



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

## **2018 Annual Performance Assessment (APA) Report**

### **ENUGU 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

# Table of Contents

<b>1. Executive Summary.....</b>	<b>3</b>
<b>2. Introduction.....</b>	<b>5</b>
2.1 Overview .....	5
2.2 Scope.....	5
<b>3. Assessment Results.....</b>	<b>6</b>
3.1 Findings .....	6
<b>4. Response from the State .....</b>	<b>24</b>
<b>Appendix A - Report on the achievement of the Eligibility Criteria for 2018.....</b>	<b>29</b>

# 1. Executive Summary

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This Report details the outcome of the Annual Performance Assessment (APA) conducted on Enugu 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 Enugu State and shows areas where the State was able to achieve results. In total, Enugu State achieved **Five (5)** DLRs out of the 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 in Section 3 of this report. In summary, the State should ensure the following:

1. DLR 1.1: Quarterly budget implementation reports are published online within 4 weeks of each quarter end, and include, at a minimum, all of the information required in the verification protocol for the achievement of this result.
2. DLR 2.1: Inputs from formal public consultations on the annual budget are published online, along with the proposed budget, and within the due date for publication.
3. DLR 3.0: The TSA covers a minimum of 70% and 80% of State Government finances for 2020 and 2021 respectively.
4. DLR 4.1: The passage of a Consolidated State revenue law and code covering all State and LGA IGR sources and rates. The Revenue law should be published online and should stipulate that the State Bureau of Internal Revenue is the sole agency responsible for all State revenues.
5. DLR 4.2: Increase its IGR nominal annual growth rate to at least a minimum of 20%.
6. DLR 6.1: The Procurement law is amended to conform fully with the UNCITRAL Model Law, and in particular to include representatives of Professional Bodies and Associations among the Council/Board members.
7. DLR 6.2: Publication of contract award information above the set threshold, and on a monthly basis, in the OCDS format on the State website.
8. DLR 7.1: Improvements to the State Debt Management Law to include provisions which establish fiscal and debt rules/limits for the State.
9. DLR 8.0: Establishment of a domestic Arrears Clearance Framework (ACF) 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	
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Disbursement Linked Indicators	Disbursement Linked Results (2018)	Result	Remarks
<b>DLI 1:</b> 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 3 <sup>rd</sup> and 4 <sup>th</sup> quarter reports were published online on 27 <sup>th</sup> Nov 2019.
	DLR 1.2: FY18 deviation for total budget expenditure is < 30%		The deviation was 14.7%
<b>DLI 2:</b> 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		Inputs from formal public consultation were not published within the time limit
<b>DLI 3:</b> 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		17.25% of government finances went through the TSA in 2018
<b>DLI 4:</b> 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 State does not have a Consolidated Revenue Code.
	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 11%
<b>DLI 5:</b> 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		The State captured and linked 100% of their civil servants' Biometric data to payroll.
	DLR 5.2: Link BVN data to at least 60 percent of current civil servants on the payroll and payroll fraud addressed		The State captured and linked 100% of their civil servants BVN to the payroll.
<b>DLI 6:</b> 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 does not meet the requirements for the establishment of an independent procurement board.
	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		Contract awards were not published online.
<b>DLI 7:</b> 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.		The law does not stipulate Fiscal and debt rules/limits for the State.
	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		The Q4 SDDR was accepted by DMO as timely.
<b>DLI 8:</b> 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.		The State has not established an Arrears Clearance Framework.
<b>DLI 9:</b> Improved debt sustainability	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%.	<b>Stretch Target met</b>	Average monthly debt service to gross FAAC allocation was 5.5% Total Debt stock to Revenue was 124%

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

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### 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

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 component 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 to 29/11/2019 with teams 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	Conclusions	Recommendations
<b>DLI 1: Improved Financial Reporting and Budgeting Reliability</b>				
DLR 1.1	<b>Financial Year [2018] quarterly budget implementation reports published on average within [6 weeks] of each quarter-end to enable timely budget management</b>		<b>Not Achieved</b>	
1	Has the State published its quarterly budget implementation report to the State official website within six weeks of the end of each quarter?	<p>This DLR was assessed based on the last two quarters of 2018 as per the verification protocol.</p> <p>The quarterly budget implementation reports were not published on the State official website within six weeks of the end of each quarter. The 3<sup>rd</sup> and 4th quarterly budget implementation reports for 2018 was published on the 27th of Nov 2019. Screenshots were taken and retained in the assessment file. See</p> <p><a href="https://www.enugustate.gov.ng/index.php/documental/Documents/14,15,21and29">https://www.enugustate.gov.ng/index.php/documental/Documents 14, 15, 21 and 29</a></p>	Unsatisfactory	The State should publish the reports within 4 weeks after each quarter from 2020 and beyond.
2	Does the reports 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 quarterly budget implementation reports did not include the approved budget appropriation for the year for each organizational unit (MDAs), and for each of the core economic classifications of expenditure.	Unsatisfactory	The quarterly budget implementation reports should include all approved budget appropriations to MDAs, and for each of the core economic classifications of expenditure.

