



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

2019 Annual Performance Assessment (APA) Report

LAGOS STATE

By:

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



November 2020

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1 Executive Summary

This Report details the outcome of the Annual Performance Assessment (APA) conducted on Lagos State for the second (2019) 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 2019 APA for Lagos State and shows areas where the State achieved results. In total, Lagos State achieved **6 (Six)** DLRs out of 15 DLRs applicable to 2019.

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

1. DLR 1.1: Budget implementation reports should include, at a minimum, the approved budget appropriation for the year for each organizational units (MDAs), and for each of the core economic classifications of expenditure (Personnel, Overheads, Capital, and Other expenditures). It should also state balances against each of the revenue and expenditure appropriations. The balances should also be provided on a consolidated basis across the four (4) expenditure classifications.
2. DLR 2.1: Conduct public consultation on the proposed budget with the participation of Local Government Authorities and State based CSOs. The minutes of the consultation should be jointly prepared and signed with the CSOs representatives and be posted on the States' website with the proposed budget.
3. DLR 2.2: Prepare and publish online the citizens budget before the due date.
4. DLR 3.0: Develop a functional State-level TSA where all Government revenues (IGRs and FAAC) are credited before expenditure and increase the percentage of state government finances flowing through the TSA to at the least the minimum required to achieve this result.
5. DLR 4.1: Review for amendments, the Revenue Law (alongside with the revenue code). The revenue law should clearly state the sources of the revenues, (including the Local Governments sources). The amended revenue law and code should be published online. Amend the revenue code to stipulate the SBIRS as sole agency responsible for collecting State revenue.
6. DLR 4.2: Increase in year-on-year IGR growth to at least the levels required for the achievement of this result.
7. DLR 6.1: Amend the Procurement Law to comply fully with the provision for the establishment of an independent Procurement Regulatory Agency in accordance with the UNCITRAL Model Law.
8. DLR 8: Ensure that the Arrears Clearance Framework is published online during each year of assessment for it to count towards the year, and that the clearance of domestic expenditure arrears is consistent with the ACF.
9. DLR 9: Strengthen the State's debt sustainability by achieving the levels of debt indicators that are below the thresholds established for this DLR.

Furthermore, we noted a significant issue affecting the credibility of the Financial Statements for 2019. Primarily, there is a difference of ₦86,499,771,791.00 (Eighty Six Billion, Four Hundred and Ninety Nine Million, Seven Hundred and Seventy One Thousand, Seven Hundred and Ninety One Naira), between the Total Debt Stock figure reported by the State on page 32 of the 2019 Audited Financial Statement (₦785,843,435,000.00) and the 2019 figure reported by the Federal Debt Management Office, the Central Bank of Nigeria and the Federal Ministry of Finance (₦872,343,206,791.00).

Table 1: Assessment Results

Key:	Achieved		Not Achieved		Previously Achieved	
Disbursement Linked Indicators		Disbursement Linked Results			Results	Remarks
DLI 1: Improved financial reporting and budget reliability		DLR 1.1: FY19 quarterly budget implementation reports published on average within 6 weeks of quarter-end to enable timely budget management				The reports were published in an average of 19 weeks after each quarter end.
		DLR 1.2: FY19 deviation for total budget expenditure is < 25%				The budget expenditure deviation is 8.79%.
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 FY2020 budget.				The minutes of meeting were not jointly signed by CSO representatives.
		DLR 2.2: Citizens' budget based on approved FY19 State budget published online by end April 2019.				Citizens' budget was published online on 18 th November 2019 after the due date.
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 60 percent of state government finances implementation of State TSA				The State did not have a functional TSA.
DLI 4: Strengthened Internally Generated Revenue (IGR) collection		DLR 4.1: State implementing a consolidated state revenue code covering all state IGR sources and stipulating that the state bureau of internal revenue is the sole agency responsible for state revenue collection and accounting. Code must be approved by the state legislature and published				Revenue neither includes all sources of revenue for Local Governments nor stipulates the SBIR as the sole agency responsible for state revenue.
		DLR 4.2: 2019-2018 annual nominal IGR growth rate meets target: -Basic target: 20%-39%, Stretch target: 40% or more				IGR nominal Growth Rate was 0.57%.
DLI 5: Biometric registration and Bank Verification Number (BVN) used to reduce payroll fraud		DLR 5.1: Biometric capture of at least 75 percent of current civil servants and pensioners completed and linked to payroll, and identified ghost workers taken off the payroll				The State had captured and linked the data of 80.5% of the State' civil servants and pensioners.
		DLR 5.2: Link BVN data to at least 75 percent of current civil servants and pensioners on the payroll and payroll fraud addressed				The State had linked 87.5% of the State' civil servants and pensioners BVN data 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. Said legal framework should conform with the UNCITRAL Model Law and provide for: 1) E-Procurement; 2) Establishment of an independent procurement regulatory agency; and 3) Cover all MDAs receiving funds from the state budget.				The State procurement Law did not comply fully with the provision for the establishment of an independent regulatory agency.
		DLR 6.2: Publish contract award information above a threshold set out in the Operations Manual for 2019 on a monthly basis in OCDS format on the state website				Contract awards were published online on the State website in OCDS format.
DLI 7: Strengthened public debt management and fiscal responsibility framework		DLR 7.1: State implementing state-level debt legislation, which stipulates: 1) responsibilities for contracting state debt; 2) responsibilities for recording/reporting state debt; and 3) fiscal and debt rules/limits.				The law met the 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 2019				The SDDRs were submitted within an average of two months (59.5 days).
DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears		DLR 8: Domestic arrears as of end 2019 reported in an online publicly accessible database, with a verification process in place and an arrears clearance framework established and Percentage decline in the verified stock of domestic arrears at				The State published its Arrears Clearance Framework on 21 st August 2020.

Disbursement Linked Indicators	Disbursement Linked Results	Results	Remarks
	end 2019 compared to end 2018 meets target and is consistent with the state's arrears clearance framework.		
DLI 9: Improved debt sustainability	Total debt stock at end of December 2019 as a share of total revenue for FY2019 meets target: Basic target: < 140%, Stretch target: < 115%. and Average monthly debt service deduction is < 40% of gross FAAC allocation for FY2019.		Monthly debt service deduction is 28.8% of Gross FAAC, and Total Debt Stock to Revenue is 149.28%

The Office of the Auditor-General for the Federation as Independent Verification Agent and JK Consulting Co. Ltd 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 set Eligibility Criteria and any or all the indicators of fiscal transparency, accountability and sustainability.

The Auditor-General for the Federation was appointed as the Independent Verification Agent (IVA) for the SFTAS Programme and JK Consulting Co. Ltd 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 2019. 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 for each State.

2.2 Scope

This Annual Performance Assessment (APA) Report covers the State's performance in 2019 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 2019 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 2019. The assessment results are binary (Achieved or Not Achieved), as that is how the Program for Results was designed.

In advance of the performance assessments, all States were provided with the detailed information requirements for the assessments, a proposed itinerary for the assessment visit and a template with which to report the results achieved. The assessments were conducted between (16/08/2020 and 22/08/2020) with a team of four persons, starting with an opening meeting where all the information requested were handed over. The visit was concluded with an exit meeting where the initial findings were discussed, and each state was given 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 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 [2019] 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 on average within six weeks of the end of each quarter?	<p>The Quarterly budget implementation reports were posted online on http://sto.lagosstate.gov.ng/category/sftas/ as follows:</p> <ul style="list-style-type: none"> • Q1 – (11/12/2019) - 36.4 weeks (255 days) • Q2 – (10/12/2019) - 23.2 weeks (163 days) • Q3 – (12/12/2019) - 10.4 weeks (73 days) • Q4 – (12/02/2020) - 6.1 weeks (43 days) <p>Average weeks for the online publication is computed as below:</p> $\frac{36.4+23.2+10.4+6.1}{4}$ <p>Average = 19.03 Weeks (133 days)</p> <p>We downloaded the quarterly budget Implementation Reports for all four quarters of the year 2019 and obtained evidence of a time stamp of the publications.</p>	Unsatisfactory	The State should ensure all quarterly implementation reports are published within six weeks of the end of each quarter.

