



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

2018 Annual Performance Assessment (APA) Report

ONDO STATE

By:

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



March 2020

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Executive Summary

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

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

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

1. DLR 2.1: The minutes of the public consultations on the annual budget should be jointly prepared with CSO representatives (shown by their signature to the minutes) and published online.
2. DLR 3: The State TSA should cover all of state government finances based on a formally approved cash management strategy. Note the minimum required coverage of 70% of the State government’s finances for 2020 and 80% for the year thereafter.
3. DLR 4.1: The State Consolidated state revenue code should cover all States and LGA IGR sources and should stipulates that the State Bureau of Internal Revenue is the sole agency responsible for the revenue collection. Also, the revenue Law and codes should be published online.
4. DLR 6.1: The State appears to have recently set up an independent procurement regulatory function under a Director General. This should be properly maintained as a functioning agency for the subsequent APAs.
5. DLR 6.2: Contract award information for all contracts awarded during the fiscal year that are above the set threshold should be published online, and in line with the Open Contracting Data Standards (OCDS).
6. DLR 7.2: Submission of the State quarterly debt report to the Federal DMO should be within the stipulated time and the State should obtain an acknowledgement of submission.
7. DLR 8: Establishment of a Domestic Arrears Clearance Framework and an internal domestic arrears database with relevant balances placed online through a publicly accessible portal.

Table 1: Assessment Results

Key:	Achieved		Not Achieved	
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Disbursement Linked Indicators	Disbursement Linked Results (2018)	Results	Remarks
DLI 1: Improved financial reporting and budget reliability	DLR 1.1: FY18 quarterly budget implementation reports published on average within 6 weeks of quarter-end to enable timely budget management		The quarterly budget performance Reports were published within 6 weeks of quarter end.
	DLR 1.2: FY18 deviation for total budget expenditure is < 30%		The deviation was 7.24%.
DLI 2: Increased openness and	DLR 2.1: Citizens’ inputs from formal public consultations are published online, along with the proposed FY19 budget		Consultations were held but minutes were not published online.

Disbursement Linked Indicators	Disbursement Linked Results (2018)	Results	Remarks
citizens' engagement in the budget process			
DLI 3: Improved cash management and reduced revenue leakages through implementation of State TSA	DLR 3: TSA, based on a formally approved cash management strategy, established and functional, and covering a minimum of 50 percent of State government finances implementation of State TSA		TSA covered 8.84% of State finances.
DLI 4: Strengthened Internally Generated Revenue (IGR) collection	DLR 4.1: Consolidated State revenue code covering all State IGR sources and stipulating that the State bureau of internal revenue is the sole agency responsible for State revenue collection and accounting approved by the State legislature and published.		The State Revenue Administration Law was signed into law in January 2019.
	DLR 4.2: 2018-2017 annual nominal IGR growth rate meets target: -Basic target: 20%-39%, -Stretch target: 40% or more	Stretch Target met	The annual nominal IGR growth rate is 405%.
DLI 5: Biometric registration and Bank Verification Number (BVN) used to reduce payroll fraud	DLR 5.1: Biometric capture of at least 60 percent of current civil servants completed and linked to payroll, and identified ghost workers taken off the payroll		73% of Civil Servants had biometric data captured and linked to payroll.
	DLR 5.2: Link BVN data to at least 60 percent of current civil servants on the payroll and payroll fraud addressed		73% of current civil servants' BVN was linked to 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) eProcurement. 2) Establishment of an independent procurement board; and 3) Cover all MDAs receiving funds from the State budget.		The state had not set up an independent procurement regulatory function in 2018.
	DLR 6.2: Publish contract award information above a threshold set out in the Operations Manual for 2018 on a monthly basis in OCDS format on the State website		Contracts above the threshold were not published online, using the OCDS format.
DLI 7: Strengthened public debt management and fiscal responsibility framework.	DLR 7.1: Approval of State-level legislation, which stipulates: 1) responsibilities for contracting State debt. 2) responsibilities for recording/reporting State debt; and 3) fiscal and debt rules/limits		The 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 2018		The Q4 SDDR was submitted after due date.
DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears	DLR 8: Domestic arrears as of end 2018 reported in an online publicly accessible database, with a verification process in place and an arrears clearance framework established.		No domestic arrears database or ACF established in 2018.
DLI 9: Improved debt sustainability	DLR 9: Average monthly debt service deduction is < 40% of gross FAAC allocation for FY2018 and Total debt stock at end of December 2018 as a share of total revenue for FY2018 meets target: Basic target: < 150%, Stretch target: < 125%	Stretch Target met	Monthly debt service deduction is 10.1% of gross FAAC. The Debt stock as a share of total revenue ratio is 44%.

