NEITI Nigeria Extractive Industries Transparency Initiative

THE PRESIDENCY

Summary Report on Revenues, Deductions, Analysis of Disbursement and Utilization of Funds of Revenue Generating Agencies, Federal Beneficiaries Agencies and Selected States from 2017-2019

AMEDU ONEKPE & CO.
CHARTERED ACCOUNTANTS

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For more information, contact:
The Communications Department
Nigeria Extractive Industries Transparency Initiative (NEITI)
No 60, Nelson Mandela Street,
Off Kwame Nkrumah Street.
Asokoro, Abuja –Nigeria.
Telephone: 09-2910362, 2906623
Email: info@neiti.gov.ng
Website: www.neiti.gov.ng

The report and all its appendices are intended for the use of the National Stakeholder Working Group (NSWG) of NEITI for the purpose of that initiative and any reliance placed upon this report and its appendices by third parties shall be in accordance with the NEITI Act of 2007.

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Abbreviations

Acronym	Meaning
AFS	Audited Financial Statements
AG	Accountant General
AGF	Accountant General of The Federation
AIP	Approval in Principle
ASM	Artisanal and Small -Scale Mining
AU	African Union
BoT	Board of Trustees
CACS	Commercial Agriculture Credit Scheme
CAMA	Companies and Allied Matter Act
CBN	Central Bank of Nigeria
CGT	Capital Gains Tax
CIT	Company Income Tax
CITA	Company Income Tax Act
CRF	Consolidated Revenue Fund
DAPPMA	Depot and Petroleum Marketers Association
DF	Director of Finance
DMO	Debt Management Office
DNR	Development of Natural Resources
DPR	Department of Petroleum Resources
ECA	Excess Crude Account
ECMI	Equipment Component Manufacturing Initiatives
Eco-Fund	Ecological Funds
EDT	Education Tax
EF	Ecological Fund
EGTL	Escravos Gas to Liquid
EITI	Extractive Industries Transparency Initiative
ETF	Education Trust Fund
FA	Federation Accounts
FAAC	Federation Accounts Allocation Committee
FASD	Fiscal Allocation and Statutory Disbursement
FEC	Federal Executive Council
FGF	Future Generations Fund
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FIRSB	Federal Inland Revenue Service Board
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
IGR	Internally Generated Revenue
ILOA	Irrevocable Letter of Authority
IPC	Interim Payment Certificates
ISPO	Irrevocable Standing Payment Order
JV	Joint Venture
KPMG	Klynveld Peat Marwick Goerdeler
LSS	Local Scholarship Scheme
MMSD	Ministry of Mines and Steel Development
NBS	Nigeria Bureau of Statistics

NCDF	Nigerian Content Development Fund
NCDMB	Nigerian Content Development Monitoring Board
NCS	Nigeria Customs Service
NDDC	Niger Delta Development Commission
NDR	Niger Delta Region
NEC	National Economic Council
NEITI	Nigeria Extractive Industries Transparency Initiative
NGL	Natural Gas Liquids
NIF	Nigeria Infrastructural Fund
NITDL	National Information Technology Development Levy
NLNG	Nigeria Liquefied Natural Gas Limited
NNPC	Nigerian National Petroleum Corporation
NOGAPS	Nigeria Oil and Gas Parks Scheme
NOGICD	Nigerian Oil and Gas Industry Content Development
NPC	National Population Commission
NSIA	Nigeria Sovereign Investment Authority
NSWG	National Stakeholder Working Group
NTA	National Transportation Allowance
NUPRC	Nigerian Upstream Petroleum Regulatory Commission
OAGF	Office of the Accountant General of the Federation
OML	Oil Mining Lease
OMO	Open Market Operation
OPL	Oil Prospecting Licence
OSS	Overseas Scholarship Scheme
PAYE	Pay-As-You-Earn
PEF	Petroleum Equalization Fund
PEF(M)B	Petroleum Equalization Fund (Management) Board
PIA	Petroleum Industry Act
PMS	Premium Motor Spirit
PPMC	Pipeline and Petroleum Marketing Company
PPPRA	Petroleum Products Pricing Regulatory Agency
PPT	Petroleum Profit Tax
PPTA	Petroleum Profits Tax Act
PSF	Petroleum Support Fund
PTDF	Petroleum Technology Development Fund
PTDF	Petroleum Technology Development Fund
ROCE	Return on capital employed
SD	Stamp Duty
SF	Stabilization Fund
SPDC	Shell Petroleum Development Company
TETFUND	Tertiary Education Trust Fund
ToR	Terms of Reference
USD	United States Dollars
VAT	Value Added Tax
WHT	Witholding Tax

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Foreword

The history of Nigeria's search for transparency and accountability in the governance of her abundant natural resources - oil, gas and solid minerals - is directly linked to 2003 when the country voluntarily signed up to the global Extractive Industries Transparency Initiative (EITI). Nigeria's signing up to the EITI led to the establishment of the Nigeria Extractive Industries Transparency Initiative (NEITI) in 2004 as part of the overall government economic and institutional reforms under the then National Economic Empowerment Development Strategy (NEEDS).

Over the years, the implementation of EITI principles and standard has not only been aligned with subsequent economic reform policies of successive administrations in Nigeria, but it has also led to increasing public demand for reforms in the extractive industries with NEITI's annual reports that provide groundbreaking public disclosures, timely information and data on revenues earnings, management, physical and process issues or incentives as well as legal and remedial actions that require sanctions or policy interventions in the short, medium and long term.

The implementation of NEITI mandate in the extractive industries in our country is unique in content, context and comprehension with its multi-stakeholder approach that builds and encourages dialogue, coalition, and consensus among representatives of government, companies and civil society. The National Stakeholders Working Group (NSWG), which I currently head, represents the multi-stakeholder framework that provided the required leadership and guidance in the production of this report.

In Compliance with the NEITI Act, 2007 Section 3 sub-section (j), NEITI commenced the conduct of the Fiscal Allocation and Statutory Disbursement audit in 2013. The NEITI FASD audit is unique and different from the oil, gas and mining audits in many respects. In addition to the traditional disclosures of what companies paid and what government received, the FASD also reports on how the revenues were shared to the beneficiaries and who got what. It also reports on how the covered entities allocated the resources to the different sectors of the economy.

The FASD 2017-2019 is the third cycle of reports and the product of an independent assessment, with the NSWG providing timely oversight to the process. Therefore, we are quite proud of the independence of the assessments, their findings, and recommendations as well as the integrity of the report.

I am delighted that NEITI is releasing the FASD 2017-2019 report at a time when the Nigeria extractive industry is undergoing massive reforms under the new Petroleum Industry Act 2021, and the solid minerals Roadmap 2016 which themselves are direct products of NEITI reports' recommendations. The Petroleum Industry Act (PIA) sets out to deal conclusively with structural issues in the oil and gas sector. The passage of the PIA had been a longstanding agenda of Nigeria's EITI, and we are encouraged that our recurring recommendations for far-reaching structural reforms to be carried out in the sector were finally adopted in the law. NEITI is set to also work with the Ministry of Mines and Steel Development and the development partners to achieve similar groundbreaking and improved legal framework in the solid minerals sector.

Therefore, I believe that the FASD 2017-2019 report should be of particular interest to Nigerians, especially the civil society, the media, and the citizens because its gives them an overview of how revenues from Nigeria's common wealth is being managed. It also provides the platform for all stakeholders in the Nigeria project to debate on the best possible approaches to natural resources management.

Let me use this opportunity to reaffirm the commitment of the NSWG to deepen the implementation of all emerging issues in the EITI. These will form key components of NEITI reports going forward. The Board is committed to ensuring that NEITI reports support the government's efforts at revenues generation while leading advocacy for reforms to enthrone a fair, transparent, accountable, and competitive oil and gas sector that will attract inflows of foreign direct investments.

While thanking the Federal Government for supporting the independence of NEITI, I wish to commend the NEITI Secretariat, the indigenous firm that conducted this independent report, the companies and civil society for their hard work and valued contributions.

Finally, I invite all Nigerians and multi-stakeholders to avail themselves copies of this report, make use of the information and data as an important tool to promote public debate, discussions and dialogue required to push the boundaries of ongoing reforms in the industry and as tools to hold government and companies accountable.

Olusegun Adeyemi Adekunle, Esq
Chair, National Stakeholders Working Group (NSWG).
February 2022.

Statement by the Executive Secretary/CEO

Reforms in the extractive industry do not just happen. They are propelled. Neither government, companies nor civil society alone can easily trigger or stimulate the needed reforms to happen. But working together with government, companies, and the citizens represented by the civil society, implementation of reforms that allow transparency, accountability, and good governance to thrive in the sector is easier to attain. The Nigeria Extractive Industries Transparency Initiative (NEITI) represents this principle and more in the ongoing efforts to reform and reposition the oil, gas, and mining sectors to ensure that revenues from the industry support national development and poverty reduction.

The main objective of NEITI and its interventions in the sector through its annual independent audit of financial, physical and process reconciliation of revenues and issues in the sector is to provide the information required by the citizens to promote and engage in constructive dialogue, advocacy and push for the needed reforms in the sector in line with NEITI's mandates and fulfilment of the global Extractive Industries Transparency Initiative (EITI) Standard. The Fiscal Allocation and Statutory Disbursement (FASD) report is in compliance with the law that set up NEITI (NEITI ACT 2007) and the attendant national obligations.

I am therefore honoured to welcome you into the new world of data built on substance and events that shaped Nigeria's extractive industries in the year 2017-2019. The report has been carefully put together to reflect the entirety of the Federation's revenue streams with emphasis on those originating intrinsically from the oil, gas and mining industry. It also shows the disbursement cycle and actual disbursement of the Federation Revenue to the three tires of government and other beneficiaries. The FASD report also examined the utilization of funds by selected beneficiary entities and the nine states government covered by the audit. The report disclosed all government revenues streams from the extractive sector and the recipients of such revenues. Other revelations include what each beneficiary agency or state government covered by the audit received and reconciliation of their actual share of the federation revenue receipts vis-a vis what they ought to have received based on the extant laws setting up each entity. More importantly, the reports also show how the revenues were managed on behalf of the citizens. Therefore the FASD report should resonate with Nigerians at the sub-national level especially the media and civil society and provides them with reliable data and platform to demand for a better deal in the way resources are distributed and utilized.

It is important to state that conducting this report was not without challenges. Foremost among them is the Covid-19 restrictions, the delay in getting information from the covered companies and government agencies, the non-responsive attitude of few of the entities, process issues in the management of the sector and the security situation in the country. These challenges which we see as opportunities have underlined the need for NEITI to deploy technology to improve its audit management process. The NEITI Board and Management are set to tackle these challenges as outlined in the Agency's 5- year Strategic Plan (2022-2026). NEITI is also set to introduce creative policy initiatives that will help to drive much more impactful and visible public value, improve government revenues, propel governance and institutional reforms and ensure the transformation of the sector for more revenue generation for the country.

I, therefore, humbly convey our special thanks to President Muhammadu Buhari’s administration for all the exceptional support it has so far extended to NEITI. Of utmost importance to us is the administration’s policy of non-interference with our work. The National Stakeholders Working Group (the NSWG) also deserves commendation for its strong leadership, policy direction and oversight of the EITI process in Nigeria. We are also indebted to the global EITI and our development partners for all their support. I wish to acknowledge with thanks the immense roles played by the various stakeholders – government, companies, and civil society - in guiding the implementation of EITI in Nigeria over the years. I recognize the Ministry of Mines & Steel, Mining Cadastral Office (MCO), Federal Inland Revenue Service, Central Bank of Nigeria, Ministry of Finance and other Ministries, Departments and Agencies for their contributions. The Independent Administrator- Amedu Onekpe & Co (Chartered Accountants) is a fast-growing indigenous firm that we proudly recognise their competence and professionalism in conducting this assignment. I am proud of our Technical Team led by Dr. Dieter Bassi and the Communications Team led by Obiageli Onuorah, the staff and the Management of the NEITI Secretariat for the teamwork and collective responsibility during this project.

Finally, I present this work to the government, companies, and civil society. The information contained in this report should be used to enthrone good governance in the management of Nigeria’s revenues from the extractive sector.

Orji Ogbonnaya Orji, PhD.
Executive Secretary/CEO & National Coordinator, EITI Nigeria.
NEITI Secretariat Abuja.
February 2022.

FULL REPORT

1.0 BACKGROUND

1.1 Overview

This is Nigeria's third cycle of the Fiscal Allocation and Statutory Disbursement Audit report covering the period 1st January 2017 to 31st December 2019.NEITI's goal of enhancing better governance and accountability would have to transcend beyond the revenue audits that focused on the Government realising the full benefits of its minerals. The audit of the FASD therefore becomes appropriate as it examines the total accrual to the Federation Account, its disbursement and most importantly, its utilization by the various beneficiaries within the period under review. NEITI's among others is to analyse and disclose the application of these funds by the respective beneficiaries. It is expected that a simple and easy to understand presentation of the Governments' expenditure would better educate the public on the utilisation of revenue realised by the Government and ultimately boost citizens' confidence in public financial management and general governance.

It sets out results of the review of all government agencies that were responsible for collection of revenues from extractive sector, benefited and states as part of the implementation of the Nigeria Extractive Industries Transparency Initiative (NEITI) Act, 2007 and the EITI Standard.

The reporting process has been overseen by the National Stakeholders Working Group (NSWG) and compiled by an Independent Administrator, Messrs Amedu Onekpe & Co. in accordance with the NEITI Act, 2007 and the EITI Standard.

The payments and revenues disclosed in this report include tax and non-tax payments and other payments mandated by relevant extant laws in Nigeria.

1.2 EITI implementation

The EITI is a global standard launched in 2003 as a voluntary commitment of stakeholders with shared goals, the aim of which is to achieve more financial transparency and accountability in the recording and disclosure of revenue flows from the extractive industry. The global EITI structure comprises resource-rich countries, international and national extractive companies, civil society, investors, and supporting countries.

Extractive Industries Transparency Initiative

Implementing countries are required to issue reports for the most recent fiscal years covering company payments and government revenues from the extractive sector and prepared by an independent administrator in accordance with the EITI Standard. Presently, there are 56 implementing countries. More information on the EITI can be found at www.eiti.org

1.3 EITI implementation in Nigeria

NEITI is Nigeria's sub-set of the global EITI. The NEITI Act was enacted in 2007 to ensure conformity with the principles of the EITI Standard in the Nigeria's extractive sector. Nigeria was declared a

"Compliant Country" by the EITI at its 5th Global Conference in Paris, France, in March 2011, after meeting the validation requirements. The country currently holds a "Satisfactory Progress" ranking in EITI's 2019 validation.

Implementation of the EITI in Nigeria is overseen by the NSWG as required by the EITI Standard. The current NSWG was inaugurated by the president of the Federal Republic of Nigeria on 22nd July 2021. It consists of 15 members comprising representatives from the government, extractive companies and civil society.

Nigeria's objective in implementing EITI is to advance transparency and accountability in management of her natural resources, generate public debate and promote deeper understanding of the sector. See www.neiti.gov.ng for more information.

1.4 The Fiscal Allocation and Statutory Disbursement (FASD) Audit

One of the main objectives of NEITI is to develop a robust framework for ensuring transparency and accountability in the reporting and disclosure of revenue from the extractive industry. Specifically, Section 3(j) of the NEITI Act requires NEITI to ensure all Fiscal Allocations and Statutory Disbursements (FASD) from the Federal Government to statutory recipients are duly made.

The industry audit of the extractive sector looks at Financial, Physical and Process audit of the Oil and Gas and Solid Mineral sectors. On the other hand, the FASD audit examines the:

a. Total extractive industry revenue remitted into the Federation Account
b. Allocation and disbursement from the account to statutory recipients
c. Utilization/application of the funds.

The key focus of the FASD audit is to ensure transparency in the remittance of extractive industry revenues into the federation account as well as its allocation and disbursement by Federation Account Allocation Committee (FAAC), in accordance with extant legislation. Hence, a complete disclosure of government revenue and expenditure would further enlighten the citizens on public financial management and enhance confidence in the management and governance of the nation's natural resources.

1.5 Overview of the Nigerian Extractive Industry

1.5.1 Oil and Gas Industry

The Nigerian economy is largely dependent on the oil and gas sector, which accounts for large proportion of foreign exchange earnings and Federal Government total revenue. The key government institutions in the oil and gas sector are the Ministry of Petroleum Resources (MPR), Nigerian National Petroleum Corporation (NNPC) and the Department of Petroleum Resources (DPR) which regulate the operations of the industry. The industry is segmented into Upstream, Midstream and Downstream.

1.5.2 Solid Minerals

Nigeria is richly endowed with various commercial quantity of minerals spread across the Nation. These minerals include gold, coal, bitumen, iron ore, tantalite/columbite, sphalerite, galena, barytes, cassiterite, gemstones, talc, feldspar, and marble among others.

Notwithstanding the potentials of the Sector, the country is yet to harness these resources as the sector is still under-developed, contributing less than 1% to Nigeria's Gross Domestic Product (GDP). In a bid to revamp the sector, the Federal Government of Nigeria (FGN) launched the Solid Minerals Sector Roadmap in 2016. The implementation of the initiatives set out in the roadmap is facilitated by the Mindiver project which become operational in 2017 after the FGN secured a USD150 million loan from the World bank.

The focus of the Mindiver project is to improve the attractiveness of the Nigerian mining sector, enhance the mining sector contribution to the economy by strengthening the government institution among others.

1.5.3 Terms of Reference

Amedu Onekpe & Co. was appointed to carry out the third cycle of the FASD audit covering the period 2017 to 2019, in line with the agreed TOR in **Appendix 1**.

1.6 Objectives of the Assignment

The core objectives of the FASD audit are to:

a. Track and report on the following:

i. Remittances of extractive industry revenue into the Federation Account;
ii. Allocation and disbursement by FAAC to selected beneficiaries and further confirm that the disbursements were made in accordance with applicable legislation; and
iii. Funds received by beneficiaries and how they were utilized in accordance with their mandate for the benefit of the citizens.

b. Provide information and data required by the citizens to hold government and the agencies accountable.

1.7 Scope of Work

The scope of work as per the terms of reference issued for the assignment are as follows:

- To match collections (revenue payments) from extractive industry companies with statutory disbursements from the Federal Government in accordance with the provisions of Constitution of the Federal Republic of Nigeria.
- Report on:
  - ✓ Actual disbursements of funds from the Federation Account to beneficiaries (with emphasis on funds originating from the extractive sector).

- ✓ Actual disbursement of funds from the Extractive Industry Companies direct to other beneficiary agencies (with emphasis on funds from the extractive sector).
- ✓ The reconciled figures on FAAC disbursement with that of the beneficiaries, i.e., Federal, State, and Local Government Councils.

➢ To validate and report on:

✓ Federal Government establishment that benefited from the allocation, these are: NDDC, TETFUND, PTDF, PEF, PPPRA, Development of Natural Resources, Ecological Funds, Stabilization Fund, Excess crude account, NSIA and anything the Consultant may consider relevant.

✓ The disbursement from the selected nine (9) states from the six geopolitical zones of the federation. The states are Akwa Ibom, Bayelsa, Delta, Kano, Gombe, Nasarawa, Rivers, Imo, and Ondo.

✓ Utilisation of funds disbursed to all government agencies and the nine (9) states.

1.8 Caveat and Limitation

Amedu Onekpe & Co. (Chartered Accountants) (the Consultant) was required to undertake the work set out in the Terms of Reference (TOR) for the engagement. The assignment has been carried out in line with the TOR. If there are any receipts or disbursements that are omitted from the reporting templates by both the paying and receiving entities, our approach would not be able to detect such omissions as we are limited to the extent of the content of the templates.

This report reflects data and information received from the covered entities based on transactions up to 31st December, 2019. Subsequent comments and adjustments have been considered as appropriate.

1.9 Covered Entities

The covered entities for the 2017 – 2019 FASD audit exercise are classified into three (3) core areas as outlined below:

1. <u>The Supervisory and Regulatory Agencies:</u>

The institutions listed under this category are saddled with the responsibility of generating, regulating, monitoring and remitting extractive industries revenues to the Federation Account as provided in section 162 of the 1999 constitution of the FGN.

The list below shows the entities under this category:

Table 1: *Revenue Generating Agencies*

S/N	Name	Link
A.	Revenue Generating Agencies	
1	Nigerian National Petroleum Corporation	https://nnpcgroup.com/
2	Federal Inland Revenue Service	https://firs.gov.ng/

3	Department of Petroleum Resources	https://dpr.gov.ng/
4	Ministry of Mines and Steel Development	https://mmsd.gov.ng/
B.	Revenue Regulatory/Custodian Agencies	
1	Central Bank of Nigeria	https://www.cbn.gov.ng/
2	Federation Account and Allocation Committee	
3	Office of the Accountant General of the Federation	https://oagf.gov.ng/
4	Budget Office of the Federation	https://budgetoffice.gov.ng/
5	Federal Ministry of Finance	https://finance.gov.ng/
6	Revenue Mobilization Allocation and Fiscal Commission	https://www.rmafc.gov.ng/

2. The Federal Beneficiary/Custodian Agencies:

These are entities that receive revenue either directly from oil and gas companies or allocations from FAAC. These entities also include special funds created by the Government to address specific issues. The entities are as shown below:

Table 2: *Federal Beneficiary Agencies*

S/N	Name	Link
1	Niger Delta Development Commission	https://nddc.gov.ng/
2	Tertiary Education Trust Fund	https://tetfund.gov.ng/
3	Petroleum Trust Development Fund	https://ptdf.gov.ng/
4	Petroleum Equalization Fund	http://pefmb.gov.ng/
5	Petroleum Products Pricing Regulatory Authority	https://pppra.gov.ng/
6	Ecological Fund	https://ecologicalfund.gov.ng/
7	Stabilization Fund	https://nsia.com.ng/~nsia/investments/stabilisation-fund
8	Nigerian Sovereign Investment Authority	https://nsia.com.ng/
9	Development of Natural Resources Fund	https://cbn.gov.ng/
10	Excess Crude Account	
11	Nigeria Content Development and Monitoring Board	https://ncdmb.gov.ng/

1. Selected State Governments

Out of the thirty-six (36) states of the Federation, nine (9) states were selected to participate for the 2017-2019 FASD audit, based on the following criteria adopted by NEITI.:

1. States that share in the 13% derivation paid to oil producing States;
2. A fair representation of geopolitical zones

***Table 3:** Selected States*

S/N	Name	Geo-Political Zone	Link
1	Akwa-Ibom	South-South	https://akwaibomstate.gov.ng
2	Bayelsa	South-South	https://bayelsa.gov.ng
3	Rivers	South-South	https://www.riverstate.gov.ng/
4	Delta	South-South	https://www.deltastate.gov.ng/
6	Imo	South-East	https://imostate.gov.ng
8	Ondo	South-West	https://www.ondostate.gov.ng/
5	Gombe	North-East	https://gombestate.gov.ng/
7	Kano	North-West	https://kanostate.gov.ng
9	Nasarawa	North-Central	https://nasarawastate.gov.ng

2.0 Approach and Methodology

The approach and methodology adopted for the audit include the following:

1. Review of data gathering templates
2. Collection of revenue and remittance data from relevant covered entities using NEITI's approved data collection templates.
3. Verification and validation of the data submitted by all covered entities by matching the data against source documents to confirm completeness, accuracy and validity of information.
4. Engagement meetings with the various covered entities
5. Preparation and presentation of reports for approval by the NSWG

2.1 Key Data Sources

The key data sources for the 2017 – 2019 FASD audit is the templates completed by the covered entities, engagement meetings with entities, review of previous reports and documents, interviews and other submissions by the entities.

2.2 Data Quality and Assurance

The specific instructions given to covered entities for the completion of data templates issued for the 2017 – 2019 FASD audit included:

a. Covered entities were requested to sign off their reporting templates by responsible senior officer with appropriate authority.
b. The data in the templates completed by the covered entities were validated by matching the data submitted against the corresponding source documents during validation process of the report.
c. Attestation letters were obtained from the covered entities affirming that the data provided are complete, accurate and valid. Reconciled position was agreed by the signatures of senior officers.

A reconciliation on the information and explanations submitted was carried out to obtain appropriate evidence to give reasonable assurance that the data provided are free from material misstatement. Generally, the audit exercise was carried out in compliance with ISRSs 4400 Engagements to perform agreed-upon procedures regarding financial information.

2.3 Materiality Level

The Terms of Reference (ToR) issued for the FASD assignment, states that:

a. Any discrepancies in the underlying data, or differing data from competing sources, on a specific transaction shall be reported.

b. If the aggregate value of the discrepancies exceeds ₦50,000,000 it must be investigated and resolved.

The permissible margin of error for aggregate reporting of all revenues and investment flows is set at less than zero point five per cent (≤0.5%) of the aggregate value of all flows encompassed within the audit's scope.

2.4 Reporting all Discrepancies.

All discrepancies in the data from various sources were sufficiently reported. The transactions with discrepancies were identified and the nature of the discrepancies were determined and summarised in the report.

If aggregate value of the discrepancies exceeded US$5,000,000.00 (or its equivalent in Naira using the prevailing exchange rate in the year of occurrence) then this audit was bound to investigate such discrepancies further, utilizing best effort to understand and resolve such discrepancies satisfactorily.

REVENUE GENERATING AND REGULATORY AGENCIES

3.0 Federation Revenue 2017-2019

Section 162(1) of the 1999 Constitution of the Federal Republic of Nigeria states that; "The Federation shall maintain a special account to be called "the Federation Account" into which shall be paid, all revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the Federation, the Nigeria Police Force, the Ministry or department charged with the responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja. Further in the Constitution, under section 162 (Public Revenue), the Federation Revenue is defined as any income or return accruing to or derived by the Government of the Federation from any source and includes:

- Any receipt, however described, arising from the operation of any law.
- Any return, however described, arising from or in respect of any property held by the Government of the Federation.
- Any return by way of interest on loans and dividends in respect of shares or interest held by the Government of the Federation in any company or statutory body.

The agencies charged with the assessment, collection and remittance of the Federation Revenue from the extractive sector are as follows:

i. Nigeria National Petroleum Corporation (NNPC)
ii. Department of Petroleum Resources (now replaced by the Nigerian Upstream Regulatory Petroleum Commission (NURPC)
iii. Federal Inland Revenue Service
iv. Ministry of Mines and Steel Development and;
v. Nigeria Customs Service (Out of Scope)

3.1 Remittances to the Federation Account 2017-2019

The components of the revenue remitted to the Federation Account (FA) are classified into mineral and non-mineral. Mineral revenue consists of royalty, crude sales etc., while non-minerals revenue consist of all taxes remitted by FIRS (excluding EDT, PPT and VAT) and customs/excise duties collected by the Nigeria Customs Service (NCS).

For the basis of determining 13% derivation, for oil producing states, the remittances for mineral revenue are subjected to deductions for excess PPT/Royalty before arriving at the value to be shared to the three tiers of the government.

Remittances to the FA from mineral revenue for the period under review amounted to ₦12.84 trillion, non-mineral revenue was ₦6.57 trillion while VAT remitted for the period was ₦3.27 trillion. Total remittance therefore to the FA was ₦22.68 trillion between the years 2017–2019.

NNPC's contribution to mineral revenue is after deducting joint venture cash calls. DPR's revenue also enjoyed 4% cost of collection, while non-mineral revenues have deduction of 4% and 7% as collection fees paid to FIRS and NCS respectively.

Table 4: Remittances to the Federation Account 2017-2019

Federation Revenue	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
Mineral Revenue	3,382,451	4,939,468	4,521,338	12,843,257	57
Non-mineral Revenue	1,934,961	2,150,139	2,488,159	6,573,259	29
VAT	972,348	1,108,040	1,189,981	3,270,369	14
Total	**6,289,760**	**8,197,647**	**8,191,909**	**22,686,885**	**100**

Source: FAAC Report 2017-2019

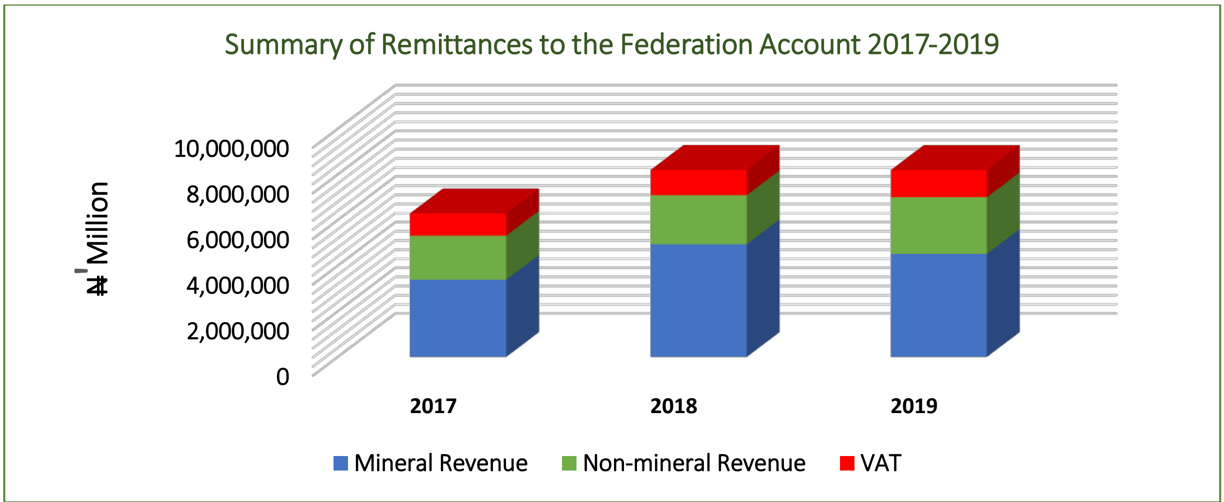


Figure 1: *Contribution of the Components of the Federation Revenue 2017 – 2019*

3.2 Breakdown of Remittances to the Federation Account 2017-2019

The table below shows remittances by the revenue generating and regulatory agencies for 2017-2019. The total revenue remitted to the Federation Account (FA) for the period was ₦22.68 trillion.

Mineral Revenue (MR) contributed ₦12.84 trillion (56.61%) of total remittance to FA. There was an increase from 2017 - 2018, and a decrease in 2019. This is because of the fall in the revenue from PPT collected by FIRS in 2019. Non-Mineral Revenue amounted to ₦6.57 trillion (28.97%) of total remittance to FA during the period. The receipts from the non-mineral revenue increased significantly across the three years.

VAT remittance increased in 2017, 2018 and 2019. This gave a contribution of ₦3.27 trillion (14.42%) of total remittance to Federation Account.

Table 5: Breakdown of Remittances to the Federation Account 2017-2019

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
1.0	Mineral Revenue					
1.1	FIRS	1,491,609	2,467,581	1,849,745	5,808,935	25.60
1.2	NNPC	1,143,802	1,202,099	1,147,490	3,493,391	15.40
1.3	DPR	747,040	1,269,788	1,516,534	3,533,362	15.57
1.4	Solid Mineral			7,569	7,569	0.03
Sub-Total (a)		**3,382,451**	**4,939,468**	**4,521,338**	**12,843,257**	**56.61**
2.0	Non-Mineral Revenue					
2.1	CIT	817,038	908,851	1,040,535	2,766,424	12.19
2.2	Other taxes	489,890	535,835	610,275	1,636,000	7.21
2.3	NCS	628,033	705,453	837,349	2,170,835	9.57
Sub-Total (b)		**1,934,961**	**2,150,139**	**2,488,159**	**6,573,259**	**28.97**
3.0	VAT					
3.1	VAT Remittance **(c)**	972,348	1,108,040	1,189,981	3,270,369	**14.42**
Grand total d=(a+b+c)		**6,289,760**	**8,197,647**	**8,199,478**	**22,686,885**	**100.00**

Source: *Revenue Generating Agencies Validated Template 2017 – 2019*

3.3 Federation Revenue Disbursement for 2017- 2019

Fiscal allocation represents the distribution of revenue remitted to Federation Account. Nigeria operates a federal structure with three tiers of government and the monthly distribution of revenue from the Federation Account to these tiers of government is based on the approved sharing formula by Revenue Mobilization Allocation and Fiscal Commission (RMAFC).

Two allocation formulae are used for revenue disbursement from the Federation Account to the three tiers of government. These are:

- Vertical Allocation Formula (VAF): This formula shows the percentages allocated to the three tiers of government. The formula is applied vertically to the total volume of disbursable revenue in the Federation Account at a particular point in time. VAF allows every tier of government to know what is due to it.

- Horizontal Allocation Formula (HAF): This formula determines the allocation of revenue due to states and Local Governments. It provides the basis for sharing of the volume of revenue already allocated to the 36 states and 774 Local Governments.

3.3.1 Actual Disbursement to the three Tiers of Government

The table below shows the current vertical allocation formula for sharing mineral revenue, non-mineral revenue and VAT to the three tiers of Government.

Table 6: Revenue Sharing Formula

S/N	Description	Mineral Revenue	Non-Mineral Revenue	VAT
1	Federal Government	45.83%	52.68%	15%
2	State Government	23.25%	26.72%	50%
3	Local Government	17.92%	20.60%	35%
4	13% Derivation	13.00%	-	-
		100.00%	100.00%	100%

Federal Government's share of the revenue (52.68%) is further distributed as follows:

- ✓ Derivation & Ecology FGN Share (1%)
- ✓ Federal Capital Territory (1%)
- ✓ Development of natural resources (1.68%)
- ✓ Stabilization Account (0.5%)
- ✓ Federal Government (48.5%)

3.4 Mineral Revenue Shared

The mineral revenue distribution to the Federal, State and Local Government was carried out in accordance with the revenue sharing formula. The 13% derivation from the mineral revenue is allocated to mineral producing states for sharing. The amount was arrived at after deduction of excess PPT/Royalty as explained previously in 3.1. Table 7 below shows the total revenue shared during the period under review.

A total of ₦1.47 trillion was deducted as 13% derivation and distributed among the nine-oil producing states.

During the period, ₦19.01 trillion was distributed to the three tiers of Government. The Federal Government received the sum of ₦8.85 trillion while ₦5.80 trillion and ₦4.36 trillion was received by the states and LGA's respectively.

2018 had the highest revenue distribution across board which shows a 45% increase in revenue distribution between 2017 and 2018. However, in 2019 there was a 2.3% drop.

Table 7: Summary of Mineral Revenue Shared 2017-2019

S/N	Beneficiary	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	**13% derivation shared to the nine-oil producing states**				
1.1	Mineral Producing States (13% Derivation)	346,621.82	600,296.69	525,034.99	1,471,953.50

Sub-total (a)		**346,621.82**	**600,296.69**	**525,034.99**	**1,471,953.50**
2	**Distribution among the three tiers of Government**				
2.1	Federal Government	2,259,196.94	3,335,983.27	3,251,099.34	8,846,279.55
2.2	States	1,539,694.29	2,135,705.96	2,128,408.99	5,803,809.25
2.3	Local Government Councils	1,154,081.44	1,609,409.25	1,600,790.34	4,364,281.03
Sub-total (b)		**4,952,972.67**	**7,081,098.48**	**6,980,298.67**	**19,014,369.83**
Grand Total C= (a+b)		**5,299,594.49**	**7,681,395.17**	**7,505,333.66**	**20,486,323.33**
Source: *FAAC 2017, 2018 and 2019 Reports – Amount for Distribution*					

3.4.1 Actual Disbursement to States and Local Government Areas

The horizontal allocation formula is applied for the states and local governments based on the following factors/principles and percentage as follows:

Table 8: *Horizontal Allocation Formula for States and Local Governments*

S/N	Criteria	Description
1	Equality	40% of disbursable revenue from the share of the states' 26.72% from the Federation account is divided equally across all 36 states.
2	Population	30% of states' share of 26.72% is shared based on states' share of total population as determined by the National Population Commission.
3	Landmass/Terrain	10% landmass of a state or local government shall be the proportional area size (PAS) of the state or the local government to the total area size of Nigeria.
4	Internally Generated Revenue (IGR)	Each state is mandated to contribute 10% of its IGR into a joint state and local government account to be shared equally.

5	Social Development Factor	This comprises Education (4%), Health (3%) and Water (3%). a. Education (4%): as a parameter for allocation, the Social Development Factor (SDF) relates to primary school enrolment which attracts 60% of the allocation to education while the remaining 40% is made using secondary school enrolment. Allocation on the basis of primary school enrolment is made solely on direct proportion to school enrollment. 50% of the allocation on the basis of secondary school enrolment is made in direct proportion to school enrollment while the remaining 50% is made in inverse proportion to school enrollment. School enrollment refers to public funded schools only. b. Health (3%): as a parameter for allocation to social development factor relates to the number of State/Local Government hospital beds there are and 50 per cent of the allocation to health is made in direct proportion to the number of the State hospital beds, while the remaining 50 per cent is made in inverse proportion to the number of State hospital beds. c. Water (3%): as a parameter for allocation to social development factor shall be represented by mean annual rainfall in the State headquarters and territorial spread of State: 50 per cent of the allocation to water shall be made in direct proportion to the State's territorial spread, while the remaining 50 per cent shall be made in inverse proportion to the mean annual rainfall in each State headquarters, using the most current live year figures, the same year for all the States.

The table below shows the gross statutory revenue and VAT to the states from 2017-2019. The states with the highest allocation for the period under review are Delta, Akwa Ibom, Rivers and Lagos, while the states with the lowest allocation are Kwara, Nasarawa, Ebonyi, Ekiti, Gombe and FCT.

Table 9: Revenue Allocation to States and Local Government Councils

S/N	State	Geopolitical Zone	No. of LGC	Gross Statutory Revenue million ₦	Net VAT million ₦	Net statutory Revenue million ₦
1	Delta	SS	25	620,689.59	68,317.59	551,998.33
2	Akwa Ibom	SS	31	587,721.71	67,954.05	546,855.57
3	Rivers	SS	23	500,280.14	89,249.37	457,119.34
4	Lagos	SW	37	262,177.15	432,441.68	162,026.03
5	Bayelsa	SS	8	428,125.22	40,394.75	372,120.37
6	Kano	NW	44	364,950.47	117,811.86	345,337.85
7	Katsina	NW	34	280,269.89	79,667.30	262,635.48
8	Kaduna	NW	23	264,405.49	77,646.35	248,997.32
9	Oyo	SW	33	251,814.22	95,236.86	222,154.20
10	Borno	NE	27	254,861.87	64,703.41	241,905.08
11	Niger	NC	25	241,366.17	63,044.27	220,352.32
12	Jigawa	NW	27	229,872.38	67,885.11	222,684.60
13	Imo	SE	27	235,039.07	64,289.60	203,198.03
14	Benue	NC	23	231,621.58	62,333.52	206,452.16
15	Bauchi	NE	13	231,918.92	63,038.31	196,906.24
16	Sokoto	NW	23	222,323.09	59,345.12	205,904.35
17	Edo	SS	18	224,082.86	57,219.85	197,825.90
18	Ondo	SW	18	225,342.45	55,066.91	193,468.60
19	Kogi	NC	21	215,999.04	56,131.06	191,551.74
20	Kebbi	NW	21	208,270.82	55,833.18	196,376.18
21	Anambra	SE	21	197,640.63	62,653.09	191,933.44
22	Adamawa	NE	21	197,386.25	55,662.34	180,447.92
23	Enugu	SE	17	186,949.44	55,467.61	174,869.78
24	Abia	SE	17	191,425.29	50,902.60	173,216.28
25	Yobe	NE	17	185,852.96	48,242.60	180,714.57
26	Plateau	NC	17	196,290.66	53,198.55	153,819.08
27	Taraba	NE	16	180,202.64	47,025.26	165,207.32
28	Osun	SW	30	202,126.08	57,736.65	120,125.95
29	Ogun	SW	20	181,140.52	61,665.22	133,282.24
30	Cross River	SS	18	187,075.54	51,659.77	130,394.90
31	Zamfara	NW	14	178,897.55	50,214.56	138,222.89
32	Kwara	NC	16	165,530.95	47,414.70	148,923.70
33	Nasarawa	NC	13	161,871.26	42,487.84	149,334.73
34	Ebonyi	SE	13	155,304.65	45,227.37	141,689.41
35	Ekiti	SW	16	158,227.62	47,497.13	127,223.49
36	Gombe	NE	11	156,158.73	43,739.78	127,718.26
37	FCT	NC	6	29,764.73	50,982.29	29,764.83
	Total		**784**	**8,992,977.63**	**2,609,387.51**	**7,912,758.48**

Source: FAAC 2017, 2018 and 2019 Reports – Amount for Distribution

3.4.2 Geopolitical Zone Analysis of the Disbursement to States for 2017-2019

The geopolitical zone analysis of the disbursement shows that the South-South (SS) zone received the highest allocation which represents 26.54%. The allocations to the other zones are: North-West, 19.87%; South-West, 15.32%; North-Central, 13.93% and North-East, 13.43% for the period under review. South-East had the lowest allocation which accounted for 10.91% of the total allocation.

In the South-South zone, Delta received the highest allocation followed by Akwa-Ibom and Rivers while Cross-River received the least allocation during the years under review. Kano received the highest allocation in the North-West region, followed by Katsina and Kaduna while Zamfara had the least allocation for the years under review.
In the South-West zone, Lagos received the highest allocation for the three years under review, followed by Oyo and Ondo while Ekiti received the least allocation. Niger in North-Central zone received the highest allocation, Borno received the highest allocation in the North-East zone while Imo received the highest allocation in the South-East zone in the period under review.

Table 10: *Summary of Revenue Allocation According to Geopolitical Zone*

Geopolitical Zone	No. of LGC	Gross Statutory Revenue million ₦	Net VAT million ₦	Net statutory Revenue million ₦	Total Revenue million ₦	Total %
South-South	123	2,547,975.06	374,795.38	2.256,314.41	5,179,084.85	26.54
North-West	186	1,748,989.69	508,403.48	1,620,158.67	3,877,551.84	19.87
South-West	154	1,280,828.04	749,644.45	958,280.51	2,988,753.00	15.32
North-Central	121	1,242,444.39	375,592.23	1,100,198.56	2,718,235.18	13.93
North-East	105	1,206,381.37	322,411.70	1,092,899.39	2,621,692.46	13.43
South-East	95	966,359.08	278,540.27	884,906.94	2,129,806.29	10.91
Total	**784**	**8,992,977.63**	**2,609,387.51**	**7,912,758.48**	**19,515,123.62**	**100.00**

Source: *FAAC 2017, 2018 and 2019 Reports*

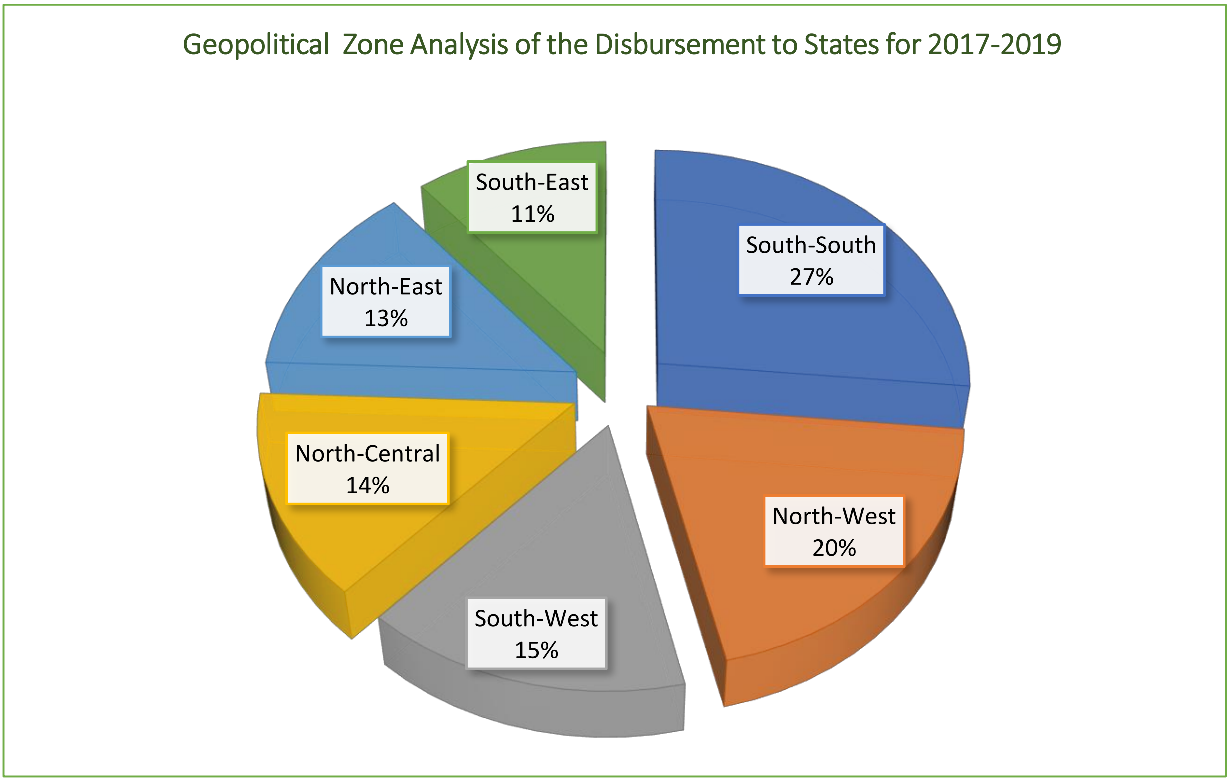


Figure 2: *Geopolitical Zone Analysis of the Disbursement to States 2017-2019*

3.4.3 Additional Revenue Available for Distribution

The additional revenue for distribution from other sources such as exchange gain, excess crude, other non-mineral, solid mineral and NNPC refunds is shown in table 11 below. The criteria for the allocation are based on the revenue allocation formula explained in this report.

Table 11: *Distribution of Additional Revenue*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	**Exchange Gain**				
1.1	Federal Government	170,576.29	41,075.25	5,144.73	216,796.27
1.2	State Governments	88,228.57	20,833.92	2,609.48	111,671.97
1.3	Local Governments	66,702.19	16,062.08	2,011.80	84,776.07
1.4	13% Derivation Share	39,546.98	11,607.50	1,180.25	52,334.73
	Sub-total (a)	**365,054.03**	**89,578.75**	**10,946.26**	**465,579.04**
2	**Excess Crude**				
2.1	Federal Government	67,180.85	46,183.63	50,534.78	163,899.26
2.2	State Governments	34,075.03	23,424.96	25,631.91	83,131.90
2.3	Local Governments	26,270.42	18,059.66	19,761.13	64,091.21
2.4	13% Derivation Share	19,056.65	13,099.85	14,334.04	46,490.54
	Sub-total (b)	**146,582.95**	**100,768.10**	**110,261.86**	**357,612.91**
3	**Other Non-Mineral**				
3.1	Federal Government	497.19	5,443.04	7,319.56	13,259.79

3.2	State Governments	194.42	2,760.78	3,712.58	6,667.78
3.3	Local Governments	943.79	2,128.45	2,862.24	5,934.48
3.4	13% Derivation Share	252.18	-	-	252.18
	Sub-total (c)	**1,887.58**	**10,332.27**	**13,894.38**	**26,114.23**
4	**Solid Mineral**				
4.1	Federal Government	-	-	3,987.46	3,987.46
4.2	State Governments	-	-	2,022.49	2,022.49
4.3	Local Governments	-	-	1,559.26	1,559.26
4.4	13% Derivation Share	-	-	1,131.03	1,131.03
	Sub-total (d)	**-**	**-**	**8,700.24**	**8,700.24**
5	**NNPC Refunds**				
5.1	Federal Government	25,321.57			25,321.57
5.2	State Governments	-			-
5.3	Local Governments	-			-
5.4	13% Derivation Share	-			-
	Sub-total (e)	**25,321.57**	**-**	**-**	**25,321.57**
	Grand Total (F=a+b+c+d+e)	**538,846.13**	**200,679.12**	**143,802.74**	**883,327.99**
Source: FAAC Report 2017-2019					

4.0 Receipts and Remittances by Revenue Generating and Regulatory Agencies.

This section contains details of receipts and remittances by the revenue generating and regulatory agencies for 2017-2019.

4.1 Federal Inland Revenue Service (FIRS)

The Federal Inland Revenue Service (FIRS) is a federal tax authority established by the FIRS Establishment Act 2007. It is solely charged with the responsibilities of assessing, collecting and accounting for tax and other revenues accruing to the Federal Government. For more information, see www.firs.gov.ng

4.1.1. Summary of Revenue Generated by FIRS for the Period 2017-2019

The total revenue generated by FIRS during the period was ₦13.48 trillion. The revenue significantly increased by 33% between 2017 and 2018 and witnessed a slight decrease of 7% in 2019. It is important to note that PPT only applies to the companies in the upstream oil and gas sector. As a major source of tax revenue from the sector, PPT accounted for 43.09% of the total taxes collected by FIRS during the period. See **Appendix 2** for details.

Table 12: *Summary of Revenue Generated by FIRS*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
			Mineral		
PPT	1,491,609	2,467,581	1,849,745	**5,808,935**	43.09
			Non-mineral		
Other taxes	1,306,928	1,444,686	1,650,810	**4,402,424**	32.65
			VAT		
VAT	972,348	1,108,040	1,189,981	3,270,369	24.26
Total	**3,770,885**	**5,020,307**	**4,690,536**	**13,481,728**	**100.00**

Source: *FIRS Validated Template for 2017 - 2019*

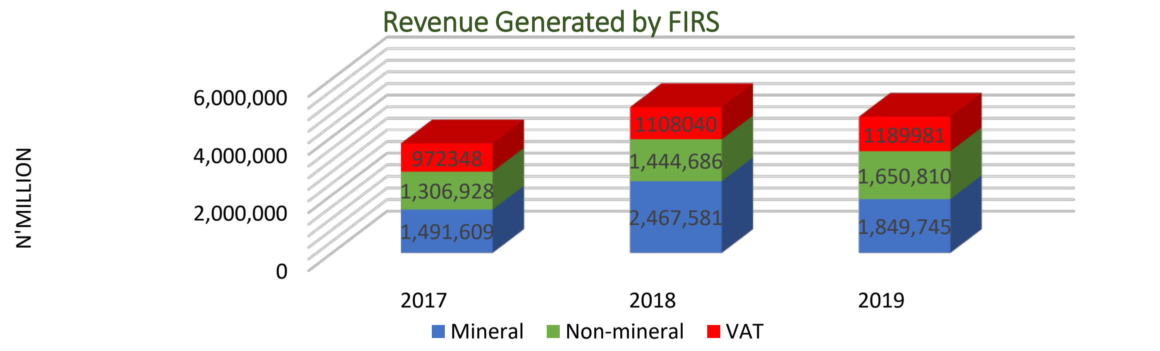


Figure 3: *Summary of Revenue Generated by FIRS*

4.1.2 Assessment and Collection Procedure

i. Assessments are raised by the agency or in the case of fixed rate collection like VAT, the taxpayer pays amount due through a designated/collecting bank.

ii. The taxpayer presents the payment tellers to FIRS, to obtain receipts as evidence of remittance.
iii. The collecting banks remit weekly collections to CBN's designated accounts on Monday following the week of collection, after deducting the banks' charges. Thereafter, the banks send the details of their weekly collections to the Area Tax Office and/or the Local VAT Office within their domain for necessary reconciliation.
iv. At the end of each month, the collecting banks send a return of their collections comprising the summary of their collection, to FIRS headquarters and the Office of the Accountant General of the Federation for reconciliation.

