

States Fiscal Transparency, Accountability and Sustainability Programme (SFTAS)

Selection of a third-party external audit firm

Terms of Reference (DRAFT)

1. *SFTAS Background*

The Federal Government of Nigeria has agreed with the World Bank on a multi-year (2018-2022) program to support Nigerian states to strengthen fiscal performance and sustainability: *The State Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results* (“*The Program*”).

The Program development objective is to strengthen the fiscal transparency, accountability and sustainability in the participating states, including in the context of COVID-19. The Program is to finance activities under two components: (i) a Program for Results (PforR) component in the amount of US\$700 million - initially; and (ii) a technical assistance (TA) component, using the Investment Project Financing (IPF) instrument in the amount of US\$50 million. The Program was enhanced in 2020 to include additional financing of US\$750 million approved in December 2020 for the PforR component as well as additional expected results. Specifically, there are 4 “new” disbursement-linked indicators (DLIs) with results to be achieved by States in 2020 and 2021 and assessed in 2021 and 2022 in addition to the 9 “original” DLIs with annual results to be achieved by States during 2018 to 2021 and assessed in 2019 to 2022..

The Program became effective May 2019 and currently has an end date of December 2022. The PforR is to cover the fiscal performance of states over four fiscal/calendar years: 2018-2021. Capacity building activities commenced after program effectiveness and will last until the end of 2022.

The Program will support participating states to implement a strategic set of reforms from government programs, namely: The Fiscal Sustainability Plan (FSP), The Open Government Partnership (OGP) commitments, and the NEC COVID-19 action plan. Ex-ante, the Program is open to all states and FCT to participate. The PforR component will provide performance-based financing to states. To access the PforR financing, every state must meet the annual eligibility criteria: the publication of annual budgets and audited financial statements. States meeting the eligibility criteria will receive performance-based financing based on their verified achievement of the results under each of the DLIs. Each DLI has specific results – called disbursement-linked results (DLRs). The results/DLRs support increasing state-level fiscal transparency and accountability, strengthening state-level domestic revenue mobilization, increasing efficiency in state public expenditures, and strengthening state debt sustainability, including in the context of COVID-19.

States’ compliance with the annual eligibility criteria and achievement of the 2020 and 2021 results/DLRs are to be verified through the 2020 and 2021 annual performance assessments (APAs). The APAs will be carried out by the Program’s independent verification agent (IVA) and an external audit firm. The Federal Ministry of Finance, Budget and National Planning (FMFBNP) has appointed the Office of the Auditor General of the Federation (OAuGF) as the IVA. Given the importance of having a credible, accurate and high-quality verification process, an external audit firm will be engaged to work alongside the IVA to jointly conduct the two APAs during 2021-2022. The selected firm is expected to reach its own independent conclusions on all results. The

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external audit firm will be financed from the Program's TA component and hired by FMFBNP, which houses the Program Coordination Unit (PCU) for the SFTAS Program.

Program coordination: The Home Finance Department (HFD) in the FMFBNP houses the Program Coordination Unit (PCU), with the Director of HFD as the National Program Coordinator. Among the PCU's core functions, the PCU is responsible for all procurement under SFTAS, including the hiring of the external audit firm, and providing support to the OAuGF in its role as the IVA and in overseeing the overall verification and disbursement process.

See Annex 1 for the set of results/DLRs to be assessed in the 2020 APA and Annex 3 for in the 2021 APA.

The external audit firm will be selected in accordance with the procedures set out in the World Bank's "Procurement Regulations for IPF Borrowers" (Procurement Regulations) dated July, 2016, revised November 2017 and August 2018 .

2. *The Proposed Assignment*

For each of the two fiscal/calendar years: 2020-2021, states' compliance with the eligibility criteria and achievement of the results/DLIs are to be verified through the annual performance assessment (APA). The APAs will be carried out by the Office of the Auditor-General for the Federation (OAuGF) in their role as the independent verification agent (IVA) and an external audit/consulting firm. Given the importance of having a credible and objective verification process as the performance-based financing disbursements per state will be determined by the number of verified DLRs achieved, an external audit firm will be engaged to work jointly with the OAuGF SFTAS IVA team ("IVA" comprised of OAuGF staff as well as consultants working on the IVA team) to conduct the two APAs during 2021-2022. The external audit firm is to ensure its work and the evidence it gathers is comprehensive enough to support its conclusions on the performance of the states.

Summary of the Annual Performance Assessment (APA) process.