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

2. Introduction

2.1 Overview

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

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

2.2 Scope and APA Process

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

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

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

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

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

3. Assessment Results

3.1 Findings

Table 2: Findings

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
DLI 1: Improved Financial Reporting and Budgeting Reliability				
DLR 1.1	Financial Year [2018] quarterly budget implementation reports published on average within [6 weeks] of each quarter-end to enable timely budget management		Achieved	
1	Has the State published its quarterly budget implementation report to the State official website within six weeks of the end of each quarter?	<p>This DLR was assessed based on the last two quarters of 2018 as per the verification protocol.</p> <p>From our desk review as well as the submissions from the state, the dates the reports were posted online were as follows:</p> <p>Q1- Was not posted online Q2- November 14th, 2018 – 18 weeks Q3- November 14th, 2018 – 6 weeks and 3days (45 days) Q4- February 8th, 2019 – 5 weeks and 4days (39 days). <i>Note the link to the Q4 report was not active at the time of the field visit, but the State was subsequently able to show a separate publication page (and link) which was active</i></p> <p>Average for Q3 and Q4 = 42 days (6weeks)</p>	Satisfactory	
2	Does the reports include, at a minimum, the approved budget appropriation for the year for each organizational unit (MDAs),	The reports included the approved budget appropriation for the year for each organisational unit (MDAs) and for each of core economic	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
	and for each of the core economic classifications of expenditure (Personnel, Overheads, Capital, and Other expenditures)?	classifications of expenditure such as Personnel, Overheads, Capital and other expenditures there on.		
3	Does the report state the actual expenditures for the quarter attributed to each MDA and each expenditure classification as well as the cumulative expenditures for year to date?	The reports showed the actual expenditures for the quarter attributed to each MDA and each expenditure classification as well as the cumulative expenditures for year to date	Satisfactory	
4	Does the report State balances against each of the revenue and expenditure appropriations with balances provided on a consolidated basis across the four (4) expenditure classifications and 'Other Expenditures' which will include debt servicing, and transfers, or other expenditures not attributable to any of the other three (3) expenditure classifications?	The reports stated balances against each of the revenue and expenditures appropriations of Personnel, Overheads, Capital and others including debt servicing and transfers on a consolidated basis.	Satisfactory	
DLR 1.2	FY [2018] deviation from total budget expenditure is less than 30%		Achieved	
1	Has the State Computed the difference between the original approved total budgeted expenditure for the fiscal/calendar year and the actual total budgeted expenditure in the fiscal/calendar year, divided by the original approved total budgeted expenditure, and expressed in positive percentage terms? Is the expenditure outturn deviation computed less than 30%	The State did not compute the deviation rather they computed the performance for each of the core economic classifications of expenditure (Personnel, Overheads, Capital, and Other expenditures) in the quarterly budget performance reports in percentage. The computed budget performance deviation is 7.24% $\frac{N181,424,540,283.00 - N168,289,423,851.64}{N181,424,540,283.00} = 7.24\%$ Source: See page 28 of 2018 Audited Accounts.	Satisfactory	
DLI 2: Increased Openness and Citizens' Engagement in the Budget Process				

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
DLR 2.1	Citizens' inputs from formal public consultations are published online, along with the proposed FY [2019] budget.		Not Achieved	
1	Did the State conduct at least one "town-hall" consultation before the proposed budget is drafted with participation of Local Government authorities and State-based CSOs?	<p>The State informed the IVA that it conducted a town hall meeting on 9th October 2018 which was before the proposed budget was drafted.</p> <p>We obtained CDs of video coverage of the event as well as soft copies of minutes and a hard copy of attendance.</p> <p>We tested a random sample of 10 attendees including local Chiefs, Civil Servants and Local Government representatives to confirm their participation</p>	Satisfactory	
2	Were the minutes of the public consultations jointly prepared with CSO representatives (shown by their signature to the minutes) and signposted on the home page of the website to enable citizens to find the inputs easily?	The minutes of the meetings were not signed by CSO representatives and not published on the State website.	Unsatisfactory	The State should ensure the minutes of meeting are jointly prepared with CSO representatives signing the minutes. The minutes should be published online by the State
DLI 3: Improved Cash Management and Reduced Revenue Leakages through Implementation of State TSA				
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?	Ondo State has no established functional TSA as all revenues collected still seats in various Banks for a month before being swept into the state account.	Unsatisfactory	The State should establish a functional State Level TSA where all revenues and expenditures can be managed.