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
2	Do the reports each include, at a minimum, the approved original AND revised (if applicable) budget appropriation for the year against each organizational units (MDAs) for each of the core economic classification of expenditures (Personnel, Overheads, Capital, and others), the actual expenditures for the quarter attributed to each as well as the cumulative expenditures for year to date, and balances against each of the revenue and expenditure appropriations.	<p>From our review of the Quarterly Budget Implementation reports downloaded from the State's website (see weblinks above), we observed the following;</p> <ul style="list-style-type: none"> • The Budget Implementation Reports published online did not include the approved budget appropriation for the year against each organizational units (MDAs) for each of the core economic classification of expenditures but it was included in the hard copies provided. • The Budget Implementation Reports include the actual expenditures for the quarter attributed to each as well as the cumulative expenditures for year to date, • The Budget Implementation Reports include the balances against each of the revenue and expenditure appropriations. • The State Budget Implementation Reports shows only the approved original budget. <p>The reports did not include the approved budget appropriation for the year against each organizational units (MDAs) for each of the core economic classification of expenditures (Personnel, Overheads, Capital, and others); the actual expenditures for the quarter and the balances against each of the revenue and expenditure appropriations.</p>	Unsatisfactory	<p>The State should ensure the reports include the approved budget appropriation for each organizational unit (MDAs)</p> <p>The State should ensure the reports include the approved budget appropriation for each of the core economic classifications of expenditure (Personnel, Overheads, Capital, and other expenditures)</p>
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?	Upon review of the State's Budget Performance reports, we noted that they did not state the actual expenditures for each quarter attributed to each MDA and each expenditure classification as well as the cumulative expenditures for the year to date.	Unsatisfactory	The State should ensure the reports state the actual expenditures to each MDA and each expenditure classification as well as cumulative expenditures for the year to date.
4	Does the report State balances against each of the revenue and expenditure appropriations with	Upon review of the State's Budget performance reports, we noted that they stated the balances against each of the revenue and expenditure appropriations with balances provided on a	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations												
	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?	consolidated basis across the four (4) expenditure classifications and ‘Other Expenditures’ which include debt servicing, and transfers, or other expenditures not attributable to any of the other three (3) expenditure classifications.														
DLR 1.2	FY [2019] deviation from total budget expenditure is less than 25%		Achieved													
1	<p>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?</p> <p>Is the expenditure outturn deviation computed less than 25%</p>	<p>The State computed the budget deviation for 2019 to be 8.96%</p> <p>The IVA computed the budget deviation for this APA year. See the computation below:</p> <table><tr><td></td><td>Original Budget</td><td>Actual Outturn</td></tr><tr><td>Capital (pgs 11 & 13)</td><td>479,691,000,000</td><td>395,462,415,000</td></tr><tr><td>Rec. Exp (pgs 11 & 13)</td><td>393,841,000,000</td><td>401,251,125,000</td></tr><tr><td>Total</td><td>873,532,000,000</td><td>796,713,540,000</td></tr></table> <p>$\frac{\text{N}873,532,000,000 - \text{N}796,713,540,000}{\text{N}873,532,000,000} \times 100$</p> <p>= <u>8.79%</u></p> <p>The budget performance deviation is 8.79%</p> <p>Source: 2019 Cash basis Audited Financial Statement Pg 13 and Approved Budget and Actual Expenditure or Appropriation Law Pg 11.</p>		Original Budget	Actual Outturn	Capital (pgs 11 & 13)	479,691,000,000	395,462,415,000	Rec. Exp (pgs 11 & 13)	393,841,000,000	401,251,125,000	Total	873,532,000,000	796,713,540,000	Satisfactory	
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DLI 2: Increased Openness and Citizens’ Engagement in the Budget Process																

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
DLR 2.1	Citizens' inputs from formal public consultations are published online, along with the proposed FY [2020] 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?	<p>The Communique (Report) of the Public Consultations on the 2020 proposed Annual Budget, Budget Speech and the attendance list with contacts information and signatures of attendees were obtained and reviewed by the IVA with the confirmation of the followings:</p> <ul style="list-style-type: none"> a) The State conducted town-hall consultations across the three (3) senatorial districts in the State starting from Lagos West, Lagos Central and Lagos East. b) The Civil Society Organisations' representatives in attendance were: LASCOTA, Development Practitioners, Hope Builders Foundation, Youth Empowerment Foundation, Women Protection Organization, etc. c) Sources of the information from which our conclusions were drawn are: Communique, minutes, attendance, pictures, videos, banners etc. d) The Town-hall consultations were conducted on 12th, 13th and 18th September, 2019 respectively in various venues. e) Samples of 10 attendees, randomly selected from the attendance list were contacted through phone calls and they all confirmed their participation. f) The proposed 2020 budget was drafted on 8 November, 2019 and passed on 31 December, 2019. g) The dates of the consultation were compared with the date of the draft budget and it was confirmed that the consultations were done first before Budget 2020 were drafted. 	Satisfactory	
2	Were the minutes of the public consultations jointly prepared with CSO representatives (shown by their signature to the minutes) and posted on the official State website,	<ul style="list-style-type: none"> a) The Communique (Report) of Public Consultations on the 2020 proposed Annual Budget was jointly prepared and signed by the Director Budget and the Representative of Lagos State Council of Tradesmen and Artisans (LASCOTA). 	Unsatisfactory	The minutes of public consultations should be published online within the set time frame and

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
	alongside the proposed annual budget on or before 31 January 2020 to enable citizens to find the inputs easily?	<p>b) The title of the Report is; "Report on the Y2020 Budget Consultative Forum Held in the 3 Senatorial Districts of Lagos State; Lagos West, Lagos Central & Lagos East on the 12th, 13th, & 18th September, 2019".</p> <p>c) The signatories represent Lagos State Ministry of Budget and Economic Planning and Lagos State Council of Tradesmen and Artisans (LASCOTA)</p> <p>d) The weblink to this publication is: http://sto.lagosstate.gov.ng/storage/sites/228/2019/12/REPORT-ON-THE-Y2020-BUDGET-CONSULTATIVE-FORUM.pdf However, a review of the online publication revealed that the Communique (Report) published online were not signed. The publication was done on 12 December, 2019.</p> <p>See Appendix A for weblinks to the proposed/final budget</p>		co-signed by the CSOs in attendance.
DLR 2.2 New	Citizens' budget based on approved FY19 State budget published online by end April 2019.		Not Achieved	
1 New	Has the State published online, on the State website(s) a <i>Citizens Budget based on the approved FY19 state budget</i> not later than 30 April 2019?	<p>The Citizens budget based on approved FY19 State Budget was published online on the 18th November, 2019 after the due date of 30th April, 2019.</p> <p>(http://mepb.lagosstate.gov.ng/storage/sites/29/2019/11/CITIZENS-GUIDE-TO-Y2019-BUDGET.pdf) accessed on (17/08/2020).</p>	Unsatisfactory	
2 New	Is the Citizens Budget a comprehensible (to citizens) summary of the approved FY19 state budget?	<p>We confirmed that the Citizens budget summarizes in a comprehensible manner to citizens the approved FY19 state budget and it was prepared in the format given to the States . It accurately includes the key budget information from the original budget, including the following;</p> <ul style="list-style-type: none"> i. A simple explanation of the annual budget/citizens' budget; ii. Breakdown of revenues and expenditures 	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		iii. Disclosure of Budget deficit (if any) and how it will be financed. iv. Sectoral Allocation (MDAs by MDAs) v. Top Projects to be financed (at least 5).		
<i>DLI 3: Improved Cash Management and reduced Revenue Leakages through Implementation of State TSA</i>				
DLR 3.0	Improved cash management and reduced revenue leakages through implementation of State TSA		Not Achieved	
1	Has the State established a functional State-level TSA?	a. The State has established a modified functional State-level TSA through a process in which the State has two (2) Bank Accounts in each of the twenty-one (21) Commercial Banks in the State that warehouses both revenues and expenditures activities of the State and these 2 Bank Accounts are called Consolidated Revenue Account and Consolidated Expenditure Account respectively. b. The State operates multiple accounts. <ul style="list-style-type: none"> • IGR Main Account: The State has one consolidated Revenue Account and Expenditure Account in all the commercial banks in the State. IGR is swept from the Revenue Account to the Expenditure Account in the same bank • FAAC Account: Maintained with Polaris Bank, Account Number: 1770529521, Bank Name: LASG – EXPEND A/C • VAT Accounts: Account Name: LASG – VAT A/C, Account Number: 1016579557 Bank Name: Zenith Bank, Account Name: LASG VAT ACCOUNT, Account Number: 0696162260, Bank Name: Access Bank. The State does not maintain one TSA account. The Accountant-General mentioned that their TSA is based on a CBN guideline	Unsatisfactory	The State should establish a functional TSA where FAAC, IGR and VAT is paid/swept into

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		that specified various TSA methods which includes having a group of accounts which can be viewed on a Single dashboard.		
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>The State has a cash management strategy.</p> <p>a) The cash management strategy is called the “Lagos State Government State Treasury Office Cash Management Guide”.</p> <p>b) The document was produced on 23rd December, 2019 and signed by the Honourable Commissioner for Finance and the Accountant-General.</p> <p>c) The strategy includes the processes through which the State Ministry of Finance or Budget/Economic Planning can forecast cash commitments and requirements and provide reliable information on the availability of funds. This can be found in Section 3 (3.1) of the Guide.</p> <p>d) The Guide provides for daily sweeping of funds as was noted in their Cash Management Strategy where it stated that “all revenue generated via the EBS-RCM (Electronic Banking System of Revenue Cycle Management) are deposited into the single Revenue Accounts in each bank (LASG Consolidated Revenue Account) from which revenue are swept automatically on daily basis to an Expenditure Account in the same bank. All revenue accounts in each bank maintain a zero balance at the end of the day.” (Pg 31).</p> <p>e) The State presented their cash plan for the year 31st December, 2019 which was broken down into weekly-monthly projections which was part of their cash management strategy to forecast cash commitments and requirements as well as their cash releases for the period.</p>	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)?	<p>The State has a computer application where the State can view the cash balances in the bank account(s).</p> <p>a) The State uses BAMS (Bank Accounts monitoring System) which came into use by March 2020. Prior to that, the State was using AUTOPAY which was powered by Interswitch and had been in use since 2015. The State experienced some</p>	Unsatisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		<p>glitches when moving from Interswitch to BAMS and so balances for 2019 were not able to be viewed.</p> <p>b) The BAMS app was approved by the Governor and is in line with the State cash management strategy.</p> <p>c) The App was deployed in March 2020.</p>		
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>a) The State's TSA is based on a CBN guideline and their Cash Management Strategy where all balances in Expenditure banks are monitored in a single view via the LASG Bank Account Monitoring System (BAMS) and so does not have one single consolidated revenue treasury account for State revenues. The State operates a Consolidated Revenue Account and Consolidated Expenditure Accounts in twenty-one (21) Commercial Banks in the State as against one Treasury Single Account.</p> <p>b) The State has different bank accounts through which government monies go through. The State has a FAAC, VAT and 21 Commercial Banks which warehouses both their Consolidated Revenue and Consolidated Expenditure Accounts respectively.</p> <p>c) The revenues collected by respective MDAs such as service fees no longer sit in individual MDA accounts at different Commercial Banks but are brought into the State Consolidated Revenue Accounts and is then swept daily to the Consolidated Expenditure Accounts in all the 21 Banks. However, the balances in the 21 Banks are not swept into a single account.</p> <p>d) All 21 banks (Consolidated Revenue and Consolidated Expenditure Account) statements plus the FAAC and VAT accounts were obtained.</p>	Unsatisfactory	The State's TSA should have one consolidated revenue treasury account for state revenues (FAAC and IGR)
5	Does the TSA cover a minimum of 60% of the State Government's finances?	The IVA computed the total cash inflow and outflow from the TSA account against the total government finances inflows and outflows as contained in the Cashflow Statement for the year ended 2019.	Unsatisfactory	The State's TSA should cover all of Government Finances, or at least the minimum required for this result.

