.36
2	Net Allocation Jan – Dec 2020		2,519,147,080.65
3	Total	3=(1+2)	3,498,513,625.01
4	Actual Amount Released:		
	• Releases through LG Bank		1,789,374,869.62
	• Salaries & Wages		748,590,987.79
		Total	2,537,965,857.41
4	Retained Balance 31st December, 2020	(3-4)	960,547,767.60

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	11,994,320.32	28,686,936.31
Investments	48,914,981.81	48,914,981.81
Advances	1,655,353,416.29	1,674,172,193.05
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>1,716,262,718.42</b>	<b>1,751,774,111.17</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	210,966,889.45	207,419,973.42
Balance of Assets over Liabilities	1,505,295,828.97	1,544,354,137.75
<b>Total Liabilities</b>	<b>1,716,262,718.42</b>	<b>1,751,774,111.17</b>

The Net asset of =N=1,505,295,828.97 is equal to the difference between the total assets and liabilities.

**Financial Status: healthy**

## **ASSETS**

### **(1) Investments =N=48,914,981.81**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=172,852,533.63**

##### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

##### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b>REVENUE</b>	<b>Approved</b>	<b>Actual</b>	<b>Under</b>	<b>Excess</b>
Internally Generated Revenue				
Statutory Allocation	482,575,200.00	134,015,132.10	348,560,067.90	0.00
<b>Total Revenue</b>	<b>3,710,364,459.00</b>	<b>2,519,147,080.64</b>	<b>1,191,217,378.36</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b>EXPENDITURE</b>				
Recurrent	2,922,290,367.62	2,258,794,684.44	663,495,683.18	0.00
Capital	1,187,950,820.00	426,332,005.02	761,618,814.98	0.00
<b>Total Expenditure</b>	<b>4,110,241,187.62</b>	<b>2,685,126,689.46</b>	<b>1,425,114,498.16</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=348,560,067.90**

During the period under review, the sum of =N=482,575,200.00 was estimated to be generated from local sources. However, only the sum of =N=134,015,132.10(0.28%) was actually generated. This indicates a shortfall of =N=348,560,067.90 (0.72%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	31,199,600.00	4,046,562.00	27,153,038.00	0.00
Non Tax Revenue	97,305,600.00	4,506,174.61	92,799,425.39	0.00
Investment Income	11,970,000.00	2,060,525.00	9,909,475.00	0.00
Interest Earned	100,000.00	0.00	100,000.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	0.00	0.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	123,401,870.49	218,598,129.51	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>482,575,200.00</b>	<b>134,015,132.10</b>	<b>348,560,067.90</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=1,191,217,378.36

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,710,364,459.00 as against the actual figure of =N=2,519,147,080.64 (0.68). Thus showing a shortfall of =N=1,191,217,378.36 (0.32%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
LG Share of Statutory Allocation	2,120,074,468.00	1,598,873,476.43	521,200,991.57	0.00
Local Govt Share of VAT	876,785,685.00	685,326,223.49	191,459,461.51	0.00
Other Fed. Allocated Revenue	284,504,306.00	234,947,380.72	49,556,925.28	0.00
10% State Allocation	49,000,000.00	0.00	49,000,000.00	0.00
Other Capital Receipts	380,000,000.00	0.00	380,000,000.00	0.00
<b>Totals</b>	<b>3,710,364,459.00</b>	<b>2,519,147,080.64</b>	<b>1,191,217,378.36</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.



## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,922,290,367.62 in the approved Estimates during the year but incurred an expenditure of =N=2,258,794,684.44

#### **Observation:**

Over =N=42,518,225.10

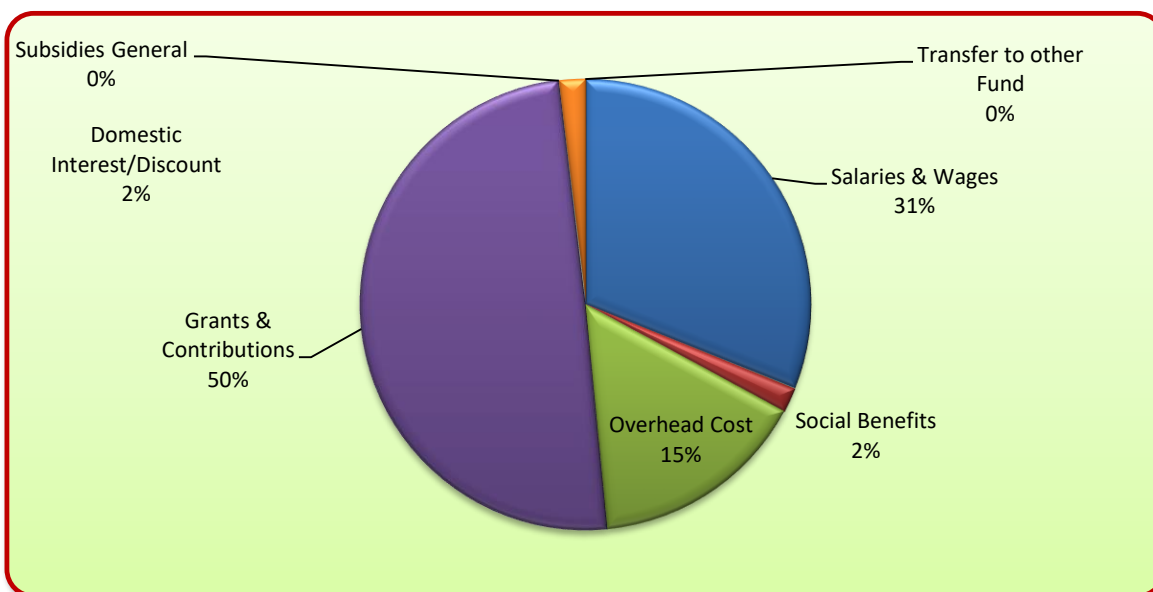
Although there was a total savings of =N=706,103,908.28, we further observed total sum of =N=42,518,225.10 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	893,066,944.62	701,479,891.17	191,587,053.45	0.00
Social Benefits	106,032,654.00	40,939,090.92	65,093,563.08	0.00
Overhead Cost	739,497,867.00	352,055,227.97	387,442,639.03	0.00
Grants & Contributions	1,183,692,902.00	1,121,802,249.28	61,890,652.72	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,225.10	0.00	42,518,225.10
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,922,290,367.62</b>	<b>2,258,794,684.44</b>	<b>706,013,908.28</b>	<b>42,518,225.10</b>



## (2). Capital

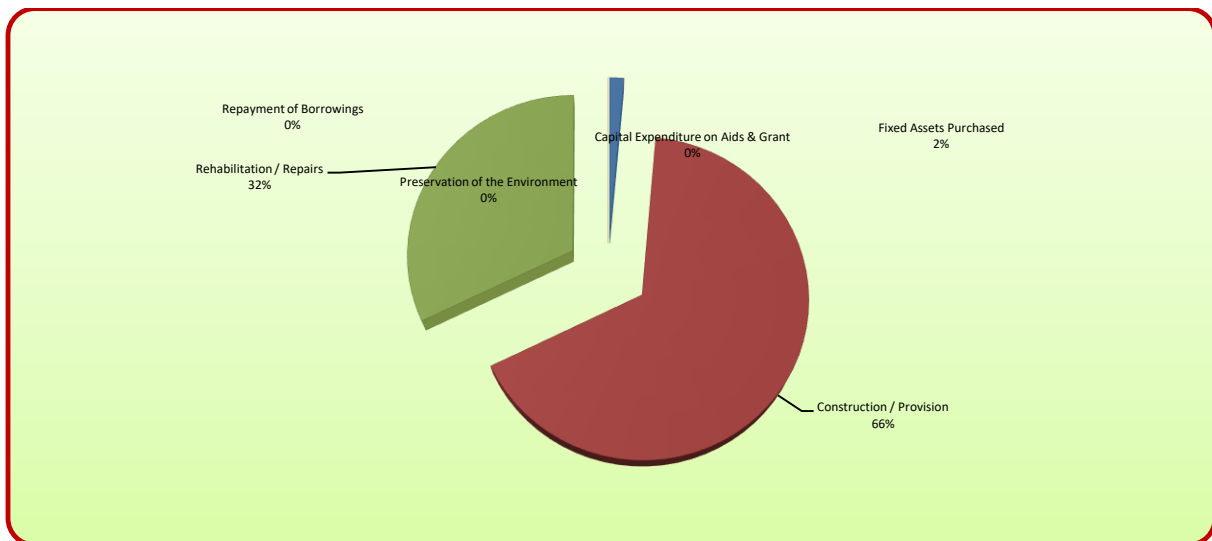
### **Observation:**

Savings: =N=761,618,814.98

The Council was observed to have projected a total of =N=1,187,950,820.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=426,332,005.02 was spent in the execution of projects. This indicates a savings of =N=761,618,814.98 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	86,850,064.00	6,075,212.11	80,774,851.89	0.00
Construction / Provision	763,328,030.00	283,130,452.23	480,197,577.77	0.00
Rehabilitation / Repairs	330,772,726.00	137,126,340.68	193,646,385.32	0.00
Preservation of the Env.	7,000,000.00	0.00	7,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,187,950,820.00</b>	<b>426,332,005.02</b>	<b>761,618,814.98</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