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations															
2	Is there a formally approved cash management strategy in place? The Strategy should cover the processes through which the State Ministry of Finance or Budgets/Economic Planning is able to forecast cash commitments and requirements and provide reliable information on the availability of funds.	A cash management strategy was not in place, instead a cash management projection on a monthly basis was provided.	Unsatisfactory	The State should put in place a cash management strategy covering the processes through which the State is able to forecast cash commitments, requirements and provide reliable information on availability of funds.															
3	Does the TSA have a system of cash management that allows for a central view of cash balances in bank accounts on a single electronic dashboard (based on the approved cash management strategy)?	The Ondo State Board of Internal Revenue was visited at the field, but we were unable to have a central view of cash balances on a single electronic dashboard.	Unsatisfactory	Ondo State should have a system of cash management that allows for a central view of cash balances in bank accounts on a single electronic dashboard.															
4	Does the TSA have one consolidated revenue treasury account for State revenues? Revenues collected by MDAs such as service fees no longer sit in individual MDA accounts at different commercial banks but are brought into the consolidated revenue account as part of the TSA.	The State's revenue sits in commercial banks for one month before it is swept to a single account (First Bank of Nigeria Plc 2002084301) using Inter Switch.	Unsatisfactory	The State should have one consolidated revenue treasury account into which revenues should be swept regularly.															
5	Does the TSA cover a minimum of 50% of the State Government's finances?	<table border="1"> <thead> <tr> <th></th> <th>Outflow</th> <th>Inflow</th> </tr> </thead> <tbody> <tr> <td>TSA (IGR) Bank Statement</td> <td>11,717,076,527.78</td> <td>11,205,863,373.96</td> </tr> <tr> <td>FS (Pg. 26)</td> <td>99,794,332,939.30</td> <td>188,853,155,000</td> </tr> <tr> <td>50% Minimum of Govt Finances</td> <td>11.74%</td> <td>5.93%</td> </tr> <tr> <td>Average rate</td> <td colspan="2">8.84%</td> </tr> </tbody> </table> <p>IVA reviewed the State's IGR Consolidated account with First Bank and the total inflow and outflow</p>		Outflow	Inflow	TSA (IGR) Bank Statement	11,717,076,527.78	11,205,863,373.96	FS (Pg. 26)	99,794,332,939.30	188,853,155,000	50% Minimum of Govt Finances	11.74%	5.93%	Average rate	8.84%		Unsatisfactory	<p>Ondo State should ensure that the state government finances are managed on a single TSA and electronic dashboard.</p> <p><i>Note that for the 2020 APA, at least 70% of State's finances should go through the TSA.</i></p>
	Outflow	Inflow																	
TSA (IGR) Bank Statement	11,717,076,527.78	11,205,863,373.96																	
FS (Pg. 26)	99,794,332,939.30	188,853,155,000																	
50% Minimum of Govt Finances	11.74%	5.93%																	
Average rate	8.84%																		

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
		<p>from the financial statement and computed the minimum Government finances that passed through the TSA as follow:</p> <p>The 8.84% rate did not meet the 50% minimum requirements</p> <p>Sources: Bank Statements and the 2018 Audited Financial statement.</p>		
DLI 4: Strengthened Internally Generated Revenue (IGR) Collection				
DLR 4.1	Consolidated State revenue code covering all State IGR sources and stipulating that the State bureau of internal revenue is the sole agency responsible for State revenue collection and accounting approved by the State legislature and published	The State had no consolidated revenue law / revenue code as at December 2018.	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? IGR sources include presumptive tax, indirect taxes and levies (roads, hotels), fines, fees and charges. Personal income tax, including PAYE, which is collected by the State and covered by the federal tax code.	See above		The State should ensure the consolidated state revenue code covers all States and LGA IGR sources and stipulates that the State bureau of internal revenue is the sole agency responsible for the revenue collection. Also, the revenue law, code and rates should be published online.
2	Does the consolidated revenue code stipulate that the State Bureau of Internal Revenues (SBIR) as the sole agency responsible for State revenue (tax and non-tax) collection and accounting in the State?	See above		See above
3	Is Collection of revenues made into accounts nominated by the SBIR for the SBIR to be deemed responsible for collection?	See above		See above

