



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

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

**KWARA STATE**

**By:**

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



**March 2020**

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# 1. Executive Summary

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This Report details the outcome of the Annual Performance Assessment (APA) conducted on Kwara 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 Kwara State and shows areas where the state was able to achieve results. In total, Kwara State achieved **Five (5)** DLRs out of 14 DLRs.

We further identified several areas where the State should be able to improve its performance for the next APA, and these are set out in details 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 an average of 4 weeks after the end of each quarter for 2020 APA and years thereafter.
2. DLR 1.2: The annual expenditure outturn deviation is reduced to a level within the annual requirement for this result.
3. DLR 2.1: Citizens engagement in the budget process is conducted and minutes of the consultations is signed by CSO representatives present at the meeting. The signed minutes of consultation is published on the State's website before or at the time of publishing the approved annual budget.
4. DLR 3: TSA covers all State government finances based on a formally approved cash management strategy. Note a minimum required coverage of 75% of state government finances for 2020 and 80% for the year thereafter.
5. DLR 4.1: Review the Revenue Law for amendments. The Revenue Law should clearly state the sources of the revenues, (including the Local Governments sources) and should be published online.
6. DLR 4.2: : Improve on its annual nominal IGR growth rate to at least meet the basic target of 20%.
7. DLR 6.1: Review the Procurement Law to provide for grounds for removal of the Chief Executive of the Procurement agency.
8. DLR 6.2: Publish contract award information above the set threshold, on a monthly basis, and in the OCDS format on the state website.
9. DLR 8: A Domestic Arrears Clearance Framework should be established, and an internal domestic arrears database created with relevant balances placed online through a publicly accessible portal.

**Table 1: Assessment Results**

Key:	Achieved	<span style="background-color: #008000; color: white;"> </span>	Not Achieved	<span style="background-color: #cccccc;"> </span>
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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		Q3 and Q4 reports were not published online.
	DLR 1.2: FY18 deviation for total budget expenditure is < 30%		The deviation was 53%.
<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		Public consultation forum was not conducted.
<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.		The TSA covered 8.16% of the State's finances.
<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 revenue law does not include sources of the revenues for local governments and the rate was not published online.
	DLR 4.2: 2018-2017 annual nominal IGR growth rate meets target: -Basic target: 20%-39%, Stretch target: 40% or more		IGR growth rate for 2018 was 16.70%.
<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	<span style="background-color: #008000; color: white;"> </span>	Biometric capture was of 100% of Civil Servants.
	DLR 5.2: Link BVN data to at least 60 percent of current civil servants on the payroll and payroll fraud addressed	<span style="background-color: #008000; color: white;"> </span>	100% of the Civil Servants BVN was linked to 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 conform 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		Contracts above the threshold 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.	<span style="background-color: #008000; color: white;"> </span>	The Law met all three requirements.
	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	<span style="background-color: #008000; color: white;"> </span>	Q4 Report was submitted on time
<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.		No consolidated arrears database or Arrears Clearance Framework 2018.
<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%.	<span style="background-color: #008000; color: white;"> </span> <b>Stretch target met</b>	Debt service deduction ratio was 10.8%, and. Debt stock to revenue was 102%.

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 States' 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 States against the Disbursement Linked Results (DLRs) for 2018. To ensure a high-quality assessment, the IVA engaged the services of experts in Taxation, Procurement and Debt Management laws to review the legislation in place at each State.

