The States' Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results

2018 Annual Performance Assessment (APA) Report

EDO STATE

By:

The Office of the Auditor-General for the Federation as the SFTAS Independent Verification Agent with support from JK Consulting Co. Ltd

March 2020

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1. Executive Summary

This Report details the outcome of the Annual Performance Assessment (APA) conducted on Edo State for the 2018 year of the four-year SFTAS Program. In conducting the APA, the verification team assessed how the State performed against the Disbursement Linked Results (DLRs) listed within the SFTAS DLI Matrix, guidelines and verification protocol.

Table 1 (below) reflects the outcome of the 2018 APA for Edo State and shows areas where the state was able to achieve results. In total, Edo achieved **seven (7)** DLRs out of 14 DLRs.

We further identified several areas where the State can improve its performance for the next APA, and these are set out in detail within Section 3 of this report. In summary, the State should ensure the following:

1. DLR 1.1: Quarterly Budget Implementation Reports show each MDA's expenditure balances (in line with the Appropriation Law), which should be broken down into Personnel, Overheads, Capital and Other Expenditures respectively and contain a summary of total Personnel, Overheads, Capital and Other expenditures.

2. DLR 2.1: The State town-hall consultation on the annual budget should include Local Government Authority participation.

3. DLR 3.0: A functional State-level TSA is developed, where all Government revenues (IGR and FAAC) are received.

4. DLR 4.1: The State Revenue law (along with the revenue code) is amended. The revenue code should clearly state the sources of the revenues including the local government sources. The amended revenue law, combined code and rates should be published on the State's official website.

5. DLR 4.2: Increase in IGR to achieve a 20% nominal annual growth rate as a minimum.

6. DLR 6.1: The State Procurement law is amended to provide for membership of the Board/council by representatives of Professional bodies and Associations, and to provide the grounds for removal of the Chief Executive of the Agency.

7. DLR 8: A State Domestic Arrears Clearance Framework (ACF) is established as well as an internal domestic arrears database with relevant balances published online through a publicly accessible portal.

Table 1: Assessment Results

Key:	Achieved		Not Achieved

Disbursement Linked Indicators	Disbursement Linked Results (2018)	Results	Remarks
DLI 1: Improved financial reporting and budget reliability	DLR 1.1: FY18 Quarterly budget implementation reports published on average within 6 weeks of Quarter-end to enable timely budget management		The Reports did not include the approved budget and expenditure for each MDA.
	DLR 1.2: FY18 deviation for total budget expenditure is <30%		The expenditure outturn deviation was 2.7%.
DLI 2: Increased openness and citizens' engagement in the budget process	DLR 2.1: Citizens' inputs from formal public consultations are published online, along with the proposed FY19 budget		The public consultative forum was held without Local Government participation.

Disbursement Linked Indicators	Disbursement Linked Results (2018)	Results	Remarks
DLI 3: Improved cash management and reduced revenue leakages through implementation of State TSA	DLR 3: TSA, based on a formally approved cash management strategy, established and functional, and covering a minimum of 50 percent of state government finances the implementation of State TSA		TSA covered 17.32% of State's finances.
DLI 4: Strengthened Internally Generated Revenue (IGR) collection	DLR 4.1: 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 approved by the state legislature and published		The consolidated revenue law did not cover all IGR sources of the Local Governments.
	DLR 4.2: 2018-2017 annual nominal IGR growth rate meets target: -Basic target: 20%-39%, Stretch target: 40% or more		IGR growth rate was 9.68%
DLI 5: Biometric registration and Bank Verification Number (BVN) used to reduce payroll fraud	DLR 5.1: Biometric capture of at least 60 percent of current civil servants completed and linked to payroll, and identified ghost workers taken off the payroll	(green)	Biometric capture of 100% of civil servants are linked to the payroll.
	DLR 5.2: Link BVN data to at least 60 percent of current civil servants on the payroll and payroll fraud addressed	(green)	91.37% of civil servant's payroll are linked to BVN.
DLI 6: Improved procurement practices for increased transparency and value for money	DLR 6.1: Existence of public procurement legal framework and procurement regulatory agency. Said legal framework should conform with the UNCITRAL Model Law and provide for: 1) E-Procurement; 2) Establishment of an independent procurement board; and 3) Cover all MDAs receiving funds from the state budget.		The Law requires revisions to be compliant with the UNCITRAL Model Law.
	DLR 6.2: Publish contract award information above a threshold set out in the Operations Manual for 2018 on a monthly basis in OCDS format on the state website	(green)	Contracts are published in OCDS format on the state website above N10m threshold.
DLI 7: Strengthened public debt management and fiscal responsibility framework	DLR 7.1: Approval of state-level legislation, which stipulates: 1) responsibilities for contracting state debt; 2) responsibilities for recording/reporting state debt; and 3) fiscal and debt rules/limits.	(green)	Edo State Public Financial Management and Fiscal Responsibility Law was assented to on 25th July 2018.
	DLR 7.2: Quarterly state debt reports accepted by the DMO on average two months or less after the end of the Quarter in 2018	(green)	Quarterly State debt reports were submitted before due date.
DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears	DLR 8: Domestic arrears as of end 2018 reported in an online publicly accessible database, with a verification process in place and an arrears clearance framework established.		No Arrears Clearance Framework or internal domestic arrears database was established
DLI 9: Improved debt sustainability	DLI 9: Average monthly debt service deduction is < 40% of gross FAAC allocation for FY2018, and Total debt stock at end of December 2018 as a share of total revenue for FY2018 meets target: Basic target: < 150%, Stretch target: < 125%.	**Basic Target Achieved**	The debt to revenue ratio is 136.79% and debt service deductions to Gross FAAC allocation was 8.1 %

The Office of the Auditor-General for the Federation as Independent Verification Agent and JK Consulting agree on all the results shown in this report.