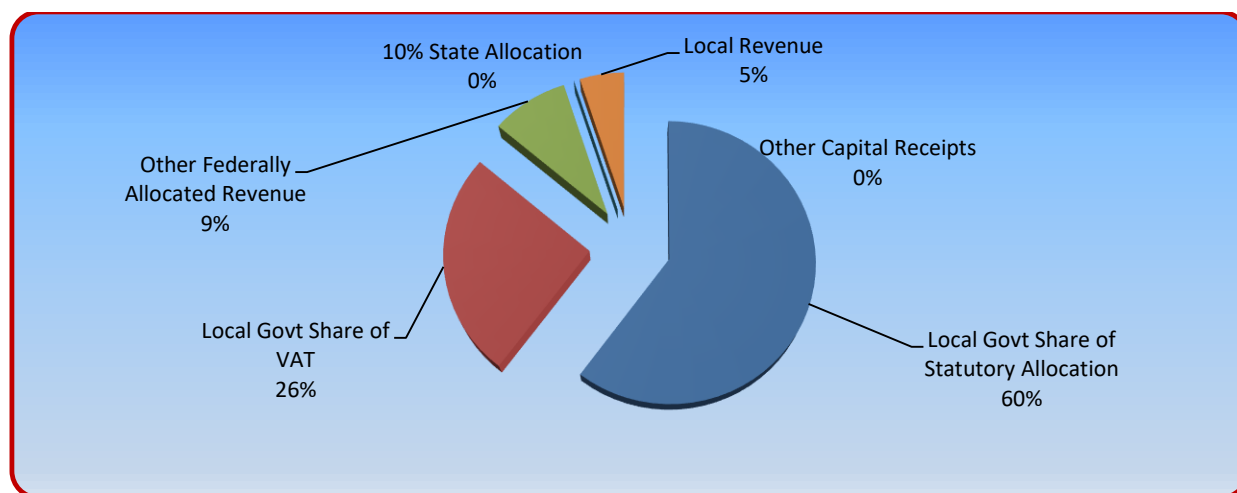
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## **GRAPHIC SUMMARY OF REVENUE & EXPENDITURE**

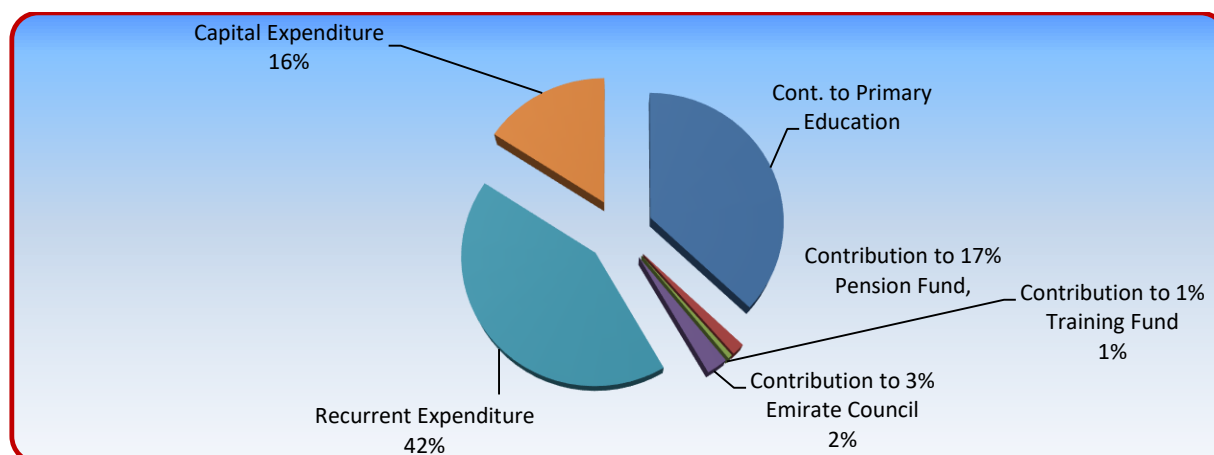
### **TOTAL REVENUE: =N=2,653,162,212.74**

Local Govt Share of Statutory Allocation	1,598,873,476.43
Local Govt Share of VAT	685,326,223.49
Other Federally Allocated Revenue	234,947,380.72
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	134,015,132.10
<b>Total</b>	<b>2,653,162,212.74</b>



### **TOTAL EXPENDITURE: =N=2,685,126,689.46**

Cont. to Primary Education	995,370,981.61
Contribution to 17% Pension Fund	40,909,090.80
Contribution to 1% Training Fund	14,631,526.72
Contribution to 3% Emirate Council	67,500,000.00
Recurrent Expenditure	1,140,383,085.31
Capital Expenditure	426,332,005.02
<b>Total</b>	<b>2,685,126,689.46</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

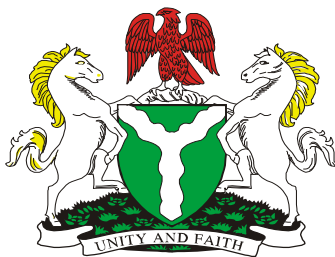
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

# **WARAWA LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**WARAWALOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of WarawaLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:

- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.YusifAbdullahiDanlassan	Executive Chairman
2	Alh.Ibrahim A. Said	Vice Chairman
3	Alh. Bello Shuaibu	Local Government Secretary
4	Alh.Rabiu Hassan Durum	Director Personnel Management
5	Alh.MudassirAdamu	Treasurer
6	Alh.Hajiya Fatima Adamu	C.P.O
7	Alh.AuwaluAbdulkadir	HOD Community
8	Alh.Murtala A. Bello	HOD Medical & Health
9	Alh. Ibrahim Muhd	HOD Agric
10	Alh. Sabo Ibrahim Yelwa	HOD Works & Housing
11	Alh.UsainiAbdullahi	HOD PRS
12	Alh.Sani A. Baba	HOD WESH

## **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

## **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.



**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular'

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	26,012,788.71	263,235,534.96
Local Revenue	91,339,937.39	1,571,325.07
Statutory Allocation	1,648,926,581.78	1,713,815,096.76
<b>Resource Available</b>	<b>1,766,279,307.88</b>	<b>1,978,621,956.79</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,775,819,568.39	1,523,150,985.61
Capital Expenditure	257,319,398.65	159,515,255.24
<b>Total Expenditure</b>	<b>2,033,138,967.04</b>	<b>1,682,666,240.85</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-266,859,659.16</b>	<b>295,955,715.94</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=266,859,659.16, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition unstable.**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=530,741,331.77**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=530,741,331.77 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2020 there is a balance of =N=530,741,331.77 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		530,741,331.77
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>530,741,331.77</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=(197,804,255.28)**

**Observation:**

During the year under review the sum of =N=41,319,954.03 was recorded as the opening balance of the Local Government retained balance; the net allocation of =N=1,648,926,581.78 was recorded in the Council books of account. However, =N=1,327,621,950.85 was released to the Local Government by the State Ministry for Local Governments, while the sum of =N=560,428,840.24 was paid as salaries on behalf of the Local Government. The cumulative effect of this transaction shows that the Local Government was indebted to the tune of =N=197,804,255.28 as at 31<sup>st</sup> December, 2020.