### 2.2 Scope and APA Process

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

The verification protocol was set early in the preparation of 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 from 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 November 24, 2019 and December 1, 2019 with a team of five persons, starting with an opening meeting where all 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. Ltd are grateful to the state for the cooperation enjoyed during the assessment and hope the recommendations within this Report are found to be valuable towards meeting the DLIs 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>			
<b>DLR 1.1</b>	<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 DLI was assessed based on the last two quarters of 2018 as per verification protocol.</p> <p>The State Official website <a href="http://www.kwarastate.gov.ng">www.kwarastate.gov.ng</a> was visited. Only the 1<sup>st</sup> Quarter budget implementation report for 2019 was published online.</p> <p>The Quarterly implementation Reports for Q3 and Q4 were not hosted online.</p>	Unsatisfactory	The State should publish all quarterly budget implementation reports online within 4 weeks for 2020 APA and years thereafter.
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)?	For the report that was reviewed, the approved budget appropriation for the year against each organization unit (MDAs) were included for each of the core economic classification of expenditures and MDAs.	Satisfactory	
3	Does the report State the actual expenditures for the quarter attributed to each MDA and each expenditure classification as well as	The actual expenditures for the quarter attributed to each MDAs as well as the cumulative expenditures for the year were included in the report.	Satisfactory	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	the cumulative expenditures for year to date?	Our review of the state quarterly implementation report physically submitted to us confirmed this.		
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 stated balances against each of the revenue and expenditure appropriations with balances provided on a consolidated basis across the four (4) expenditure classifications. Review of state quarterly implementation reports confirmed this also.	Satisfactory	
<b>DLR 1.2</b>	<b>FY [2018] deviation from total budget expenditure is less than 30%</b>		<b>Not 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 percentage deviation expenditure is calculated as follows:</p> <p>Total approved budget exp.= N190,997,425,571  Actual total expenditure. = <u>N89,914,395,859</u>  Deviation of the Exp. = N101,083,029,712  Deviation expressed in positive percentage:  = <u>N101,083,029,712</u> x 100  N190,997,425,571  = 52.92% or 53%</p> <p>The deviation of 53% computed is higher than 30%</p> <p>The computation was corroborated by the self-assessment report submitted by the State.</p> <p>Source of figures used: 2018 Financial Statements and State approved Budget for 2018</p>	Unsatisfactory	The state should reduce the level of deviation from its original approved budget.
	<b>DLI 2: Increased openness and citizens' engagement in the budget process</b>			
<b>DLR 2.1</b>	<b>Citizens' inputs from formal public consultations are published online,</b>		<b>Not Achieved</b>	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	<b>along with the proposed FY [2019] budget</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 did not conduct any town hall meeting to consult on the budget and the photographs provided by the State to the IVA related to the budget presentation.	Unsatisfactory	The state should conduct public consultations with key stakeholders in advance of each budget preparation, and the minutes should be jointly prepared with the CSO representatives, signed by them and published online.
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?	See above	Unsatisfactory	See above
	<b>DLI 3: Improved cash management and reduced revenue leakages through implementation of State TSA</b>			
<b>DLR 3</b>	<b>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 maintained 3 types of accounts. FAAC – Sterling Bank number 0029319333 VAT – GTBank Account number 0034886789 IGR – GTBank account number - 0199648356 (TSA)  All the banks in Kwara State (18 banks) collect IGR for the State and sweep their collections into the GT Bank TSA Account on the first week of the following month. Expenditures are made from the TSA account, FAAC account and VAT account respectively.	Unsatisfactory	The State should establish and maintain a functional State-level Treasury Single Account.  Funds from other bank accounts should be swept to the designated TSA regularly and expenses made directly from the account.



