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

2018 Annual Performance Assessment (APA) Report

KADUNA 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

1. Executive Summary

This Report details the outcome of the Annual Performance Assessment (APA) conducted on Kaduna 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 Kaduna State and shows areas where the State was able to achieve results. In total, Kaduna State achieved **Eight (8)** 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 in Section 3 of this Report. In summary, the State should ensure the following:

1. DLR 1.1: Quarterly Budget Implementation Reports show balances for each MDA (as shown in the Appropriation Law), being broken down into Personnel, Overheads, Capital and Other Expenditures respectively. The report should 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.

2. DLR 1.2: The annual expenditure outturn deviation is reduced to a level within the requirements for this result.

3. DLR 2.1: The signed minutes of public consultation on the annual budget is published on the State's website. The minutes should also be attended by Local Government representatives.

4. DLR 7.1: The State Fiscal Responsibility Law is amended to stipulate fiscal and debt rules/limits.

5. DLR 7.2: State Domestic Debt Reports are submitted and confirmed as accepted by the Federal DMO within 2 months after each quarter-end.

6. DLR 8: An Arrears Clearance Framework is established, and an Internal Domestic Arrears Database created with relevant balances published online along with a publicly accessible portal.

We also noted a difference of **N11,668,244,321** between the Debt figure stated in the 2018 Audited Financial Statements of the State (N173,485,044,000) and the updated Debt data provided by the DMO (₦161,816,799,679). See DLI-9 in the Findings section. This is yet to be clarified by the State and affects the credibility of the Financial Statements.

Lastly, further to our draft report, there was a key change arising as a result of further review of our findings. Specifically, our assessment of DLR 7.1 (on Debt Management and Fiscal Responsibility Legislation) changed as a result of clarification that the existing laws of the state do not adequately meet the criteria that the law must provide for fiscal and debt rules/limits. The result of the further expert review is reproduced in the Findings section of this report.

Table 1: Assessment Results

Key:	Achieved		Not Achieved	

Disbursement Linked Indicators	Disbursement Linked Results (2018)	Result	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		Q3 and Q4 reports were not published online.
	DLR 1.2: FY18 deviation for total budget expenditure is < 30%		The deviation was 54%.
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		Consultations were held but the minutes were not published online.
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 State has a functioning TSA
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 revenue code met the requirements of the DLR
	DLR 4.2: 2018-2017 annual nominal IGR growth rate meets target: -Basic target: 20%-39%, Stretch target: 40% or more	**Basic Target Achieved**	Nominal IGR growth rate was 24%.
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		72.6% of the Civil Servants have been captured and 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		100% of the Civil Servants have their BVN linked to the Payroll
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. State 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 State Procurement Law conforms 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		Contract award information is made available online and in the OCDS format
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.		The FRL does not stipulate fiscal and debt rules/limits.
	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		Q4 report was not submitted to DMO within the stated time limit
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.		There was no internal domestic arrears database or ACF in 2018.
DLI 9: 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%.	**Basic Target Achieved**	Monthly debt service deduction is 6.5% of gross FAAC. Total Debt to Revenue is 137%.

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

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 and 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	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 as per the verification protocol. The State provided two Budget Implementation reports – Half-Year 2018 and 2018 Budget Implementation Reports. The half year report captured Revenue performance for the months of January to June 2018 as contained in page 12 of the report, while Expenditure performance was presented for only two months (Jan-Feb 2018) in page 18 of the same report. The half year report showed a total actual expenditure ₦16,415,406,448.04 (Jan – Feb 2018) while Total Actual Revenue N63,857,576,152.47 (Jan – June 2018) The 2018 budget implementation report which is a year-on-year Assessment of the budget, captured total	Unsatisfactory	Reports should be published on a quarterly basis. Note that the timelines under SFTAS for 2020 onwards require publication within 4 weeks.