1	Opening Balance 1/1/2020		<b>41,319,954.03</b>
2	Net Allocation Jan – Dec 2020		1,648,926,581.78
3	<b>Total</b>	<b>3=(1+2)</b>	<b>1,690,246,535.81</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,327,621,950.85
	• Salaries & Wages		560,428,840.24
		Total	1,888,050,791.09
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>-197,804,255.28</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Government to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	4,658,937.26	26,012,788.71
Investments	48,914,981.81	48,914,981.81
Advances	530,741,331.77	580,020,065.41
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>584,315,250.84</b>	<b>654,947,835.93</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	581,231,982.77	358,992,119.99
Balance of Assets over Liabilities	3,083,268.07	295,955,715.94
<b>Total Liabilities</b>	<b>584,315,250.84</b>	<b>654,947,835.93</b>

The Net asset of =N=3,083,268.07 is equal to the difference between the total assets and liabilities.

**Financial Status: healthy**

## **ASSETS**

### **(1) Investments =N=48,914,981.81**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**

## **LIABILITY**

### **Deposits**

#### **(1).Un-remitted Government Deposits: =N=183,594,588.45**

##### **Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

##### **Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	423,190,000.00	91,339,937.39	331,850,062.61	0.00
Statutory Allocation	3,058,209,461.00	1,648,926,581.78	1,409,282,879.22	0.00
<b>Total Revenue</b>	<b>3,481,399,461.00</b>	<b>1,740,266,519.17</b>	<b>1,741,132,941.83</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,405,772,794.00	1,775,819,568.39	629,953,225.61	0.00
Capital	1,858,800,000.00	257,319,398.65	1,601,480,601.35	0.00
<b>Total Expenditure</b>	<b>4,264,572,794.00</b>	<b>2,033,138,967.04</b>	<b>2,231,433,826.96</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

#### **Observation:**

#### **Shortfall: =N=331,850,062.61**

During the period under review, the sum of =N=423,190,000.00 was estimated to be generated from local sources. However, only the sum of =N=91,339,937.39 (0.22%) was actually generated. This indicates a shortfall of =N=331,850,062.61 (0.78%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	300,000.00	30,000.00	270,000.00	0.00
Non Tax Revenue	76,490,000.00	4,590,052.50	71,899,947.50	0.00
Investment Income	2,900,000.00	35,500.00	2,864,500.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	500,000.00	0.00	500,000.00	0.00
Domestic Loans/Borrowings	342,000,000.00	86,684,384.89	255,315,615.11	0.00
Extraordinary Items	1,000,000.00	0.00	1,000,000.00	0.00
Prep./Arrears of Revenue	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>423,190,000.00</b>	<b>91,339,937.39</b>	<b>331,850,062.61</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

#### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.



**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2).Statutory Allocation**

### **Observation:**

Shortfall: =N=1,409,282,879.22

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,058,209,461.00 as against the actual figure of =N=1,648,926,581.78. Thus showing a shortfall of =N=1,409,282,879.22 (0.46%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	1,680,354,722.00	1,043,427,983.12	636,926,738.88	0.00
Local Govt Share of VAT	895,980,222.00	451,564,879.04	444,415,342.96	0.00
Other Fed. Allocated Revenue	233,939,039.00	153,933,719.62	80,005,319.38	0.00
10% State Allocation	30,000,000.00	0.00	30,000,000.00	0.00
Other Capital Receipts	217,935,478.00	0.00	217,935,478.00	0.00
<b>Totals</b>	<b>3,058,209,461.00</b>	<b>1,648,926,581.78</b>	<b>1,409,282,879.22</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,405,772,794.00 in the approved Estimates during the year but incurred an expenditure of =N=1,775,819,568.39

#### **Observation:**

Over =N=42,518,132.09

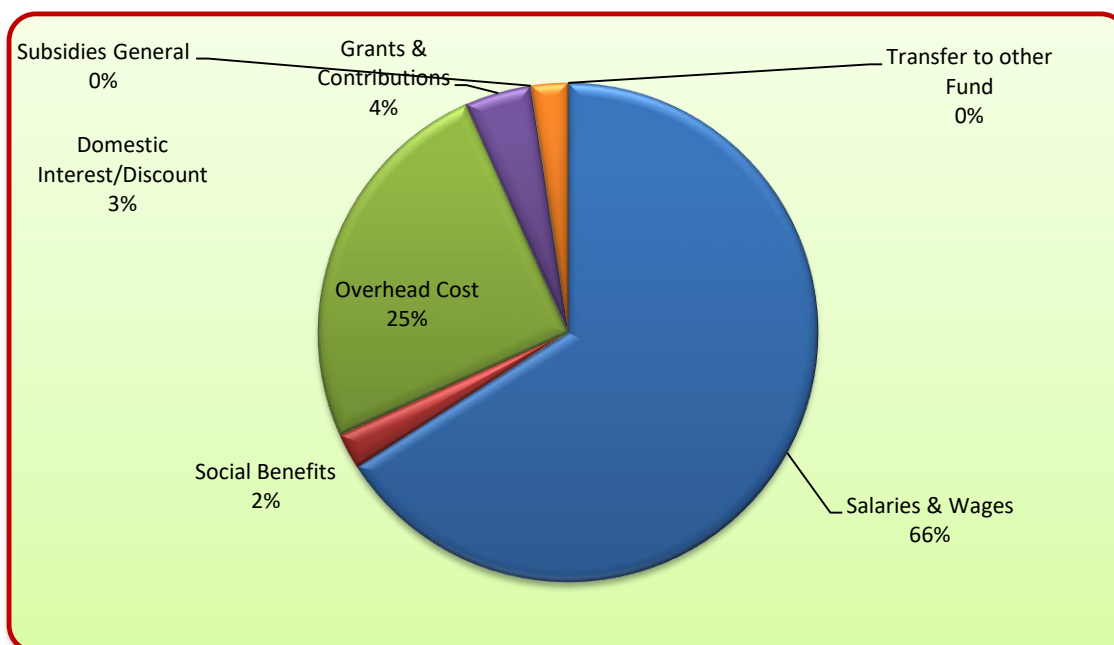
Although there was a total savings of =N=672,471,357.70, we further observed total sum of =N=42,518,132.09 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,380,622,873.00	1,171,630,899.14	208,991,973.86	0.00
Social Benefits	133,710,963.00	40,909,090.80	92,801,872.20	0.00
Overhead Cost	803,665,720.00	444,982,921.35	358,682,798.65	0.00
Grants & Contributions	87,773,238.00	75,778,525.01	11,994,712.99	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.09	0.00	42,518,132.09
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,405,772,794.00</b>	<b>1,775,819,568.39</b>	<b>672,471,357.70</b>	<b>42,518,132.09</b>