	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
		The 3 accounts are not linked in anyway and expenses are made directly from the 3 accounts. This was confirmed from the Bank Statement from the various bank. A letter from the State Accountant General/ Ministry of Finance confirms GT Bank account number 0199648356 as the State TSA.		
2	<p>Is there a formally approved cash management strategy in place?</p> <p>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.</p>	<p>A formal cash management strategy was not in place as at 31 December 2018.</p> <p>This was stated in the State's self-assessment submission.</p>	Unsatisfactory	The State should prepare and implement an approved Cash management strategy.
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)?	<p>The State does not have a dedicated portal/dashboard for TSA monitoring, rather different officers monitor different accounts held by the state. The state deplores a combination of Pay-direct and online banking to monitor movement in the various bank accounts. The Accountant General monitors the FAAC account while Kwara Internal Revenue Service (KWIRS) monitors the IGR accounts.</p> <p>This was observed during the field visit to various Banks, KWIRS, the State Ministry of Finance and the State Office of the Accountant General.</p>	Unsatisfactory	The state should ensure the TSA has a system of cash management that allows for a central view of cash balances in bank accounts on a single electronic dashboard.
4	Does the TSA have one consolidated revenue treasury account for state revenues? Revenues collected by MDAs such as service fees no longer sit in individual MDA accounts at different commercial banks but are brought into the consolidated revenue account as part of the TSA.	<p>All banks (18) in the state collect revenue for the state on behalf of all MDAs. The balance collected is swept into the GT Bank account number - 0199648356 on the first week of the following month.</p> <p>The operation was validated from selected MDAs and Banks during the field visit.</p>	Satisfactory	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
5	Does the TSA cover a minimum of 50% of the State Government's finances?	<p>Total TSA (In-flow) = ₦7,258,531,048.34  Total Revenue (FS) = ₦88,669,353,567.74</p> <p>Therefore <math>\frac{₦7,258,531,048.34}{₦88,669,353,567.74}</math></p> <p>Ratio = 8.19%</p> <p>Total TSA (Out-flow) = ₦7,334,281,135.28  Total Expenditure (FS) = ₦89,914,395,859.23  Ratio = 8.16%</p> <p>The average is computed as: <math>\frac{8.19\% + 8.16\%}{2} = 8.18\%</math></p> <p>The TSA covered is less than 50% of the State's finances.</p> <p>Sources: TSA Bank Statement and Financial Statement for 2018.</p>	Unsatisfactory	The State should link all bank accounts to the TSA and ensure revenues and expenditures are made directly from the TSA account.
	<b>DLI 4: Strengthened Internally Generated Revenue (IGR) collection</b>			
<b>DLR 4.1</b>	<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? IGR sources include presumptive tax, indirect taxes and levies (roads, hotels), fines, fees and charges.	The Kwara State Revenue Administration (Amendment) Law 2017 and the State Revenue Code provided contains the various revenue heads for the State and Local Governments. Findings from our review of the State Revenue Law and Revenue Code are as follows:	Unsatisfactory	The state should: <ul style="list-style-type: none"> <li>• Develop LGA rates and law</li> <li>• Ensure there are Schedules with State level MDA sources and rates.</li> </ul>

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	Personal income tax, including PAYE, which is collected by the State and covered by the federal tax code.	<ul style="list-style-type: none"> <li>• The Law does not have a schedule of sources of revenue (nor approved rates) for both State (including MDAs) and the Local Government.</li> <li>• The consolidated revenue rates are not published online.</li> </ul>		
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?	<p>The State has a Revenue Administration Law which states that the Kwara Internal Revenue Service (KWIRS) is responsible for the collection of all revenue and accounting for the funds. This was stated in Section 9 of the Kwara State Revenue Administration (Amendment) Law 2017.</p> <p>The Tax Law was obtained from the KWIRS official website <a href="http://irs.kw.gov.ng/">http://irs.kw.gov.ng/</a>.</p>	Satisfactory	
3	Is Collection of revenues made into accounts nominated by the SBIR for the SBIR to be deemed responsible for collection?	<p>The State IGR collections are being paid into the account nominated by the KWIRS.</p> <p>KWIRS is responsible for the monitoring and supervision of the collections. This was stated in the Kwara State Revenue Administration (Amendment) Law 2017 and corroborated by our review.</p> <p>Also, the Pay direct platform for monitoring of collections and the internet banking profile for the IGR collection account is being handled by KWIRS. This was validated during our field visit to KWIRS, MDAs and the Banks.</p>	Satisfactory	
4	<p>Is the code 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 shall occur by the 31 December of the year under</p>	The State Revenue Code has no legal backing as it was not passed by the State House of Assembly.	Unsatisfactory	The state should ensure the consolidated revenue code is prepared and presented to the State House of Assembly for passage or resolution as soon as possible.