- 1) the IVA and the external audit firm will prepare a joint work plan for carrying out the APA and submit to the PCU for clearance.
- 2) the IVA and the external audit firm will work together to collect the state performance data necessary to carry out the APA.
- 3) the IVA and the external audit firm will work together to verify all evidence of participating states achieving the DLRs in accordance with the approved DLR verification protocol; this would entail central desk review and some physical verification at the state-level.
- 4) the IVA and the external audit firm will formally submit to the PCU and the Bank the draft and final Verification reports for each state, which is to be approved by both the IVA and the external audit firm to indicate that the reports accurately reflect the verification of results by both parties. The joint approval does not mean that both parties agree on every result and the Verification reports should lay out the results in which there are disagreements between the IVA and the external firm and the reasons for this;

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- 5) should a disagreement arise between the IVA and the external audit firm on the verification of results, either party is allowed to submit its draft and final reports to the PCU and the Bank, and either party can notify the Bank and the Program Coordination Unit (PCU); the Bank and the PCU shall convene both parties with a view to resolve the disagreements in time to prevent delays in disbursements to the states;
- 6) the Bank retains the right to decide to disburse even if there remains disagreements between the IVA and the external audit firm and the Verification reports contains notes on the areas of disagreements;
- 7) where disagreement pertains to only a subset of states, it is possible to disburse to states where there is no disagreement while the disagreement is being resolved. Upon resolution of the disagreement, disbursements can then be made outside of the normal cycle.

The verification protocol and the APA process are further detailed in the Program operations manual (POM). The detailed description will cover the process steps, timeline, roles and responsibilities of all parties involved (states, DMO and other federal institutions, OAuGF/IVA, external audit firm, the PCU, and the Bank), information flows, dispute and resolution mechanisms. This will ensure clarity for all parties involved to mitigate risks of delay in the process and ensure that the process is (and perceived to be) fair, objective and credible.

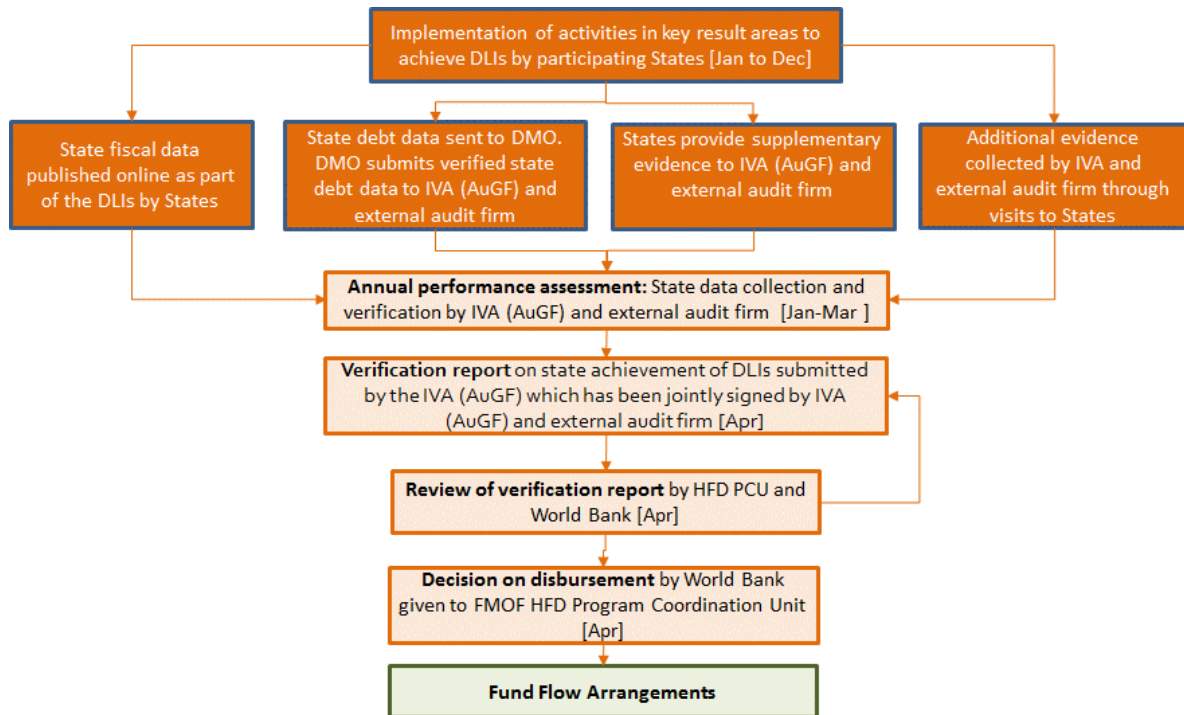
By working with the IVA on the two APAs, the external audit firm is also expected to build further the capacity of the OAuGF in conducting the verification process/APA.

The external audit firm will in addition train staff of the OAuGF in the conduct of risk-based audits.

Figure 1: PforR Verification Process/APA and Information Flow Arrangements

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Note: timelines for the APA in the above diagram are illustrative

3. Scope of Services and Key Tasks (Components)

The Federal Ministry of Finance, Budget and National Planning in collaboration with the Office of the Auditor-General for the Federation as the IVA, seeks the services of an audit and/or consulting firm to undertake the following specific tasks under the proposed assignment:

- A. Work jointly with the OAuGF SFTAS IVA team in the preparation and implementation of the APAs, including conducting desk-based reviews, field visits to states and provision of project management services. The APAs will cover all participating states and verify their achievement of the Program's DLRs/results against the approved verification protocol in accordance with the APA process outlined in the Program Operations Manual (POM).
- B. Provide the requisite technical expertise for assessing specific DLRs/results on fiscal policy, budgets/budgeting, tax policy and administration, procurement (e-procurement), debt management/reporting and sustainability, PFM Legislation (Audit, Debt, Procurement and Revenues). The technical expertise is to be provided to the IVA and also applied by the selected firm to support the firm's own assessment of the results.
- C. Provide training to selected staff of the OAuGF to strengthen their capacity to conduct effectively the verification process/APA, using virtual platforms and information technology, and the conduct of risk-based audits including IPSAS, ISSAIs, Report writing, IT skills and others.