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
		actual expenditure of N105,102,202,852.13 as contained in page 30 of the report. Both reports were published on 21st November 2019. The two reports do not contain quarterly breakdown of budget implementation as required by this DLR. https://finance.kdsg.gov.ng/download/2018-budget-implementation-report-legislatures/		
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 Half-Year and Full-Year Budget Implementation Reports do not contain breakdown by MDAs for the core economic classification of expenditure, it contains Personnel, Overhead, Capital and Other expenditure). This was discussed at the Exit meeting. The Hon. Commissioner for the Ministry of Budget and Economic Planning confirmed that the proper breakdown was not done in 2018 but has been factored in their 2019 report.	Unsatisfactory	Report should be presented according to MDAs and with their respective core economic classifications of expenditure.
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?	Half-Year Budget implementation report contains 2-month Cumulative expenditures for Jan – Feb 2018. The Full-Year Budget Implementation report contains cumulative expenditures for the year but does not contain breakdown for each quarter and MDA. While half-year report contains only 2-months expenditures, the 2018 report contains only a full year report.	Unsatisfactory	The reports should capture quarterly outflows by respective MDAs according to expenditure classifications and a cumulative balance for the periods to date.
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 Report showed consolidated balances for recurrent, capital and overhead expenditures.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	the other three (3) expenditure classifications?			
DLR 1.2	FY [2018] deviation from total budget expenditure is less than 30%		**Not 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%?	Based on the 2018 Budget Implementation report as presented in page 20, the expenditure outturn was 54% as computed below: Total Budgeted 229,077,193,405.22 Total Actual -105,102,202,852.13 Variance 123,974,990,553.09 Outturn ₦123,974,900,553.09 x 100 = 54% 229,077,193,405.22 The 54% budget deviation is higher than the benchmark of 30%. Details is on page 20 of 2018 budget implementation report.	Unsatisfactory	The State should make accurate budgets. Note that the benchmark for 2019, 2020 and 2021 are 25%, 20% and 15% respectively.
	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 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?	The State provided evidence of holding Town-Hall consultation through the twitter handle of the State Assembly: **#kdbudget2018; #kadassembly** which showed pictures of cross-section of attendees as well as conversation around the town-hall meeting. The Minutes of Town Hall meeting signed by co-chairs (Government and CSO representatives) was also provided, to show that the State conducted such	Unsatisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
		meetings during the budget proposal. There was however not enough evidence to show that Local Government representatives attended the meeting. In particular, there was no clear information on the attendance list and no useful affirmations/relevant in the minutes to show that Local Government were represented.		
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 were jointly prepared with the CSO representatives. However, the State did not publish the minutes on the State web site.	Unsatisfactory	Evidence of public consultations should be posted on State official websites.
	DLI 3: Improved Cash Management and Reduced Revenue Leakages through Implementation of State TSA			
DLR 3	**Improved cash management and reduced revenue leakages through implementation of State TSA**		**Achieved**	
1	Has the State established a functional state-level TSA?	The State established a TSA with the CBN. Evidence of existence of TSA and functionality were confirmed by CBN (Operator) and MDAs using the TSA. The team confirmed from CBN in Kaduna and Ministries of Education, Health and Works. The team visited the above MDAs and confirmed that revenue collections by MDAs are paid directly into the TSA through the KIRS PayDirect Platform. Further confirmations were carried out at the KIRS where the scheduled officer walked the team through the processes of revenue collection on PayDirect Platform into the TSA.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
		The team administered the TSA questionnaire on the MDAs and was able to obtain evidence that the TSA is functional.		
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 TSA manual contains approved cash management strategies which includes but not limited to Account Sweeping and Investing Cash Surplus. Other strategies include cash backing of releases through a queuing system of payment as shown in page 9 of 2018 budget implementation report. Liquidity report prepared for month of February 2018 was reviewed as evidence that the cash management strategy in the TSA manual are operational. The features above provide the State Ministry of Finance/Budget and Economic Planning with the ability to forecast cash commitments and requirements.	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)?	Dashboard at the Office of Accountant-General of the State, which was physically observed by the IVA team, has this feature.	Satisfactory	
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 assessment of KADIRS interaction with the TSA confirmed that all State Revenue Accounts are linked to the TSA (CBN)	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations