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	assessment to count for that year, up to 31 December 2020.			
5	Is the Revenue published online, so it is automatically available to the public/all taxpayers?	The Consolidated Revenue Code was not hosted online on the State official website ( <a href="https://kwarastate.gov.ng/">https://kwarastate.gov.ng/</a> ) or KWIRS official website ( <a href="http://irs.kw.gov.ng/">http://irs.kw.gov.ng/</a> ).	Unsatisfactory	The State should ensure the Consolidated Revenue Code is published online.
<b>DLR 4.2</b>	<b>Annual nominal IGR growth rate meets target</b>		<b>Not Achieved</b>	
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 Figures for the IGR growth rate were provided from the Audited Financial Statements Year 2018: <u>₦23,133,478,575.32</u> Less Reimbursement <u>(₦63,000,000.00)</u> <u>₦23,070,478,575.32</u>  Year 2017: <u>₦19,783,471,889.29</u> Less Reimbursement <u>(₦14,498,266.00)</u> <u>₦19,768,973,633.29</u>  Difference: <u>₦3,301504,942.03</u>  $\frac{\text{₦3,301504,942.03}}{\text{₦19,768,973,633.29}} \times \frac{100}{1} = 16.70\%$  The State IGR Growth rate for 2018 was 16.70%	Unsatisfactory	The State should put in place measures and mechanisms to enhance revenue generation.
	<b>DLI 5: Biometric registration and bank verification number (BVN) used to reduce payroll fraud</b>			
<b>DLR 5.1</b>	<b>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</b>		<b>Achieved</b>	
1	Has the State used Biometrics to reduce payroll fraud through a	The State has used biometric data capture to reduce payroll fraud for the year under review. The biometric	Satisfactory	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	completed biometric exercise for 60% of the current civil servants on the state payroll?	<p>linkage was done on 100% of the staff which comprised of 16,795 civil servants.</p> <p>To confirm the above:</p> <ul style="list-style-type: none"> <li>• The nominal roll for the State was obtained from the State Civil Service Commission.</li> <li>• The State Biometric register from the office of the Accountant General was reviewed.</li> <li>• The Nominal roll was compared with the Biometric register.</li> <li>• The Payroll for the State was also obtained from the office of the State Office of the Accountant General and compared with the Biometric register.</li> <li>• The list of staff removed from the State payroll was compared against the payroll to ensure the removal has been effected.</li> <li>• A field visit was conducted to the State Ministry of Finance to validate the reports provided and to conduct a walk-through of the system and sample testing of some staff on the biometric register.</li> </ul>		
2	Has the State linked the biometrics data to the state payroll to identify ghost workers?	The State has enrolled all its staff on biometrics, and this has helped them to identify and eliminate ghost workers. As stated above, a sample of the Staff on the State payroll was compared with the Biometric register to validate this report.	Satisfactory	
3	Has the State removed confirmed ghost workers within three (3) months of each case being confirmed?	<p>The State has removed confirmed ghost workers from its payroll, it was done within 12months and not 3 months. A written instruction by the Head of Civil Service to the Accountant General to stop the payment of ghost workers confirmed this period.</p> <p>However, the State further verified that during the period of processing the variation orders, the salaries of the suspected ghost workers were immediately withheld</p>	Satisfactory	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
		and transferred to salary reserve account. We agree this is as good as being removed from the payroll pending full clearance.		
<b>5.2</b>	<b>Link BVN data to at least [60] percent of current civil servants [and pensioners] on the payroll and payroll fraud addressed</b>		<b>Achieved</b>	
1	Has the State linked the Bank Verification Number data to 60% of its current Civil Servants on the state payroll?	All members of staff (civil servants only) on the payroll were linked to the BVN. This was confirmed by carrying out a walk-through test in the Payroll Office of the State Accountant General.  Total no. of staff on the payroll: 16,795 Staff linked to BVN: 16,795 i.e. 100% was linked to BVN.	Satisfactory	
2	Has the State taken steps to identify payroll fraud?	The State linked all the staff to BVN. The State relies on BVN in addition to other measures biometrics for identifying payroll fraud. To confirm this, the nominal roll was compared with the payroll.	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>	
1	Does the State have a public procurement legal framework which must be approved by the state	Kwara State Public Procurement Law, No. 7, 2018 was passed by the State Assembly and assented to by the Governor on 20th August 2018.	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations				
	<p>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.</p>							
2	<p>Does the law conform with the UNCITRAL Model Law which should provide for:</p> <p>1) eProcurement;</p> <p>2) establishment of an independent procurement board; and</p> <p>3) cover all MDAs receiving funds from the state budget.</p>	<p>The Kwara State Public Procurement Law, 2018 is structured and modelled in line with UNCITRAL Model law but requires recommended amendments to fully comply.</p> <p>1. E-procurement: <b>(Compliant)</b>. Section 15(c). states that the Agency is to approve changes in procurement Process to adapt to improvements in modern Technology.</p> <p>S. 60 (1), also states that The Board is to design and set up a secure electronic portal to be known as Kwara State Government Electronic Procurement System which shall be the primary source of information for all procurement matters and opportunities within the purview of the law.</p> <p>2. Establishment of an independent procurement board.</p> <p>The results of our assessment of the legislation for independence are on the table below:</p> <table border="1" data-bbox="743 1276 1417 1398"> <thead> <tr> <th data-bbox="743 1276 1050 1321">Required provisions*</th> <th data-bbox="1050 1276 1417 1321">Result</th> </tr> </thead> <tbody> <tr> <td data-bbox="743 1321 1050 1398">The Functions and Powers of the Agency.</td> <td data-bbox="1050 1321 1417 1398">Complies; see section 15 and 16</td> </tr> </tbody> </table>	Required provisions*	Result	The Functions and Powers of the Agency.	Complies; see section 15 and 16	Unsatisfactory	The law should provide for grounds for removal of the Chief Executive of the agency
Required provisions*	Result							
The Functions and Powers of the Agency.	Complies; see section 15 and 16							