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations																														
		<p>See the computation below:</p> <table><tr><td></td><td>Total Inflows</td><td>Total Outflows</td></tr><tr><td>TSA Bank Statement</td><td>350,381,103,733.45</td><td>397,346,454,823.55</td></tr><tr><td>Government Finances*</td><td>765,633,736,000.00</td><td>796,713,540,000.00</td></tr><tr><td>Percentage</td><td>45.8%</td><td>49.9%</td></tr></table> <p>The average is percentage computation is:</p> <p style="text-align: center;">$\frac{45.8\% + 49.9\%}{2}$$= 47.85\%$</p> <p>The TSA covered 48.35% of the State’s finances.</p> <p>*Sources: 2019 Audited Financial Statement (Cashflow Statement) Pg.13 and the TSA Statement from all 21 Banks for (January 1 to 31st December 2019).</p> <p>Note: We considered all the 21 IGR Accounts in the 21 Commercial Banks as the TSA as those are the only accounts that are swept. The State however mentioned that their TSA is of a group of Accounts which is made of their FAAC, IGR and VAT Accounts which can be viewed in a single dashboard.</p> <table><tr><td></td><td><i>Inflow</i></td><td><i>Outflow</i></td></tr><tr><td>FAAC Account</td><td>41,377,375,269.51</td><td>41,079,066,028.82</td></tr><tr><td>IGR Account</td><td>350,381,103,733.45</td><td>397,346,454,823.55</td></tr><tr><td>VAT Account</td><td><u>112,698,775,644.61</u></td><td><u>110,694,359,252.27</u></td></tr><tr><td></td><td><u>504,457,254,647.57</u></td><td><u>594,119,880,104.64</u></td></tr></table> <table><tr><td>Government Finance</td><td>765,633,736,000.00</td><td>796,713,540,000.00</td></tr></table> <p>Percentage</p> <p>The average in percentage computation is:</p> <p style="text-align: center;">$66\% + 69\%$</p>		Total Inflows	Total Outflows	TSA Bank Statement	350,381,103,733.45	397,346,454,823.55	Government Finances*	765,633,736,000.00	796,713,540,000.00	Percentage	45.8%	49.9%		<i>Inflow</i>	<i>Outflow</i>	FAAC Account	41,377,375,269.51	41,079,066,028.82	IGR Account	350,381,103,733.45	397,346,454,823.55	VAT Account	<u>112,698,775,644.61</u>	<u>110,694,359,252.27</u>		<u>504,457,254,647.57</u>	<u>594,119,880,104.64</u>	Government Finance	765,633,736,000.00	796,713,540,000.00		
	Total Inflows	Total Outflows																																
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	<i>Inflow</i>	<i>Outflow</i>																																
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IGR Account	350,381,103,733.45	397,346,454,823.55																																
VAT Account	<u>112,698,775,644.61</u>	<u>110,694,359,252.27</u>																																
	<u>504,457,254,647.57</u>	<u>594,119,880,104.64</u>																																
Government Finance	765,633,736,000.00	796,713,540,000.00																																

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		<p>2 = 67.5%</p> <p>Based on this calculation the TSA covered 67.5% of the State's finances, however, the IVA is of the view the arrangements which requires multiple accounts with over 21 Banks does not meet the general definition of a TSA for this result, albeit the dashboard enables better cash management.</p>		
DLI 4: Strengthened Internally Generated Revenue (IGR) Collection				
DLR 4.1	State implementing a consolidated state revenue code covering all state IGR sources and stipulating that the state bureau of internal revenue is the sole agency responsible for state revenue collection and accounting. Code must be approved by the state legislature and published		Not 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?	<p>a) The State has a Revenue Law(s) known as the "Lagos State Administration Law 2006" which was passed by the House of Assembly and assented to by the Executive Governor on 13th of March, 2006. The State has a codification of taxes, rates and charges regulations 2020 that was assented by the Governor on 29th September 2020 but was not passed by the SHoA.</p> <p>b) The Revenue law was published online at http://sto.lagosstate.gov.ng/2018/10/20/lagos-state-revenue-administration-law/</p> <p>c) The Revenue code does not include all State IGR sources and the LGs (falling under the State) IGR sources. The State has a revenue codification regulation of 2020 but it does not include all State IGR sources.</p>	Unsatisfactory	The State should amend its current harmonised law to include all sources of revenue for local governments