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>																
3	Does the report state the actual expenditures for the quarter attributed to each MDA and each expenditure classification as well as the cumulative expenditures for year to date?	The quarterly budget implementation reports did not state the actual expenditures for the quarter attributed to each MDA and each expenditure classification as well as the cumulative expenditures for year to date.	Unsatisfactory	The State should include the actual expenditures for each MDA per quarter as well as the cumulative expenditures for year to date in the budget implementation reports.																
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 report does not 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'	Unsatisfactory	The State should include the balances against each of the revenue and expenditure appropriations with balances provided on a consolidated basis across the four (4) expenditure classifications																
<b>DLR 1.2</b>	<b>FY [2018] deviation from total budget expenditure is less than 30%.</b>		<b>Achieved</b>																	
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%	<p>The State did not provide a computation of the deviation from budget. The IVA computed the budget expenditure deviation to be 14.7%.</p> <p><math>\frac{\text{Approved Budget Exp} - \text{Actual Budget Exp}}{\text{Approved Budget Exp}} \times 100</math></p> <p><math>\frac{\text{₱109,199,243,000} - \text{₱93,106,381,601.61}}{\text{₱109,199,243,000}} \times 100 = 14.7\%</math></p> <table border="1"> <thead> <tr> <th></th> <th><b>Budget Exp</b></th> <th></th> <th><b>Actual Exp.</b></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>Recur</td> <td>104,589,593,572.29</td> </tr> <tr> <td></td> <td></td> <td>Less BTL</td> <td>43,493,599,187.51</td> </tr> <tr> <td>Recur</td> <td>65,705,900,000</td> <td>Recur</td> <td>61,095,994,384.78</td> </tr> </tbody> </table>		<b>Budget Exp</b>		<b>Actual Exp.</b>			Recur	104,589,593,572.29			Less BTL	43,493,599,187.51	Recur	65,705,900,000	Recur	61,095,994,384.78	Satisfactory	
	<b>Budget Exp</b>		<b>Actual Exp.</b>																	
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Recur	65,705,900,000	Recur	61,095,994,384.78																	

Disbursement Linked Indicators (DLIs) and Tests		Findings				Conclusions	Recommendations
		Capex	43,493,343,000	Capex	32,010,387,216.83		
			<b>109,199,243,000</b>		<b>93,106,381,601.61</b>		
		Sources: Audited Financial Statements Pg-30 and 31 and Approved Budget					
<b>DLI 2: Increased openness and citizens' engagement in the budget process</b>							
DLR 2.1	<b>Citizens' inputs from formal public consultations are published online, along with the proposed FY [2019] budget</b>					<b>Not Achieved</b>	
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?	The State conducted a town hall meeting on 8th November 2018 at Oakland event centre and suite, with the participation of the local government authorities and State based CSOs. The proposed budget was drafted thereafter.				Satisfactory	
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 consultations was jointly prepared by the CSO representatives as shown by their signatures on the attendance sheets attached to the minutes of meeting. The minutes of meeting of the public consultations were published on the homepage of the State website on 19th March 2019.  Source: <a href="https://www.enugustate.gov.ng/index.php/documental/Documents/24">https://www.enugustate.gov.ng/index.php/documental/Documents/24</a>				Unsatisfactory	The State should publish the minutes of public consultations as soon as possible, and at the latest by the date the approved budget is published online.
<b>DLI 3: Improved cash management and reduced revenue leakages through implementation of State TSA</b>						<b>Not Achieved</b>	
1	Has the State established a functional State-level TSA?	The State has established a form of TSA. The State's TSA has one consolidated revenue treasury account for State revenues which is First Bank with Account No 2029139376. We physically observed and viewed the state TSA on a single electronic dashboard showing movement of cash and bank balances on a real time online basis.				Unsatisfactory	The State should implement one functional TSA for all revenues including FAAC allocations and IGR.



	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
		However, we noted that the inflows from FAAC and VAT were not remitted into TSA and only IGR passed through the TSA. The State uses UBA with Account No 1018609458 for VAT and UBA with Account No 1018791104 for FAAC.		
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 formally approved cash management strategy. We requested and obtained the cash management strategy and found that it covers the processes through which the State Ministry of Finance, Budgets/Economic Planning is able to forecast cash commitments and requirements and provide reliable information on the availability of funds. This was evident in pages 5 and 9 of the documents.	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)?	The State has a system of cash management that allows for a central view of cash balances in bank accounts on a single electronic dashboard. As stated above, we physically observed and viewed the state TSA on a single electronic dashboard showing movement of cash and bank balances on a real time online basis. The however applies only to the First Bank TSA. The UBA Accounts are not shown on the platform.	Unsatisfactory	
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 State's TSA has one consolidated revenue treasury account for State revenues which is First Bank with Account No 2029139376.  We obtained evidence from the State that revenues collected by MDAs such as service fees are brought into the consolidated revenue account as part of the TSA.  The IVA interviewed 3 revenue generating MDAs (Ministries of Health, Education and Works), as well as the TSA operator. The MDAs reported that they do not receive cash from fee payers.	Satisfactory	
5	Does the TSA cover a minimum of 50% of the State Government's finances?	The TSA covered only 14.5% and 20% of government inflows and outflows respectively.	Unsatisfactory	Inflows from FAAC and VAT should be remitted into TSA. Respectively for the 2020 and 2021 APAs, the State should have at least 70% and

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
		<p>We obtained total cash inflow and outflow figures as ₦81,309,503,061.22 and ₦58,164,958,828.06 respectively from the cashflow statement in the 2018 audited Financial statements, while the total inflows and outflows routed through the State TSA is ₦11,809,527,877.83 and ₦11,865,584,571.68 respectively according the Bank Statements.</p> <p style="text-align: center;"><b>For total inflow</b></p> $\frac{\text{₦11,809,527,877.83}}{\text{₦81,309,503,061.22}} \times 100 = 14.5\%$ <p style="text-align: center;"><b>For total outflow</b></p> $\frac{\text{₦ 11,865,584,571.68}}{\text{₦ 58,164,958,828.06}} *100 = 20 \%$ <p style="text-align: center;">Average = 17.25%</p> <p>We noted that the inflows from FAAC and VAT were not remitted into TSA only IGR passed through the TSA. The State uses UBA with Account No 1018609458 for VAT and UBA with Account No 1018791104 for FAAC.</p>		80% of its finances going through the TSA.
<b>DLI 4: Strengthened Internally Generated Revenue (IGR) collection</b>				
DLR 4.1	<b>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</b>		<b>Not Achieved</b>	
1	Does the State have up-to-date consolidated revenue code which includes all the state's IGR sources and all the local governments (falling under that state) IGR sources?	The State does not have an up to date Consolidated Revenue Code.	Unsatisfactory	The State should implement an approved and up-to-date consolidated revenue code which includes all State and LGA IGR sources.