4.1.3 Collections in Foreign Currencies

JP Morgan Chase receives credit in respect of the tax payment into the various FIRS accounts and thereafter advices CBN to credit FIRS accordingly. JP Morgan Chase also provides statements of accounts to enable CBN monitor transactions in various accounts.

According to CITA S54, an income tax assessment under section 52, 53 or 55 of this Act shall be made in the currency in which the transaction giving rise to the assessment was realized. Nigerian companies are expected to purchase foreign currency for this purpose. They are expected to provide foreign currency to make payments since transactions were in foreign currency.

A taxpayer gives instruction to his or her local or overseas bank to make transfer after providing the funds and other relevant remittance information and account particulars. The Bank then instructs its correspondence bank to credit FIRS account with JP Morgan Chase with the information provided. CBN advises the FIRS after JP Morgan Chase has advised CBN on the receipt of funds through SWIFT (Society for Worldwide Interbank Financial Telecommunication) message. This is done through issuance of statement to FIRS. As it stands today, FIRS can as well view their online statement with JP Morgan at the touch of a button.

Findings	Recommendations
The impact of PPT on FIRS overall revenue collection is worth noting. On the average, PPT accounted for 43.09% of FIRS total collection. This shows a significant dependence on oil taxes. Given that the oil and gas sector is very volatile due to fluctuations in global oil prices, PPT collections may be negatively affected.	In anticipation of any decrease in PPT, FIRS must become more pro-active in mobilizing other tax kinds to boost total revenue generation. In addition, strategies to block revenue leakages must be developed to further boost revenue collection from other tax type.

4.2 Nigerian National Petroleum Corporation (NNPC)

Nigerian National Petroleum Corporation is the state oil corporation. It oversees the development of the oil and gas sector in Nigeria. In addition to its exploration activities, the Corporation exercises power and operational interests in refining, products transportation, as well as marketing in the petroleum industry.

In 1988, the corporation was commercialized into Strategic Business Unit (SBU) covering the entire spectrum of oil industry operations: exploration and production, gas development, refining, distribution, petrochemicals, engineering and commercial investments. The Corporation also manages all joint ventures arrangement between the FGN and several foreign multinational corporations for petroleum exploration and production.

4.2.1 Revenue Generated by NNPC

The total revenue generated by NNPC during the period under review is shown in table 15 below. Domestic crude sales and crude oil export were the Corporation's two main revenue streams which accounted for 82.69% of the total revenue earned. The total revenue increased from 2017 to 2018 by 19.23% and reduced by 2.40% in 2019. The major cause of the reduction in 2019 was because of the fall in the receipt from crude oil export.

Table 13: Revenue Generated from 2017 – 2019

S/N	Descriptions	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
1	Domestic Revenue					
1.1	Domestic crude sales	1,437,719	1,297,014	1,520,626	4,255,359	48.18
1.2	Domestic gas sales	63,297	113,172	91,605	268,074	3.04
1.3	Installment Payment	18,991	-	-	18,991	0.22
1.4	Miscellaneous oil receipts	391	-	10,474	10,865	0.12
	Sub-Total (a)	**1,520,398**	**1,410,186**	**1,622,705**	**4,553,289**	52.56
2	Export Revenue					
2.1	Crude oil	757,775	1,237,199	1,052,189	3,047,163	34.50
2.2	Feed stock	244,986	297,996	222,607	765,589	8.67
2.3	LPG/NGL	42,840	86,839	69,235	198,914	2.25
2.4	EGTL-Diesel	10,483	6,678	-	17,161	0.19
2.5	Other income	35,106	74,913	139,598	249,617	2.83
	Sub-Total (b)	**1,091,190**	**1,703,625**	**1,483,629**	**4,278,444**	48.44
	Total Revenue Generated (c = a+b)	**2,611,588**	**3,113,811**	**3,106,334**	**8,831,733**	100

Source: NNPC Populated Template 2017 – 2019

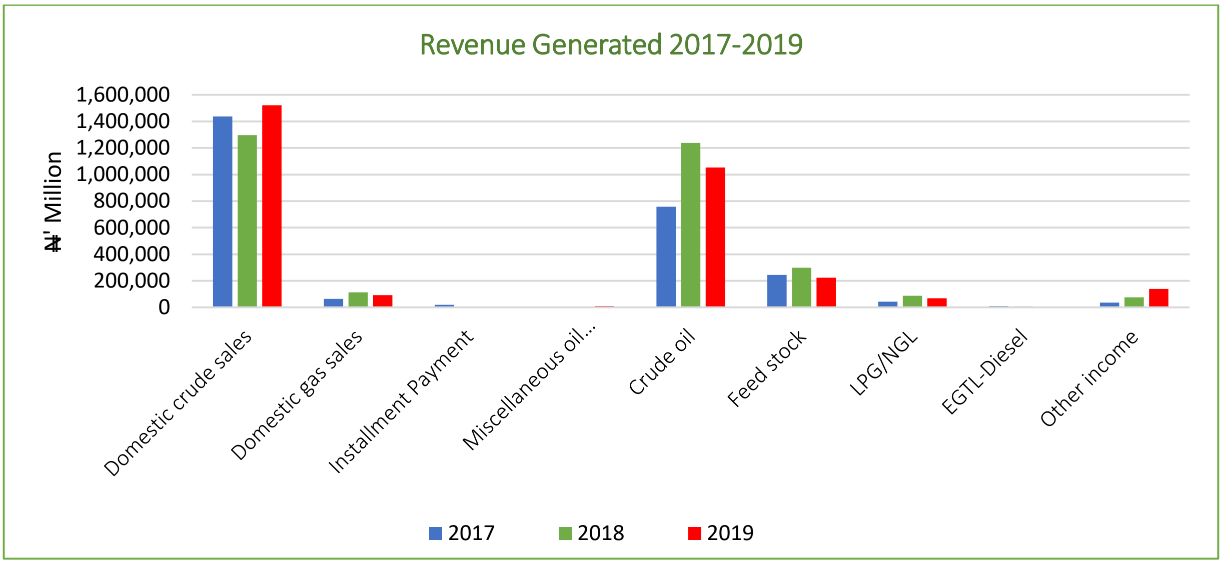


Figure 4: Gross Revenue Generated from 2017 – 2019

4.2.2 Deductions and Remittances to the Federation Account by NNPC

The total revenue remitted to the Federation Account (FA) is ₦3.49 trillion. The table below presents the revenue remittance to the FA after joint venture cash call deductions.

The deductions were made based on appropriations by National Assembly on NNPC's budget, where the deductions were indicated and provisions were made because of their importance to the oil and gas industry.

After deductions, the overall remittance to the FA reflects only 39.55% of the total gross revenue generated. Joint venture (JV) cash calls accounted for most of the deductions over the years. Payments made to NNPC JV operating partners as the FGN's equity contribution for exploration and production activities are known as JV cash calls. In 2017, 2018, and 2019, domestic revenue remittances accounted for 74.95%, 64.13%, and 61.97% of total remittances respectively. See **Appendix 4.**

Table 14: Revenue Generated, Deductions and Remittances to FA

S/N	Descriptions	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1.0	Gross Revenue				
1.1	Domestic	1,520,398	1,410,186	1,622,705	4,553,289
1.2	Export	1,091,190	1,703,625	1,483,629	4,278,444
Sub-total (a)		2,611,588	3,113,811	3,106,334	8,831,733
2.0	Deductions				
2.1	JV Cash Calls				
2.1.1	Domestic	644,048	639,245	911,558	2,194,851

2.1.2	Export	804,747	1,272,467	999,388	3,076,602
Sub-Total		**1,448,795**	**1,911,712**	**1,910,946**	**5,271,453**
2.2	**NNPC Refunds**				
2.2.1	Domestic	18,991	-	-	18,991
2.3	**Government Priority Project**				
2.3.1	Export	-	-	47,898	47,898
Sub-total (b)		**1,467,786**	**1,911,712**	**1,958,844**	**5,338,342**
3.0	**Remittance to Federation Account**				
3.1	Domestic	857,359	770,941	711,147	2,339,447
3.2	Export	286,443	431,158	436,343	1,153,944
Total Remittance (c=a-b)		**1,143,802**	**1,202,099**	**1,147,490**	**3,493,391**
Source: *NNPC Populated Template 2017 – 2019*					

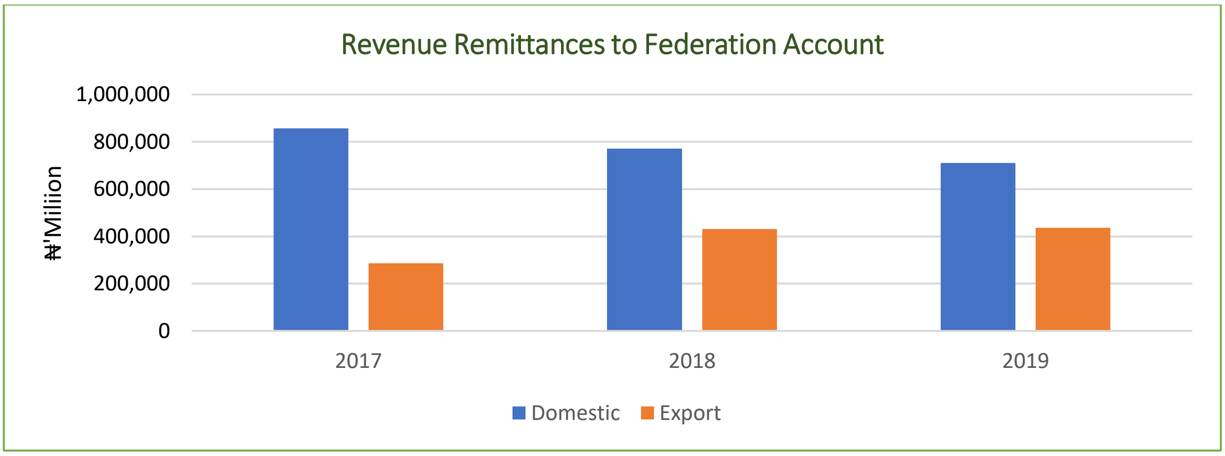


Figure 5: *Revenue Remittances to FA from 2017 – 2019*

Figure 5 shows that actual domestic revenue remittances dropped across the 3 years when compared to export revenue remittances. Domestic revenue remittances decreased by 17.05% between 2017 and 2019, whereas export revenue remittances increased by 52.33% during the same period.

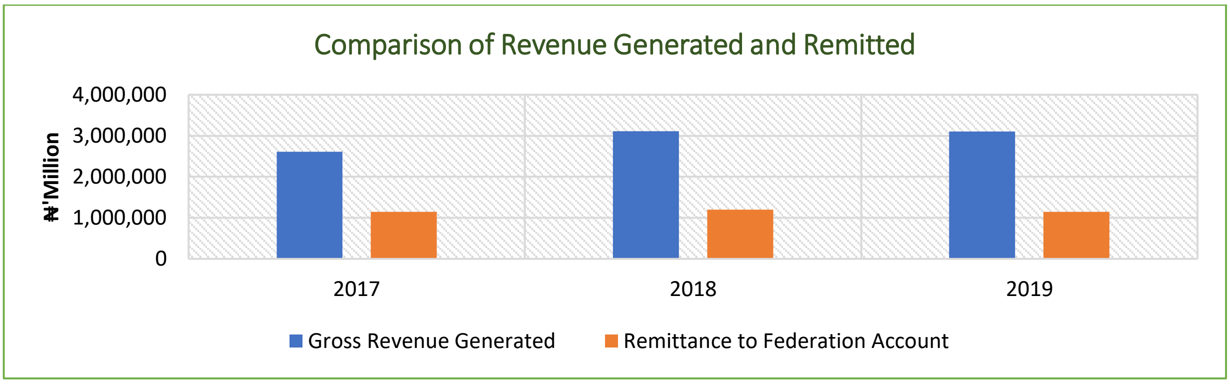


Figure 6: Comparison of revenue generated and remitted from 2017 – 2019

Findings	Recommendations
A total of ₦8.8 trillion was generated out of which only ₦3.5 trillion (39.55%) was remitted to the Federation Account as a result of deductions at source for JV cash calls.	It is expedient to holistically review NNPC's cost of production to ensure optimization of revenue benefits to the nation. Furthermore, FA needs to develop a cost of collection mechanism to address the issue as it applies to other revenue generating agencies (FIRS, DPR, NCS).

4.3 Department of Petroleum Resources (DPR)

The defunct Department of Petroleum Resources had the statutory responsibility of ensuring compliance to petroleum laws, regulations and guidelines in the Oil and Gas Industry. The discharge of these responsibilities involves monitoring of operations at drilling sites, producing wells, production platforms and flow stations, crude oil export terminals, refineries, storage depots, pump stations, retail outlets, any other locations where petroleum is either stored or sold, and all pipelines carrying crude oil, natural gas and petroleum products, while carrying out the following functions among others.

It oversees compliance with legislation governing the export and import of products in Nigeria, as well as monitoring activities in the upstream and downstream sectors of the petroleum industry.

Following the Petroleum Industry Act (PIA), DPR ceased to exist while its assets and liabilities were transferred to the newly established Nigerian Upstream Petroleum Regulatory Commission (NUPRC) on August 16th, 2021. The PIA also repealed the Petroleum Act of 1969. For more information visit www.dpr.gov.ng

4.3.1 Payment Process

The defunct Department of Petroleum Resources had designated accounts for each payment type – gas royalty, oil royalty, gas flare penalty, concessional rentals, etc., into which entities make direct payments after being advised by the defunct Department. Paying entities both local and foreign companies are expected to clearly state the name of the company, the payment being made and the period the payment covers. The defunct DPR received statements from JP Morgan Chase on payments made by these entities on a regular basis, bulk of which was foreign denominated. DPR was notified of all payments made within the week and then sent out receipts in hard copy to oil companies.

4.3.2 Revenue Generated by Defunct DPR

The total revenue generated during the period under review was ₦3.53 trillion. In 2018 due to a significant increase in oil royalty revenues, it increased by ₦527.9 billion (71%) to ₦1.27 trillion. DPR's revenue was mainly from oil royalties, which accounted for more than 89% of total revenue. However, oil and gas royalty receipts decreased by 6% and 38% respectively in 2019. The overall revenue increased by ₦231.5 billion (18%) to ₦1.51 trillion in 2019 due to receipts from NNPC joint venture royalty.

The table below is a summary of revenue generated during the period under review

Table 15: Revenue Generated 2017-2019

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
1	Royalties					
1.1	Oil	704,374	1,207,187	1,132,106	3,043,667	86.25
1.2	NNPC JV Royalty	-	-	235,334	235,334	6.67
1.3	Gas	33,173	55,709	34,431	123,313	3.49
	Sub-total (A)	737,546	1,262,896	1,401,872	3,402,314	96.41
2	Other oil and gas receipts					
2.1	Gas flare penalty	2,779	4,805	90,739	98,323	2.79
2.2	Miscellaneous oil revenue	6,338	5,500	10,971	22,809	0.65
2.3	Concession Rentals	355	735	2,107	3,196	0.09
	Sub-total (B)	9,472	11,039	103,817	124,328	3.52
3	Signature bonus (C)	157	1,156	925	2,238	0.06
	Grand Total (D=A+B+C)	747,175	1,275,092	1,506,613	3,528,880	100.00

Source: 2017 – 2019 Populated Template by DPR

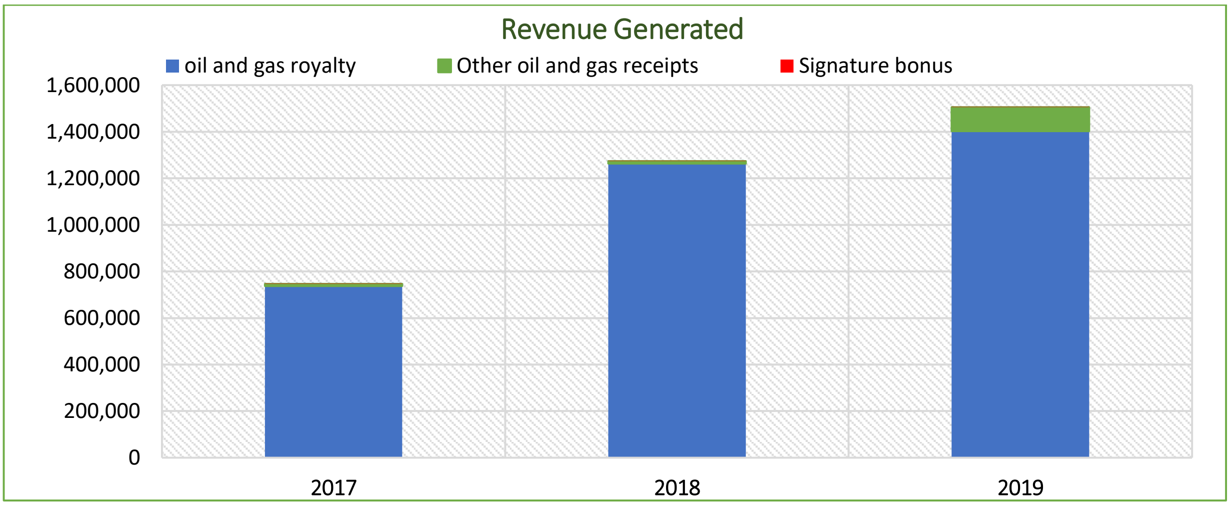


Figure 7: Revenue Generated by DPR

4.3.3 Revenue Remitted by DPR

DPR remitted ₦3.53 trillion to the Federation Account during the period under review. Signature bonus receipts are not included in these remittances as they are required by law to be transferred to the Petroleum Technology Development Fund (PTDF). Remitted sum increased yearly from ₦747.04 billion to ₦1.51 trillion in 2019.

The table below presents revenue remitted to Federation Account by DPR.

Table 16: *Revenue Remitted to Federation Account*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
1	Royalties					
1.1	Oil	704,374	1,203,042	1,146,169	3,053,584	86.42
1.2	NNPC JV royalty	-	-	235,334	235,334	6.66
1.3	Gas	33,173	55,711	34,431	123,315	3.49
	Sub-total (A)	737,546	1,258,753	1,415,934	3,412,234	96.57
2	Other oil and gas receipts					
2.1	Gas flare penalty	2,779	4,800	94,089	101,668	2.88
2.2	Miscellaneous oil revenue	6,358	5,500	5,718	17,575	0.5
2.3	Concession Rentals	357	735	794	1,885	0.05
	Sub-total (B)	9,494	11,034	100,600	121,128	3.43
	Grand Total (C=A+B)	747,040	1,269,788	1,516,534	3,533,362	100

Source: *2017 – 2019 Populated Template by DPR*

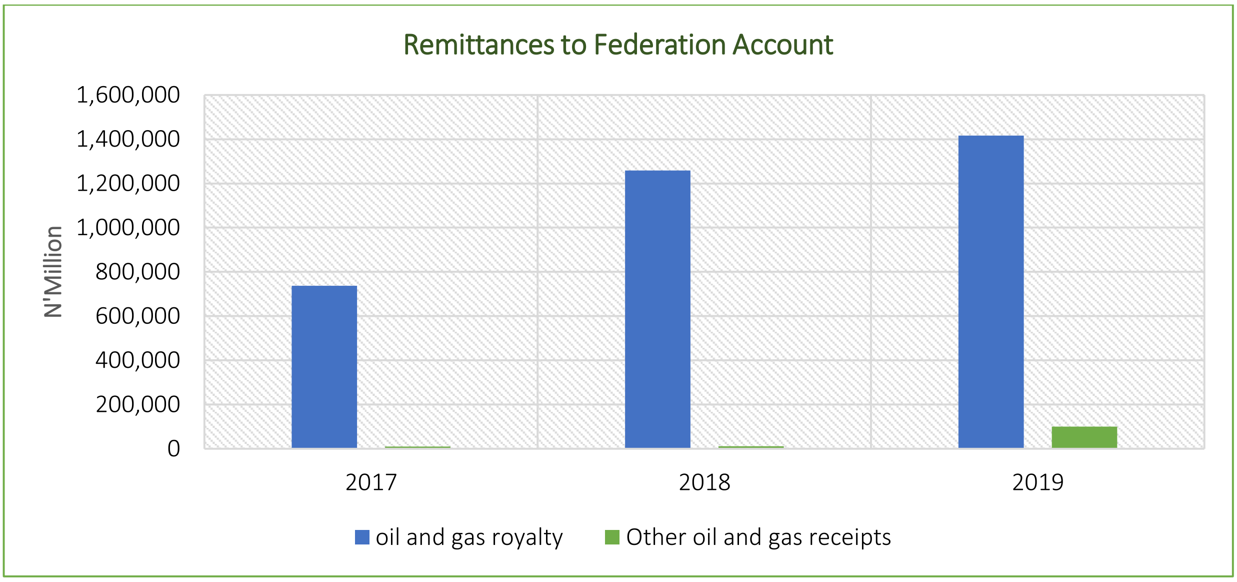


Figure 8: *Revenue Remitted by DPR.*

4.3.4 Comparison between Revenue Generated and Remitted.

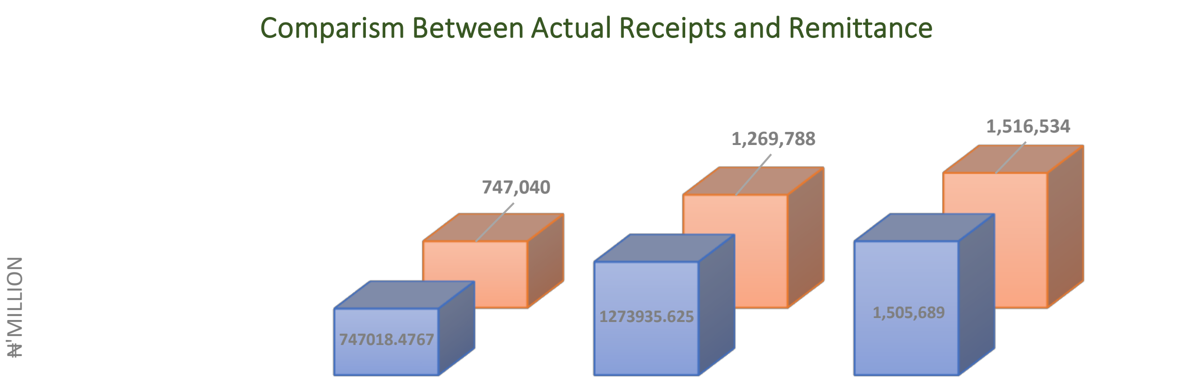
When actual receipts and remittances are compared, remitted sum was ₦6.72 billion greater than receipts during the period. This is due to unremitted receipts from the previous year.

A comparison between actual receipts and remittances to the Federation Account by DPR is captured in the table below.

Table 17: Revenue Generated and Remitted to Federation Account

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	Actual Receipts	747,018	1,273,936	1,505,689	**3,526,643**
2	Actual remittance	747,040	1,269,788	1,516,534	**3,533,362**
	Variance	22	-4,148	10,845	**6,719**

Source: *2017 – 2019 Populated Template by DPR*



	2017	2018	2019
Actual Receipts	747018.4767	1273935.625	1,505,689
Actual remittance	747,040	1,269,788	1,516,534

Figure 9: *Comparison Between Actual Receipts and Remittances*

4.4 Ministry of Mines and Steel Development (MMSD)

Ministry of Mines and Steel Development was created to help the Nigerian Solid Minerals Sector thrive. It was deliberately created to unlock the sector's economic potentials.

- Formulating policies regarding minerals prospecting, quarrying and mining
- Providing information and knowledge to enhance investment in the sector
- Regulating operations in the solid minerals sector
- Generating appropriate revenue for the government through royalties' collection and other fees

MMSD carries out its mandate through several departments and parastatals like Mines Inspectorate Department (MID), Mines Environmental Compliance Department (MECD), Artisanal and Small-Scale Mining (ASM) department and the Mining Cadastre Office (MCO). For more information visit https://portal.minesandsteel.gov.ng

4.4.1 Revenue Generation and Remittance by MMSD

The ministry generated a total of ₦12.50 billion revenue during the period under review. In 2018, revenue declined by 8%, owing mostly to a 21% drop in revenue earned by MCO. However, overall revenue increased by 37% in 2019 because of increased mining activities. All revenue generated by MMSD were remitted to CBN who will later remit to the Federation Account for allocation/distribution. See **Appendix 6.**

Table 18: MMSD Revenue Generated and Remitted to Federation Account: 2017 – 2019

Revenue Streams	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution (%)
MID (Royalty & Fees)	1,799.65	2,064.55	2,573.93	6,438.13	51.51
MCO (Annual service fees and renewal)	2,130.00	1,551.32	2,379.52	6,060.84	48.49
Total	**3,929.65**	**3,615.87**	**4,953.45**	**12,498.97**	**100**

Source: *MMSD Data Template – Note that revenues are remitted as collected.*

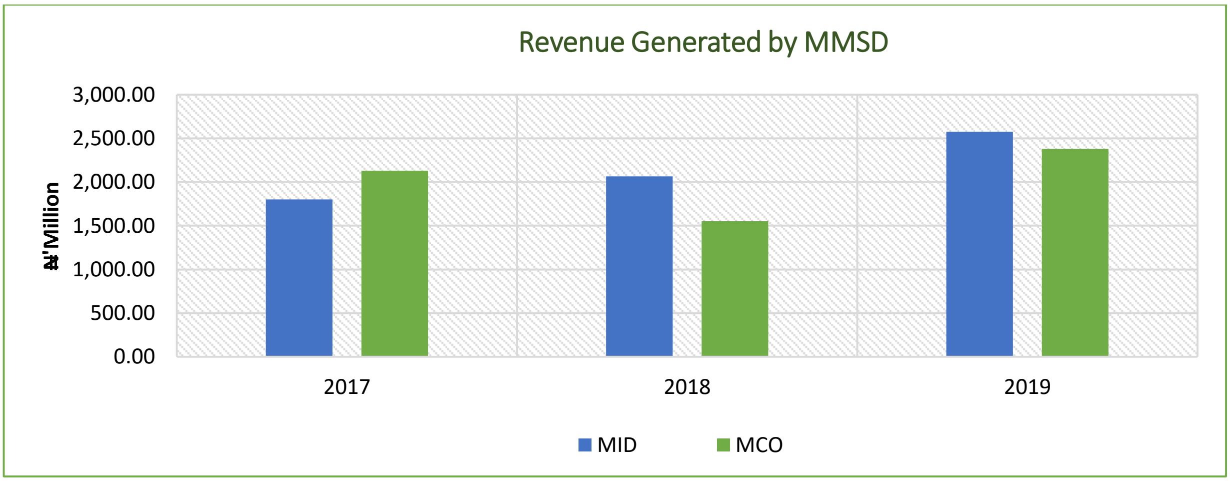


Figure 10: *Revenue Generated and Remitted by MMSD*

Findings	Recommendations
The report established that the amount generated by MID and MCO was still rely heavily on manual methods. This strategy is prone to errors and omissions, and it may have an impact on revenue generation.	Government (MMSD) must take steps to ensure a contemporary, technology-driven revenue collection and record-keeping system. This will enhance revenue generation and service delivery.

4.5 Nigerian Custom Service (NCS)

The Nigeria Customs Service is an independent customs service under the supervisory oversight of the Federal Ministry of Finance, responsible for the collection of customs revenues, facilitation of both national and international trade and anti-smuggling activities.

FEDERAL BENEFICIARY AGENCIES

5.0 Summary of Receipts and Funds Utilization by Federal Beneficiary Agencies

This section presents a brief profile of the Federal beneficiaries including details of receipts and funds utilization for the period 2017 – 2019.

5.1 Niger-Delta Development Commission (NDDC)

Niger Delta Development Commission was set up by FGN in the year 2000 to address the yearnings of the people of the Niger Delta, for equitable socio-economic development of the area. One of the core mandates of the Commission is to train and educate the youths of the oil rich Niger Delta Region to curtail hostilities and militancy, while developing key infrastructure to promote diversification and productivity. For more information visit https://nddc.gov.ng.

The sources of receipts for NDDC are:

1. Federal Government – FGN pays an equivalent of 15% of the total monthly statutory allocation due to member states of the commission from the Federation Account
2. Ecological fund- 50% of Ecological Fund of monies due to member states
3. Oil companies- 3% of total annual budget of oil companies
4. Other revenue- These include investment income, tender fees, etc.

5.1.1 Receipts

The total receipts by NDDC for the period under review was ₦755.96 billion. Contributions from oil companies accounted for 72.90% of the total revenue, while FGN contribution was 26.97%. There was a fluctuation in total revenue because of the inflows from oil companies which increased by 25% in 2018 and dropped by 29% in 2019. However, it is important to note that NDDC did not receive any monies from the Ecological Fund as stipulated by the Act and the commission did not receive contributions from 45 oil and gas producing companies.

A breakdown of the total receipts by NDDC for the period under review is shown in the table below.

Table 19: Receipts by NDDC

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
1	Statutory Revenue					
1.1	Federal Government contribution	67,444	65,262	71,195	203,901	26.97
1.2	Contribution from oil companies	175,304	219,299	156,486	551,089	72.90
Total Statutory Revenue (a)		**242,748**	**284,561**	**227,681**	**754,990**	99.87
2	Non-Statutory Revenue					
2.1	Tender Fee	53	19	19	91	0.01
2.2	Bank Interest	227	440	137	804	0.11
2.3	Recoveries	36	-	-	36	0.00
2.4	Sundry Income	33	5	3	41	0.01
Total Non-Statutory Revenue (b)		**349**	**464**	**159**	**972**	0.13
Total Revenue (a+b)		**243,097**	**285,025**	**227,840**	**755,962**	100.00

Source: *NDDC Validated Template and Audited Financial Statements 2017 – 2019*

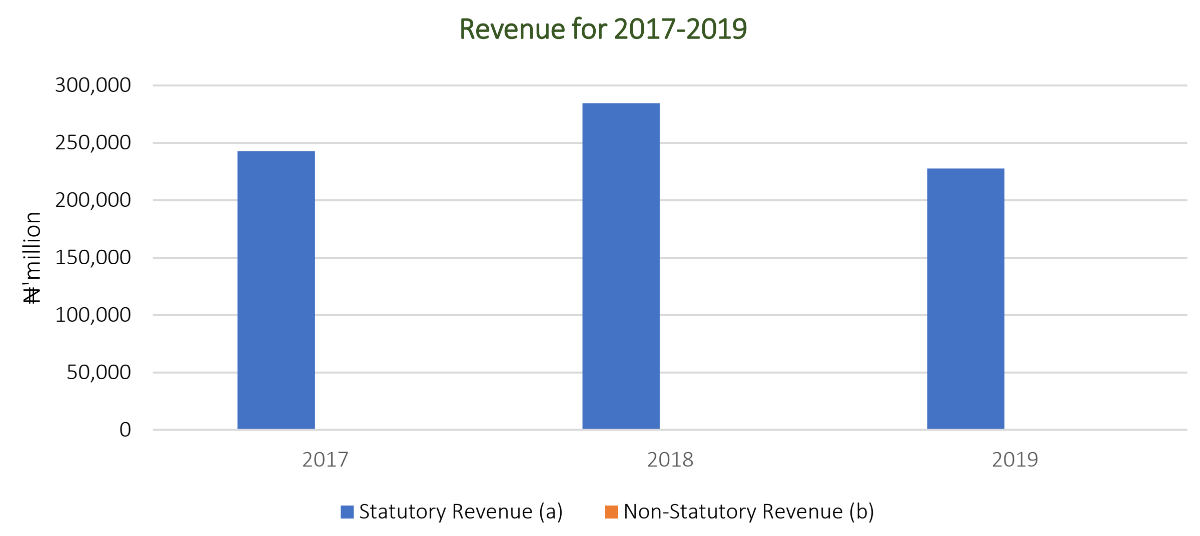


Figure 11: *Revenue 2017 – 2019*

5.1.2 Funds Utilization

Funds utilization is categorized into development projects and operational costs. Development projects relate to expenditure on NDDC core mandate of rehabilitation and development of the Niger Delta area. On the other hand, operational costs relate to expenditure on the internal operations of the Commission such as personnel, administrative and capital expenditure.

The focus of this section is on the development project expenditure as it is directly attributable to the core mandate of the Commission. The table below presents a highlight of the Commission's expenditure during the period under review.

The total expenditure during the period under review was ₦882.3 billion. The expenditure on development projects accounted for 88.20%, while operational cost accounted for 11.80%.

Table 20: *Highlight of Funds utilization for the Period 2017 – 2019*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	Development projects				
1.1	Physical	143,845	270,569	265,245	679,659
1.2	Non-physical	16,603	44,159	37,813	98,575
Total development projects (a)		160,448	314,728	303,058	778,234
2	Operational Cost				
2.1	Personnel cost	23,933	23,565	22,638	70,136
2.2	Administrative	10,518	11,124	12,116	33,758
2.3	Capital expenditure	34	120	30	184
Total operational cost (b)		34,485	34,809	34,784	104,078

Total Expenditure (c = a+b)	194,933	349,537	337,842	882,312
% of development projects	82.31	90.04	89.7	88.20
% of operational costs	17.69	9.96	10.3	11.80
Source: *NDDC Validated Template and Audited Financial Statements for 2017 – 2019*				

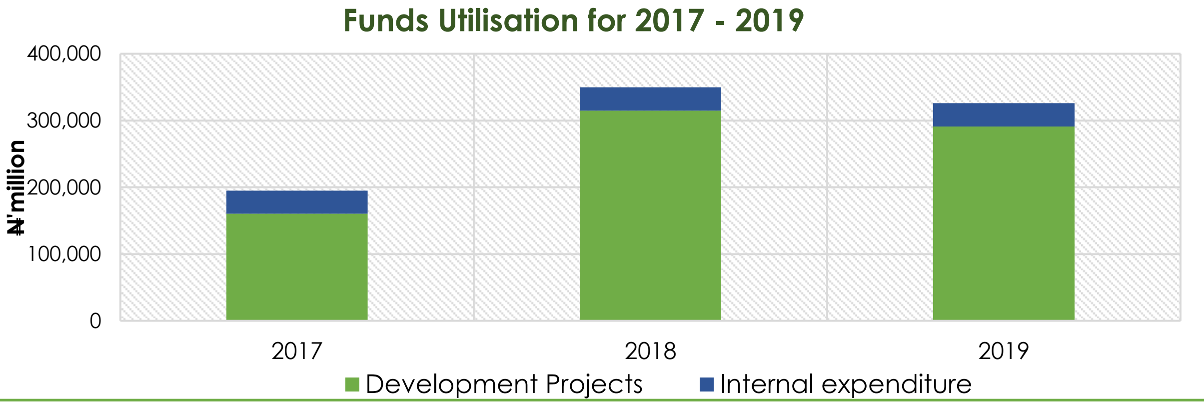


Figure 12: *Summary of Fund Utilization 2017 – 2019*

5.1.2.1 Development Projects

Development projects are categorized into physical and non-physical projects. Physical projects are basically expenditure on tangible infrastructure while non-physical project expenditure mostly relate to expenditure on skills acquisition, youth development programmes, agriculture development programmes, etc.

The total development expenditure during the period under review was ₦778.2 billion as shown in the table below. Physical project expenditure accounted for 87% in the period under review. The physical project expenditures were on roads and bridges construction and landing jetty, erosion and land reclamation.

The non-physical expenditure during the period under review was mainly on skills acquisition, youth development, environment and waste management as well as project security and logistics. These expenditures accounted for 32.80% of the total non-physical expenditure.

The breakdown of physical and non-physical expenditure is presented in table 21 below.

Table 21: *Development expenditure for 2017 – 2019*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	%
1	Physical project expenditure					
1.1	Road and bridge	104,639	187,271	174,868	466,778	60

1.2	Landing Jetty, erosion and land reclamation	17,252	45,728	58,315	121,295	16
1.3	Electrification	9,030	13,238	5,574	27,843	4
1.4	Housing, civic centre, town Halls	2,032	9,267	10,786	22,085	3
1.5	Hospital and other medical facilities	5,347	5,626	8,794	19,767	3
1.6	Educational infrastructure	3,953	5,692	3,519	13,164	2
1.7	Water project	1,592	3,748	3,388	8,727	1
Sub-total (a)		143,845	270,569	265,245	679,658	87
2	Non-physical project expenditure					
2	Skill acquisition/youth development	1,894	3,090	6,979	11,963	2
2	Environmental and waste management		9	11,658	11,667	1
2	Security and logistics	1,688	4,138	2,873	8,699	1
2	Agricultural development programme	192	3,005	448	3,645	0
3	NDDC master plan	104			104	0
3	Others	12,726	33,918	15,855	62,498	8
Sub-total (b)		16,603	44,159	37,813	98,576	13
Grand total (c = a + b)		160,448	314,728	303,058	778,234	100
% of physical project expenditure		89.65	85.97	87.52	87.33	
% of non-physical project expenditure		10.35	14.03	12.48	12.67	
Source: *NDDC Validated Template and Audited Financial Statements 2017 – 2019*						

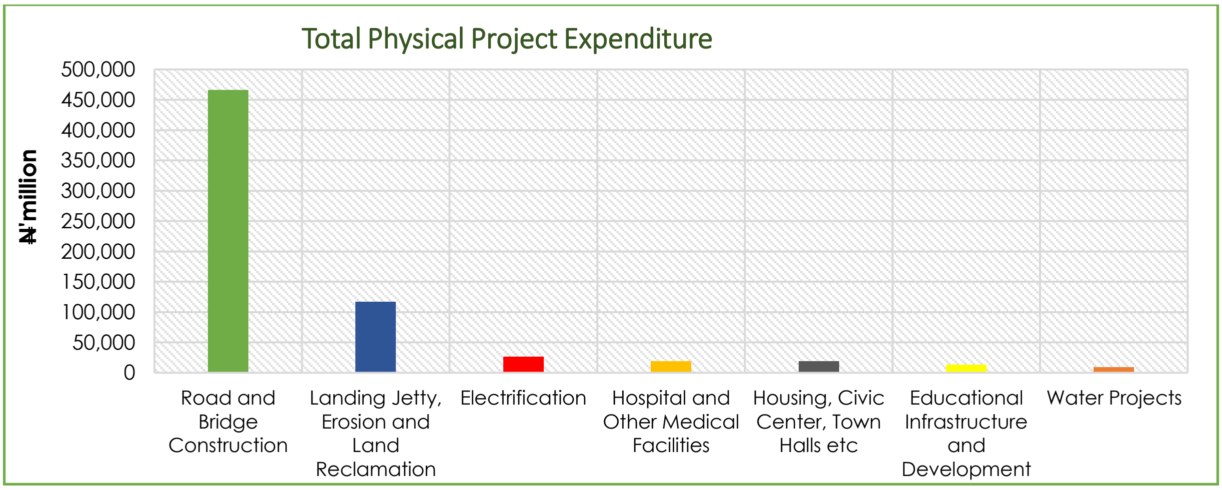


Figure 13: *Physical Projects Expenditure 2017 - 2019*

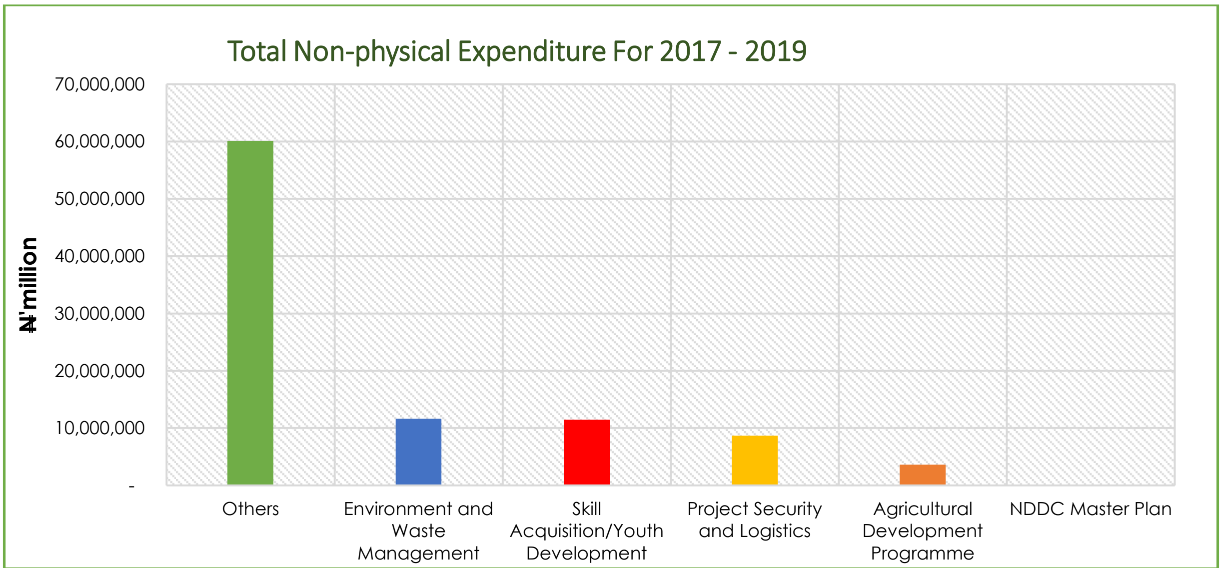


Figure 14: *Non-physical Project Expenditure 2017 - 2019*

5.1.2.2 NDDC Expenditure in Member States

Expenditure in Delta, Rivers and Akwa-Ibom states accounted for 60% of the total expenditure across member states as indicated by NDDC's project monitoring schedule as seen in the table below. These states are the major oil producers in the area, and by extension, the highest contributors to the overall revenue of the commission. A comprehensive schedule of NDDC expenditure in member states is presented in **Appendix 7.**

Table 22: *Expenditure on Member States*

S/N	States	Interim Payment Certificates				2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total expenditure %
		2017	2018	2019	Total					
1	Delta	187	124	97	408	16,831	12,075	11,563	40,469	26
2	Rivers	158	117	60	335	9,582	17,624	7,695	34,901	22
3	Akwa-Ibom	87	75	76	238	8,428	5,394	4,458	18,280	12
4	Imo	63	41	22	126	6,494	5,289	1,794	13,577	9
5	Bayelsa	81	56	39	176	4,024	5,209	4,007	13,240	8
6	Abia	52	36	28	116	3,280	3,704	3,050	10,034	6
7	Ondo	69	51	35	155	3,363	3,701	2,506	9,570	6
8	Cross River	48	45	38	131	4,073	2,585	2,585	9,243	6
9	Edo	36	26	19	81	3,025	3,160	1,552	7,737	5
Total		781	571	414	1766	59,100	58,741	39,210	157,051	100

Source: *NDDC Data*

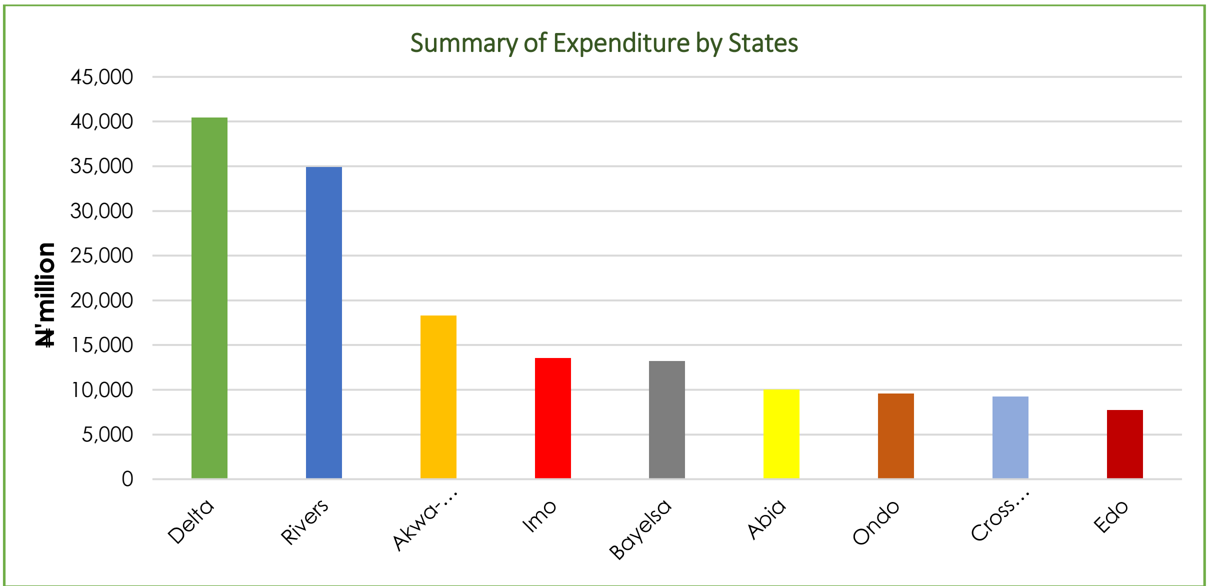


Figure 15: *Summary of Expenditure by States 2017 – 2019*

5.1.2.3 Comparison of Physical Expenditure between Audited Financial Statements and Project Monitoring List by NDDC for the Period 2017 – 2019

The financial statements showed a total expenditure of ₦679 billion while the project monitoring list indicated that a total of ₦157 billion was spent on physical projects across the member states. A comparison of the physical project expenditure as shown in financial statement vis-à-vis the project monitoring schedule made available by NDDC presents a difference of ₦523 billion as shown below.

Table 23: *Comparison of Physical Expenditure Between Audited Financial Statements and Project Monitoring List by NDDC.*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	As per audited financial statements	143,845	270,569	265,245	679,658
2	As per NDDC project monitoring list	59,100	58,741	39,210	157,051
3	Difference	84,745	211,828	226,035	522,607
4	% Of Difference	59	78	85	77

Source: *Audited Financial Statements and NDDC Project Monitoring List.*

5.1.2.4 List of 45 Companies that did not Make Payment to NDDC 2017-2019.

During the period under review, NDDC did not receive contributions from the under-listed 40 oil and gas producing companies.

Table 24: List of Companies that did not make Payments to NDDC

S/N	List of Companies	2017	2019	2018
1	Addax Petroleum Nigeria Limited	x		
2	Addax Petroleum Development	x		
3	Agip Exploration	x	x	
4	Amni International Petroleum Development Company Limited	x	x	
5	Belemaoil Producing Limited		x	x
6	Britannia-U Nigeria Limited		x	x
7	Chevron Nigeria Limited		x	
8	Dubri Oil Company Limited	x		x
9	Energia Limited	x		
10	Enageed Resource Limited	x	x	
11	Equinor Nigeria Energy Company Limited	x	x	
12	Esso Exploration and Production Nigeria Limited		x	
13	Excel Exploration and Production	x	x	
14	First Exploration & Petroleum Development Company Limited			x
15	Frontier Oil Limited	x	x	x
16	Green Energy International Limited	x	x	
17	Midwestern Oil and Gas Company	x	x	x
18	Mobil		x	
19	Monipulo Limited	x	x	
20	Nigerian Agip Exploration			x
21	Nigerian Agip Oil Company	x	x	x
22	Network Exploration & Production Nigeria Oando	x	x	
23	Network E & P	x	x	
24	Newcross Exploration and Production Limited	x	x	
25	Nigerian Liquefied Natural Gas	x		
26	Oriental Energy Resources	x	x	
27	Phillips Oil Company Nigeria Limited	x		x
28	Pillar Oil Limited	x	x	
29	Platform Petroleum Limited / Newcross Petroleum Limited	x		x
30	PLATFORM Petroleum Limited		x	
31	Seplat Petroleum Development Company	x		
32	Shell Nigeria Exploration and Production Company		x	
33	Star Deep Water Petroleum Limited	x		

34	Statoil Nigeria Limited	x		x
35	Sterling Oil Exploration & Energy Production Co. Limited	x	x	x
36	Sundry Oil.Com	x	x	x
37	Total Exploration & Production Nigeria	x	x	
38	Total Upstream Nigeria Limited	x		x
39	Universal Energy Resources Limited		x	
40	Waltersmith Petroman Oil Limited	x	x	x

Findings	Recommendations
Federal Allocation Receipts According to the provision of section 14(2a) and (2c) of the NDDC Establishment Act, 2000, the Federal Government is to contribute the equivalent of 15% of the total monthly statutory allocation due to member states of the commission from the Federation Account to the commission. Similarly, 50% of monies due to member states of the commission from the Ecological Fund is also to be paid to the commission account. However, the contribution of the Federal Government during the period was based on appropriation in the annual budget which was relatively less than the amount due if contributions were made in accordance with the provisions of the Act above.	The FGN should comply fully with section 14 (2c) of the NDDC Establishment Act 2000. This will make funds available to the NDDC for projects that will positively impact the lives of the Niger Delta people.
Non-contributions to the Fund by some oil producing companies Contrary to Section 14(2)b of the NDDC Act, it was discovered that 45 oil and gas companies did not remit funds to NDDC during the period as mandated by the Act. Non-remittance of these funds to NDDC negatively affected the commission's cash flow and its capacity to implement projects.	The commission should collaborate with relevant regulatory authorities to enforce compliance in line with the provision of the Act. There is need for NDDC to deploy an enduring strategy to drive its statutory revenue collections by setting up a task force that will drive revenue collection from defaulting companies. There is need for the review of NDDC Act to compel oil producing companies to make their budgets available to the commission to enable them have knowledge of their budgetary provision for NDDC.
Physical Expenditure A comparison of the physical project expenditure as shown in financial statement vis-à-vis the project monitoring list made available by NDDC presents a difference of ₦523 billion. The financial statements showed a total expenditure of ₦679 billion while the project monitoring list showed that a total of ₦157 billion was spent on physical projects across the member states during the period.	NDDC should present accurate value of expenditure across the states that shows total amount expended in each of the relevant member states in the Niger Delta Region.

5.2 Tertiary Education Trust Fund (TETFUND)

The Tertiary Education Trust Fund was originally established as Education Trust Fund (ETF) by the Act No. 7 of 1993 as amended by Act No. 40 of 1998 (now repealed and replaced with Tertiary Education Trust Fund Act 2011). It is an intervention agency set up to provide supplementary support to all levels of public tertiary institutions with the main objective of using funding, alongside project management for the rehabilitation, restoration and consolidation of tertiary education in Nigeria.

The main source of funds available to the Fund is the two percent (2%) education tax paid from the assessable profit of companies registered in Nigeria. The Federal Inland Revenue Service (FIRS) assesses and collects the tax on behalf of TETFund.

5.2.1 Receipts

The receipt for TETFund is classified into statutory and non-statutory. The statutory receipt is the 2% education tax while the non-statutory receipts include interest and other investment income. The total receipts that accrued to TETFund for the period was ₦644 billion. Analysis of the total revenue shows that the statutory revenue component represents 86.4% while the non-statutory revenue accounted for 13.6%. The statutory revenue grew by 31% in 2018 and 9% in 2019.