## (2). Capital

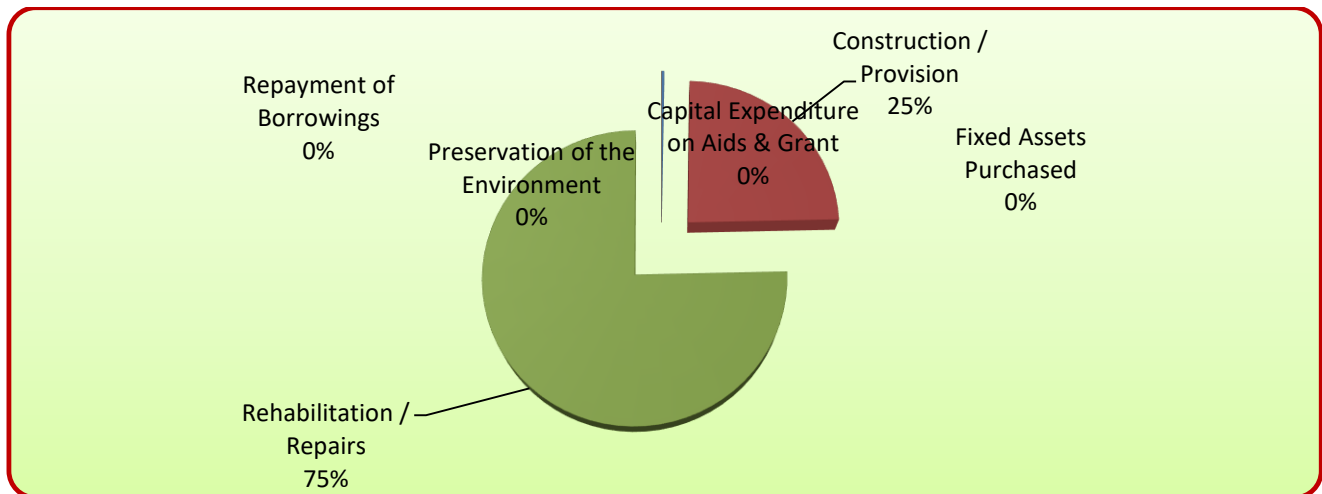
### **Observation:**

Savings: =N=1,601,480,601.35

The Council was observed to have projected a total of =N=1,858,800,000.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=257,319,398.65 was spent in the execution of projects. This indicates a savings of =N=1,601,480,601.35 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	180,800,000.00	690,000.00	180,110,000.00	0.00
Construction / Provision	1,276,000,000.00	62,765,095.32	1,213,234,904.68	0.00
Rehabilitation / Repairs	389,000,000.00	193,864,303.33	195,135,696.67	0.00
Preservation of the Env.	13,000,000.00	0.00	13,000,000.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,858,800,000.00</b>	<b>257,319,398.65</b>	<b>1,601,480,601.35</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

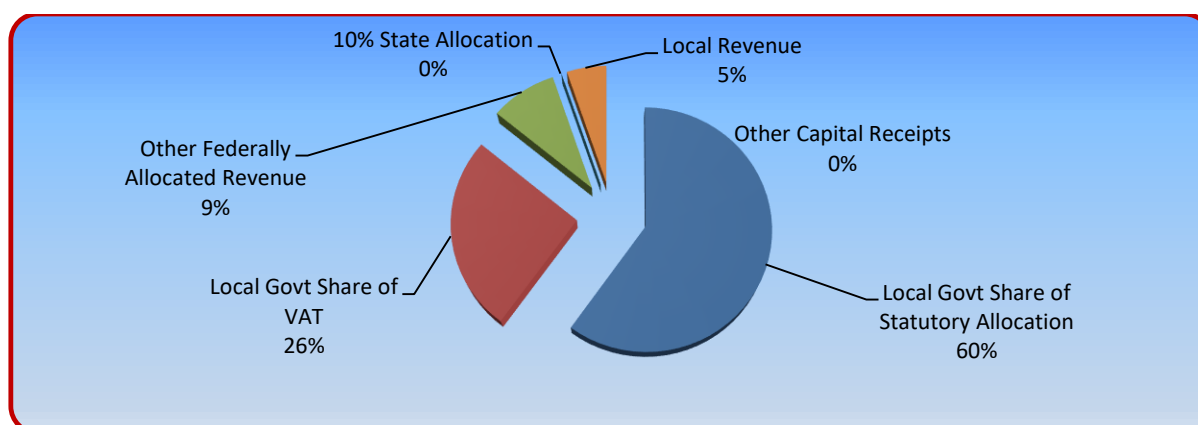
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

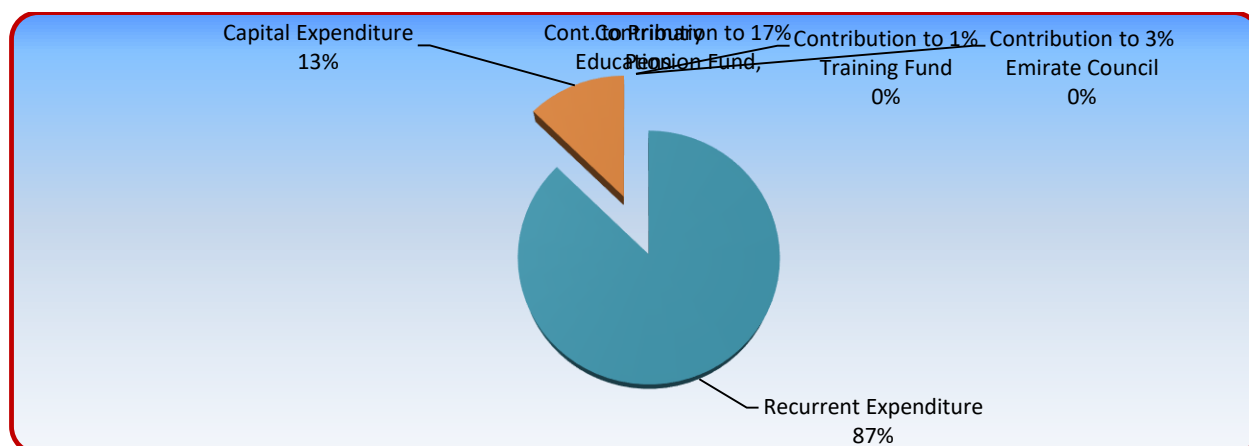
### TOTAL REVENUE: =N=1,740,266,519.17

Local Govt Share of Statutory Allocation	1,043,427,983.12
Local Govt Share of VAT	451,564,879.04
Other Federally Allocated Revenue	153,933,719.62
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	91,339,937.39
<b>Total</b>	<b>1,740,266,519.17</b>



### TOTAL EXPENDITURE: =N=2,033,138,967.04

Cont. to Primary Education	583,572,203.00
Contribution to 17% Pension Fund	40,909,090.80
Contribution to 1% Training Fund	9,551,549.02
Contribution to 3% Emirate Council	26,666,666.64
Recurrent Expenditure	1,115,120,058.93
Capital Expenditure	257,319,398.65
<b>Total</b>	<b>2,033,138,967.04</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

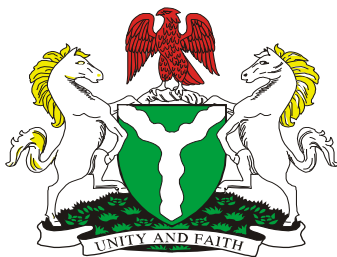
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS      AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**

## **WUDIL LOCAL GOVERNMENT COUNCIL**



**GOVERNMENT OF KANO STATE**  
**OFFICE OF THE AUDITOR GENERAL**  
**FOR LOCAL GOVERNMENTS**

Website: [www.lgaudit.kn.gov.ng](http://www.lgaudit.kn.gov.ng)  
Email: [lgauditkano@gmail.com](mailto:lgauditkano@gmail.com)

3<sup>rd</sup> Floor,  
GidanMurtala,  
P.M.B. 3174, Kano.

*In Case of Reply Quote Ref*  
*No: ALG/LGC/AA/2020*

31<sup>st</sup> January, 2022.

The Rt. Honourable Speaker,  
Kano State House of Assembly,  
AuduBako Secretariat,  
Kano.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF**  
**WUDILLOCAL GOVERNMENT COUNCIL**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

Section 48 (1) of the Kano State Audit Law 2021 (as amended) require the Auditor General for Local Governments to annually report to the Honourable House on the Audited Accounts of Local Government Councils.

This report therefore presents the results of our Audit activities and my opinion on the Accounts of WudilLocal Government Council for the year ended 31<sup>st</sup> December, 2020.

**RESPONSIBILITIES OF LOCAL GOVERNMENT MANAGEMENT**

The prime responsibility of the Local Government Management as provided by statute is to ensure socio-economic and support services to the area. These should be in line with government programs and budgets, should be reasonable and should be recorded properly in the accounting system.

The management must therefore strive to ensure that within their scope of operation and responsibility, rules and regulations are adhered to and proper value for money is obtained for money spent through the due process.