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		d) It also does not include the rate chargeable for each IGR source		
2	Does the consolidated revenue code stipulate that the State Bureau of Internal Revenues (SBIR) or the State Internal Revenue Service (SIRS) as the sole agency responsible for State revenue (tax and non-tax) collection and accounting in the State?	a) The State's consolidated revenue code does not stipulate the SBIRS as the sole agency responsible for collecting State revenue (tax and non-tax) b) The IVA in the 2018 APA assessment on the State's Revenue Administration law presented, was unable to identify any aspect of the revenue law and consolidated revenue code that stipulated that the State Internal Revenue Service (LIRS) is the sole agency responsible for State revenue (tax and non-tax) collection and accounting in the State. The State was yet to present an amended law as at the time of the finalization of the draft report.	Unsatisfactory	The State should amend its Tax legislation to make it explicit in the law that the SBIR/SIRS is the sole collector for all State government revenues.
3	Is the collection of revenues is made into accounts(s) nominated by the SBIR OR SBIR has full oversight of the accounts and is responsible for reporting and accounting for the revenues	a) During the discussion with some of the Management of the Lagos Internal Revenue Service (LIRS) they explained that they work in conjunction with the State and when asked about the oversight on revenue accounts they said, they can view the dashboard of all revenues being paid to the State accounts. They presented a newspaper clipping where they announced to the public to make their payments into the designated banks where all revenue is being currently paid into. b) The SBIR is connected to/is part of the Electronic Banking System (EBS) of which the State Treasury Office/Accountant General is, so is able to view what is reported as IGR. The LIRS is currently responsible for only reporting the revenues that they collect. The Accountant General reports for all revenue collected.	Unsatisfactory	State should revalidate revenue accounts by ensuring SBIR/SIRS nominates such accounts
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	The Lagos State Tax Administration Law was approved by the State House of Assembly and assented to by the Governor on the 13 th of March, 2006.	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations																																
	occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.																																			
5	Is the Publication published online, so it is automatically available to the public/all taxpayers?	a) The State revenue law/code was published online and so is automatically available to the public/taxpayers. The law was initially published online for the 2018 APA but the online document was last modified on the 11 th of December 2019. b) The law was again accessed and downloaded on the 9 th of August, 2020 for the 2019 APA. c) The publication was published online at http://sto.lagosstate.gov.ng/2018/10/20/lagos-state-revenue-administration-law/	Satisfactory																																	
DLR 4.2	Annual nominal IGR growth rate meets target		Not Achieved																																	
1	Has the 2019-2018 annual nominal IGR growth rate met the basic or stretch targets? Basic Target: 20%-39% Stretch Target: 40% or more	a. The State used the Cash basis for revenue reporting in 2018 and 2019 Audited Financial Statements. b. The IVA computed the annual nominal IGR growth rate for this year APA. See the computation below: <table><tr><td></td><td>NGN '000</td><td>NGN '000</td><td>% GROWTH</td></tr><tr><td>Item</td><td>2018</td><td>2019</td><td></td></tr><tr><td>Memo: Reported IGR in AFS (Before Adjustments)</td><td>430,906,142</td><td>416,526,034</td><td>-3%</td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>VALID IGR items to be counted as IGR</td><td>376,429,778</td><td>378,557,389</td><td></td></tr><tr><td>Direct tax</td><td>315,058,303</td><td>348,001,113</td><td></td></tr><tr><td>Levies</td><td>56,696,075</td><td>26,597,553</td><td></td></tr><tr><td>Others (Other Revenue from Non-Exchange Transactions)</td><td>4,675,400</td><td>3,958,723</td><td></td></tr></table>		NGN '000	NGN '000	% GROWTH	Item	2018	2019		Memo: Reported IGR in AFS (Before Adjustments)	430,906,142	416,526,034	-3%					VALID IGR items to be counted as IGR	376,429,778	378,557,389		Direct tax	315,058,303	348,001,113		Levies	56,696,075	26,597,553		Others (Other Revenue from Non-Exchange Transactions)	4,675,400	3,958,723		Unsatisfactory	The State should improve on IGR collection to at least achieve a 20% annual growth rate as the minimum required for this result.
	NGN '000	NGN '000	% GROWTH																																	
Item	2018	2019																																		
Memo: Reported IGR in AFS (Before Adjustments)	430,906,142	416,526,034	-3%																																	
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Disbursement Linked Indicators (DLIs) and Tests		Findings				Conclusion	Recommendations
		<div> <div>"Adjusted IGR" for DLI 4.2 Calculation</div> <div> <div>Sum of all VALID items of IGR if AFS has that detail</div> <div> 376,429,778378,557,3890.57% </div> </div> </div> <div> $\frac{\text{₦}378,557,389,000 - \text{₦}376,429,778,000}{\text{₦}376,429,778,000} \times 100$ <p>= 0.57%</p> <p>The annual nominal growth is 0.57%.</p> <p>Source: 2019 Audited Financial Statement Pg 13.</p> </div>					
DLI 5: Biometric Registration and Bank Verification Number (BVN) Used to reduce Payroll Fraud							
DLR 5.1	Biometric capture of at least [75] 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 75% of the current civil servants and pensioners on the State payroll?	<p>The State had commenced and continued the Biometric data capture of the civil servant and pensioners in the State in 2013.</p> <p>a) The Biometric data capture exercise was handled by Lagos State Residents Registration Agency (LASRRA)</p> <p>b) The total no of civil servants was 57,920</p> <p>c) The total no of pensioners is 12,318</p> <p>d) The total no of staff on the State Nominal roll was 57,920 while that of payroll was 70,238 (civil servants and pensioners)</p> <p>e) A total of 56,523 biometrics data of civil servants (46,915) and pensioners (9,608) had been captured.</p> <p>f) The following documents were obtained and reviewed:</p> <p>i. A copy of the Nominal Roll for all State civil servants</p>				Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		<ul style="list-style-type: none"> ii. A copy of the Nominal Roll for all State pensioners iii. A report from the State Biometric Database (Lagos State Residents Registration Agency - LASRRA) on the numbers of persons registered (pages 1 and 2) iv. A report from the State Payroll (Centralised Payroll and Validation Directorate - CPVD) on the numbers of civil servants and pensioners paid for the year under review (pages 1 and 3) v. Report of the Accountant-General and Financial Statement for the year ended 31st December, 2019 (pages 10 and 27) vi. Oracle Applications - Release 12 - LASG Production Instance $\frac{56,523}{70,238} \times 100 = \underline{\underline{80.5\%}}$ <p>The State had captured 80.5% of the State' civil servants and pensioners.</p>		
2	Has the State linked the biometrics data to the State payroll to identify ghost workers?	<ul style="list-style-type: none"> a) The State commenced biometric capturing of Staff in 2013 and achieved 80.5% linkages of the biometric data to the payroll as at 31st December, 2019. b) The total of 56,523 biometrics data of civil servants (46,915) and pensioners (9,608) has been linked to the payroll as at 31st December, 2019. c) No ghost workers were detected during the period under review (2019). d) The in-year changes to the Civil servant and Pensioner payrolls (as a result of starters, leavers, deaths etc.) are captured by the biometric exercise. e) There are procedures in place for ensuring timely (within 3 months of the event) updates to the payroll to reflect leavers, retirees and deaths. 	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		<p>Memos from the originating Ministries, Departments and Agencies to the Centralised Payroll and Validation Directorate informing the Department about the death of Staff for immediate action on the Oracle Payroll Application were obtained and reviewed.</p> <p>Note that for the 2018 APA, the information relating to the State's Biometrics exercise was with a Director in the Head of Service Office who we understand was out of the State during the exercise and no other officer was able to provide the necessary information. On that basis, it concluded that the State had not done the linkage of biometric data to payroll. The situation improved in 2019 as all relevant information was provided for verification.</p>		
3	Has the State removed confirmed ghost workers and ghost pensioners within three (3) months of each case being confirmed?	a) No ghost workers were detected during the period under review.	Satisfactory	
5.2	Link BVN data to at least [75] 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 75% of its current Civil Servants and pensioners on the State payroll?	<p>The State commenced linkage of Staff BVN to payroll in 2017 and continued the linkage of BVN data of the civil servant and pensioners in the State with the achievement of 87.8% as at 31st December, 2019.</p> <p>a) The linkage of BVN data of the civil servant and pensioners was handled by Lagos State Centralised Payroll and Validation Directorate (CPVD)</p> <p>b) The total no of civil servants was 57,920</p> <p>c) The total no of pensioners was 12,318</p> <p>d) The total no of staff on the State Nominal roll was 70,238 (active and non-active)</p>	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		<p>e) The total number of 61,685 BVN data (active - 52,142 and non-active - 9,543) had been linked to the payroll.</p> <p>f) The following documents were obtained and reviewed accordingly:</p> <ul style="list-style-type: none"> i. A copy of the Nominal Roll for all State civil servants ii. A copy of the Nominal Roll for all State pensioners iii. A report from the State Payroll (Centralised Payroll and Validation Directorate - CPVD) on the numbers of civil servants and pensioners with BVN linked to the payroll as at 31st December, 2019 (pages 1 and 2) iv. Report of the Accountant-General and Financial Statement for the year ended 31st December, 2019 (pages 10 and 27) v. Oracle Applications - Release 12 - LASG Production Instance $\frac{61,685}{70,238} \times 100 = 87.8 \%$ <p>The State had linked 87.5% of the State' civil servants and pensioners BVN data to the payroll.</p> <p>Note that for the 2018 APA, the information relating to the State's BVN exercise was with a Director in the Head of Service Office who we understand was out of the State during the exercise and no other officer was able to provide the necessary information. On that basis, it concluded that the State had not done the linkage of BVN data to payroll. The situation improved in 2019 as all relevant information was provided for verification.</p>		
2	Has the State taken steps to identify payroll fraud?	<p>a) The total number of 61,685 Staff (active - 52,142 and non-active - 9,543) had BVN data, while the total number of 8,553</p>	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		<p>Staff (active - 5,778 and non-active - 2,775) were without BVN data.</p> <p>b) No fraud was identified during the period under review.</p>		
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) e-Procurement; 2) establishment of an independent procurement regulatory agency and 3) cover all MDAs receiving funds from the State budget		Not Achieved	
1	Does the State have a public procurement legal framework which must be approved by the State legislature to have a legal basis, either as a law or a resolution?	<p>a) The State has a public procurement legal framework called the Lagos State Public Procurement Law 2015.</p> <p>b) The Law was passed by the Lagos State House of Assembly.</p> <p>c) The authorizing body is Lagos State Public Procurement Agency.</p> <p>d) The Law was assented to by the then Governor Babatunde Raji Fashola on the 25th May, 2015.</p> <p>e) The Law was published online on the 10th December, 2019.</p> <p>f) The weblink of the online publication is: https://lagosppa.gov.ng/wp-content/uploads/2019/12/PPA-LAW-2015-ONLINE.pdf </p>	Satisfactory	
2	Does the law conform with the UNCITRAL Model Law which should provide for? 1) e-Procurement; 2) establishment of an independent procurement regulatory agency; and 3) cover all MDAs receiving funds from the State budget.	In the 2018 APA, it was noted that the Law complied fully with the UNCITRAL Model Law for e-Procurement and covers all MDAs receiving funds from the state budget but did not comply fully with the UNCITRAL Model Law criteria for the Establishment of an independent procurement regulatory agency.	Unsatisfactory	<p>The State should make the following improvements to its draft legislation.</p> <p>i. Amend to ensure it provides for</p>

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations				
		<p>Discussions with the management of the Public Procurement Agency revealed that there is currently an amendment to the Law (which has passed second reading) to fulfil the recommendations by the IVA and discussions held with WB and the NGF.</p> <p>The Law covers all MDAs receiving funds from the State Budget.</p> <p>The Lagos State Public Procurement Law partially conforms with the UNCITRAL Model. Below is the results of our review against the three criteria:</p> <p>1. E-Procurement - We noted the following during our review of legislation;</p> <ul style="list-style-type: none">• Approve changes in the procurement process to adapt for improvement in modern technology. Section 15 (iii) of the Law• See Section 61 (1). The Board is to design and set up a secure electronic portal to be known as the Lagos State Government Electronic Procurement System.• (2) Subject to the provisions of this Law and its regulations, it shall be lawful for any procuring entity to consider any or all of its tenders by electronic auction and or simulation on its electronic portal, provided that the use of the electronic system shall be transparent, efficient, and economical <p>The law therefore complies with the requirements for e-procurement.</p> <p>2. Independence - The results of our assessment of the legislation for independence are in the table below:</p> <table><tr><th>Required Provisions*</th><th>Result</th></tr><tr><td></td><td></td></tr></table>	Required Provisions*	Result				<p>grounds for removal of Chief Executive of the agency.</p> <p>ii. Amend to ensure that regarding the decisions of the agency; any other review after the board’s decision should be by judicial review.</p>
Required Provisions*	Result							