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	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) as the sole agency responsible for State revenue (tax and non-tax) collection and accounting in the State?	The State does not have an up to date consolidated revenue code stating that the SBIR is the sole agency responsible for collection and accounting of all State revenues.	Unsatisfactory	The proposed Consolidated Revenue Code should state that the SBIR is the sole agency responsible for collection and accounting of all State revenues.
3	Is Collection of revenues made into accounts nominated by the SBIR for the SBIR to be deemed responsible for collection?	Collections of revenues are not made into nominated accounts by the SBIR.	Unsatisfactory	The State should make it explicit in the law that the collection of revenues should be into accounts nominated by the 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.	The Revenue Code has not been passed by the State Legislature.	Unsatisfactory	The State should ensure that consolidated revenue code obtains legislative approval.
5	Is the Publication published online, so it is automatically available to the public/all taxpayers?	The Revenue Code has not been passed by the State Legislature.	Unsatisfactory	The approved law, code and rates should be published online.
<b>DLR 4.2</b>	<b>Annual nominal IGR growth rate meets target</b>		<b>Not Achieved</b>	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations																								
1	<p><b>Has the 2018-2017 annual nominal IGR growth rate</b> met the basic or stretch targets?</p> <p>Basic Target: 20%-39% Stretch Target: 40% or more</p> <p>Annual nominal growth rate of total State IGR is computed as the difference between the total IGR collected 1st January to 31st December in the year of assessment and the total IGR collected in 1st January to 31st December in the previous year (previous to the year of assessment), divided by the total IGR collected in Jan-Dec in the previous year, and expressed as a percentage, which could be negative (if IGR has declined) or positive (if IGR has increased).</p>	<p>There was no IGR growth between 2017 and 2018 as observed from the State's Audited Financial Statements for both years. Our workings below show Revenue figures with adjustments for non-revenue items and also without adjustments.</p> <p><b>Without Adjustment</b></p> <p>The 2017 and 2018 independent revenue for the State was ₦22,039,060,902.95 and ₦21,743,012,253.22 respectively. Revenues declined year on year.</p> <p><b>With Adjustment (2018)</b></p> <table border="0"> <tr><td>Gross IGR</td><td>21,743,012,253.22</td></tr> <tr><td>Miscellaneous</td><td>135,158,449.02</td></tr> <tr><td>Reimbursements</td><td>1,115.44</td></tr> <tr><td>Interest Earned</td><td>209,357,134.12</td></tr> <tr><td>Repayment</td><td>1,384,177,731.66</td></tr> <tr><td>Adj. IGR</td><td><b>20,014,317,822.98</b></td></tr> </table> <p><b>With Adjustment (2017)</b></p> <table border="0"> <tr><td>Gross IGR</td><td>22,039,060,902.95</td></tr> <tr><td>Misc</td><td>1,148,951,244.97</td></tr> <tr><td>Reimbursements</td><td>0.98</td></tr> <tr><td>Interest earned</td><td>579,438,823.61</td></tr> <tr><td>Repayment</td><td>2,296,998,957.00</td></tr> <tr><td>Adjusted IGR</td><td><b>18,013,671,876.39</b></td></tr> </table> <p style="text-align: center;"><u>₦ 20,014,317,822.98 - ₦18,013,671,876.39</u> = <b>11%</b></p> <p>Revenues increased year on year going by the adjusted figures, but the growth rate was below the basic target for this DLR.</p>	Gross IGR	21,743,012,253.22	Miscellaneous	135,158,449.02	Reimbursements	1,115.44	Interest Earned	209,357,134.12	Repayment	1,384,177,731.66	Adj. IGR	<b>20,014,317,822.98</b>	Gross IGR	22,039,060,902.95	Misc	1,148,951,244.97	Reimbursements	0.98	Interest earned	579,438,823.61	Repayment	2,296,998,957.00	Adjusted IGR	<b>18,013,671,876.39</b>	Unsatisfactory	The State should increase its annual nominal growth rate for IGR to meet the targets.
Gross IGR	21,743,012,253.22																											
Miscellaneous	135,158,449.02																											
Reimbursements	1,115.44																											
Interest Earned	209,357,134.12																											
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	<b>DLI 5: Biometric registration and bank verification number (BVN) used to reduce payroll fraud</b>																											