It is therefore the responsibility of the management at all levels of the Local Government to achieve economy, efficiency and effectiveness as well as accountability in the financial administration of the Local Government by:



- Ensuring that all bank accounts are properly authorized and that cash books are properly maintained and reconciled with the Bank Statement on a regular basis.
- Ensuring that the receipts and payments made by the Local Government are correctly recorded as provided for in the Financial Memoranda.
- Ensuring that the Local Government accounts for all transfers from the Federation Account and State 10% Internally Generated Revenue in the correct manner.
- Ensuring that all local revenue due to the Local Government is assessed and collected; that all revenue is promptly and accurately recorded; and that all revenue is promptly banked or handed over.
- Ensuring that all payments made are within relevant approved budgetary provisions and that expenditure has been properly approved and incurred in accordance with the Financial Memoranda.
- Ensuring that all stores have been recorded and properly classified.
- Ensuring that due process is followed in all contracts entered into and they are properly implemented.
- Ensuring that all personal and impersonal advances are properly managed and accounted for.
- Ensuring that the Local Government operates adequate management over all categories of fixed assets, including their acquisition, day to day operation, maintenance and disposal.
- Ensuring that the accounting systems, records and preparation of financial statements are in accordance with the Standardized Format of the Federal, State and Local Government financial reporting.
- Ensuring that the accounting system produces accurate, reliable and complete Financial Statements and appropriate schedules.

## **PROFILE OF ELECTED OFFICIALS**

<b>S/N</b>	<b>NAME</b>	<b>RANK</b>
1	Alh.MuntariGarba	Executive Chairman
2	Alh.Labbiru Ismail	Vice Chairman
3	Alh. Ali Inuwa	Local Government Secretary
4	Alh.AuwaluKabo	Director Personnel Management
5	Alh.YahayaDan'iya	Treasurer
6	Alh.DanasabeAlasan	C.P.O
7	Alh.AminuShehu BKR	HOD Community
8	Alh. Sale UbaToranke	HOD Medical & Health
9	Alh. Sale Mamuda	HOD Agric
10	Alh. Musa Maikudi	HOD Works & Housing
11	Alh. Muhammad A. Saidu	HOD PRS
12	Alh.Sammani Abdu	HOD WESH

### **OUR RESPONSIBILITY**

Our responsibility is to examine all relevant Books of Account; test-check that the control mechanisms are put in place, report our findings with recommendations for corrective action and to express opinion on the submitted Annual Account.

### **DOMESTIC REPORTS ISSUED**

During the period under review, Audit Inspection Reports on Revenue, Recurrent and Capital Expenditure were issued and addressed to the Accounting Officer, anomalies which are contrary to the internal control objectives were highlighted and recommendations for corrective actions were provided.

The Local Government has responded by implementing some of our recommendations or putting in place mechanism to take corrective action. However, there are still outstanding issues which were not conclusively addressed by the Council. Those outstanding issues will be highlighted in our report to Public Accounts Committee.

**OBSERVATIONS EMANATING FROM THE ACCOUNTS AND OTHER RECORDS  
EXAMINED ARE DISCUSSED IN DETAILED BELOW**

**LOCAL GOVERNMENT INTERNAL AUDIT**

The Internal Audit Unit is established to provide a complete and continuous prepayment audit function to the Local Government Council. It is also the role of the Internal Auditor to draw a detailed audit program and to thereafter submit his monthly, quarterly and yearly report to the Chief Accounting Officer of the Local Government, the Ministry for Local Government and the Auditor General, on the true progress of his Audit activities.

**Observation:**

During the period under review, it has been observed that the Internal Audit Unit of the Local Government has been performing its responsibilities of assisting in protecting the assets and interest of the Local Government as spelt out in Section 31 (1-3) of the Kano State Public Financial Management Law 2020.

Records from our end have indicated that the Internal Auditor has drawn up an Audit Programme and issued Internal Audit Report during the year.

**Recommendation**

This is encouraging hence; he should keep up to the good work.

## **RECORD KEEPING**

The Financial Statements were prepared in line with International Public Sector Accounting Standards IPSAS Cash Basis. The accounts complied with the provisions of the Public Finance (Control and Management) Act 1958 (as amended) Local Government Law 2006 (as amended) and other relevant legislations.

However, some inadequacies were observed in the area of record keeping which have been forwarded to the respective Local Government for their comments alongside recommendation and remedial actions to adopt.

These observed inadequacies are summaries below;

- Fixed/movable asset registers were not updated after the initial entries.
- Monthly bank reconciliation of other banks account other than the main account was either not done or not regular

## **BUDGET CLASSIFICATION AND CHART OF ACCOUNTS**

The Standardized Format of Annual Account reporting for all three tiers of government came into effect since January 2004. The objective of this financial reporting is to bring together in readily understandable format, a consistent set of basic data about the financial operation of any organization. Currently, International Public Sector Accounting Standard (IPSAS) has introduced new Accounting Standard and it is expected to be adopted by the Federal Government, 36 States Governments, FCT and 774 Local Government Councils by the year 2015.

### **Observation**

It is commendable and encouraging to observe that the 44 Local Government Councils in the State have adopted the new IPSAS Standardized Format of Account. Since this is a new concept, it is important that local government officials responsible for the preparation of these accounts are adequately trained and equipped with all the rudiments and tools that will help them achieve the full implementation of the new Accounting model. The advantage of IPSAS when fully implemented is that it will allow the Federal, State and Local Governments to have a unified basis of comparison between the three tiers of government as well as have access to global financial markets.

### **Recommendation:**

The Local Government Councils in collaboration with the Ministry for Local Government should make concerted efforts to ensure full implementation of IPSAS Standard Chart of Account. This can only be achieved with proper and persistent training of accounting personnel.

The advantages of keeping in line with the International Public Sector Accounting Standard are enormous; while complying with all existing laws and reforms, the Local Governments will more readily fit into the national and state projections, policies and programmes. Similarly, other donor and non-governmental organizations will also find it easier to analyze, make comparison and probably assist in developing the Local Governments where need be.

## **FINANCIAL AND BUDGETARY HIGHLIGHTS**

### **SUMMARY OF CASHFLOW STATEMENT**

The Cash Flow statement presents the generation and use of Cash (operating, investing and financing) over the financial year. It provides a basis to assess the Local Government's ability to generate and utilize its cash.

	YEAR 2020	YEAR 2019
<b><u>REVENUE :</u></b>	<b>=N=</b>	<b>=N=</b>
Balance as at 1/1/2020	23,938,682.39	999,140,400.17
Local Revenue	130,235,726.32	15,467,963.19
Statutory Allocation	1,912,577,377.03	1,994,318,514.72
<b>Resource Available</b>	<b>2,066,751,785.74</b>	<b>3,008,926,878.08</b>
<b><u>EXPENDITURE:</u></b>		
Recurrent Expenditure	1,992,897,237.73	1,652,047,317.32
Capital Expenditure	359,766,965.47	142,088,289.26
<b>Total Expenditure</b>	<b>2,352,664,203.20</b>	<b>1,794,135,606.58</b>
<b>Cash &amp; Its Equivalent 31/12/2020</b>	<b>-285,912,417.46</b>	<b>1,214,791,271.50</b>

The Net Cash from Operating Activities for the period ended 31<sup>st</sup> December 2020 has a deficit balance of =N=285,912,417.46, an indication that inflow of money into the Council during the year was less than the outflow.

**Status: Financial Condition unstable**

**Balance Standing to the Credit of the Local Government in the 5% Stabilization and others (Savings) Fund: =N=587,255,473.45**

**Observation:**

During the year under review the Local Government had an opening Balance of =N=587,255,473.45 in the 5% Stabilization Account. It has also made a statutory contribution of =N=0.00. This includes =N=0.00 as 5% Stabilization and other contribution made by the Local Government of =N=0.00 into the savings account. However, no record has indicated that the Local Government has made any withdrawal from this Account.

Therefore, as at 31<sup>st</sup> December, 2019 there is a balance of =N=587,255,473.45 standing to the credit of the Local Government in the Stabilization (Savings) Fund Account.

1	Balances 1/1/2020		587,255,473.55
2	Savings 5%		0.00
	Others		0.00
3	<b>Total Savings</b>	<b>(1+2)</b>	<b>0.00</b>
4	Releases		0.00
5	<b>Balances 31/12/2020</b>	<b>(3-4)</b>	<b>587,255,473.55</b>

**Recommendation:**

In view of the fact that the Ministry for Local Governments still holds this outstanding Stabilization Fund, the Local Government should liaise with the Ministry to know the actual stand of this fund. This will enable the Local Government to reflect the correct end of year balance during the preparation of its annual account; we noted with dismay that over the years this recommendation has not been adhered to.