Disbursement Linked Indicators (DLIs) and Tests		Findings		Conclusion	Recommendations
		<p>The Functions and Powers of the Agency</p> <p>The composition of the board</p> <p>Membership of the Board/Council includes representatives from Professional bodies and associations.</p> <p>The grounds for removal of the Chief Executive of the agency.</p> <p>Regarding decisions of the Agency; Any other review after the Board's decision should be by judicial review</p>	<p>Compliant; see section 15 of the law.</p> <p>Compliant; States the composition of the Board see section 2 of the Law</p> <p>Compliant; see sections 2 of the Law</p> <p>The Law is not compliant. Despite providing reasons for removal of members of the Board in section 5(1), the law notwithstanding provisions of S. 4 empowers the Governor in S 5(2) to remove a member without reasons. The law also makes a specific provision for removal of the General Manager in section 18(4). The General Manager by this later provision can be removed from Office simply at the instance of the Governor, without reasons.</p> <p>The law is not compliant. See S.69(2) iv & v. The decisions of the Board are subject to appeal to the Executive Council.</p>		
		<p>*Provided by the World Bank</p> <p>3. Covering all MDAs receiving funds from the state budget: (Compliant);</p> <p>The provisions of the law apply to all procurement of goods, works and services carried out by the State, all its procuring entities and Local governments in Lagos State. See Section 77.</p>			
3	Has the State instituted an independent procurement regulatory function, which may be performed	<p>a) The State has instituted an independent regulatory function.</p> <p>b) This function is being performed through an agency called the Public Procurement Agency.</p>		Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
	through one or a combination of the following: bureau, commission, council, agency or any other type of entity set up for the statutory purpose?	<p>c) The Agency is responsible for prescribing regulations and procedures for public procurement in accordance with the legal framework and is involved in the entire procurement process for the State Government.</p> <p>d) A physical observation of the agency was done and it was observed that the agency has been in operation for some time now. The environment was appropriately conducive for the functions of the regulatory agency and the agency has been thoroughly effective in the procurement regulatory processes.</p> <p>Interviews and questionnaires issued showed that the Agency is very active and involved in ensuring the regulations of the Procurement laws and guidelines in the activities of the State are being followed. Documents reviewed include their e-payment portal/dashboard which showed their e-procurement process, bidding documents, proposals, letters of objection, among others.</p> <p>e) We obtained a sample of 5 (five) cases from amongst the cases that are handled by the agency and performed a work-through to ascertain the activeness of the agency. The work-through followed the processes and steps outlined by the Agency and in their guidelines during the interviews and visit. It was observed that the agency is very functional. The Agency is involved in every step of the procurement activities being conducted by the MDAs from the stage of Approving the Procurement Work plan to Disposal.</p>		
DLR 6.2	Publish contract award information above a threshold set out in the Operations Manual for 2019 on a monthly basis in OCDS format on [the State website/on the online portal]		Achieved	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
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(2019) 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).	a) The schedule of all contracts awarded during 2019 above the threshold (as defined in the State procurement law) was obtained from the State. b) The State has achieved the Open Contracting component of the DLI by publishing online, contract award information for all contracts awarded during the fiscal year (2019) that are above the threshold (as defined in the State Procurement Law in line with the Open Contracting Data Standards (OCDS). c) The State had published online information about Procuring Entity, Project Name/Description of Award, Project Cost, Contractor, Year, Status, Remark and Date Approved. d) The information was published online at: https://lagosppaocds.azurewebsites.net/ e) The schedule of all contracts awarded during the year under assessment above the threshold was obtained.	Satisfactory	Note however that the data filter on the portal is defective and searches to extract contract awards information for Ministries of Education, Health, Budgets come up with nil information.
DLI 7: Strengthened Public Debt Management and Fiscal Responsibility Framework				
DLR 7.1	State implementing state-level debt legislation, which stipulates: 1) responsibilities for contracting state debt; 2) responsibilities for recording/reporting state debt; and 3) fiscal and debt rules/limits.		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?	There is an approved State-Level Public Debt Management Law which was called “Lagos State Debt Management Office Law” that was enacted by the Lagos State House of Assembly on 2 nd February, 2009 and Lagos State Bonds, Notes and Other Securities Issuance Law 2015 which were now captioned under the Laws of Lagos State 2015 with a general assent by the then Governor Babatunde Raji Fashola on the 25th May, 2015 on the compendium of Lagos State Laws.	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		http://sto.lagosstate.gov.ng/storage/sites/228/2019/12/LagosState-Debt-Management-Office-Law.pdf		
2	Does the legislation provide for the creation of a State Debt Management Department (or Unit, Committee, Agency, Board, Bureau, Commission, Council)?	The legislation provides for the creation of a Board as contained in Section 2 (1) of the Lagos State Debt Management Office Law which says; “There is established for the Office a Board to be known as the Lagos State Debt Management Office Board (in this Law referred to as “the Board”).	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.	<p>The laws were subjected to review and the sections that address the three criteria under this result are as follows; Criteria #1: Sections 5(a)(b)(j), 6(a), 18(i) of the DMOL. Furthermore Section 9 of the bonds, notes and other securities issuance law 2015 provides for it. Criteria #2: Sections 20(b)(d) of DMOL Criteria #3: Sections 20(b) DMOL are relevant while Section 10(5)(a)(b) of Bonds, Notes and Other Securities Issuance Law provides a framework for setting the limit to State Debts as required by criteria #3. The link is: http://sto.lagosstate.gov.ng/2020/08/21/bonds-notes-and-other-securities-issuance-law/</p> <p>Note that during the 2018 APA, only “Lagos State Debt Management Office Law” was reviewed. However, during the 2019 APA, two laws were reviewed: The Lagos State Debt Management Office Law and the Lagos State Bonds, Notes and Other Securities Issuance Law 2015. The second Law was adequate to meet the outstanding criteria.</p>	Satisfactory	
4	Has the State Debt Management Department (or Unit, Committee, Agency, Board, Bureau, Commission, Council) has been operational during the APA year and performing the core function of recording and reporting state debt.	<p>a) The State Debt Management Department Office has been operational during the APA year and performing the core functions of recording and reporting State Debt.</p> <p>b) An interview with the Chief Executive and Management was conducted,</p> <p>c) The Chief Executive and Management view on the activeness and effectiveness of the agency was satisfactory.</p>	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
		<p>d) A physical inspection of the Office was conducted. The building was befitting and strategically located. The Office has different Departments including Public Finance, Debt Management and Monitoring and Investments amongst others. The officers were dutiful well qualified. Pictures of the official premises has been obtained.</p> <p>e) An interview with a random operational staff was conducted and the persons view showed that the agency is fully active and effective.</p> <p>f) The documents reviewed include Loans Agreement Files, State Domestic Debt Reports for all the Quarters, etc.</p>		
DLR 7.2	Quarterly State debt reports accepted by the DMO on average two months or less after the end of the quarters in 2019		Achieved	
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 2019?	<p>a) The State produced quarterly domestic debt reports approved by the DMO on average of two months after the end of the quarter.</p> <p>We obtained evidence that the State produced quarterly SDDRs, which were submitted and received by the DMO as follows:</p> <ul style="list-style-type: none"> • Q1 submitted on 04/07/2019 13.6 weeks (95 days), • Q2 submitted on 08/08/2019 5.6 weeks (39 days), • Q3 submitted on 02/12/2019 9 weeks (63 days) and • Q4 submitted on 10/02/2020 5.9 weeks (41 days). <p>The SDDRs were submitted within an average of less than two months (59.5 days).</p>	Satisfactory	
2	<p>Note: Have you reviewed for accuracy and completeness from the DMO:</p> <p>The State Domestic and External Debt Report (SDEDR) along with all</p>	<p>We reviewed the DMO's Report on State Domestic and External Debt Report (SDEDR) with the Lagos State Debt Domestic Report and both showed a difference amount of ₦86,499,771,791.00 (Eighty Six Billion, Four Hundred and Ninety Nine Million, Seven Hundred and Seventy One Thousand, Seven Hundred and Ninety</p>	n/a	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
	underlying data and supporting documents including the DMO templates and guidelines and standard internal protocols and data from CBN, DMO and FMOF Home Finance used by the DMO to cross-check the state's domestic debt figures.	<p>One Naira), in Total Debt Stock figure reported by the State on page 32 of the 2019 Audited Financial Statement (₦785,843,435,000.00) and the 2019 figure reported by the Federal Debt Management Office and the Central Bank of Nigeria (₦872,343,206,791.00). The report was supported with the DMO's templates and guidelines.</p> <p>We reviewed the DMO report and the DMO report confirmed the accuracy and completeness of the State Domestic Debt Report.</p> <p>A wider review was undertaken of the information and supporting schedules submitted by the DMO, and several clarifications and adjustments were made to correct errors and omissions in the State's submission to the DMO. Conclusions reached in this report are based on the amended DMO data.</p>		
DLI 8: Improved Clearance/Reduction of Stock of Domestic Expenditure Arrears				
DLR 8.0	<p>Domestic arrears as of end 2019 reported in an online publicly accessible database, with a verification process in place and an arrears clearance framework established.</p> <p>AND</p> <p>Percentage decline in the verified stock of domestic arrears at end 2019 compared to end 2018 meets target and is consistent with the state's arrears clearance framework.</p> <p>-Basic target: At least a 5% decline or maintain stock below N5 billion</p>	The State submitted to the IVA the annual state arrears recording, verification, and clearance report (SARVCR)	Not Achieved	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
	- Stretch target: More than 20% decline			
1	Has the State established an Arrears Clearance Framework (ACF)?	<ul style="list-style-type: none"> a) The State has established an Arrears Clearance Framework (ACF) b) The ACF was provided to the IVA team c) The Arrears Clearance Framework (ACF) was dated and signed on 29th January 2016, and we were informed it has been in use since then. Note that during the 2018 APA, the State was unable to provide most of the information requested, hence the conclusion reached in the 2018 APA Report. For the 2019 APA, the State made available the ACF dated 2016 and asserted that it has been in existence since then. 	Satisfactory	
2	Does the ACF contain: 1) the planned actions to settle arrears; and 2) an explicit prioritization of expenditure arrears to be settled.	<ul style="list-style-type: none"> a) The ACF contains planned actions to settle arrears and an explicit prioritization of expenditure arrears to be settled. b) The evidence seen when reviewing the ACF that shows the ACF contains the two stated requirements include: <ul style="list-style-type: none"> i. Planned actions to settle expenditure arrears as detailed in section 2 of the State's ACF pages 2 – 3 and ii. Prioritization of domestic expenditure arrears to be settled as detailed in section 3 of the State's ACF pages 3 - 4. c) The cleared domestic arrears are consistent with the established ACF. d) Other documents submitted by the state to confirm the ACF exists was the SARVCR. The SARVCR was also reviewed to confirm the existence of the ACF. 	Satisfactory	
3	Has the ACF been published on a State official website?	<p>The ACF was on a State official website at the time of verification and a copy was downloaded.</p> <p>The ACF was published online at https://lagosstate.gov.ng/storage/2020/08/ARREARS-CLEARANCE-FRAMEWOK-1.1.pdf.</p> <p>It was published on the 21 of August, 2020. A screenshot of the timestamp has been retained as evidence.</p>	Unsatisfactory	The State is to ensure the Arrears Clearance Framework is published online during each year of assessment for it to count towards the year.