2. Introduction

2.1 Overview

The Federal Government of Nigeria is implementing a four-year Program to support Nigerian States to strengthen fiscal performance and sustainability: The State Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results ("The Program"). In each of the four years, the Program will finance activities under two components: (i) a Program for Results (PforR) component in the amount of US$700 million and (ii) a Technical Assistance (TA) component in the amount of US$50 million. All States are able to participate in the Program in each of the four years and benefit from the PforR funds by meeting the Eligibility Criteria and any or all of the Disbursement Linked Indicators (DLIs).

The Auditor-General for the Federation was appointed as the Independent Verification Agent (IVA) for the SFTAS Programme and JK Consulting Limited was subsequently engaged to support the IVA. Both parties have worked together to assess the performance of the State against the Disbursement Linked Results (DLRs) for 2018. To ensure a high-quality assessment, the IVA engaged the services of experts in Taxation, Procurement and Debt Management laws to review the legislation in place at each State.

2.2 Scope and APA Process

This Annual Performance Assessment (APA) Report covers the State's performance in 2018 against the Disbursement Linked Results (DLRs) listed within the SFTAS DLI Matrix, guidelines and verification protocol. Each State was earlier assessed against the Eligibility Criteria set in the protocol, to determine the state's eligibility for grants under the 2018 APA. The results of the eligibility assessment were reported previously to each state, and are included in Appendix A

The verification protocol was set early in the preparation for the Program and all States, implementing agencies and other key stakeholders have been continuously sensitised on the requirements of the program and on the protocol for 2018. The assessment results are binary (pass or fail), as that is how the Program for Results was designed.

In advance of the performance assessments, all States were provided with the detailed information requirements for the assessments, a proposed itinerary for the assessment visit and a template with which to report the results achieved. The assessments were conducted between 25/11/2019 and 29/11/2019 with a team of five persons, starting with an opening meeting where all the information requested was to be handed over. The visits were concluded with an exit meeting where initial findings were discussed, and each state was given a further opportunity to provide clarifications and/additional information.

The draft conclusions from the work done were reported to the State and this final report takes account of the State's comments on the draft results, as shown in Section 4.

The Office of the Auditor-General for the Federation and JK Consulting Co. Limited are grateful to the States for the cooperation enjoyed during the assessment and hope the recommendations within this Report are found valuable towards achieving the DLRs in the remaining years of the Program.

3. Assessment Results

3.1   Findings

Table 2: Findings

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
DLI 1: Improved Financial Reporting and Budgeting Reliability				
DLR 1.1	**Financial Year [2018] Quarterly budget implementation reports published on average within [6 weeks] of each Quarter-end to enable timely budget management**		**Not Achieved**	
1	Has the State published its Quarterly budget implementation report to the state official website within six weeks of the end of each Quarter?	This DLR was assessed based on the last two quarters of 2018. The State published their quarterly budget implementation reports as follows: • Q3 was published 6 November 2018(5.29 weeks after the quarter end; • Q4 was published 13 November 2018 (6.29 weeks after the quarter end). These gave an average of 5.79 weeks. The reports were published on http://www.edostate.gov.ng/financials/	Satisfactory	
2	Does the report include, at a minimum, the approved budget appropriation for the year for each organizational unit (MDAs), and for each of the core economic classifications of expenditure (Personnel, Overheads, Capital, and Other expenditures)?	The 3rd and 4th Quarter budget performance Reports posted online did not include the approved budget and expenditure for each Ministries, Departments and Agencies (MDA). However, the budget performance reports were stated according to sectors and for each of the core economic classifications of expenditure.	Unsatisfactory	The Report should show the approved budget appropriation for the year for each MDA.
3	Does the State report the actual expenditures for the Quarter attributed to each MDA and each	The 3rd and 4th Quarter reports showed the actual expenditure for the Quarters but not attributed to each MDA. However, the 3rd and 4th Quarter budget	Unsatisfactory	The Report should also show the actual expenditures for the

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
	expenditure classification as well as the cumulative expenditures for year to date?	performance reports included, showed the actual cumulative expenditure for the year to date i.e. Jan-Sep and Jan-Dec respectively in the sectors.		Quarter attributed to each MDA.
4	Does the report state balances against each of the revenue and expenditure appropriations with balances provided on a consolidated basis across the four (4) expenditure classifications and 'Other Expenditures' which will include debt servicing, and transfers, or other expenditures not attributable to any of the other three (3) expenditure classifications?	The 3rd and 4th Quarter budget reports did not show the balances against each of the revenue and actual cumulative expenditure appropriations with balances provided on a consolidated basis.	Unsatisfactory	The report should show balances against each of the revenue and expenditure appropriations captured on a consolidated basis across their various classifications.
DLR 1.2	**FY [2018] deviation from total budget expenditure is less than 30%**		**Achieved**	
1	Has the State Computed the difference between the original approved total budgeted expenditure for the fiscal/calendar year and the actual total budgeted expenditure in the fiscal/calendar year, divided by the original approved total budgeted expenditure, and expressed in positive percentage terms? Is the expenditure outturn deviation computed less than 30%	The State did not compute the budget expenditure deviation outturn. The original approved total budgeted expenditure for the year 2018 was ₦150,093,330,443.52 and actual expenditure for the year 2018 from the Financial Statements was ₦146,002,359,851.77. $$\frac{₦150,093,330,443.52 - ₦146,002,359,851.77}{₦150,093,330,443.52} \times 100$$ **=2.7%** The expenditure outturn deviation **= 2.7%** Source: Cashflow Statement from 2018 Financial Statement.	Satisfactory	
DLI 2: Increased Openness and Citizens' Engagement in the Budget Process				