Non-statutory revenue decreased by 17% between 2017 and 2018 due to liquidation of existing investments. In 2019, it increased by 26.60%. Thus, year-on-year movement in the recorded values would always be driven by TETFund's investment decisions and changes in interest rate. A breakdown of the total receipts is presented below in table 31 below:

***Table 25:** Breakdown of Receipts*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total expenditure %
1.0	Statutory Receipts					
1.1	Net Receipts from EDT (a)	148,759	195,153	212,452	556,365	86.4
2.0	Non-Statutory Receipts					
2.1	Interest on Nigeria T-bills	27,908	22,127	27,381	77,416	12.0
2.2	Interest on FGN Bonds	2,666	3,110	4,594	10,370	1.6
2.3	Interest on Domiciliary Account	1	7	10	18	0.0
2.4	Other investment income	-	20	-	20	0.0
2.5	Rental income	10	-	-	10	0.0
Total Non-Statutory Revenue (b)		30,585	25,264	31,985	87,834	13.6
Total Revenue (a+b)		179,344	220,417	244,437	644,199	100

Source: Validated Template and Audited Financial Statements 2017 – 2019

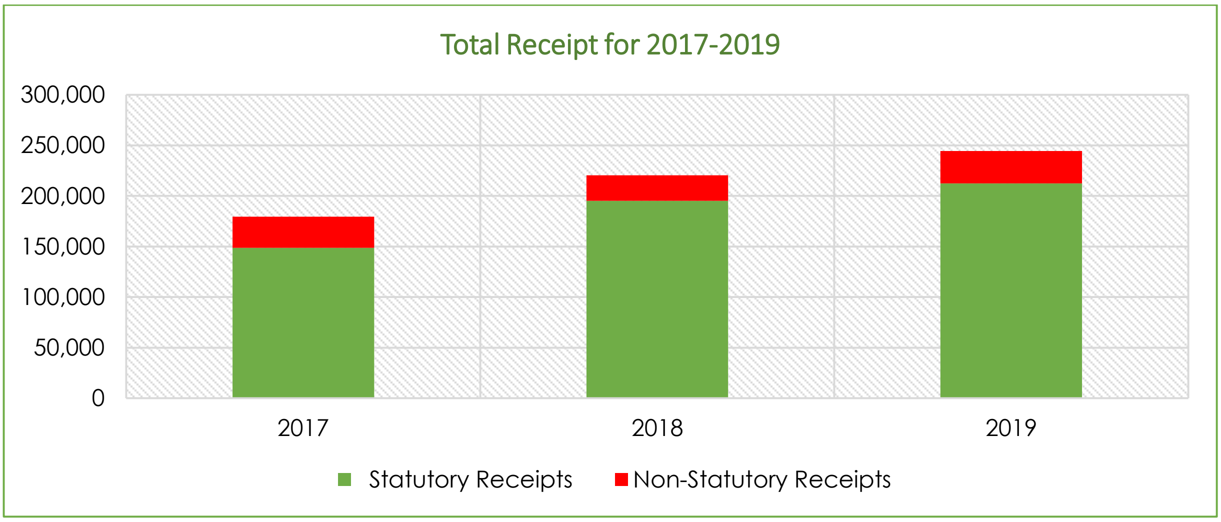


Figure 16: *Receipts 2017 – 2019*

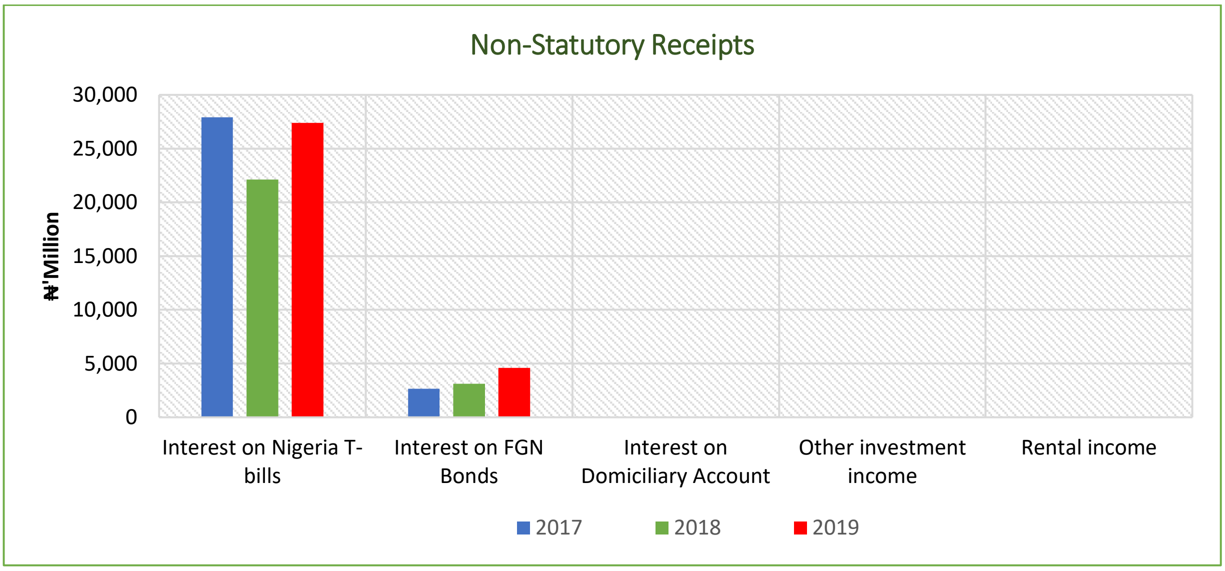


Figure 17: *Non-Statutory Revenue 2017 – 2019*

5.2.2 Funds Utilization

The utilization of total funds available to TETFund is categorized under two headings:

a. Disbursements to beneficiary institutions
b. Cost of administration

The net amount available for utilization is the receipts from EDT (after deducting cost of collection by FIRS) and interest income from investments. In accordance with section 3(4) of the Act, an amount not exceeding 5% of the net EDT receipts in each year, shall be retained by TETFund as cost of administration before disbursement to beneficiary institutions.

The table below shows the funds available for disbursements to beneficiary institutions and cost of administration.

Table 26: *Funds available for utilization*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1.1	Gross EDT receipts	154,958	203,285	221,304	579,547
1.2	4% FIRS cost of collection	6,198	8,131	8,852	23,182
1.3	Net EDT receipts by TETFund	148,760	195,154	212,452	556,365
1.4	TETFund cost of administration	5,150	5,700	8,000	18,850
1.5	Consolidated Revenue Account (CRF Sub-Treasury)	1,000	-	-	1,000
1.6	Net Statutory receipts available for disbursement to beneficiary institutions	142,610	189,454	204,452	536,515
1.7	Investment Income	30,585	25,264	31,985	87,834
1.8	Total amount available for disbursement to beneficiaries	173,195	214,718	236,437	624,349

Source: *Audited Financial Statements 2017 – 2019*

Section 7(3) of the Act, stipulates that the total funds available for distribution to beneficiary institutions shall be disbursed as follows:

- Universities 50%
- Polytechnics 25%
- Colleges of Education 25%

:

5.2.2.1 Expected Distribution of Funds to Beneficiary Institutions

The expected disbursement to each category of beneficiaries, if funds are available based on the percentages above, are presented in the table below:

Table 27: Expected Distribution of Funds to Beneficiary Institutions

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	Universities	86,598	107,359	118,219	268,258
2	Polytechnics	43,299	53,680	59,109	134,129
3	Colleges of Education	43,299	53,680	59,109	134,129
Total expected disbursement to beneficiary institutions		173,195	214,718	236,437	536,516

Source: Amedu Onekpe & Co. Computation.

5.2.2.2 Actual Disbursement to Beneficiary Institutions

The table below shows the summary of actual disbursements to beneficiary institutions and other tertiary institution programs during the period. Disbursements were made to only public tertiary institutions. Specifically, other tertiary institution programmes that received funds include, research and development, institutional games, special intervention etc. See table 43 for more information.

Table 28: Actual Disbursement to Beneficiary Institutions

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
1	Universities	34,659	45,226	44,746	124,632	46.55
2	Polytechnics	16,392	20,028	20,751	57,170	21.35
3	Colleges of Education	17,679	20,622	20,525	58,826	21.97
4	Other tertiary institution programs	973	1,891	24,234	27,098	10.12
Total		69,703	87,767	110,256	267,726	100.00

Source: TETFund Disbursement Schedule 2017 – 2019

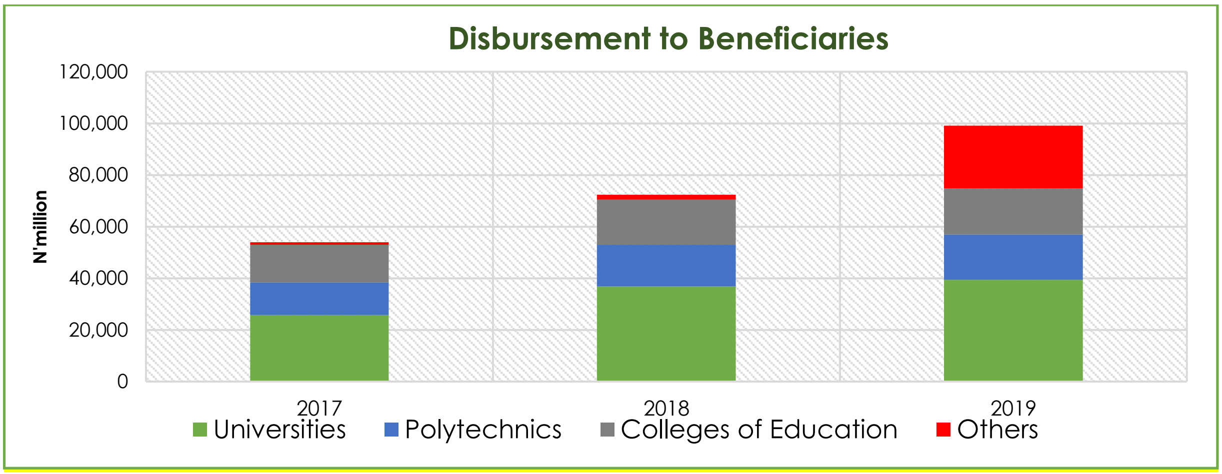


Figure 18: Disbursement to Beneficiary Institutions

5.2.3 Comparison of Expected and Actual Disbursement

A comparison of the expected and actual disbursement shows that not all funds available for disbursement were disbursed during the period under review. The expected amount to be disbursed was ₦536.51 billion while a total of ₦267.73 billion was actually disbursed. This was due to some beneficiary institutions' inability to meet criteria for one or more tranches of disbursement of the Fund. The comparison of the expected and actual disbursement is presented in the table below.

***Table 29:** Comparison of Expected and Actual Disbursement*

Description	Universities			Polytechnics			Colleges of Education		
	2017 Million ₦	2018 Million ₦	2019 Million ₦	2017 Million ₦	2018 Million ₦	2019 Million ₦	2017 Million ₦	2018 Million ₦	2019 Million ₦
Amount Available	86,598	107,359	118,219	43,299	53,680	59,109	43,299	53,680	59,109
Amount Disbursed	34,659	45,226	44,746	16,392	20,028	20,751	17,679	20,622	20,525
Difference	51,939	62,133	73,473	26,907	33,652	38,358	25,620	33,058	38,584
% of difference	60	58	62	62	63	65	59	62	65

5.2.4 Summary of Disbursement by Zone

The total disbursement to institutions in the six (6) geopolitical zone for the period was ₦240.63 billion. On zonal basis, North-East, North-West and North-Central received 21%, 20% and 18% respectively. South-South and South-West received 15% each while South-East received 11%.

The table below shows the disbursement to beneficiary institutions by zone.

***Table 30:** Summary of Disbursement by Zone Project*

S/N	Zone	No of institutions			2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	%
		2017	2018	2019					
1	North-East	67	70	72	12,642	20,504	16,716	**49,862**	21
3	North-West	70	75	75	14,242	17,164	17,631	**49,036**	20

4	North-Central	66	65	69	12,541	15,329	16,485	**44,354**	18
5	South-South	58	57	61	10,699	11,547	12,956	**35,203**	15
6	South-West	65	70	73	10,115	12,614	12,302	**35,031**	15
7	South-East	55	55	55	8,492	8,719	9,932	**27,143**	11
Total		381	392	405	68,730	85,877	86,022	240,629	100

Source: TETFund Disbursement Schedule 2017 – 2019

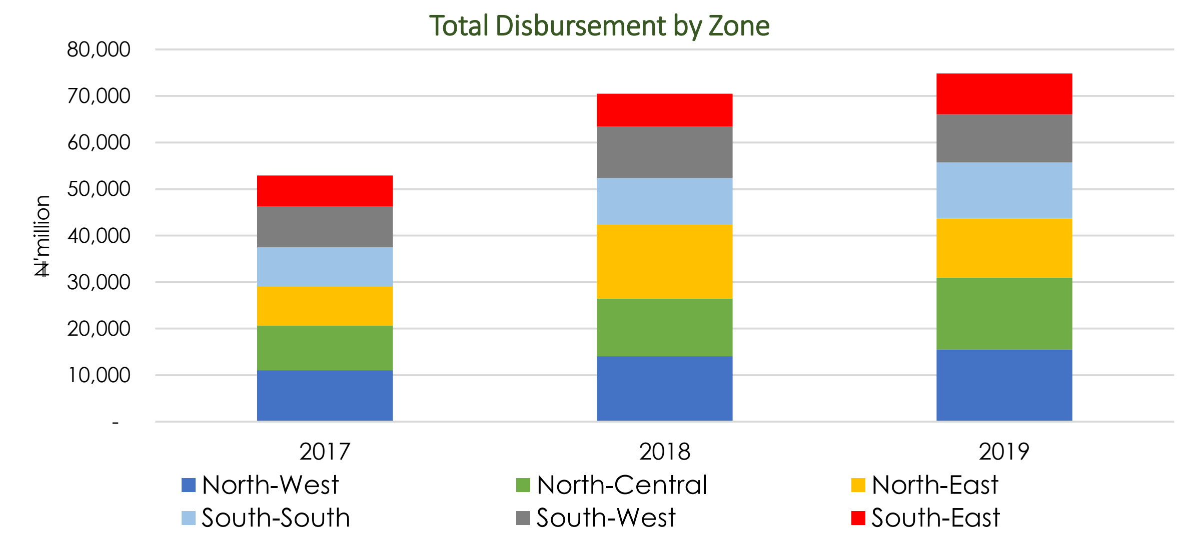


Figure 19: *Total Disbursement to Beneficiary Institutions by Geopolitical Zone*

The total amount disbursed to federal universities was ₦71.45 billion. Federal universities in the North-East, North-West and North-Central received 23.76%, 22.65% and 19.38% respectively. The table below shows the actual disbursements to federal universities.

Table 31: *Disbursement to Federal Universities by Geopolitical Zone*

Zone	No of institutions			2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	%
	2017	2018	2019					
North-East	12	13	15	3,080.40	8,557.20	5,342.11	16,979.71	23.76
North-West	18	18	18	4,022.90	4,952.84	7,205.38	16,181.12	22.65
North-Central	15	15	16	3,401.27	4,609.54	5,839.11	13,849.92	19.38
South-South	12	12	14	2,735.35	3,233.52	2,935.43	8,904.31	12.46
South-West	13	13	13	2,571.70	3,352.29	2,338.19	8,262.18	11.56
South-East	10	10	10	2,661.09	2,540.65	2,072.81	7,274.54	10.18
Total	80	81	86	18,472.71	27,246.03	25,733.03	71,451.77	100.00

Source: TETFund Disbursement Schedule 2017 – 2019

The total disbursement to state universities for the period was ₦53.18 billion as shown in the table below. During the period, the disbursement increased from ₦16.19 billion in 2017 to ₦19.01 billion in 2019 as shown in the table below.

Table 32: Summary of Disbursement to State Universities

zone	No of institutions			2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	%
	2017	2018	2019					
North-West	14	13	13	3,543.00	3,926.55	3,272.59	10,742.15	20.20
South-South	14	13	13	2,867.86	2,693.97	3,768.64	9,330.47	17.54
North-East	10	10	10	2,362.68	2,852.46	3,365.75	8,580.89	16.14
North-Central	12	12	12	2,827.56	2,984.42	2,457.05	8,269.02	15.55
South-East	10	10	10	2,285.66	2,629.64	2,964.33	7,879.63	14.82
South-West	15	15	16	2,299.96	2,893.63	3,184.84	8,378.43	15.75
Total	**75**	**73**	**74**	**16,186.72**	**17,980.67**	**19,013.20**	**53,180.58**	**100.00**

Source: TETFund Disbursement Schedule 2017 – 2019

The total disbursement to federal polytechnics for the period was ₦25.48 billion. During the period, the disbursement increased from ₦7.33 billion in 2017 to ₦9.22 billion in 2019 as shown in the table below

The actual disbursements to federal polytechnics during the period under review witnessed growth yearly. North-West amounted to 20.05%, North-Central 18.98% and South-West received 18.26% of the total disbursement.

Table 33: Summary of Federal Polytechnics Disbursement

Zone	No of institutions			2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	%
	2017	2018	2019					
North-West	8	9	10	1,312.91	1,671.48	2,123.82	5,108.21	20.05
North-Central	8	8	8	1,346.61	1,585.73	1,903.50	4,835.84	18.98
South-West	10	10	10	1,588.61	1,875.88	1,188.51	4,653.00	18.26
North-East	8	8	8	1,311.18	1,588.01	1,413.81	4,313.00	16.92
South-East	6	7	6	866.91	1,088.85	1,667.93	3,623.69	14.22
South-South	8	10	9	900.68	1,123.11	925.65	2,949.44	11.57
Total	**48**	**52**	**51**	**7,326.90**	**8,933.07**	**9,223.22**	**25,483.17**	**100**

Source: TETFund Disbursement Schedule 2017 – 2019

Total disbursement to state polytechnics during the period was ₦31.69 billion as shown in the table below. On zonal basis, North-West, North-Central, South-West, North-East, South-South and South-East received 23.94%, 18.09%, 18.05%, 16.22%, 15.98% and 7.72% respectively.

Table 34: Summary of State Polytechnics Disbursement

Zone	No of Institutions					%

	2017	2018	2019	2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	
North-West	12	13	13	2,076.92	2,621.25	2,887.88	7,586.05	23.94
North-Central	12	12	12	1,854.87	2,178.24	1,700.24	5,733.35	18.09
South-West	14	14	16	1,413.88	1,980.62	2,324.87	5,719.37	18.05
North-East	10	10	10	1,637.82	2,030.71	1,470.76	5,139.30	16.22
South-South	13	10	10	1,383.09	1,646.37	2,034.89	5,064.34	15.98
South-East	6	6	8	698.35	637.91	1,108.84	2,445.10	7.72
Total	**67**	**65**	**69**	**9,064.93**	**11,095.10**	**11,527.48**	**31,687.51**	**100.00**

Source: *TETFund Disbursement Schedule 2017 – 2019*

Total disbursement to federal colleges of education during the period was ₦21.65 billion as shown in the table below. On zonal basis, North-west, North-central, North-East, South-West, South-South and South-East received 25.94%, 18.09%, 15.07%, 14.91%, 13.26% and 12.73% respectively.

Table 35: *Summary of Federal Colleges of Education Disbursement*

Zone	No of institutions			2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	%
	2017	2018	2019					
North-West	10	10	10	1,745.34	1,995.86	1,872.89	5,614.09	25.94
North-Central	10	9	9	1,348.83	1,360.45	1,205.49	3,914.78	18.09
North-East	6	6	6	945.02	1,106.08	1,211.17	3,262.27	15.07
South-West	8	8	8	1,032.55	1,169.76	1,025.73	3,228.04	14.91
South-South	6	6	6	1,004.67	1,057.17	808.19	2,870.03	13.26
South-East	8	7	8	1,022.86	902.04	831.54	2,756.44	12.73
	48	46	47	7,099.27	7,591.36	6,955.01	21,645.65	100

Total disbursement to state colleges of education during the period was ₦37.18 billion as shown in the table below. On the basis of zone, North-West, North-Central, North-East, South-West, South-South and South-East received 21.71%, 20.78%, 19.96%, 15.09%, 14.60% and 7.87% respectively.

Table 36: *Summary of Disbursement to State Colleges of Education*

Zone	No of institutions			2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	%
	2017	2018	2019					
North-West	14	14	14	2,504.92	3,352.00	2,215.53	8,072.46	21.71
North-Central	21	16	17	2,344.76	2,761.14	2,618.52	7,724.43	20.78
North-East	14	14	15	1,831.46	2,862.60	2,726.18	7,420.24	19.96
South-West	14	12	13	1,474.50	1,395.23	2,741.00	5,610.73	15.09
South-South	15	12	14	1,494.44	1,747.74	2,185.11	5,427.29	14.60
South-East	7	7	6	929.81	911.67	1,083.89	2,925.37	7.87
	85	75	79	10,579.90	13,030.39	13,570.23	37,180.52	100.00

Source: TETFund Disbursement Schedule 2017 – 2019

During the period, a total of ₦27.10 billion was disbursed as direct expenditure by TETFund on tertiary institution activities (research, sports, book development, capacity building etc.,) in accordance with no. 4.0(a) of the "Guidelines for Accessing TETFund Intervention Funds" as shown in the table below.

TETFund's direct expenditure on tertiary institution activities during the period was primarily on electronic teaching & learning project which accounted for 76% of the total funds disbursed.

Table 37: *Other Disbursements.*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	%
1	Electronic Teaching & Learning Project	635	1,133	18,857	20,624	76
2	National University Commission (NUC)	-	-	1,572	1,572	6
3	National Research Fund	-	75	1,254	1,328	5
4	Research & development/Centre of excellence	-	-	846	846	3
5	Book development	-	203	333	536	2
6	National Commission for Colleges of Education (NCCE)	-	-	491	491	2
7	Nationwide project administration	11	421	46	477	2
8	Train the trainer (Research and capacity building workshop)	-	-	518	518	2
9	Institutional games	85	60	57	202	1
10	Special intervention	243	-		243	1
11	National Board for Technical Education (NBTE)	-	-	177	177	1
12	Impact assessment	-	-	84	84	0
	Total	973	1,891	24,234	27,097	100

Source: *TETFund Disbursement Schedule 2017-2019*

Findings	Recommendation
During the period, the total expected disbursement was ₦536.51 billion and actual disbursement was ₦267.73 billion. This gives a difference of ₦268.78 billion (50.10%). Consequently, this would have limited funds available to institutions for the implementation of development projects.	The agency should urgently organise re-orientation for the institutions to enable them clearly understand the criteria for accessing the fund.
It was discovered that some institutions did not receive allocations and disbursement during the period.	Efforts should be made to ensure that all government-owned tertiary institutions benefit from the education tax receipts. TETFund should therefore review the reasons why eligible institutions were unable to access the funds. Engagements should be held with such institutions and relevant stakeholders with a view to addressing the challenges being faced in accessing the funds.

5.3 Petroleum Technology Development Fund (PTDF)

The Petroleum Technology Development Trust Fund was established by Act No. 25 of 1973, which repealed the Gulf Oil Company Training Fund Act of 1964. It is a special intervention fund established to train local workforce, upgrade local institutions, in order to improve their technical know-how and competence required to participate actively in the oil and gas industry.

The agency covers various fields like engineering, geological science, environmental science, management in the petroleum sector cutting across 125 approved institutions (43 local and 82 foreign).

The main source of receipts is signature bonus, covering Local Scholarship Scheme (LSS) and Overseas Scholarship Scheme (OSS). Its key beneficiaries are graduates, professionals, technicians, craftsmen and institutions. For more information visit https://ptdf.gov.ng/

5.3.1 Receipts

The main source of revenue for the agency is signature bonus. Other revenue sources include investment income and other income.

i. **Signature bonus:** This is an upfront payment made by oil companies to the FGN through the defunt DPR, for the right to develop oil block after successfully winning the bid. This payment is made irrespective of the future economic viability of the license.

   This payment can be made in instalments depending on the agreement between the FGN and the oil company. In addition, the currency of payment can be agreed upon by both parties.

ii. **Investment Income:** This is income received from investments in the form of dividends and interest accruing to the agency.

iii. **Other income:** These are miscellaneous income earned by the agency from other sources.

The total receipts that accrued to the Fund for the period was ₦155.34 billion. Signature bonus accounted for ₦147.73 billion (95%) of the total revenue. It increased by 79% in 2018 and by 116% in 2019. Table below shows breakdown of receipts for the period.

Table 38: *Receipts 2017 - 2019*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	%
1	Statutory Revenue					
1.1	Signature Bonus (a)	22,208	39,738	85,780	147,726	95

2	Non-Statutory Revenue					
2.1	Investment Income	1,064	1,742	4,417	7,223	5
2.2	Dividends Received	60	30	30	120	
2.3	Other income	73	56	142	271	
Total Non-Statutory Revenue (b)		**1,197**	**1,829**	**4,589**	**7,614**	5
Total Revenue (c = a+b)		23,405	41,567	90,369	155,340	100
Source: Audited Financial Statements 2017 – 2019						

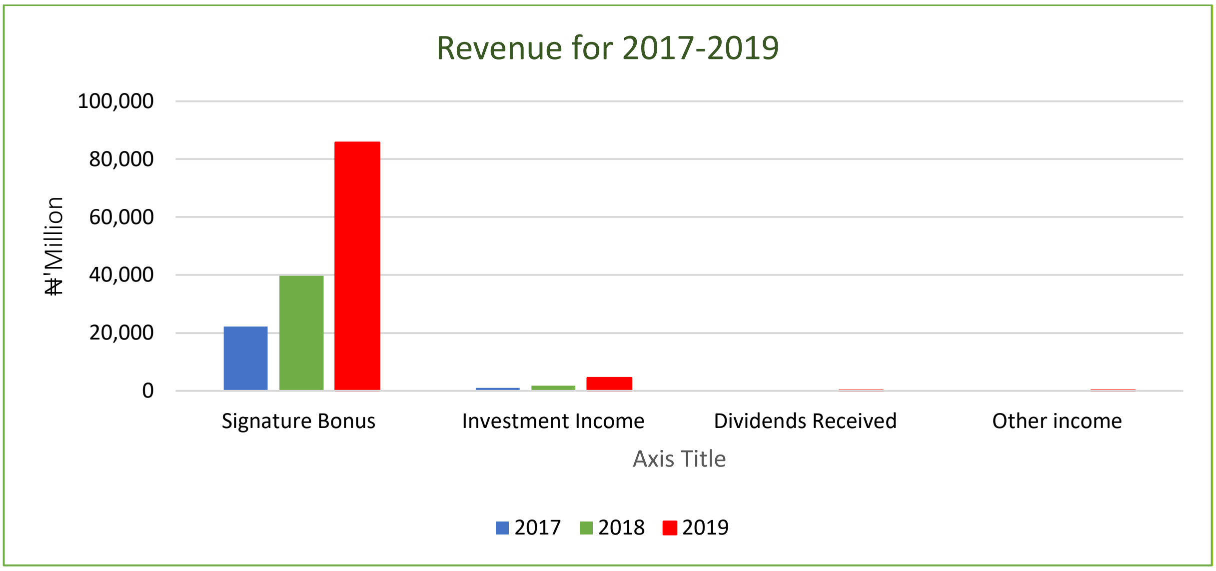


Figure 20: *Revenue 2017 – 2019*

5.3.2 Fund Utilization

Fund utilization is classified under the following headings:

- Core operating expenses
- Personnel cost
- Other administrative expenses
- Capital expenditure

The core operating expenses attributable to the mandate of PTDF are detailed below:

5.3.3 Scholarship Related Expenses

In accordance with Section 2(a and b) of the PTDF Establishment Act, the Fund awards annual scholarships to Nigerians to study in institutions within and outside Nigeria.

There are two main scholarship schemes of the Fund. These are the Local Scholarship Scheme (LSS) for institutions within Nigeria, and the Overseas Scholarship Scheme (OSS). The criteria for selecting candidates for the various scholarship schemes are as follows:

i. Federal character
ii. Oil producing states
iii. Merit - candidates with the highest score based on the are awarded scholarship.
iv. Gender sensitivity - best female candidates with the highest scores from each of the 6 geopolitical political zones are awarded scholarships

Scholarship related expenses accounted for over 70% of the total core operating expenses for the period. For more information on the selection criteria for PTDF visit http://www.ptdf.gov.ng/scholarship/

5.3.4 School Assisted Projects

Section 2(c) and 2(d) of the PTDF Establishment Act, provides that the Fund shall make suitable endowments to faculties in Nigerian universities, colleges or institutions approved by the Minister and also make available suitable books and training equipment to these institutions.

In view of the above, the Fund, on a yearly basis incurs expenditure on projects in educational institutions within Nigeria.

5.3.5 Training, Research and Software Development

Based on the mandate of the Fund which is centered around human capital development, institutional capacity building as well as research and development for local technology, the fund incurred the total sum of ₦5.05 billion during the period. This expenditure represents 8% of the total core operating expenses.

5.3.6 Workshop and Seminar Expenses

In accordance with Section 2(f) of the Act, the Fund is required to finance and participate in seminars and conferences which are related to the petroleum industry in Nigeria or abroad. In view of this, the Fund incurred expenditure on workshops and seminars during the period.

Total expenditure during the period was ₦86.34 billion. The core operating expenses, and personnel and administrative expenses accounted for 69.31% and 30.52% respectively.

The core operating expenses relates to those expenses that are attributable to the mandate of PTDF. This expenditure accounted for 69% of the total expenditure during the period.

Personnel and administrative costs include salaries and wages, benefits, allowances and bonuses, and staff training expenses. These expenses are incurred to provide the manpower required to drive the operations of the Fund.

The capital expenditure relates to acquisition of tangible non-current assets needed to support the operations of the Fund. This expenditure accounted for less than 1% of the total expenditure during the period. The table below presents a highlight of funds utilization.

***Table 39:** Highlight of Funds Utilization 2017 – 2019*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	Core operating expenses	18,399	21,238	20,209	59,846
2	Personnel/Administrative expenses	8648	8777	8926	26,351
3	Capital expenditure	21	65	57	143
Total		27,068	30,080	29,192	86,340
% of Core operating expenses to total expenses		67.97	70.61	69.23	69.31
% of Personnel/Admin expenses to total expenditure		31.95	29.18	30.58	30.52
Source: *Audited Financial Statements 2017 - 2019*					

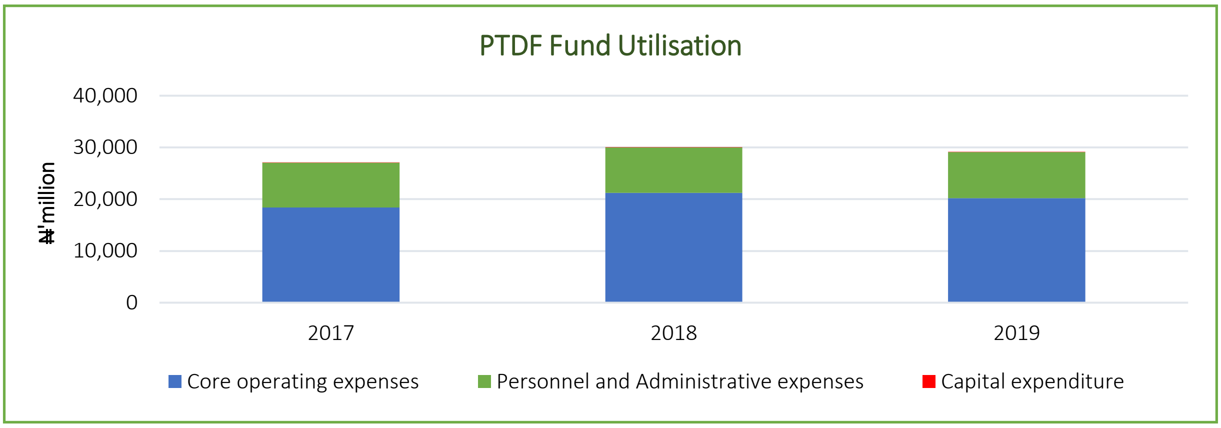


Figure 21: *Highlight of Funds Utilization 2017 - 2019*

5.3.7 Core Operating Expenses

The total core expenditure during the period was ₦59.85 billion. Scholarship related expenses and PTDF assisted projects accounted for 78% and 13% respectively. Training, research and workshop represented 8% and 1%. For breakdown of core operating expenses, see **Appendix 9** and the table below.

Table 40: *Core Operating Expenses*

S/N	Description	2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	%
1	Scholarship related expenses	13,694	17,168	15,666	46,528	78
2	PTDF assisted projects	2,920	2,228	2,618	7,766	13
3	Training, Research and Software Development	1,544	1,725	1,778	5,047	8
4	Workshop and Seminar	241	117	147	505	1
Total		18,399	21,238	20,209	59,846	100
Source: *Audited Financial Statements 2017 – 2019*						

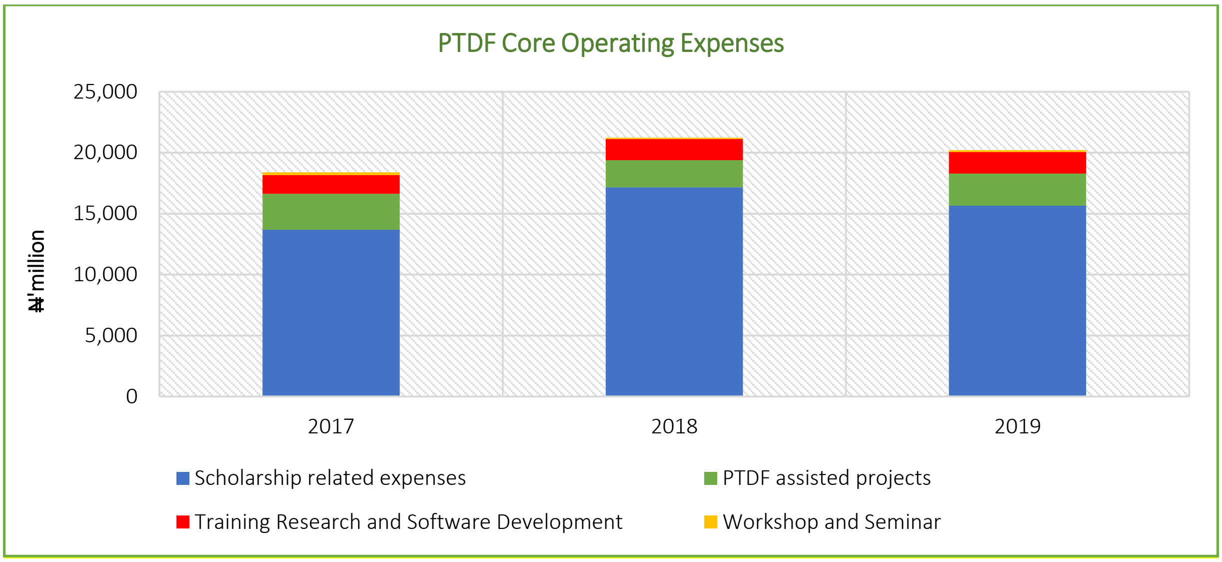


***Figure 22:** Core Operating Expenses 2017 – 2019*

5.3.8 Comparison Between Expenditure and Receipts

In 2017, the Agency spent ₦27.06 billion which is 16% above the total revenue during the year. This excess spending led to the depletion of the Agency's reserve by 7%. However, it is important to note that 79% of the expenditure was on the core operating activities of the Agency.

In the year 2018 and 2019, the Agency had income in excess of expenditure by 28% and 68% respectively. The net margin implies that the funds were underutilized for the purpose for which PTDF was established. In 2019, only 22% of the revenue was spent on the core operating activities notwithstanding the increase in revenue by 117%.

An assessment of the financial flows shows that there was an increase in annual receipts while the percentage of expenditure to annual receipts dropped in 2018 and 2019. The percentage of core operating expenses to annual receipts dropped from 79% in 2017 to 22% in 2019.

To fully pursue the mandate of the Agency and make significant impact in the society, there is need to increase the expenditure on its core operating activities.

***Table 41:** Comparison Between Expenditure and Receipts*

S/N	Description	2017 ₦'million	2018 ₦'million	2019 ₦'million	Total ₦'million
1.0	**Revenue**				
1.1	Signature Bonus	22,208	39,738	85,780	147,726
1.2	Non-Statutory Receipts	1,197	1,829	4,589	7,614
	Total Receipts	**23,405**	**41,567**	**90,369**	**155,340**
2.0	**Expenditure**				
2.1	Core operating expenses	18,399	21,238	20,209	59,846
2.2	Personnel/Administrative expenses	8,669	8,842	8,983	26,494
	Total Expenditure	**27,068**	**30,080**	**29,192**	**86,340**
% of core operating expenses to revenue		79	51	22	39
% of other expenses to revenue		37	21	10	17

***Source:** 2017 – 2019 Audited Financial Statements*

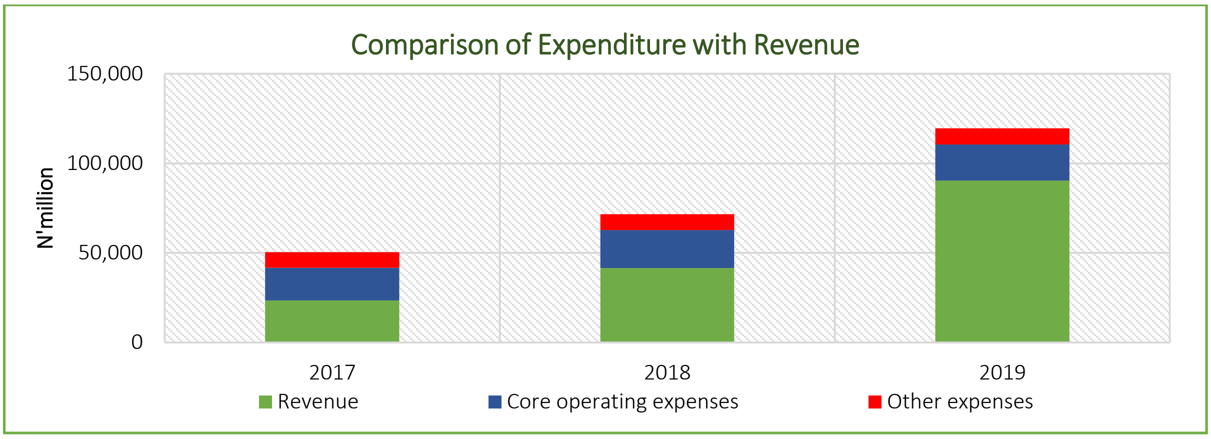


Figure 23: Comparison Expenditure with Revenue 2017 - 2019.

5.3.9 Accumulated Funds

Accumulated funds represent the changes in net assets. The change is principally affected by the surplus or deficit made during the year. It increased by 121% from ₦55.66 billion in 2017 to ₦123 billion in 2019 because of underutilization of annual receipts. The table below shows the movement in accumulated fund.

Table 42: Accumulated Funds 2017 – 2019

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦
1	Balance at the beginning of the year	61,862	55,662	62,761
2	Surplus/(Deficit) for the year	(4,102)	10,998	60,405
3	Transfer to/(from) changes in net assets	(2,098)	(3,899)	(12)
4	Balance at 31 December	55,662	62,761	123,154

Source: Audited financial statements 2017 – 2019

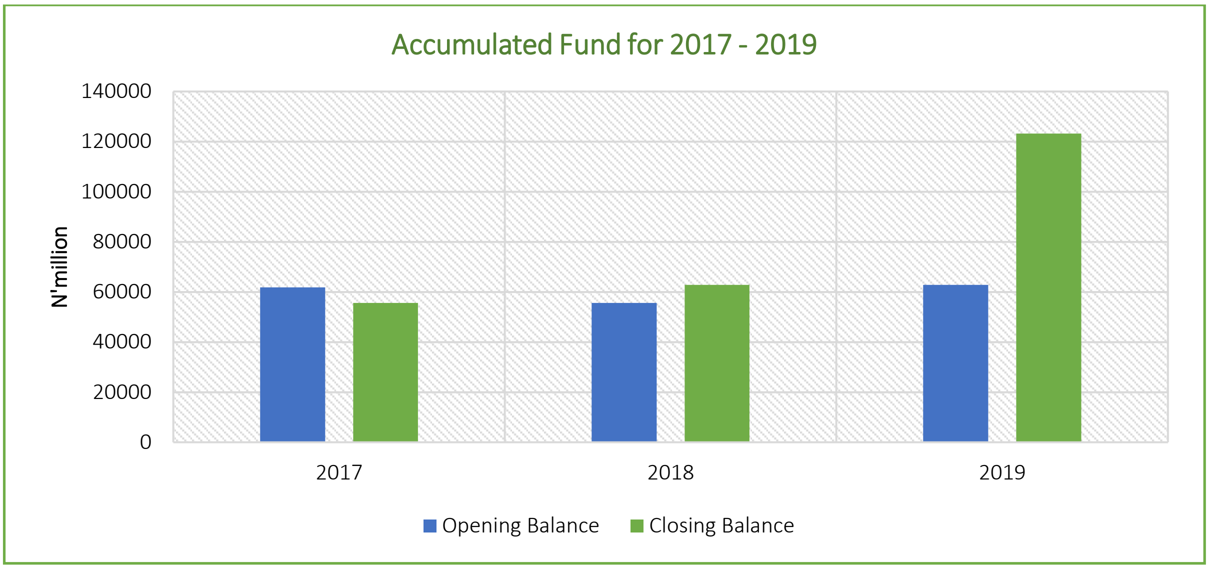


Figure 24: *Accumulated Funds 2017 – 2019*

Findings	Recommendation
Total receipts that accrued to the Agency for the period was ₦155.34 billion. Signature bonus accounted for ₦147.73 billion (95%) of the total revenue and this could expose the Fund to risk associated with one major source of revenue.	The Agency should explore other sources of revenue to complement the signature bonus.
During the perioid, the accumulated funds increased by 121%, from ₦55.66 billion in 2017 to ₦123.15 billion in 2019. This was attributed to underutilization of annual receipts.	In accordance with the approved annual budget, the Agency should be encouraged to increase its utilization of the annual receipts on the core operating mandate.

5.4 Nigeria Content Development and Monitoring Board (NCDMB)

Nigerian Content Development and Monitoring Board was established in 2010 by the Nigerian Oil and Gas Industry Content Development (NOGICD) Act. signed into law on April 22, 2010. The mandate of the Board is to make procedures that will guide, monitor, coordinate and implement the provisions of the Nigerian Oil and Gas Industry Content Development.

The sources of receipts for the Board include Nigeria Content Development Fund (NCDF) statutory inflow (1% of contract in the upstream sector), Federal allocation, tender fees, gain on asset disposal, gain on foreign exchange and interest income.

5.4.1 Receipts

The total revenue that accrued to the Board for the period was ₦126.7 billion. NCDF statutory inflow accounted for 92.28% of the total revenue. Prior to 2018, the Federal allocation was basically employee cost paid directly by the Federal Government. However, from 2018, the Board was allowed to finance their operations directly from their 1% statutory collections. For detailed analysis on the 1 % NCDF see **Appendix 10a.**

Table 43: *Receipt 2017 – 2019*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Contribution %
1	1% NCD Fund	36,843	45,163	34,948	116,954	92.28
2	Interest income	851	2,654	3,386	6,891	5.44
3	Federal Allocation	2,847	-	-	2,847	2.25
4	Gain on asset disposal	34	-	-	34	0.03
5	Tender fees	5	3	-	8	0.01
Total Revenue		40,580	47,820	38,334	126,734	100

Source: *Populated Template and Audited Financial Statements 2017 – 2019*

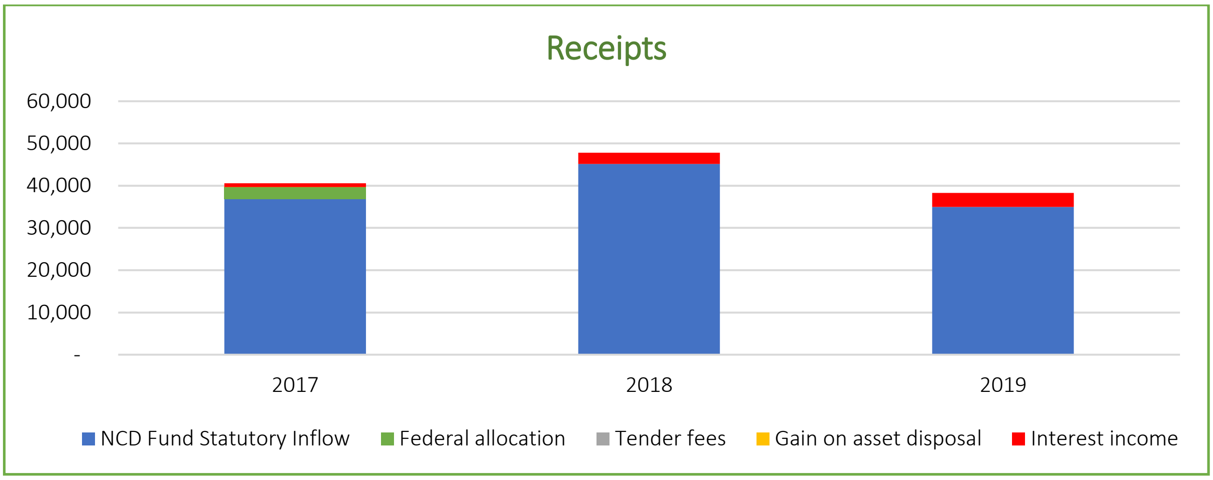


Figure 25: Receipts 2017 – 2019

5.4.2 Fund Utilization

The total expenditure for the period under review was ₦68.87 billion of which capital expenditure was ₦35.77 billion while operating expenditure was ₦33.10 billion representing 51.93% and 48.07% respectively.

A disaggregation of total capital expenditure shows that construction-in-progress and buildings accounted for ₦33.78 billion (49.05%) while employee costs and fees for professional services which are elements of operating expenses, amounted to ₦15.73 billion (22.88%) of the total expenditure.

On yearly basis, capital expenditure increased by 81% from ₦8.91 billion in 2017 to ₦16.14billion in 2018 and dropped to ₦10.71 billion in 2019. The increase in 2018 is mainly attributed to increase in construction activities. Similarly, operating expenses increased by 97% from ₦6.81 billion in 2017 to ₦13.43billion in 2018 and dropped to ₦12.86 billion in 2019. The increase in 2018 is mainly attributed to employment cost which became part of the operating cost from 2018. See the table below for further analysis.

Table 44: Expenditure 2017 – 2019

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	%
1.0	Operating Expenses					
1.1	Employee cost	-	4,247	4,290	8,538	12.40
1.2	Consulting and professional services	3,335	3,090	764	7,190	10.44
1.3	Training and Conference	603	1,524	2,404	4,531	6.58
1.4	Research and studies	670	1,728	1,165	3,562	5.17
1.5	Travel and transport	753	925	1,716	3,393	4.93
1.5	Promotions	296	556	742	1,595	2.32
1.7	Others administrative expenses	1,150	1,362	1,783	4,295	6.24
	Sub-Total (a)	**6,806**	**13,433**	**12,864**	**33,104**	**48.07**
2.0	Capital Expenditure					

2.1	Construction in-progress	8,319	15,663	5,698	29,680	43.09
2.2	Buildings	-	-	4,104	4,104	5.96
2.3	Motor Vehicle	397	74	717	1,188	1.72
2.4	IT equipment	40	216	19	274	0.40
2.5	Land	104	11	123	238	0.35
2.6	Plant and machinery	4	82	-	86	0.12
2.7	Furniture and fixtures	20	62	2	84	0.12
2.8	Computer equipment	1	15	50	66	0.10
2.9	Office equipment	27	20	2	49	0.07
	Sub-Total (b)	**8,911**	**16,142**	**10,715**	**35,768**	**51.93**
	Grand Total (a+b)	**15,717**	**29,575**	**23,579**	**68,872**	**100**
Source: *Audited Financial Statements 2017 – 2019*						

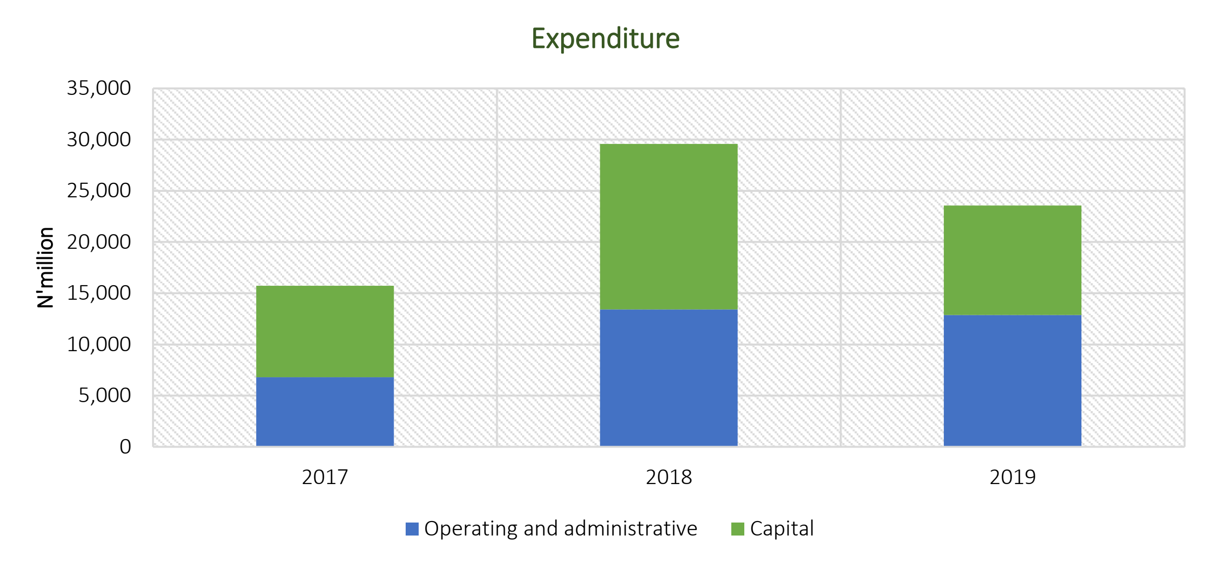


Figure 26: *Highlight of Funds Utilization 2017 - 2019*

The construction in-progress was in respect of the headquarters building in Yenagoa, Nigeria Oil and Gas Parks Scheme (NOGAPS) in Cross River and Bayelsa States and construction of 90 homes in Bama, Borno State. The total cost of the headquarters building as approved by the Federal Executive Council (FEC) is ₦42.5 billion.

The NOGAPS is a manufacturing hub for the production of oil and gas equipment, tools and spare parts to be utilized in the Nigerian oil and gas industry. The project will be sited in Bayelsa, Cross River, Akwa Ibom, Imo and Delta States with an estimated cost of ₦158.79 billion. Currently, the pilot phase of the project is ongoing in Cross River and Bayelsa States.

5.4.3 Capital Projects Executed by NCDMB

The total contract sum for the projects executed for the period under review was N8.53billion.

On yearly basis, the total contract sum was N655.38 million (7.69%), N1.03 billion (12.08%) and of N6.84 billion (80.23%) for 2017, 2018 and 2019 respectively.

In 2017, the due process review Report and direct procurement of operational vehicles for Board accounted for 92.63% of total contract sum for the year.

In 2018, bulk approval to purchase operational vehicles and construction of NCDMB 90 home neighborhood community in Maiduguri, Borno State accounted for 52.11% and 24.06% respectively, together representing 76.17% of the total contract sum for the year.