5	Does the TSA cover a minimum of 50% of the State Government's finances?	The TSA Statement (CBN) and Audited Financial Statement showed that more than 50% of State Government finances passed through the Treasury Single Account as calculated below:
		
		CBN TSA Control Bank Statements as at 31 December 2018 showed the following information:
		
		o Total Inflows (Jan-Dec) N198,236,143,250.46
		o Total Outflows (Jan-Dec) N197,444,594,435.44
		
		While as per the annual Cash Flow Statement (page 99 of 2018 State Audited FS) as shown in pages 20 – 21 of the 2018 Report of the Accountant-General.
		
		o Total inflow N110,566,291,000.00
		o Total Outflows N115,074,589,000.00
		
		The percentage of government finances going through the TSA is computed as follows:
		Inflow
		TSA 198,236,143,250.46 x 100
		FS-Cashflow 110,566,291,000.00
		                                            = 179%
		Outflow
		TSA 197,444,594,435.44 x 100
		FS-Cashflow 115,074,589,000.00
		                                            = 172%
		
		Average = 176%
			Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	We observed from the above figures that the TSA Statement is higher than the figures in the Cash flow statement of the State Audited Financial Statement.		

We observed from the above figures that the TSA Statement is higher than the figures in the Cash flow statement of the State Audited Financial Statement.

Audit Issue report was raised to obtain explanation for this discrepancy and the State provided us with explanations for the difference.

UPDATED INFORMATION FROM THE STATE
The State explained that the discrepancy between the TSA Bank Statement and Financial Statement in the year 2018 was as a result of Local Government funds (FAAC allocation and Paris Club refund) and other third-party funds paid through the TSA. The breakdown Local Government and third-party fund that was paid through the TSA is as follows;

- FAAC   for 23 LGAs is N52.5bn
- Paris Club Refund is 10.02bn
- Third Party Fund is 24bn

New TSA fund flows are computed below as follows:

TSA

Total inflows	198,236,143,250.46
Adjustment	-52,500,000,000.00
Adjusted inflows	145,736,143,250.46

TSA

Total outflows	197,444,594,435.44
Adjustment	-52,500,000,000.00
Adjusted outflows	144,944,594,435.44

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations

		The percentage of government finances going through the TSA is computed as follows:
		
		Inflows
		TSA <u>145,736,143,250.46</u> x 100
		FS-Cashflow 110,566,291,000.00
		                     = 132%
		
		Outflows
		TSA <u>144,944,594,435.44</u> x 100
		FS-Cashflow 115,074,589,000.00
		                     = 126%
		
		Average = 129%		

	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**		**Achieved**	
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? 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.	The State published online: Kaduna State Tax (Codification and Consolidation) Law 2016 The Revenue Code contains all the State's IGR sources and all the Local Governments IGR sources falling under the State. The law is found to be satisfactory as it was first published on March 2, 2016; updated on Dec 9, 2016 on (www.kdsg.gov.ng) and reposted on finance website on Nov 21, 2019 (www.finance.kdsg.gov.ng) We also subjected the law to expert review, and it was found to have passed all the tests.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
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?	Section 93 of the Law stipulates that Kaduna Internal Revenue Service (KADIRS) is solely responsible for collecting and accounting for revenue listed in the First Schedule to the law.	Satisfactory	
3	Is Collection of revenues made into accounts nominated by the SBIR for the SBIR to be deemed responsible for collection?	KADIRS demonstrated how all payments of IGR to MDAs are centrally controlled by the KADIRS using the PAY Direct. And all payments are channelled to designated account with UBA.	Satisfactory	
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 document contains the revenue law and codes; and signed by the Speaker and Clerk to the legislature. Also signed into law by the Governor all on 26th February 2016.	Satisfactory	
5	Is the Publication published online, so it is automatically available to the public/all taxpayers?	The law was posted separately on the state web site and the website of Ministry of finance. Timestamp of the date the law was posted on State website showed March 2, 2016; updated December 9, 2018 and later published on Ministry of Finance website on November 21, 2019. Expert review also showed that the report was published within the timeframe.	Satisfactory	
DLR 4.2	**Annual nominal IGR growth rate meets target**		**Achieved** Basic Target met	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations

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
		The State in their submission marked themselves fail for IGR growth rate.
		