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
DLR 5.1	<b>Biometric capture of at least [60] percent of current civil servants completed and linked to payroll, and identified ghost workers taken off the payroll</b>		<b>Achieved</b>	
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?	<p>The State has used Biometric data to reduce payroll fraud through a completed biometric exercise.</p> <p>From our review, the total number of civil servants captured in the biometrics register against the total number of civil servants on the nominal roll for the year 2018 is 100%. As at 31st December 2018</p> <ul style="list-style-type: none"> <li>•civil servants on the nominal roll = 21,772</li> <li>•civil servants on the biometric register = 21,772</li> </ul> <p>The coverage is 100%</p> <p>We obtained the copies of the state nominal roll, payroll register and the biometric register from the office of the Accountant General and performed some tests.</p> <p>We selected samples of workers from the nominal roll and tested it against their information on the biometric register. The results showed the civil servants are captured on the Biometrics Register.</p>	Satisfactory	
2	Has the State linked the biometrics data to the State payroll to identify ghost workers?	The state has linked biometrics data to the state payroll to identify ghost workers. The IVA performed various checks to confirm the use of biometric data on the payroll system of the Accountant General.	Satisfactory	
3	Has the State removed confirmed ghost workers within three (3) months of each case being confirmed?	<p>No ghost workers were found in 2018.</p> <p>We requested data of a sample of 40 ghost workers to confirm their removal. We were informed that there were no records since biometrics capturing has been done since 2016 and subsequent employment passes through capturing process in the office of the Head of Service.</p>	Satisfactory	
DLR 5.2	<b>Link BVN data to at least [60] percent of current civil servants</b>		<b>Achieved</b>	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	<b>on the payroll and payroll fraud addressed</b>			
1	Has the State linked the Bank Verification Number data to 60% of its current Civil Servants on the State payroll?	<p>The State has linked the BVN of all their civil servants on the payroll to reduce payroll fraud.</p> <p>We performed tests on the system from the Accountant General office (System Administration Unit). 20 workers were selected at random and their BVN were tested against their information on the payroll.</p> <p>As at 31st December 2018</p> <ul style="list-style-type: none"> <li>•civil servants on the payroll = 21,772</li> <li>•civil servants on BVN linked to the Payroll = 21,772</li> </ul> <p>The coverage is 100%</p>	Satisfactory	
2	Has the State taken steps to identify payroll fraud?	<p>The State has linked the BVN of its civil servants to the State's Payroll.</p> <p>The State captured all staff in 2016 on the Biometrics and all staff provided their BVN, which has been linked to the Payroll. The system also flags staff when they reach retirement age of 60years or 35years in service.</p>	Satisfactory	
<b>DLI 6: Improved procurement practices for increased transparency and value for money</b>				
<b>DLR 6.1</b>	<b>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</b>		<b>Not Achieved</b>	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations						
1	<p>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?</p> <p>It cannot be an executive order with no legal basis. The approval of the public procurement legal framework shall occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.</p>	<p>The Enugu State Public Procurement Law 2010 was assented to by the Governor on 8<sup>th</sup> February 2011 with an effective date of 25<sup>th</sup> November 2010 (Section 1)</p>	Satisfactory							
2	<p>Does the law conform with the UNCITRAL Model Law which should provide for: 1) eProcurement; 2) establishment of an independent procurement board; and 3) cover all MDAs receiving funds from the State budget including the LGAs.</p>	<p>The Enugu State Public Procurement Law 2010 is structured in line with the UNCITRAL Law but did not meet the benchmark. The Requirements and our findings are as follows:</p> <p><b>1. E-Procurement</b></p> <p>(i) The Council shall approve changes to the procurement process to adapt to improvements in modern technology – <b>Section 4(5);</b></p> <p>(ii) The Bureau shall introduce, develop, update and maintain related database and technology – <b>Section 7 (17)</b></p> <p><i>The law meets this requirement</i></p> <p><b>2. The results of our assessment of the legislation for an independence procurement board are in the table below:</b></p> <table border="1" data-bbox="659 1182 1388 1385"> <thead> <tr> <th data-bbox="659 1182 1075 1230">Required provisions*</th> <th data-bbox="1075 1182 1388 1230">• Result</th> </tr> </thead> <tbody> <tr> <td data-bbox="659 1230 1075 1317">The Functions and Powers of the Agency</td> <td data-bbox="1075 1230 1388 1317">• Compliant; see section 7 and 8</td> </tr> <tr> <td data-bbox="659 1317 1075 1385">The composition of the Board</td> <td data-bbox="1075 1317 1388 1385">▪ Compliant; see section 3(2)</td> </tr> </tbody> </table>	Required provisions*	• Result	The Functions and Powers of the Agency	• Compliant; see section 7 and 8	The composition of the Board	▪ Compliant; see section 3(2)	Unsatisfactory	<p>The State should amend the law to provide for membership of the Board / Council to include representatives of Professional Bodies / Associations</p> <p>The Bureau should also issue specific regulations / guidelines on e-procurement</p>
Required provisions*	• Result									
The Functions and Powers of the Agency	• Compliant; see section 7 and 8									
The composition of the Board	▪ Compliant; see section 3(2)									

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations						
		<table border="1" data-bbox="659 188 1388 500"> <tr> <td data-bbox="659 188 1075 293">Membership of the Board/Council includes representatives from Professional Bodies /Associations.</td> <td data-bbox="1075 188 1388 293">▪ Non-Compliant; see section 3(2)(h)</td> </tr> <tr> <td data-bbox="659 293 1075 363">The grounds for removal of the Chief Executive</td> <td data-bbox="1075 293 1388 363">▪ Complies; see sections 9(4)</td> </tr> <tr> <td data-bbox="659 363 1075 500">Regarding the decisions of the agency; Any other review after the board’s decision shall be by judicial review</td> <td data-bbox="1075 363 1388 500">▪ Compliant; see section 56(8)</td> </tr> </table> <p data-bbox="659 505 999 532">*Provided by the World Bank.</p> <p data-bbox="659 573 1119 600"><i>The law partially meets this requirement</i></p> <p data-bbox="659 641 1335 703"><b>3. On the Cover of all MDAs receiving funds from the state budget including the LGAs:</b></p> <ul data-bbox="705 751 1388 1084" style="list-style-type: none"> <li>(i) Applies to all procurement of goods, works and services by the Enugu State Government and all procuring entities;</li> <li>(ii) Also applies to all other entities outside the aforementioned if at least 35% of funds for any procurement are derived from the State share of Consolidated Revenue Fund - Section 17</li> <li>(iii) Procuring entities comprise a ministry, extra-ministerial state office, government agency, parastatal and corporation – Section 2</li> </ul> <p data-bbox="659 1125 1020 1153"><i>The law meets this requirement</i></p> <p data-bbox="659 1193 1367 1255">Overall, the Enugu State Public Procurement Law 2010 did not meet DLR 6 requirements in full and requires revisions,</p>	Membership of the Board/Council includes representatives from Professional Bodies /Associations.	▪ Non-Compliant; see section 3(2)(h)	The grounds for removal of the Chief Executive	▪ Complies; see sections 9(4)	Regarding the decisions of the agency; Any other review after the board’s decision shall be by judicial review	▪ Compliant; see section 56(8)		
Membership of the Board/Council includes representatives from Professional Bodies /Associations.	▪ Non-Compliant; see section 3(2)(h)									
The grounds for removal of the Chief Executive	▪ Complies; see sections 9(4)									
Regarding the decisions of the agency; Any other review after the board’s decision shall be by judicial review	▪ Compliant; see section 56(8)									



	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
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?	<p>The State has instituted an independent procurement regulatory function referred to as the State Due Process Office.</p> <p>We conducted the following test at the Due Process Office:</p> <ul style="list-style-type: none"> <li>a. We held documented interviews with the Special Assistant to the Governor on Due Process who heads the office,</li> <li>b. Physical inspection on the office was done and Heads of Departments in the office were engaged in brief sessions by the IVA and</li> <li>c. A sample of some procurement cases handled by the Office was also reviewed to ascertain the functioning of the Office.</li> </ul>	Satisfactory	
<b>DLR 6.2</b>	<b>Publish contract award information above a threshold set out in the Operations Manual on a monthly basis in OCDS format on [the State’s website/ on the online portal]</b>		<b>Not Achieved</b>	
1	<p>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).</p> <p>For 2018, States can publish the information on the State official website or online portal if already established.</p>	Upon the IVA’s interviews with the Special Assistant to the Governor on Due Process during visit to the office and further checks on the state relevant websites, it was observed that the state did not publish contract awards information online above set threshold in the procurement laws or regulations.	Unsatisfactory	The State should publish information on contracts awarded during the fiscal year that are above the set threshold. The publication should be in line with Open Contracting Data Standards and on the State website.