Similarly, in 2019, NOGAPS infrastructural development projects in Bayelsa was N3.93 billion (57.46%) and Akwa Ibom, N1.60 billion (23.34%) together, accounting for 80.81% % of the total contract sum for the year. see table below for breakdown of capital projects executed. For detailed information see **Appendix 10b**

Table 45: Capital Projects Executed by NCDMB

List of Capital Projects

S/N	Project details	Name of Contractor	Date of award	Location/ State	% of Completion	Contract sum Million ₦'	Total %
1	Due Process Review Report for the Procurement of Operational Vehicles for the Nigerian Content Development and Monitoring Board.	Elizade Nigeria Ltd.	2017	Bayelsa	NA	296.21	3.47
2	Direct Procurement for the Purchase Vehicles for the Nigerian Content Development and Monitoring Board.	Mandilas Enterprises Ltd. & Fudons Automobile Nigeria Ltd.	2017	Bayelsa	NA	310.89	3.65
3	Procurement of Consultancy Service for a Study of Technical and Vocational Training Institutions in The Niger Delta States	Tandice-B Solutions Ltd.	2017	Niger Delta	NA	48.28	0.57
	Sub-Total (a)					**655.38**	**7.69**
4	Bulk Approval to Purchase Operational Vehicles	Elizade Nigeria Ltd.	2018		NA	536.84	6.30
5	Procurement for the Purchase of Vehicles for the Nigeran Content Development and Monitoring Board	Pan Nigeria Ltd. Hyundai Motors Nigeria Ltd.	2018	Bayelsa	NA	74.71	0.88
6	Lot 1 Batch 1: Construction of NCDMB 90 Home Neighborhood Community in Maiduguri, Borno State.	Greenjobs Ltd.	2018	Borno	100	247.86	2.91
7	Lot 2, Batch 2: Construction of NCDMB 90 Home Neighborhood Commmunity Water Systems. Procurement and Installation of 22.5kw Solar Components. Construction of 22.5 Hectare Open drip irrigation System and Installation of Drip irrigation in 1 Hectare Community School Farm in Maiduguri, Borno State.	Greenjobs Ltd.	2018	Borno	100	170.84	2.00
	Sub-Total (b)					**1,030.25**	**12.08**
8	NOGAPS Infrastructural Development (provisions of Internal roads and drainage Systems)	O.K. Isokariari and Sons Nigeria Ltd.	2019	Bayelsa	60	3,175.60	37.24
9	NOGAPS infrastructural development LOT 1 (Internal Roads and Drainages Systems)	Linzo Contracting Ltd.	2019	Cross River.	80	2.62	0.03
10	NOGAPS Infrastructural Development LOT 4 (Manufacturing Shop Floor)	Mega Star Technical and Construction Company Ltd.		Bayelsa.	70	755.91	8.86
11	NOGAPS Infrastructural Development LOT 4 (Manufacturing Shop Floor)	Deux Projects Nigeria Ltd.	2019	Cross River.	20	780.23	9.15
12	Procurement of High Access Fire Fighting Trucks and Ancillary Equipment for NCDMB Headquarters.	Konek Investment and Services Ltd..	2019	Bayelsa	NA	530.00	6.22
13	Award of contract for sand/laterite filling of the Akwa-Ibom State NOGAPS Site.	Erdis Nigeria Ltd.	2019	Akwa-Ibom	100	1,597.16	18.73
Sub-Total (c)						**6,841.52**	**80.23**
Grand total (d= a+b+c)						8,527.14	100.00

Findings	Recommendation
NCDMB expenditure structure seems to focus on activities that are in line with their mandate, specifically, the NOGAPS projects. However, in the three years under review a huge part of the capital expenditure went into the construction of the headquarters building in Yenagoa.	The NOGAPS programme is a laudable project that can go a long way to build capacity in the Niger Delta Region. NCDMB should therefore take it as priority and accelerate the delivery of the project across member states. There is need for NCDMB to synergise with PTDF in terms of capacity building in the oil & gas sector to increase the local content in the sector in respect of manpower development.

5.5 Nigeria Sovereign Investment Authority (NSIA)

Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority') was established by the Nigeria Sovereign Investment Authority (Establishment) Act which was signed on 25th May 2011. The principal activity of the Authority is to receive, manage and invest the excess funds from Nigeria's sale of crude oil in a diversified portfolio of medium and long-term investments.

The Authority commenced operation in October 2012 with a seed capital of US$1 billion. However, actual investment activities commenced in the third quarter of 2013. The Authority has received three additional capital contribution tranches totaling US$750 million after the first seed capital.

The mandate of the NSIA is to play a leading role in driving sustainable economic development for the benefit of all Nigerians. This is achieved by building a savings base for the Nigerian people, enhancing the development of Nigeria's infrastructure, and providing stabilization support in times of economic stress. For more information visit https://nsia.com.ng/

5.5.1 Receipts

The receipts for the period under review can be classified into three:

- Financing inflow
- Operating inflow
- Investing inflow

5.5.1.1 Financing Inflow

The financing cash inflow shows the flow of funds that are used to run the Authority. The financing inflow during the period under review includes equity contribution by Government and loan proceeds.

5.5.1.2 Operating Inflow

The principal source of operating inflow for the Authority during the period under review are investment and interest income and revenue from infrastructure subsidiaries investment.

5.5.1.3 Investing inflow

Cash flow from investing activities reports the cash generated from various investment-related activities during the period under review. It includes proceeds from maturity and/or liquidation of financial assets, loans and receivables, equity instruments and disposal of subsidiaries.

The sum of ₦76.28 billion was received as contribution from Government in 2017 and an additional capital contribution of US$250 million was approved by the National Executive Council (NEC) in 2019. However, this amount was received on the 8th of April 2020.

The proceeds from borrowings relate to amount received by Nigerian Agricultural Insurance

Corporation (NAIC) - NPK (a subsidiary of the Authority) from the CBN to finance the Presidential Fertilizer Initiative for which the Authority initially provided stop-gap financing. A total amount of ₦40 billion was approved by the CBN, however, the company has drawn down ₦35 billion as at December 31, 2019.

Operating inflows for the period under review amounted to ₦277.86 billion, representing 21% of the total inflow. The inflow increased significantly across the years which could be as a result of improved strategies in its mode of operation.

Investing inflows recorded the highest sum amounting to ₦946.36 billion (71%) of the total inflow to the Authority for the period under review.

The table below shows the respective receipts by NSIA for the period under review.

Table 46: *NSIA Cash Flows*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	%
1	Financing Inflows					
1.1	Contribution by Government	76,288	-	-	76,288	6
1.2	Real Sector Support Facility (Borrowings)	5,000	30,000	-	35,000	2
	Sub-total (a)	81,288	30,000	-	111,288	8
2	Operating Inflows					
2.1	Investment and interest income received	27,061	30,462	117,450	174,973	13
2.2	Revenue from infrastructure subsidiaries investments	31,368	27,403	31,966	90,737	7
2.3	Subsidy from FGN on cost differential on fertilizer sales	-	8,600	3,554	12,154	1
	Sub-total (b)	58,429	66,465	152,970	277,864	21
3	Investing Inflows					
3.1	Maturity of open operation bills	-	163,937	289,718	453,655	34
3.2	Maturity of financial assets at FVTPL	80,861	-	-	80,861	6
3.3	Proceeds from available for sale financial assets	5,707	-	-	5,707	-
3.4	Liquidation/maturity of loans and receivables financial assets	197,904	-	-	197,904	15
3.5	Sale of equity instruments at fair value	-	191,611	5,654	197,265	15
3.6	Disposal of subsidiaries	-	10,969	-	10,969	1
	Sub-total (c)	284,472	366,517	295,372	946,361	71
						-
	Grand-total (d=(a+b+c)	424,189	462,982	448,342	1,335,513	100

Source: *NSIA Audited Financial Statements 2017 – 2019*

5.5.2 Funds Utilization

5.5.2.1 Operating Outflows

These are outflows or expenses incurred because of the Authority's operating activities and as such they affect the profits of the Authority. Expenses on infrastructure subsidiaries investments accounted for 86.23% of the total operating outflows for the period under review. These expenses relate to cost of sales of fertilizers by one of the Authority's wholly owned subsidiary (NAIC-NPK Limited) and guarantee fees.

The taxes paid by the Authority relate to her subsidiaries outside Nigeria alone while the income accruing to her wholly owned subsidiaries in Nigeria are exempted from all forms of taxes in line with the NSIA Act 2011.

5.5.2.2 Investing Outflow

Investing outflows reports the cash used for various investment-related activities during the period under review as presented in the table below. Purchase of open market operation (OMO) bills accounted for 32% of the total investing outflows during the period under review while payment for loans and receivables financial assets and investment in financial assets carried at Fair Value Through Profit and Loss (FVTPL) accounted for 24% each of the total investing outflows.

5.5.2.3 Financing Outflow

The financing outflows during the period under review includes repayments of borrowings, interest expense, payment of principal portion of lease liabilities and acquisition of non-controlling interest in subsidiary.

The repayment of borrowings relates to loan obtained from CBN (by NAIC-NPK, a subsidiary of the Authority) to finance the Presidential Fertilizer Initiative. This repayment is made from the proceeds of the fertilizer sales. The repayment of borrowings accounted for 71% of the total financing outflows.

Interest expense accounted for 28% of the total financing outflows. This expense relates to the interest on loan obtained from CBN (NAIC-NPK) to finance the Presidential Fertilizer Initiative and lease liabilities.

The table below shows fund utilization by NSIA for the period under review.

Table 47: NSIA Funds Utilization

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	%
1	Operating Outflows					
1.1	Expenses from infrastructure subsidiaries investments	33,514	30,608	35,663	99,785	8
1.2	Operating and administrative expenses	4,575	3,632	4,008	12,215	1

1.3	Investment management and custodian fees	709	1,022	1,430	3,161	-
1.4	Taxation	4	114	440	558	-
Sub-total (a)		**38,802**	**35,376**	**41,541**	**115,719**	**9**
2	**Investing Outflows**					
2.1	Purchase of open market operation (OMO) bills	-	162,374	195,142	357,516	29
2.2	Payment for loans and receivables financial assets	268,611	-	-	268,611	22
2.3	Investment in financial assets carried at FVTPL	-	195,608	72,430	268,038	22
2.4	Purchase of financial assets at FVTPL	169,435	-	-	169,435	14
2.5	payment for available for sale financial assets	35,358	-	-	35,358	3
2.6	Investment in joint ventures/associates	-	10,925	-	10,925	1
2.7	Purchase of property, plant and equipment	184	1,626	998	2,808	-
2.8	Payment for held to maturity financial asset	175	-	-	175	-
2.9	Purchase of intangible assets	1	13	89	103	-
Sub-total (b)		**473,764**	**370,546**	**268,659**	**1,112,969**	**90**
3	**Financing Outflows**					
3.1	Repayment of borrowings	-	-	5,500	5,500	-
3.2	Interest expense	85	153	1,958	2,196	-
3.3	Payment of Principal portion of lease liabilities	-	-	48	48	-
3.4	Acquisition of non-controlling interest in KG Brussels	-	-	8	8	-
Sub-total (c)		**85**	**153**	**7,514**	**7,752**	1
Grand-total (d=a+b+c)		**512,651**	**406,075**	**317,714**	**1,236,440**	**100**

5.5.2.4 Highlight of Fund Performance

The NSIA operates three (3) ring-fenced funds, invested in a diversified portfolio of medium and long-term assets. These funds include the Stabilization Fund, Future Generation Fund and Nigeria Infrastructure Fund.

The funds have different investment objectives and strategies and are thus, separately managed and invested in different products. The table below shows the financial highlight of the funds.

Return on capital employed (ROCE) grew for all three funds between 2017 and 2018. However, in 2019, ROCE dropped more significantly for NIF (from 9.57% to 5.40%).

For more information on NSIA's financial performance visit Annual Reports | Nigeria Sovereign Investment Authority – NSIA

Table 48: *Financial Highlights of NSIA Reportable Funds*

Description	SF million ₦	FGF million ₦	NIF million ₦
2017			
Profit after tax	4,995	11,383	8,597
Total fund assets	96,524	188,113	245,421
Total fund liabilities	1,717	6,234	18,988
Return on capital employed (%)	5.27%	6.48%	3.78%
2018			
Profit after tax	8,000	18,410	20,847

Total fund assets	111,284	223,029	269,852
Total fund liabilities	1,412	659	56,289
Return on capital employed (%)	7.28%	8.38%	9.57%
2019			
Profit after tax	10,121	14,729	9,788
Total fund assets	118,038	207,219	310,851
Total fund liabilities	1,443	-	68,867
Return on capital employed (%)	8.68%	7.21%	5.40%

Source: Audited financial statements 2017 - 2019

Findings	Recommendations
The total financial flows of NSIA was ₦1,335 billion for the period. The sum of ₦76.28 billion was received being contribution by government in 2017 while the sum of US$250 million was approved by NEC in 2019 but the money was received in 2020. CBN approved a loan for fertilizer initiative in the sum of N40 billion to NAIC-NPK but as of 31st December 2019 the company was able to draw ₦35 billion of the loan. Investment fund increased by 71% within the period to the sum of ₦946.36 billion. The return on capital employed for the SF, FGF and NIF were 8.68%, 7.21% and 5.40% respectively.	More funds should be made available for NSIA to increase their investment in order to provide buffer in periods of economic downturn and liquidity for the nation.

5.6 Petroleum Equalization Fund (PEF)

Petroleum Equalization Fund (Management) Board was established by Decree No. 9 of 1975 as amended by Decree No. 32 of 1989 (Now Chapter 352) of the Laws of the Federation 1990. The Board is primarily responsible for the reimbursement of petroleum-marketing companies for any loss suffered by them, solely and exclusively, as a result of the sale of petroleum products at uniform prices throughout the nation. Its revenue sources include bridging allowance, national transport allowance and investment income. For more information visit https://pefmb.gov.ng/

5.6.1 Summary of Receipts

The annual inflows for PEF(M)B are derived from the following sources:

- Bridging Allowance: These are fees paid on every litre of petroleum product imported by petroleum marketers. All petroleum marketers are required to pay ₦6.80 per litre to the Fund for every litre imported into the Country.
- National Transportation Average (NTA): These are fees received by the Board from major and independent oil marketers for transportation of petroleum products from depot to outlets. To effect equalization, all marketers are required to submit returns to the PEF(M) B in relation to products lifted from each depot to the respective zones within the district. The net effect of the returns culminates in either claims from, or contribution to the fund.
- Other receipts: these are receipts from investments, proceeds from asset disposal, income from truck tagging/replacement, tender fees, rental income, etc.

The major source of income was the receipt from bridging allowance which accounted for 99.94% of the total receipts. The receipts from bridging allowance dropped by 11% from 2017 to 2018 because of a fall in the receipts of major marketers as well as depot and petroleum marketers and then increased by 45% in 2019. The table below shows the receipts for the period under review.

Table 49: *Receipts 2017-2019*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
1.0	**Bridging Allowance**					
1.1	Major Marketers	26,260	19,851	25,421	71,532	18.72
1.2	Depot and Petroleum Marketers Association	64,617	13,208	62,997	140,822	36.85
1.3	Pipeline and Petroleum Marketing Company	28,971	73,900	66,680	169,551	44.37
	Sub-total (a)	**119,848**	**106,959**	**155,098**	**381,905**	**99.94**
2.0	National Transportation Average Contributions **(b)**	**17**	**14**	**40**	**71**	**0.02**
3.0	**Other Receipts**					
3.1	Proceeds from Asset Disposal	4	4	20	28	0.01
3.2	Income from Truck Tagging/Replacement	-	-	19	19	0.00
3.3	Others	80	40	-	120	0.03
	Sub-total (c)	**84**	**44**	**39**	**167**	**0.04**
	Total Receipts (d = a+b+c)	**119,949**	**107,017**	**155,177**	**382,143**	**100.00**

Source: *Audited Financial Statements 2017 – 2019*

5.6.2 Funds Utilization

The major payment for the period under review was for Bridging and National Transportation Claims which accounted for 80% of the total expenditure.

The total claim payments made during the period under review was ₦322 billion. These payments were made to Major and Independent oil marketers as presented in the table below:

Claims payment to independent marketers accounted for 68% of the total expenditure during the years under review. It is worthy to note that in the year 2018, there was not any claim payment to major marketers.

The expenditure for the period under review is presented below:

Table 50: *Total Expenditure Incurred by the Board*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	%	Total %
	Core Expenditure						
	Bridging and NTA Claims						
1	Major Marketers	25,263	-	23,714	48,977	15	
2	Independent Marketers	92,504	104,128	76,506	273,138	85	
Total Core Expenditure		**117,767**	**104,128**	**100,220**	**322,115**	**100**	**80**
	Operational Cost						
1	Personnel Cost and Benefits	12,522	15,641	18,437	46,599	59	
2	Administrative Expenses	2,230	2,916	3,982	9,128	12	
3	Statutory Transfer	-	5,000	-	5,000	6	
4	Staff Housing Loan	3,949	-	1,530	5,479	7	
5	Interest Remitted to FGN Treasury	-	100	-	100	0	
6	Local Grants and Contribution	-	-	5,016	5,016	6	
7	Capital Payments	827	2,845	4,360	8,032	10	
Total Operational Cost		**19,528**	**26,502**	**33,325**	**79,354**	**100**	**20**
Total Expenditure		**137,295**	**130,630**	**133,545**	**401,469**		**100**

Source: *Audited Financial Statements 2017 – 2019*

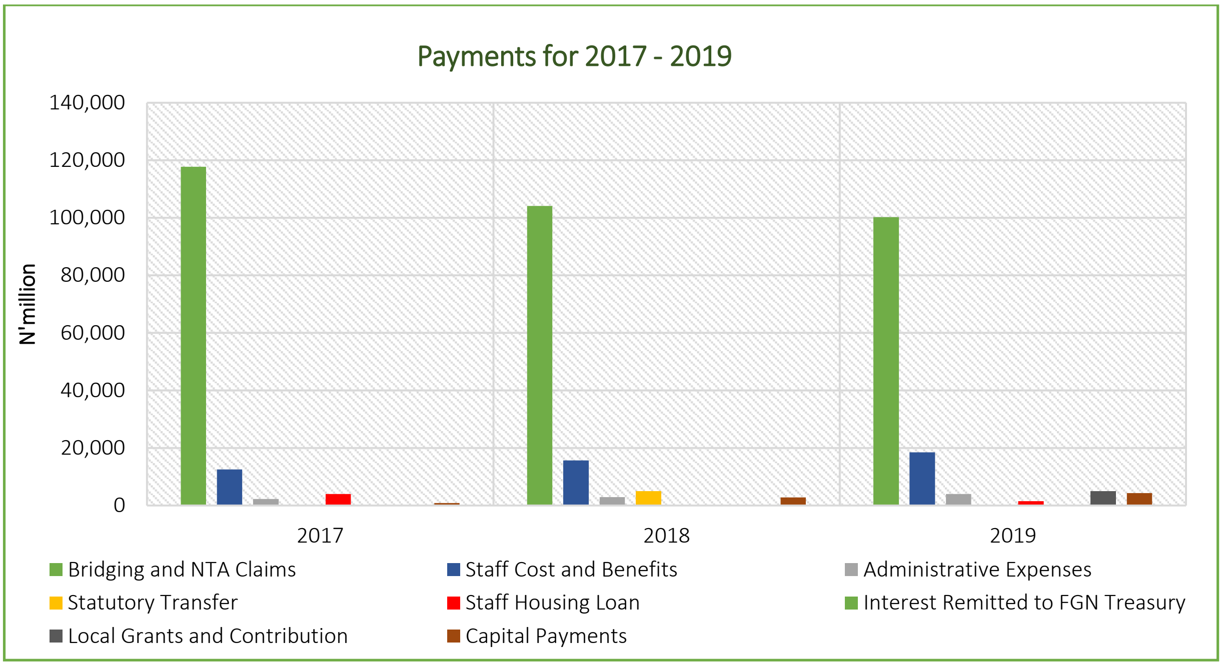


Figure 27: *Summary of Total Expenditure 2017 – 2019*

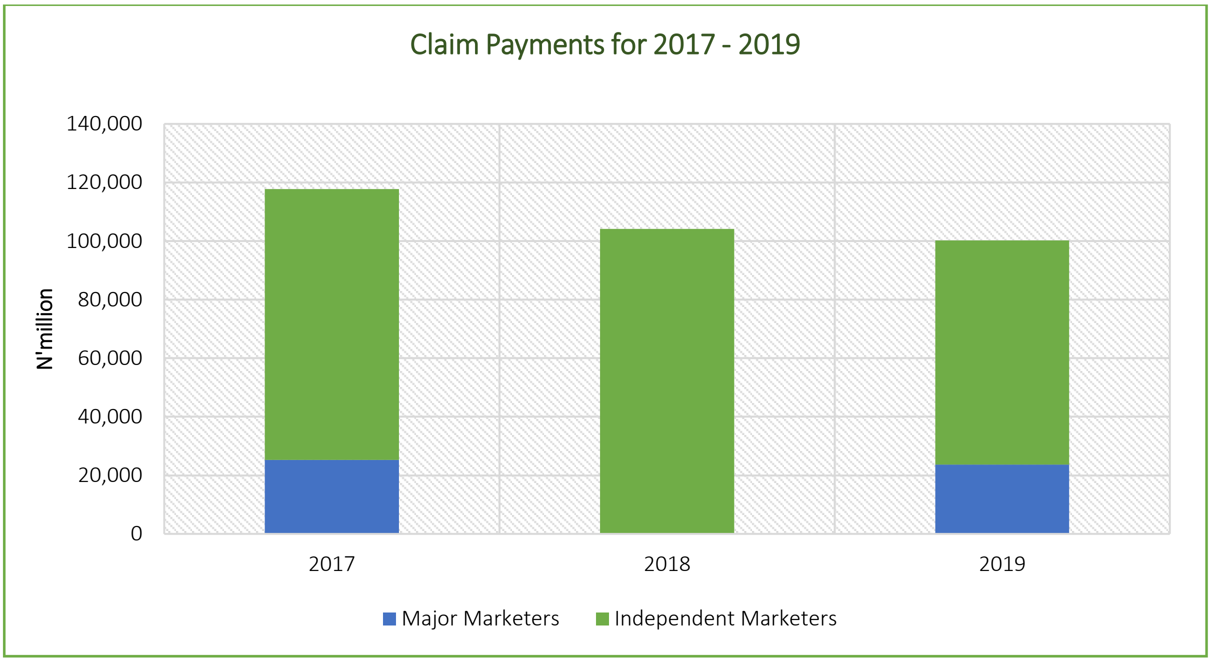


Figure 28: *Bridging and NTA Claim Payments 2017 - 2019*

5.6.3 Comparison Between Contribution and Claims

Table 59 below shows a comparison of the total NTA contributions and total claims paid to petroleum-marketing companies as reimbursement for losses suffered by them because of sale of petroleum products at uniform prices. From the table below, over 84.33% of the total bridging and NTA contributions were paid as claims to major and independent marketers during the period under review.

Table 51: *Comparison Between Contribution and Claims*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Bridging and NTA Contributions	119,866	106,973	155,138	381,977
Bridging and NTA Claims	117,767	104,128	100,220	322,115
Percentage of claims to contributions	98.25	86.87	83.61	84.33

Source: *Audited Financial Statements 2017 – 2019*

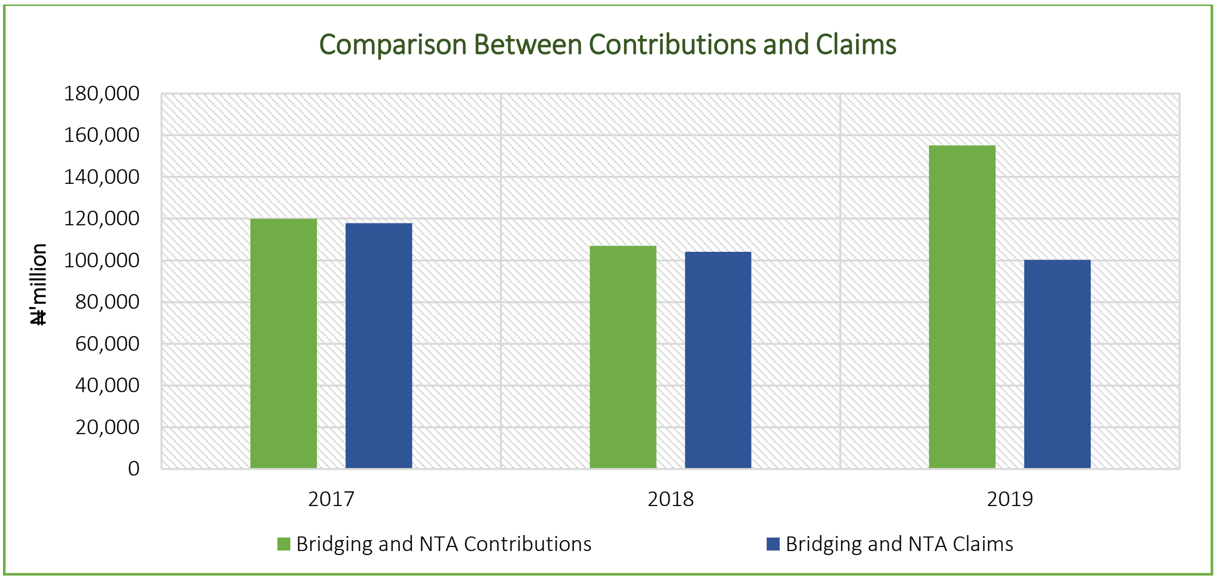


Figure 29: *Comparison of Bridging and NTA Contributions and Claims*

Findings	Recommendations
The annual inflow of PEF was from bridging allowance, National Transportation Average (NTA) and other receipts. The total revenue realized by the agency was ₦382,143 billion. The total fund utilization was ₦401,469 billion and 80% of the disbursement was on Bridging and NTA claim to major marketers and independent marketers. 20% of the agency's disbursement was on personnel cost and administrative cost. It was also established that 83.61% was the percentage of contribution to claims under NTA regime.	

5.7 Petroleum Product Pricing Regulatory Agency (PPPRA)

The Agency came into being by virtue of the Petroleum Products Pricing Regulatory Agency establishment Act, 2003. It is tasked with the responsibility to monitor and regulate the supply and distribution of petroleum products in Nigeria. The agency has the sole responsibility of determining the pricing policy of petroleum products. For more information visit https://pppra.gov.ng/

5.7.1 Receipts

The main sources of receipt for the agency are subventions from the government for personnel and overhead costs and administrative charges generated internally by the agency. Subvention from government and administrative charges accounted for 99.4% of the total receipts by the agency. Government subvention accounted for 54.3% of the total receipts while administrative charges represented 45.1% of total receipt.

Overall revenue decreased marginally by ₦59 million (0.42%) from ₦13.87 billion in 2017 to ₦13.82 billion in 2018. This decrease was because of a 5% drop in income from administrative charges. The table below shows receipts for the period under review:

Table 52: Receipts from 2017-2018

S/N	Description	2017 million ₦	2018 million ₦	Total million ₦	%
1	**Subventions**				
1.1	Personnel	7,371	7,630	15,001	54.2
1.2	Overhead	19	19	38	0.1
	Total subventions (a)	**7,390**	**7,649**	**15,039**	**54.3**
2	**Other income**				0.0
2.1	Administrative charges	6,408	6,080	12,487	45.1
2.2	Contractor registration fees	40	23	63	0.2
2.3	Rental Income	25	25	49	0.2
2.4	Proceeds from sale of vehicle	1	20	20	0.1
2.5	Service charge	6	10	15	0.1
2.6	Refunds of cash advance	3	9	12	0.0
2.7	Refund from Prior Years Expenses	2	-	2	0.0
2.8	Contract/Tender Fees	0	-	0	0.0
	Total other income (b)	6,483	6,166	12,649	46
	Total Revenue (c=a+b)	**13,873**	**13,815**	**27,688**	**100**

Source: Audited Financial Statements 2017-2018

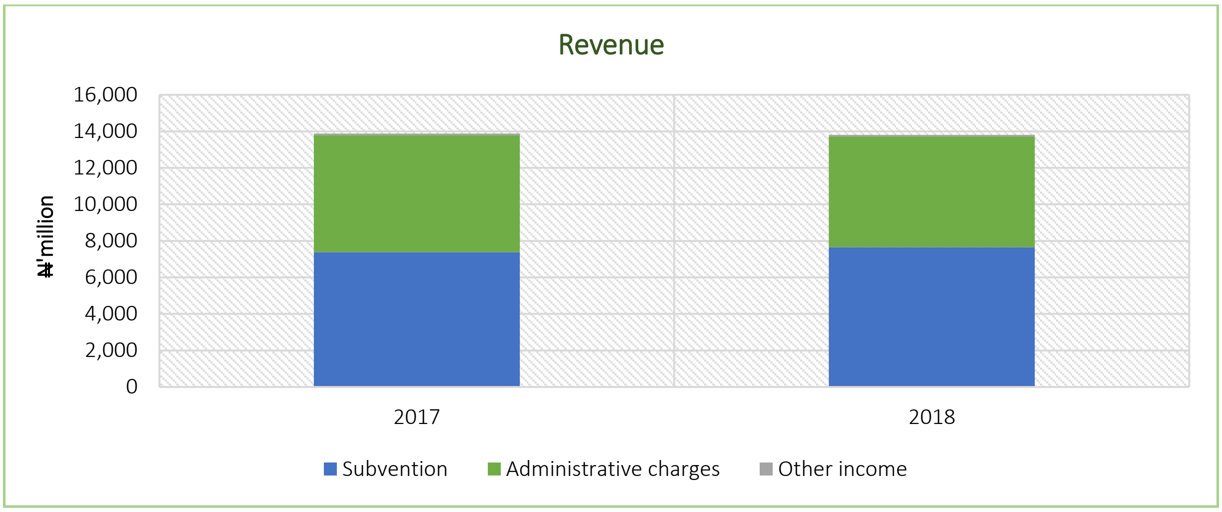


Figure 30: *Revenue 2017 - 2018*

5.7.2 Expenditure.

Personnel cost accounted for 67% of the total expenditure for the period under review. This shows 10.77% increase from 2017 to 2018. The absence of information for 2019 is because of non-availability of audited financial statement for the year from the agency.

The summary of expenditure for the period under review is presented below:

Table 53: *Expenditure for 2017 – 2018*

S/N	Description	2017 Million ₦	2018 Million ₦	2019 Million ₦	Total Million ₦	Total %
1	**Statutory transfer**					
1.1	Overhead subventions transfer to CRF	2.1	0.1		2.2	-
1.2	Personnel subventions transfers to CRF	0.004	3.01		3.01	-
1.3	Remittance of 25% IGR to CRF	1,905.60	1,211.75		3,117.34	12
	Total Statutory transfer (a)	**1,907.70**	**1,214.85**	-	**3,122.56**	**12**
2	**Administrative Expenditure**					
2.1	Staff cost	8,653.28	9,030.29		17,683.57	67
2.2	Other administrative charges	2,501.57	3,084.74		5,586.31	21
	Total Administrative expenditure (b)	**11,154.85**	**12,115.03**	-	**23,269.88**	**88**
3	**Capital Expenditure**					
3.1	Capital expenditure (c)	99.77	14.4	-	**114.17**	-
	Grand Total Expenditure (d=a+b+c)	**13,162.32**	**13,344.29**		**26,506.61**	**100**

Source: *Audited Financial Statements 2017-2018*

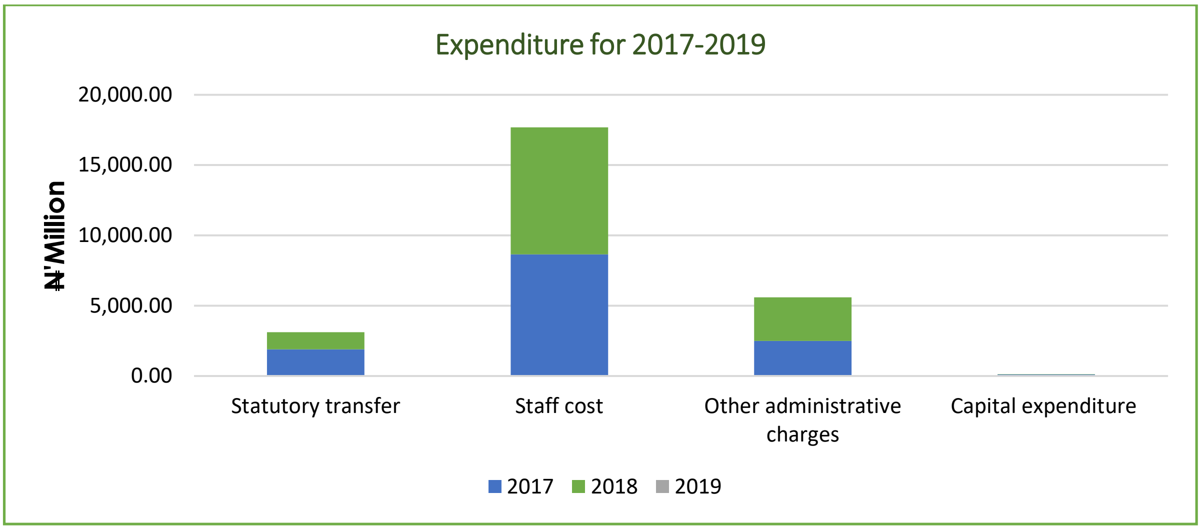


Figure 31: Expenditure 2017 - 2018

5.7.3 Subsidy Arrangements

5.7.3.1 Petroleum Support Fund

The Petroleum Support Fund (PSF) was established by the Government as an interventionist Fund with effect from January 2006. The purpose of the Fund is to stabilize the domestic prices of petroleum products against volatility in international crude oil and products prices.

The funding of the PSF shall be as follows:

a. A pool of fund provided in the budget and contributed to by the three tiers of Government to stabilize the domestic prices of petroleum products against volatility in international crude and products prices.
b. Accruals during the period of over-recovery (the period at which the PPPRA recommended ex-depot is higher than the landing cost).

CBN is the custodian of the Fund, however, the PPPRA is vested with the authority to administer the Fund in accordance with established guidelines.

To be eligible from drawing from the Fund, oil marketing/trading companies are expected to meet the rules and regulations set by the PPPRA on the management/administration of the Petroleum Support Fund (PSF).

5.7.3.2 Subsidy Payment

Previously, the amount payable as subsidy to each qualified marketer/importer was determined by the PPPRA through its PSF unit. However, the PSF with the PPPRA ended in December 2015 and all subsidy payment is now managed by NNPC.

5.8 Ecological Fund (EF)

The Ecological Fund was established by the Federation Account Act of 1981 on the recommendation of the Okigbo Commission. The Act was subsequently modified by Decree 36 of 1984 and 106 of 1992 as well as the Allocation of Federation Account Modification Order of 2002. It is an office under the Office of the Secretary to the Government of the Federation (OSGF) headed by a Permanent Secretary. Presently, the Fund constitutes 3% of the Federation Account and it is known as Derivation and Ecology Fund.

The main objective of the Fund is to set aside finance for funding ecological projects to guard against ecological problems. Hence, the core mandates of Ecological Fund Office are:

- To reduce ecological problems nationwide through timely and efficient intervention
- To ensure judicious and equitable management of the Fund; and
- To facilitate quality and effective implementation of projects through timely release of funds and monitoring

In 2015, the Ecological Fund Management Committee (EFMC) was established to advise the President on the management of the Ecological related projects nationwide. For more information visit https://ecologicalfund.gov.ng/

5.8.1 Receipts

The total receipts accruing to the Fund for the period under review was ₦170 billion. Analysis of the receipts shows that Statutory Allocation represents 93.43%, while other receipts accounted for 6.57%. The receipts increased by 37% between 2017 and 2018 and decreased slightly by 3% in 2019.

The Fund derives it receipts from allocations from the Federation Account as presented in the table below.

Table 54: Receipts

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	Statutory Allocation	40,240	60,346	58,398	158,984
2	Excess Crude	2,265	2,457	1,568	6,290
3	Exchange Gain	2,771	20	98	2,889
4	Excess Bank Charges	9	128	139	276
5	Goods and Value Consideration	-	-	609	609
6	NNPC Refund	742	202	87	1,031
7	Solid Mineral Revenue	-	-	76	76
	Total Revenue	**46,027**	**63,153**	**60,974**	**170,154**

Source: Populated Template 2017 - 2019

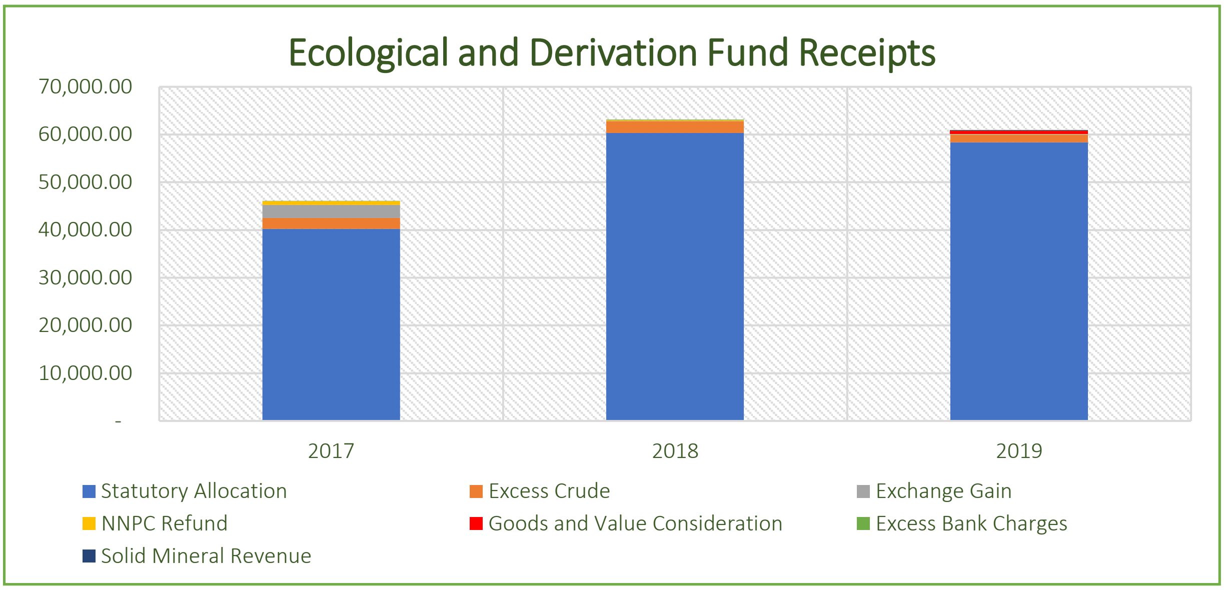


Figure 32: *Ecology and Derivation Fund Receipts*

5.8.2 Projects Executed

The total sum of ₦122.59 billion was spent on ecological projects across the thirty-six (36) states and the Federal Capital Territory (FCT) for the period under review. Expenditure in the FCT accounted for over 16% of the total project expenditure. For details of the above project expenditure see **appendix 11.**

The table below presents the completed ecological projects across states and geopolitical zones for the period under review.

Table 55: *Completed Project Expenditure*

S/N	Zone	State	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1	North East (NE)	Bauchi	2,087	2,917	1,927	6,931
		Adamawa	2,512	1,773	2,361	6,647
		Yobe	1,018	498	1,329	2,845
		Borno	343	1,215	-	1,558
		Taraba	461	-	883	1,344
		Gombe	1,021	-	293	1,314
		Sub-Total	7,442	6,404	6,793	20,639
2	North West (NW)	Katsina	1,780	1,795	949	4,524
		Kano	1,173	-	2,914	4,086
		Kaduna	1,556	1,020	1,460	4,036
		Kebbi	3,365	-	460	3,825
		Jigawa	525	1,454	700	2,679
		Zamfara	-	848	646	1,494

		Sokoto	1,386	-	-	1,386
		Sub-Total	**9,785**	**5,116**	**7,129**	**22,031**
3	North Central (NC)	FCT	2,901	8,400	9,124	20,425
		Niger	1,127	995	2,080	4,202
		Nasarawa	824	1,114	1,510	3,448
		Benue	775	1,479	223	2,476
		Plateau	271	728	1,255	2,254
		Kwara	-	1,528	473	2,001
		Kogi	498	-	782	1,280
		Sub-Total	**6,395**	**14,245**	**15,446**	**36,087**
4	South East (SE)	Anambra	757	1,708	952	3,418
		Ebonyi	1,969	418	298	2,686
		Enugu	1,744	330	508	2,582
		Imo	-	871	1,020	1,891
		Abia	714	935	-	1,650
		Sub-Total	**5,186**	**4,262**	**2,778**	**12,226**
5	South South (SS)	Akwa Ibom	1,262	1,077	645	2,985
		Cross Rivers	1,568	724	-	2,292
		Edo	385	749	841	1,975
		Delta	1,614	196	-	1,810
		Bayelsa	1,199	-	-	1,199
		Rivers	-	669	-	669
		Sub-Total	**6,029**	**3,416**	**1,486**	**10,930**
6	South West (SW)	Osun	3,866	412	1,745	6,024
		Lagos	379	1,597	2,556	4,531
		Oyo	1,086	2,128	-	3,214
		Ondo	1,350	885	478	2,713
		Ogun	856	1,837	-	2,693
		Ekiti	-	769	297	1,065
		Sub-Total	**7,537**	**7,628**	**5,075**	**20,240**
7	Others	Lagos, Kaduna & Rivers	-	268	-	268
		Adamawa & Gombe	-	-	168	168
		Sub-Total	**-**	**268**	**168**	**436**
		Grand Total	**42,373**	**41,072**	**38,708**	**122,589**

Source: *Ecological Fund Office*

Table 56: *Reconciliation of Statutory Allocation*

Description	million ₦
Total Allocation from 2017 to 2019 to Ecological fund	170,154
20 % Statutory Allocation to NEMA	34,031
Actual Fund Received by NEMA from 2017 to 2019	34,049
Outstanding Remittances due to NEMA for 2017 to 2019 Allocation	(0.018)

Source: *Amedu Onekpe & Co. Computation*

Findings	Recommendations
a. The fund derives its revenue from FA allocation as a percentage was set aside to address ecological problems in the country. b. The total sum of N170,154 billion was realized during the period under review. Statutory allocation contributed the highest, accounting for 93.43% c. From the projects executed over the period under review, Northcentral received the highest projects costing N36,087 billion while South-south received the lowest projects delivered amounting to N10,930 billion. NEMA was able to receive N34,049 billion which was more than the 20% statutory allocation due to the agency.	

5.9 Excess Crude Account (ECA)

Excess Crude Account is also known as the FGN fiscal account is an account created by the Nigerian Government and used to save oil revenue above a base amount derived from a defined benchmark price. The account helps to insulate the Nigerian economy from external economic shocks and protects the economy from the impact of oil price volatility. This Account was established in 2004 and domiciled with the CBN.

5.9.1 Receipts

The total excess crude account receipt grew by 38.97% from US$757 in 2017 to US$1,051.99 in 2018, then dropped by 61.23% to US$407.77 in 2019. This drop is attributed to fall in revenue generated from excess PPT and royalties. See **Appendix 12** for detailed analysis on its inflow. The receipt which accrued to the account for the period under review is presented in the table below:

Table 57: *Receipts*

S/N	Description	2017 million $'	2018 million $'	2019 million $'	Total million $'
1	Excess Crude Oil	8.46	9.43	93.1	110.99
2	Excess PPT and Royalties	748.54	1,042.56	314.67	2,105.77
	Total	757	1,051.99	407.77	2,216.76

Source: OAGF

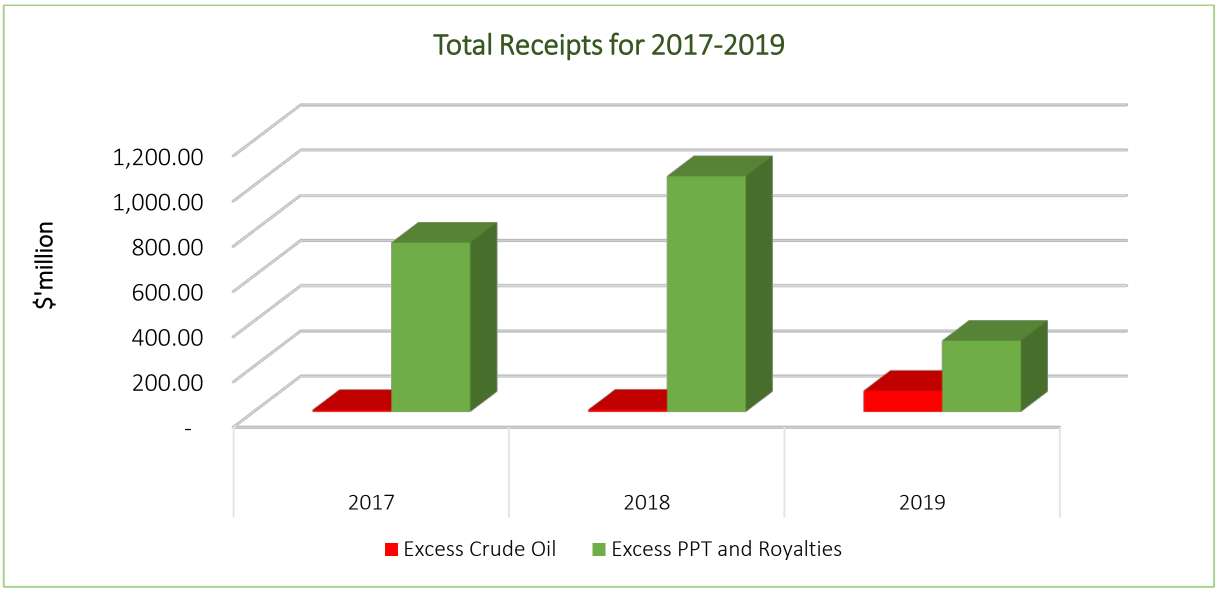


Figure 33: Breakdown of Receipt for 2017 – 2019

5.9.2 Fund Disbursements

The total amount disbursed during the period under review was US$4.49 billion. Paris club refund accounted for 45.88% (11.61% and 34.27% for excess crude and excess PPT and royalty account respectively). Other major disbursements from the Fund include purchase of fighter jet plane and critical military equipment (19.54%), budget augmentation (15.20%) to make-up for short fall in expected receipts during the period, consultancy fee (7.60%) for Nigeria Governors Forum and transfer to Universal Basic Education Commission (UBEC) (5.57%). The sum of US$250 million was transferred to NSIA in 2017 as additional capital contribution as approved by National Economic Council (NEC). See **Appendix 13** for details of outflows from ECA. The breakdown of disbursements from this account for the period under review is as presented in the table below.

Table 58: Fund Disbursement

S/N	Description	2017 million $'	2018 million $'	2019 million $'	Total million $'	Total %
1	**Foreign Excess Crude**					
1.1	Paris Club refund	-	344	177	521	11.61
1.2	Purchase of fighter super tucano aircraft.	-	496	-	496	11.05
1.3	States matching grant ifo UBEC		233	-	233	5.19
1.4	Bank Charges	-	-	0.3	0.3	0.01
	Sub-total (a)	**-**	**1,073**	**177**	**1,251**	**27.87**
2	**Excess PPT & Royalty**					
2.1	Paris Club Refund	-	1,417	121	1,538	34.27
2.2	Budget augmentation	682	-	-	682	15.20
2.3	Procurement of critical military equipment	-	381	-	381	8.49
2.4	Consultancy fee	-	-	341	341	7.60
2.5	Transfer to NSIA	250	-	-	250	5.57
2.6	Litigation Expenses	-	-	9	9	0.20
2.7	NSIA payment for fertilizer purchase	-	-	15	15	0.33
2.8	Release of UBEC Commission fund	-	-	17	17	0.38
2.9	CBN's 1.2% commission for letters of credit	-	-	4	4	0.09
2.1	Exchange Loss on transfer	-	-	1.3	1.3	0.03
	Sub-total (b)	**932**	**1,798**	**508**	**3,238**	**72.15**
	Grand total (c=a+b)	**932**	**2,871**	**685**	**4,488**	100.00

Source: *OAGF*

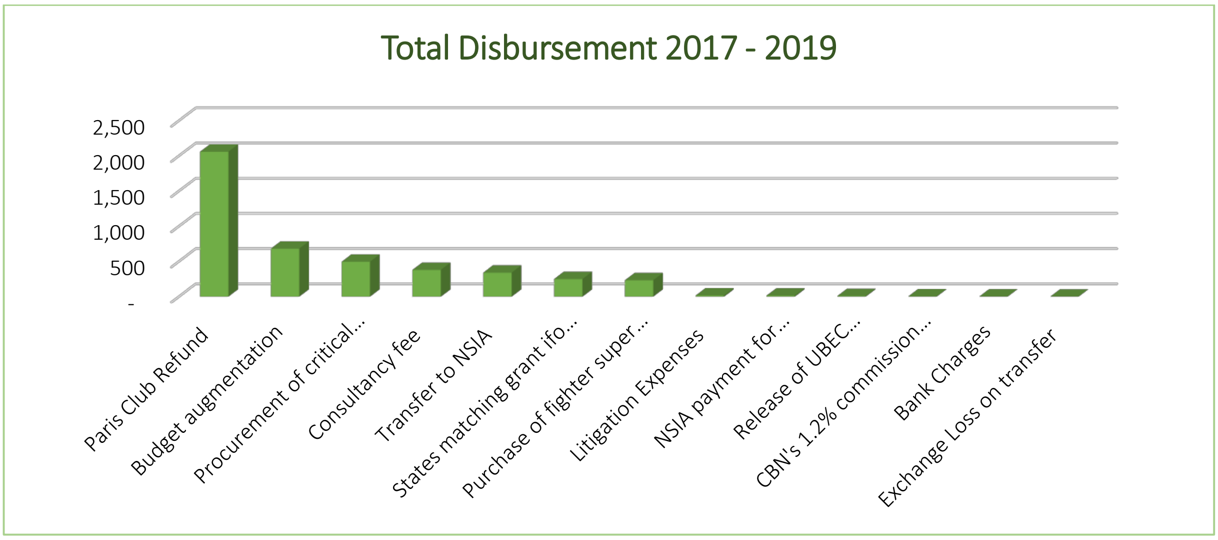


Figure 34: Breakdown of Disbursement for 2017 – 2019

5.9.3 Account Reconciliation

The table below shows the account reconciliation as at 31st December 2019:

Table 59: Account Reconciliation

Description	2017 million $	2018 million $	2019 million $
Opening Balance	2,596	2,422	603
Add: Inflows during the year			
Excess Crude Oil	8	9	93
Excess PPT and Royalties	749	1,043	315
Total Receipt	**757**	**1,052**	**408**
Funds Available	**3,353**	**3,474**	**1,010**
Total Withdrawal	932	2,871	685
Expected Closing Balance as at 31st Dec.	**2,421**	**603**	**325**
Actual Closing Balance as at 31st Dec.	**2,422**	**603**	**325**
Difference	-	-	-
Closing Balance Breakdown			
Excess Crude Oil	1,212	148	63
Excess PPT and Royalties	1,210	455	262
Closing Balance as at 31st of Dec.	**2,422**	**603**	**325**

Source: OAFGF

Findings	Recommendations
a. US$2.22 billion was received from excess crude oil and excess PPT and Royalties. US$110 million was received from excess crude oil while US$2.11 billion was for PPT and royalties. b. Disbursement from ECA during the period under review was in respect of Paris club refund, budget augmentation, procurement of critical military equipment, consultancy fee and transfer to NSIA. Paris club refund accounted for US$2.06 billion or 45.88% of the disbursement from the account. c. Total disbursement during the period was 202.5% of the total inflows during the same period. That is, expenditure was 102.5% over and above the receipts.	Existing administrative procedures should be strengthened to ensure that monies in the account are wholly utilized for the purpose for which the account was established.

5.10 Stabilization Fund (SF)

The Stabilization Fund is intended to act as a buffer against short term macro-economic instability. The fund is mainly disbursed as budget augmentation to State Government. However, 25% of all inflows into the Fund is set aside to be invested on behalf of the Federation by NSIA.

The key objectives of the Fund are:

- Stabilization of Federation Revenue
- Conducting fiscal policy to reduce effects of the "boom and bust" commodity cycle of oil in Nigeria
- Investing in assets or instruments which will ensure the availability of funds for the purposes of hedging any economic decline arising from weakening in oil revenues
- Assist in augmenting budgetary income variations over a period of time

5.10.1 Receipts

The Fund derives it receipts from the Federation Account. The receipts to the Fund are presented in the table below.