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations																		
4	Is the code approved by the State legislature to have a legal basis, either as a law or a resolution? It cannot be an executive order with no legal basis. The approval shall occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.	See above		See above																		
5	Is the Publication published online, so it is automatically available to the public/all taxpayers?	See above		See above																		
DLR 4.2	Annual nominal IGR growth rate meets target		Achieved Stretch target met.																			
1	<p>Has the 2018-2017 annual nominal IGR growth rate met the basic or stretch targets? Basic Target: 20%-39%, Stretch Target: 40% or more</p>	<p>The annual nominal growth rate of the State was calculated as 405% growth rate, based on figures within the audited FS for 2018</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Tax</td> <td>7,515,095,341.04</td> <td>26,939,030,571.50</td> </tr> <tr> <td>Non-Tax</td> <td>3,674,498,250.94</td> <td>29,572,090,400.44</td> </tr> <tr> <td></td> <td>11,189,593,591.98</td> <td>56,511,120,971.94</td> </tr> <tr> <td>Growth</td> <td></td> <td>45,321,527,379.96</td> </tr> <tr> <td>Growth rate</td> <td></td> <td>405%</td> </tr> </tbody> </table> <p>Based on the IGR Report from ODIRS: <u>N10,927,871,479.76 – N24,742,626,980.75</u> N10,927,871,479.76 = 126.42% growth rate.</p>		2017	2018	Tax	7,515,095,341.04	26,939,030,571.50	Non-Tax	3,674,498,250.94	29,572,090,400.44		11,189,593,591.98	56,511,120,971.94	Growth		45,321,527,379.96	Growth rate		405%	Satisfactory	Ondo State should examine the reasons why a significant amount of the revenues stated in the audited FS are not reflected within the ODIRS IGR Report.
	2017	2018																				
Tax	7,515,095,341.04	26,939,030,571.50																				
Non-Tax	3,674,498,250.94	29,572,090,400.44																				
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Growth		45,321,527,379.96																				
Growth rate		405%																				
DLI 5: Biometric registration and bank verification number (BVN) used to reduce payroll fraud																						
DLR 5.1	Biometric capture of at least [60] percent of current civil servants completed and linked to payroll and identified ghost workers taken off the payroll.		Achieved																			

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
1	Has the State used Biometrics to reduce payroll fraud through a completed biometric exercise for 60% of the current civil servants on the State payroll?	9,757 of staff biometrics has been captured and linked to the Staff payroll out of the 13,282 total staff of the state government representing, 73% of the civil servants as at 31 st December 2018. We obtained the biometric report, State Nominal roll and performed sampled verification test to confirm the above.	Satisfactory	
2	Has the State linked the biometrics data to the State payroll to identify ghost workers?	Yes, all entries on payroll have unique digital IDs, which the IVA verified. We also took a screenshot of the State's Biometrics database portal. A report was also obtained by the IVA in this regard	Satisfactory	
3	Has the State removed confirmed ghost workers within three (3) months of each case being confirmed?	It was confirmed to the team that no ghost workers were identified in the year, rather there were deaths and once these are identified they are removed immediately or at the end of the month. A report was obtained by the IVA in this regard.	Satisfactory	
DLR 5.2	Link BVN data to at least [60] percent of current civil servants [and pensioners] on the payroll and payroll fraud addressed		Achieved	
1	Has the State linked the Bank Verification Number data to 60% of its current Civil Servants to the State payroll?	As at December 2018, the State had also linked the BVN data of all 9,757 staff that had been captured and linked with biometric data. As stated above, 73% of the State civil servants had their data linked to the payroll. A report was obtained by the IVA in this regard. A sample of staff were viewed on screen of the Payroll application and the BVN numbers were on record for all.	Satisfactory	
2	Has the State taken steps to identify payroll fraud?	The State has taken steps to reduce payroll fraud by linking BVN data to the payroll. A report was obtained by the IVA in this regard.	Satisfactory	
DLI 6: Improved procurement practices for increased transparency and value for money				
DLR 6.1	Existence of a public procurement legal framework and a procurement regulatory		Not Achieved	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations						
	agency. Said legal framework should conform with the UNCITRAL Model Law and provide for: 1) eProcurement; 2) establishment of an independent procurement board and 3) cover all MDAs receiving funds from the State budget.									
1	Does the State have a public procurement legal framework which must be approved by the State legislature to have a legal basis, either as a law or a resolution? It cannot be an executive order with no legal basis. The approval of the public procurement legal framework shall occur by the 31 December of the year under assessment to count for that year, up to 31 December 2020.	Public Procurement Law of Ondo State 2017 – S.61 was passed by the State House of Assembly on the 8th of August 2017, signed by the Speaker and Clerk of the Ondo State House of Assembly and was also assented to by the State Governor.	Satisfactory							
2	Does the law conform with the UNCITRAL Model Law which should provide for; (1) eProcurement, (2) establishment of an independent procurement board; and (3) cover all MDAs receiving funds from the State budget including the LGAs.	<p>The Ondo State Procurement Law conforms to the UNCITRAL Model Law and is substantially compliant with the DLR 6 requirements.</p> <ol style="list-style-type: none"> 1. E-procurement. (Compliant) – S.2(e). The Board shall approve changes in the procurement process to adapt to e-procurement and improvements in modern technology when necessary. 2. Establishment of an independent procurement board. (Compliant). The results of our assessment of the legislation for independence are on the table below: <table border="1" data-bbox="766 1226 1369 1385"> <thead> <tr> <th>Required provisions*</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>The functions and Powers of the Agency</td> <td>Compliant; see sections 5 and 6 of the Law.</td> </tr> <tr> <td>The composition of the Board.</td> <td>Compliant; see section 1(2).</td> </tr> </tbody> </table>	Required provisions*	Result	The functions and Powers of the Agency	Compliant; see sections 5 and 6 of the Law.	The composition of the Board.	Compliant; see section 1(2).	Satisfactory	The Board should issue specific E-procurement guidelines.
Required provisions*	Result									
The functions and Powers of the Agency	Compliant; see sections 5 and 6 of the Law.									
The composition of the Board.	Compliant; see section 1(2).									