**Balance Standing to the Credit of the Local Government in Respect of Statutory Allocation as at 31<sup>st</sup> December 2020: =N=309,267,893.72**

**Observation:**

During the year under review the sum of =N= 2,504,743,683.67 was the total allocation due to the Local Government from the Federation Account. This includes an opening balance of =N=592,166,306.63 and January to December, 2020 net allocation of =N=1,912,577,377.04. However, we observed that only the total sum of =N= 2,195,475,789.95 was released to the Local Government by the Ministry for Local Government, thereby leaving a retained balance of =N=309,267,893.72

1	Opening Balance 1/1/2020		<b>592,166,306.63</b>
2	Net Allocation Jan – Dec 2020		1,912,577,377.04
3	<b>Total</b>	<b>3=(1+2)</b>	<b>2,504,743,683.67</b>
4	Actual Amount Released:		
	• Releases through LG Bank		1,630,245,548.30
	• Salaries & Wages		565,230,241.65
		Total	2,195,475,789.95
4	<b>Retained Balance 31st December, 2020</b>	<b>(3-4)</b>	<b>309,267,893.72</b>

**Recommendation:**

In line with the tenet for the establishment of local governments councils at the grassroots level, all accruable allocations should be allowed into the coffers of the Local Government as when due. Part III Section 7 of the Amended Constitution particularly stated the functions of a local government council and this implied that if this important level of government is to discharge its obligation and responsibility creditably, it should have adequate funds by way of both statutory allocation and internally generated revenue. We strongly advise the Ministry for Local Governments to always remit any outstanding balance due to the Local Government on or before the end of the fiscal year.

In view of the foregoing, the Local Government should open an advance account (if it has not already done so) in the name of the Hon. Commissioner, Ministry for Local Government until such a time when the outstanding balance has been released to the Council. This will enable the Local Government give accurate and proper returns of its account at the end of each financial year.

## **SUMMARY OF ASSETS & LIABILITIES**

The Statement of Assets and Liabilities is the Balance Sheet of the Local Government Council. The main point is to show the level of fund (liquid assets) that the Council has in order to cover liabilities that had come up during the year. Overtime, the increase or decrease in the Council's net assets are indicators of whether financial health is improving or deteriorating.

### **ASSETS:**

	YEAR 2020 =N=	YEAR 2019 =N=
Liquid Assets	8,167,823.68	23,938,682.39
Investments	46,252,484.46	46,252,484.46
Advances	896,523,367.16	1,184,373,551.05
Balance of Liabilities over Asset	0.00	0.00
<b>Total Assets</b>	<b>950,943,675.30</b>	<b>1,254,564,717.90</b>

### **LIABILITIES:**

	YEAR 2020 =N=	YEAR 2019 =N=
Short term Loan	0.00	0.00
Deposits	46,003,503.65	39,773,446.40
Balance of Assets over Liabilities	904,940,171.65	1,214,791,271.50
<b>Total Liabilities</b>	<b>950,943,675.30</b>	<b>1,254,564,717.90</b>

The Net Asset of =N=904,940,171.65 is equal to the difference between the total assets and liabilities.

**Financial Status: healthy**

## **ASSETS**

### **(1) Investments =N=46,252,848.46**

#### **Observation:**

The Public Accounts Committee Resolution on the Accounts of the Local Government has observed the apparent lapse in the management of investment portfolio of the Council as reported. In retrospect, the year 2009 recommended that the three (3) bodies responsible for co-ordination, supervision, discipline, probity and accountability of the Local Government Council should meet and appoint a team of consultants to follow-up the investment portfolios that have not been properly managed and the House has adopted the recommendation.

#### **Status**

**Awaiting the implementation of the House Resolution by the Bodies**



<b><u>LIABILITY</u></b>
-------------------------

<b><u>Deposits</u></b>
------------------------

**(1).Un-remitted Government Deposits: =N=37,581,963.40**

**Observation:**

Government deposits amounting to the above figure have not been remitted to the organizations concerned. Since these monies are specifically deducted and held in trust on behalf of these governmental organizations, continued retention of these deposits, not remitting same as at when due is a violation of applicable laws.

**Recommendation:**

We recommend that these outstanding deposits should be remitted to the appropriate tax authorities and organization. The Local Government should always remit all deductions simultaneously when net payments are made to avoid unnecessary accumulation of deposits and possible sanctions.

## **SUMMARY OF FINAL BUDGET&ACTUALREVENUE/EXPENDITURE**

This statement indicates the actual revenue and expenditure in comparison with the Final Approved budget that is original provision plus all the supplementary provisions (original Plus supplementary) for the year. The Statement provides a basis to assess the Council's compliance with the approved budgetary provisions.

	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
<b><u>REVENUE</u></b>				
Internally Generated Revenue	424,740,000.00	130,235,726.32	294,504,273.68	0.00
Statutory Allocation	3,624,077,719.00	1,912,577,377.03	1,711,500,341.97	0.00
<b>Total Revenue</b>	<b>4,048,817,719.00</b>	<b>2,042,813,103.35</b>	<b>2,006,004,615.65</b>	<b>0.00</b>

	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
<b><u>EXPENDITURE</u></b>				
Recurrent	2,192,080,140.27	1,992,897,237.73	199,182,902.54	0.00
Capital	1,985,708,228.00	359,766,965.47	1,625,941,262.53	0.00
<b>Total Expenditure</b>	<b>4,177,788,368.27</b>	<b>2,352,664,203.20</b>	<b>1,825,124,165.07</b>	<b>0.00</b>

### **REVENUE:**

#### **(1).Internally Generated Revenue**

##### **Observation:**

##### **Shortfall: =N=294,504,273.68**

During the period under review, the sum of =N=424,740,000.00 was estimated to be generated from local sources. However, only the sum of =N=130,235,726.32(0.53%) was actually generated. This indicates a shortfall of =N=294,504,273.68 (0.47%) as described below:

<u>Source</u>	<u>Approved</u>	<u>Actual</u>	<u>Under</u>	<u>Excess</u>
Tax Revenue	4,500,000.00	740,000.00	3,760,000.00	0.00
Non Tax Revenue	30,240,000.00	3,155,461.28	27,084,538.72	0.00
Investment Income	42,700,000.00	5,621,500.00	37,078,500.00	0.00
Interest Earned	0.00	0.00	0.00	0.00
Refund and Re-imbursement	0.00	0.00	0.00	0.00
Aids & Grants	5,000,000.00	5,000,000.00	0.00	0.00
Domestic Loans/Borrowings	342,000,000.00	115,718,765.04	226,281,234.96	0.00
Extraordinary Items	0.00	0.00	0.00	0.00
Prep./Arrears of Revenue	300,000.00	0.00	300,000.00	0.00
<b>Totals</b>	<b>424,740,000.00</b>	<b>130,235,726.32</b>	<b>294,504,273.68</b>	<b>0.00</b>

We further observed that the Council is endowed with important markets, motor parks etc which are capable of generating substantial local revenue but are often neglected and poorly managed due to inefficient and ineffective supervision and lack of commitment by both the Council and staff.

##### **Implication:**

The key implication is that under collection will mean insufficient fund to provide the planned level of service delivery to the local populace.

**Recommendation:**

With limited resources and increasing public demands, the Council should not depend solely on Federal Grants but must hasten to find new ways to generate the needed local revenue to be able to provide the services the public require. The abundant and potential sources of revenue such as markets, motor park fees, slaughter houses and tenement rates among others as provided under Fourth Schedule of 1999 Constitution and Schedule of the Local Government Law respectively. These should be fully explored by the Council in order to boost its Internally Generated Revenue base.