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
DLR 2.1	**Citizens' inputs from formal public consultations are published online, along with the proposed FY [2019] budget**		**Not Achieved**	
1	Did the state conduct at least one "town-hall" consultation before the proposed budget is drafted with participation of local government authorities and state-based CSOs?	We requested and reviewed the following: Proposed 2019 Budget Estimates and Appropriation Bill, The Executive Council Meeting Conclusion Extract for the 2019 Budget of 26th November 2018 and the Minute of Town Hall Meeting and attendance. The consultative forum was held on the 22 of November 2018 while the year 2019 Budget was presented on the 26th November 2018. Ten (10) attendees were interviewed randomly through a phone call and indicated that they participated in the Budget Public Consultation Town Hall Meeting held on 22nd November 2018 at the Festival Hall, Government House, Edo State. This was evidenced in; (1) Town Hall Questionnaires, (2) Photograph timestamp, (3) Minute of Town Hall Meeting and attendance**.** It was however noted from the Attendance list that no Local Government Authority representatives participated in the Consultative Forum.	Unsatisfactory	The State should ensure that the public consultation meeting is with the participation of Local Government Authorities.
2	Were the minutes of the public consultations jointly prepared with CSO representatives (shown by their signature to the minutes) and signposted on the home page of the website to enable citizens to find the inputs easily?	The minutes of the public consultation held, was jointly prepared and signed with the CSOs representatives. It was signposted on their website as shown below: http://www.edostate.gov.ng/2019-2021-medium-term-expenditure-framework-communique/.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
DLR 3.0	**DLI 3: Improved Cash Management and Reduced Revenue Leakages through implementation of State TSA**		**Not Achieved**	
1	Has the state established **a** functional state-level TSA?	The State operates two separate Treasury Accounts, one for IGR purposes and the other for Statutory transfers. All funds are swept weekly from IGR revenue collecting Banks into the IGR Consolidated Bank in Sterling bank while maintaining another account for FAAC revenues in Access Bank.	Unsatisfactory	The State should establish a fully functional State level TSA where all revenues (including FAAC allocations) are in one Account.
2	Is there a formally approved cash management strategy in place? The Strategy should cover the processes through which the State Ministry of Finance or Budgets/Economic Planning is able to forecast cash commitments and requirements and provide reliable information on the availability of funds.	The State has a Cash Management Strategy which showed the process through which it can forecast cash commitments and requirements; and provide reliable information on the availability of funds. This was stated under Paragraph 2.0 - Annual Cash Planning Process, under the "Guidelines on the Implementation of Cash Management Policy".	Satisfactory	
3	Does the TSA have a system of cash management that allows for a central view of cash balances in bank accounts on a single electronic dashboard (based on the approved cash management strategy)?	Edo State consolidated IGR with Sterling Bank was sighted on the TSA Dashboard however, the 2018 FAAC Account with Access Bank was not sighted on the TSA Dashboard. This is evidenced in the screenshots taken by IVA.	Unsatisfactory	The State should ensure that all States government finances are managed on a single TSA account and electronic dashboard.
4	Does the TSA have one consolidated revenue treasury account for state revenues? Revenues collected by MDAs such as service fees no longer sit in individual MDA accounts at different commercial banks but are brought into the consolidated revenue account as part of the TSA.	The Bank Account Monitoring System (BAMS) showed the consolidated revenue treasury account for Edo State with Sterling Bank Plc, Sapele Road. This was evidenced as follow: (1) Screenshot of TSA dashboard taken; and (2) Bank Statements from the TSA consolidated bank account.	Satisfactory	
5	Does the TSA cover a minimum of 50% of the State Government's finances?	The IVA reviewed the State's Consolidated IGR account and total inflow and outflow from the financial statement and computed the minimum Government finances that passed through the TSA as follows:	Unsatisfactory	The State should ensure that the State government finances are managed on a single TSA and electronic dashboard.

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations

	Outflow	Inflow
TSA (IGR) Bank Statement	25,083,600,457.89	25,241,802,356.32
Financial Statement (Pg. 2 & 5)	146,002,386,850.77	144,639,943,696.16
Percentage of Government Finances	17.18%	17.45%
Average rate	17.32%	

The 17.32% rate did not meet the 50% minimum requirement for this result. However, the state maintains their FAAC account in Access Bank with a total lodgement of ₦91,913,087,210.16 as at 31st December 2018 which was not sighted on the TSA Dashboard and in the State's IGR Consolidated Account (TSA). This was evidenced as follow: (1) Bank Statement and the 2018 Financial Statement, (2) BAMS Screenshot on A/C Balances as at 31/12/2019, (3) Sterling Bank Statement, (4) Access Bank FAAC Bank Statement and (5) 2018 Audited Financial Statement

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
DLI 4: Strengthened Internally Generated Revenue (IGR) Collection				
DLR 4.1	**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 approved by the state legislature and published**		**Not Achieved**	
1	Does the state have an up-to-date consolidated revenue code which includes all the state's IGR sources and all the local governments (falling under that state) IGR	The Review of the Edo State Revenue Administration Law, 2012 showed that: 1. The law does not cover revenue sources of the state government, (2) The law does not include local governments IGR sources.	Unsatisfactory	A Consolidated Revenue Code covering State and local governments IGR sources should be introduced. It should be approved by the legislature.