		In our calculation, the IGR growth was negative growth of 9.55% based on Cash IGR:
		
		2018 N24,316,376,000.00
		2017 N26,882,718,000.00
		Diff. N 2,566,342,000.00
		IGR Growth Rate 2,556,342,000 x 100
		              26,882,718,000
		Negative IGR Growth 9.55%
		
		However, in the State Audited Financial Statement, IGR was categorised into cash IGR and accrued IGR.
		
		Using total IGR (cash plus accrued): N41,681,094,000 for 2018 and 2017 figure of N33,617,944,000. Notes (4B) to 2018 Financial Statement of the State showed the nature of the accruals which include:
		
		i. Water bills that were earlier circulated to consumers in FY 2018 and collected between Jan to June 2019.
		ii. Tax arrears of Staff of Federal Institutions resident in Kaduna State.
		iii.
		2018 N41,681,094,000.00
		2017 N33,617,944,000.00
		Diff. N 8,063,150,000
		IGR Growth Rate 8,063,150,000 x 100
		              33,617,944,000
		IGR Growth = 23.98%
			Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
		The team reviewed the Audited Financial Statement and confirmed that all the IGR reported are regular, so no adjustments were made.		
		In addition to the above reviews, the team raised an Issue Report dated 17/12/2019 to the State, to explain the nature of the outstanding items (the accrued income) and provide evidence of recovery.		
		The state responded on the 18/12/2019 and explained that tax arrears are for Staff of Federal Institutions resident in Kaduna State. Other bills included unpaid school fees and water bills as at December 2018 but have been fully recovered within the period of January to June 2019. KIRS provided a tabular evidence of collections within the periods.		
		Based on the foregoing, the State achieved a positive IGR growth of 23.98% - **Basic Target met**.		
	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 [and pensioners] 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?	The State Payroll showed a total staff of 25,169 across the 78 MDAs in the state, out of which 18,280 were fully captured with their biometric data Number Captured <u>18,280</u> x 100 25,169 Therefore, this represents 72.6% coverage of the civil service and is above the 60% benchmark required by this DLI.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
2	Has the State linked the biometrics data to the state payroll to identify ghost workers?	A Biometrics sample of 20 personnel randomly selected from the payroll were verified, which confirmed their existence in the data base. A random sample of 20 personnel selected from the total payroll population with biometric/BVN data, were verified from the database at the Payroll Office. We examined the data for staff selected, to agree with the expected information.	Satisfactory	
3	Has the State removed confirmed ghost workers?	The State had earlier removed ghost workers from its payroll. The State currently runs a regular check especially on the Pensioners through a program called "I am Alive" where every Pensioner confirms existence through a DMB every 3 months and failure to update same, removes one from the system automatically. A list containing 1,944 workers suspended through the program was presented by the State. The nominal roll of Pensioners is reviewed every 3 months to expunge any ghost pensioners.	Satisfactory	
DLR 5.2	**Link BVN data to at least [60] percent of current civil servants [and pensioners] 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?	The entire 25,169 civil servants are linked to the payroll through BVN. All pensioners have their BVN linked to the payroll.	Satisfactory	
2	Has the State taken steps to identify payroll fraud?	The State had earlier removed ghost workers from its payroll. However, the state has also deployed a Human resource application managed by Microsoft Dynamics Nav, in addition to biometric capturing, to control leakages that could arise from ghost employees.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	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**		**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 framework shall occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.	Kaduna State Public Procurement Law, 2016 was passed by State House of Assembly and assented by the Executive Governor on 31st May 2016.	Satisfactory	
2	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.	The Kaduna State Public Procurement Law 2016, Section 1, meets the benchmark. The requirements are as follows: **1. E-Procurement:** (i) Section 14(1)K, authorizes the Authority to provide framework on E-Procurement (ii) Section 13(r) authorizes the Authority to introduce, develop, update, maintain related database and technology *The Law meets this requirement*	Satisfactory	The State Public Procurement Authority should provide regulations for the deployment of e-procurement

Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	2. The results of our assessment of the legislation for independence are in the table below:		

Required provisions*	Result
The Functions and Powers of the Agency	• Compliant; see section 13 and 14
The composition of the Board	• Compliant; see section 6.
Membership of the Board/council to include representatives from professional bodies and Associations who shall be part time members	• Compliant; see section 6(e)& (f), (h) (i) & (j)
The grounds for removal of the Chief Executive of the agency	• Compliant; see section 11 and 25(5)
Regarding the decisions of the agency; any other review after the Boards decision should be by judicial review.	• Compliant; see section 67(4).