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4. *Expected Deliverables and Reporting Requirements*

The assignment is expected to start in Q3 of 2021 with a focus on working jointly with the OAuGF SFTAS IVA team in the in-depth planning and organizing of the 2020 APA covering DLRs/results achieved in the 2020 fiscal year as well as DLRs/results achieved by end September 2021, which is expected to be conducted during between July 2021 to March of 2022.

During the assignment, the selected firm is expected to deliver the following for the 2020 and 2021 APAs:

Deliverable 1

- (a) An Inception report and detailed work plan for the conduct of the assignment across all the outlined tasks (*within 4 weeks of contract signing*).
- (b) A comparative report for all 36 States highlighting the results achieved in the 2018 APA and in the 2019 APA, the conclusions reached on each of the tests/checks and DLRs recorded within the APA reports, any areas of focus and risk for the 2020 APA and in particular any potential gaps in the consistency of assessments. DLRs that were met in 2018 but not in 2019 and DLRs that were not met in either year should be highlighted, along with the reasons for not meeting the DLRs in 2019. (*Copies of all previous final reports will be provided by the IVA. Improvements and additions to the draft template for reporting to the States are permitted. A draft template for the comparative report should be prepared jointly with the IVA and shared with the PCU and the Bank for comments*).
- (c) A one-day kick-off workshop on the APA process, to brief all internal and external stakeholders (*in Q3 of 2021*). A report on the workshop should be prepared and submitted.

Deliverable 2 - (*2020 APA and other activities to be conducted in CY2021*)

- (a) A draft of the joint annual work plan for the 2020 APA that will be submitted in collaboration with the IVA to the PCU.
- (b) Provision of technical expertise for assessing specific DLRs/results on fiscal policy, budgets/budgeting, tax policy and administration, procurement (e-procurement), debt management/reporting and sustainability, and PFM Legislation (Audit, Debt, Procurement and Revenues). Note that the selected firm will also require the stated expertise in forming its own conclusions.
- (c) Monthly progress reports to the PCU on the implementation of the annual work plan, starting from the end of the inception phase and up to the submission and acceptance of the final compendium report on the APAs to the PCU and the Bank.
- (d) Participation in all field visits to the states and other state data collection and performance assessment activities as required to implement the APAs. This will include the review of the detailed working papers and supporting evidence from each assessment (each State) for completeness and accuracy, based on a checklist to be developed jointly with the IVA, and to include the following:

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- i. *Confirmation that all assessment tests were completed, and all conclusions are well supported by the required evidence. This will include the review of all submissions/information from the IVA and the external audit firm's teams for each State, the Debt Management Office and FMFBNP to confirm accuracy and that all the relevant information is obtained.*
- ii. *Submission of a feedback report to each State Team leader and the IVA Project Manager (within 3 days of the submission of working papers and results from each State to the firm for review).*
- iii. *Follow-up as necessary on further work done by the Team leaders to address all review comments.*
- iv. *Final review to ensure all review comments, gaps and omissions have been addressed.*

Progress on all the above should be included in the monthly reports.

- (e) Draft and final APA reports (*one for each State, and a compendium report*) containing the selected firm's assessment of the participating states' performance against the verification protocol. The design and content of the APA reports should involve the IVA team as, ideally, only one report per State is expected from the combined IVA and external audit firm team. However, the selected firm is able to report on the APA results if there is a delay by the IVA. Any areas of difference between the IVA and the selected firm should be highlighted in any joint reports.

The selected firm will also review the draft Annual Performance Assessment reports of the 36 States as initially prepared by IVA teams, and based on a checklist to be developed jointly with the IVA, to include the following:

- i. *Submission of a detailed review of the IVA's draft report on each state to each State/Team leader and the IVA Project Manager (within 3 days of the submission of each report to the firm for review).*
- ii. *Follow-up as necessary on further work done by the Team leaders to address all review comments.*
- iii. *Final review to ensure all review comments, gaps and omissions have been addressed.*

Progress on all the above should be included in the monthly reports. Furthermore, a draft template for the compendium report should be prepared jointly with the IVA and shared with the PCU and the Bank for comments.

Note that the above activities/steps are to ensure the selected firm is able to support the IVA in achieving good quality reports. The steps do not remove the need for the selected firm to also undertake adequate work to reach its own evidence-based conclusions on each result and in each state. The support provided to the IVA is

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also not intended to delay the selected firm from reporting to the PCU on the APA results.