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
	sources? IGR sources include presumptive tax, indirect taxes and levies (roads, hotels), fines, fees and charges. Personal income tax, including PAYE, which is collected by the State and covered by the federal tax code.			
2	Does the consolidated revenue code stipulate that the State Bureau of Internal Revenues (SBIR) is the sole agency responsible for state revenue (tax and non-tax) collection and accounting in the state?	Section 10(2) of the Edo State Revenue Administration Law, 2012 (ESRAL) states that, 'The Board shall have overriding powers with respect to all internally generated revenue matters in all MDAs of the State.' We also found that revenue collecting MDAs have no control over the revenues, as all IGRs are paid into designated accounts and swept into TSA weekly. Also, Section 21(a &b) of ESRAL, 2012 empowers the SBIR to 'assess all persons chargeable with tax in Edo State; collect recover and pay to the designated account any tax or levy due to the State Government under this or any other enactment.' This however does not explicitly make SIRS the sole collection agency for all State revenue sources, although it does for taxes. The following documents were reviewed: • Edo State Revenue Administration Law, 2012 • SBIR & MDAs Reconciliation of Sterling Bank Consolidated IGR' Report	Unsatisfactory	The State should do the following: • Develop LGA rates and law. • Add Schedules with State level MDA sources and rates, and; • Make it explicit that the SIRS is the sole collector at State level for all revenues.
3	Is the collection of revenues made into accounts nominated by the SBIR for the SBIR to be deemed responsible for collection?	State BIR nominates accounts to Office of State Accountant-General. This was confirmed through a review of the following: 1. S.21(b) of ESRAL, 2012 which empowers the SBIR to collect and remit to designated accounts. 2. SBIR nominates accounts and manages the IGR accounts in conjunction with Accountant-General. This	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
		position was also confirmed by SBIR Head of Revenue Accounting, Mr Adobo Valentine-0803738681. 3. Approved IGR Account details were obtained from SBIR.		
4	Is the code approved by the state legislature to have a legal basis, either as a law or a resolution? It cannot be an executive order with no legal basis. The approval shall occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.	1. There is a Revenue Law but as stated earlier it does not contain the Revenue Code. 2. The Edo State Revenue Administration Law, 2012 was passed by Edo State House of Assembly, duly signed by Clerk of the House on 19th December 2012. 3. It was assented by the Executive Governor on 2nd January 2013 4. The law does not cover the (New) Revenue Codes of the state	Unsatisfactory	The State should ensure they put in place a consolidated revenue code that is approved by the state legislature to have a legal basis.
5	Is the Publication published online, so it is automatically available to the public/all taxpayers?	Edo State Board of Internal Revenue published its revenue law on its website. The Edo State Revenue Administration Law, 2012 was published on the website on 26 January 2015. http://eirs.gov.ng/files/Edo_State_Revenue_Administration_Law_2012.pdf However, the Revenue Law does not contain IGR sources for both State and Local Governments	Unsatisfactory	The approved Revenue Code should be published on the State's website.
DLR 4.2	**Annual nominal IGR growth rate meets target**		**Not Achieved**	
1	Has the 2018-2017 annual nominal IGR growth rate met the basic or stretch targets? Basic Target: 20%-39%, Stretch Target: 40% or more.	Calculation of IGR Outturn using Audited Financial Statements Figures	Unsatisfactory	The State should increase its IGR to achieve the minimum growth required for each year of the programme

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
		Computation of IGR		

Revenue	2017 (₦)	2018 (₦)
Tax Revenue	16,956,517,071.64	19,759,246,294.23
Non-Tax Revenue	9,838,288,022.24	9,630,331,682.04
Total IGR	**26,794,805,093.88**	**29,389,577,976.27**

Nominal Growth Rate = $\dfrac{2018\ IGR - 2017\ IGR}{2017\ IGR} \times 100\%$

$= \dfrac{29,389,577,976.27 - 26,794,805,093.88}{26,794,805,093.88} \times 100 =$

$= \dfrac{₦2,594,772,882.39}{26,794,805,093.88} \times 100 = 9.68\%$

Conclusion: using the 2017 IGR as benchmark, the IGR Outturn figure of 9.68% is lower than the Basic Target of 20% -39% for 2018 APA.

The nominal IGR growth rate is 9.68%

Source: Cashflow Statement from 2018 Audited Financial Statement.