*Provided by the World Bank

The Law meets this requirement.

3. **On cover of all MDAs receiving funds from the state budget including the LGAs:**
   (iii) Section 13(a) provides that the authority shall provide policies for all Local Government. Furthermore, Section 35(1), 64(1) and 65 provide the scope of operations that covers MDAs and Local governments.
   (iv) All procurements carried out by Kaduna State Government its Ministries, Departments, Bureaus, Offices and

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
		Agencies, including State Universities and Colleges, Government-owned and/or controlled Corporations, Government Institutions, and Local Government Areas. *The Law meets this requirement.* The Kaduna State Public Procurement Law, 2016, is substantially structured according to the UNCITRAL Law and is fully compliant with all the requirements of DLR 6.		
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?	Section 4 (1), pg. 3 provided for the Establishment of Kaduna State Public Procurement Authority and we visited the authority's office in the state government house to confirm accordingly. IVA obtained evidence through interview with the Chief Executive, management and operational staff and carried out a physical inspection of the agency. We sampled (5 files) procurement transactions carried out by the authority. Also conducted walkthroughs and file reviews to demonstrate the authority is active.	Satisfactory	
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)),	Tenders and contracts awarded are available on the Kaduna State website. The Team collected schedule of contracts awarded during the fiscal year that are above the threshold (as defined in the state procurement law) and was able to	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	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.	confirm that contracts above the threshold are available on the State Website. For tenders: https://kdsg.gov.ng/category/kdsg-tenders/ For contract awarded: http://kadppa.kdsg.gov.ng/index.php/awarded-contracts/ Therefore, it was confirmed that the state publishes contract award information in line with the OCDS		
	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**		**Not Achieved**	
1	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? 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.	Yes - The State provided the following laws: i. Fiscal Responsibility Law, 2016 ii. Debt Management Department Law, 2015	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
2	Does the legislation provide for the creation of a State Debt Management Department (or Unit, Committee, Agency, Board, Bureau, Commission, Council)?	The Kaduna State Debt Management Department Law (May 27, 2015), Page 2, Part II (4) provides for the creation of the 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 IVA reviewed the Kaduna State Debt Management Laws against the 3 Criteria and noted that: (a) Criteria #1 is satisfied by s. 19 of the DMDL. We found that s.6(a)-(d) and 18(3) of the DMDL met the requirement. (b) Criteria #2 is satisfied by s. 5(a)-(c) of the DMDL. We found s.5(a) of the DMDL met the requirement. (c) Criteria #3. ss. 5(b)-(l), 6(a)-(d), 18-23 and 25 provide a framework for debt management in Kaduna State with reasonably detailed fiscal and debt rules, without stipulating debt limit or providing a clear framework for setting the limit. *While this provision relates to fiscal and debt management rules, it is inadequate to satisfy the requirements of Criteria #3*	Unsatisfactory	State should amend their Debt Management Department Law to provide for debt rules/limits for the state.
4	Has the Unit (or Committee, Agency, Board, Bureau, Commission, Council) created by law been operational during the APA year.	Response obtained from the email sent to the State showed that Kaduna State Debt Management Department was established in 2009 as a sub-unit attached to the Final Accounts Unit of the Ministry of Finance but was created by Law on 27th May 2015. Mr. Caleb Hyuk joined the entity since the inception of the Department in 2009 and as an Operational Staff.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
		Another Staff, Mr. Bashiru Garba joined the Department in 2018 as an Accountant. The Dept has been involved in all Debt recording and reporting and was first given the task of recording Contractual Liabilities using Excel spread sheet. The staff have attended workshops organized by the Debt Management Office, Abuja and others hence have a wealth of experience on Debt recording and reporting. We obtained photographic evidence of the Debt Management Department showing some of the officers and the premises of the Department, We also obtained an e-copy of the Q4/Year-end SDDR for the APA Year directly from the State Debt Management Department and retained in our file. The information processed by the Office is reported quarterly through the recommended templates to the Debt Management Office in Abuja and this includes the submitted Quarter 4/Year end SDDR for the APA year. We also 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.		
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**		**Not Achieved**	
1	Has the State produced quarterly State Domestic Debt Reports (SDDR), which are approved by the DMO on average of	This DLI was assessed based on Q4 only, as the revised report template and DMO verification protocols were only implemented in Q4 2018.	Unsatisfactory	SDDR submissions to the DMO should be timely