	Disbursement Linked Indicators (DLIs) and tests	Findings		Conclusions	Recommendations
		Membership of the Board or Council to include representatives from professional bodies and associations who shall be part time members	Compliant; see section 1(2)(h)		
		The grounds for removal of the Chief Executive of the Agency.	Compliant; see s. 7(4)		
		Regarding decisions of the Agency; any other review after the Boards decision should be by judicial review	Compliant; section 54(7) appeals from decisions of the Council lie to the High Court.		
		<p>*Provided by the World Bank</p> <p>3. Cover all MDAs receiving funds from the State budget including the LGAs. (Compliant). The Law applies to all procurement of goods, works and services carried out by the State, LGA and other procuring entities.</p>			
3	Has the State instituted an independent procurement regulatory function, which may be performed through one or a combination of the following: board, bureau, commission, council, agency or any other type of entity set up for the statutory purpose?	<p>The State had not instituted an independent Procurement Function as at the time of IVA’s visit and there was no active bureau in place.</p> <p>The IVA team was informed by the Procurement Focal Person that a Director General was recently appointed and would resume office on Monday 2nd December 2019, following which the State board on public procurement would be constituted. This confirmed there was no adequately active bureau during the 2018 APA year. The focal officer also provided a schedule of contracts above ₦20million threshold that was awarded in 2018 and an organogram for the Bureau. A request was made to examine a sample of cases handled by the Bureau in 2018 and</p>		Unsatisfactory	The State appears to have recently instituted an independent procurement regulatory function under a Director General. This should be properly maintained as a functioning agency for the subsequent APAs.

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
		thereby validate its existence but none was made available.		
DLR 6.2	Publish contract award information above a threshold set out in the Operations Manual on a monthly basis in OCDS format on [the State website/ on the online portal]		Not Achieved	
1	Has the State achieved open contracting component of the DLI by publishing online, contract award information for all contracts awarded during the fiscal year that are above the threshold (as defined in the State procurement law or in the State procurement regulation(s)), in line with the Open Contracting Data Standards (OCDS). For 2018, States can publish the information on the State official website or online portal if already established.	The State did not publish online contracts awarded during the fiscal year.	Unsatisfactory	The State should publish online contracts awarded above the set threshold, and in line with Open Contracting Data Standards (OCDS).
DLI 7: Strengthened public debt management and fiscal responsibility framework				
DLR 7.1	Approval of State-level public debt legislation, which stipulates: 1) responsibilities for contracting State debt; 2) responsibilities for recording/reporting State debt; and 3) fiscal and debt rules/limits		Achieved	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
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 legislation, which was signed into law by the State Governor on 7th day of August 2017. The State provided the following laws: 1. Fiscal Responsibility Law 2017 2. Public Finance Management Law 2017 3. Ondo State Debt Management office (Establishment) Law 2011, assented to by the governor on 30 th June,2011. 4. Ondo State Issuance of Debt and Other Securities, assented to by the governor on 30 TH June 2011	Satisfactory	
2	Does the legislation provide for the creation of a State Debt Management Department (or Unit, Committee, Agency, Board, Bureau, Commission, Council)?	The State of Ondo Debt Management Office was established by the State of Ondo Debt Management (Establishment) Act 2011, in accordance with section 1 and 2.	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.	We reviewed the Ondo State Debt Management Agency Law, 2017 and it includes provisions as follows: i. Responsibilities for contracting state debt: Section 6(a-d) ii. Responsibilities for recording/reporting state debt; Section 5(a-p) iii. Fiscal and debt rules/limits for the state: Section 19(a-e)	Satisfactory	
4	Has the Unit (or Committee, Agency, Board, Bureau, Commission, Council) created by law been operational during the APA year.	Evidence obtained from Ondo State showed that the Debt Management Department was set up on the 15 th of September 2011, under the Ministry of Finance and the Ondo State Debt Management Law established it on 30 th June 2011. Mr. Agunbiade Opeyemi the Head of Middle Office joined the department in March 2017 as the Head of Middle Office. He has been involved in debt	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
		<p>recording and reporting, as the Office collects debt data from the Accountant General's Office, various Ministries, Department and Agencies for processing. The processed information is reported quarterly through the recommended templates to Debt Management Office in Abuja and the Office had submitted the Quarter 4/Year end SDDR for the APA year.</p> <p>We also noted from the submissions from the Federal DMO that the State has a unit interacting with the DMO and filing state level submissions on Debt Management. Lastly, we obtained photographic evidence of the office and officials, as well as copies of the reports for 2018, which we retained in our file.</p>		
DLR 7.2	Quarterly State debt reports accepted by the DMO on average two months or less after the end of the quarter in 2018		Not Achieved	
1	Has the State produced quarterly State Domestic Debt Reports (SDDR), which are approved by the DMO on average of two months after the end of the quarter in 2018?	<p>This DLI was assessed based on Q4 only, as the revised report template and DMO verification protocols were only implemented in Q4 2018.</p> <p>According to the SDDRS provided by the State the quarterly reports were submitted as follows: Q1: 23rd April 2018 Q2: 30th July 2018 Q3: 4th November 2018 Q4: 17th January 2019 However, the report from the Federal Debt Management Office (FDMO) revealed that Ondo State Debt Management Office (SDMO) did not make its final submission to the FDMO within the time limit.</p>	Unsatisfactory	Ondo State should submit its quarterly SDDRs within the expected time limit.