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
DLI 5: Biometric Registration and Bank Verification Number (BVN) Used to Reduce Payroll Fraud				
DLR 5.1	**Biometric capture of at least [60] percent of current civil servants completed and linked to payroll, and identified ghost workers taken off the payroll**		**Achieved**	
1	Has the State used Biometrics to reduce payroll fraud through a completed biometric exercise for 60% of the current civil servants on the state payroll?	The Biometrics Database has comprehensive data of all staff on the payroll and is periodically updated. To confirm the above, we: 1. Reviewed summary data on Biometrics data capture. 2. Reviewed the Nominal Roll of Staff to validate the State's claim of 100% biometrics data capture as at December 2018. All 13,885 entries of civil servants in the Nominal Roll have unique Biometric ID assigned to them. The Biometrics and payroll powered by Oracle to profile all employees and pensioners.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
		3. Reviewed one-page report provided by the State showing that revalidation is conducted on regular basis. 4. Review of memo requesting for removal of retired, dismissed and dead workers. 5. Conducted random sample selection from payroll to validate the similarities of record with biometrics data of civil servants 6. Confirmed allocation of unique Biometrics code to all staff and pensioners. 7. Visited Biometrics Database Manager and inspected Biometrics dashboard. It showed that 19,854 staff were profiled on the Biometrics database, all entries have unique ID assigned. 8. Selection of 20 random staff and 20 pensioners from payroll database and confirmed their real existence by spooling their mobile numbers from the biometrics database and calling them to confirm authenticity. Note: The Executive Director of the Edo State ICTA provided explanation during meeting on difference in total of biometrics and BVN data capture. The Biometrics Database has comprehensive data of all staff and pensioners ever enrolled, even if they are dead, retired or dismissed. But Payroll is periodically updated.		
2	Has the State linked the biometrics data to the state payroll to identify ghost workers?	Yes, all entries on payroll have unique Biometrics ID, which IVA verified and made screenshot of the State's Biometrics database. Furthermore, the state carries out other activities such as 'I'm alive' data validation, which necessitates periodic data validation to eliminate ghost workers. A report was obtained by the IVA in this regard.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
3	Has the State removed confirmed ghost workers and ghost pensioners within three (3) months of each case being confirmed?	The state informed IVA that they did not identify ghost workers in 2018, due to the fact that they have been using the Biometrics since 2009. Hence, ghost workers identified were removed in 2010. Furthermore, IVA obtained reports of ghost workers previously removed before 2018 and verified they have been removed from the payroll by querying the system to confirm the names are no longer in the payroll. We reviewed records of retired and dead staff that were removed from the payroll and confirmed they were no longer on the payroll by querying a selected sample of 40 personnel on the payroll. It was confirmed the affected staff were removed within three months.	Satisfactory	
5.2	**Link BVN data to at least [60] percent of current civil servants on the payroll and payroll fraud addressed**		**Achieved**	
1	Has the State linked the Bank Verification Number data to 60% of its current Civil Servants on the state payroll?	For existing staff, review of the payroll showed a total of 12,688 (**91.37%**) have BVN linked to payroll, out of total no of 13,885 staff on Nominal roll as at 31 December 2018 was 13,885. We verified 20 (12 with BVN, and 8 without BVN) staff at random from total population on the payroll to confirm existence and correctness. We requested data of a sample of 40 ghost workers to confirm their removal. We were informed that there were no lingering records since biometrics has been connected to Payroll since 2012. Note: The difference between total of Biometrics data and BVN is as a result of political appointees, ad-hoc staff like footballers and retired or dead staff whose records	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
		are still maintained /archived in the biometrics database as inactive.		
2	Has the State taken steps to identify payroll fraud?	IVA requested for evidence of payroll reports/scripts obtained directly from the systems administrator which showed the state puts measures in place annually to identify payroll fraud as follow: The State conducts periodic revalidation/verification exercise to eliminate fraud/ ghost workers. Furthermore, the State provided a fraud detection flowchart showing steps taken in payroll fraud identification and removal.	Satisfactory	
DLI 6: Improved Procurement Practices for Increased Transparency and Value for Money				
DLR 6.1	**Existence of a public procurement legal framework and a procurement regulatory agency. Said legal framework should conform with the UNCITRAL Model Law and provide for: 1) eProcurement; 2) establishment of an independent procurement board and 3) cover all MDAs receiving funds from the state budget**		**Not Achieved**	
1	Does the State have a public procurement legal framework which must be approved by the state legislature to have a legal basis, either as a law or a resolution? It cannot be an executive order with no legal basis. The approval of the public procurement legal	The Edo State Public Procurement Agency Law, 2012 was passed on 28th February 2012 by the Edo State House of Assembly and signed into Law by the Governor of the state on 29th February 2012.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
	framework shall occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.			
2	Does the law conform with the UNCITRAL Model Law which should provide for? 1) e-Procurement. 2) Establishment of an independent procurement board; and	The law is structured in line with the UNCITRAL Model Law but does not fully comply with DLR 6 requirements. 1. e-Procurement: The Law provides for the Agency to approve changes in the procurement process to adapt to improvements in modern technology - **S.4 (c).** It also provides that the Agency shall Introduce, develop, update and maintain related database and technology; and establish a single internet portal that shall serve as a primary and definitive source of all information on government procurement; and contain and display all public sector procurement information at all times - **S. 45(1)** 2. The result of our assessment of the legislation for independence are in the table below: 	Required Provisions*	Result
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The Functions and Powers of the Agency.	Compliant; see sections 4 and 5 of the Law.
The composition of the Board	Compliant; see s. 1(4)
Membership of the Board/council to include representatives from Professional bodies and Associations, who shall be part time members.	Non-compliant; see section 1(4)(d).
The grounds for removal of Chief Executive of the agency.	Not compliant; Does not provide grounds for removal of MD. Section 7(4) rather provides for the MD to be removed		Unsatisfactory	• The membership of the Board/council should include representatives from Professional bodies and Associations, who shall be part time members. • The Law should provide grounds for removal of Chief Executive of the Agency. The Agency should also issue guidelines / regulations specific to e-procurement