- (f) A comparative report for all 36 States highlighting the results achieved in the 2018, 2019 and 2020 APAs, the conclusions reached on each of the tests/checks and DLRs recorded within the APA reports, any areas of focus and risk for the 2021 APA and in particular any potential gaps in the consistency of assessments. DLRs that were met in 2018 or 2019 but not in 2020 and DLRs that were not met in any year should be highlighted, along with the reasons for not meeting the DLRs in 2020. *(A draft template for the comparative report should be prepared jointly with the IVA and shared with the PCU and the Bank for comments).*

Deliverable 3 - *(2021 APA and other activities to be conducted in CY2022)*

- (a) A draft of the joint annual work plan for the 2021 APA that will be submitted in collaboration with the IVA to the PCU.
- (b) Provision of technical expertise for assessing specific DLRs/results on fiscal policy, budgets/budgeting, tax policy and administration, procurement (e-procurement), debt management/reporting and sustainability, and PFM Legislation (Audit, Debt, Procurement and Revenues). Note that the selected firm will also require the stated expertise in forming its own conclusions.
- (c) Monthly progress reports to the PCU on the implementation of the annual work plan, starting from the end of the inception phase and up to the submission and acceptance of the final compendium report on the APAs to the PCU and the Bank.
- (d) Participation in all field visits to the states and other state data collection and performance assessment activities as required to implement the APAs. This will include the review of the detailed working papers and supporting evidence from each assessment (each State) for completeness and accuracy, based on a checklist to be developed jointly with the IVA, and to include the following:
 - i. *Confirmation that all assessment tests were completed, and all conclusions are well supported by the required evidence. This will include the review of all submissions/information from the IVA and the external audit firm's teams for each State, the Debt Management Office and FMFBNP to confirm accuracy and that all the relevant information is obtained.*
 - ii. *Submission of a feedback report to each State Team leader and the IVA Project Manager (within 3 days of the submission of working papers and results from each State to the firm for review).*
 - iii. *Follow-up as necessary on further work done by the Team leaders to address all review comments.*
 - iv. *Final review to ensure all review comments, gaps and omissions have been addressed.*

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Progress on all the above should be included in the monthly reports.

- (e) Draft and final APA reports (*one for each State, and a compendium report*) containing the selected firm's assessment of the participating states' performance against the verification protocol. The design and content of the APA reports should involve the IVA team as, ideally, only one report per State is expected from the combined IVA and external audit firm team. However, the selected firm is able to report on the APA results if there is a delay by the IVA. Any areas of difference between the IVA and the selected firm should be highlighted in any joint reports.

The selected firm will also review the draft Annual Performance Assessment reports of the 36 States as initially prepared by IVA teams, and based on a checklist to be developed jointly with the IVA, to include the following:

- i. Submission of a detailed review of the IVA's draft report on each state to each State/Team leader and the IVA Project Manager (within 3 days of the submission of each report to the firm for review).*
- ii. Follow-up as necessary on further work done by the Team leaders to address all review comments.*
- iii. Final review to ensure all review comments, gaps and omissions have been addressed.*

Progress on all the above should be included in the monthly reports. Furthermore, a draft template for the compendium report should be prepared jointly with the IVA and shared with the PCU and the Bank for comments.

Note that as with the activities proposed for delivery in 2021, the above activities/steps are to ensure the selected firm is able to support the IVA in achieving good quality reports. The steps do not remove the need for the selected firm to also undertake adequate work to reach its own evidence-based conclusions on each result and in each state. The support provided to the IVA is also not intended to delay the selected firm from reporting to the PCU on the APA results.

- (f) A comparative report for all 36 States highlighting the results achieved in the 2018, 2019, 2020 and 2021 APAs, the conclusions reached on each of the tests/checks and DLRs recorded within the APA reports, any areas of focus and risk for the 2021 APA and in particular any potential gaps in the consistency of assessments. DLRs that were met in 2018, 2019 or 2020 but not in 2021 and DLRs that were not met in any year should be highlighted, along with the reasons for not meeting the DLRs in 2021. (*A draft template for the comparative report should be prepared jointly with the IVA and shared with the PCU and the Bank for comments*).

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Deliverable 4

- (a) Capacity building activities (workshops and training events) to improve the skills of staff of the OAuGF to conduct the verification/APAs in Q3 2021 to Q4 of 2022, and as planned and agreed on engagement. Areas for capacity building include:
 - i. The implementation of a virtual-based work program
 - ii. Fiscal policy, budget, revenue, procurement and debt management,
 - iii. Relevant Standards (e.g., IPSAS, ISSAIs),
 - iv. Report drafting,
 - v. IT skills,
 - vi. Others – as determined by the IVA.
- (b) Reports on the outcome of training exercises that are held for staff of the OAuGF to conduct the verification/APAs (*depending on the number and schedule agreed on engagement*)

Deliverable 5

- (a) Capacity building activities (*workshops and training events*) to improve the skills of staff of the OAuGF to conduct the assessments and to conduct risk-based audits in Q3 2021 to Q4 of 2022, and as planned and agreed on engagement. Areas for capacity building include:
 - i. Conduct of Financial, Compliance and Performance audits
 - ii. Relevant Standards (e.g., IPSAS, ISSAIs),
 - iii. Report drafting,
 - iv. IT skills
 - v. Others – as determined by the IVA.
- (b) Reports on the outcome of training exercises that are held for staff of the OAuGF (*depending on the number and schedule agreed on engagement*)

Deliverables are to be delivered concurrently wherever possible in view of the tight timelines.