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
<b>DLI 7: Strengthened public debt management and fiscal responsibility framework</b>				
<b>DLR 7.1</b>	<b>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</b>		<b>Not Achieved</b>	
1	<p>Is there an Approved State-level public debt legislation through the passage of a State Fiscal Responsibility Law, OR the passage of the State Public Debt Management Law, OR the inclusion of the provisions of the Fiscal Responsibility Act (FRA) in the organic PFM Law?</p> <p>Note:</p> <p>The approval of State-level public debt legislation shall occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.</p>	The State has an approved State Debt Management Law 2018 assented by the Governor on 29 <sup>th</sup> March 2018.	Satisfactory	
2	<p>Does the legislation include provisions which establish the following?</p> <p>1) Responsibilities for contracting State debt;</p> <p>2) Responsibilities for recording/reporting State debt; and</p> <p>3) Fiscal and debt rules/limits for the State.</p>	<p>We reviewed the State's Debt Management Laws against the 3 criteria and noted that</p> <p>(a) Criteria #1 is satisfied by s. 7(a) of the DML. We found that ss.7(b), 8(a) &amp; 24 of the DML met the requirement.</p> <p>(b) Criteria #2 is satisfied by s. 7(b) of the DML. We found s.7(c) met the requirement.</p> <p>(c) Criteria # 3 is satisfied by s. 7(h) of the DML. While this provision – s.7(h) relates to setting guidelines, ss.7(d)-(o), 8(b)-(d), 20-24 provide a framework for debt management in Enugu State with reasonably detailed fiscal and debt rules but do not stipulate debt limit or provide a framework</p>	Unsatisfactory	The State's Debt legislation should include provisions for fiscal and debt rules/limits for the State.

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
		for setting the limit. s. 7(h) of the DML provides that the Debt Management Office shall “set guidelines for managing State Government financial risks and currency exposure with respect to all loans and instruments” This is, however, not the same thing as setting limit to state debt.		
<b>DLR 7.2</b>	<b>Quarterly State debt reports accepted by the DMO on average two months or less after the end of the quarter in 2018</b>		<b>Achieved</b>	
1	Has the State produced quarterly State Domestic Debt Reports (SDDR), which are approved by the DMO on average of two months after the end of the quarter in 2018?	<p>This DLI was assessed based on Q4 only, as the revised report template and DMO verification protocols were only implemented in Q4 2018.</p> <p>The State produced the hard copies of the four quarterly State Domestic Debt Reports, and we observed that the submission letter on each quarterly SDDR have showed the following dates: Q1 – 03/05/18, Q2 – 10/08/18, Q3 – 17/10/18 and Q4 – 11/01/19 Based on DMO’s assessment report, the Q4 SDDR was submitted within the timeline.</p>	Satisfactory	
2	<p><b>Note: Have you reviewed for accuracy and completeness from the DMO:</b></p> <p>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.</p>	<p>As at Q4 2018, the State had only Gratuity Arrears as Domestic Debt as reported in the SDDR.</p> <p>We reviewed the DMO report and the DMO report confirmed the accuracy and completeness of the State Domestic Debt Report.</p> <p>We observed that the State Total Domestic and External Debt report shows a figure of N93,642,432,490.80 while the initial submission to the IVA by the DMO reported a figure of N95,304,761,316.61 resulting in a difference of N1,662,328,825.81. We raised this with the State and an explanation was provided. <i>See DLR 9 on Section 4 (Responses from the State)</i></p> <p>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</p>	n/a	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
		omission in the state's submission to the DMO. Conclusions reached in this report are based on the amended DMO data.		
<b>DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears</b>				
DLR 8.0	<b>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.</b>		<b>Not Achieved</b>	
1	Has the State established an Arrears Clearance Framework (ACF)?	The State has not established an ACF but provided a document "ENUGU STATE DOMESTIC EXPENDITURE ARREARS REPORT for 2018" referred to as their ACF accompanied by an Exco approval for domestic debt arrears clearance dated 7 <sup>th</sup> May 2018.  In particular, the requirement for the ACF to be published online and to contain information on prioritization and on the funds committed to clearing the arrears (as well as a timeframe for the clearance) was not met by the submissions provided by the State.	Unsatisfactory	The State should establish an Arrears Clearance Framework (ACF)
2	Does the ACF contain: 1) the planned actions to settle arrears; and 2) an explicit prioritization of expenditure arrears to be settled.	See above	Unsatisfactory	See above
3	Has the ACF been published on a state official website?	See above	Unsatisfactory	See above
4	Has the State established an Internal Domestic Arrears Database?	The State submitted that it had established an Internal Domestic Arrears Database. From our review of the SDDR Q4 2018, we noted that the State had only Gratuity Arrears as Internal Domestic Arrears as at 31 December 2018.  In examining the steps taken by the State to verify the arrears, we understand that the State's Internal Domestic Arrears Database (Gratuity Arrears) was compiled with total amounts owed to the individual retirees as gratuity as contained in the Enugu State	Unsatisfactory	The State should implement an internal domestic arrears database and publish aggregate balances online, in line with the detailed guidelines provided for DLR-8.