	Disbursement Linked Indicators (DLIs) and Tests	Findings		Conclusions	Recommendations
		The composition of the Board	Compliant; see section 2(3).		
Membership of the board/council includes representatives from professional bodies/associations	Compliant; see section 2(3) (a).				
The grounds for removal of the Chief Executive of the agency	Non-compliant; see section 18(4). Even though the law in (S. 5(1) states the grounds for removal of members. S.18 will be applicable to the General Manager being a specific provision made regarding that office as distinct from other members of the Board.				
Regarding the decisions of the Agency or Board; Any other reviews after the board's decision should be by judicial review.	Non-compliant; see S 68(2). Appeals from decisions of the Board lie to the State Executive Council.				
		<p>*Provided by the World Bank</p> <p>3. Covers all MDAs receiving funds from the state budget. <b>(Compliant)</b>; 76 (1) (a-c), The Law applies to all procurement of goods, works and services carried out by, the state Government, Local Government Councils and all procuring entities.</p>			
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?	Procurement Regulatory Agency was yet to be established. The self-assessment form submitted by the State confirmed this.		Unsatisfactory	The State should establish a Procurement Regulatory Agency.



	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
<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 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>	The State is yet to publish contracts awarded as stated on their self-assessment form. To further confirm this, the State Website was visited and there was nothing found to prove otherwise.	Unsatisfactory	The state should ensure Contract award information above the set threshold are published online using the OCDS format.
	<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>Achieved</b>	
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	<p>The State provided the following Laws:</p> <ol style="list-style-type: none"> <li>I. Kwara State Debt Securities Issuance Law, 2008.</li> <li>II. Kwara State Debt Securities Issuance (Amendment) Law, 2015.</li> <li>III. Kwara State Fiscal Responsibility Law, 2008.</li> </ol>	Satisfactory	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	Responsibility Act (FRA) in the organic PFM Law?			
2	Does the legislation provide for the creation of a State Debt Management Department (or Unit, Committee, Agency, Board, Bureau, Commission, Council)?	Yes, reference to Kwara State Debt Securities Issuance Law, 2008 Part II states the Establishment of the Kwara State Debt Management Office and Composition of the Board.		
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.	All the laws were reviewed, and we observed the following:  Part 1 (s2) of the Kwara State Debt Securities Issuance Law, 2008 provides authorization for the State to issue Debt Securities. It does not specify an entity to handle the contracting and is specific to securities only, not all forms of debt.  Part III s3(a) of the Kwara State Debt Securities Issuance Law, 2008 provides as a function of the State Debt Management Office, the ability to issue Debt Securities. The law includes a definition of Debt Securities and it does not extend to cover all forms of loan. The Kwara State Debt Securities Issuance (Amendment) Law, 2015 inserts a change to s8 of the principal law which provides for the Executive Council to from time to time upon the advice of the Department and the Commissioner, approve standard terms and conditions for the negotiation and acceptance of loans and facilities and issuance of Debt securities and guarantee'. This goes further toward clarifying the responsibility for contracting but is not deemed conclusive.  Part III s3(b) provides for the maintenance of a reliable database on all debts issued, loans etc. and thereby address the responsibility for the recording/reporting state debt	Satisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
		<p>Part III s3(c - i) provides for various functions of the Debt Management Office and Board in relation to fiscal rules/limits.</p> <p>The World Bank comment stipulates regarding the adequacy of the definition of “Debt Securities”. The DSIL provides “Debt Securities” means registered bonds, bearer bonds, promissory notes, syndicated notes, certificates, debentures and such other securities, debt instruments, financial instruments or other obligations authorized to be issued and secured by the State pursuant to this Law and payable as provided in this Law.</p> <p>S.5 of the DSIL Amendment Law resolved any doubts, though we do find any doubt in the original law. Section 5 of Debt Securities (Issuance) (Amendment) Law 2015 provides “The State is authorized through the Department to raise loans and borrow any sums of money from ... (Department means Debt Management Department). This is clear on the responsibility for contracting state debt.</p> <p>In addition to the foregoing, ss.35-37 of FRL complements the fiscal and debt rules and limit. s.35(1)(b) provides debt limit. s. 35(1)(b) The framework for debt management during the financial year shall be based on the following rules - The State Government shall ensure that the level of public debt as a proportion of State income is held at a sustainable level as prescribed by the Investments and Securities act from time to time on the advice of the Commissioner.</p> <p>We have also found that the FRL in s.12(3) sets out the content of a quantitative Medium-Term Expenditure</p>		