Reporting Requirements

All draft and final reports, plans and documentation are to be submitted to the IVA and to the PCU at the same time (*in 5 hard copies and through electronic submission*). Draft reports by the selected firm can be finalised after allowing the IVA one calendar week for comments.

5. Qualifications of the Consulting Firm

- Experience of working with Supreme Audit Institutions across sub-Saharan Africa. Deep knowledge of the standard setting processes adopted by INTOSAI and AFROSAI-E is desirable.

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- Familiarity with the public financial management operating environment in Nigeria (including legislation, rules, regulations). Familiarity at both the federal and state level is desirable.
- The firm must be a member of and comply fully with the standards and ethical codes of a recognized professional accounting body.
- Comprehensive knowledge and understanding of controls within an IT environment is an advantage.
- Successful track record of leading the implementation of similar-sized contracts (with value of US\$1.5 million or more) for audit, verification and assurance assignments in the public sector with national coverage in sub-Saharan Africa. Firms with experience of contracts outside Nigeria that can bring relevant lessons to this assignment is desirable.
- At least 2 decades of practicing experience.
- Operational Project Management - Demonstrates in depth knowledge and understanding of project management tools & methodologies and processes related to project preparation & implementation, resource management, and stakeholder communications.
- IT, security and logistical capabilities to set up and run a virtual-based work program to operate under COVID-19 and high-risk conditions.
- Proven technical expertise and experience on the range of fiscal policy and PFM areas covered under the Program's results/DLRs:
 - Budget preparation and fiscal planning (medium-term expenditure frameworks);
 - Tax policy and administration including property tax collection;
 - Procurement (e-procurement);
 - Debt reporting, management and debt sustainability analysis;
 - Public financial management-related legislation (Audit, Debt, Procurement and Revenues)
- Proven experience and competence in the design and delivery of training and capacity building activities to the public sector. Experience of delivering same to Audit Institutions will be an advantage.
- The selected firm is expected to be of an adequate professional staff size to provide the necessary team members to cover the work across all states in Nigeria without the use of temporary hires in senior management roles on the assignment. The minimum complement of permanent professional staff expected to be in place at the selected firm as at 31 December 2020 is 100. Smaller firms are able to partner to achieve this requirement. Where temporary staff are to participate as team members, the firm is required to provide evidence of an acceptable on-boarding or induction process for temporary staff that includes guidance on conduct and ethics, and an adequate system of providing oversight and management of temporary staff.

The firm is expected to delegate an Engagement manager/partner to provide oversight and in particular to supervise the team leader – Key Expert 1.

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6. *Team Composition & Qualification Requirements for the Key Experts*

Needed expertise in the team

- *Key Expert 1* - A team leader with professional qualifications and at least 8 years' experience of audit and accounting gained from within and outside Nigeria.
- *Key Expert 2* - A specialist in staff training with expertise in International Standards of Audit (ISAs) and International Public Sector Accounting Standards (IPSAS)
- *Non-key experts* - with qualifications and extensive experience of manpower development, project management, forensic audit, budget preparation and fiscal planning (medium-term expenditure frameworks), Tax policy and administration including property tax collection, Procurement (e-procurement), Debt reporting, management and debt sustainability analysis, Public financial management-related legislation (Audit, Debt, Procurement and Revenues) and audit quality assurance.
- Several other team members with audit experience as necessary to conduct field and desk reviews.

Key Expert 1 (Team Leader and Audit and PFM expert)

- A university degree or equivalent in accounting or related field from a reputable university
- Qualified Chartered Accountant from an IFAC recognized accountancy body with at least 8 years of relevant post-qualification experience.
- At least 8 years of experience in Audit and Public Financial Management
- Experience of working with Supreme Audit Institutions across sub-Saharan Africa and deep knowledge of the standard setting processes adopted by INTOSAI and AFROSAI-E is desirable.
- Familiarity with general public Service rules and public financial management operating environment in Nigeria at the Federal level, and at the state level will be an advantage.
- Experience of leading and managing large projects at Federal and/or State levels.
- The candidate must comply fully with the standards and ethical codes of a recognized professional accountancy body.
- Comprehensive Knowledge and understanding of controls within an IT environment is an advantage.

Key Expert 2 (IPSAS and ISAs Training expert)

- A university degree in accounting or related field from a reputable university
- Qualified Chartered Accountant from an IFAC recognized accountancy body with at least 8 years of relevant post-qualification experience.

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- At least 8 years of international experience in the design and delivery of training to auditors on risk based audit.
- Experience in the design and delivery of training to staff of Supreme Audit Institutions is desirable
- Deep knowledge of the standard setting processes adopted by INTOSAI and AFROSAI-E is desirable.
- Familiarity with general public Service rules and public financial management operating environment in Nigeria at the Federal level, and at the state level will be an advantage.
- The candidate must comply fully with the standards and ethical codes of a recognized professional accountancy body.