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
4.	Is the clearance of domestic expenditure arrears consistent with the ACF, once the ACF has been established?	<p>The cleared domestic arrears are consistent with the established ACF as regards:</p> <ul style="list-style-type: none"> i. Planned actions to settle expenditure arrears and ii. Prioritization of domestic expenditure arrears to be settled <p>The arrears settlements made by the State in 2019 were verified through IGR Bank Statements within which the Contractors Arrears were shown as being paid. The documents were obtained and retained in the assessment file.</p>	Satisfactory	
5.	Has the State established an Internal Domestic Arrears Database?	<ul style="list-style-type: none"> a) The State has established an Internal Domestic Arrears Database b) The Internal Domestic Arrears Database includes the following; <ul style="list-style-type: none"> i. The aggregate amount of ₦26,250,122,864.44 for Contractors' arrears. ii. The aggregate amount of Pension and Gratuity arrears is nil. iii. The aggregate amount of salary arrears and other staff claims is nil. iv. The aggregate amount of other types of domestic expenditure arrears is nil. c) A verification process is in place for the arrears in the database d) We confirmed through the evidence provided by the State that the State has conducted verification of arrears balances. The State provided a circularization file that contains correspondences with the respective contractors ascertaining the amount of arrears owed each contractor. e) We conducted tests to ascertain the accuracy of the figure in the internal domestic arrears database, including cross-checking with State account balances, re-computing the figures in the internal domestic arrears database, cross-checking with supporting documents presented by the state to validate the figures in the internal domestic arrears database, and also with underlying contract data. 	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
6	Has the State published online elements of the internal domestic arrears database for the FY 2018 and FY 2019 reported on a State official website, which constitutes the online publicly accessible arrears database?	<ul style="list-style-type: none"> a) The State only published online the required elements of Internal Domestic Arrears Database as at end of 2019 since it is cumulative. See the weblink: https://lagosstate.gov.ng/domestic-contractors-arrears-dec-2017-dec-2019/. b) We compared the aggregate and individual information available on the online publicly-accessible arrears database with the information in the internal domestic arrears database and verify the consistency and accuracy of the information on the online publicly-accessible arrears database. c) The website supporting the online publicly-accessible arrears database contains an electronic link that permits any potential contractor creditor whose individual claim is not listed in the database to communicate this exclusion to the State Ministry of Finance, by filling a confidential form online and attaching supportive evidence to the claim. If the State Ministry of Finance confirms the validity of this claim, it shall be added to the internal domestic arrears database and included as relevant in the online publicly accessible arrears database. d) We confirmed that the online web page includes a facility for contractor with arrears (creditors) to report any omissions to the State. e) The result of the test of the facility for contractors with arrears (creditors) to report any omissions to the State is on the web page, there is a contractor's feedback link through which any dissatisfied creditor could raise any concern. f) There were no reports of omission of Contractors from the database. g) There were no reports of omission of contractor arrears from the database. h) The website has the two required electronic communication links. 	Satisfactory	Note that the weblink was giving a 'page not found' response as at the time of sending out the draft 2019 APA report.

Disbursement Linked Indicators (DLIs) and Tests		Findings				Conclusion	Recommendations	
		i) The link to the online publicly accessible arrears databases is: https://lagosstate.gov.ng/domestic-contractors-arrears-dec-2017-dec-2019/						
7. New	Does the online publication include? 1) the aggregate amount of contractors' arrears; 2) the aggregate amount of pension and gratuity arrears; 3) the aggregate amount of salary arrears and other staff claims; 4) other types of domestic arrears and 5) a list of names of contractors with recognized arrears exceeding N20million and information for contractors to be able to verify that their claims are being accurately reported in the database.	a) The online publication includes the aggregate amounts for Contractors arrears only, as it was the only domestic arrears the State had. b) The online publication contains the names of contractors owed N20m and above in arrears and this can be verified by contractors.				Satisfactory		
New	Has the State met the following: (ii) Percentage decline in the verified stock of domestic arrears at end 2019 compared to end 2018 meets target and is consistent with the state’s arrears clearance framework. -Basic target: At least a 5% year-on-year decline or maintain stock or arrears below N5billion. -Stretch target: More than 20% year-on-year decline.		Aggregate Amount of:	2019	2018		Satisfactory Stretch Target met	
			Contractors Arrears	26,250,122,864.44	163,912,088,866.93			
			Pension and Gratuity arrears	–	–			
			Salary arrears and Staff claims	–	–			
			Other types of domestic expenditure arrears	–	–			
			Total Domestic Arrears	26,250,122,864.44	163,912,088,866.93			

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations
	<i>The clearance/reduction of domestic expenditure arrears (contractors, pension and gratuity arrears, salary arrears and other staff claims) is defined as the decline in the nominal stock of total domestic expenditure arrears at the end of year, compared to the previous year, expressed in percentage terms.</i>	<p>a. We obtained the Domestic arrears figure from the State Internal Domestic Arrears (SIDA) database.</p> $\frac{\text{N}163,912,088,866.93 - \text{N}26,250,122,864.44}{\text{N}163,912,088,866.93} \times 100 = 84\%$ <p>The percentage decline is 84%</p> <p>This meets the Stretch Target. Further work was done to confirm that Lagos State does not have a record of incurring other types of arrears. In particular, Quarterly reports of Debt Stocks and all the supporting documents were scrutinized. Work was also done to confirm that Lagos paid down over N130bn of arrears in 2019, and to confirm the reduction was due to the arrears being settled and not due to write-offs. A schedule showing the settlement of these arrears was provided and thorough scrutiny was done on the IGR Bank Statements where these payments were made.</p> <p>Source: State internal domestic expenditure arrears database</p>		
DLI 9: Improved Debt Sustainability				
DLR 9.0	<p>Average monthly debt service deduction is < 40% of gross FAAC allocation for FY [2019]</p> <p>AND</p> <p>Total debt stock at end Dec [2019] as a share of total revenue for FY [2019] meets target:</p> <p>-Basic target: < [140%]</p> <p>-Stretch target: < [115%]</p>		Not Achieved	
	<p>Has the State met:</p> <p>(i) the ratio of total monthly debt service (principal and interest) deductions from FAAC allocation</p>	<p>The State assessment on 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</p>	Satisfactory	

Disbursement Linked Indicators (DLIs) and Tests		Findings	Conclusion	Recommendations																						
	<p>during the calendar year of the year of assessment (1st January to 31st December 2019) to the gross FAAC allocation for the same calendar year?</p> <p>Less than :< [40%]</p>	<p>December 2019) to the gross FAAC allocation for the same calendar year is 28.8% which is less than 40%.</p> <p><u>Total Service Deduction</u> x 100 =</p> <p>Gross FAAC Allocation</p> <p>₦47,702,973,014 x 100</p> <p>₦165,907,479,641.42</p> <p>= 28.8%</p> <p>The State met the target.</p> <p>Source: FMOF 2019 FAAC Figures.</p>																								
	<p>Has the State met:</p> <p>(ii) the ratio of total debt stock at end-of-year (31st December 2019) of the year of assessment to the total revenue collected during the calendar year of the year of assessment (1st January to 31st December 2019)?</p> <p>-Basic target:< [140%]</p> <p>-Stretch target: < [115%]</p>	<p>The following tables show the calculations and adjustments made to arrive at the appropriate figures for this comparison.</p> <p>Total Public Debt</p> <table><tr><th></th><th>Financial Statements ₦</th><th>DMO figures (Adj) ₦</th></tr><tr><td>Total Domestic Debts (pg 32 of FS)</td><td>357,120,140,000.00</td><td>445,108,788,092.00</td></tr><tr><td>Total External Debts (pg 32 of FS)</td><td>428,723,295,000.00</td><td>427,234,418,698.68</td></tr><tr><td>Total Public Debts</td><td>785,843,435,000.00</td><td>872,343,206,791.00</td></tr></table> <p>Total annual revenue</p> <table><tr><td>2019 Adjusted IGR (see DLI 4.2)</td><td>378,557,389,000.00</td></tr><tr><td>Gross FAAC Allocation</td><td>165,907,479,641.42</td></tr><tr><td>Grants</td><td>483,934,000.00</td></tr><tr><td>Other Revenues</td><td>39,402,233,000.00</td></tr><tr><td>Total Revenue**</td><td>584,351,035,641.42</td></tr></table> <p>a) The State’s domestic debt stock figure in the Federal DMO State Domestic and External Debt Report for 2019 is as at the end of Q4 2019.</p>		Financial Statements ₦	DMO figures (Adj) ₦	Total Domestic Debts (pg 32 of FS)	357,120,140,000.00	445,108,788,092.00	Total External Debts (pg 32 of FS)	428,723,295,000.00	427,234,418,698.68	Total Public Debts	785,843,435,000.00	872,343,206,791.00	2019 Adjusted IGR (see DLI 4.2)	378,557,389,000.00	Gross FAAC Allocation	165,907,479,641.42	Grants	483,934,000.00	Other Revenues	39,402,233,000.00	Total Revenue**	584,351,035,641.42	Unsatisfactory	The State should reduce its debt to revenue ratio to levels that will enable the achievement of the DLR.
	Financial Statements ₦	DMO figures (Adj) ₦																								
Total Domestic Debts (pg 32 of FS)	357,120,140,000.00	445,108,788,092.00																								
Total External Debts (pg 32 of FS)	428,723,295,000.00	427,234,418,698.68																								
Total Public Debts	785,843,435,000.00	872,343,206,791.00																								
2019 Adjusted IGR (see DLI 4.2)	378,557,389,000.00																									
Gross FAAC Allocation	165,907,479,641.42																									
Grants	483,934,000.00																									
Other Revenues	39,402,233,000.00																									
Total Revenue**	584,351,035,641.42																									