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	two months after the end of the quarter in 2018?	Hard copies of SDDR for the 4 quarters and soft copies for 1st and 2nd quarters were obtained and reviewed. The reports were submitted within timeframe according to the State. 1st Quarter was submitted on 23rd April 2018; 2nd Quarter was submitted on 23rd July 2018; 3rd Quarter was submitted on 30th October 2018; and 4th Quarter was submitted in March 2019 (a week after due date) Based on DMO's assessment report, the Q4 SDDR was not submitted within the timeline.		
2	**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.	State was marked adequate on the 'Use of Debt Recording Template and Comprehensive Quarterly Debt Report' assessment by DMO. The remaining 3 criteria by DMO were marked 'Data with marginal errors'. Therefore, State achieved only 2 out of 5 criteria assessed by DMO with a final remark of 'No final submission'. 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.	n/a	
	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**		**Not Achieved**	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	place and an arrears clearance framework established.			
1	Has the State established an Arrears Clearance Framework (ACF)?	No Clearance Framework established as at 31st Dec 2018	Unsatisfactory	The State should establish an Arrears Clearance Framework
2	Does the ACF contain: 1) the planned actions to settle arrears; and 2) an explicit prioritization of expenditure arrears to be settled.	No Clearance Framework established as at 31st Dec 2018	Unsatisfactory	
3	Has the ACF been published on a state official website?	No Clearance Framework was published on the State website as at 31st Dec 2018	Unsatisfactory	
4	Has the State established an Internal Domestic Arrears Database?	Hard copy of Internal Domestic Arrears Database reviewed and retained in file. The requirement however is for the State to have an electronic database from which certain information can be published online	Unsatisfactory	The State should create an Internal Domestic Arrears Database that is in line with the detailed guidance provided on this DLR
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 internal domestic arrears database was not published online.	Unsatisfactory	
	DLI 9: Improved Debt Sustainability			
DLR 9	**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	
	Has the State met: (i) the ratio of total debt stock at end-of-year (31st December 2018) of the	**Based on the 2018 Financial Statements** Total Debt - N173,485,044,000.00	Satisfactory	*We noted a difference of N11,668,244,321 between the Debt figure stated in the 2018*

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	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%]	Page 18 (Notes 32 & 34) of 2018 FS Total Revenue - N130,722,893,000.00 (Page 22 of 2018 Financial Statement) Total Revenue - N130,722,893,000.00 Less Paris Club Refund - (N12,252,928,000.00) Total Adjusted Revenue – N118,469,965,000.00 N173,485,044,000.00 X 100 = 146.44% N118,469,965,000.00 Total Debt to Total Revenue = **146.44%** **Total Debt based on DMO Figures** State's External debt: ($227,252,685.58) @N307) = 69,766,574,473* Domestic debt 92,050,225,206 Total Debt 161,816,799,679 Total Debt to Revenue 161,816,799,679 X 100 = 137% 118,469,965,000 *Table 3 below holds a breakdown of the Total Debt.		*Audited Financial Statements of the State (N173,485,044,000) and the updated Debt data provided by the DMO, FMoF, CBN (₦161,816,799,679). This affects the credibility of the* Financial Statements and we recommend the difference is reconciled/resolved as soon as possible.
	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) is less than 40 percent of the gross FAAC allocation for the same calendar year.	Gross FAAC - N73,723,354,095 Total Deductions N4,827,424,509.18 Debt Service Deductions to Gross FAAC is 6.5% Source: Kaduna State Ministry of Finance, 2018 FAAC Allocation.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	Less than :< [40%]			