Table 60: *Definition of Revenue Sources*

SN	Revenue Sources	Description
1	Statutory Allocation	Mineral and non-mineral distributed among the three tiers of Government.
2	Excess Crude	The excess of oil revenue over the benchmark volume and price fluctuations that accrues to the Federation Account.
3	Exchange Gain	Difference between budgeted and prevailing exchange rate of Naira to US Dollar due to rate disparity.
4	Excess Bank Charges	Amount recovered from excess bank charges by Government and allocated to the three tiers of Government.
5	NNPC Refund	Amount refunded to the Federation account from NNPC because of discrepancies between expected and actual remittance.
6	Solid Minerals	Receipts generated from companies in the solid minerals industry.
7	Goods and Value Consideration	Receipts generated from the combined efforts of different Ministries, Departments, and Agencies (MDAs) of the Government.

The total receipts that accrued to the Fund during the period under review was ₦85.10 billion. Analysis of the total receipts shows that Statutory Allocation represents 93.44%, while other receipts accounted for 6.56%. The receipts increased by 37% between 2017 and 2018 and decreased slightly by 3.39% in 2019. For details of receipts of Stabilization Fund See **Appendix 14.**

Table 61: Stabilization Fund Receipts

S/N	Sources of Funds	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total Revenue %
1	Statutory Allocation	20,120	30,173	29,218	79,511	93.44
2	Excess Crude	230	1,219	784	2,233	2.62
3	Exchange Gain	1,385	2	49	1,436	1.69
4	Excess PPT	902	-	-	902	1.06
5	Excess Bank Charges	5	82	69	156	0.18
6	Goods and Value Consideration	-	-	305	305	0.36
7	NNPC Refund	371	101	44	516	0.61
8	Solid Minerals	-	-	38	38	0.04
	Total Revenue	23,013	31,577	30,507	85,096	100.00

Source: Report and OAGF Template 2017 – 2019 FAAC

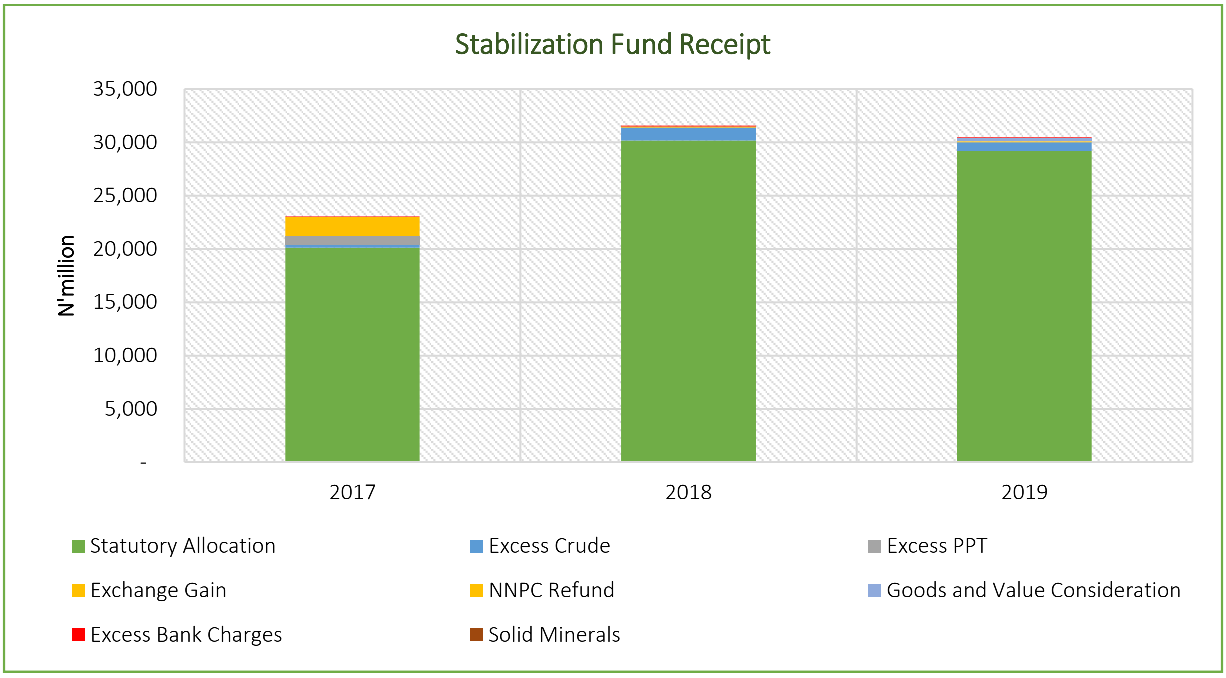


Figure 35: *Stabilization Fund Receipts 2017 - 2019*

5.10.2 Fund Utilization

Significant proportion of the fund during the period under review went into budget augmentation which was mainly disbursed to the states. Cross River and Akwa-Ibom States accounted for over 50% of budget augmentation from Stabilization Account.

The transfers to NSIA satisfy 25% of the Fund's statutory requirement to be set aside for investment purpose. The total transfers to NSIA in 2018 relate to inflows for the first six (6) months of the year. In addition, the transfers for January to March 2019 were not timely done. Similarly, the transfers due to NSIA for the last six (6) months of 2018 and the first three (3) months of 2019 was done in April 2019.

The sum of ₦17.4billion was transferred in 2019 to African Union (AU) as Nigeria's share of contribution to the body. This transfer accounted for more than half of the total outflows from the Stabilization Account in 2019 and 19.74% of the total disbursement during the period under review.

Expenses related to FAAC meetings and professional fees accounted for 8% of the total fund outflows during the period under review. Specifically, professional fees paid in 2017 and 2018 were in respect of the forensic audit of ECA.

The table below shows utilization of the Fund during the period under review.

***Table 62:** Fund Utilization*

S/N	Expenditure	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
1	Budget Augmentation	34,081	8,500	-	42,581	48.21
2	Statutory transfers to NSIA	5,772	3,726	11,415	20,913	23.68
3	African Union Contribution	-	-	17,430	17,430	19.74
4	FAAC	1,390	1,950	3,545	6,885	7.80
5	Professional Fees	472	39	-	511	0.58
	Total Expenditure	**41,715**	**14,215**	**32,390**	**88,320**	**100**

***Source:** FAAC Reports and OAGF Stabilization Fund Ledger 2017 – 2019*

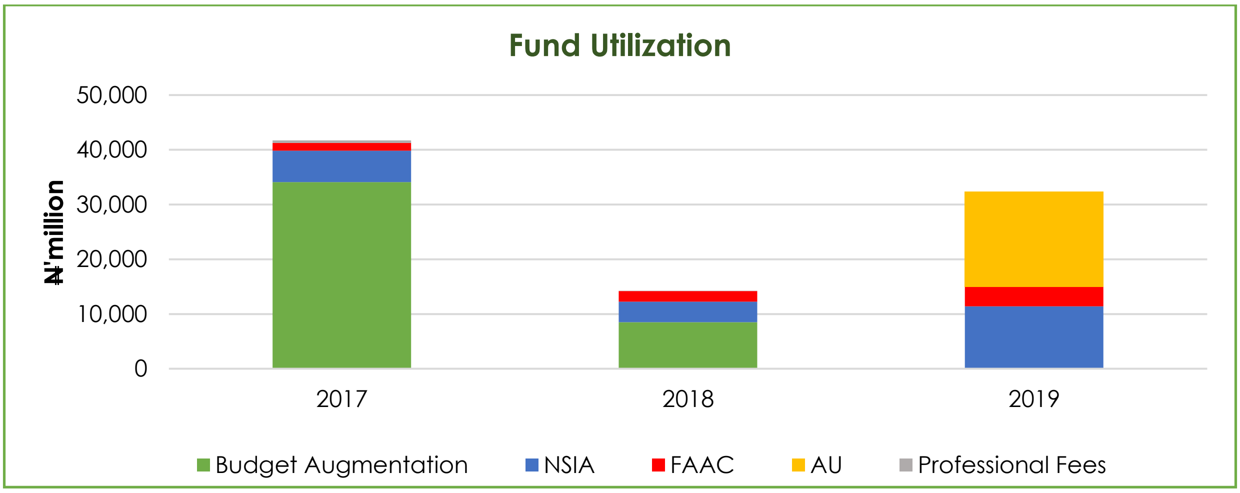


***Figure 36:** Fund utilization*

Findings	Recommendation
The fund was not wholly utilized for the purpose meant for during the period under review. For instance, more than half of the fund available in 2019 was paid to AU. Also, professional fees for the forensic audit of ECA was paid directly from the Stabilization Fund Account. In fact, no part of the Fund was used for budget augmentation in 2019 based on the records available to us	Every good policy initiative requires a strong political will to succeed. There is therefore the need for all stakeholders to support the right controls over how disbursements are made from the Fund. There is need for procedure manual to guide disbursement from the Fund.
We also observed that total disbursement of the fund was 103.8% of total inflows during the period. This indicates that 3.8% of the disbursements was covered by brought-forward balances.	The Federal Government should consider setting a cap on the disbursements as a percentage of the monthly inflows so as to ensure that there is perpetual balance in the account.
Some transfers to the NSIA were not done as at when due. For instance, the transfers for July – December 2018 were made in April 2019. Also, the transfers for January to March 2019 were made in April 2019.	The Federal Government should put measures in place to ensure that monthly transfers are made as at when due to avoid transfers to NSIA falling into arrears.

5.11 Development of Natural Resources Fund (DNRF)

5.11.1 Receipts

The main source of receipts for DNRF is the allocation from FGN. DNRF receives 1.68% of the FGN share of Federation Revenue. The total receipts into the DNRF account during the period under review was ₦284.92 billion and statutory allocation accounted for 93.77% of the total receipts. There has been fluctuation in total inflows to the fund during the period. This movement is a reflection of total remittances to the Federation Account. The table below shows the breakdown of the total receipts.

Table 63: *Receipts 2017 – 2019*

Description	2017 million ₦	2018 ₦'million	2019 ₦'million	Total ₦'million	% of Total Revenue
Statutory Allocation	67,604	101,380	98,174	267,158	93.77
Excess Crude (Forex Equalization)	3,048	4,095	2,635	9,777	3.43
Exchange Gain Difference	4,655	18	164	4,838	1.70
Excess Bank Charges	-	248	233	481	0.17
Goods & Value Consideration	-	-	804	804	0.28
Solid Mineral	-	-	127	127	0.04
NNPC Refund	1,246	340	146	1,732	0.61
Total Receipts	**76,552**	**106,081**	**102,283**	**284,917**	**100.00**

Source: *CBN DNRF Account Statement 2017 – 2019*

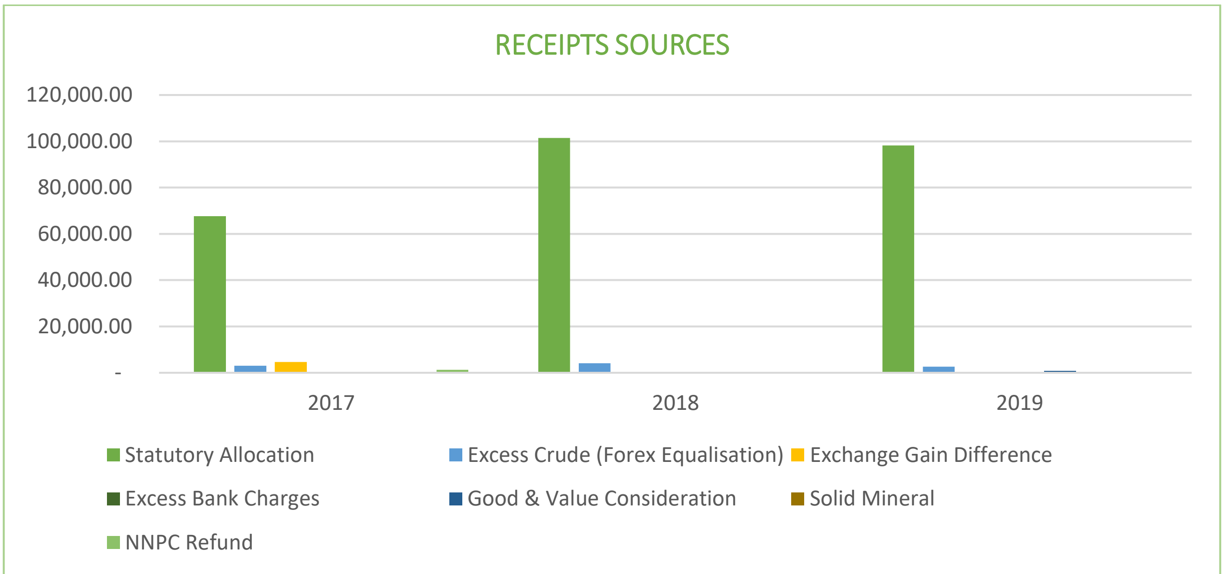


Figure 37: *Breakdown of Receipts Sources.*

5.11.2 Fund Utilization

The total disbursement from the account was ₦312.01 billion. Disbursements to Federal Ministry of Water Resources and capital projects accounted for 44% and 16% respectively. The sum of ₦34.08 billion was transferred to NEMA in 2019 which represents 11% of total disbursement of the Fund. However, disbursements to NEMA were meant to be made from Ecological Fund. The table below presents the breakdown of utilization from the Fund between 2017 and 2019.

Table 64: Breakdown of Utilization

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total Revenue %
1	Ministry of Water Resources	-	126,658	9,976	136,634	44
2	Capital Projects	-	-	50,000	50,000	16
3	Mining Sector	10,000	15,000	16,342	41,342	13
4	NEMA	-	-	34,083	34,083	11
5	Others	-	-	22,610	22,610	7
6	NSIA	-	-	13,308	13,308	4
7	African Union	8,000	-	2,373	10,373	3
8	Afforestation	-	-	2,500	2,500	1
9	National Security Adviser	1,154	-	-	1,154	0
10	Ministry of Agriculture	3	-	0	3	0
Total		19,157	141,658	151,192	312,007	100

Source: CBN DNRF Account Statement 2017 to 2019

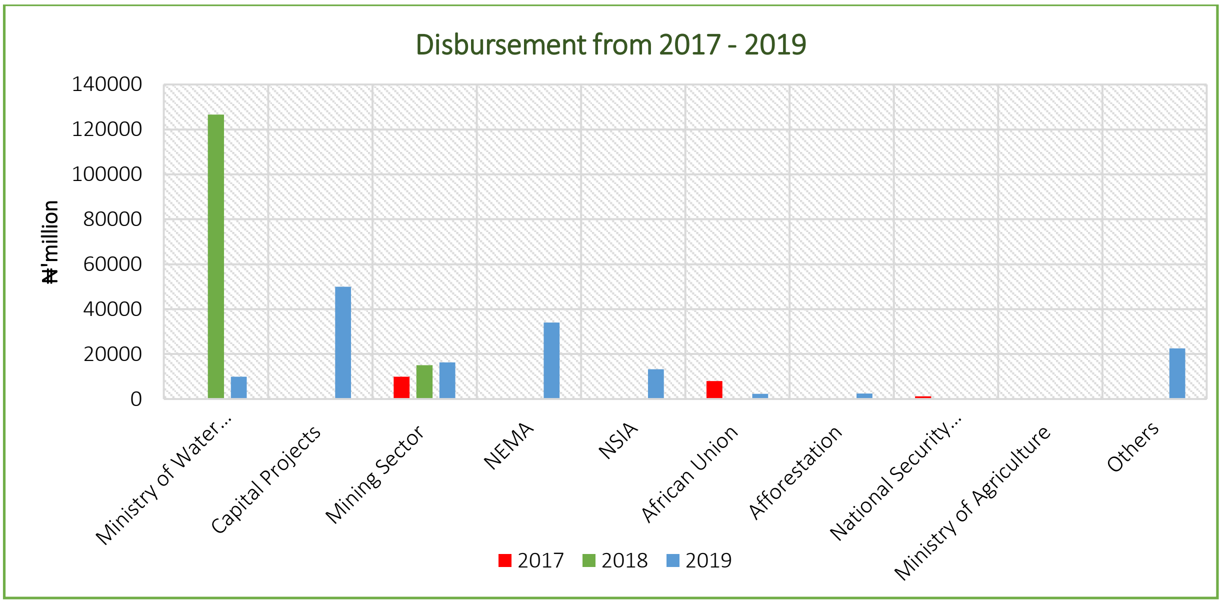


***Figure 38:** DNRF Utilization 2017 – 2019*

Findings	Recommendation
A review of the operations of the Fund from 2017 to 2019 showed that not all receipts to the Fund were utilized for the purpose for which the Fund was established. It may become increasingly difficult to diversify the Nigerian economy, and reduce dependence on Oil and Gas if the Funds are used for purposes outside the original objectives.	Laws should be enacted to prohibit the disbursements of funds from the Accounts for purposes outside those for which the Fund was established

SELECTED STATES REPORT

6.0 Receipts and Expenditure for State Governments

6.1 Revenue

The two major sources of receipts available to states are statutory allocations from the Federation Account (FA) and internally generated revenues (IGR). Others are grants, donations, internal loans, external loans, etc.

6.1.1 Federation Account (FA)- Statutory Allocations

The Federation Account is a distributable pool account from which allocations are made to the federal, state and local government councils, in accordance with the law. Revenue sources from Federation Account to the states for the period under review are as described below.

***Table 65:** Federal Allocation*

SN	Revenue Sources	Description
1	Statutory Allocation	Mineral and non-mineral revenues that were remitted from federal revenue generating agencies which is distributed among the three tiers of Government.
2	13% Mineral Derivation	Revenue accruing in line with fiscal federalism that ensures states receive 13% of revenue derived from the exploration and exploitation of oil & gas and solid minerals within its territory.
3	Value Added Tax	Revenue accruing from tax charged and payable on all supply of taxable goods and services by FIRS after deducting the cost of collection.
4	Excess Crude	The excess of oil revenue over the benchmark volume and price fluctuations that accrues to the Federation Account.
5	Exchange Gain	Difference between budgeted and prevailing exchange rate of Naira to US Dollar due to rate disparity and budget provision.
6	Excess Bank Charges	Amount recovered from excess bank charges by Government and allocated to the three tiers of Government.
7	NNPC Refund	Amount refunded to the Federation Account from NNPC because of discrepancies between expected and actual remittances. This refund was limited to Federal

		Government, as refunds to state and Local Government Councils were paid off.
8	Paris Club Refund	Money refunded to Government coffers from Paris Club because of over deductions for external debt servicing.

6.1.2 Revenue Collection Process

The states' allocation process from the Federal Accounts Allocation Committee (FAAC) is represented in the diagram below:

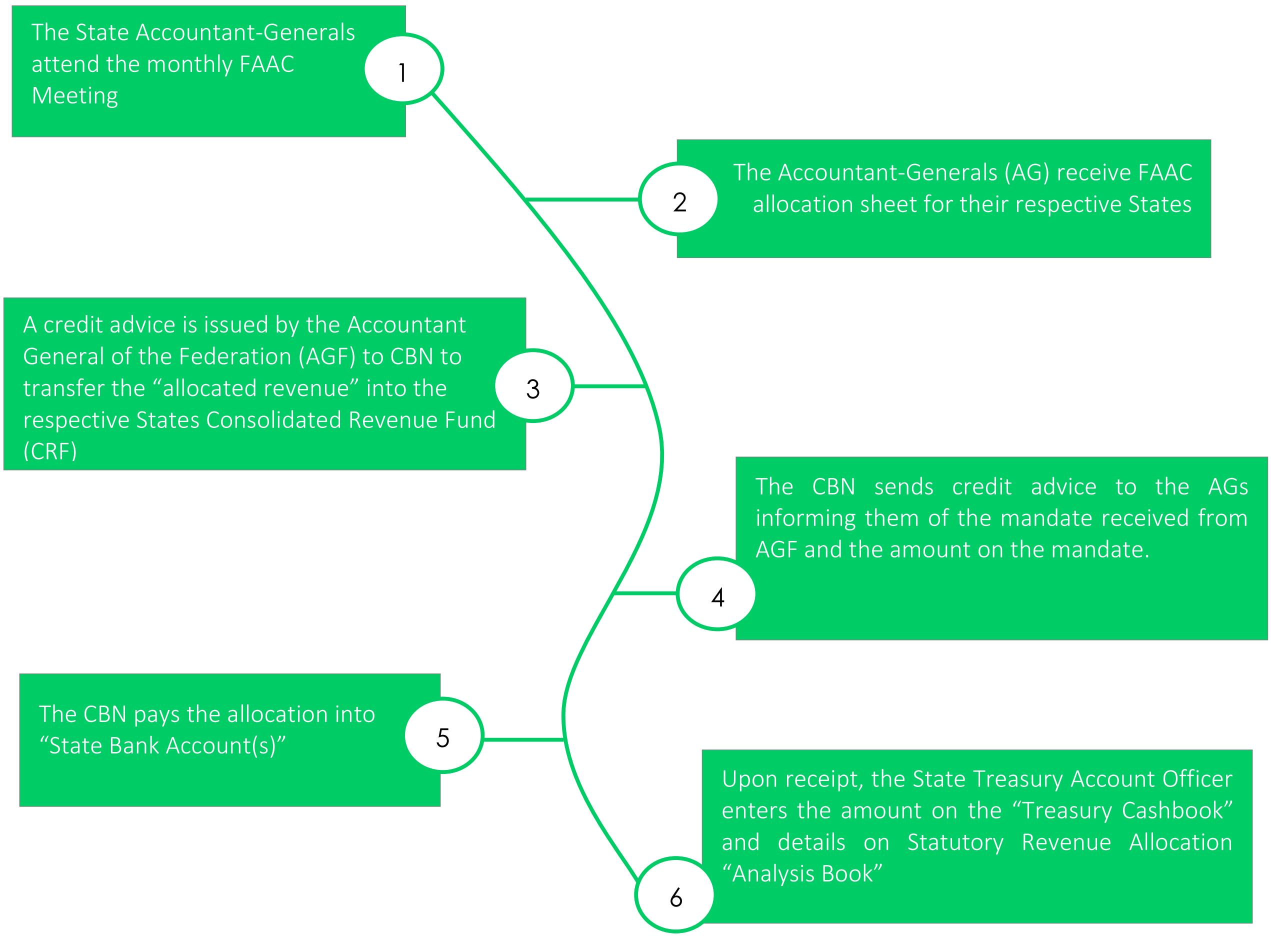


Figure 39: *States FAAC Revenue Collection Process*

6.1.3 Internally Generated Revenue (IGR)

These are revenues generated within the area of the respective states' jurisdiction independent of their shares from the Federation Account. The table below describes sources of IGR that accrued to the states' government for the period under review.

Table 66: *Internally Generated Revenue*

SN	Sources of Revenue	Description
1	Taxes	Revenue earned by the state government from taxes collected by the State Board of Inland Revenue Service.
2	Rent	Revenue from rent of lands and state buildings.
3	Earnings	Revenue earned by the state government for providing paid services.
4	Grants and Subventions	Receipts by the state from grants and subventions (domestic and international).
5	Investments	Income from dividend and interest accruing to the state government from its investments.
6	Other income	Miscellaneous income earned by state government from fees, fines, licenses, sales of fertilizers etc.

6.2 Statutory Deductions

These are deductions made directly from statutory allocations due to the states before disbursement of funds into the State's Accounts. The specific items of deductions for the period under review are described in the table below:

Table 67: *Items of Statutory Deductions*

S/N	Items of Deductions	Description
1.	External Debts/ Foreign Loan repayment	These are deductions from federal allocation to states with respect to obligations to make regular payments towards servicing external debts.
2.	Contractual Obligations	These are deductions made from FAAC allocation to states in respect of guaranteed contractual obligations by FGN.
3.	Irrevocable Standing Payment Order (ISPO)	These are deductions from statutory allocation of the states in line with the ISPO and Irrevocable Letter of Authority (ILoA) for the following: • Introduction of the State Bond Issuance Programme into the capital market. • Commercial Agriculture Credit Scheme (CACS) • Arrears of Revenue to Akwa Ibom State ISPO towards the repayment of unpaid revenue to Akwa-Ibom State in respect of IRO Ekanga Oilfield.
4.	Salary Bailout	These are deductions from states allocation to service credit facility due to salary bailout. For example, Bayelsa, Delta, Imo, Nasarawa, Ondo and Rivers.
5.	Excess Crude Account Loan Facility	These are deductions from statutory allocation of states towards defraying excess crude account loans.
6.	CBN Budget Support	These are deductions from statutory allocation of states towards the repayment of CBN budget support facility.
7.	Over Payment of 13% Derivation	These are deductions from FAAC allocation to states because of over payment of 13% derivation.
8.	CBN MSME Development Fund	These are deductions from statutory allocation of states towards the repayment of CBN MSME development facility.

9	FGN Bond	These are debt securities (liabilities) of FGN issued by the Debt Management Office (DMO) for and on behalf of the Federal Government. The FGN has an obligation to pay the bondholder the principal and agreed interest as and when due.
10.	Accelerated Agricultural Development Scheme (AADS)	These are deductions from statutory allocation of states to defray financial obligations in respect of AADS.

6.3 Expenditure

Expenditure is classified into recurrent and capital.

6.3.1 Recurrent Expenditure

This refers to the expenditures incurred on a yearly basis by the state government for the smooth running of the state affairs. Specifically, items of recurrent expenditure for the period under review are as described below:

Table 68: *Items of Recurrent Expenditure*

S/N	Items of Expenditure	Description
1.	Consolidated Revenue Fund (CRF) Charges	These are salaries and emoluments of personnel working in state parastatals or divisions such as high court, members of civil service commission, Auditor General, members of House of Assembly service commission and members of judicial service commission.
2.	Pensions and Gratuity	These are the entitlements of statutory and non - statutory officers, including members of the armed forces. Pension refers to the sum of money paid at regular intervals to a retired employee by employers while Gratuity is the lump sum given to employee who has spent some specific period in service.
3.	Personnel Emolument	These are salaries and wages and other personnel costs/expenses incurred by the state Government on workers in Ministries, Departments, Boards and Parastatals of state Government.
4.	Overhead Costs	These are the costs incurred in running the affairs of all the state government while discharging their mandates.

5.	Grants and Subventions	These are financial assistance from the Federal Government or other bodies to support budget implementation.
6.	Public Debt Charges/Amortization	These are interest expenses on public debt by the government or sovereign state to lenders.
7.	Loan Servicing (Domestic and International)	These are expenses incurred by the state government towards servicing of domestic and international loans.

6.3.2 Capital Expenditure

This represents outflows of funds for the provision of infrastructure such as: electricity, roads, seaport, airports, pipe borne water, schools, hospitals, recreational facilities etc. The specific capital expenditure by the state for the period under review are described below:

Table 69: Items of Capital Expenditure

S/N	Items of Expenditure	Description
1.	Economic Sector	These are expenses incurred by the state to create wealth through provision of economic and viable infrastructures. For example, expenditure on agriculture & rural development, livestock, fisheries, industry, energy, commerce & cooperative, finance and transport.
2.	Social Sector	These are expenses incurred by the state on education, health, information, and social development.
3.	Environmental	These are expenses incurred by the state on water resources & development, sewage & drainage, housing, urban & regional planning, and community development & special area.
4.	Law and Justice	These are expenses incurred by the state for the provision and maintenance of law and order.
5.	General Administration	These are expenditures incurred by the state for the general administration. Administrative expenses are broadly sub-divided into: security (e.g., security equipment and infrastructure) and administrative infrastructure (e.g., construction of office blocks, procurement of motor vehicles) for the state.

6.4 Akwa Ibom State

6.4.1 State Profile

Akwa Ibom State is one of the nine states in the Southern region of Nigeria. It is situated in the South-South geopolitical zones of the country. It is known as the Land of Promise, and is bounded on the East by Rivers State, on the west by Cross Rivers State, on the North by Abia State and on the South by the Gulf of Guinea. The state was created on 23rd September 1987.

The state has 31 local government areas, with an estimated population of 5.5 million (NPC population data, 2016) and a landmass of 7,081Km^2. The state economy is dominated by the petroleum industry given its vast reserves of crude oil and natural gas.

Akwa Ibom is one of the highest oil producing states in the federation. Aside from crude oil, the State is also rich in solid minerals such Clay, Lead/Zinc, Lignite, Limestone, Salt & Uranium, most of these minerals have been untapped.

The State has a robust and expanding service sector. The service sector is enhanced by private businesses in areas such as retail, banks, hotels, education, healthcare, social work, information technology, communications, transportation, arts, entertainment, recreation, electricity and water supply. For further information visit http://akwaibomstate.gov.ng/

6.4.2 Receipts

The State receipts for the period under review are broadly classified into the following;

- Federal Allocation
- State Internally Generated revenue
- Loans

The table below shows the receipts by the state government for 2017 to 2019.

There has been a drop in the ratio of Federal allocation to total state revenue from 89.87% in 2017 to 62.08% in 2019. This indicates that there are continuous improvements in the State's IGR capacity. The state should therefore continue to innovate to improve their IGR potentials to guarantee future self-sufficiency.

Notwithstanding the improvements in the state's IGR generation, its loan profile continued to increase, growing by ₦220 million to ₦48 billion between 2017 - 2019. See Appendix **14.**

Table 70: Receipts

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total receipts %
1	Federal Allocation					
1.1	13% Derivation Received	93,268.71	149,055.37	118,505.10	360,829.18	40.89
1.2	Statutory Allocation	28,507.89	42,751.34	41399.1454	112,658.38	12.77
1.3	Paris Club Refund	33,565.32	30,029.53	28,560.48	92,155.34	10.44

1.4	VAT	10,655.97	12,262.03	13,342.27	36,260.26	4.11
1.5	Exchange Gain Difference	14,389.29	8,561.03	1,002.28	23,952.60	2.71
1.6	Excess Crude (Forex Equalization)	8,639.11	2,809.27	6,669.45	18,117.83	2.05
1.7	FAAC refunds	6,029.74	2,355.80	2,878.94	11,264.49	1.28
1.8	Stabilization /Excess Crude	11,081.07	-	-	11,081.07	1.26
1.9	Budget Support Facility	8,955.00	-	-	8,955.00	1.01
1.10	Good & Value Consideration	-	-	2,021.57	2,021.57	0.23
1.11	NNPC Refund	-	-	367.56	367.56	0.04
1.12	share of solid mineral	-	-	57.8	57.8	0.01
1.13	Excess Bank Charges	-	-	40.89	40.89	-
Total Federal Allocation Received (a)		215,092.12	247,824.37	214,845.49	677,761.97	76.80
2	State receipts					
2.1	Internally Generated Revenue (IGR)	19,513.86	28,213.64	35,504.94	83,232.43	9.43
2.2	Local Grant	4,184.74	9,012.84	14,636.98	27,834.56	3.15
2.3	Reimbursement	-	-	24,657.24	24,657.24	2.79
2.4	Other Income (Aid)	329.65	5,426.54	8,359.51	14,115.69	1.60
Total State Revenue (b)		24,028.24	42,653.01	83,158.66	149,839.92	16.97
3	Loans					
3.1	Loans (Local)	220	6,652.00	48,069.88	54,941.88	6.23
Total loan (c)		220	6,652.00	48,069.88	54,941.88	6.23
Net Total Revenue (a+b+c)		239,340.36	297,129.38	346,074.03	882,543.77	100
Source: *Validated Template and Audited Financial Statements 2017 - 2019*						

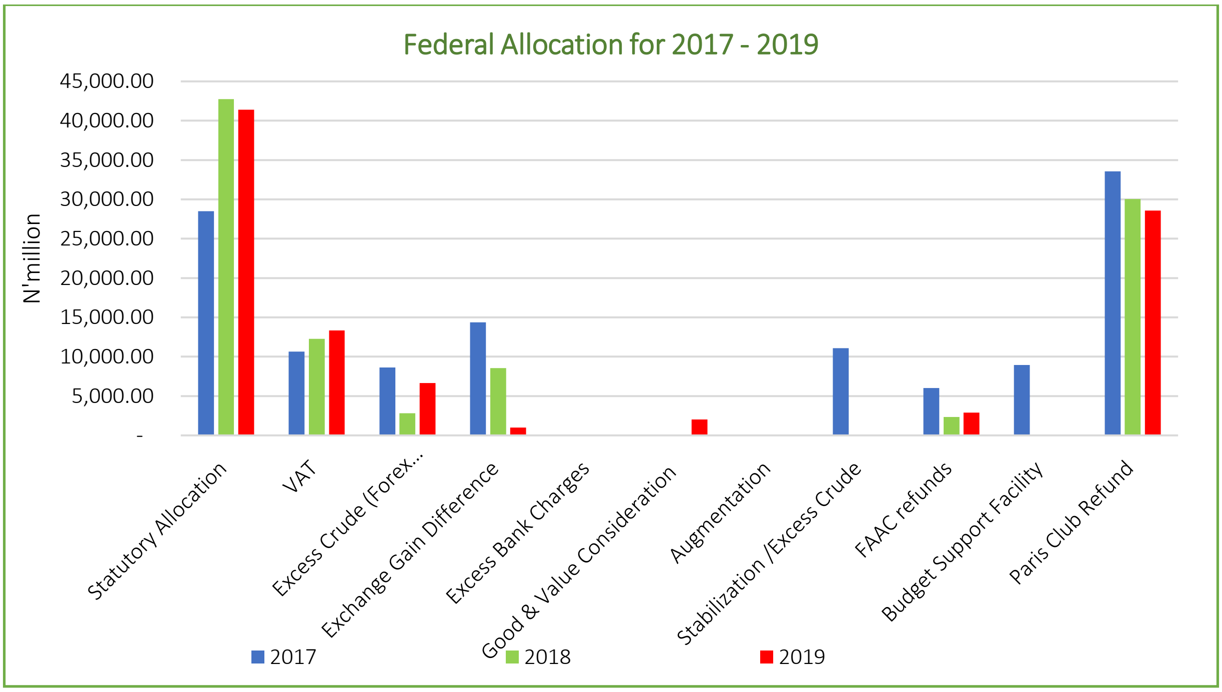


Figure 40: *Federal Allocation 2017 – 2019*

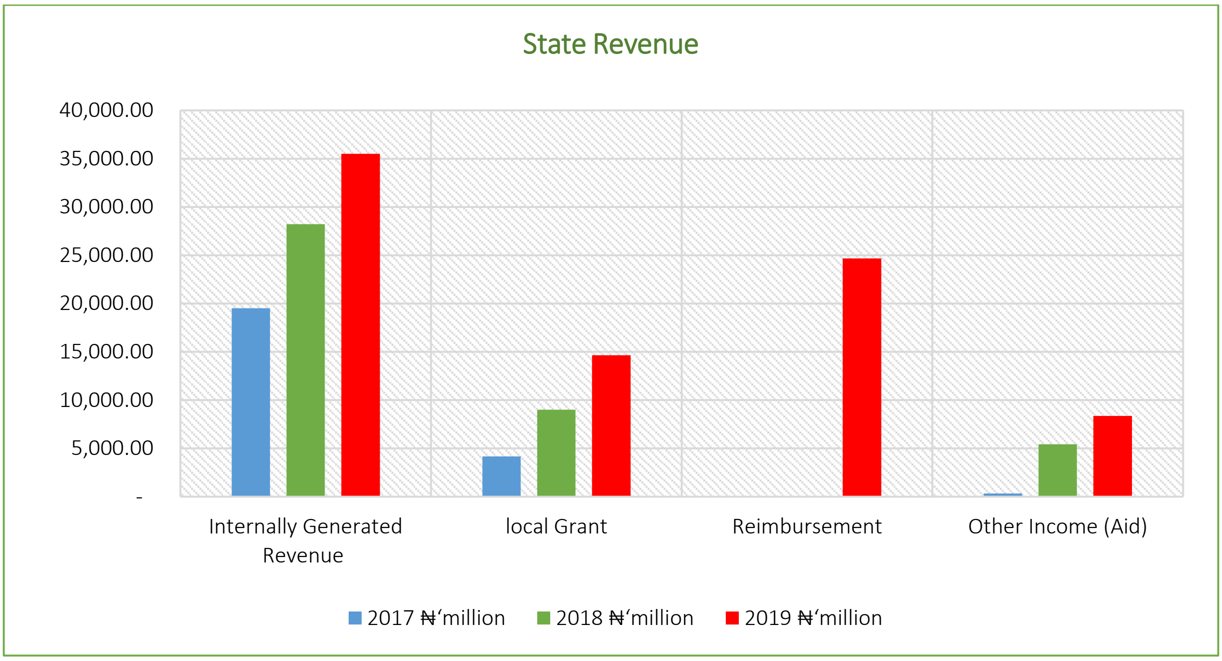


Figure 41: *State Receipts 2017 – 2019*

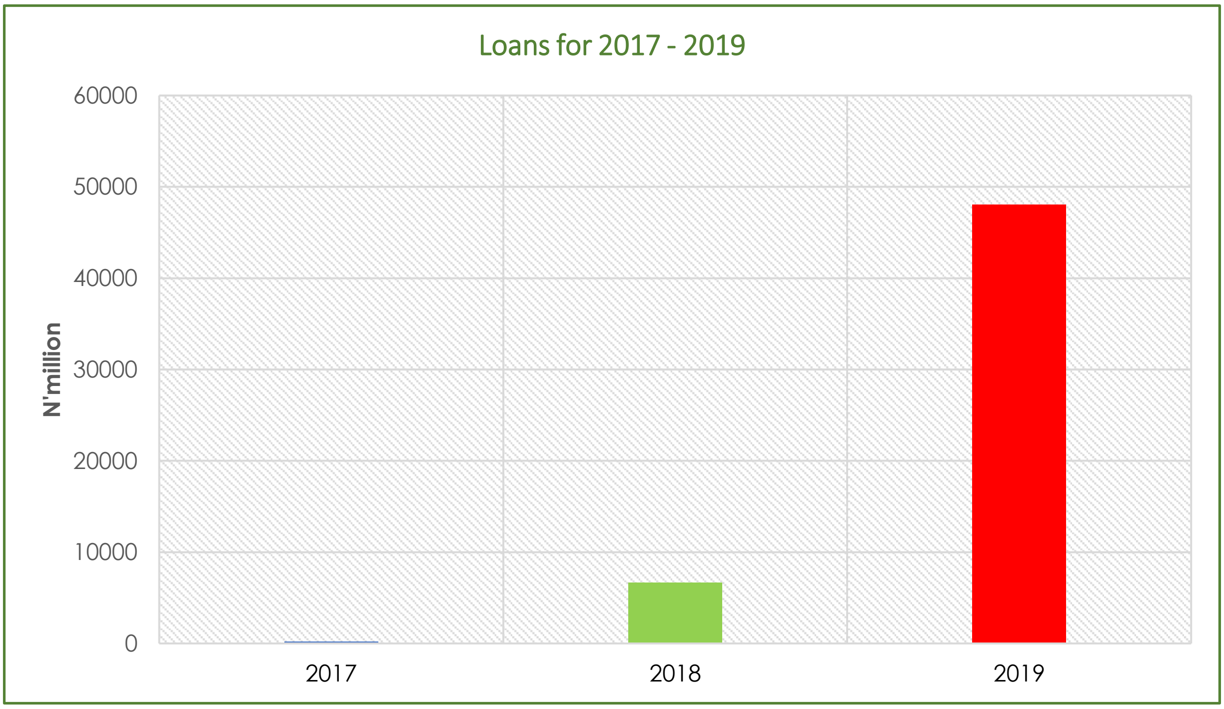


Figure 42: *Loans 2017 – 2019*

6.4.3 Statutory Deduction

The total statutory deduction from Federal allocation to the state was ₦40.87 billion, FGN bond amounted to ₦30.63 billion (74.94%) of total statutory deductions while Accelerated Agricultural Development Scheme amounted to ₦210 billion (0.51%). The State Government has obligation to make monthly payments as a result of past financial transactions that have resulted in Irrevocable Standing Payment Order (ISPO) issued to FGN. The statutory deduction for the period under review is presented in the table below:

Table 71: *Statutory Deductions by FAAC from 2017 – 2019*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
FGN Bond	10,210	10,210	10,210	30,629
Excess Crude Backed Facility	1,520	1,520	1,520	4,560
Foreign Loan Repayment	1,340	1,407	510	3,258
Commercial Agric Credit Facility	-	763	763	1,526
CBN Budget Support	-	-	683	683
Accelerated Agricultural Development Scheme	-	23	187	210
Total	**13,070**	**13,922**	**13,873**	**40,866**

Source: *Validated Template and Audited Financial Statements 2017 -2019*

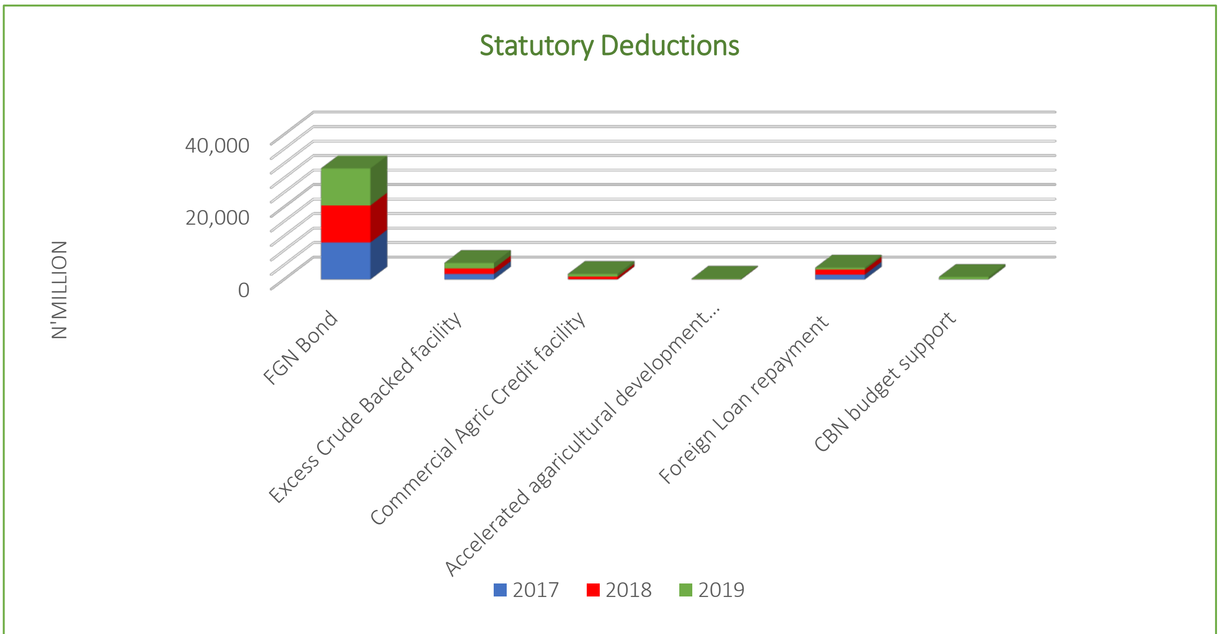


Figure 43: *Statutory Deductions 2017 – 2019*

6.4.4 Expenditure

The states expenditure incurred for the period under review can be classified into;

- Recurrent Expenditure
- Capital Expenditure

6.4.4.1 Recurrent Expenditure

Personnel cost (wages, salaries and employee benefits) accounted for 33% for the period under review. In summary, personnel cost, pension and gratuities, local loan servicing, and overheads accounted for 80.40% of the total recurrent expenditure for the period. See **Appendix 16**

Table 72: *Recurrent expenditure 2017 – 2019*

Recurrent Expenditure Head	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	% of Total
Personnel emolument	37,580.56	43,827.60	41,779.25	123,187.42	33
Local loan servicing	28,923.88	30,232.40	26,153.69	85,309.97	23
Pensions & gratuities	11,504.38	16,985.06	16,985.06	45,474.50	12
Overhead costs	17,187.54	13,703.59	13,057.69	43,948.82	12
CRF charges	7,475.07	16,025.66	18,966.22	42,466.95	11
Grants & subventions	8,764.12	7,919.22	9,171.66	25,855.00	7
International loan servicing	1,340.49	1,406.90	510.12	3,257.51	1
Public debt charges/amortization	108.05	479.49	456.74	1,044.27	-
Total	112,884.09	130,579.92	127,080.42	370,544.44	100

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

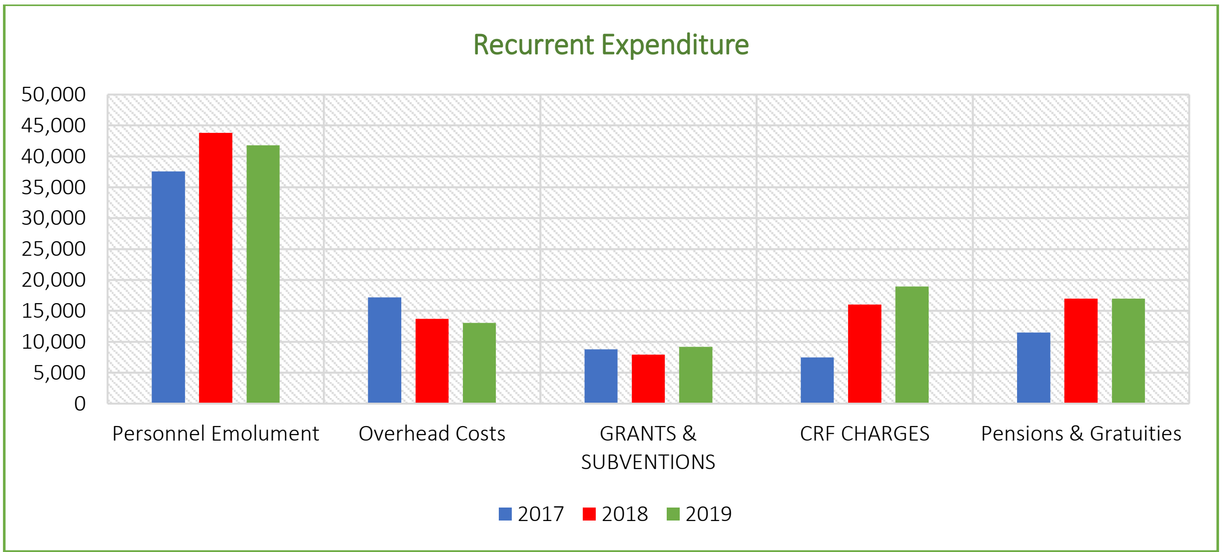


Figure 44: *Recurrent Expenditure 2017 – 2019*

6.4.4.2 Capital Expenditure

The total capital expenditure incurred by the state for the period was ₦483.09 billion. Capital expenditure focus between 2017 and 2019 was on Economic (66%), Social Service (25%) and General Administrative (5%) sectors. The state's capital expenditure also grew by 69% between 2017 and 2019. This could be attributable to continuous increase in economic activities. See **Appendix 17.**

Table 73: Capital Expenditure 2017 – 2019

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Economic Sector	73,408	113,519	126,074	313,001	66
General Administrative Sector	31,102	33,184	57,252	121,539	25
Social Services Sector	7,036	10,583	8,190	25,809	5
Others (Aids & Grants)	4,185	9,013	3,056	16,254	3
Law & Justices Sector	1,137	1,496	3,210	5,844	1
Regional Sector	222	375	50	647	0
Total	**117,090**	**168,170**	**197,833**	**483,093**	100

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

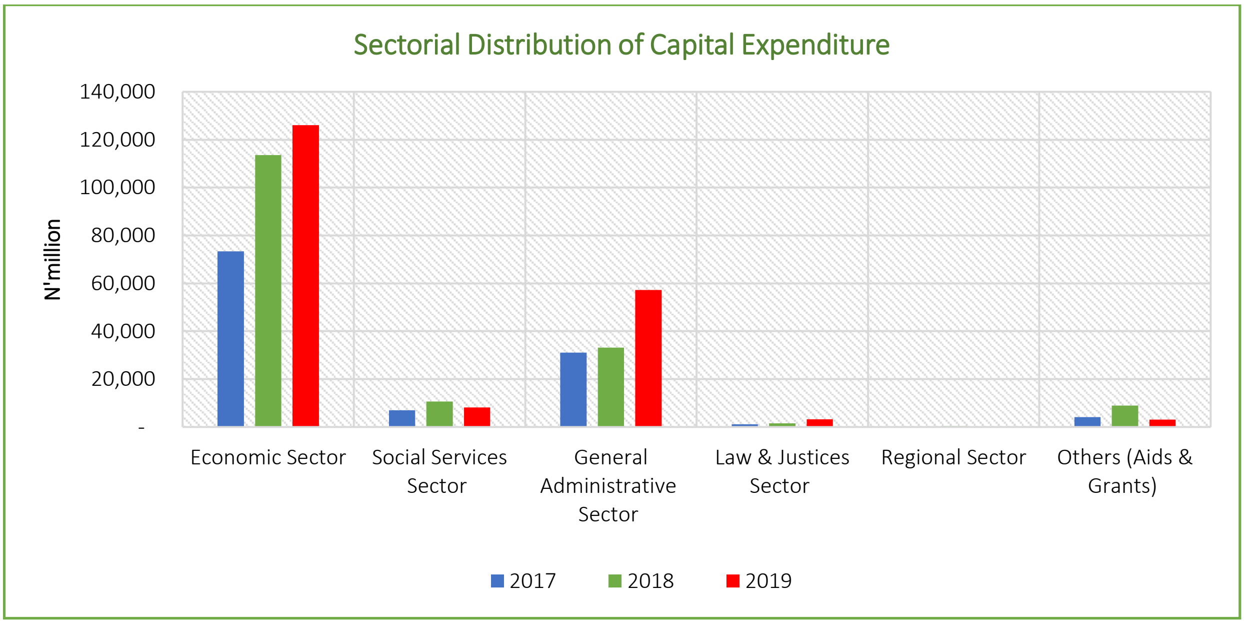


Figure 45: *Sectorial Distribution of Capital Expenditure 2017 -2019*

6.4.4.3 Comparison of Revenue to Recurrent and Capital Expenditures

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure is 47%, 44% and 37% of total revenue for 2017, 2018 and 2019 respectively.