## **2). Statutory Allocation**

### **Observation:**

Shortfall: =N=1,711,500,341.97

The estimated statutory revenue derivable from the Federation Account, Value Added Tax (VAT), Excess Crude and 10% State Internally Generated Revenue (IGR) was =N=3,624,077,719.00 as against the actual figure of =N=1,912,577,377.03. Thus showing a shortfall of =N=1,711,500,341.97 (0.47%) as described below:

<b><u>Source</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>	<b><u>Under</u></b>	<b><u>Excess</u></b>
LG Share of Statutory Allocation	2,513,834,956.00	1,226,926,059.12	1,286,908,896.88	0.00
Local Govt Share of VAT	841,242,763.00	506,998,135.85	334,244,627.15	0.00
Other Fed. Allocated Revenue	200,000,000.00	178,653,182.06	21,346,817.94	0.00
10% State Allocation	69,000,000.00	0.00	69,000,000.00	0.00
Other Capital Receipts	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>3,624,077,719.00</b>	<b>1,912,577,377.03</b>	<b>1,711,500,341.97</b>	<b>0.00</b>

We observe that the shortfall in Statutory Revenue was as a result of un-realistic budget estimates.

### **Recommendation:**

The Council should take all factors into consideration in the projection of statutory allocation from the Federation Account and other centrally disbursed revenue during the preparation of annual proposal in order to arrive at a realistic budget estimate.

## **EXPENDITURE:**

### **(1).Recurrent**

The Council projected a recurrent expenditure of =N=2,192,080,140.27 in the approved Estimates during the year but incurred an expenditure of =N=1, 992,897,237.73

#### **Observation:**

Over =N=101,288,357.87

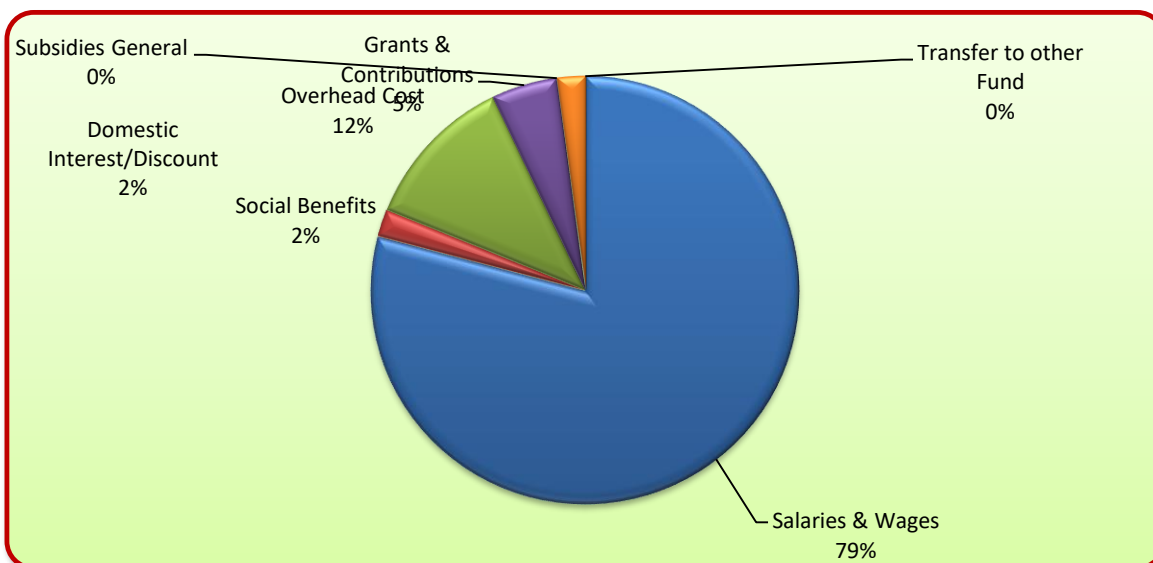
Although there was a total savings of =N=300,471,260.38, we further observed total sum of =N=101,288,357.87 being over expenditure.

The Council has not provided us with any evidence of approved Supplementary Estimates by the Kano State House of Assembly.

#### **Recommendation:**

Effort should be made to obtain the necessary approval to cover the apparent over expenditure incurred. The Council should also take all factors into consideration during the preparation of annual estimate in order to produce a realistic budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Salaries & Wages	1,517,158,404.27	1,575,928,630.03	0.00	58,770,225.76
Social Benefits	50,000,000.00	40,909,090.80	9,090,909.20	0.00
Overhead Cost	499,150,000.00	234,168,942.04	264,981,057.96	0.00
Grants & Contributions	125,771,736.00	99,372,442.78	26,399,293.22	0.00
Subsidies General	0.00	0.00	0.00	0.00
Domestic Interest/Discount	0.00	42,518,132.08	0.00	42,518,132.08
Transfer to other Fund	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,192,080,140.27</b>	<b>1,992,897,237.73</b>	<b>300,471,260.38</b>	<b>101,288,357.84</b>



## (2). Capital

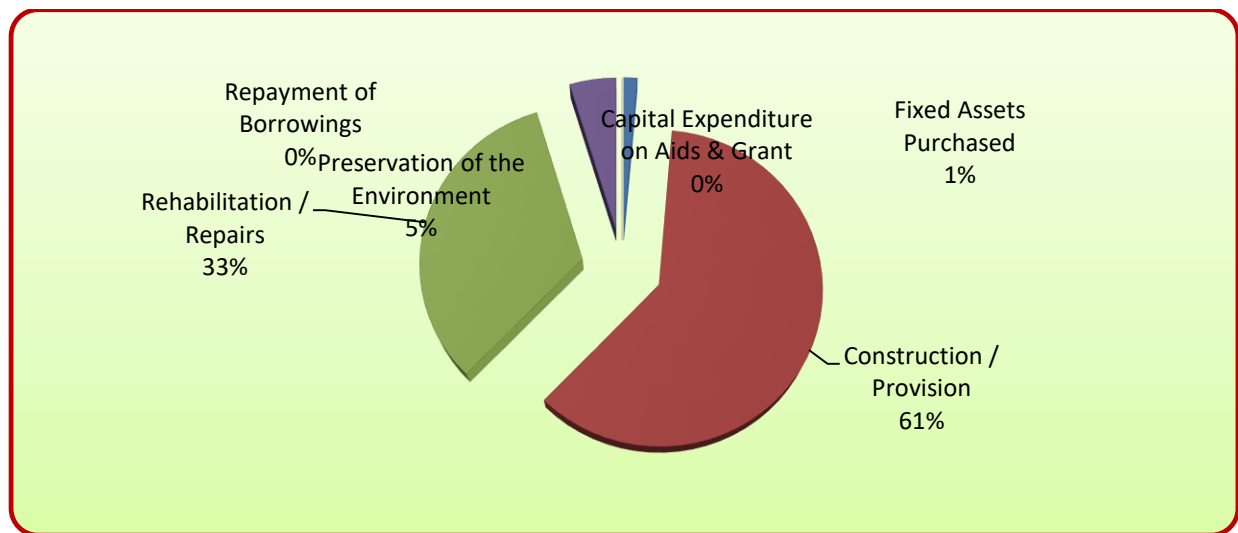
### **Observation:**

Savings: =N=1,625,941,262.53

The Council was observed to have projected a total of =N=1,985,708,228.00 in the approved Estimates as capital expenditure in respect of Fixed Assets Purchased, Construction/Provision, Rehabilitation/Repairs, Preservation of the Environment and Repayment of Loan.

However, only the sum of =N=359,766,965.47 was spent in the execution of projects. This indicates a savings of =N=1,625,941,262.53 as described in the table below. The savings is actually the inability of the Council to secure the needed funds necessary for the execution of capital projects as earmarked in the approved budget.

<u>Detail</u>	<u>Approved</u>	<u>Actual</u>	<u>Savings</u>	<u>Over</u>
Fixed Assets Purchased	85,000,000.00	4,994,800.00	80,005,200.00	0.00
Construction / Provision	1,503,708,228.00	218,908,159.16	1,284,800,068.84	0.00
Rehabilitation / Repairs	316,000,000.00	118,750,462.31	197,249,537.69	0.00
Preservation of the Env.	81,000,000.00	17,113,544.00	63,886,456.00	0.00
Cap. Exp. on Aids & Grant	0.00	0.00	0.00	0.00
Repayment of Borrowings	0.00	0.00	0.00	0.00
<b>TOTALS</b>	<b>1,985,708,228.00</b>	<b>359,766,965.47</b>	<b>1,625,941,262.53</b>	<b>0.00</b>



Similarly, the graph above shows the detail allocation of the amount spent in percentage during the year. The expenditure analysis is far below expectation. Effort should be made to improve spending in the capital sector.