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
		<p>Framework (MTEF) for the state, including a Consolidated Debt Statement. A MTEF is good practice for setting the fiscal and debt parameters for the medium-term, including the size of fiscal deficit and new borrowing/debt which will determine the debt stock. s.13(1) further specifies expenditure and fiscal deficit limits. The fiscal deficit limit effectively limits the amount of new borrowing/debt to be incurred annually. Based on these provisions in the FRL, Criteria #3 is satisfied</p> <p>From the WB review of the Debt Securities Issuance (Amendment) Law, 2015 (DSIL) and Fiscal Responsibility Law, 2008 (FRL), Kwara State met the requirements of the 3 criteria.</p>		
4	<p>Has the Unit (or Committee, Agency, Board, Bureau, Commission, Council) created by law been operational during the APA year.</p>	<p>The State Debt Management Department was established in the Year 2009 under the State Ministry of Finance and Planning. We obtained pictures of the office which we retained in our file.</p> <p>Kwara State Debt Management Department is headed by Mr Ibiyinka Olatunde. He is responsible for debt recording and reporting.</p> <ul style="list-style-type: none"> <li>• At the end of every quarter, letters of request for update on contractual obligations were sent to all MDAs.</li> <li>• Returns/Reply would be used to update the state record to obtain the total outstanding on contractual debt.</li> <li>• Letters of updates are also sent to office of Accountant - General, Pension Board and Ministry of Justice to obtain updates on repayment of Loans, Pension and Gratuities and Judgement Debts.</li> </ul> <p>The figures obtain are used to populate the DMO Reporting Template, Debt Stock Report and Service</p>		

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
		<p>Figures for the month which would be produced and sighted by the Head and the Honourable Commissioner.</p> <p>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.</p>		
<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>Quarterly State Domestic Debt Reports (SDDR) were submitted as follows:  Q1 report was submitted on 03/05/2018.  Q2 report was submitted on 04/09/2018.  Q3 report was submitted on 12/12/2018.  Q4 report was submitted on 26/02/2019.</p> <p>All the SDDR were prepared within 2months after the end of the quarters, the 2<sup>nd</sup> and 3<sup>rd</sup> quarters SDDR were not submitted within the time frame.</p> <p>The email used in sending the report to Federal DMO was used to determine the time of sending the report for the State.</p> <p>DMO's report also confirmed that the 4<sup>th</sup> quarter SDDR was submitted within timeline.</p>	Satisfactory	
2	<b>Note: Have you reviewed for accuracy and completeness from the DMO:</b>	We reviewed the DMO report and the DMO report confirmed the accuracy and completeness of the State Domestic Debt Report.	n/a	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	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.	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.		
	<b>DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears</b>			
<b>DLR 8</b>	<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>	The State should prepare and implement an ACF as well as an internal domestic arrears database, in line with the detailed guidance provided for this DLR.
1	Has the State established an Arrears Clearance Framework (ACF)?	No submission by State	Unsatisfactory	
2	Does the ACF contain: 1) the planned actions to settle arrears; and 2) an explicit prioritization of expenditure arrears to be settled.	No Submission by State	Unsatisfactory	
3	Has the ACF been published on a state official website?	No Submission by State	Unsatisfactory	
4	Has the State established an Internal Domestic Arrears Database?	No Submission by State	Unsatisfactory	
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?	No Submission by State	Unsatisfactory	

	Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusions	Recommendations
	<b>DLI 9: Improved debt sustainability</b>			
<b>DLR 9</b>	<p><b>Average monthly debt service deduction is &lt; 40% of gross FAAC allocation for FY [2018]</b>  <b>AND Total debt stock at end Dec [2018] as a share of total revenue for FY [2018] meets target:</b>  <b>-Basic target: &lt; [150%]</b>  <b>-Stretch target: &lt; [125%]</b></p>		<b>Achieved</b>	
	<p>Has the State met:            (i) the ratio of total debt stock at end-of-year (31st December 2018) of the year of assessment to the total revenue collected during the calendar year of the year of assessment (1st January to 31st December 2018)?            -Basic target:&lt; [150%]            -Stretch target: &lt; [125%]</p>	<p>Domestic Debt = ₦60,492,852,226.00            External Debt = <u>₦14,919,905,412.01</u>            Total Debt = <u><b>₦75,412,757,638.01*</b></u></p> <p>External Debt is \$48,599,040.43 @ ₦307 = ₦14,919,905,412.01</p> <p>*Table 3 below holds a breakdown of the Total Debt</p> <p>2018 Total Revenue = N88,669,353,567.74            Less Grant and Reimbursement=N14,616,865,898.40            Net Revenue= ₦74,052,487,669.34</p> <p>Ratio= <math>\frac{₦75,412,757,638.01}{₦74,052,487,669.34} \times 100</math></p> <p>Total Debt to total Revenue = 102%            The Domestic debt and External debt were gotten from the SDEDR provided by the State which also corresponded with the reports and figures from Federal DMO. The Total revenue figure was from the Financial Statement of the State.</p>	Satisfactory	
	<p>Has the State met:            (ii) the ratio of total monthly debt service (principal and interest) deductions from FAAC allocation</p>	<p>Total monthly debt service deductions from FAAC is N5,400,270,884.25;            Total Gross FAAC is N49,874,064,673.25</p>	Satisfactory	

	<b>Disbursement Linked Indicators (DLIs) and Tests</b>	<b>Findings</b>	<b>Conclusions</b>	<b>Recommendations</b>
	<p>during the calendar year of the year of assessment (1st January to 31st December 2018) to the gross FAAC allocation for the same calendar year.</p> <p>Less than :&lt; [40%]</p>	<p>Ratio = <math>\frac{N5,400,270,884.25}{N49,874,064,673.25} \times 100</math></p> <p>Total monthly debt service deductions to Gross FAAC = 10.8%</p> <p>Sources: From Financial Statement and FMoF FAAC publication</p>		



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

<b>NAIRA</b>	<b>KWARA</b>
1. BUDGET SUPPORT LOAN (SOURCE FMOF)	16,869,000,000
2. BAIL OUT (SALARIES) (SOURCE CBN)	4,037,712,780
3. RESTRUCTURED COMMERCIAL BANK LOANS (FGN BOND)	15,368,869,653
4. EXCESS CRUDE ACCOUNT BACKED LOAN (SOURCE CBN)	9,393,561,003
5. STATE BONDS	-
6. COMMERCIAL BANK LOANS	462,668,870
7. CBN COMMERCIAL AGRIC LOAN (SOURCE CBN)	845,805,174
8. BAIL-OUT (INFRASTRUCTURE)	-
9. MICRO SMALL MEDIUM ENTERPRISE DEVELOPMENT FUND (MSMEDF) (SOURCE CBN)	2,000,000,000
10. JUDGEMENT DEBTS	-
11. GOVT - GOVT DEBTS	-
12. CONTRACTORS' ARREARS	1,402,236,358
13. PENSION AND GRATUITY ARREARS	10,112,998,389
14. SALARY ARREARS AND OTHER CLAIMS	-
15. OTHER DEBTS	-
<b>TOTAL DOMESTIC DEBT (TDD)</b>	<b>60,492,852,226</b>
<b>TOTAL EXTERNAL DEBT (TED)</b>	<b>14,919,905,412</b>
<b>TOTAL PUBLIC DEBT (TED+TDD)</b>	<b>75,412,757,638</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.
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

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State should please use this box for their response.