Table 74: *Comparison of Recurrent Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	239,340	297,129	346,074
Recurrent Expenditure	112,884	130,580	127,080
Percentage of Total Recurrent Expenditure to Total Revenue	47%	44%	37%

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

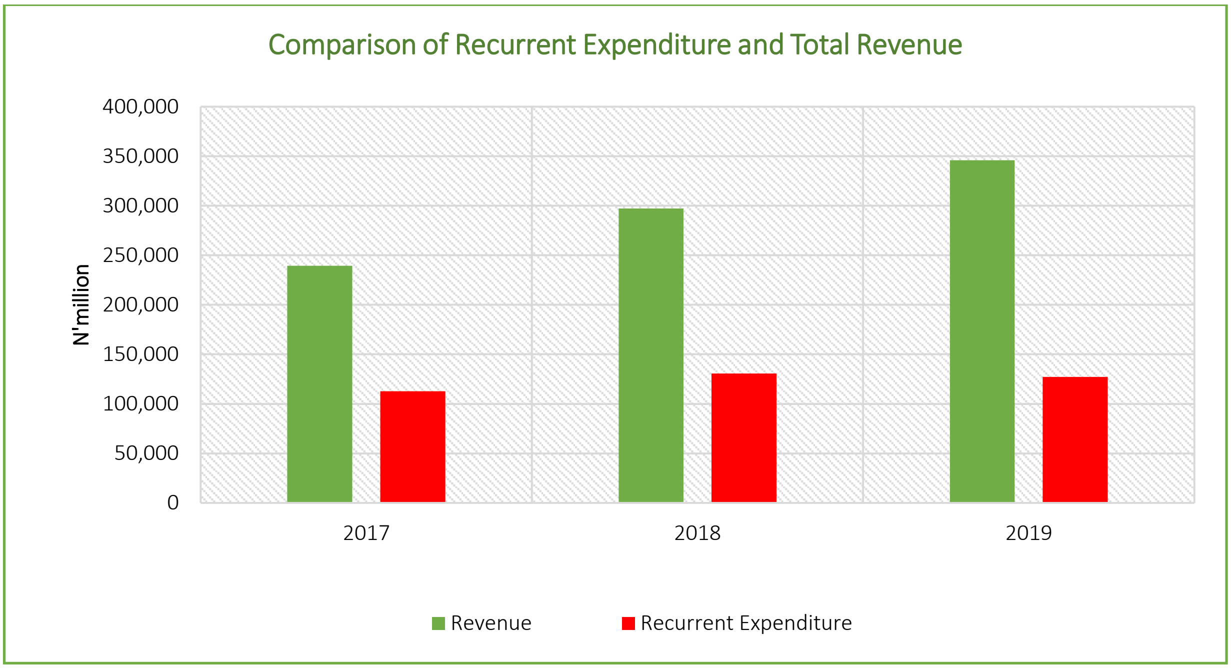


Figure 46: *Comparison of Recurrent Expenditure and Revenue*

A comparison of the capital expenditure with total revenue shows that capital expenditure in 2017, 2018 and 2019 was 48.92%, 56.60% and 57.16% respectively. Due to an increase in spending on the economic and general administrative sectors, expenditure increased by 43.62% between 2017 to 2018 and 17.63% in 2019.

Table 75: *Comparison of Capital Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	239,340	297,129	346,074
Capital Expenditure	117,090	168,170	197,833
Percentage of Total Capital Expenditure to Total Revenue	48.92%	56.60%	57.16%

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

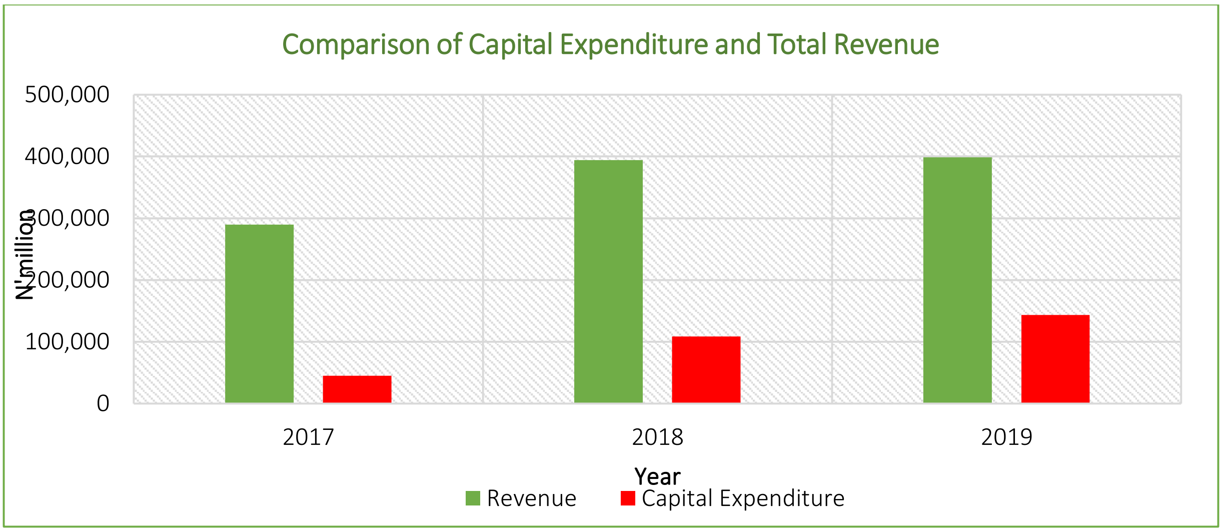


Figure 47: *Comparison of Capital Expenditure and Revenue*

6.4.4.4 Summary of findings and recommendations

The summary of findings and recommendations based on the audit.

Findings	Recommendations
Receipts: Federal Allocation Receipts There has been a drop in the ratio of Federal allocation to total State revenue from 89.87% in 2017 to 62.08% in 2019. This indicates that there are continuous improvements in the State's IGR capacity.	The State should therefore continue to innovate to improve their IGR potentials to guarantee future self-sufficiency.
The State's loan profile continued to increase, growing by 220 million to 48billion between 2017 and 2019. Although the State's capital expenditure also grew by 69% within the same period, which may also reflect continuous pressure on social services due to population growth and increased economic activities.	Loans should be judiciously utilized on viable capital investments in order to foster economic activities that would unlock the opportunities in private sector investments.
The total expenditure of the State for the years under review was ₦894.5billion. The percentage of capital expenditure to total expenditure for the years 2017, 2018 and 2019 is 48%, 54% and 58% respectively.	The State should thrive to maintain its focus on infrastructural development to support economic growth. However, the caveat to this is to ensure there is no over dependence on borrowings especially interest related borrowings.

6.5 Bayelsa State

6.5.1 State Profile

Bayelsa State is located in southern Nigeria in the Niger Delta region. The State capital is Yenagoa and the state is bounded to the east by Rivers State, west by Delta State and the Atlantic Ocean dominates its Southern borders. It is popularly known as the "Glory of All Lands".

Bayelsa state is made up of 8 local government areas with an estimated population of 2.7 million people (NPC 2016) and a landmass of 10,773 Km^2.

The main language spoken is Ijaw with dialects such as Kolukuma, Mein, Bornu, Nembe, Epie-atisa and Ogbia.

The key economic activities of the state are crude oil, natural gas and fishing. The state economy is dominated by the petroleum industry as it has one of the largest crude oil and natural gas reserves in the country.

Bayelsa State is the home to major oil companies such as Shell Petroleum Development Company, Total Nigeria Limited, Halliburton etc. Aside crude oil and natural gas, the state has huge potentials for aquaculture. However, the state is yet to effectively develop the aquaculture value chain to reap the associated benefits. For further information visit http://bayelsastate.gov.ng/.

6.5.2 Receipts

The State receipts for the period under review are broadly classified into the following;

- Federal Allocation
- State Internally Generated revenue
- Loans

The ratio of Federal allocation to State receipts during the period under review was consistently above 87%. This is a clear indication that the state is heavily reliant on federal allocation.

Nevertheless, there was a yearly increase in the State's IGR by 14% and 19% in 2018 and 2019 respectively. This shows that the State's strategy for IGR generation is yielding positive results.

The State borrowed a total amount of ₦19.22 billion during the period under review. In 2017 the state borrowed heavily creating a 91% loan to IGR ratio. Subsequently, the ratio dropped to 38% and 14% in 2018 and 2019 respectively as the state's IGR improved. See **Appendix 18.**

Table 76: *Summary of Receipts*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total receipts %
1	**Federal Allocation**					
1.1	13% Derivation	72,287.04	116,071.97	100,776.94	289,135.96	48.01
1.2	Statutory Allocation	25,088.58	37,623.64	36,433.63	99,145.84	16.46
1.3	Paris Club Refund	31,557.04	24,162.35	16,108.24	71,827.63	11.93
1.4	VAT	9,330.80	9,885.70	10,322.39	29,538.89	4.90

1.5	Exchange Gain	9,918.83	7,363.00	276.05	17,557.88	2.92
1.6	Excess PPT	9,876.69	-	-	9,876.69	1.64
1.7	Budget Support	8,255.00	700	-	8,955.00	1.49
1.8	Forex Equalization Fund	-	-	5,198.06	5,198.06	0.86
1.9	Additional Funds	-	1,574.91	1,883.48	3,458.40	0.57
1.10	Excess Crude	-	-	2,167.41	2,167.41	0.36
1.11	Refunds from Rivers State	690.39	690.39	172.6	1,553.37	0.26
1.1\’’g’’y2	Excess Bank Charges	295.4	91.87	86.63	473.89	0.08
1.13	Refunds on Over Deduction	147.05	-	-	147.05	0.02
1.14	Stabilization Fund	93.52	-	-	93.52	0.02
Total Federal Allocation (a)		167,540.33	198,163.84	173,425.42	539,129.59	89.52
2	State receipts					
2.1	Revenue					
2.1.1	Internally Generated Revenue	12,384.96	14,115.59	16,808.23	43,308.77	7.19
2.1.2	Miscellaneous	195.94	196.01	195.74	587.69	0.10
Total State Revenue (b)		12,580.90	14,311.59	17,003.97	43,896.46	7.29
3	Loans					
3.1	External Loans	3,387.20	5,469.07	2,359.40	11,215.67	1.86
3.2	Internal Loans	8,000.00	-	-	8,000.00	1.33
Total loans (c)		11,387.20	5,469.07	2,359.40	19,215.67	3.19
Total Receipts (d = a+b+c)		191,508.43	217,944.50	192,788.79	602,241.72	100

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

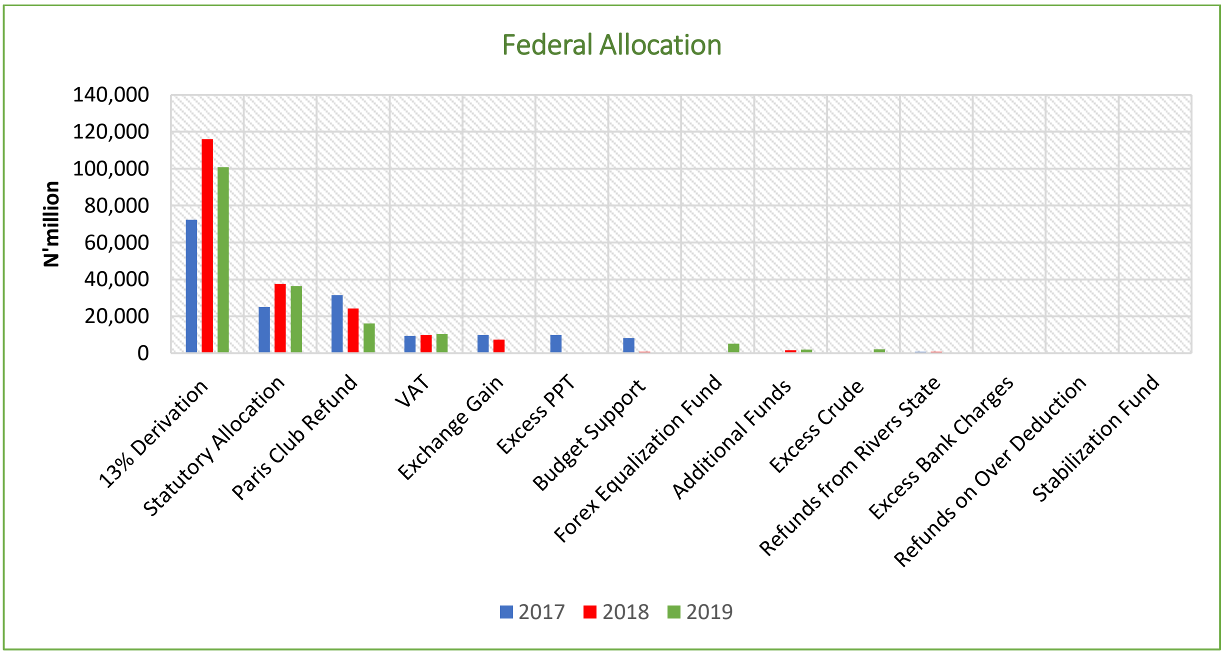


Figure 48: *Federal Allocation 2017-2019*

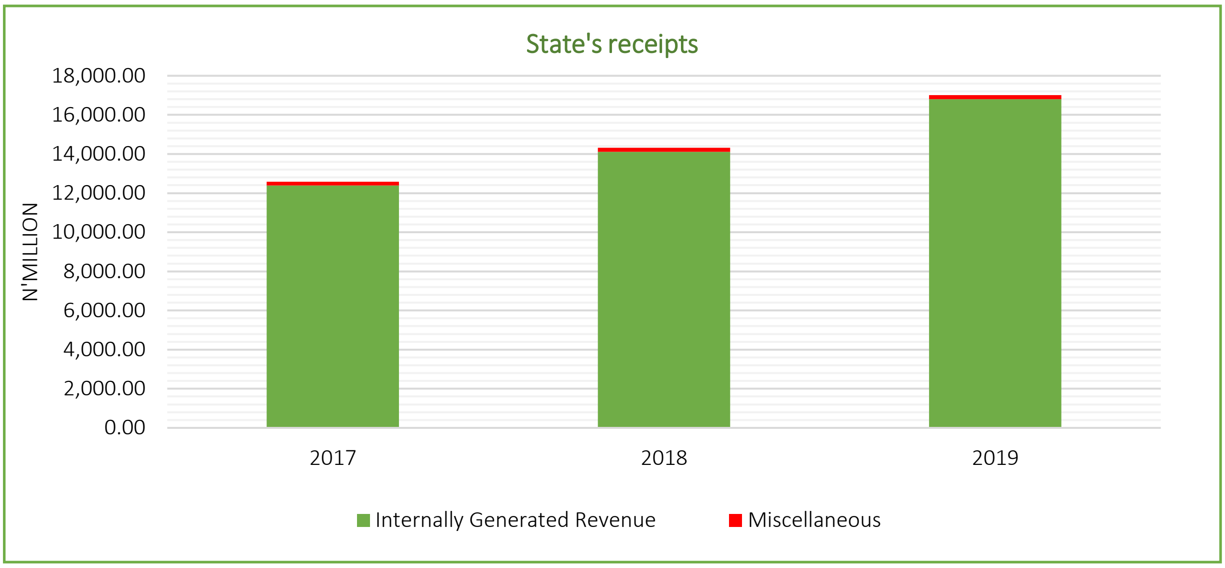


Figure 49: State Revenue 2017-2019

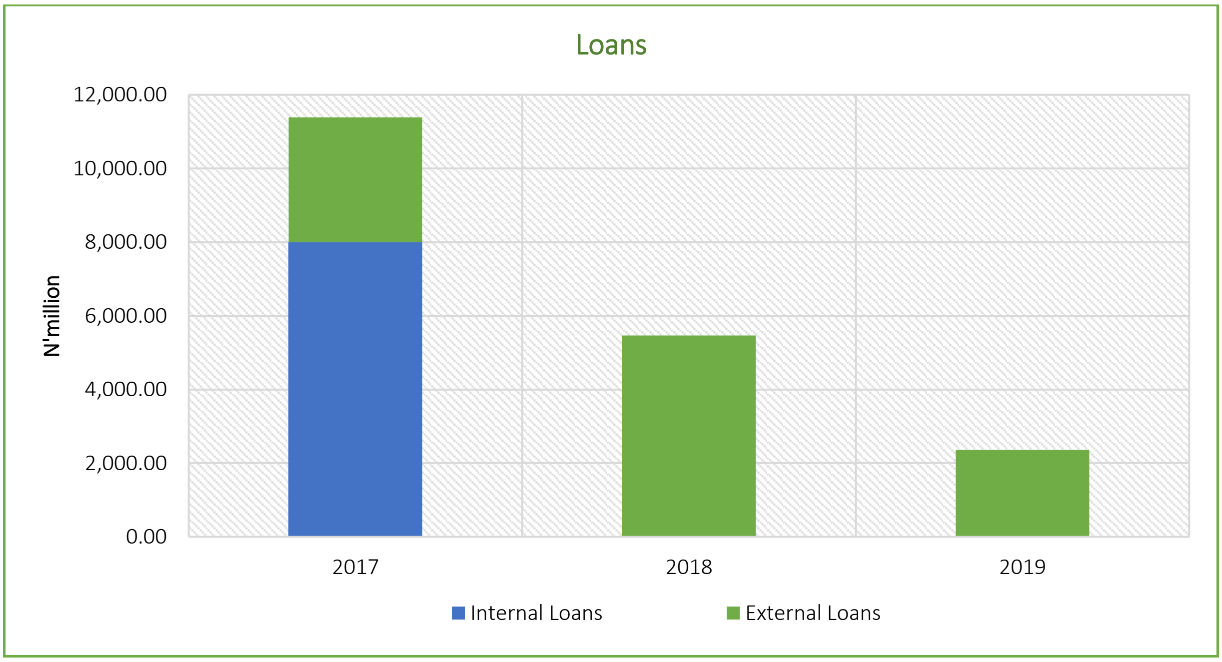


Figure 50: Loans 2017 – 2019

6.5.3 Statutory Deductions

The total statutory deductions from Federal allocation to state for the period was ₦56 billion. This deduction increased by 2% in 2018 and decreased by 11% in 2019. The statutory deductions is presented in the table below.

Table 77: Summary of Statutory Deductions by FAAC from 2017 – 2019

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Restructuring of commercial loans to FGN bond	8,894	8,894	8,894	26,682
Bond repayment	5,059	5,059	2,529	12,646
ECA loan facility	1,520	1,520	1,520	4,560
Comm Agric Credit Scheme	1,197	1,687	1,674	4,558
Refund of 13% derivation	1,158	1,540	1,540	4,239
Foreign loan repayment	344	380	417	1,141
Budget support	-	-	683	683
FGN salary bail -out fund	195	195	195	586
N15.4 billion refund of over payment	513	-	-	513
Refund of derivation arrears to A/Ibom	165	231	-	396
Total	**19,046**	**19,506**	**17,453**	**56,005**

Source: 2017 – 2019 Audited Financial Statements

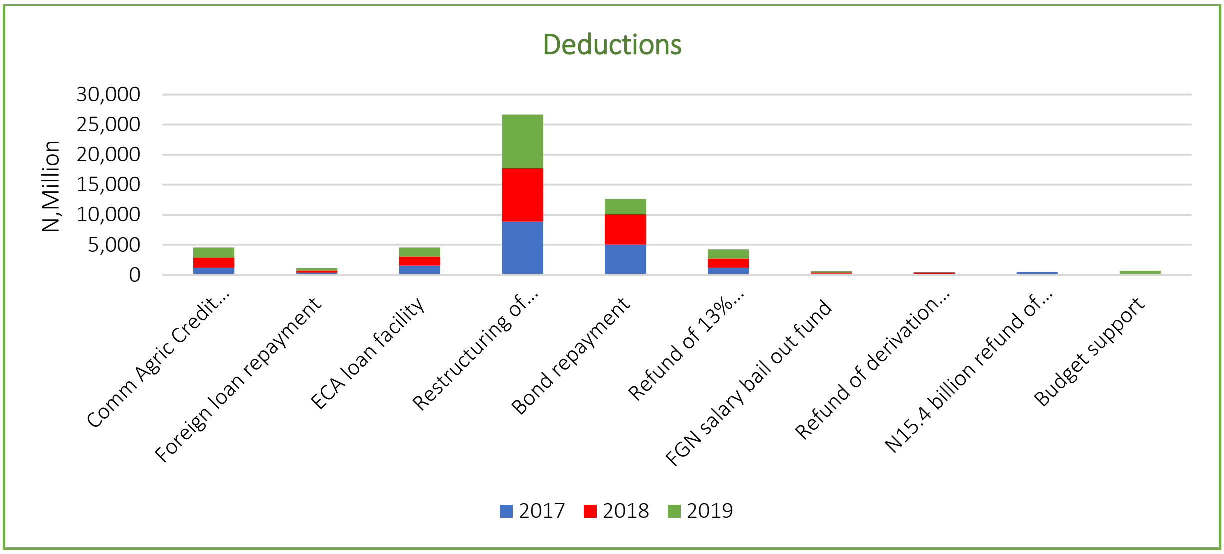


***Figure 51**: Statutory Deductions 2017 – 2019*

6.5.4 Expenditure

The states expenditure incurred for the period under review can be classified into;

- Recurrent Expenditure
- Capital Expenditure

6.5.4.1 Recurrent Expenditure

Personnel cost (wages, salaries and employee benefits) accounted for 30% for the period under review. In summary, personnel cost, overheads and repayment of loans represent 77.05% of the total recurrent expenditure for 2017 – 2019. See **Appendix 19.**

Table 78: *Recurrent Expenditure for 2017 – 2019*

Recurrent Expenditure Heads	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Wages, Salaries and Employee Benefits	45,698.58	60,742.33	49,823.36	156,264.28	29.98
Overheads	30,599.66	69,845.48	42,542.86	142,988.00	27.43
Repayment of Loans	39,055.53	23,529.47	39,803.99	102,389.00	19.64
Statutory Deductions	19,045.62	19,506.23	17,453.01	56,004.85	10.74
Other Operating Activities	16,135.15	17,928.81	7,671.59	41,735.56	8.01
Con. Revenue Fund Charges (CRF)	6,076.62	8,503.47	7,322.55	21,902.64	4.20
Total Recurrent Expenditure	**156,611.16**	**200,055.81**	**164,617.36**	**521,284.31**	**100**

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

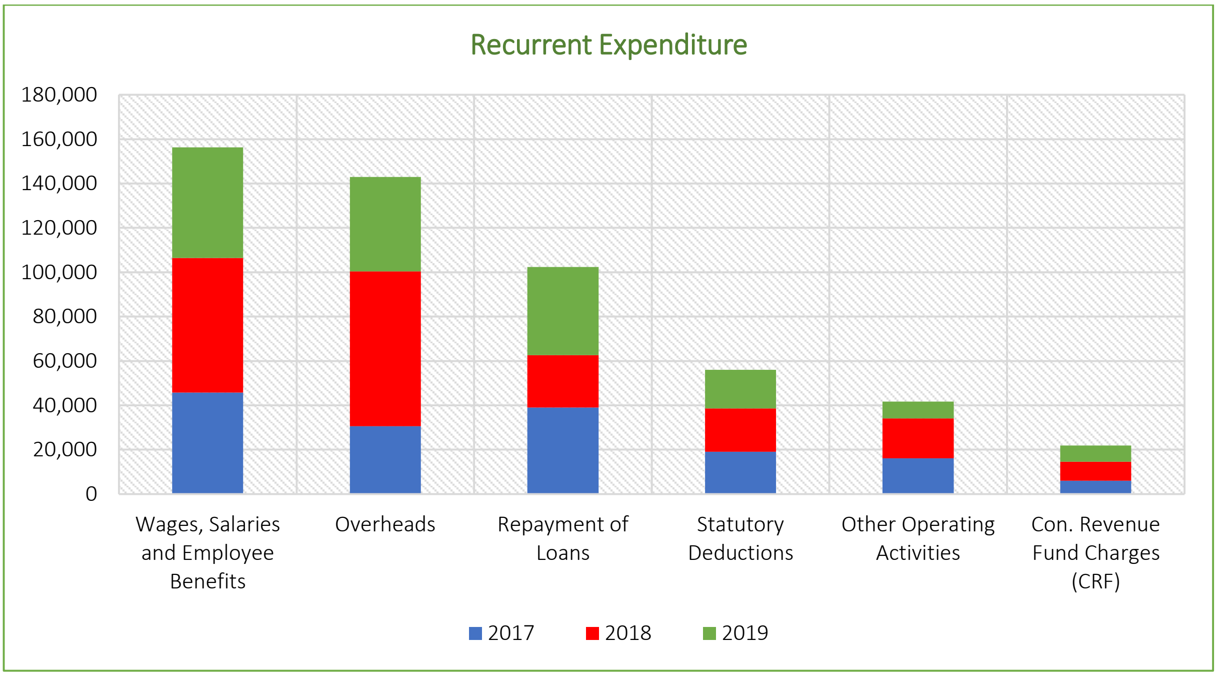


Figure 52: *Recurrent Expenditure 2017 – 2019*

6.5.4.2 Capital Expenditure

The total capital expenditure by the state for the period was ₦135.44 billion. Between 2017 and 2019 the focus of the expenditure was on Economic sector which accounted for 72.43%. However, the state's total capital expenditure declined by 7.40% for the period 2017 and 2019. See **Appendix 20.**

Table 79: Sectorial Distribution of Capital Expenditure 2017 – 2019

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Economic Sector	29,510	30,953	37,640	98,103	72.43%
Social Service Sector	9,589	10,058	3,984	23,631	17.45%
Other Sectors	3,387	3,553	-	6,940	5.12%
Administrative Sector	2,880	3,021	355	6,256	4.62%
Law and Justice	128	134	100	362	0.27%
Regional Development	35	37	80	152	0.11%
Total	**45,529**	**47,755**	**42,159**	**135,443**	**100%**

Source: Validated Template and Audited Financial Statements 2017 – 2019

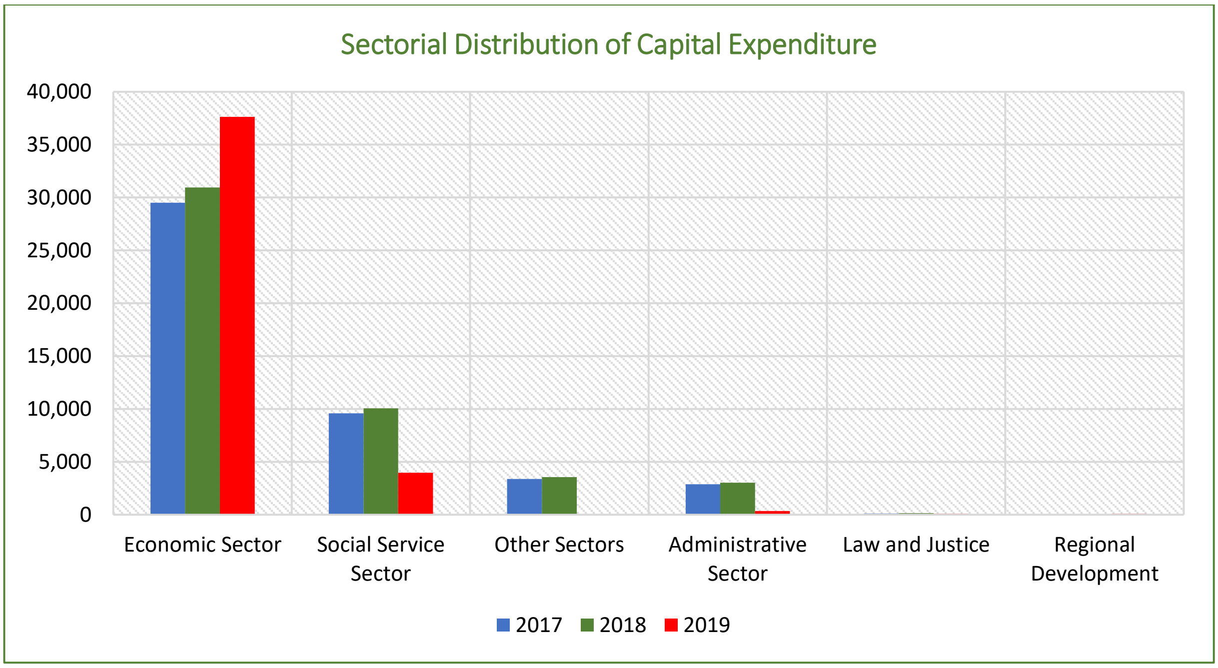


Figure 53: Sectorial Distribution of Capital Expenditure 2017 -2019

6.5.4.3 Comparison of Revenue to Recurrent and Capital Expenditure

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure was 87%, 94% and 86% of total revenue for 2017, 2018 and 2019 respectively. The increase was attributable to the rise in personnel and overhead cost while the drop was due to a fall in CRF charges and other operating activities during the period under review.

Table 94: Comparison of recurrent expenditure and total revenue

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	180,121	212,475	190,429
Recurrent Expenditure	156,611	200,055	164,617
Percentage of Total Recurrent Expenditure to Total Revenue	87%	94%	86%

Source: Validated template and audited financial statements 2017 – 2019

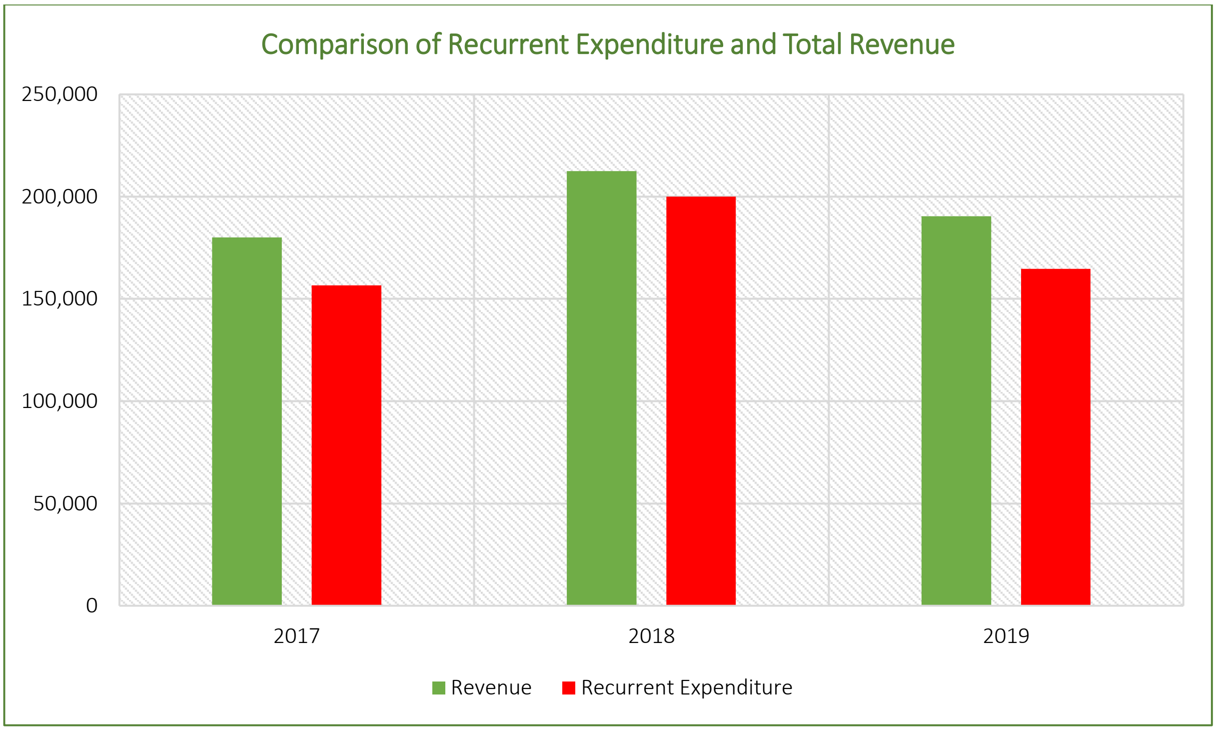


***Figure 54**: Comparison of Recurrent Expenditure and Total Revenue.*

A comparison of the capital expenditure with total revenue shows that capital expenditure represents 25% in 2017, 22% in 2018 and 2019 of total revenue. The table below shows that lower amounts of revenue were spent on capital expenditure.

Table 80: *Comparison of Capital Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	180,121	212,475	190,429
Capital Expenditure	45,529	47,755	42,159
Percentage of Total Capital Expenditure to Total Revenue	25%	22%	22%

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

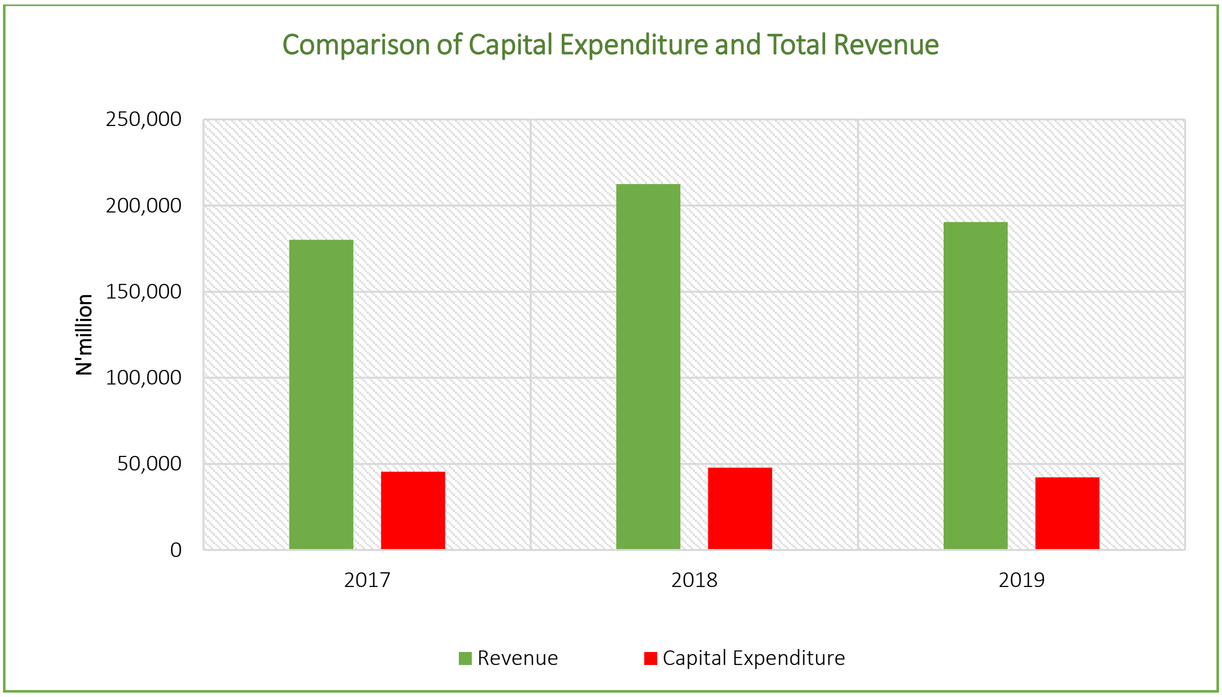


Figure 55: *Comparison of Capital Expenditure and Total Revenue*

6.5.5 Summary of findings and recommendations

The table below contains the summary of findings and recommendations based on the audit.

Findings	Recommendations
Receipts: Federal Allocation Receipts We observed that the State was highly dependent on Federal Allocation during the years under review. For instance, the ratio of Federal allocation to total State revenue during the three (3) years under review was 87%, 91% and 90% respectively.	The State should creatively develop strategies and tactics within the ambits of the extant laws and regulations to improve the IGR potentials.
Internally Generated Revenue There was a year-on-year increase in the State's IGR by 14% and 19% in 2018 and 2019 year respectively.	Matters relating to IGR should be brought to the front burner and assistance sought from relevant professionals to drive the innovation required to improve IGR.
Loans During the years under review, the state borrowed a total of ₦19.22billion from both internal and external sources. In 2017, 2018 and 2019, the state loan was 6%, 3% and 1% of total receipt respectively	The purposes for which loans are taken needs to be carefully reviewed to ensure that the facilities are not used for projects that are not self-financing either directly or indirectly.
Capital Expenditure: We observed that the percentage of annual allocations to capital expenditure is below average. Specifically, in 2017, 2018 and 2019 the ratio of capital expenditure to total expenditure was 23%, 19% and 20% respectively.	It is imperative for the State to improve on its allocation to capital projects in order to bridge the huge infrastructural gap in the State, which is required to accelerate economic growth and development.
Recurrent Expenditure: A comparison of the State's recurrent expenditure with total revenue shows that recurrent expenditure accounted for 87%, 94% and 86% of total revenue for the years 2017, 2018 and 2019 respectively. This implies that the state on the average spends 89% of its total revenue on recurrent expenditure.	The State Government should institutionalize policies that will reverse this expenditure pattern in favour of capital expenditure so as to effectively bridge the infrastructural gaps within the State.

6.6 Delta State

6.6.1 State Profile

Delta State is one of the nine states in the Niger Delta area of Nigeria. The state is situated in the South-South geopolitical zone. The state capital is Asaba located at the north end of the state. The state is bounded in the North by Edo State, the East by Anambra State, South-East by Bayelsa State, and on the Southern flank is the Bight of Benin which covers about 160 kilometers of the State's coastline.

The State has 25 local government areas with an estimated population of 5.7 million people (NPC data, 2016) and a landmass of 17,108 Km^2. The state is known as "The big heart of the Nation" and was created out of old Bendel state in 1991.

The economy of the state is principally driven by the petroleum industry as it is one of the largest producers of petroleum products in Nigeria, given the huge deposits of crude oil. In addition, Delta is also an agricultural producing state, its major agricultural commodities are maize, rice, soya bean and sesame. Research has shown that there are various solid minerals deposits in the state. These include industrial clay, silica, lignite, kaolin, tar sand, decorative rocks, limestone, etc. However, some of these minerals are largely untapped. For further information visit http://www.deltastate.gov.ng/

6.6.2 Receipts

The state receipts for the period under review are broadly classified into the following.

- Federal Allocation
- State Internally Generated Revenue
- Loans

The ratio of Federal allocation to state revenue during the period under review was 66%, 73% and 60% respectively. The drop from 66% in 2017 to 60% in 2019 indicates that there are improvements in the state's IGR capacity as shown in the figure below. The State should therefore continue to innovate to improve their IGR potentials to guarantee future self-sufficiency.

The state IGR consistently increased during the period under review, from 11% in 2018 to 50% in 2019. IGR increased by 66%, which shows that the strategies for IGR generation are yielding positive results.

As regards the loan portfolio, there was a decrease of 92% between 2017 and 2018. In 2019, there was no record of loan, this indicates that the state is moving towards self-financing as it can implement her budget without incurring any financial obligation. See **Appendix 21.**

Table 81: *Receipts*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total receipt %
1	Federal Allocation					
1.1	13% Derivation Received	81,056	168,123	161,490	410,669	38
1.2	Statutory Allocation	28,790	43,174	41,809	113,773	11
1.3	Paris Club	36,573	47,245	-	83,818	8
1.4	VAT	11,322	13,060	14,767	39,149	4
1.5	Exchange Gain	8,777	8,358	3,534	20,668	2
1.6	Forex Equalization	1,558	3,975	10,170	15,703	1
1.7	Budget support facility	8,255	700	-	8,955	1
1.8	Excess PPT	6,741	-	-	6,741	1
1.9	Excess Crude	-	-	4,195	4,195	-
1.11	Refund from NDA and Okwori Oil	1,381	1,381	345	3,107	-
1.12	NNPC Refund	1,230	1,013	487	2,731	-
1.13	Good and Value Consideration	-	-	2,681	2,681	-
1.14	Excess Bank Charges	7	105	99	212	-
1.15	Refund CAMF	-	129	-	129	-
1.16	Stabilization	107	-	-	107	-
1.17	Solid Mineral	-	-	62	62	-
Federal Allocation Received (a)		185,796	287,263	239,640	712,699	66
2	State Internally Generated Revenue					
2.1	Internally Generated Revenue (b)	95,848	106,307	159,239	361,393	33
3	Loans					
3.1	Local loans (c)	8,255	700	-	8,955	1
	Total Receipts (a+b+c)	289,899	394,270	398,878	1,083,047	100

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

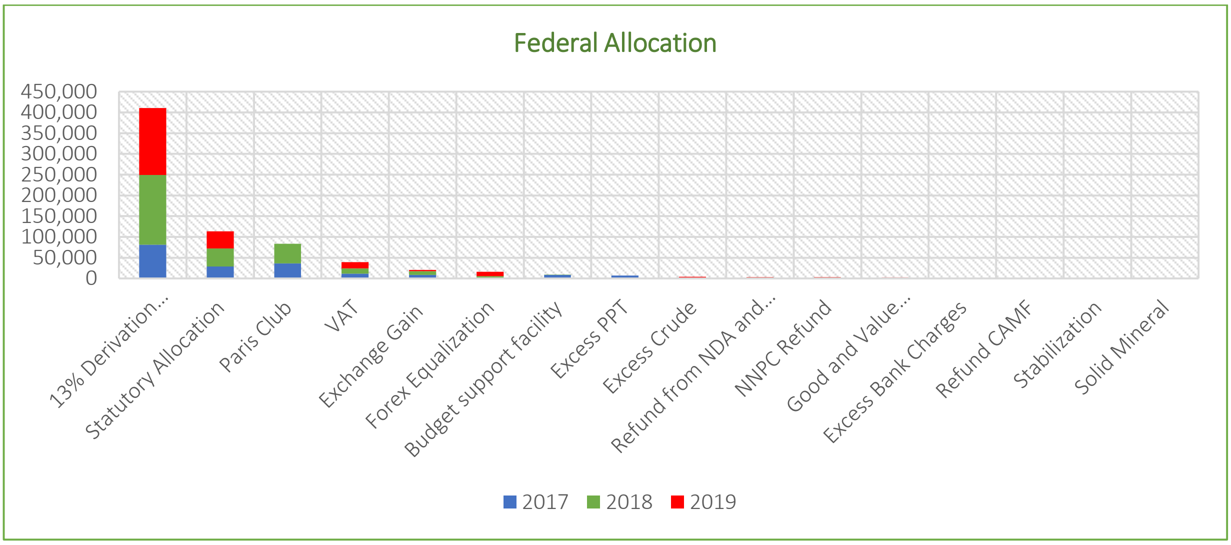


Figure 56: *Federal Allocation for 2017-2019*

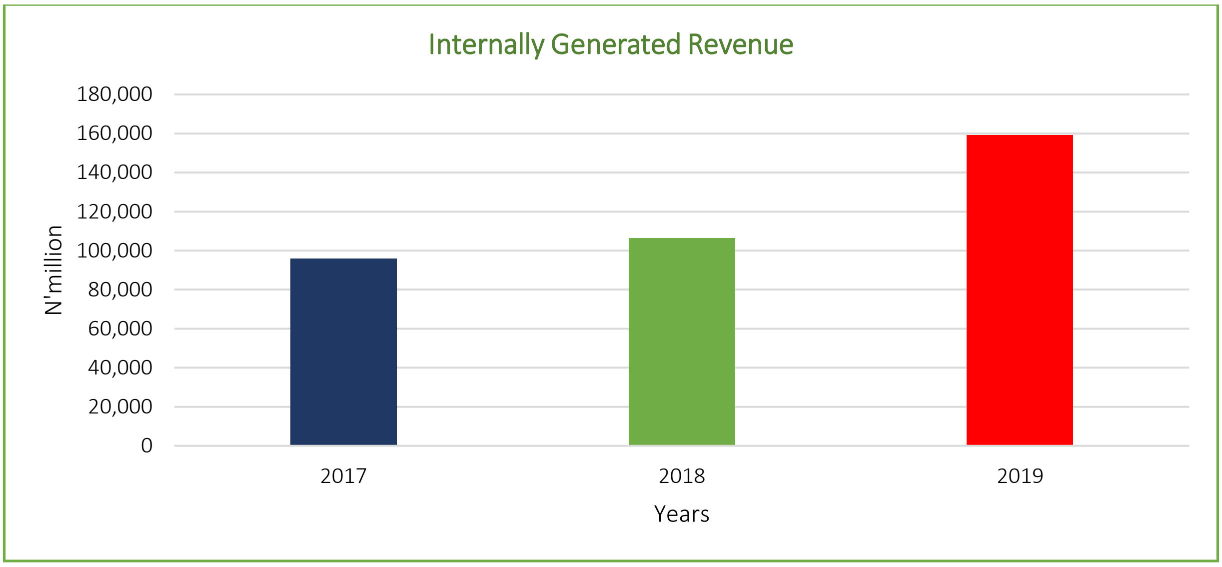


Figure 57: *Internally Generated Revenue*

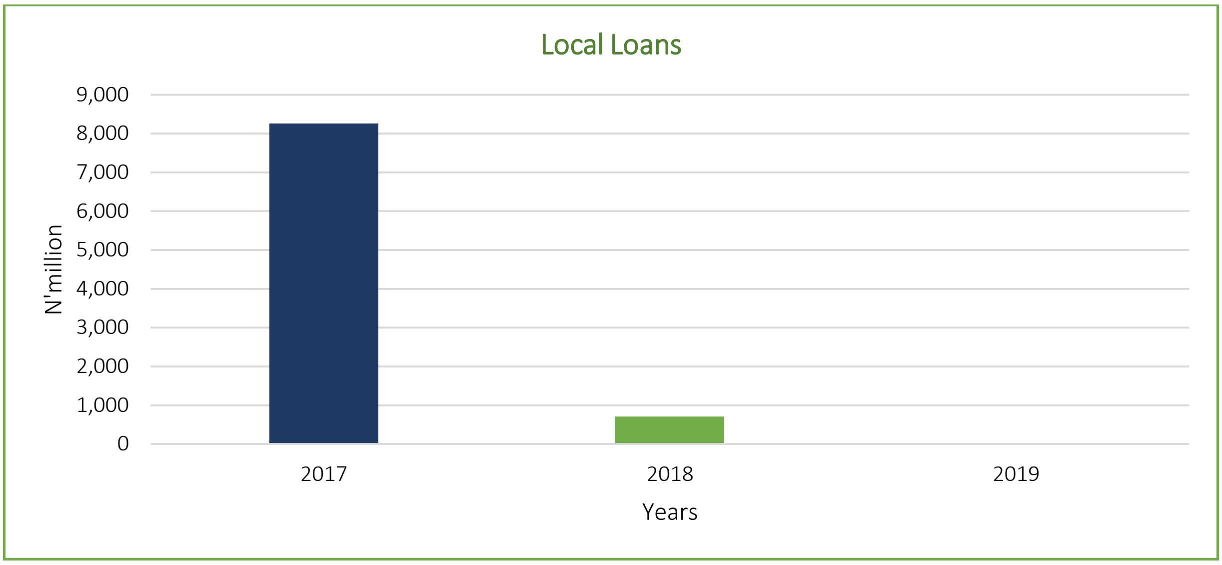


Figure 58: *Local Loans 2017 – 2018*

6.6.3 Statutory Deductions

The State Government has obligation to make monthly payments because of past financial transactions that have resulted in Irrevocable Standing Payment Order (ISPO) issued to the FGN. The total statutory deductions on gross allocation to the state for the three (3) years was ₦67.8 billion. These deductions decreased by 15% in 2018 and 36% in 2019. Statutory deduction for the period under review is presented in the table below:

Table 82: *Statutory Deduction 2017 – 2019*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Bond issuance programme	13,187	9,890	-	23,077
CBN budget support	-	-	683	683
Commercial agricultural credit scheme.	-	-	619	619
Police deduction of 1% statutory to fund police reform programme.	64	-	-	64
Excess crude account loan	1,520	1,520	1,520	4,560
Deduction from surplus states to pay deficit states 13% derivation	1,090	-	-	1,090
FG salary bailout to states	1,181	1,181	1,181	3,542
Foreign loans	254	319	323	896
Restructure of commercial bank loans into FG bonds	11,039	11,039	11,039	33,118
Refunds	-156	-	-	-156
Refund of arrears of derivation revenue	96	225	-	322
Total	**28,277**	**24,174**	**15,365**	**67,816**

Source: *Validated Template 2017 – 2019*

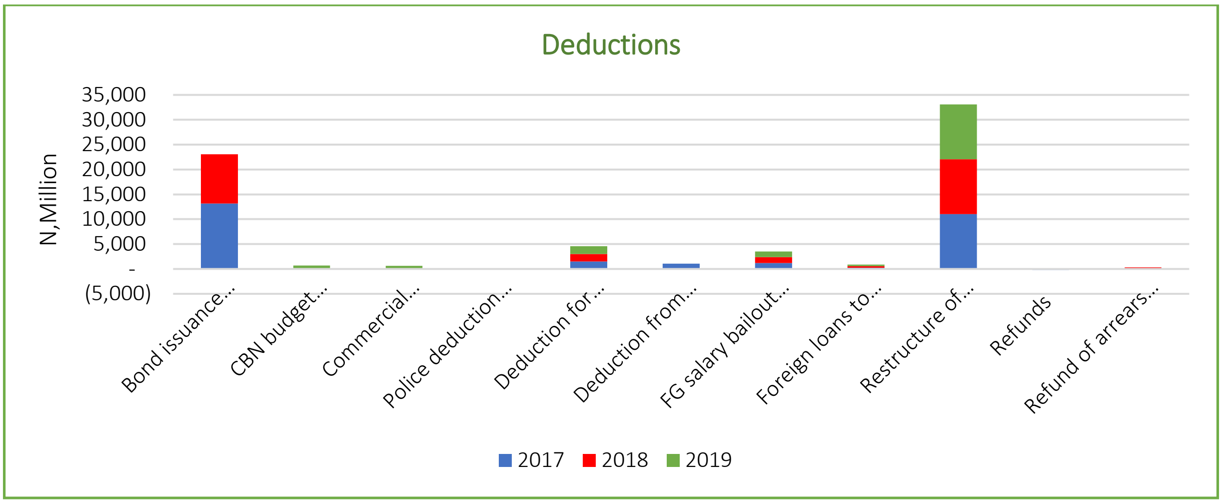


Figure 59: Statutory Deduction 2017 – 2019

6.6.4 Expenditure

The state's expenditure incurred for the period under review can be classified into.