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
		at the instance of the Governor.		
		Regarding the decisions of the agency; Any other review after the Boards decision should be by judicial review	Compliant; See section 52.		
	3) Cover all MDAs receiving funds from the state budget.	*Provided by the World Bank 3. The law applies to all procurement of goods, works, and services carried out by the state government and all procurement entities including local government councils. -S. 12		
3	Has the state instituted an independent procurement regulatory function, which may be performed through one or a combination of the following: board, bureau, commission, council, agency or any other type of entity set up for the statutory purpose?	There exists a functional State instituted procurement regulatory function which is performed through the Edo State Public Procurement Agency. The IVA visited the Edo State Public Procurement Agency (EDPPA) and was conducted round the Office by the Chief Executive. We interviewed the Chief Executive and management, carried out physical inspection of the agency, interviews with operational staff selected at random, and reviewed records to show that the agency is active. Furthermore, we reviewed records of all procurements/cases/transactions handled by the Agency in the year under assessment and selected a sample of 5 cases at random and conducted walkthroughs and file reviews.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
DLR 6.2	**Publish contract award information above a threshold set out in the Operations Manual on a monthly basis in OCDS format on [the state website/ on the online portal]**		**Achieved**	
1	Has the State achieved open contracting component of the DLI by publishing online, contract award information for all contracts awarded during the fiscal year that are above the threshold (as defined in the state procurement law or in the state procurement regulation(s)), in line with the Open Contracting Data Standards (OCDS). For 2018, states can publish the information on the state official website or online portal if already established.	The State published contracts awarded in 2018 above ten million Naira (N10,000,000.00) threshold online on 28th December 2018. This threshold is set by the Agency from time to time as the Edo State Procurement Law in Section 5(a), empowers them to do. This is in line with the Open Contracting Data Standard showing details on Planning, Tender, Award, Contract, and Implementation for each contract awarded. To confirm these, we checked: (1) list of contracts awarded in 2018, (2) evidence of online publication and (3) OCDS report. We however, noted that the information was not easy to find on the website – http://edpms.edostate.gov.ng/pubfeed/, http://edpms.edostate.gov.ng/pubfeed/viewproj2.php?id=EHOU-450154	Satisfactory	The State should ensure contract award information is easier to locate (signposted) on their website**.**
DLI 7: Strengthened Public Debt Management and Fiscal Responsibility Framework				
DLR 7.1	**Approval of state-level public debt legislation, which stipulates: 1) responsibilities for contracting state debt; 2) responsibilities for recording/reporting state debt; and 3) fiscal and debt rules/limits**		**Achieved**	
1	Is there an Approved state-level public debt legislation through the passage of a State Fiscal Responsibility Law, OR the passage	The Edo State debt securities Issuance Law was assented to by the Governor on 3rd November 2010. Also, the Edo State Public Financial Management and Fiscal Responsibility Law was assented to on 25th of July 2018.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
	of the State Public Debt Management Law, OR the inclusion of the provisions of the Fiscal Responsibility Act (FRA) in the organic PFM Law?	Page 4 section 4 subsection (b-f), Page 5, Part 2, Section 6(1)(a) and Page 6 (1b) on the date 3/11/2010 quotes that 'the DMO shall prepare and implement a plan for the effective management of the state's debt obligations at sustainable levels comparable with desired economic activities for growth and development and participate in negotiations and realizing those objectives. The state's Public Financial Management and Fiscal Responsibility Law has Debt Management Law on Page 7, Section 2(1), Page 8, Section 11(1) and page 24, Part 10, Section 64(1)(a)(b) on the date 25th of July 2018. Of which Page 8, Section 11(1) "the issuance of any Debt Securities made pursuant to this law shall be published by Legal Notice in the Gazette by the Commissioner after such Debt Securities have been issued in Nigeria and or abroad, and same has been announced to the general public.		
2.	Does the legislation provide for the creation of a State Debt Management Department (or Unit, Committee, Agency, Board, Bureau, Commission, Council)?	The Edo State debt securities Issuance Law was (3rd November 2010), Page 4 section 4 subsection (d) provides for the creation of a State Debt Management Department.	Satisfactory	
3	Does the legislation include provisions which establish the following? 1) Responsibilities for contracting state debt; (2) Responsibilities for recording/reporting state debt; and 3) Fiscal and debt rules/limits for the state.	The law provides the following: 1. Page 5, Part II, Section 6(1)(a) and Page 6 (1a-b) states the responsibility for contracting state debt, 2. The State's Debt Management Law Page 4 Section 4 Subsection (b-f), states the responsibilities for recording/reporting state debt. Page 4 Section 4 Subsection (f) quotes that 'Debt Management Office shall verify, and service debts guaranteed or taken directly by the State, 3. Public Financial Management and Fiscal Responsibility Law Page 7, Section 21(1), Page 8, section 22(1) and Page	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
		24, Part 10, Section 64 (1) (a) (b) places fiscal and debt restriction on borrowing by the State.		
4.	Has the Unit (or Committee, Agency, Board, Bureau, Commission, Council) created by law been operational during the APA year.	The Edo State Debt Management Department was set up in the year 2008, under the Ministry of Finance and the Edo State Debt Securities Issuance Law established it on 3rd November 2010. Mrs G. A. Okosun joined as the Director / Head Debt Management Department in the year 2015. Another Staff, Mr. Eva Akhere Joshua joined the department in August 2014 as a back Officer. They have been involved in debt recording and reporting, they collect data from the Accountant General's Office, various Ministries, Department and Agencies for processing. The processed information is reported quarterly, through the recommended templates, to Federal Debt Management Office, Abuja and they have already submitted the Q4/2018 SDDR for the APA year. i.e. We noted from the submissions from the Federal DMO that the State has a unit interacting with the DMO and filing state level submissions on Debt Management. We obtained photo evidence of the Debt Management Department showing some of the officers. Furthermore, an e-copy of the Q4/Year-end SDDR for the APA Year was provided by the Department and is retained in our file.	Satisfactory	
DLR 7.2	**Quarterly state debt reports accepted by the DMO on average two months or less after the end of the Quarter in 2018**		**Achieved**	
1	Has the State produced Quarterly State Domestic Debt Reports (SDDR), which are approved by the DMO on average of two months	This DLI was assessed based on Q4 only, as the revised report template and DMO verification protocols were only implemented in Q4 2018.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
	after the end of the Quarter in 2018?	The State only started the submission of the Quarterly State Domestic Debt Reports in the Quarter 3 of 2018. • Q3 submitted to DMO on 26th October 2018 but had some errors which were corrected, and re submitted on 14th November 2018 and was within the due date. • Q4 was submitted 28th February 2019 i.e. within two months.		
2	**Note: Have you reviewed for accuracy and completeness from the DMO:** The State Domestic and External Debt Report (SDEDR) along with all underlying data and supporting documents including the DMO templates and guidelines and standard internal protocols and data from CBN, DMO and FMOF Home Finance used by the DMO to cross-check the state's domestic debt figures.	We reviewed the DMO's Report on SDEDR with the Edo State Debt Domestic Report both showed the same amount as State's domestic debt figures which is ₦86,820,254,212.61. The report was supported with DMO's templates and guidelines. We reviewed the DMO report and the DMO report confirmed the accuracy and completeness of the State Domestic Debt Report. A wider review was undertaken of the information and supporting schedules submitted by the DMO, and several clarifications and adjustments were made to correct errors and omission in the state's submission to the DMO. Conclusions reached in this report are based on the amended DMO data.	Satisfactory	
DLI 8: Improved Clearance/Reduction of Stock of Domestic Expenditure Arrears				
DLR 8.0	**Domestic arrears as of end 2018 reported in an online publicly accessible database, with a verification process in place and an arrears clearance framework established**.		**Not Achieved**	
1	Has the State established an Arrears Clearance Framework (ACF)?	We understand that a memo has been sent to the Governor on the need to establish a Domestic Expenditure Arrears Database and proposed a monthly release of N200m for the liquidation of pensions and Gratuity arrears and monthly release of N500m for the	Unsatisfactory	The State should develop an Arrears Clearance Framework (ACF) that is in line with SFTAS requirements.

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
		liquidation of contractors' arrears, which was approved by the Governor.