Disbursement Linked Indicators (DLIs) and Tests	Findings	Conclusion	Recommendations
	<p>We have computed the total debts stock / Revenue percentage for the 2019 year, as follows:</p> $\frac{\text{N}872,343,206,791.00}{\text{N}584,351,035,641.42} \times 100$ $= 149.28\%$ <p>Sources: For Total Revenue 2019 Audited Financial Statement, Pg 13. For Total Public Debt from DMO* as at December 31, 2019</p> <p>*Table 3 (i) below holds a breakdown of the Total Debt. **Table 3 (ii) holds the breakdown of Revenue</p> <ul style="list-style-type: none"> b) The debt stock stated in the Federal DMO State Domestic and External Debt Report is not the same with the debt stock stated in the audited financial statement. c) There was a difference of N86,499,771,791.00 between the value stated in the Federal DMO State Domestic and External Debt Report (SDEDR) of N872,343,206,791.00 and the Audited Financial Statement of N785,843,435,000.00. d) The difference has been communicated to the State for explanation. e) The difference has been calculated in value as N86,499,771,791.00 (N872,343,206,791.00 - N785,843,435,000.00) and in percentage terms as 11% (N872,343,206,791.00 - N785,843,435,000.00 / N785,843,435,000.00 *100). f) The SDEDR has been amended and resubmitted to the IVA along with explanations for any changes. 		

TABLE 3 (i): DLI 9 31 DECEMBER 2019 STATE DEBT STOCK TABLE FOR LAGOS STATE

LAGOS STATE	AMOUNT (₦)
BUDGET SUPPORT LOAN (SOURCE FMOF)	-
BAIL OUT (SALARIES) (SOURCE CBN)	-
RESTRUCTURED COMMERCIAL BANK LOANS (FGN BOND)	-
EXCESS CRUDE ACCOUNT BACKED LOAN (SOURCE CBN)	-
STATE BONDS	166,729,147,072
COMMERCIAL BANK LOANS	179,598,881,539
CBN COMMERCIAL AGRIC LOAN (SOURCE CBN)	8,303,211,992
INFRASTRUCTURE LOANS (CBN FACILITIES)	-
MICRO SMALL MEDIUM ENTERPRISES DEVELOPMENT FUND (MSMEDF) SOURCE CBN)	-
JUDGEMENT DEBTS	1,846,300,174
GOVT - GOVT DEBTS	-
CONTRACTORS' ARREARS	88,631,247,316
PENSION AND GRATUITY ARREARS	-
SALARY ARREARS AND OTHER CLAIMS	-
OTHER DEBTS	-
TOTAL DOMESTIC DEBT (TDD)	445,108,788,092
TOTAL EXTERNAL DEBT (TED)	427,234,418,699
TOTAL PUBLIC DEBT (TED+TDD)	872,343,206,791

TABLE 3 (ii): DLI 9 31 DECEMBER 2019 - ADJUSTED REVENUE TABLE FOR LAGOS STATE

	NGN
Item	2019
1. Total Gross FAAC allocation: Statutory Transfers and VAT (1.1 + 1.2)	165,907,479,642
1.1 Statutory transfers (1.1.1 + 1.1.2 + 1.1.3)	57,917,229,406
1.1.1 Gross statutory allocation	55,450,596,327
1.1.2 Derivation	1,922,430
1.1.3 Other FAAC transfers (also known as Distribution) such excess PPT savings account, Forex equalization, excess bank charges, exchange rate gain, augmentation, others	2,464,710,649
1.2 VAT	107,990,250,236
2. Internally Generated Revenues (IGR) - Adjusted	378,557,389,000
3. Grants (internal and external)	483,934,000
4A. Other revenues (4.1 + 4.2 + 4.3)	39,402,233,000
4.1 Investment Income (e.g. dividends)	2,077,847,000
4.2 Interest Earned	1,161,184,000
4.3 Miscellaneous	36,163,202,000
Total Revenues and Grants Calculations	
A) Total Revenues and Grants is (1+2+3+4A)	584,351,035,642

4. Response from the State

The State should please use the table below for their response.

S/N	State Response to the draft report	IVA Follow-up, response, treatment
1	<p>DLI 1: Improved Financial Reporting and Budgeting Reliability</p> <ul style="list-style-type: none"> ▪ It is instructive to note that Lagos State Performance on DLI-1 was adversely affected due to the following reasons: <ul style="list-style-type: none"> – Late Passage of 2019 Budget, which equally affected the State’s Eligibility for 2018 Assessment – The 6 weeks (42 days) mandatory Publishing Dates for Quarterly Performance Reports was also adversely affected. – Against the prescribed publishing dates of each quarterly report of 6 weeks (i.e. 42 days) post due period end, the State had its 1st, 2nd, 3rd and 4th Quarterly Performance Reports published at 255, 173, 63 and 43 days respectively. – The late publishing was further exacerbated by the Budget Re-Ordering exercise that commenced immediately after the current administration was sworn in, coupled with the Bond/Loans floating exercise. – A cursory review of the publishing dates of the 2019 Quarterly Reports revealed a progressive outturn in the last 2 quarters of the year. This is indicative of the drive of the new administration to ensure compliance with all regulatory statutes. ▪ Lagos State Reporting Format for Quarterly Reports was designed on Summary Basis. We have however noted the recommendation to further disaggregate the reporting into MDAs; and adopted the New Reporting format for subsequent periods commencing 1st Quarter 2020 till date. 	Your response has been noted, thanks.
2	<p>DLI 2: Increased Openness and Citizens’ Engagement in the Budget Process</p> <ul style="list-style-type: none"> – All concerns noted have been rectified in subsequent reporting period. – The scope of the State Consultative Forums has been expanded to five (5), covering the 5 Divisions of the State. – In compliance with the COVID Protocols, the Consultative Forums were held physically & virtually 	All efforts mentioned in the response has been noted and will be assessed in the 2020 APA.

	<p>– Minutes of the Forums were jointly prepared and signed by the Ministry of Economic Planning and Budget & the CSOs; and shall be uploaded before due date 31st January 2021.</p> <p>Citizens’ budget based on approved FY19 State budget published online by end April 2019.</p> <ul style="list-style-type: none"> ▪ Events mentioned in section 1 above were largely responsible for the State’s inability to publish the Citizens’ Budget as at due date. <p>Subsequent period Citizens’ Budget was however completed and uploaded before 30th April 2020. Furthermore, Citizens Budget for the year 2021 is at an advance stage for upload.</p>	
3	<p>DLI 3: Improved cash management and reduced revenue leakages through implementation of State TSA</p> <ul style="list-style-type: none"> ▪ Lagos State model of TSA was based on the TSA Concept as contained in page2 and paragraph 3 of the CBN Guidelines for the Operation of Treasury Single Account (TSA) by state Governments in Nigeria. ▪ The guideline states “The Treasury Single Account (TSA) initiative is the operation of a Unified Structure of Government Bank Accounts, in a single account or a set of linked accounts for ALL Government payments and receipts”. ▪ As rightly stated in the IVA Report, Revenue and Expenditure Accounts of Lagos State are managed via an application-Bank Account Monitoring System (BAMS) which gives us a single view of balances across bank accounts at any point in time. ▪ All Internally Generated Revenues pass through the Consolidated Revenue Account in each bank and all payments passes through the expenditure accounts. <p>No Government business/ expenditures are carried out outside these accounts</p>	<p>All well noted, thanks. The IVA appreciates Lagos State has rightly implemented banking arrangements in line with its needs. However, the State’s TSA, which involves approximately 18 different Banks, does not meet the SFTAS Verification Protocol requirement for a Single Account for all State Government Finances. Where more than one account (banking service provider) is in use, the minimum percentage of Government finances that need to go through one TSA Account for the 2019 APA is 60%.</p>
4	<p>DLI 4: Strengthened Internally Generated Revenue (IGR) collection</p> <p>The DLI requires:</p> <ol style="list-style-type: none"> 1. The State to implement a consolidated State Revenue Code covering all State IGR sources and stipulating that the State Internal Revenue Service is the sole Agency responsible for State revenue collection and accounting. 	<p>The Lagos RAL (2006) was reported as not meeting the requirements for this DLR in the 2018 APA Report and has not yet been</p>