7. Location

The IVA team will be based in the Office of the Auditor General of the Federation in Abuja, Nigeria. In order to facilitate the implementation of the joint APA process, the team from the selected firm is expected to carry out a significant part of their activities in Abuja, Nigeria. The team from the selected firm will travel to the states as necessary to perform the APAs.

8. Duration of the Consultancy

The start year of the consultancy will be 2021 and the end year will be 2022, on completion of the final/2021 APA. The contract will be for 18 months in the first instance, renewable subject to good performance.

9. Client's Input and Counterpart Personnel

The OAuGF will provide a dedicated SFTAS IVA team to work with the selected firm and coordinate all activities. Suitable office space and equipment will also be provided to the selected firm within the OAuGF building in Abuja. Furthermore, the OAuGF SFTAS IVA team will provide the selected firm with copies of all information submitted by the States, DMO, FMFBNP and other federal institutions towards the APAs as they are received. The OAuGF will also make available all staff and facilities required by the selected firm to plan and conduct the proposed training events.

10. Code of Conduct

The selected firm will be guided by the IFAC Code of Ethics in the exercise of their responsibilities.

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Annex 1: Program Eligibility Criteria and Disbursement-linked results (DLRs) remaining to be assessed in the 2020 APA

Annual Eligibility Criteria (2018-2021) Table

Year 3 - 2020	Year 4 - 2021
<p>FY21 state budget, prepared under national Chart of Accounts, approved by the State Assembly and published online by end Jan 2021</p> <p>AND</p> <p><i>FY19 audited financial statement, prepared in accordance with IPSAS, submitted to the State Assembly and published by Aug 2020 (already assessed for the 2019 APA)</i></p>	<p><i>FY22 state budget, prepared under national Chart of Accounts, approved by the State Assembly and published online by end Jan 2022 (to be assessed in the 2021 APA)</i></p> <p>AND</p> <p>FY20 audited financial statement, prepared in accordance with IPSAS, submitted to the State Assembly and published by Jul 2021</p>

ORIGINAL Disbursement-Linked Indicators (DLI) Matrix

Disbursement-Linked Indicator	Disbursement-Linked Results
	<i>Year 3 – 2020</i>
<p>DLI 1: Improved financial reporting and budget reliability</p>	<p>1.1 FY20 quarterly budget implementation reports published with Q2, Q3 and Q4 reports published on average within 4 weeks of quarter end to enable timely budget management</p> <p>1.2 FY20 deviation for total Amended budget expenditure is < 15%</p>
<p>DLI 2 Increased openness and citizens' engagement in the budget process</p>	<p>2.1 Citizens' inputs from formal public consultations are published online, along with the proposed FY21 budget</p> <p>2.2 Evidence of dissemination event to explain amendments to FY2020 State budget published online along with the Citizens' budget based on Amended FY2020 State budget by end September 2020 with functional online feedback mechanisms</p>

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Disbursement-Linked Indicator	Disbursement-Linked Results
	<i>Year 3 – 2020</i>
DLI 3: Improved cash management and reduced revenue leakages through implementation of State TSA	TSA, based on a formally approved cash management strategy, established and functional, and covering a minimum of 70 percent of state government finances.
DLI 4: Strengthened Internally Generated Revenue (IGR) collection	<p>4.1 State implementing a consolidated state revenue code covering all state IGR sources and stipulating that the state bureau of internal revenue is the sole agency responsible for state revenue collection and accounting. Code must be approved by the state legislature and published. <i>(one-time payment for year in which DLR is first achieved, up to end of 2021)</i></p> <p>4.2 2020 nominal IGR collection is equal to or higher than the 2019 nominal IGR collection</p>
DLI 5: Biometric registration and bank verification number (BVN) used to reduce payroll fraud	<p>5.1 Biometric capture of at least 90 percent of current civil servants and pensioners completed and linked to payroll, and identified ghost workers taken off the payroll</p> <p>5.2 Link BVN data to at least 90 percent of current civil servants and pensioners on the payroll and payroll fraud addressed</p>
DLI 6: Improved procurement practices for increased transparency and value for money	<p>6.1 Existence of a public procurement legal framework and procurement regulatory agency. Said legal framework should conform with the UNCITRAL Model Law and provide for: 1) eProcurement; 2) establishment of an independent procurement regulatory agency and 3) cover all MDAs receiving funds from the state budget. <i>(one-time payment for year in which DLR is first achieved, up to end of 2021)</i></p> <p>6.2 <u>Basic Target</u>: Framework contract for e-Procurement signed by 31 December 2020 AND Publish contract award information above a threshold set out in the State’s procurement law/regulation on a monthly basis in OCDS format on the state website or online portal if available.</p> <p>6.2 <u>Stretch Target</u>: Implement e-Procurement in at least 3 MDAs (incl. Education, Health and Public Works) and publish all contract award information in OCDS format on the online portal for the 3 MDAs AND</p>