This approved memo does not however meet the stated requirements for an ACF. | | |
2	Does the ACF contain: 1) the planned actions to settle arrears; and 2) an explicit prioritization of expenditure arrears to be settled.	Memo contained a planned action to liquidate Pensions and Gratuity Arrears and Contractors arrears, but it did not contain an explicit prioritization of expenditure arrears to be settled	Unsatisfactory	The ACF should contain: (1) Planned actions and (2) Prioritization of expenditure.
3	Has the ACF been published on a State official website?	There was no evidence to show that an ACF was published on the State official website as request sent to the State Officials was not responded to with the evidence	Unsatisfactory	The State should publish the ACF on the State Official website
4	Has the State established an Internal Domestic Arrears Database?	A list of Pensions and Gratuity Arrears and Contractors Arrears was presented to the IVA. However, the database represented by the list does not meet the requirements for an internal domestic arrears database as set for this result and explained within the detailed guidance provided to the States.	Unsatisfactory	The State should develop an Internal Domestic Arrears Database in line with the SFTAS Guidelines and requirements for this DLI
5	Has the State published online elements of the internal domestic arrears database on a state official website, which constitutes the online publicly accessible arrears database?	The State did not provide any evidence that it has published online elements of the Internal Domestic Arrears Database on a State official website.	Unsatisfactory	The State should publish online elements of the internal domestic arrears database, in line with the guidelines provided for this DLI.
DLI 9: Improved Debt Sustainability				
DLR 9.0	**Average monthly debt service deduction is < 40% of gross FAAC allocation for FY [2018] AND Total debt stock at end Dec [2018] as a share of total revenue for FY [2018] meets target: -Basic target: < [150%] -Stretch target: < [125%]**		**Achieved**

Basic Target met | |

Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusion	Recommendations
Has the State met: (i) the ratio of total debt stock at end-of-year (31st December 2018) of the year of assessment to the total revenue collected during the calendar year of the year of assessment (1st January to 31st December 2018)?-**Basic target:**< [150%] -**Stretch target:** < [125%]	The debt stock / total revenue ratio is calculated using the DMO figure and the adjusted revenue from the Audited Financial Statement: **Revenue Adjustment:** Revenue (Pg.4 FS): ₦124,773,820,108.92 Reimbursement (Pg 4/FS: (₦38,329,189.44) **Adjusted Revenue** ₦124,735,490,919.48 **Total Debt:** ₦170,619,910,204.44* $\dfrac{₦170,619,910,204.44 \times 100}{₦124,735,490,919.48}$ The debt stock / total revenue ratio **= 136.79%** *Table 3 below holds a breakdown of the Total Debt.**	Satisfactory	
Has the State met: (ii) the ratio of total monthly debt service (principal and interest) deductions from FAAC allocation during the calendar year of the year of assessment (1st January to 31st December 2018) to the gross FAAC allocation for the same calendar year. **Less than :< [40%]**	The Edo State deductions at source, in comparison to the Gross Allocation is 8.1%. **Computation in percentage:** Deduction: $\dfrac{₦6,110,561,798.14 \times 100}{₦75,582,858,594}$ Gross Receipts = 8.1% Data Source: Federal Ministry of Finance, Home Finance	Satisfactory	

TABLE 3: DLI 9 31 DECEMBER 2018 STATE DEBT STOCK TABLE FOR EDO STATE

NAIRA	EDO
1. BUDGET SUPPORT LOAN (SOURCE FMOF)	16,869,000,000
2. BAIL OUT (SALARIES) (SOURCE CBN)	14,998,329,342
3. RESTRUCTURED COMMERCIAL BANK LOANS (FGN BOND)	9,931,233,577
4. EXCESS CRUDE ACCOUNT BACKED LOAN (SOURCE CBN)	9,441,747,655
5. STATE BONDS	-
6. COMMERCIAL BANK LOANS	-
7. CBN COMMERCIAL AGRIC LOAN (SOURCE CBN)	5,000,000,000
8. BAIL-OUT (INFRASTRUCTURE)	1,956,153,394
9. MICRO SMALL MEDIUM ENTERPRISE DEVELOPMENT FUND (MSMEDF) (SOURCE CBN)	1,980,000,000
10. JUDGEMENT DEBTS	-
11. GOVT - GOVT DEBTS	-
12. CONTRACTORS' ARREARS	4,562,255,594
13. PENSION AND GRATUITY ARREARS	20,361,326,711
14. SALARY ARREARS AND OTHER CLAIMS	-
15. OTHER DEBTS	709,909,583
TOTAL DOMESTIC DEBT (TDD)	**85,809,955,856**
TOTAL EXTERNAL DEBT (TED)	**84,809,954,349**
TOTAL PUBLIC DEBT (TED+TDD)	**170,619,910,204**

Table Notes

FOR STATES WITH Q4 2018 FIGURES

1. Domestic debt stock figures (except for categories 1,2,4,7 and 9) are the figures as at 31 December 2018 reported by states to the DMO in their signed Q4 2018 state domestic debt reports.
2. Domestic debt stock categories 1,2,4,7 and 9 figures are the figures of outstanding loans as at 31 December 2018 reported by Federal Ministry of Finance and Central Bank of Nigeria to the DMO as part of the DMO Q4 2018 verification exercise.
3. External debt stock as at 31 December 2018 reported by the DMO.