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
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 underlying data and supporting documents including the DMO templates and guidelines and standard internal protocols and data from CBN, DMO and FMOF Home Finance used by the DMO to cross-check the State's domestic debt figures.</p>	<p>We reviewed the DMO report and the DMO report confirmed the accuracy 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 omission in the state's submission to the DMO. Conclusions reached in this report are based on the amended DMO data</p>	n/a	
DLI 8: Improved clearance/reduction of stock of domestic expenditure arrears				
DLR 8.0	Domestic arrears as of end 2018 reported in an online publicly accessible database, with a verification process in place and an arrears clearance framework established.		Not Achieved	
1	Has the State established an Arrears Clearance Framework (ACF)?	The State did not have an established Arrears Clearance Framework and an internal Domestic Arrears Database as at December 2018.	Unsatisfactory	The State should establish an Arrears Clearance Framework.
2	Does the ACF contain: 1) the planned actions to settle arrears; and 2) an explicit prioritization of expenditure arrears to be settled.	See above	Unsatisfactory	The ACF should contain: 1) the planned actions to settle arrears; and 2) an explicit prioritization of expenditure arrears to be settled
3	Has the ACF been published on a state official website?	See above	Unsatisfactory	The ACF should be published online
4	Has the State established an Internal Domestic Arrears Database?	Ondo State has not established an Internal Domestic Arrears Database	Unsatisfactory	The State should establish an Internal Domestic Arrears Database

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
5	Has the State published online elements of the internal domestic arrears database on a state official website, which constitutes the online publicly accessible arrears database?	See above	Unsatisfactory	See above
DLI 9: Improved debt sustainability				
DLR 9.0	Average monthly debt service deduction is < 40% of gross FAAC allocation for FY [2018] and Total debt stock at end Dec [2018] as a share of total revenue for FY [2018] meets target: Basic target: < [150%], Stretch target: < [125%]		Achieved Stretch Target Met	
	Has the State met: The ratio of total debt stock at end-of-year (31st December 2018) of the year of assessment to the total revenue collected during the calendar year of the year of assessment (1st January to 31st December 2018). Basic target:< [150%], Stretch target: < [125%]	<p>Computation based on DMO Figure</p> <p><u>2018 APA Computation on Debt/Total Revenue</u> Total Revenue (Pg. 24 of the FS) - ₦188,853,155,000 Less investment income – (Pg. 74, Note 5) ₦ 216,645,431.26 Interest Earned--(Pg. 74, Note 6) - ₦79,675,311.34 Revenue after adjustment - ₦ 188,556,834,257.4</p> <p>Total Debt data (from DMO) Total Domestic Debt – <u>N58,663,307,304</u></p> <p>Total external Debt – <u>N24,515,179,578</u> Total Debt -- N83,178,486,882</p> <p><u>₦83,178,486,882.31 X 100 = 44%</u> ₦ 188,556,834,257.4</p> <p>Total Debt/Revenue = 44%</p> <p>Source: Total Public Debt from DMO as at December 31, 2018 and Audited Financial Statement 2018</p>	Satisfactory	