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

NAIRA	KADUNA
1. BUDGET SUPPORT LOAN (SOURCE FMOF)	16,869,000,000
2. BAIL OUT (SALARIES) (SOURCE CBN)	13,280,484,251
3. RESTRUCTURED COMMERCIAL BANK LOANS (FGN BOND)	-
4. EXCESS CRUDE ACCOUNT BACKED LOAN (SOURCE CBN)	9,379,667,041
5. STATE BONDS	-
6. COMMERCIAL BANK LOANS	122,644,161
7. CBN COMMERCIAL AGRIC LOAN (SOURCE CBN)	-
8. BAIL-OUT (INFRASTRUCTURE)	-
9. MICRO SMALL MEDIUM ENTERPRISE DEVELOPMENT FUND (MSMEDF) (SOURCE CBN	1,000,000,000
10. JUDGEMENT DEBTS	-
11. GOVT - GOVT DEBTS	-
12. CONTRACTORS' ARREARS	30,202,630,124
13. PENSION AND GRATUITY ARREARS	21,195,799,629
14. SALARY ARREARS AND OTHER CLAIMS	-
15. OTHER DEBTS	-
TOTAL DOMESTIC DEBT (TDD)	92,050,225,206
TOTAL EXTERNAL DEBT (TED)	69,766,574,473
TOTAL PUBLIC DEBT (TED+TDD)	161,816,799,679

Table Notes

1. Domestic debt stock figures (except for categories 1,2,4,7 and 9) are the figures as at 31st December 2018 reported by states to the DMO in their signed Q3 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.

s/No.	DLI	State Response	IVA Response/Treatment
1	DLI 3	The discrepancy between the TSA Bank Statement and Financial Statement in the year 2018 was as a result of Local Government funds (FAAC allocation and Paris Club refund) and other third-party funds paid through the TSA. The breakdown Local Government and third-party fund that was paid through the TSA is as follows; • FAAC for 23 LGAs is N52.5bn • Paris Club Refund is 10.02bn • Third Party Fund is 24bn	Noted. See updates in the Findings section.
2.	DLI 7.	The State had submitted its 4th quarter Debt Sustainability report to DMO in March 2019, week later than the official deadline for submission. Even though the DMO did not acknowledge and the upload the State 4th quarter report on their database, the figures presented during the APA exercise is the true debt figure of the State. Attached here is the 4th Quarter report.	Noted. SDDR is confirmed by the State as submitted after the time limit. **The result was not achieved.**
3.	DLI 9.	Kindly consider the debt figure in the 4th Quarter report as submitted to the DMO (Copy attached) to calculate the Debt stock as a share of total revenue ratio, please.	Noted. DLR 9 was calculated based on data from the DMO, CBN and FMoF. **Marked as Achieved.**

Appendix A

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://mobp.kadgov.ng/budgets/ https://kdsg.gov.ng/3216-2/?wpdmc=budget http://finance.kdsg.gov.ng/ https://kdsg.gov.ng/kdsg-draft-2019-budget/	A search was done on Kaduna 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 14/03/19 providing an attached gazette document. 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?		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
https://kdsg.gov.ng/category/downloads/ http://finance.kdsg.gov.ng/ https://kdsg.gov.ng/wp-content/uploads/2018/05/STATEMENT-OF-FINANCIAL-PERFORMANCE.pdf https://kdsg.gov.ng/wp-content/uploads/2018/05/STATEMENT-OF-FINANCIAL-PERFORMANCE.pdf	A search was done on Kaduna 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	Notes were not detailed. Detailed Notes should be published along with the audited Financial Statements
Are there any indications that balances within the financial statements are not credible	Partly	i. Only 2017 values provided. ii. No information on external loan repayment. iii. No detailed notes. iv. Use of Newspaper adverts/extracts of FS