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations									
		<p>Government Retiring Benefits Authority duly completed for the retiree. The original copy of this document is given to the retiring officer, However, any retiree who wishes to confirm the amount of gratuity owed to him/her by the State Government is free to go to the Pensions Unit, Office of the Accountant General, Enugu State and verify.</p> <p>We noted the document was prepared in May 2019 and not during the year of assessment (2018).</p> <p>We also noted that as a static document, the publication will not show accurate aggregate figures over time. i.e. changes in the arrears balance over time (month to month) will not be reflected in the online publication as it stands.</p>											
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?	<p>The elements of the aggregate amount of gratuity as contained in the Enugu State Domestic Expenditure Arrears Report was found to be published online <a href="https://www.enugustate.gov.ng/wp-content/uploads/2019/05/DOMESTIC-EXPENDITURE.pdf">https://www.enugustate.gov.ng/wp-content/uploads/2019/05/DOMESTIC-EXPENDITURE.pdf</a></p> <p>We noted the document was prepared in May 2019 and not during the year of assessment (2018).</p>	Unsatisfactory										
<b>DLI 9: Improved debt sustainability</b>													
<b>DLR 9.0</b>	<b>Average monthly debt service deduction is &lt; 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: &lt; [150%] -Stretch target: &lt; [125%]</b>		<b>Achieved</b>  Stretch target met										
	Has the State met:  (i) the ratio of total debt stock at end-of-year (31 <sup>st</sup> December 2018) of the year of assessment to the total revenue collected during the calendar year of the year of	<p>The percentage of the debt stock at end of the year 2018 to total revenue as calculated below is 122%</p> <p><b>Computation using the 2018 Financial Statement Figures</b></p> <table> <tr> <td>Domestic debt</td> <td></td> <td>₦55,032,067,848.42</td> </tr> <tr> <td>External debt</td> <td>=</td> <td><u>₦38,610,364,642.38</u></td> </tr> <tr> <td>(a) Total debt stock</td> <td></td> <td><u><b>₦93,642,432,490.80</b></u></td> </tr> </table>	Domestic debt		₦55,032,067,848.42	External debt	=	<u>₦38,610,364,642.38</u>	(a) Total debt stock		<u><b>₦93,642,432,490.80</b></u>	Satisfactory	
Domestic debt		₦55,032,067,848.42											
External debt	=	<u>₦38,610,364,642.38</u>											
(a) Total debt stock		<u><b>₦93,642,432,490.80</b></u>											

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
	assessment (1 <sup>st</sup> January to 31 <sup>st</sup> December 2018)? -Basic target:< [150%] -Stretch target: < [125%]	<p><b>Gross IGR</b> 21,743,012,253.22</p> <p>Reimbursements (1,115.44 )</p> <p>Repayment (1,384,177,731.66 )</p> <hr/> <p><b>Adj. IGR</b> <b>20,358,833,406.12</b></p> <p>Add</p> <p><b>FAAC</b> 56,347,765,600.00<sup>1</sup></p> <hr/> <p>Total Revenue <b>76,706,599,006.12</b></p> <p>Debt/Revenue = <math>\frac{N93,642,432,490.80}{N76,706,599,006.12} \times 100 = 122\%</math></p> <p><b>Computation Using FMoF/CBN/DMO Debt data as at Dec 2018</b></p> <p>Domestic debt = <b>N56,568,219,012</b></p> <p>External debt = <b>N38,736,542,304.61</b></p> <p>a) Total debt stock <b>N95,304,761,316.61*</b></p> <p>(b) total revenue <b>N76,706,599,006.12</b></p> <p><math>\frac{N95,304,761,316.61}{N76,705,599,006.12} \times 100 = 124\%</math></p> <p>*Table 3 below holds a breakdown of the Total Debt Sources: Audited financial statement for 2018</p>		
	(ii) the ratio of total monthly debt service (principal and interest) deductions from FAAC allocation during the calendar year of the year of assessment (1 <sup>st</sup> January to 31 <sup>st</sup> December 2018) to the gross FAAC allocation for the same calendar year. <b>Less than</b> :< [40%]	<p>The percentage of total monthly services deduction at the year-end 2018 to the gross FAAC allocation is calculated below is 5.5%.</p> <p><u>Total debt deductions</u></p> <p>Gross FAAC allocation</p> <p><math>\frac{N 3,082,869,338}{N56,347,765,600} \times 100</math></p> <p><b>= 5.5%</b></p> <p><b>Sources:</b> FAAC deduction schedule 2018 from Ministry of finance.</p>		

<sup>1</sup> The Audited Financial Statements for 2018 show N59.56bn as the FAAC allocation for 2018. The figure of N56.347bn was obtained from the FMoF Home Finance Department and was deemed more accurate.

**TABLE 3: DLI 9 31 DECEMBER 2018 STATE DEBT STOCK TABLES FOR ENUGU STATE**

<b>NAIRA</b>	<b>ENUGU</b>
1. BUDGET SUPPORT LOAN (SOURCE FMOF)	16,869,000,000
2. BAIL OUT (SALARIES) (SOURCE CBN)	3,964,082,832
3. RESTRUCTURED COMMERCIAL BANK LOANS (FGN BOND)	5,715,726,746
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)	-
8. BAIL-OUT (INFRASTRUCTURE)	696,827,234
9. MICRO SMALL MEDIUM ENTERPRISE DEVELOPMENT FUND (MSMEDF) (SOURCE CBN)	1,828,605,750
10. JUDGEMENT DEBTS	-
11. GOVT - GOVT DEBTS	-
12. CONTRACTORS' ARREARS	-
13. PENSION AND GRATUITY ARREARS	18,052,228,795
14. SALARY ARREARS AND OTHER CLAIMS	-
15. OTHER DEBTS	-
<b>TOTAL DOMESTIC DEBT (TDD)</b>	<b>56,568,219,012</b>
<b>TOTAL EXTERNAL DEBT (TED)</b>	<b>38,736,542,305</b>
<b>TOTAL PUBLIC DEBT (TED+TDD)</b>	<b>95,304,761,317</b>

**Table Notes**

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

State should please use this box for their response.