- Recurrent Expenditure
- Capital Expenditure

6.6.4.1 Recurrent Expenditure

Total recurrent expenditure was ₦633.39billion. Personnel emolument (wages, salaries and employee benefits) accounted for 34%. In summary, personnel cost, overheads, transfer to other agencies, local loan servicing, pensions and gratuities accounted for 93% of the total recurrent expenditure for the years 2017 – 2019. See **Appendix 22.**

Table 83: Recurrent Expenditure 2017 – 2019

Recurrent Expenditure Head	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Personnel Emolument	68,401	71,290	75,635	215,327	34
Overhead Costs	39,892	61,788	81,698	183,378	29
Transfer to other Agencies	17,285	35,104	31,714	84,103	13
Local Loan Servicing	30,137	24,789	4,309	59,236	9
Pensions and Gratuities/SBs	14,559	18,247	13,091	45,897	7
Grants and Contribution	15,727	20,418	7,221	43,367	7
Social Contribution	-	-	2,079	2,079	-
Inventory	-	-	5	5	-
Total Recurrent Expenditure	**186,002**	**231,636**	**215,752**	**633,390**	**100**

Source: Validated Template and Audited Financial Statements 2017 – 2019

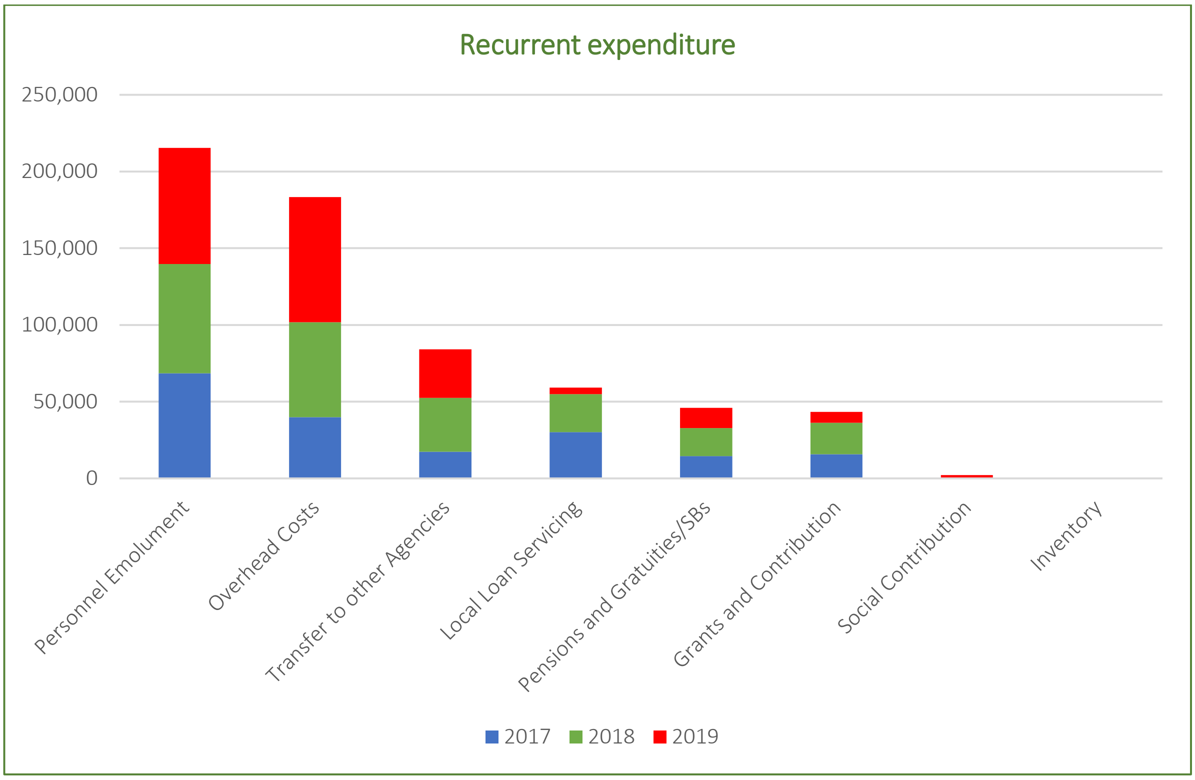


Figure 60: *Recurrent Expenditure*

6.6.4.2 Capital Expenditure

The focus on capital expenditure between 2017 to 2019 was on economic and social service sectors. The expenditure on these sectors accounted for 63% and 18% respectively during the period under review. See **Appendix 23.**

Table 84: *Sectoral Distribution of Capital Expenditure 2017 - 2019*

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Economic Sector	14,072	72,907	101,461	188,440	63
Social Services Sector	6,751	24,308	22,760	53,820	18
General Administrative Sector	4,840	7,259	14,443	26,541	9
Environmental/Regional Development Sector	19,283	3,609	3,064	25,956	9
Law and Justice Sector	-	702	1,634	2,336	1
Total	**44,945**	**108,785**	**143,362**	**297,092**	**100**

Source: *Validated Template and Audited Financial Statements for 2017 - 2019*

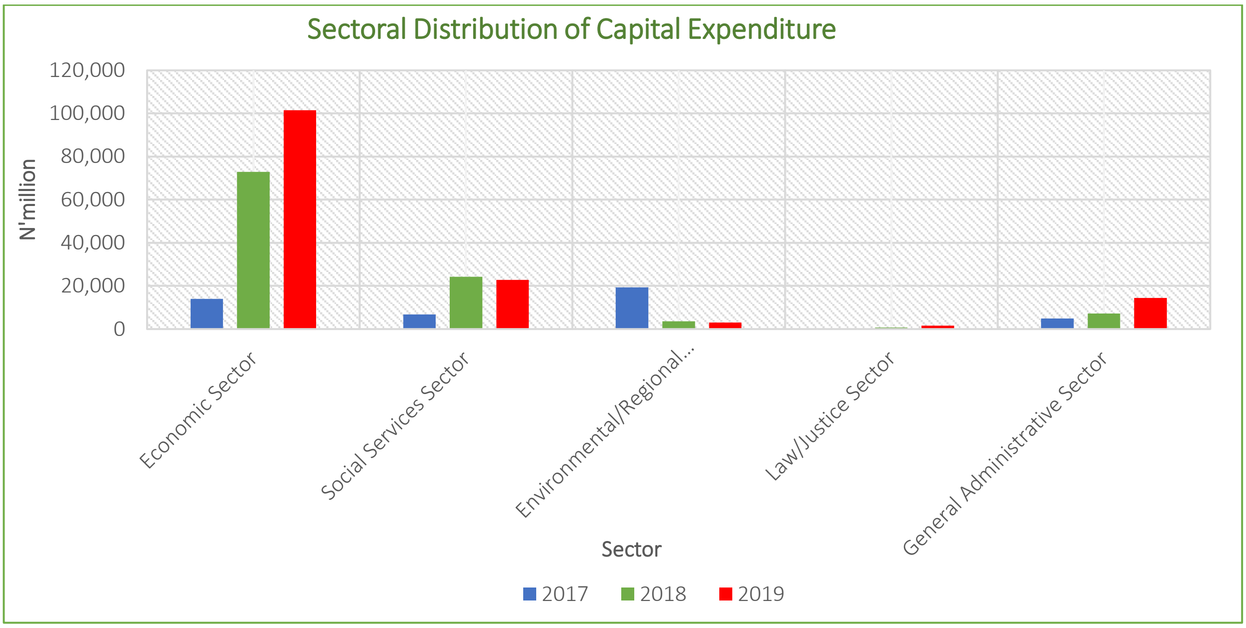


Figure 61: *Capital Expenditure*

6.6.4.3 Comparison of Revenue to Recurrent and Capital Expenditures.

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure was 64%, 59% and 54% of total revenue for 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2019, it decreased by 10% because of the decline in grants and contributions between 2018 and 2019.

Table 85: Comparison of Recurrent Expenditure and Total Revenue

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	289,899	394,270	398,878
Recurrent Expenditure	186,002	231,636	215,752
Percentage of Total Recurrent Expenditure to Total Revenue	**64%**	**59%**	**54%**

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

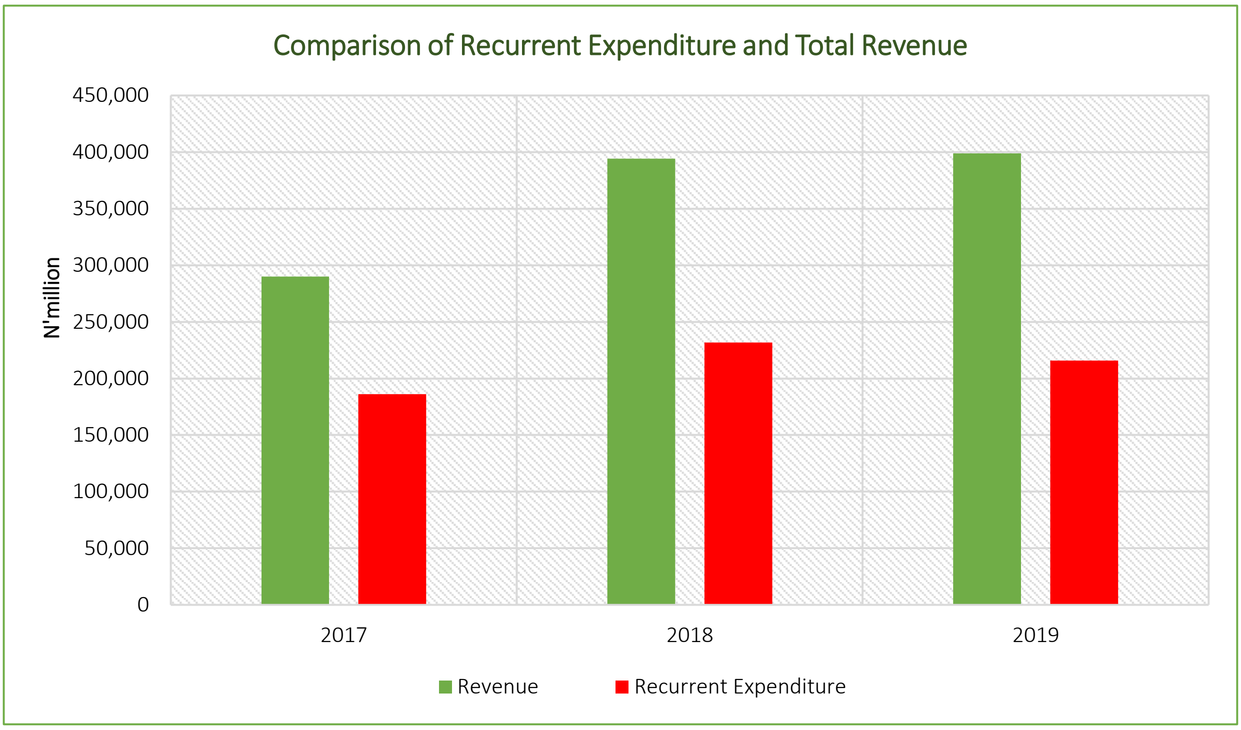


Figure 62: *Comparison of Recurrent Expenditure and Total Revenue*

A comparison of the capital expenditure with total revenue shows that capital expenditure represents 16%, 28% and 36% of total revenue for 2017, 2018 and 2019 respectively. The expenditure increased by 12.09% between 2017 to 2018 and 8.35% in 2019 due to increase in spending on the economic and general administrative sectors.

***Table 86:** Comparison of Capital Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	289,899	394,269	398,878
Capital Expenditure	44,945	108,784	143,362
Percentage of Total Recurrent Expenditure to Total Revenue	**15.50%**	**27.59%**	**35.94%**

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

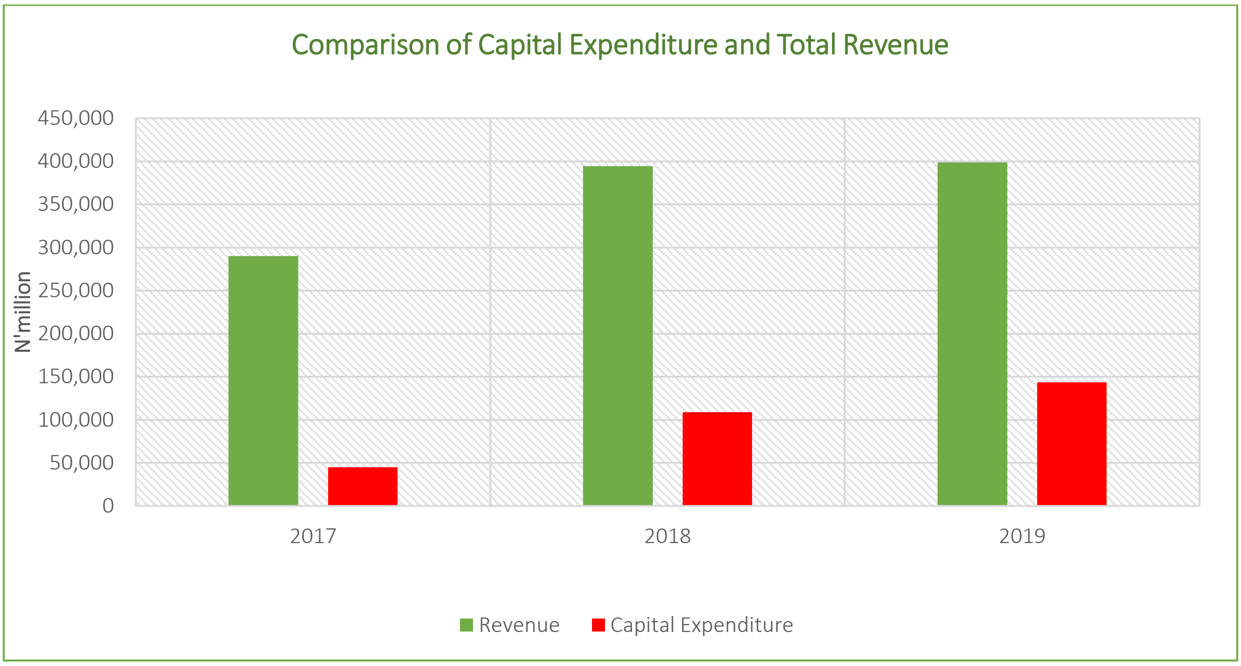


Figure 63: Comparison of Capital Expenditure and Total Revenue

6.6.5 Summary of findings and recommendations

The table below present a summary of findings and recommendations.

Findings	Recommendations
Federal Allocation Receipts: The ratio of Federal allocation to the state revenue dropped from 66% in 2017 to 60% in 2019. This indicates a consistent growth in State's IGR capacity during the three (3) years under review.	The state should put measures in place to sustain the innovations that led to increase in the IGR to guarantee self-sufficiency.
Capital Expenditure: There was a yearly increase in the capital expenditure of the state. The percentage of capital expenditure to total expenditure for the years 2017, 2018 and 2019 was 17%, 30% and 38% respectively. The increase in capital expenditure indicates a prioritization of infrastructural development.	The state should continue to improve on its capital vote to help close the infrastructural gaps as this will also trigger private sector investments that will positively impact on the state's macro-economic objectives.
Recurrent Expenditure: There was a yearly decrease in percentage of recurrent expenditure as against total expenditure. This is a reflection of the state's focus on capital spending.	The State Government should critically review its current expenditure on personnel and overhead with a view to keep it at a sustainable level.

6.7 Gombe State

6.7.1 State Profile

Gombe State is a multi-ethnic society located at the center of the North-East geopolitical zone of Nigeria. The state capital is Gombe. It shares common boundaries with Adamawa and Taraba states to the South, Bauchi State to the West, Borno State to the East and Yobe State to the North. It is commonly known as “Jewel in the Savannah”. The state has 11 local government areas with an estimated population of 3.3 million (NPC data, 2016) and a landmass of 20,265 Km^2 (NBS).

The key economic activities of the state are agriculture, animal husbandry, solid minerals, traditional crafts of weaving and dyeing of cotton. It is predominantly an agricultural producing state, the agricultural commodities are cotton, maize, groundnut, millet and guinea corn. Other economic activities are cattle rearing and mining of gold, columbite, coal, limestone, iron and antimony. For further information visit http://www.gombestate.gov.ng/.

6.7.2 Receipts

The state receipts for the period under review are broadly classified into the following:

- Federal Allocation
- State Internally Generated Revenue
- Grants
- Loans

The ratio of Federal allocation to state’s receipts (excluding loans and grants) during the period under review was 79.52%, 77.16% and 75.45% respectively. The drop in the ratio of Federal allocation to total state’s receipts was because of the improvement in the state’s IGR capacity.

IGR grew by 44% in 2018 and 4.5% in 2019. This was because the state’s strategies for revenue generation yielded positive results. However, the state augmented its receipts with a total of ₦29.6billion loans.

It is important for the state to continue in its revenue drive to ensure that the state is able to meet its future expenditure budget without necessarily relying on Federal allocation. For more information on monthly analysis of receipts, See **Appendix 24.** The table below shows the breakdown of receipts.

Table 87: Breakdown of Receipts

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total receipts %
1.0	**Federal Allocation**					
1.1	Statutory Allocation	26,708	40,052	38,785	105,545	41.41
1.2	VAT	9,073	10,146	10,941	30,160	11.83
1.3	Paris Club Refund	8,946	8,396	5,597	22,939	9

1.7	Exchange Gain	1,602	1,135	550	3,286	1.29
1.5	Excess Crude	1,828	582	221	2,631	1.03
1.1	Augmentation	-		918	918	0.36
1.9	Forex Equalization	-		322	322	0.13
1.4	Stabilization Fund	191	-	-	191	0.07
1.6	Solid Mineral	-	-	79	79	0.03
1.8	NNPC Refunds	-	69	-	69	0.03
	Total Federal Allocation (a)	**48,348**	**60,380**	**57,412**	**166,140**	**65.00**
2.0	State receipts					
2.1	Internally Generated Revenue	5,492	7,490	6,832	19,814	7.77
2.2	Miscellaneous Capital Receipts	2,208	4,479	5,695	12,382	4.86
2.3	Below-The-Line Receipts	4,749	5,906	6,153	16,808	6.59
	Total State Revenue (b)	**12,449**	**17,875**	**18,680**	49,004	**19.00**
3.0	Grants					
3.1	Grants and miscellaneous	367	3,593	6,120	10,080	3.95
	Total Grants(c)	**367**	**3593**	**6120**	**10,080**	**4.00**
4.0	Loans					
4.1	Internal Loans	10,107	3,190	13,500	26,797	10.51
4.2	External Loans	217	552	2,100	2,869	1.13
	Total loans (d)	**10,324**	**3,742**	**15,600**	**29,666**	12.00
	Total Receipts (e = a+b+c+d)	**71,488**	**85,590**	**97,812**	**254,890**	**100.00**

Source: *Validated Template and Audited Financial Statements for 2017 – 2019*

6.7.3 Statutory Deduction

Statutory deductions relate to state government's loans that are tied to Irrevocable Standing Payment Order (ISPO) which are deductible at source. During the period under review, the total statutory deductions amounted to ₦26.8billion. These deductions increased significantly in 2019 by 27%. The loan repayment deductions have direct impact on the state's revenue and excess borrowings could result in unsustainable debt burden. Hence, the purposes for which loans are taken need to be carefully reviewed to ensure that the facilities are used for projects that support economic growth either directly or indirectly. The statutory deduction for the period under review is presented in the table below:

Table 88: *Statutory Deduction for 2017 – 2019*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Contractual Obligation (ISPO)	4,337	4,236	6,405.50	14,979
Internal loans	3,403	3,594	3,626.40	10,623
External Debt	329	423	412.7	1,165
Total	**8,070**	**8,253**	**10,445**	**26,767**

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

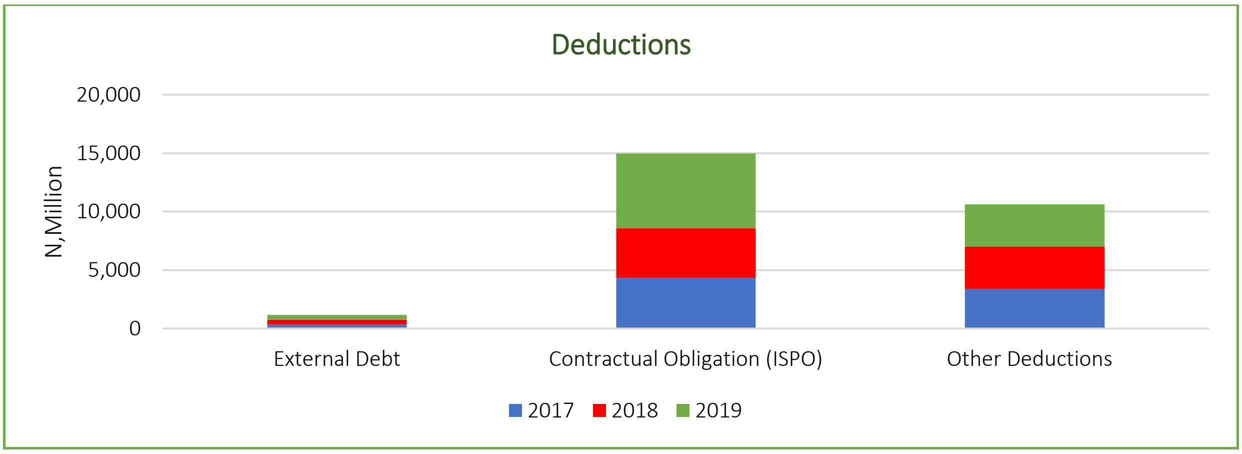


Figure 64: *Statutory Deduction 2017 – 2019*

6.7.4 Expenditure

The states expenditure for the period under review can be classified into:

- Recurrent Expenditure
- Capital Expenditure

6.7.4.1 Recurrent Expenditure

Personnel emolument (wages, salaries and employee benefits) accounted for 32.13%. In summary, personnel emolument, overheads and public debt charges represents 84.11% of the total recurrent expenditure for the years 2017 – 2019. For detailed analysis of expenditure, see **Appendix 25.** The table below shows a breakdown of recurrent expenditure.

Table 89: *Recurrent Expenditure 2017 – 2019*

Recurrent Expenditure Heads	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Personnel Emolument	17,396	19,277	19,330	56,003	32.13
Overhead Cost	13,872	19,877	18,716	52,465	30.10
Public Debt Charges	10,400	13,822	13,915	38,137	21.88
Below the line expenses	5,679	4,826	5,141	15,646	8.98
Pensions and Gratuities	3,037	3,319	4,674	11,030	6.33
CRF charges	688	166	166	1,020	0.59
Total Recurrent Expenditure	**51,072**	**61,287**	**61,942**	**174,301**	**100**

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

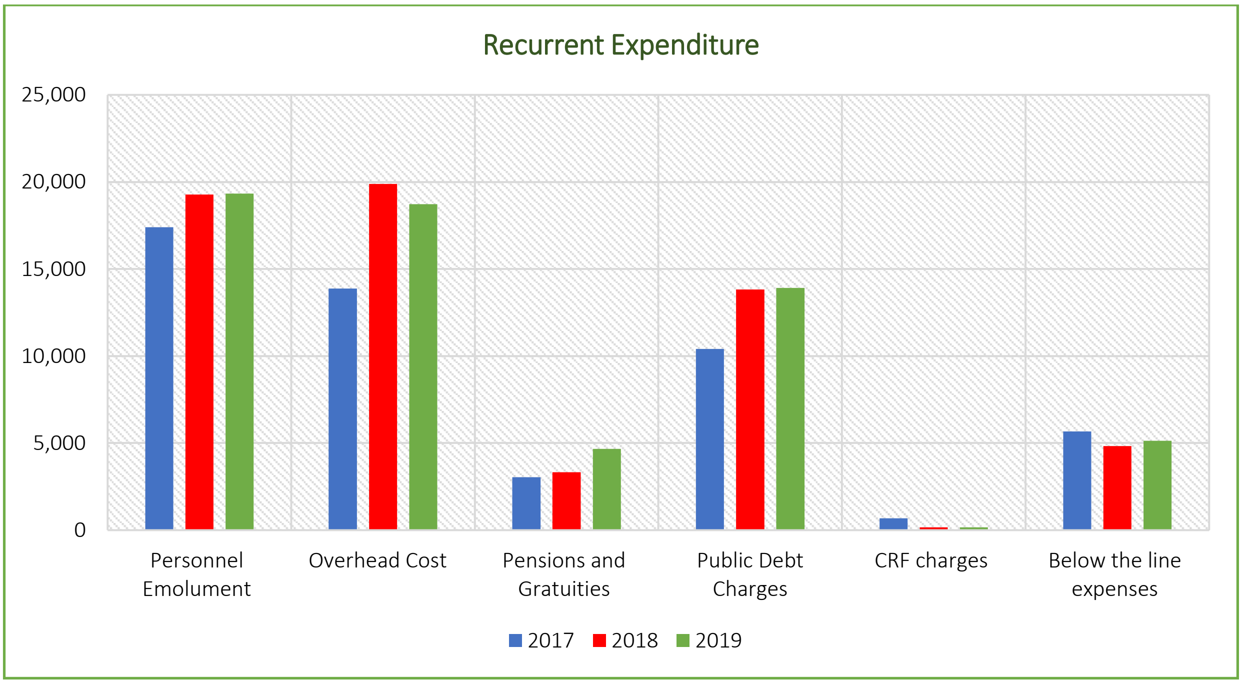


Figure 65: *Breakdown of recurrent expenditure for the years 2017 – 2019*

6.7.4.2 Capital Expenditure

The focus on capital expenditure between 2017 to 2019 was on housing and community amenities. The State Government spending on housing and community amenities accounted for 49.91% of the total expenditure during the years under review. For more information, see **Appendix 26.**

Table 90: *Capital Expenditure 2017 – 2019*

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Housing and Community Amenities	9,302	13,207	14,356	36,865	49.91
Economic Affairs	3,154	3,283	5,497	11,934	16.16
Education	1,667	5,008	3,670	10,345	14.01
Social Protection	528	855	3,035	4418	5.98
General Public Services	938	957	2,370	4265	5.77
Environmental Protection	1,189	1,621	1,400	4,210	5.70
Health	502	771	351	1624	2.20
Public Order and Safety	91	74	28	193	0.26
Recreation, Culture and Religion	-	-	10	10	0.01
Total	**17,371**	**25,776**	**30,717**	**73,864**	**100**

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

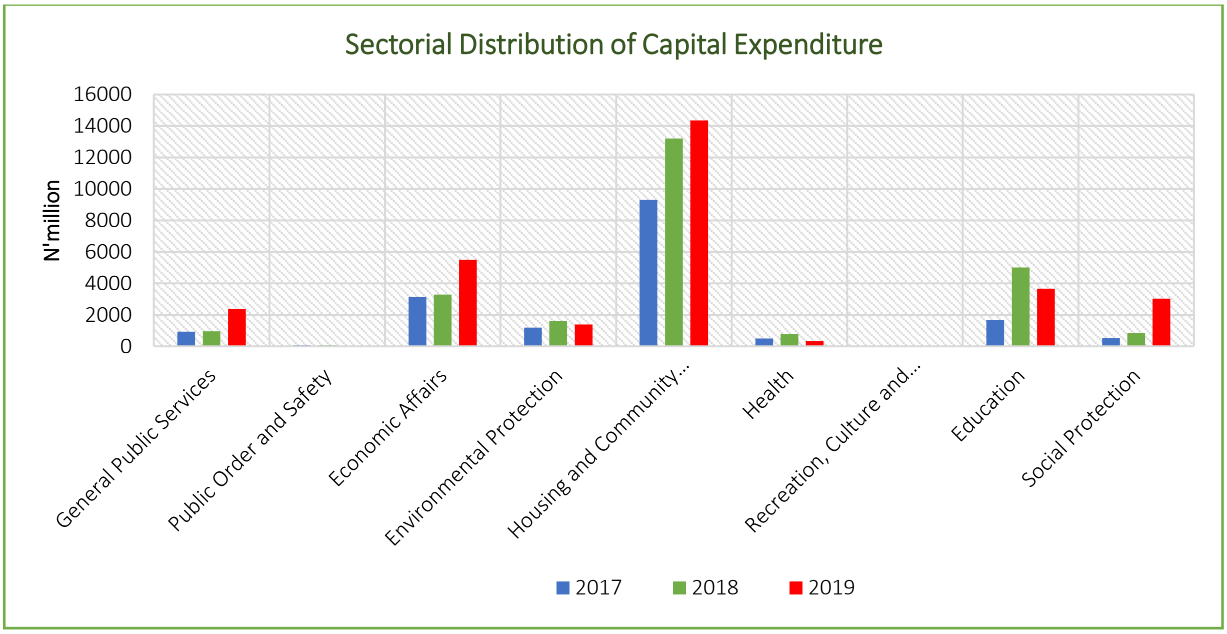


Figure 66: *Sectorial Distribution of Capital Expenditure 2017 -2019*

6.7.4.3 Comparison of Revenue to Recurrent and Capital Expenditures

A comparison of the recurrent expenditure to total revenue shows that recurrent expenditure was 71.40%, 71.50% and 63.60% of total revenue for 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2019, it increased by 21% because of the rise in personnel and overhead cost

Table 91: Comparison of Recurrent Expenditure and Total Revenue

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	71,488	85,590	97,812
Recurrent Expenditure	51,072	61,287	61,942
Percentage of Total Recurrent Expenditure to Total Revenue	71.40%	71.50%	63.60%

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

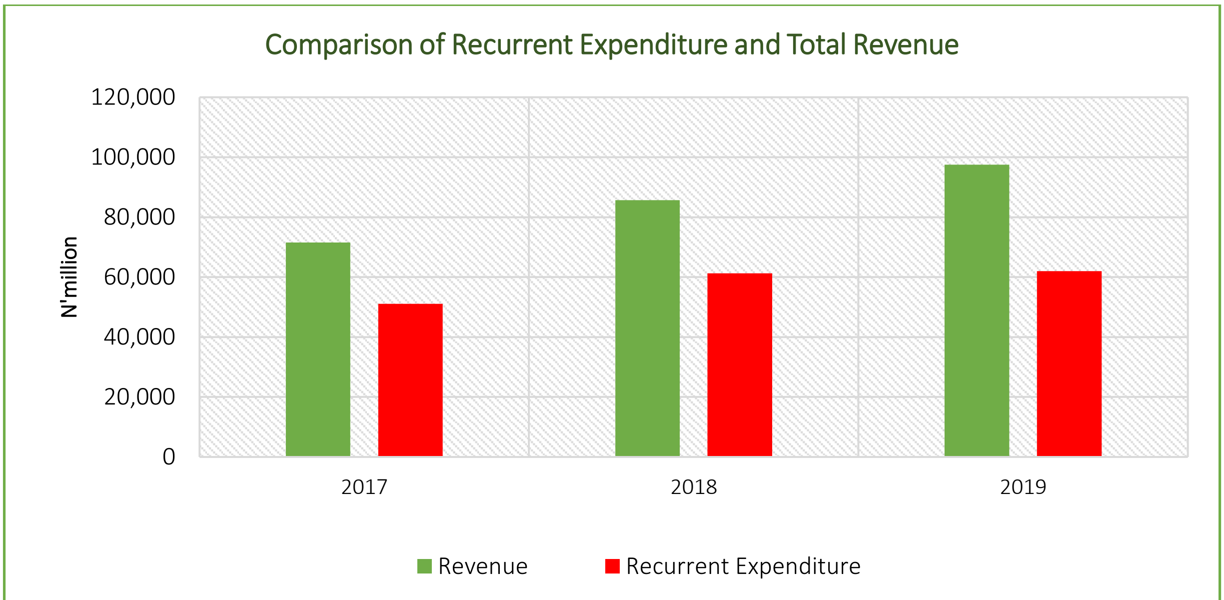


Figure 67: *Comparison of Recurrent Expenditure and Total Revenue*

A comparison of the capital expenditure with total revenue shows that the expenditure was 24.27%, 30.09% and 31.52% of total revenue for 2017, 2018 and 2019 respectively. The expenditure increase by 23.98% between 2017 to 2018 and 4.75% in 2019 because of spending on housing and communities' amenities and economic affairs.

Table 92: Comparison of Capital Expenditure and Total Revenue

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	71,488	85,590	97,812
Capital Expenditure	17,371	25,776	30,717
Percentage of Total Recurrent Expenditure to Total Revenue	24.27%	30.09%	31.52%

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

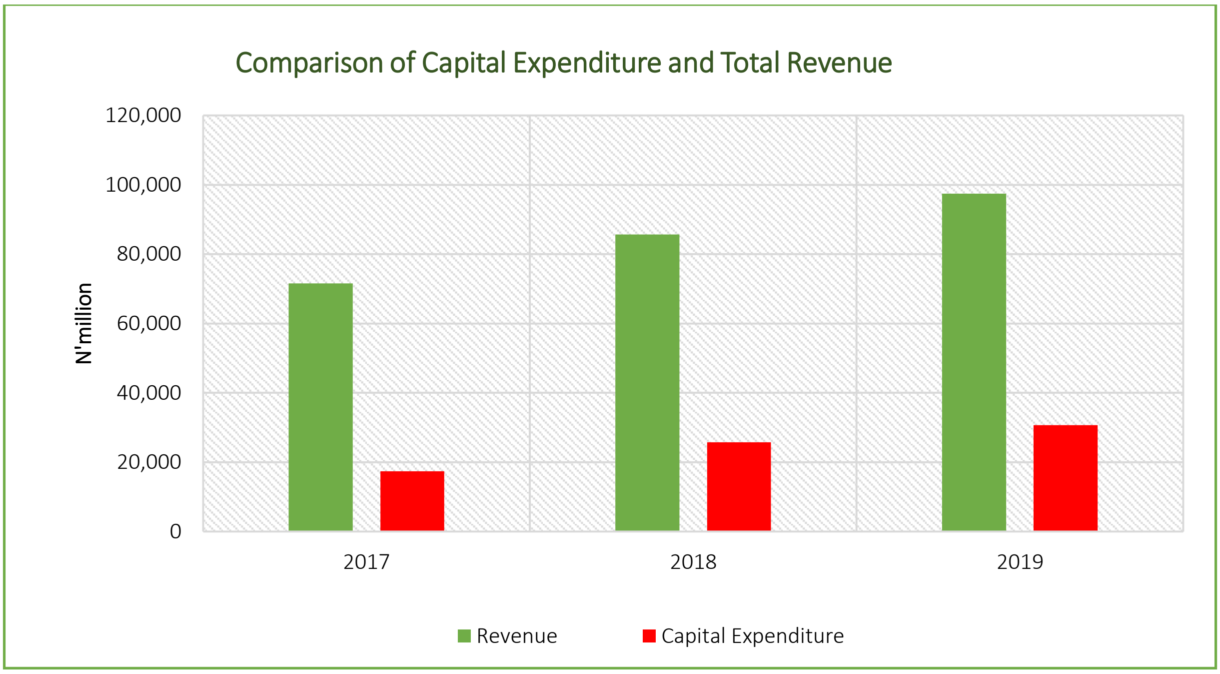


Figure 68: *Comparison of Capital Expenditure and Total Revenue*

6.7.5. Summary of findings, implications and recommendations

The table below contains the summary of findings, implications and recommendations based on the audit.

Findings	Recommendations
Federal allocation receipts: The state is highly dependent on Federal allocation, notwithstanding that there was a drop in ratio of Federal allocation to state's revenue during the period under review. This indicates that the state is not self-sustaining and may not be able to withstand the challenges that may arise from fluctuations in oil prices.	It is important for the state to continue its revenue drive to ensure that the state meets its expenditure budget without necessarily relying on Federal allocation.
Internally Generated Revenue: The state made progress at improving its revenue generation. IGR grew by 44% in 2018 and further 4.5% in 2019.	The state should continue to innovate to improve their IGR potentials to guarantee future self-sufficiency. However, there may be need for the State to review its current IGR strategies to achieve sustainable revenue growth.
Loans: The state augmented its revenue with a total of ₦29.6billion loans during the period under review.	The purpose for which loans were taken needs to be carefully reviewed to ensure that the facilities are not used for projects that are not self-financing either directly or indirectly.
Expenditure pattern: The total expenditure of the state for the period under review was ₦274.9billion. The ratio of capital expenditure to total revenue was 24%, 30% and 31%.	It is imperative for the state to increase its allocation to capital projects in order to improve infrastructure, which is a prerequisite for economic development in the state. However, policy makers should consider prevailing fiscal objectives to stimulate economic activities.

6.8 Imo State

6.8.1 State Profile

Imo State is in the South-East geopolitical zone of Nigeria. The state capital is Owerri and is bounded in the North by Anambra State, West by Delta State, East by Abia State and in the South by Rivers State. It takes its name from the Imo River which flows along the state's eastern border. It is known as the Eastern Heartland.

Imo state has 27 local government areas with an estimated population of 3.9 million (NPC data, 2016) and a landmass of 5,530 Km^2 (NBS). The state is one of the oil producing states in Nigeria, and contributes 2% to the national crude oil revenue. Other natural resources within the state are calcium carbonate, clay, fine sand, lead and zinc.

The state's economy is driven by agricultural production. The major agricultural commodity in the state is palm oil. Other significant economic activities include commerce and gas production. For further information visit, http://www.imostate.gov.ng/

6.8.2 Receipts

The state's total receipts were significantly impacted by Paris Club refund in 2017 and 2018 which accounted for 33.8% and 15.9% of the state's total receipts respectively. The total receipts increased from ₦79.9 billion in 2017 to ₦85.49 billion in 2018 and dropped to ₦81.74 billion in 2019. The decrease was because of non-receipts from Paris club refund and a drop in 13% derivation from Federal allocation in 2019.

It is imperative to note that the state is highly dependent on Federal allocation. Thus, when Federal allocation is low, it may become difficult for the State to seamlessly implement its budget. It is therefore, expedient for the state to creatively develop strategies to improve their revenue generation capabilities to guarantee sustainability and economic growth. For more information on the receipts, see **Appendix 27.** The breakdown of the receipts is in the table below:

Table 93: Receipts

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
1	Federal Allocation					
1.1	Statutory Allocation	23,365.95	44,209.95	42,811.62	110,387.51	44.66
1.2	Paris Club Refund	27,023.11	12,700.71	-	39,723.82	16.07
1.3	VAT	8,800.80	11,997.82	13,036.14	33,834.75	13.69
1.4	13% Derivation Received	2,888.41	5,999.62	9,307.08	18,195.11	7.36
1.5	Exchange Gain	3,172.03	1,305.42	91.43	4,568.89	1.85
1.6	Excess Crude	2,256.03	924.76	-	3,180.78	1.29
1.7	Forex Equalization Fund	-	-	1,395.17	1,395.17	0.56
1.8	Goods and Values Consideration	-	-	470.48	470.48	0.19
1.8	NNPC Refunds	-	92.86	85.54	178.4	0.07

1.9	Excess Bank Charges	-	-	101.79	101.79	0.04
1.10	Solid Mineral Revenue	-	-	56.81459	56.81	0.02
	Total Federal Allocation (a)	**67,506.33**	**77,231.14**	**67,356.06**	**212,093.53**	**85.81**
2	**State Generated Revenue**					
2.1	Internally Generated Revenue	12,348.37	8,267.05	14,385.94	35,001.36	14.16
2.2	Grants (Local)	4.89	-	-	4.89	-
	Total State revenue (b)	**12,353.26**	**8,267.05**	**14,385.94**	**35,006.25**	**14.16**
3	Loans (Local) (c)	65.5	-	-	65.5	0.03
	Total Receipts (d =a+b+c)	**79,925.09**	**85,498.19**	**81,742.00**	**247,165.28**	**100.00**
Source: *Audited Financial Statements 2017 – 2019*						

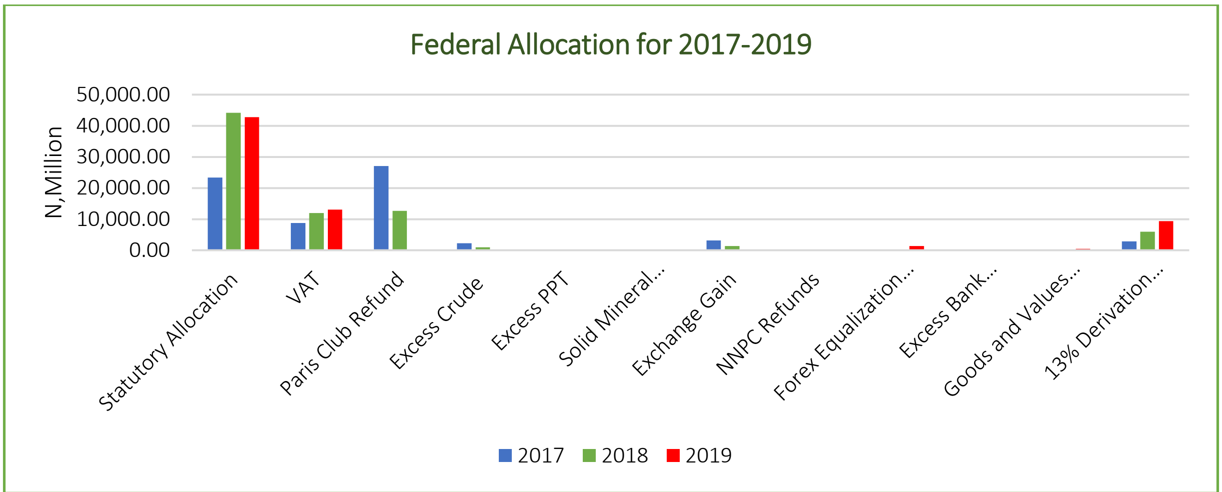


Figure 69: *Federal Allocation 2017 – 2019*

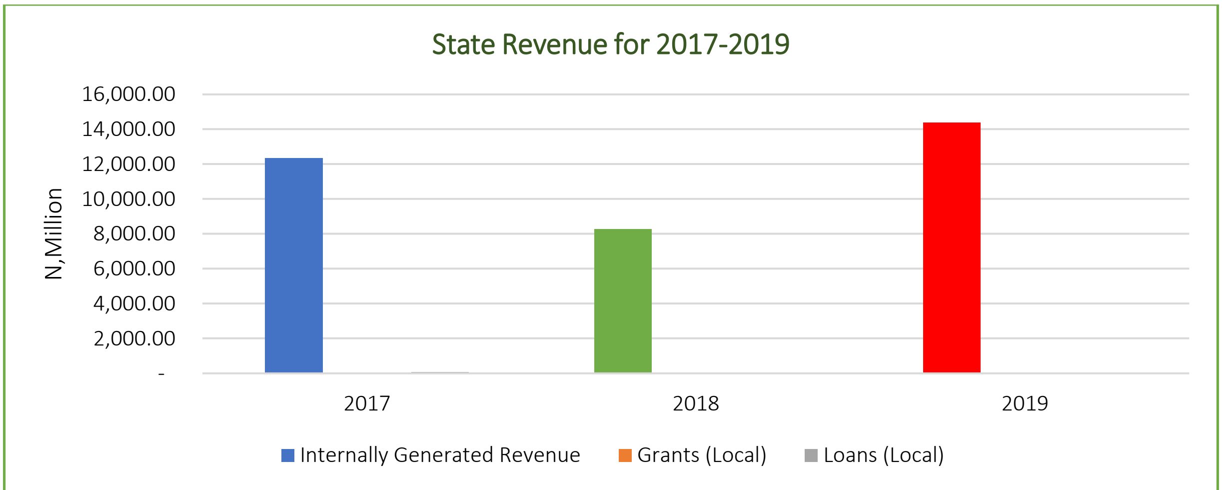


Figure 70: State revenue for 2017 – 2019

6.8.3 Statutory Deductions

The state government has obligation to make monthly payments as a result of past financial transactions that have resulted in Irrevocable Standing Payment Order (ISPO) issued to the FGN. The total statutory deductions on gross allocation to the State for the three (3) years was ₦31 billion.

The statutory deductions increased during the period under review and when compared with the state's internally generated revenue accounted for 70.30%, 126.49% and 81.95% in 2017, 2018 and 2019 respectively. This could have had a limiting effect on the capacity of the state to meet its recurrent and capital expenditure. The statutory deduction for the period under review is presented in the table below:

Table 94: *Summary of Statutory Deductions by FAAC 2017 – 2019*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Over Payment of 13% Derivation	31.92	-	-	31.92
Statutory Bail out to State	2,411.84	2,894.21	2,894.21	8,200.27
Excess Crude Loan Facility	899.73	1,079.67	1,079.67	3,059.07
For Restructuring of Commercial Loans into FGN Bonds	4,891.67	5,870.00	5,870.00	16,631.68
Arrears for Revenue to Akwa-Ibom State IRO Ekanga Oilfield	5.83	13.61	-	19.44
CBN MSME Development Fund	-	-	639.16	639.16
CBN Budget Support	-	-	682.94	682.94
External Debt	489.04	599.25	624	1,712.30
Total	**8,730.03**	**10,456.74**	**11,789.98**	**30,976.78**

Source: *Audited Financial Statements 2017 – 2019*

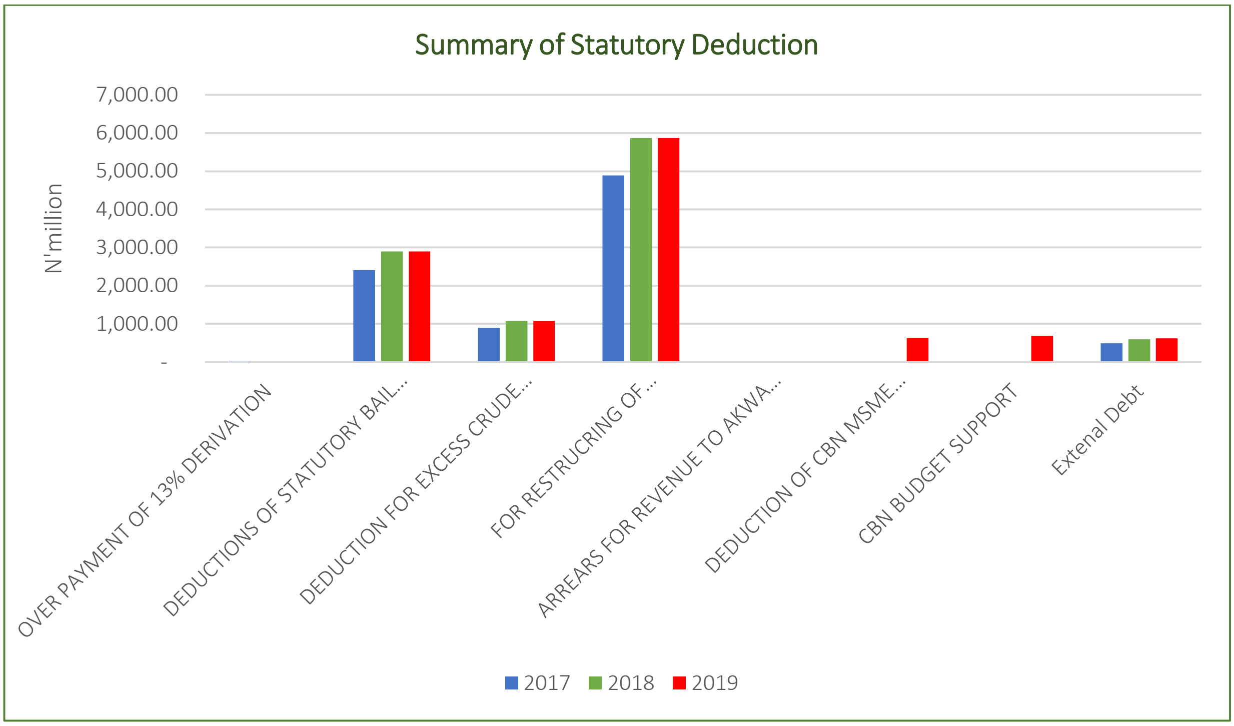


Figure 71: *Internal and External Loans 2017-2019*

6.8.4 Expenditure

The state's expenditure for the period under review can be classified into:

- Recurrent Expenditure
- Capital Expenditure

6.8.4.1 Recurrent Expenditure

The state recurrent expenditure decreased by 2% between 2017 and 2018 due to decrease in the pension and gratuities. However, recurrent expenditure increased by 38.4% in 2019. This was attributed to the increase in grants and subventions, overhead cost, pensions and gratuities and local loan servicing. For more information, see **Appendix 28.** The breakdown of recurrent expenditure is presented in table below:

Table 95: Recurrent Expenditure 2017 - 2019

Recurrent Expenditure Heads	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Grants & Subventions	12,343.48	14,288.73	14,290.59	40,922.80	28.90
Overhead Costs	4,730.10	7,666.44	16,384.09	28,780.63	20.33
Local Loan Servicing	7,195.40	8,502.87	9,047.00	24,745.27	17.48
Personnel Emolument	6,007.97	7,574.31	8,856.55	22,438.83	15.85

Pensions & Gratuities	11,360.41	2,656.31	7,596.12	21,612.84	15.26
CRF Charges	609.625	758.32	1,222.65	2,590.60	1.83
International Loan Servicing	152.6	149.39	158.02	460.01	0.32
Total	**42,399.59**	**41,596.37**	**57,555.02**	**141,550.98**	**100**
Source: *Audited Financial Statements 2017 – 2019*					

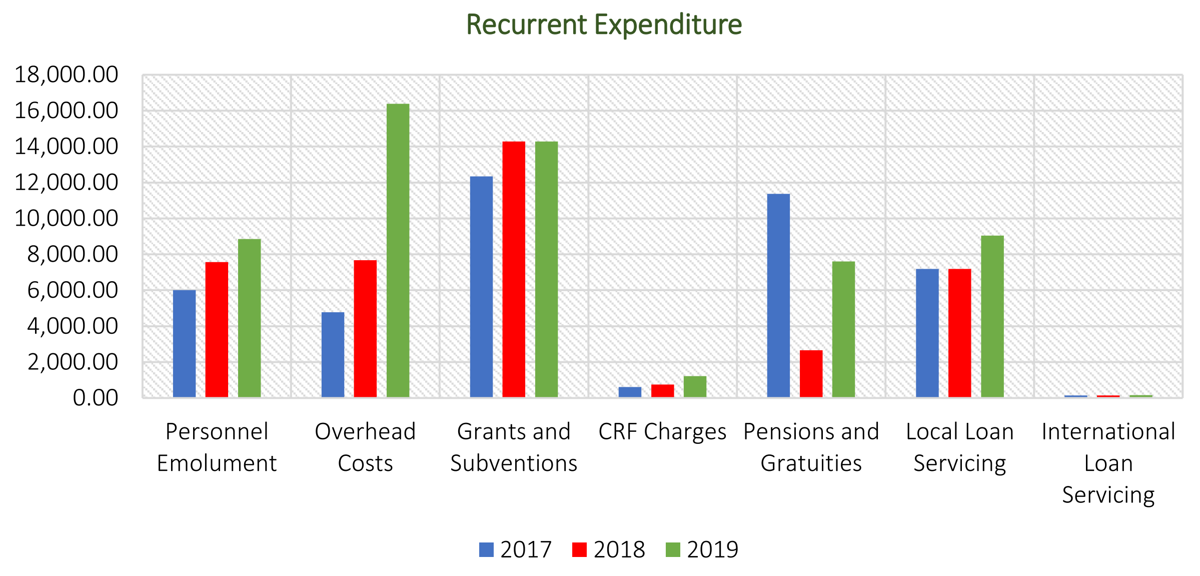


Figure 72: Recurrent expenditure for years 2017 – 2019

6.8.4.2 Capital Expenditure

The state spent a total of ₦120 billion on capital expenditure. Capital expenditure increased by 55% in 2018 due to increase in expenditure on general administrative sector. However, in 2019, there was a decrease by 48.45%. For more information on capital expenditure, see **Appendix 29.** The table below shows the sectoral distribution of capital expenditure.

Table 96: *Sectoral Distribution of Capital Expenditure 2017 - 2019*

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
General Adm. Sector	34,058.83	54,852.54	14,880.99	103,792.36	86.49
Economic Sector	1,287.90	-	11,048.67	12,336.57	10.28
Social Services Sector	378	762.55	2,739.36	3879.91	3.23
Total	**35,724.73**	**55,615.09**	**28,669.02**	**120,008.84**	**100**
Source: *Audited Financial Statements 2017 – 2019*					

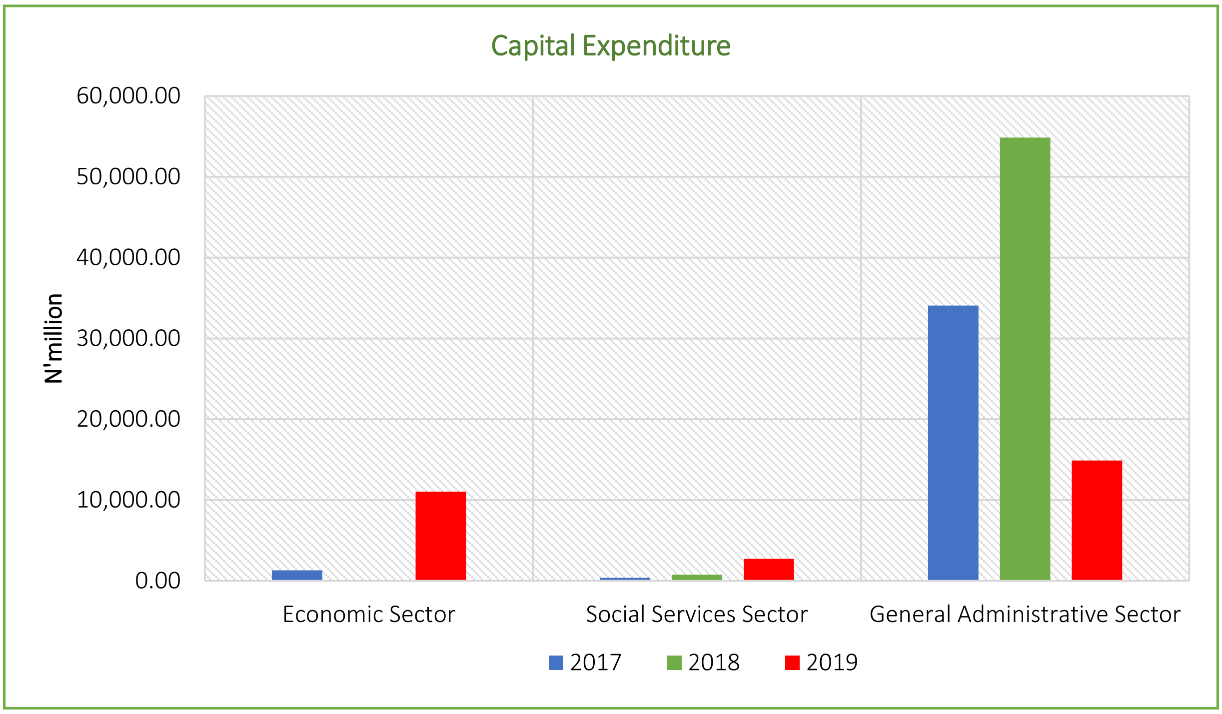


Figure 73: Capital Expenditure 2017 – 2019

6.8.4.3 Comparison of Revenue to Recurrent Expenditures

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure was 53%, 49% and 70% of total revenue for the years 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2019, it increased by 36% because of a decline in grants, local loan servicing and overheads.