4. Response from the State

EDO SFTAS IVA APA 2018 RESPONSE FOR FURTHER CONSIDERATION

Disbursement Linked Results	Results	IVA Remarks	Response for Further Consideration	IVA Response /Treatment
DLR 1.1: FY18 Quarterly budget implementation reports published on average within 6 weeks of Quarter-end to enable timely budget management	Fail	The Reports did not include the approved budget and expenditure for each MDA.	Edo State Government has been publishing its Budget Performance reports before SFTAS came on board and we have maintained the same standard of publication through Federal Government's Fiscal Sustainability Plan (FSP). Please refer to page 6 of KPMG's M&E report on Edo State Government's implementation of FSP (attached).	The verification protocols stipulated that the State budget implementation report should include the approved budget and expenditure of each MDA. The result was "Not achieved".
DLR 6.1: Existence of public procurement legal framework and procurement regulatory agency. Said legal framework should conform with the UNCITRAL Model Law and provide for: 1) E-Procurement; 2) Establishment of an independent procurement board; and 3) Cover all MDAs receiving funds from the state budget.	Fail	The independence of the State Public Procurement Agency is not adequately protected by the law.	Edo State has a Public Procurement Law and an independent Agency in place. However, the removal of the Chief Executive by 2/3 majority vote of State House of Assembly as is now being recommended was not explicitly stated and made clear in the IV protocol.	Further review revealed that the Law does not fully meet the requirements. Please see 6.1 of findings section.
DLR 8: Domestic arrears as of end 2018 reported in an online publicly accessible database, with a verification process in place and an arrears clearance framework established.	Fail	No arrears clearance framework or portal.	Edo State presented evidence to the IVA team which they acknowledged that by our cash management strategy, the State has continuously been releasing ₦200m and ₦500m monthly, to defray pensions and gratuity arrears and other contractors' liabilities respectively as sighted by the IVA team albeit this framework was not published on the State website.	The verification protocols stipulated that the Arrears Clearance Framework should be an approved document and published on the State's website. The result was "Not achieved".
DLI 9: Average monthly debt service deduction is < 40% of gross FAAC allocation for FY2018, and Total debt stock at end of December 2018	Fail	The debt to revenue ratio is 160.73% and debt service deductions	Edo State Government has since 2017 adopted the modified accrual basis of accounting; this therefore informs the structure and content of our balance sheet	We obtained and relied on revised data from the FMoF, CBN and DMO for the computation on this DLR. We recomputed the results ratios (see

as a share of total revenue for FY2018 meets target: Basic target: < 150%, Stretch target: < 125%.		to Gross FAAC allocation was 8.40%	(statement of Financial position) and accounts for the reporting difference between Edo State Government and Debt Management Office (DMO). For FY 2018, IVA observed a ₦28.8bn difference between the ₦200.5bn liability figure in EDSG audited financials and ₦171.6bn debt stock in DMO profile report. As indicated in our previous reconciliation statement, the ₦28.8bn derives mainly from provisions made against certain categories of recurrent expenses in the event that 3rd party invoices come up post balance sheet (this is in line with IPSAS-Accrual). These provisions are usually not classified as part of debt stock when reporting to DMO. The DMO profile report which is based on cash basis of accounting should be used to compute the debt sustainability ratio in order to maintain consistency across the board with States.	Findings section - DLR 9) and determined the DLR was "**Achieved**".

Note: Please kindly see page 14 note 16, page 15 note 21 and page 41 (attached as part of the mail) of Edo State Financial Statement for 2018 where Edo State indebtedness of ₦173,587,315, 985.18 were expressly listed for the computation of DLI 9 as per reasons earlier given above.

Appendix A

Report on the achievement of the Eligibility Criteria for the 2018 performance year

Edo State

YOUR STATE HAS BEEN ASSESSED AS HAVING MET THE ELIGIBILITY CRITERIA FOR THE 2018 PERFORMANCE YEAR.

This report sets out the assessed performance of the State against the set eligibility criteria for the States' Fiscal Transparency, Accountability and Sustainability Programme (SFTAS). It contains feedback and clarifications to enable the State prepare better for the next assessment. Note that the eligibility assessment will be conducted afresh on an annual basis and being deemed eligible in one year does not guarantee eligibility in subsequent years. Please visit the SFTAS verification protocols for more detail.

Any enquiries on the contents of this report should be routed through the State Focal persons to the following email address – sftas@oaugf.ng

Eligibility Criteria 2018 Part I - The online publication of Approved Budgets for 2019 by 28 February 2019

Overview				
Information Source(s)	**Initial checks**	**Initial Comments / Observations**	**Follow up**	**Final Assessment**
http://www.edostate.gov.ng/2019-approved-budget-a-citizens-guide/	A search was done on Edo State website	The 2019 Budgets were published on the State Official website, a copy was downloaded. There's no evidence of 2019 Budgets being signed by the governor.	A request was made on 12/03/2019 to the focal persons to provide evidence of the governor's assent	**EC was met** The State focal persons responded on 15/03/19 stating the governor's assent was uploaded on the state website. A search was done on the state website, a copy was downloaded

Tests/checks performed	Results	Areas for improvement
Is the approved budget for 2019 available on any of the State Government Websites?	Yes	None
Was the approved budget published online before 28 February 2019?	Yes	None
Is the published budget clear and legible?	Yes	None
Can the budget be downloaded?	Yes	None
Do we have evidence of assent by the Governor?	Yes	None

Eligibility Criteria 2018 Part 2 - The online publication of Audited Financial Statements for 2017 by 31 December 2018

Source(s)	Initial Work Done	Initial Comments / Observation	Follow up	Final Assessment
https://www.edostate.gov.ng/ www.edostate.gov.ng/financial-statement-for-the-year-2017/ www.edostate.gov.ng/ministries/ www.edostate.gov.ng/finance www.edostate.gov.ng/budget-planning-and-economic-development/ http://www.edostate.gov.ng/financial-statement-for-the-year-2017/	A search was done on Edo State website	The 2017 Financial Statements were published on the state official website, a copy was downloaded.	N/A	**EC met**

Tests/checks performed	Results	Areas for improvement
Were the Financial Statements (FS) for 2017 available on any of the State Government Websites? (and were the FS straightforward or difficult to find?)	Yes	
Were the Financial Statement for 2017 available published online before 31 December 2018?	Yes	
Are the published financial statements clear and legible?	Yes	
Can the Financial Statements be downloaded?	Yes	
Do we have evidence of audit by the State Auditor-General?	Yes	
Are the financial statements complete, including primary statements and disclosure notes?	Partly	No detailed notes provided. Disclosure Notes should be published with the Financial Statements
Are there any indications that balances within the financial statements are not credible	Partly	i. The NBS data and statutory allocation stated in the FS do not match. ii. 2017 VAT in FS and NBS do not match iii. There's a need to reconcile domestic and external debt stock data with DMO, as well as debt servicing. iv. CRF and CDF statements not provided.