Response for Further Consideration	IVA Response
<p>DLR 5.1: We want to draw your attention to the unsatisfactory rate given to the state on DLR 5.1</p> <p>We want to strongly emphasize that Biometric exercise and BVN were carried out for the screening of the workers with a view to discover ghost workers.</p> <p>As you are aware, there are procedures in Civil Service for the removal of names on payroll. These procedures cannot be completed in less than five months so that litigations and conflict can be avoided.</p> <p>In view of this, compilation and approval for the removal of the initially suspected ghost workers took up to four months before conclusion.</p> <p>However, during the period of processing the variation orders, the salaries of the suspected ghost workers were immediately withheld and transferred to salary reserve account. This is as good as being removed from the payroll pending full clearance.</p> <p>The list of the deleted offices and the salary reserve account are available for verification.</p> <p>In the light of the above, we are of the opinion that Kwara State should be given a satisfactory rating on DLR 5.1</p>	<p>Noted. Based on the state's response, this DLR has been assessed as <b>Achieved</b>.</p>

# Appendix A

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

### Kwara 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 1 - 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
<a href="https://kwarastate.gov.ng/kwara-state-2019-approved-budget/">https://kwarastate.gov.ng/kwara-state-2019-approved-budget/</a>  <a href="https://kwarastate.gov.ng/wp-content/uploads/2019/03/Appropriation-Law-2019-KWSG.pdf">https://kwarastate.gov.ng/wp-content/uploads/2019/03/Appropriation-Law-2019-KWSG.pdf</a>	A search was done on Kwara 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 16/03/19 providing a link ( <a href="https://kwarastate.gov.ng/wp-content/uploads/2019/03/Appropriation-Law-2019-KWSG.pdf">https://kwarastate.gov.ng/wp-content/uploads/2019/03/Appropriation-Law-2019-KWSG.pdf</a> ) to the state governor's assent. A copy was downloaded.

Tests/checks performed	Results	Areas for improvement
Is the approved budget for 2019 available on any of the State Government Websites?	Yes	

<b>Was the approved budget published online before 28 February 2019?</b>	Yes	
<b>Is the published budget clear and legible?</b>	Yes	
<b>Can the budget be downloaded?</b>	Yes	
<b>Do we have evidence of assent by the Governor?</b>	Yes	Governor's assent was later downloaded from the link provided

**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="https://kwarastate.gov.ng/financial-statements/">https://kwarastate.gov.ng/financial-statements/</a> <a href="https://kwarastate.gov.ng/kwara-state-government-2017-financial-statement/">https://kwarastate.gov.ng/kwara-state-government-2017-financial-statement/</a>	The state website was searched, and 2017 Financial Statement was downloaded, and a screen shot of the website page was done.	The 2017 Financial Statements were published on the State Official website, a copy was downloaded.	N/A	<b>EC met</b>

Tests/checks performed	Results	Areas for improvement
<b>Were the Financial Statements (FS) for 2017 available on any of the State Government Websites? (and were the FS straightforward or difficult to find?)</b>	Yes	
<b>Were the Financial Statement for 2017 available published online before 31 December 2018?</b>	Yes	
<b>Are the published financial statements clear and legible?</b>	Yes	
<b>Can the Financial Statements be downloaded?</b>	Yes	
<b>Do we have evidence of audit by the State Auditor-General?</b>	Yes	
<b>Are the financial statements complete, including primary statements and disclosure notes?</b>	Partly	No detailed notes provided. Disclosure Notes should be published
<b>Are there any indications that balances within the financial statements are not credible</b>	Partly	i. No detailed notes provided. ii. Other revenue sources of

		<p>the Kwara State govt (MOF: Paris club, refund infrastructure, refund of bank charges, NNPC refund, Stabilization account, exchange difference) all lumped and not mappable to NCOA.</p> <ul style="list-style-type: none"><li>iii. No information on social benefit provided.</li><li>iv. No notes explaining the various items that make up domestic loan stock.</li><li>v. Need to reconcile domestic and external debt stock data with DMO</li><li>vi. Need to reconcile domestic debt service data with DMO</li></ul>
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