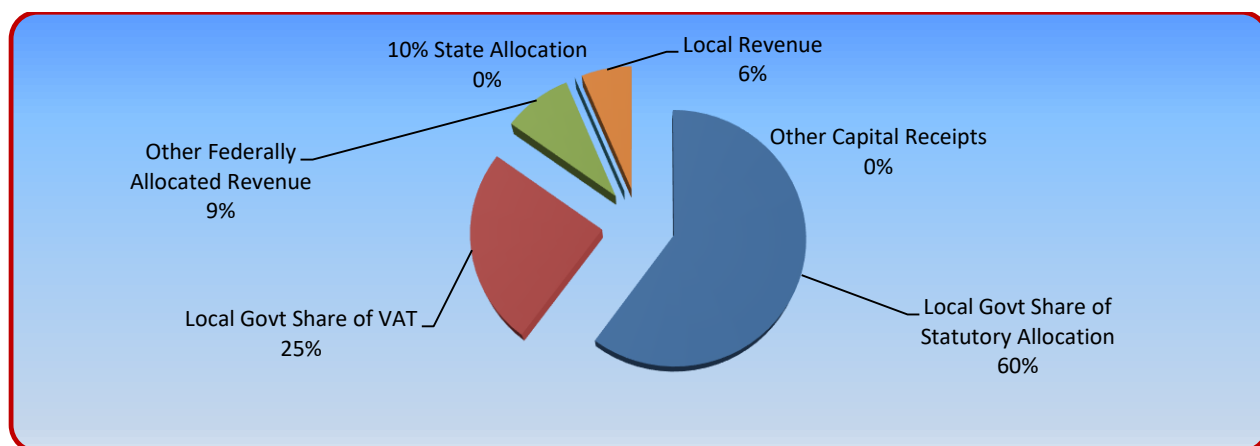
### **RECOMMENDATION:**

We recommend that the Council should always lay emphasis on the execution of meaningful projects to the extent possible to meet the targeted provisions of the approved budget.

## GRAPHIC SUMMARY OF REVENUE & EXPENDITURE

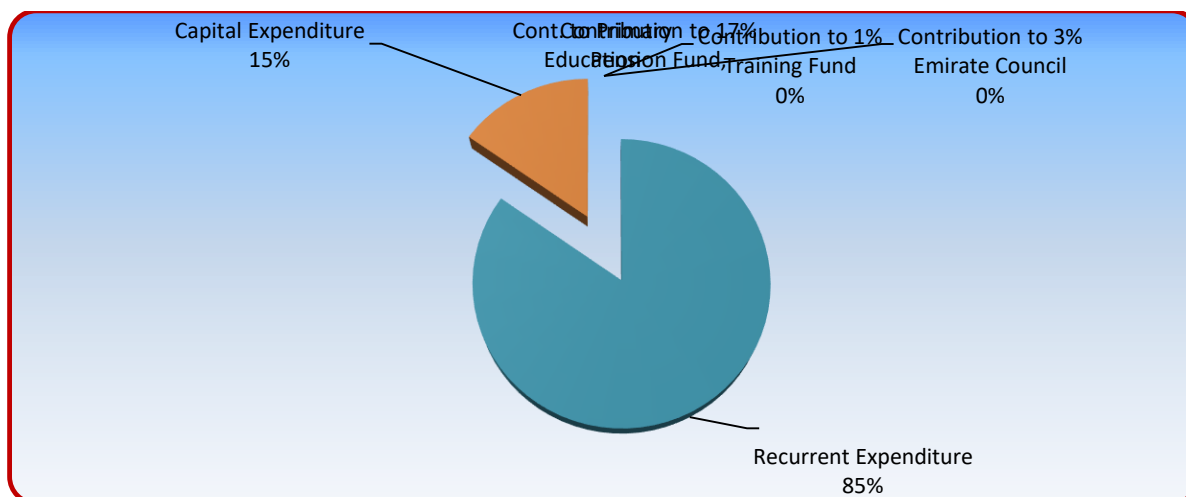
**TOTAL REVENUE: =N=2,042,813,103.35**

Local Govt Share of Statutory Allocation	1,226,926,059.12
Local Govt Share of VAT	506,998,135.85
Other Federally Allocated Revenue	178,653,182.06
10% State Allocation	0.00
Other Capital Receipts	0.00
Local Revenue	130,235,726.32
<b>Total</b>	<b>2,042,813,103.35</b>



**TOTAL EXPENDITURE: =N=2,352,664,203.20**

Cont. to Primary Education	0.00
Contribution to 17% Pension Fund	0.00
Contribution to 1% Training Fund	0.00
Contribution to 3% Emirate Council	0.00
Recurrent Expenditure	1,992,897,237.73
Capital Expenditure	359,766,965.47
<b>Total</b>	<b>2,352,664,203.20</b>




## **ACKNOWLEDGEMENT**

I wish to acknowledge the co-operation of the Council in the completion of the audits covered in this report.

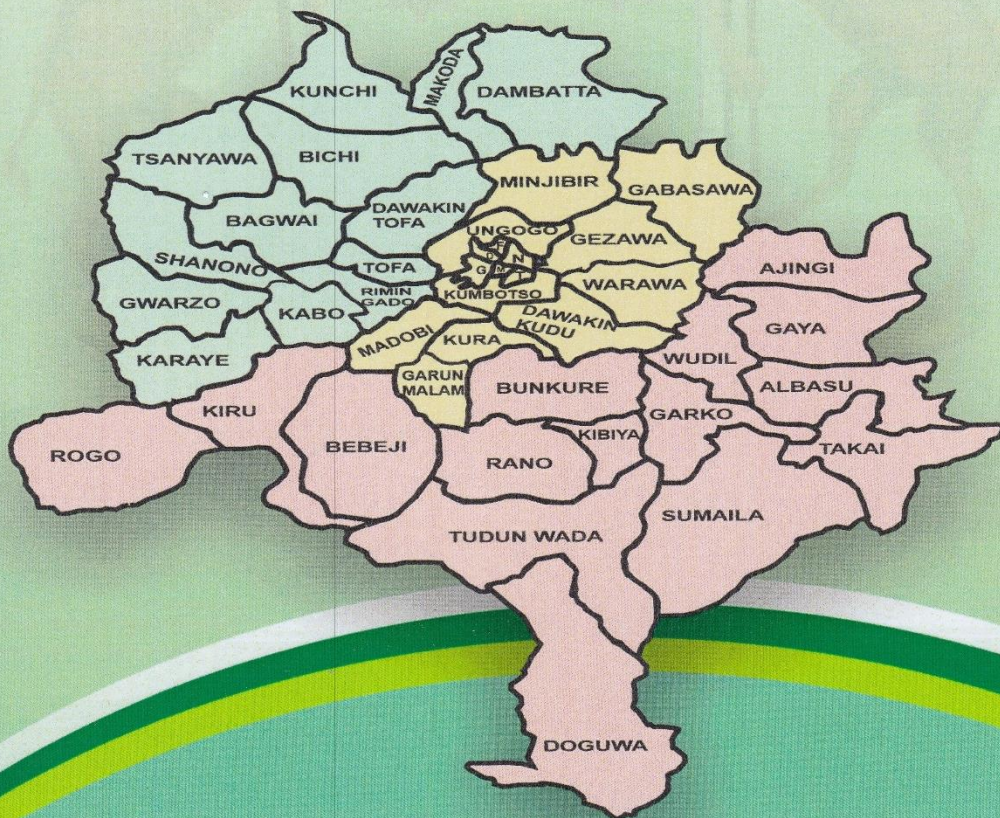
The preparation of this report and the statutory audit conducted by the Office is as a result of the support and dedication of my staff. I would like to thank them for their efforts, inputs, and professional manner in which they conducted themselves and performed their work. Their continued support is essential to the work and continued success of this Office.

**OFFICE OF THE AUDITOR GENERAL  
FOR LOCAL GOVERNMENTS    AUDITOR  
GENERAL  
KANO STATE**

2022  
1443AH

  
**Ahmad Tijjani Abdullahi CNA  
AUDITOR GENERAL**





**GOVERNMENT OF KANO STATE  
REPORT OF THE AUDITOR-GENERAL  
FOR LOCAL GOVERNMENTS**