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Disbursement-Linked Indicator	Disbursement-Linked Results
	Year 3 – 2020
	<i>For those MDAs without e-procurement:</i> Publish contract award information above a threshold set out in the State’s procurement law/regulation on a monthly basis in OCDS format on the state website or online portal if available
DLI 7: Strengthened public debt management and fiscal responsibility framework	<p>7.1 State implementing state-level debt legislation, which stipulates: 1) responsibilities for contracting state debt; 2) responsibilities for recording/reporting state debt; and 3) fiscal and debt rules/limits. (<i>one-time payment for year in which DLR is first achieved, up to end of 2021</i>)</p> <p>7.2 Quarterly state debt reports for Q2, Q3 and Q4 2020 accepted by the DMO on average two months or less after the end of the quarter in 2020</p> <p>AND</p> <p>Annual state debt sustainability analysis published by end of December 2020</p>
DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears	<p><u>Basic Target:</u> Domestic arrears as of end 2019 and end 2020 reported in an online publicly-accessible database, with verification process in place.</p> <p><u>Stretch Target:</u> Domestic arrears as of end 2019 and end 2020 reported in an online publicly-accessible database, with verification process in place AND at least a 5 percent decline in the verified stock of domestic arrears at end 2020 compared to end 2019 consistent with the state’s arrears clearance framework or maintain stock below 5 billion.</p>
DLI 9: Improved debt sustainability	<p>Total debt stock at end of December 2020 as a share of total revenue for FY2020 meets target:</p> <p>-Basic target: < 150%</p> <p>-Stretch target: < 125%</p>

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NEW COVID-19 Responsive Disbursement-Linked Indicator (DLI) Matrix

Disbursement-Linked Indicator	Disbursement-Linked Results
	Dec 2020 to Sep 2021
DLI 10. Enhanced transparency and accountability of funds in the COVID-19 response and resilient recovery phases	<p>10.1 (2020) No later than December 31, 2020, the audited financial statements of all local governments (LGs) in the Participating State for FY 2018 and the audited financial statements of all LGs in the Participating State for FY 2019, including all allocations and actual receipts of state-local government joint account allocation committee (SLJAAC) transfers for each LG in the Participating State, have been published on a State official website.</p> <p>10.1 (2021) No later than September 30, 2021, the audited financial statements of all local governments (LGs) in the Participating State for FY 2020, including all allocations and actual receipts of state-local government joint account allocation committee (SLJAAC) transfers for each LG in the Participating State, have been published on a State official website.</p>
	<p>10.2 The Participating State has published:</p> <p>(a) on a monthly basis within one month after the end of each month, for five consecutive months starting August 2020, budget execution reports on budget allocations and actual expenditures incurred for COVID-19 response and recovery programs using the National Chart of Accounts (NCOA) on the Open Treasury Portal; and</p> <p>(b) on a quarterly basis within two months of the end of each quarter, for three consecutive quarters starting with the third quarter of FY2020, dedicated financial and compliance audit reports covering their COVID-19 response and recovery program expenditures.</p>
	<p>10.3 No later than June 30, 2021, the implementation of operational and financial autonomy (per criteria set out in the Verification Protocol) for the Offices of State and Local Governments Auditors-General in the Participating State, through strengthened legal framework (the “State Audit Law”); and</p> <p>Provision of resources for implementation of financial autonomy by inclusion of provisions in the FY 2021 budget for funding of the Offices of State and Local Governments Auditors-General; and</p>

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Disbursement-Linked Indicator	Disbursement-Linked Results
	Dec 2020 to Sep 2021
	Instructions for implementing the operational autonomy provisions of the new or existing Audit Law have been issued by the Head of Service or the Secretary to State Government of the Participating State.
DLI 11: Provided structured tax relief in response to COVID-19 and strengthened tax administration (personal income tax and property taxation) to enhance non-oil tax collection in the resilient recovery phase	11.2 No later than June 30, 2021, the Participating State has issued a regulation prohibiting, on a prospective basis, the contracting of private consultants for the assessment and collection of personal income tax, which is the sole responsibility of the state revenue agency; and no such contracts have been entered into or renewed during the period starting on September 1, 2020 through the date of issuance of such regulation
	11.3 No later than September 30, 2021, the property records for at least 50% of properties that have electricity connections in Urban Areas in the Participating State have been completed or updated per criteria set out in the Verification Protocol, stored in an electronic database, with said records to be valid as on September 1, 2020 or later; and the Participating State has established institutional arrangements per criteria set out in the Verification Protocol to use the property records to improve or start the collection of property tax.
DLI 12: Strengthened procurement function for COVID-19 or emergency situation and facilitated participation of SMEs in public procurement in the resilient recovery phase	12.2. DLR 12.1 has been achieved; and No later than June 30, 2021, the PPA has published on its official website, a list of all contracts executed to support the Participating State’s COVID-19 response in the fourth quarter of FY 2020 and the first quarter of FY 2021; and
	No later than September 30, 2021, the Participating State has awarded at least 20 more contracts to SMEs in the period after September 30, 2020, as compared to the period January 1, 2020 to 30 September, 2020
DLI 13: Established a fiscally sustainable response to COVID-19 through COVID-19 responsive budgets	13.2 The Participating State has executed at least 90 percent of the tagged COVID-19 response expenditures in their Amended 2020 State Budget, per criteria set out in the Verification Protocol