	<p>2. The codification must be approved by the State Legislature and published.</p> <p>Consequently, LIRS has addressed the above requirements thus:</p> <p>Requirement 1</p> <p>Pursuant to section 31 Lagos State Revenue Administration Law, 2006 (RAL), LIRS is the sole administrator of all tax statutes within the State, with the power to delegate to other MDAs as evidenced in section 31 (2) RAL. The section provides thus:</p> <p><i>Section 31. – (1) The Internal Revenue Service shall have power to administer any Law on taxation in respect of which the State House of Assembly or the National Assembly may confer power on it.</i></p> <p><i>(2) The Internal Revenue Service may, with the approval of the Governor by instrument published in the State Gazette, appoint any ministry, department or agency to collect revenue pursuant to its powers under subsection (1) of this section.</i></p> <p>To further buttress this point, the drafted Regulation (Lagos State Codification of Taxes, Levies, Rates and Charges Regulation, 2020) in Regulation 4 (1) emphasized the powers of LIRS to be the sole authority to administer taxes and all revenue items within the State.</p> <p>Observation:</p> <ul style="list-style-type: none"> ▪ The above requirement that LIRS must be the sole agency in charge of all revenue within the State (inclusive of Local Government) contravenes the principle of true Federalism, which is the structure of Governance applicable in Nigeria. ▪ The Taxes and Levies approved List for Collection Act, 2004 (as amended) clearly stipulates what is collectable by each tier of government. ▪ Therefore, no tier of government can usurp the collection powers of the others. <p>Requirement 2</p> <ul style="list-style-type: none"> ▪ This requirement specifically indicates that the Lagos State House of Assembly must approve the codification. ▪ This can only be achieved through the amendment of the Lagos State Revenue Administration Law, 2006 to accommodate such provision, which would entail a rigorous legislative enactment process in the Lagos State House of Assembly. ▪ In view of challenges and complexity that may occasion a delay in the amendment of the Lagos State Revenue Administration Law, 2006 (RAL) to incorporate the above requirements, LIRS proactively resolved to rely on the extant provisions of the RAL, precisely section 77 RAL, 2006 to achieve the eligibility criteria stated above. ▪ The section provides: 	<p>amended. The IVA acknowledge the receipt of the Lagos State Codification of Taxes, rates and Charges Regulation 2020 but (1) there is no evidence that the regulations have been passed by the State House of Assembly. Instead, they have been issued as regulations (though signed by the Governor).</p> <p>(2) They are mostly a series of revenue codes (for tax and non-tax) and while they show the main sources of revenue there are no details of applicable rates (though for the Local Government sources, some have the rates).</p> <p>The IVA will review the updated/amended legislation during the 2020 APA.</p>
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	<p><i>Section 77. - The Board may, with the approval of the Governor, make regulations for carrying into effect the provisions of this Law and for the due administration of its provisions and may in particular, make regulations –</i></p> <ul style="list-style-type: none"> <i>a) Prescribing the forms for returns and other information required under this Law or any other Law;</i> <i>b) Prescribing the procedure for obtaining any information required under this Law or any other Law; and</i> <i>c) For other incidental matters. (emphasis ours)</i> <ul style="list-style-type: none"> ▪ Consequently, the Board pursuant to the above powers in the RAL which is an enactment of the Lagos State House of Assembly, drafted a Regulation (Lagos State Codification of Taxes, Levies, Rates and Charges Regulation, 2020) to validate the codified revenue codes, which was approved by Mr. Governor on 29 September 2020 (Copy of the Regulation is attached as Appendix A). ▪ This Regulation codified the various revenue codes, rates, charges and levies from all revenue generating MDAs and Local Governments within the State. <p>Observation</p> <ul style="list-style-type: none"> ▪ It is noteworthy to mention that if the Regulation were to be approved by the State Legislature as indicated in Requirement 1 above, it would contravene the provisions of section 77 RAL and therefore be null and void ab initio. ▪ We hope the above explanation has been able to address your concerns on the issues raised. If there are any more questions/observations please do not hesitate to contact us for clarifications. 	
5	<p>DLI 6: Improved Procurement Practices for Increased Transparency and Value for Money</p> <ul style="list-style-type: none"> ▪ The State was marked "unsatisfactory" in the area of the Independence of the Public Procurement Agency. ▪ This conclusion was based on the absence of relevant sections, which are in line with UNCITRAL model Law as it relates to the removal of the General Manager and Judicial Review of decisions. ▪ These two issues have however been addressed in the Public Procurement Agency Amendment Bill, which is now before the Lagos State House of Assembly. (The Report also acknowledges this) <p>To this end, we conclude that your observation is succinct and the State has put motions in place to ensure adherence before the next Annual Performance Assessment.</p>	This has been taken note of and the IVA looks forward to assessing the amendments in the 2020 APA.
6	<p>DLI 9: Improved Debt Sustainability</p>	This has been noted.

Reconciliation of DMO, Abuja Report with the Year 2019 Published Financial Statement		
	#	#
Total Domestic Debts as Reported by DMO, Abuja		445,108,788,092.00
Less Difference in CBN Commercial Agric Loan (CACS):		
Y2019 Published Financial Statement	7,421,425,373.00	
DMO, Abuja (Source - CBN)	<u>(8,303,211,992.00)</u>	
		=
		<u>881,786,619.00</u>
		444,227,001,473.00
Less Sundry Payables (Y2019 F/S)		
Judgement Debts	1,846,300,174.36	
		=
Contractors' Arrears	<u>88,631,247,316.00</u>	<u>90,477,547,490.36</u>
Actual Domestic Debts as stated in 2019 F/S (A)		<u>353,749,453,982.64</u>
Balance as stated in IVA Report from F/S (B)		<u>357,120,140,000.00</u>
Variance (A-B)		<u>3,370,686,017.36</u>
Reason for variance		
Internal loan schedule figure report to DMO Abuja	187,020,306,911.00	
Internal loan figure on Page 32, Note 34 of FS	<u>(186,528,294,000.00)</u>	
Change in interest rate (See note 1 below)	<u>492,012,911.00</u>	

Bond schedule figure as sent to DMO Abuja	166,729,147,000.00	
Bond figure on Page 32, Note 34 of FS	<u>- 170,591,846,000.00</u>	
Variance between nominal and amortised figures	<u>- 3,862,699,000.00</u>	<u>3,370,686,089.00</u>
EXTERNAL LOAN		#
Balance as per Published Financial Statement		428,723,295,000.00
Balance as per IVA Report/DMO, Abuja		<u>427,234,418,698.68</u>
Agro Processing IDA Loan - APPEALS (Not yet captured by DMO, Abuja)		<u>1,488,876,301.32</u>
There are differences between what was reported by DMO, Abuja and the published Financial Statement due to the following:		
<ul style="list-style-type: none"> ▪ Restructuring of Commercial Loans in December, 2019 with a reduction in interest rates to 14% from between 18% - 22% earlier charged by banks. ▪ The figure captured by DMO, Abuja for CACS is included in the total internal loan captured in the F/S balance. Page 32, Note 34 of FS ▪ Judgment Debts and Contractors Liabilities were included in the Debts Stock as calculated by DMO, Abuja while these were treated as Other Payables in the Financial Statement. 		
Conclusion.		
The above analysis provides the explanation for the State's inability to meet the requirements of DLI 9.		

Appendix A

REPORT ON THE ACHIEVEMENT OF THE ELIGIBILITY CRITERIA FOR THE 2019 PERFORMANCE YEAR

YOUR STATE HAS BEEN ASSESSED AS HAVING MET THE ELIGIBILITY CRITERIA FOR THE 2019 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 guidelines for more detail on eligibility.

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 2019 Part I - The online publication of Approved Budgets for 2020 by 31st January 2020

Information Source(s)	Initial checks	Initial Comments / Observations	Follow up	Final Assessment
http://mepb.lagosstate.gov.ng/storage/sites/29/2020/01/3.-Y2020-Appropriation-Law-OmnibusTable.pdf http://mepb.lagosstate.gov.ng/storage/sites/29/2020/01/2.-Y2020-Appropriation-Law-Summary-Position.pdf	A search was done on the Lagos State website	The 2020 Budget was published on the State Official website, a copy was downloaded.	A request was made on 14/01/2020 to the focal persons to provide evidence of the Governor's assent. The focal person responded on 15/1/2020 and provided evidence of the Appropriation Law.	EC met

Tests/checks performed	Results	Areas for improvement
Is the approved budget for 2020 available on any of the State Government Websites?	Yes	None
Was the approved budget published online before 31 January 2020?	Yes	None
Is the published budget clear and legible?	Yes	None
Can the budget be downloaded?	Yes	None
Do we have evidence of assent by the Governor?	Yes	None

Eligibility Criteria 2019 Part 2 - The online publication of Audited Financial Statements for FY2018 by 30th September 2019

Source(s)	Initial Work Done	Initial Comments / Observation	Follow up	Final Assessment
https://lagosstate.gov.ng/ http://lagosstate.gov.ng/stora	A search was done on the Lagos State	The Audited Financial Statements were	N/A	EC met

ge/2019/11/LASG-2018_PUBLISHED_FINANCIAL-STATEMENTS.pdf	Website and their Audited Financial Statements were downloaded.	easily accessed and downloaded.		
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Tests/checks performed	Results	Areas for improvement
Were the Financial Statements (FS) for 2018 available on any of the State Government Websites? (and were the FS straightforward or difficult to find?)	Yes	None
Were the Financial Statement for 2018 available published online before 30 th September 2019?	Yes	None
Are the published financial statements clear and legible?	Yes	None
Can the Financial Statements be downloaded?	Yes	None
Do we have evidence of audit by the State Auditor-General?	Yes	None
Are the financial statements complete, including primary statements and disclosure notes?	Yes	None
Are there any indications that balances within the financial statements are not credible	n/a	Please see the 2018 APA Report