DLI	State Response to Draft Report	IVA Response/Treatment
<p>DLI 1.2 FY2018 deviation of total approved budget expenditure to total actual budget expenditure (to be &lt; 30%).</p>	<p>That on <b>p.8</b> of your draft report you expressed the computed deviation in “<b>negative terms</b>” as against the requirement of the Verification Protocol Version 2.0 (August 2019 p.16) which stated that “the deviation is computed as the difference between the original <b>approved</b> budget expenditure and the <b>actual</b> total budget expenditure, divided by the original approved total budget expenditure and <b>expressed in a positive percentage terms</b>”.</p> <p>That you used Enugu State total expenditure for 2018 N136,747,083,350.91 ( as contained in p.20 of the State audited Financial Statements 2018) <b>without</b> adjusting for Below The Line (BTL) expenditure of N43,493,599,187. 51 also in the same page.</p> <p>That the figure you used to compute the total debt stock to total revenue (p.21 of your draft report) for the State was the total receipts for 2018 N127,735,825,590.59 (p.20) of audited Financial Statements <b>adjusted</b> for Below The Line (BTL) receipts of N44,283,459,824.07</p> <p><b>Comments.</b>  <b>Below The Line</b> (BTL) receipts are <b>not</b> State Government income or otherwise <b>upon</b> which budget expenditures are premised. The Below Line receipts are Local Government Federal Allocations and other memorandum receipts which pass through the Accountant General’s Office. See notes <b>6a</b> and <b>6b</b> to the 2018 audited Financial Statements.</p> <p>In the same manner, <b>Below The Line</b> payments are <b>not</b> State Government expenditure but Local Government</p>	<p>Noted. The Approved budget figure provided in the State’s response is different from the Original approved budget. However, the result was recalculated and marked as achieved.</p>



	<p>Federal Allocations and other memorandum payments made through the Office of the Accountant General of the State. See notes <b>7a</b> and <b>7b</b> to the 2018 audited Financial Statements.</p> <p><b>Our Workings for budget deviation in 2018.</b> p. 20 of 2018 audited Financial Statements</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">N</td> <td></td> </tr> <tr> <td>Total expenditure</td> <td style="text-align: right;">136,747,083,350.91</td> <td></td> </tr> <tr> <td>Less: Below the Line payments</td> <td style="text-align: right;"><u>43,493,599,187.51</u></td> <td></td> </tr> <tr> <td><b>Total expenditure for State Gov.</b></td> <td style="text-align: right;"><b><u>93,253,481,163.40</u></b></td> <td></td> </tr> <tr> <td colspan="3"> </td> </tr> <tr> <td><b>Original approved budget for the State Gov.</b></td> <td style="text-align: right;"><b>103,563,500,000.00</b></td> <td></td> </tr> <tr> <td colspan="3">(p.8 of your draft report)</td> </tr> <tr> <td>Less: Actual total exp. for State Gov.</td> <td style="text-align: right;"><u>93,253,481,163.40</u></td> <td></td> </tr> <tr> <td><b>Variance</b></td> <td style="text-align: right;"><b><u>10,310,019,836.60</u></b></td> <td></td> </tr> <tr> <td colspan="3"> </td> </tr> <tr> <td><b>Deviation:</b></td> <td style="text-align: right;"><u>10,310,019,836.60 X 100</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">103,563,500,000.00</td> <td style="text-align: right;">= 9.96%</td> </tr> </table> <p><b>Our Request.</b></p> <p>We request that you kindly review your workings for the budget deviation for the year 2018 to recognize funds <b>not expended</b> by the State Government just as you recognized receipts in the same year which were not meant for the State Government in your computation on p.21 of your draft report.</p>		N		Total expenditure	136,747,083,350.91		Less: Below the Line payments	<u>43,493,599,187.51</u>		<b>Total expenditure for State Gov.</b>	<b><u>93,253,481,163.40</u></b>		 			<b>Original approved budget for the State Gov.</b>	<b>103,563,500,000.00</b>		(p.8 of your draft report)			Less: Actual total exp. for State Gov.	<u>93,253,481,163.40</u>		<b>Variance</b>	<b><u>10,310,019,836.60</u></b>		 			<b>Deviation:</b>	<u>10,310,019,836.60 X 100</u>			103,563,500,000.00	= 9.96%	
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	103,563,500,000.00	= 9.96%																																				
<p><b>2. DLI 8 Improve Clearance /reduction of stock of domestic expenditure arrears.</b></p>	<p>We observed as follows:</p>																																					