	Disbursement Linked Indicators (DLIs) and tests	Findings	Conclusions	Recommendations
		The results indicate the required percentage for the Stretch targets was achieved.		
	<p>Has the State met:</p> <p>(ii) the ratio of total monthly debt service (principal and interest) deductions from FAAC allocation during the calendar year of the year of assessment (1st January to 31st December 2018) to the gross FAAC allocation for the same calendar year.</p> <p>Less than :< [40%]</p>	<p>The Ondo State deductions at source, in comparison to the Gross Allocation were 10.1% which is less than the 2018 APA benchmark of 40%.</p> <p>Computation in percentage:</p> <p>Deduction at Source ₦ 7,307,671,113.X 100 =10.1%</p> <p>Gross Receipts ₦ 72,305,120,653</p> <p>The data was sourced from Federal Ministry of Finance, Home Finance. The computation of 10.1% is <40%.</p>	Satisfactory	

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

NAIRA	ONDO
1. BUDGET SUPPORT LOAN (SOURCE FMOF)	16,869,000,000
2. BAIL OUT (SALARIES) (SOURCE CBN)	13,810,189,799
3. RESTRUCTURED COMMERCIAL BANK LOANS (FGN BOND)	4,018,345,874
4. EXCESS CRUDE ACCOUNT BACKED LOAN (SOURCE CBN)	9,422,588,167
5. STATE BONDS	4,200,000,000
6. COMMERCIAL BANK LOANS	1,625,782,658
7. CBN COMMERCIAL AGRIC LOAN (SOURCE CBN)	-
8. BAIL-OUT (INFRASTRUCTURE)	-
9. MICRO SMALL MEDIUM ENTERPRISE DEVELOPMENT FUND (MSMEDF) (SOURCE CBN)	1,879,038,001
10. JUDGEMENT DEBTS	-
11. GOVT - GOVT DEBTS	-
12. CONTRACTORS' ARREARS	1,788,428,672
13. PENSION AND GRATUITY ARREARS	5,049,934,134
14. SALARY ARREARS AND OTHER CLAIMS	-
15. OTHER DEBTS	-
TOTAL DOMESTIC DEBT (TDD)	58,663,307,304
TOTAL EXTERNAL DEBT (TED)	24,515,179,578
TOTAL PUBLIC DEBT (TED+TDD)	83,178,486,882

Table Notes

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

4. Responses from the State

Kindly reconsider and validate our assessment as follow:

Disbursement Linked Results	Results	IVA Remarks	Response for Further Consideration	IVA Response
DLR 1.1: (1) Financial Year [2018] quarterly budget implementation reports published on average within [6 weeks] of each quarter-end to enable timely budget management	Not Achieved	Q3 report was published online 6 Weeks and 2days. Q4 was published 5 Weeks and 4days (Content was not seen).	<p>The 2018 Third and Fourth Quarters Budget Implementation appraisal were produced and uploaded on the State website for free download.</p> <ul style="list-style-type: none"> · The third quarter report was uploaded on 14th November 2018 just three days outside SFTAS timeline. (However, the timeline was not made known to us). · The fourth quarter report was uploaded on 8th February 2019 within the SFTAS timeline. · The reports are still available for free download on the State budget website (www.ondobudget.org). · The assessors reported that they could not download the reports, this could be as a result of a weak network at that time. 	Two website links were found for the fourth quarter Budget Implementation report. The first link was not functional hence the earlier conclusion by the IVA. Upon further clarification by the State, the second link was brought to our attention. It was found to be functional and held evidence that the fourth quarter budget implementation that was published on 8 th February 2019. The DLR 1.1 has been assessed as Achieved.
DLI 1.1 (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?	Not Achieved	The reports did not show the actual expenditures for the quarter attributed to each MDA and did not show cumulative	The cumulative analyses were provided in the two budget implementation appraisals.	<p>Further review was done on the reports, the report was found to contain cumulative analyses as year to date balances for the quarter and attributed to each MDA.</p> <p>The DLR 1.1(3) has been assessed as Achieved.</p>

		expenditures for the year to date.		
DLI 2.1 Citizens' inputs from formal public consultations are published online, along with the proposed FY [2019] budget	Not Achieved	Consultations were held but minutes are not online.	<p>The Ministry conducted town hall meeting in three Senatorial District of the State.</p> <ul style="list-style-type: none"> The Ministry also held budget consultative meeting with different stakeholders, such as: NGOs, CBOs, Professionals, Women and people living with disabilities, etc. The Report, signed attendance list, videos and pictures of the town hall meetings are available and also given to relevant stakeholders particularly Mr. Governor, the Executive Council members and House of Assembly members (Finance and Appropriation committee). Copy of the evidences of town hall meetings and engagement with stakeholders were also provided to the assessor during the time of the Annual Performance Assessment (APA). 	<p>The response from Ondo State did not address our finding that the minutes of the public consultation were not published on the State website. Furthermore, the evidence of Minutes provided to the IVA in soft copy was not signed by CSO representatives.</p> <p>The result was not achieved.</p>

OTHER DLI 3 TO 9:

RESPONSE : No comment.