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Annex 2: Program Eligibility Criteria and Disbursement-linked results (DLRs) remaining to be assessed in the 2021 APA

Annual Eligibility Criteria (2018-2021) Table

Year 4 - 2021
<p>FY22 state budget, prepared under national Chart of Accounts, approved by the State Assembly and published online by end Jan 2022</p> <p>AND</p> <p><i>FY20 audited financial statement, prepared in accordance with IPSAS, submitted to the State Assembly and published by Jul 2021(already assessed in the 2020 APA)</i></p>

ORIGINAL Disbursement-Linked Indicators (DLI) Matrix

Disbursement-Linked Indicator	Disbursement-Linked Results
	<i>Year 4 – 2021</i>
DLI 1: Improved financial reporting and budget reliability	<p>1.1 FY21 quarterly budget implementation reports published on average within 4 weeks of quarter end to enable timely budget management</p> <p>1.2 FY21 deviation for total budget expenditure is < 15%</p>
DLI 2 Increased openness and citizens’ engagement in the budget process	<p>2.1 Citizens’ inputs from formal public consultations are published online, along with the proposed FY22 budget AND Citizens’ budget based on approved FY21 state budget published online by end April 2021 with functional online feedback mechanisms</p> <p>2.2 Citizens accountability report based on audited financial statements/reports published online for FY20 no later than end Sept 2021</p>
DLI 3: Improved cash management and reduced revenue leakages through implementation of State TSA	TSA, based on a formally approved cash management strategy, established and functional, and covering a minimum of 80 percent of state government finances.

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Disbursement-Linked Indicator	Disbursement-Linked Results
	<i>Year 4 – 2021</i>
DLI 4: Strengthened Internally Generated Revenue (IGR) collection	4.1 State implementing a consolidated state revenue code covering all state IGR sources and stipulating that the state bureau of internal revenue is the sole agency responsible for state revenue collection and accounting. Code must be approved by the state legislature and published. <i>(one-time payment for year in which DLR is first achieved, up to end of 2021)</i>
	4.2 2021-2020 annual nominal IGR growth rate meets target: - Basic target: 20%-39% - Stretch target: 40% or more
DLI 5: Biometric registration and bank verification number (BVN) used to reduce payroll fraud	5.1 Biometric capture of at least 95 percent of current civil servants and pensioners completed and linked to payroll, and identified ghost workers taken off the payroll
	5.2 Link BVN data to at least 95 percent of current civil servants and pensioners on the payroll and payroll fraud addressed
DLI 6: Improved procurement practices for increased transparency and value for money	6.1 Existence of a public procurement legal framework and procurement regulatory agency. Said legal framework should conform with the UNCITRAL Model Law and provide for: 1) eProcurement; 2) establishment of an independent procurement regulatory agency and 3) cover all MDAs receiving funds from the state budget. <i>(one-time payment for year in which DLR is first achieved, up to end of 2021)</i>
	6.2 Implement e-procurement in at least 4 MDAs (incl. Education, Health and Public Works) and publish all contract award information in OCDS format on the online portal for the 4 MDAs AND <i>For those MDAs without e-procurement:</i> Publish contract award information above a threshold set out in the State’s procurement law/regulation on a monthly basis in OCDS format on the state website or online portal if available
DLI 7: Strengthened public debt management and fiscal responsibility framework	7.1 State implementing state-level debt legislation, which stipulates: 1) responsibilities for contracting state debt; 2) responsibilities for recording/reporting state debt; and 3) fiscal and debt rules/limits. <i>(one-time payment for year in which DLR is first achieved, up to end of 2021)</i>
	7.2 Quarterly state debt reports accepted by the DMO on average two months or less after the end of the quarter in 2021

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Disbursement-Linked Indicator	Disbursement-Linked Results
	<i>Year 4 – 2021</i>
	AND Annual state debt sustainability analysis and Medium-term debt management strategy published by end of December 2021
DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears	Domestic arrears as of end 2020 and end 2021 reported in an online publicly-accessible database, with verification process in place. AND Percentage decline in the verified stock of domestic arrears at end 2021 compared to end 2020 meets target and is consistent with the state’s arrears clearance framework. -Basic target: At least a 5 percent decline or maintain stock below 5 billion naira -Stretch target: More than 20 percent decline
DLI 9: Improved debt sustainability	Average monthly debt service deduction is < 40% of gross FAAC allocation for FY2021 AND Total debt stock at end of December 2021 as a share of total revenue for FY 2021 meets target: -Basic target: < 120% -Stretch target: < 95%

NEW COVID-19 Responsive Disbursement-Linked Indicator (DLI) Matrix

Disbursement-Linked Indicator	Disbursement-Linked Results
	Dec 2021
DLI 13: Established a fiscally sustainable response to COVID-19 through COVID-19 responsive budgets	13.3 The Participating State has executed at least 90 percent of the tagged COVID-19 response expenditures in their 2021 State Budget, per criteria set out in the Verification Protocol.