	<p>That according to the Verification Protocol Version 2.0 (August 2019 p.35 “To achieve the DLR, the following criteria has to be met by the 31<sup>st</sup> December of the year under assessment to count for that year”.</p> <p>States have established a domestic clearance framework (ACF).</p> <p>The ACF must contain: 1) the planned actions to settle domestic expenditure arrears, and 2) an explicit prioritization of domestic expenditure arrears to settle. The ACF must be published on a State website.</p> <p>In your report, p. 19 under column for findings, you stated in i, “the State has not established an ACF but provided document.....referred to as their ACF accompanied by EXCO approval for domestic debt arrears clearance dated 7<sup>th</sup> May 2018” and in ii, that the State has not established an ACF. Under conclusions, in the same page you wrote <b>unsatisfactory</b>.</p> <p><b>Comment:</b> As at May 7<sup>th</sup> and 31<sup>st</sup> December 2018 Enugu State Government had only GRATUITIES as outstanding domestic arrears. There were no salaries outstanding, no monthly pensions outstanding , and no contractors arrears outstanding.</p> <p>The EXCO approval of 7<sup>th</sup> May 2018 explicitly provided N100,000,000.00 monthly to pay the outstanding domestic arrears of GRATUITIES. Recurrent expenditure warrants used to release the N100,000,000.00 monthly were tendered.</p> <p>We maintain that we were shortchanged by your conclusions 1&amp; under DLI 8 p.19 of your draft report because : The EXCO approval of 7<sup>th</sup> May 2018 and the recurrent expenditure warrants evidencing releases constituted valid</p>	<p>The verification protocol requires that the ACF must be published on a State official website. We have not seen evidence to show that the EXCO approval and/or Expenditure Warrants were published online on the State website along with explanatory notes to convey they are to serve as the State ACF.</p> <p>The verification protocol also requires that the ACF to be published in the APA year and we have seen no evidence of an in-year publication. From our review we noted that the publication referred to by the State was prepared in May 2019 and not during the year of assessment (2018).</p> <p>Lastly, the requirement to prioritize remains even where there is only one type of arrears. The requirement would not be relevant only if the State intended to settle all the arrears in one year.</p>
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	<p>Arrears Clearance Framework (ACF) and planned action by the State Government to settle domestic expenditure arrears.</p> <p>The issue of prioritization of domestic expenditure did not arise as the State Government had only one subhead of domestic arrears- GRATUITIES.</p> <p>B. Among the criteria to achieve DLR 8 p.35 of Verification Protocol Version 2.0 (August 2019 is ii “States have established internal domestic expenditure arrears database which must include : “aggregate amount of pensions and gratuity arrears”. iii “States have established internal domestic expenditure arrears database on a state official website which constitutes the online publicity – accessible domestic expenditure arrears database must include : <b>aggregate amount of pensions and gratuity</b>”.</p> <p>In your draft report p.20 you admitted that “the aggregate amounts of gratuity as contained in the Enugu State Domestic expenditure arrears report was found to be published online <a href="https://www.enugustate.gov.ng/wp-content/uploads.2019/05/domeatic-expenditure.pdf">https://www.enugustate.gov.ng/wp-content/uploads.2019/05/domeatic-expenditure.pdf</a>”.</p> <p>You however concluded that “the publication was no longer accessible at the time of this report and it also does not meet the criteria for ‘published online elements of the internal domestic arrears database on a state website”.</p> <p><b>Comments</b></p> <p>That the publication, which you admitted was made was no longer accessible is a news to us because, as at date the publication is there (no.26 in website) and is very much accessible with the date it was published.</p> <p>The publication contains <b>ALL</b> the requirements of the Verification Protocol Version 2.0 (August 2019 p.35) as it concerns gratuity which was the only domestic arrears for Enugu State as at the time of publication.</p>	<p>The above observations therefore led to a conclusion that the State did not publish an ACF as was required.</p> <p>Furthermore, and even though this was not used as a criteria for the evaluation of this DLR, we observed that on the SDDR reports for 2018 the balance on State Domestic Debt did not change for Q1, Q2 and Q3 since the initiation of the programme to liquidate the outstanding arrears through the release of N100,000,000 monthly to beneficiaries. We also noted from the audited Financial Statements that the arrears balance increased from over N15bn as at December 2017 to over N18bn as at December 2018.</p> <p>From our review we noted that the publication referred to by the State was prepared in May 2019 and not during the year of assessment (2018).</p>
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	<p>That the required publication for gratuities is “<b>aggregate amount of pensions and gratuity</b> not a portal as you stated in your report p.21 or database and the aggregate amount as required ( yearly from 2010 to 2018) is there even today.</p> <p>That the database or portal for gratuities is domiciled in the Accountant General’s Office and is not required to be online. See the Verification Protocol.</p> <p><b>Our Request</b></p> <p>We request that you kindly review your conclusions on Enugu State performance in respect of DLI8 in line with the requirements of Verification Protocol Version 2.0 (August 2019) already forwarded to us.</p>	
<p><b>DLR 9</b></p> <p>We have noted your identified discrepancy in the 2018 published Financial Statements as at 31<sup>st</sup> December, 2018 - <b>N1,662,328,825.81</b></p>	<p>The difference arose because of the Micro Small Enterprises Development Fund (<b>MSMEDF</b>) <b>N1,828,605,750.00</b> against Enugu State on p.23 of your report.</p> <p>Also are the misrepresentation and omission of figures in the Enugu State end of year debts in 2018. For instance the balance for Excess Crude Account loan was N9,344,502,434.80 and not N9,441,747,655.00 and Counterpart Fund for NEWMAP of N422,550,565.14 was totally omitted.</p> <p>You may wish to know that the MSMED fund did not pass through the Federal Ministry of Finance, Debt Management Office, Abuja and Enugu State Ministry of Finance hence the difficulty in bringing the transactions into the Financial Statements.</p> <p>However, the updated position of the Central Bank’s MSMED fund will be reflected in both Enugu State Government 2019 Financial Statements and subsequent quarterly returns to the Debt Management Office, Abuja.</p>	<p>Noted.</p>

## Appendix A

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

#### Enugu 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](mailto: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 Comment/ Observations	Follow up	Final Assessment
<a href="https://www.enugustate.gov.ng/index.php/documental/">https://www.enugustate.gov.ng/index.php/documental/</a>	A search was done on Enugu State website	The 2019 Budgets were published on the State Official website, a copy was downloaded. <b>There's no evidence of 2019 Budgets being signed by the governor.</b>	A request was made on 12/03/2019 to the focal persons to provide evidence of the governor's assent	<b>EC was met</b> The State focal persons responded on 15/03/19 providing an attached document to the state governor's assent. A copy was saved.

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	State should publish Governor's Assent with the approved budget

**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
<a href="http://www.enugustate.gov.ng">www.enugustate.gov.ng</a>	Checked the website of the State Government: to confirm the upload of the 2017 Audited Financial Statement. Also verify whether the subject matter could be traced to other relevant websites: State Accountant and Auditor General, House of Assembly, Ministry of Finance and Budget and Planning.	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	None
Were the Financial Statement for 2017 available published online before 31 December 2018?	Yes	None
Are the published financial statements clear and legible?	Yes	None
Can the Financial Statements be downloaded?	Yes	None
Do we have evidence of audit by the State Auditor-General?	Yes	None
Are the financial statements complete, including primary statements and disclosure notes?	Partly	Disclosure notes were not detailed. Notes should be published with the Financial Statements
Are there any indications that balances within the financial statements are not credible	Partly	<ul style="list-style-type: none"> <li>i. There were no detailed notes to the account.</li> <li>ii. Discrepancy between FS and NBS figures for statutory allocation</li> <li>iii. Government share of VAT not explicitly provided and no note to say if it is included in statutory allocation</li> <li>iv. Cash flow statement does not breakdown IGR by tax and non-tax revenue</li> </ul>