Appendix A

ISSUE REPORTING TEMPLATE FOR THE SFTAS ANNUAL PERFORMANCE ASSESSMENT

Introduction:

This form is to be used by all the assessment teams to submit any issue encountered during the Annual Performance Assessment (APA) at the state. **Note:** All issues raised must be sent by email to the state focal officer and a copy to sftas@oaugf.ng , sftas.iva@gmail.com and sftas@jkconsulting-ng.com

RESPONSES ARE REQUIRED WITHIN TWO WORKING DAYS PLEASE.

ISSUE 1

State:	ONDO
DLI affected:	DLI 9
Prepared by:	Yusuf Agyo
Date:	24/1/2020

1. APA Issue [DEBT STOCK]

2. Description of finding/issue:

The DLI provides that:

Total debt stock at end Dec 2018 as a share of total revenue for 2018 financial year meets target.

Recall that the IVA observed a discrepancy between the ₦ 81,691,695,928.10 reported as Domestic debt stock to DMO and ₦62,546,296,365.00 reported in the 2018 financial statements (page 25) with a difference of ₦19,145,399,563.10. Though the DMO figure was used in the calculation of the debt ratio. (see “**Summary of work done, and evidence obtained on DLR 9**”). This was reinforced by the Quality Assurance unit of the IVA review of your state.

3. Effects

Non satisfactory explanation will influence the reliability on the 2018 financial statement based on the materiality of the omission of over ₦19,145,399,563.10 debt stock from the financial statement.

Clarification or information requested from the state

4. Kindly explain why the domestic debt of ₦ 81,691,695,928.10 from DMO did not reflect in the 2018 financial statements, and the rationale for reflecting the amount of ₦62,546,296,365.00

5. State to insert response below

No response.

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Submitted by Yusuf Agyo

Appendix B

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

Ondo State

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

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

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

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

Overview				
Information Source(s)	Initial checks	Initial Comments / Observations	Follow up	Final Assessment
http://www.ondoweb.ondostate.gov.ng/odha/ http://www.ondoweb.ondostate.gov.ng/odha/	A search was done on Ondo State website	The 2019 Budgets were published on the State Official website, a copy was downloaded. There's no evidence of 2019 Budgets being signed by the governor.	A request was made on 12/03/2019 to the focal persons to provide evidence of the governor's assent. A phone call was put across on 22/03/19 to the focal persons for follow up on the governor's assent; the response was that it will be uploaded on the state's website.	The EC was met The State focal persons responded on 22/03/19 providing an attached document to the state 2019 appropriation bill. A copy was saved.

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

Do we have evidence of assent by the Governor?	Yes	State should publish Governor's Assent with budget
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Eligibility Criteria 2018 Part 2 - The online publication of Audited Financial Statements for 2017 by 31 December 2018

Source(s)	Initial Work Done	Initial Comments / Observations	Follow up	Final Assessment
http://ondostate.gov.ng/ http://ondostate.gov.ng/Home/HomeMdA http://ondostate.gov.ng/Home/HomeMdA#5584fdf4-a0bf-45c5-a926-d3622b923171/ https://www.oag.on.gov.ng/wp-content/uploads/2018/09/state-account.pdf	A search was done in various relevant pages in their State Official website and also their State Accountant General Websites.	The Financial Statements were published on the Ondo State Office of the Accountant General's website.	N/A	EC met

Tests/checks performed	Results	Areas for improvement
Were the Financial Statements (FS) for 2017 available on any of the State Government Websites? (and were the FS straightforward or difficult to find?)	Yes	
Were the Financial Statement for 2017 available published online before 31 December 2018?	Yes	
Are the published financial statements clear and legible?	Yes	
Can the Financial Statements be downloaded?	Yes	
Do we have evidence of audit by the State Auditor-General?	Yes	
Are the financial statements complete, including primary statements and disclosure notes?	Partly	<ul style="list-style-type: none"> i. No detailed notes provided. ii. Newspaper extracts were published and not the full FS Disclosure Notes should be published with the full Financial Statements
Are there any indications that balances within the financial statements are not credible	Partly	<ul style="list-style-type: none"> i. Total debt stock not disaggregated by domestic and foreign. ii. There's a need to reconcile domestic and external debt service data with DMO.