***Table 97:** Comparison of recurrent expenditure to revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	79,925.09	85,498.19	81,742.00
Recurrent Expenditure	42,399.59	41,596.37	57,555.02
Percentage of Total Recurrent Expenditure to Total Revenue	53.11	48.65	70.41

Source: Audited financial statements for 2017 – 2019

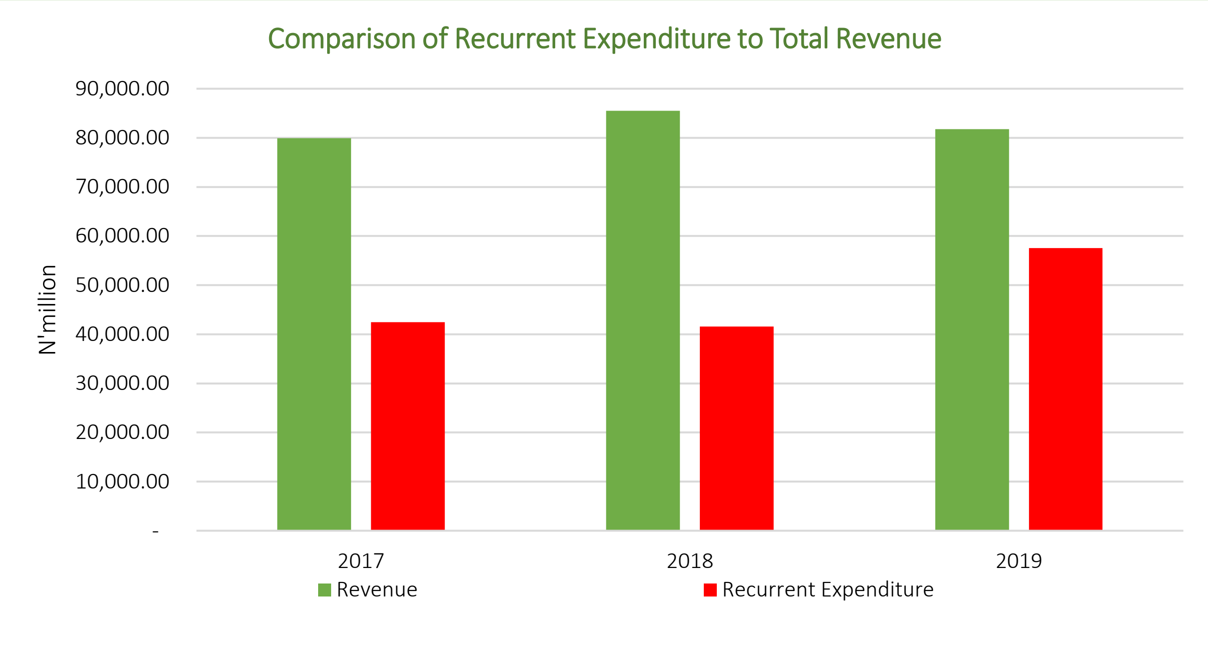


Figure 74: Comparison of recurrent expenditure to revenue

A comparison of the capital expenditure with total receipts shows that capital expenditure was 44.71%, 65.05% and 35.07% of total revenue for 2017, 2018 and 2019 respectively. It increased by 55.68% in 2018 and dropped by 48.45% in 2019 because of a 72.87% decline in general administrative sector.

***Table 98:** Comparison of Capital Expenditure to Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	79,925.09	85,498.19	81,742.00
Capital expenditure	35,724.73	55,615.09	28,669.02
Percentage of total capital expenditure to total receipts	44.7	65.05	35.07

***Source:** Audited Financial Statements 2017 – 2019*

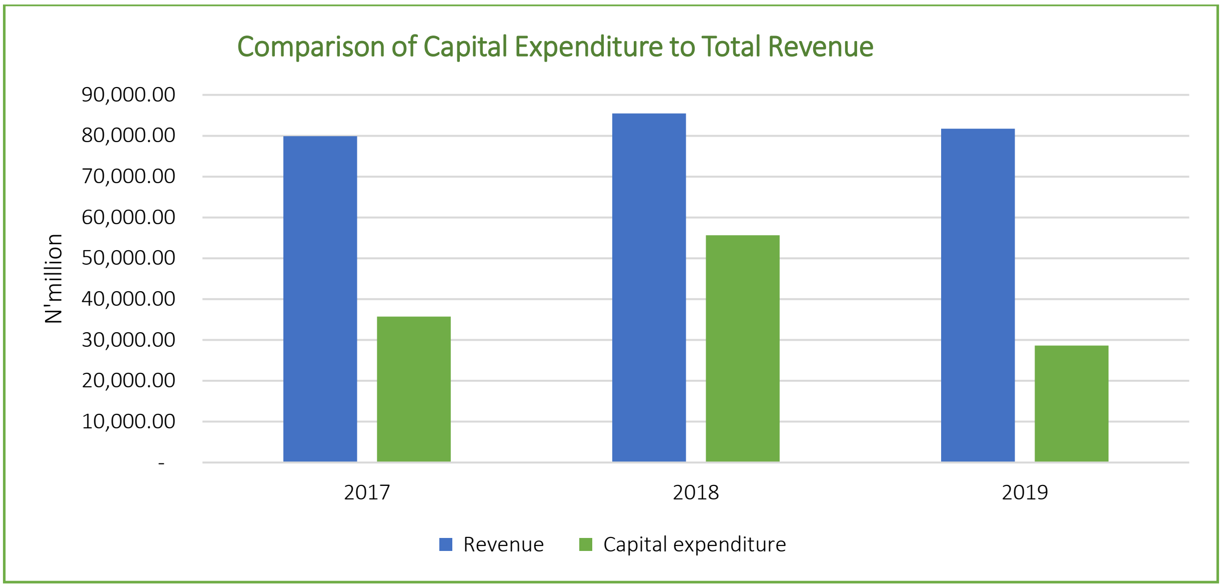


Figure 75: *Comparison of Capital Expenditure to Revenue*

6.8.5. Summary Of Findings and Recommendations

The table below presents the summary of findings and recommendations.

Findings	Recommendations
Federal Allocation Receipts: The Federal allocation receipts accounted for 85.8% of ₦247.17 billion for the period under review. This accounted for an average of 80% of the state total receipts for each year. This shows that the state is highly dependent on Federal allocation. Consequently, when there is a significant drop in Federal allocation, the state may find it difficult to seamlessly implement its budget.	It is expedient for the state government to creatively develop strategies for improving and sustaining its revenue generation capacity to ensure economic growth.
Statutory Deduction: The total statutory deductions on gross allocation to the state for the period was ₦30.98 billion. The deductions, when compared with the State's generated revenue, accounted for 70.30%, 84.20% and 94.94% in 2017, 2018 and 2019 respectively. This has a limiting effect on the capacity of the state to meet its recurrent and capital expenditure.	Borrowing should be judiciously utilized on viable investments in order to enhance the revenue generating capacity of the state. The level of borrowing should be closely monitored to ensure that they do not rise to a level where they become a burden to the state.
Capital Expenditure: The ratio of capital expenditure to total revenue was commendable in 2017 and 2018. However, there was a significant drop in 2019. The decline in capital expenditure as seen in 2019, if persistent, will adversely affect the ability of the state government to provide the necessary infrastructure needed to support economic development in the state.	The state government should make deliberate effort by using the extant laws to improve capital allocation to execute capital projects.
Recurrent Expenditure: The recurrent expenditure of the state in 2019 accounted for 70% of the total revenue, it was also high when compared to the capital expenditure in the year.	The current level of recurrent expenditure should be reviewed and controlled in order to improve the state's ability to create wealth and bring about economic growth and development to the state.

6.9 Kano State

6.9.1 State Profile

Kano State is situated in the North-West geopolitical zone of Nigeria. The state capital is Kano and the state is known as the "Centre of commerce" because of its major commercial and manufacturing driven economy.

The state has 44 local government areas and is the most populated state in Nigeria with an estimated population of 13.08 million (NPC data, 2016) and a landmass of 20,280 Km^2. The state shares a border with Katsina State to the North-West, Jigawa State to the North-East, Bauchi State to the South-East and Kaduna State to the South-West.

The state's economy is largely driven by commerce, manufacturing and agriculture. The major agricultural commodities are groundnut, cotton, onions, indigo, tobacco, wheat, millet, beans, cowpeas, Gum arabic and corn. The major industries in the state are textile, footwear, cosmetics, plastics, enamelware, pharmaceuticals, ceramics, furniture, rolled steel and light trucks. The state is also rich in solid minerals such as tin and columbite. For further information visit http://kanostate.gov.ng/.

6.9.2 Receipts

The total receipts of the state for the period under review was ₦420.43 billion. The Federal allocation component represents 71.18% while IGR accounted for 28.14%. Aids and grants received by the state and miscellaneous receipts accounted for 0.68% of the total revenue.

During the period under review, Statutory Allocation, Value Added Tax and Paris Club Refund amounted to ₦287.73 billion (96%) of the total Federal allocation. It is important to note that Paris Club Refund which is a non-regular source of revenue amounted to ₦48.24 billion (16%) of the Federal allocation during the fiscal years under review.

There was a drop in revenue receipt by ₦16.59 billion (15.61%) between 2018 and 2019 in Federal allocation due to non-receipt of Paris Club refund in 2019. Kano State internal revenue generation efforts during the period under review was generally poor. The IGR was ₦43.39 billion, ₦44.43 billion and ₦42,12 billion for 2017, 2018 and 2019 representing 29.58%, 29.48% and 21.11% of the total revenue respectively. For more information on receipts, see **Appendix 30.**

The table below shows a breakdown of receipts by the state government for 2017 to 2019.

Table 99: *Breakdown of Receipts*

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
1.0	Federal Allocation				
1.1	Statutory Allocation	44,975.22	67,446.28	65,313.00	177,734.50
1.2	VAT	20,667.70	19,702.93	21,379.66	61,750.29
1.3	Parish club	31,088.76	17,152.29		48,241.05
1.4	Forex Equalization Fund		1,679.32	1,584.70	3,264.02

1.5	Excess Crude	2,109.63	-	-	2,109.63
1.6	Solid Mineral Revenue	-	-	95.15	95.15
1.7	Exchange Gain	4,449.63	13.32	528.48	4,991.43
1.8	NNPC Refunds	-	166.68	97.24	263.92
1.9	Excess Bank Charges	-	115.48	155.29	270.77
1.10	Goods and Values Consideration	-	-	534.81	534.81
	Total Federal Allocation (a)	103,290.94	106,276.46	89,688.32	299,255.57
2.0	State receipt				
2.1	Internally Generated Revenue	42,419.81	44,107.38	31,795.34	118,322.53
2.2	Aids and Grants	684.21	-	-	684.21
2.3	Miscellaneous	282.24	318.62	1,564.40	2,165.26
	Total IGR (b)	43,386.26	44,426.00	33,359.74	121,172.00
	Total Receipts (c=a+b)	146,677.20	150,702.46	123,048.06	420,427.57

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

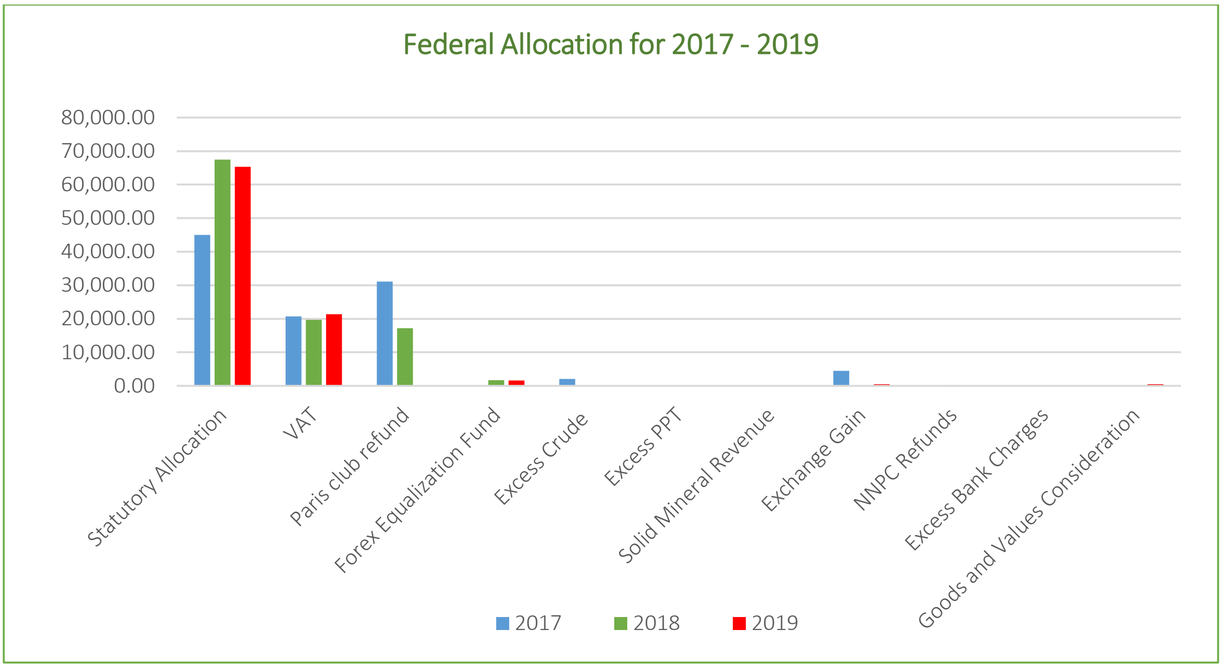


Figure 76: Federal Allocation for 2017 – 2019

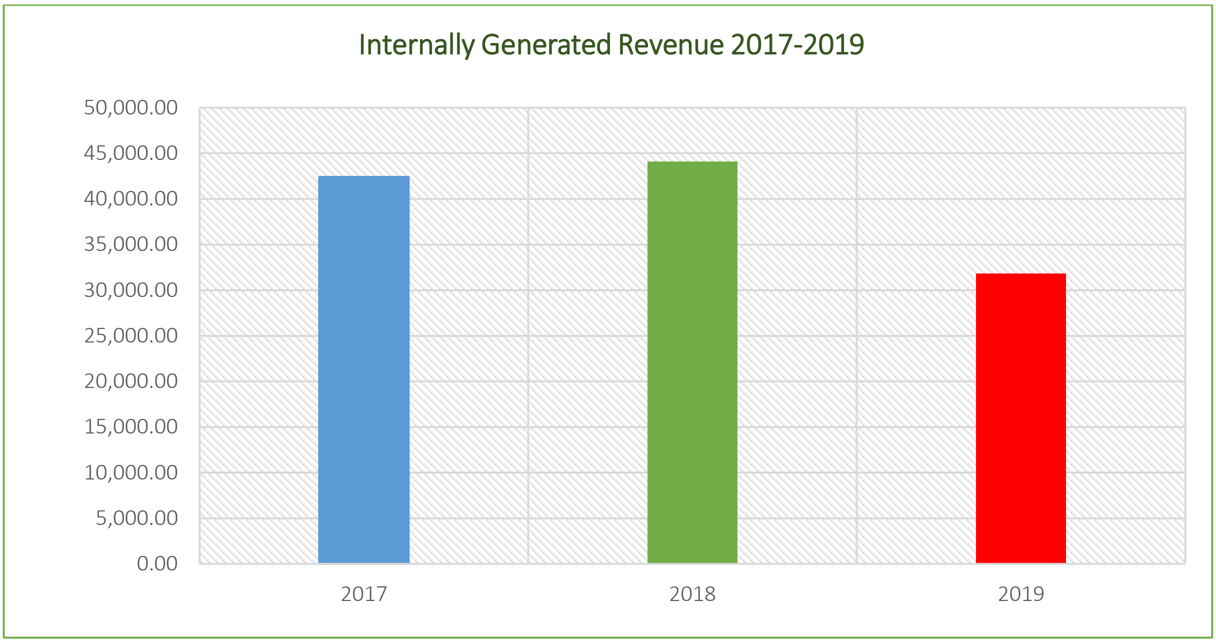


Figure 77: State Revenue 2017 - 2019

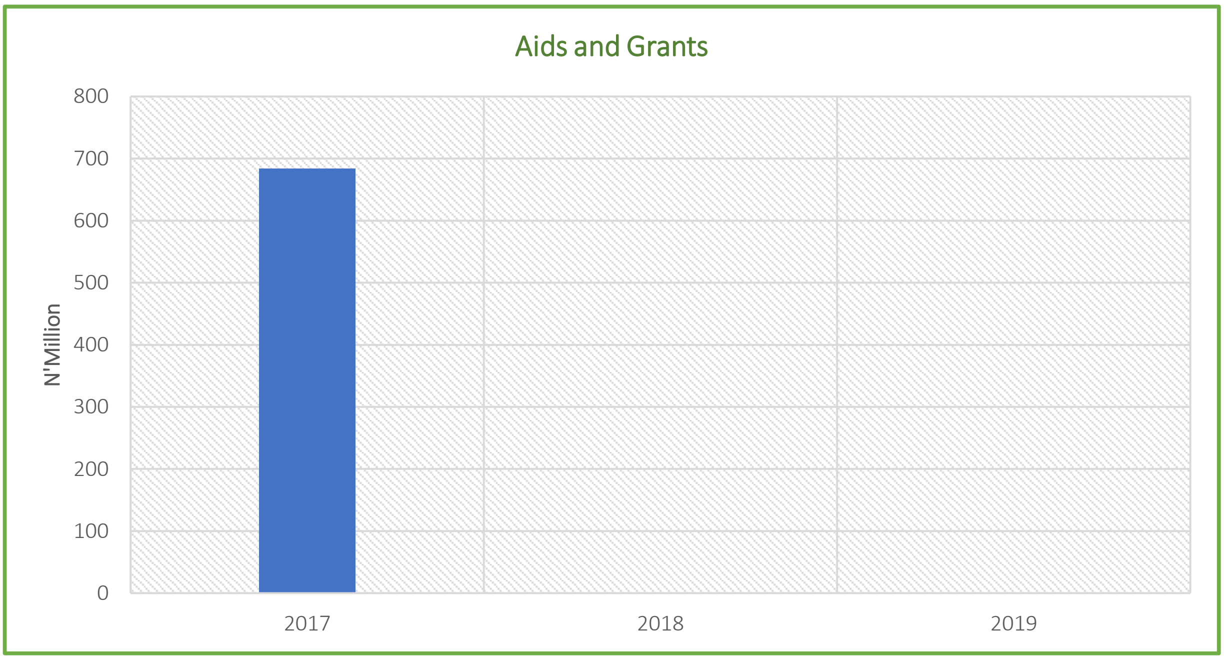


Figure 78: *Aids and Grants*

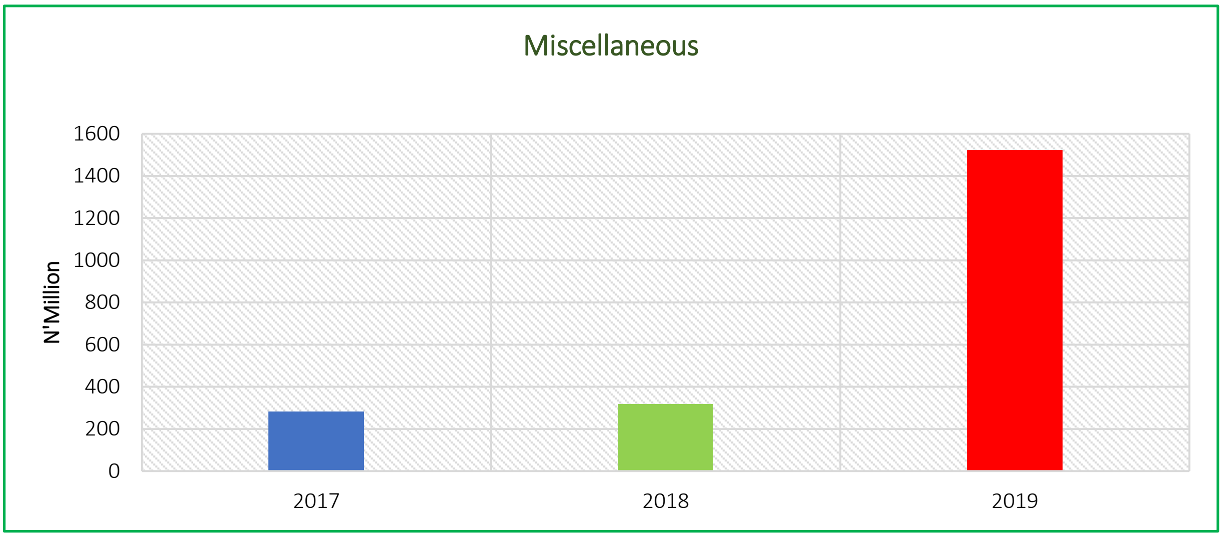


Figure 79: Miscellaneous

6.9.3 Statutory Deductions

The State Government is obligated to make monthly payments because of past financial transactions that have resulted in Irrevocable Standing Payment Order (ISPO) issued to the FGN. The total statutory deductions on gross allocation to the state for the three (3) years was ₦19.14 billion. These deductions decreased by 12.86% in 2018 and increased by 26.61% in 2019. Statutory deduction for the period under review is presented in the table below:

***Table 100:** Summary of Statutory Deductions 2017 – 2019*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
External Debt	602	629	842	2,073
Contractual Obligation (ISPO)	-	-	-	-
Internal loans	5,832	4,977	6,256	17,064
Total	**6,433**	**5,606**	**7,098**	**19,137**

***Source:** Validated Template and Audited Financial Statements 2017 – 2019*

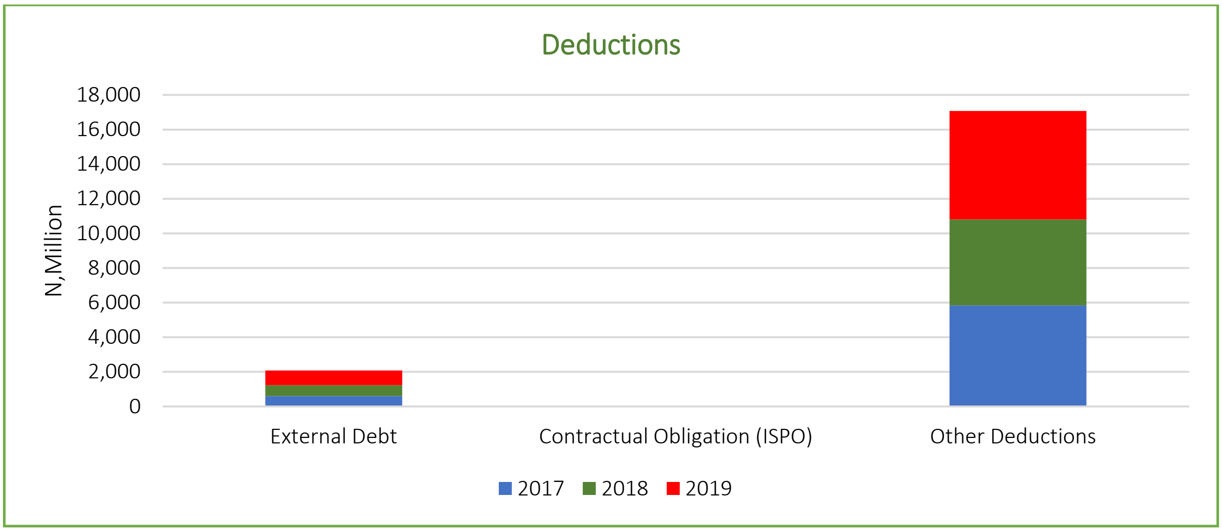


Figure 80: Statutory Deductions 2017 – 2019

6.9.4 Expenditure

The states expenditure incurred for the period under review can be classified into;

- Recurrent Expenditure
- Capital Expenditure

6.9.4.1 Recurrent Expenditure

The total state recurrent expenditure was ₦256.64 billion. Personnel emolument (wages, salaries and employee benefits) accounted for 65.52%. In summary, personnel cost and overheads accounted for 90.13% of the total recurrent expenditure. Personnel cost increased by 3.82% between 2017 and 2019. For more information on monthly recurrent expenditure see **Appendix 31.** The breakdown of recurrent expenditure is presented in the table below

Table 101: Recurrent Expenditure 2017 – 2019

Recurrent Expenditure Heads	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Personnel cost	54,002	56,067	58,082	168,151	65.52
Overheads	18,473	16,966	27,709	63,148	24.61
Public Debt Charges	3,015	3,163	3,372	9,550	3.72
Subventions	7,444	5,500	-	12,944	5.04
Cost of IGR collection	-	1,233	1,616	2,849	1.11
Total Recurrent Expenditure	**82,934**	**82,929**	**90,779**	**256,642**	**100**

Source: Validated Template and Audited Financial Statements 2017 – 2019

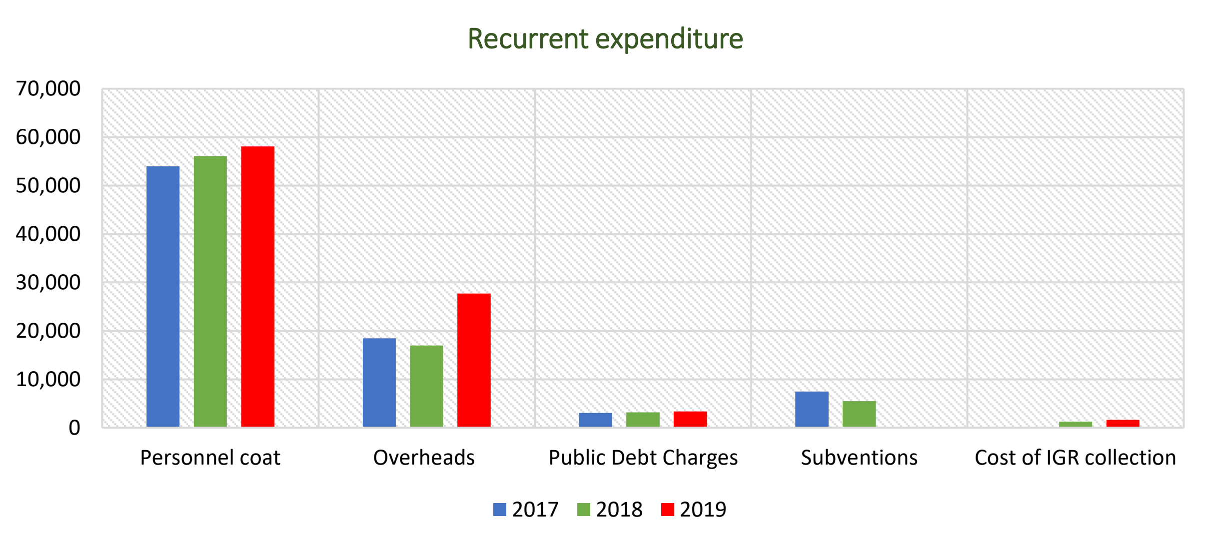


Figure 81: Recurrent Expenditure

6.9.4.2 Capital Expenditure

The state's total capital expenditure for the period under review was ₦172.13 billion. The expenditure focus was on regional development, social service and economic sector which accounted for 47.90%, 29.42% and 15.92% respectively giving a combined total of 92.83% of the total capital expenditure. Though there was no expenditure on regional development in 2019, the economic sector accounted for 61.63% of the total capital expenditure in that year. However, between 2018 and 2019, expenditure on the social service sector dropped significantly by 61.37% while the economic sector increased by 85.48% between 2018 and 2019. See **Appendix 32.**

***Table 102:** Capital expenditure 2017 – 2019*

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Regional Development	41,706	40,032	-	81,739	47.49
Social Service	11,304	28,379	10,964	50,648	29.42
Economic	7,885	223	19,286	27,395	15.92
Others	7,531	204	-	7,735	4.49
Administrative	2,154	894	920	3,969	2.31
Law and Justice	385	135	118	638	0.37
Total	**70,968**	**69,869**	**31,289**	**172,127**	**100.00**

Source: Validated template and audited financial statements for 2017 – 2019

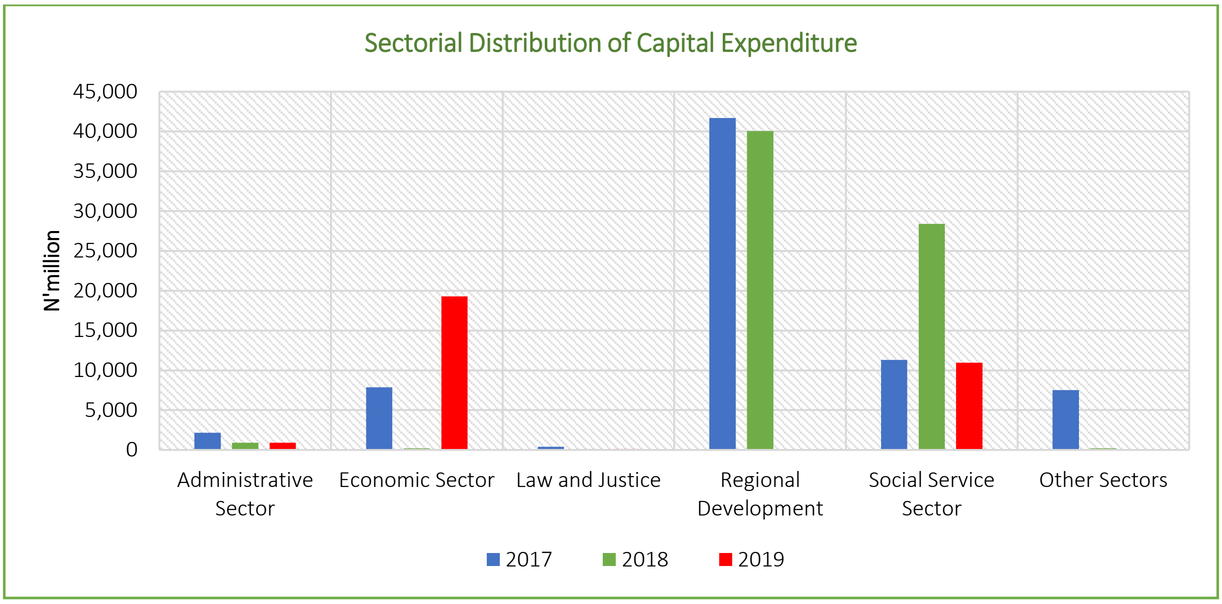


Figure 82: Capital expenditure

6.9.4.3 Comparison of Revenue to Recurrent and Capital Expenditures

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure was 60.93%, 59.06% and 79.57% of total revenue for 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2019, it increased by 9.53% because of the rise in personnel and overhead costs during the period.

Table 103: Comparison of Recurrent Expenditure and Total Revenue

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	146,677	150,702	123,006
Recurrent Expenditure	89,367	89,010	97,877
Percentage of Total Recurrent Expenditure to Total Revenue	60.93	59.06	79.57

Source: Validated template and audited financial statements for 2017 – 2019

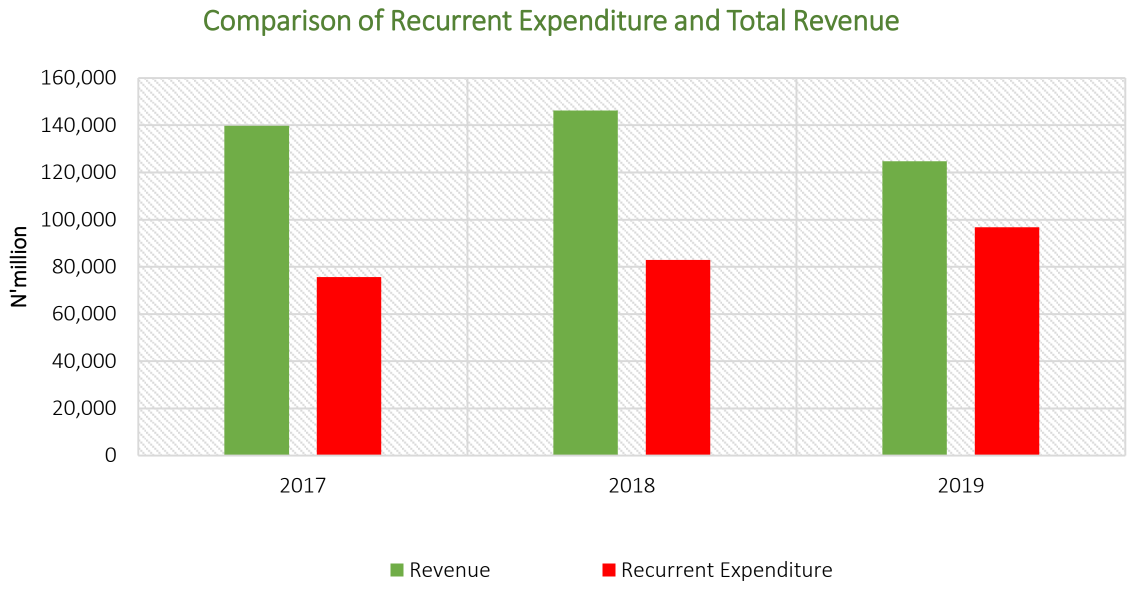


Figure 83: Comparison of recurrent expenditure and total revenue for 2017-2019

A comparison of the capital expenditure with total revenue shows that capital expenditure was 50.77%, 47.77% and 25.09% of total revenue for 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2018, it decreased by 3% and decreased by 22.68% between 2018 and 2019. The decrease is because of the fall in total capital expenditure.

***Table 104:** Comparison of Capital Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	139,783	146,264	124,724
Capital Expenditure	70,968	69,869	31,289
Percentage of Total Recurrent Expenditure to Total Revenue	50.77	47.77	25.09

Source: Validated template and audited financial statements for 2017 - 2019

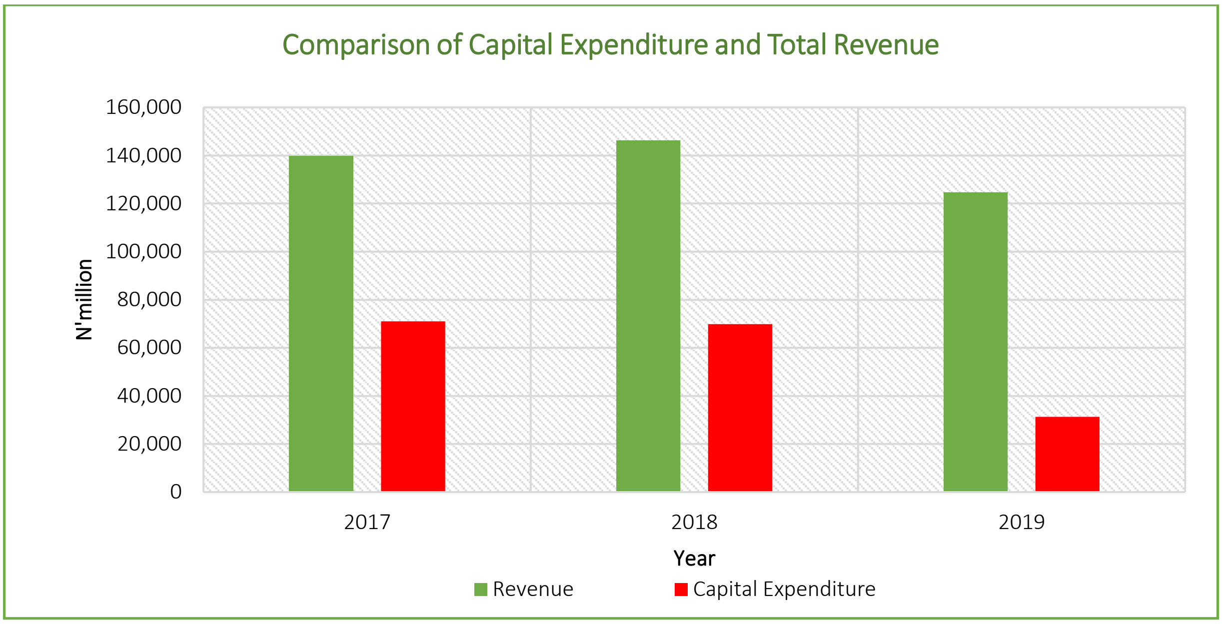


Figure 84: Comparison of Capital Expenditure and Total Revenue

6.9.5. Summary of findings, implications and recommendations

The table below contains the summary of findings and recommendations.

Findings	Recommendations
Receipts: Federal Allocation Receipts: The Federal allocation receipts represents 71.18% of ₦420.43billion total revenue. The Federal allocation receipts have consistently accounted for over 70% of the State's total revenue. During the three (3) years under review, Paris Club Refund which is a non-regular source of revenue, accounted for ₦48.24billion or 11.47% of the Federal Allocation. This non-regular source of income affected the State's total revenue in 2019 when the allocation was nil. Specifically, there was a drop in revenue receipt by ₦16.59billion or 15.61% between 2018 and 2019. This drop was substantially due to the non-receipt of Paris Club Refund during 2019 year by the State Government.	The receipt of this type of revenue by the State Government should challenge decision makers to think outside the box on creative ways to boost revenue generation.

Internally Generated Revenue: The State internal revenue generation efforts during the years under review is generally below average. This is because the Federal allocation was ₦103,290million, ₦106,276 million and ₦89,688 million while the IGR was ₦42,420million, ₦44,107million and ₦31,795million for 2017, 2018 and 2019 respectively. This represents a total of 71.18% for Federal allocation and 28.14% for internally generated revenue over the three (3) years under review. Specifically, the State's revenue generation capacity compared to Federal allocation has been between 31% to 33%.	The State Government should deliberately design strategies to boost the IGR potentials by using the instrumentality of the existing tax laws to bring corporate entities and individuals into the tax bracket. Furthermore, private investors should be attracted to the state through friendly and accessible incentives with a view to reinventing the massive agricultural and commercial potentials of the State.
Statutory Deductions: The State embarked on financial transactions that have now made it obligatory to make payments because of Irrevocable Standing Payment Order (ISPO) issued to the FGN. As a result of this, statutory deductions increased by 26.61% between 2018 and 2019. A comparison of the deductions with the State's revenue shows that it accounts for 15.80%. In addition, when compared with the IGR, it reveals that the amount represents 16.17%.	Loans should be judiciously utilized on viable investments in order to enhance the revenue generating capacity of the State. Also, loan level should be closely monitored to ensure that they do not rise to a level where they become a burden to the State.
Capital Expenditure: A comparison of the capital expenditure with total revenue shows that there has been a steady decline in the percentage of revenue spent on capital expenditure. Specifically, there was a significant decrease by over 56.77% between 2017 and 2019. Furthermore, expenditure analysis shows that there has been a steady fall in capital expenditure over the years under review, both in absolute and relative terms. In 2019-year, capital expenditure was 25.44% and 24.22% of total revenue and total expenditure respectively.	The State Government should explore ways and means, possibly using the instrumentality of law to improve the capital allocation. This way, the State will be able to deliberately appropriate a substantial part of the annual budget to capital expenditure. Thus, improving the investments in infrastructure that will ultimately lead to the economic growth and development of the state.
Recurrent Expenditure: The recurrent expenditure of the State is disproportionately high compared to the capital expenditure. In 2019-year, recurrent expenditure was 79.57% of total revenue. Also, between 2017 to 2019 years, it increased by 9.53% largely due to the consistent rise in personnel cost during the years under review.	The State Government should reverse the trend of high spending on recurrent expenditure in favour of capital expenditure to effectively achieve a balanced economic distribution of wealth.

6.10 Nasarawa State

6.10.1 State Profile

Nasarawa State is situated in the North-Central geopolitical zone of Nigeria and is known as the "Home of Solid Minerals". The State capital is Lafia. The State is surrounded on the North by Kaduna State, North-West by the Federal Capital Territory (FCT), North-East by Plateau State, South by Benue State, South-West by Kogi State and South-East by Taraba State.

Nasarawa state has 13 local government areas with an estimated population of 2.5 million (NPC data, 2016) and a landmass of 28,735 Km^2.

The main economic activities of the State are agriculture and mining. The cash crops cultivated are yam, cassava and melon. Apart from farming, the state is popularly known for its large production of minerals such as salt. Other economic activity of the State is mining of solid minerals like coal, copper, columbite, barite, iron ore and zinc.

The State is endowed with scenic beauty and features. Its temperate climate makes it attractive for tourism. For further information visit https://www.nasarawastate.gov.ng/profile/

6.10.2 Receipts

The State receipts for the period under review are classified into the following;

- Federal Allocation
- State Internally Generated Revenue
- Grants
- Loans

The ratio of federal allocation to total state revenue during the period under review was 66%, 76% and 70% respectively. There was an increase from 66% to 76% in 2018 and a drop in 2019 as shown in the table below. The state should therefore continue to innovate and improve their IGR capacity to guarantee self-sufficiency.

The state IGR increased by 41% between 2017 and 2019 which indicates that the strategies for IGR are yielding positive results.

During the period under review, the state received a total grant of ₦7 billion for capital projects, which accounted for 3% of state's total receipts. Furthermore, the state borrowed a total amount of ₦17 billion and these borrowings were about 8% of the total receipts by the state. Other income earned between 2017-2019 was ₦466 million. See **Appendix 33.**

The table below shows the receipts by the state government for 2017 to 2019.

Table 105: Breakdown of Receipts

S/N	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total receipts %
1	Federal Revenue					
1.1	Statutory Allocation	26,148	39,213	37,973	103,334	47
1.2	VAT	8,632	9,601	10,371	28,604	13
1.3	Paris Club Refund	9,102	5,104	4,003	18,209	8
1.4	Excess Crude	733	848	623	2,204	1
1.5	Exchange Gain	2,100	393	58	2,551	1
1.6	NNPC Refunds		132	57	189	-
1.7	Excess Bank Charges	-	216	90	306	-
1.8	Special Allocation	567	-	369	936	-
1.9	Goods and Values Consideration	-	-	311	311	-
Total Federal allocation (a)		**47,282**	**55,507**	**53,855**	**156,644**	71
2.0	State Receipts					
2.1	Internally Generated Revenue (b)	10,326	15,167	14,585	**40,078**	**18**
3.0	Grants					
3.1	Local Grants	1,128	1,371	1,662	**4,161**	2
3.2	International Grants	587	173	2,161	**2,921**	1
Total grants (c)		**1,715**	**1,544**	**3,823**	**7,082**	**3**
4.0	Loans					
4.1	Loans (Local)	9,366	700	5,000	**15,066**	7
4.2	Loans (International)	2,177	-	-	**2,177**	1
Total loans (d)		11,543	700	5,000	17,243	**8**
5.0	Other income (e)	300	156	9.5	**466**	-
Total Receipts (f = a+b+c+d+e)		**71,166**	**73,074**	**77,273**	**221,513**	**100**

Source: Validated Template and Audited Financial Statements 2017 – 2019

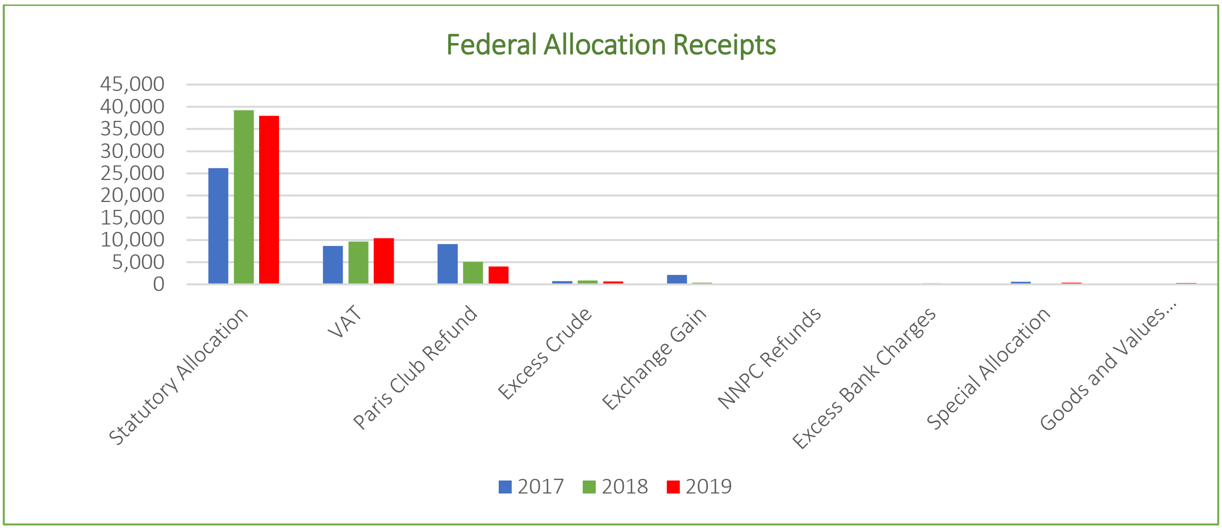


Figure 85: Federal Allocation receipts

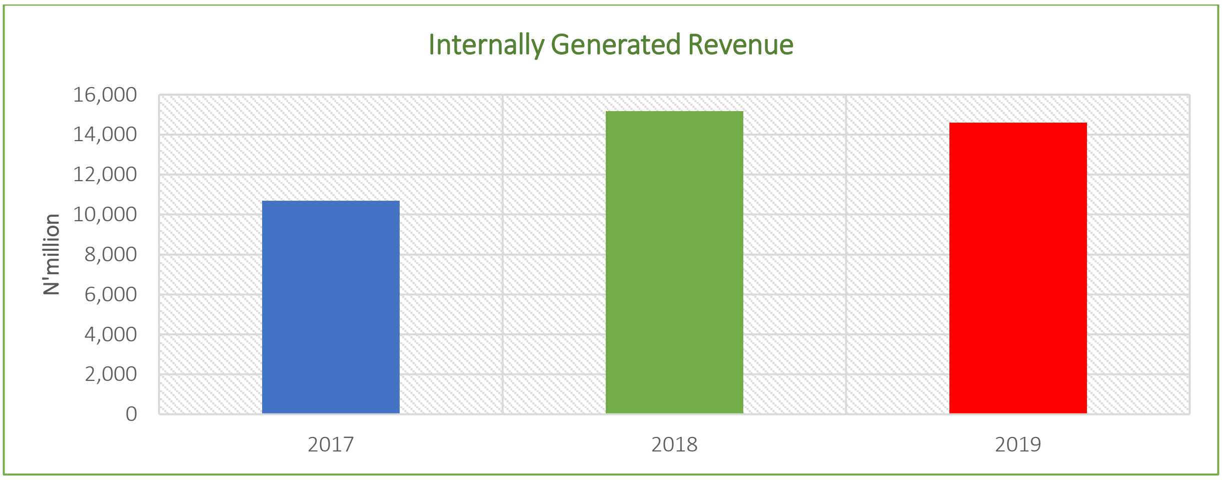


Figure 86: Internally generated revenue

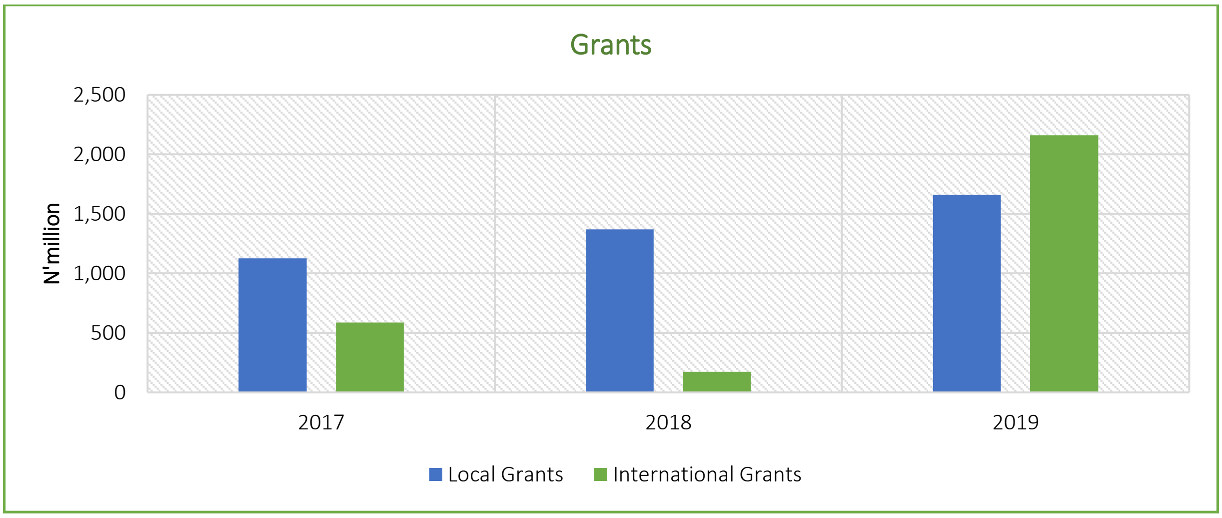


Figure 87: Internally generated revenue

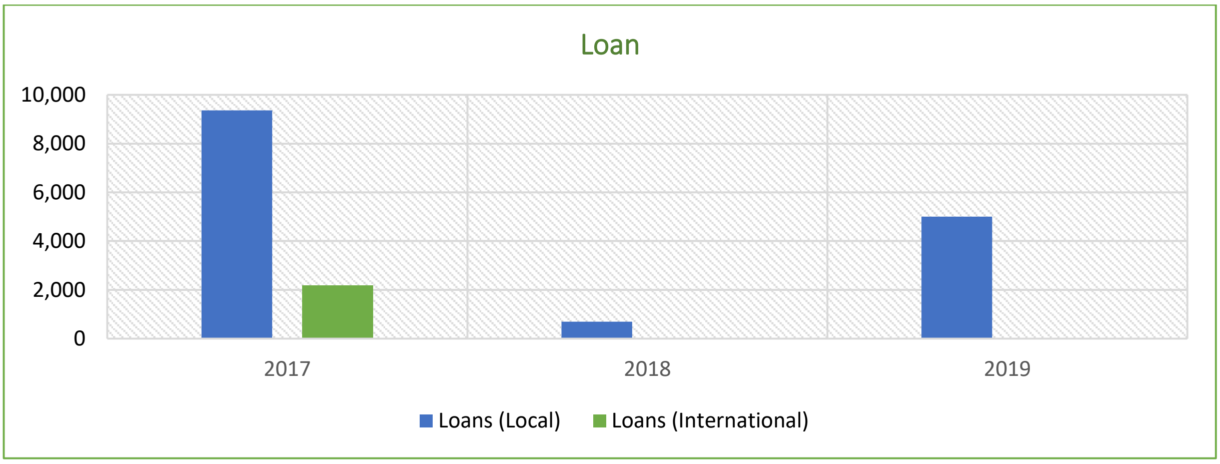


Figure 88: *Loans*

6.10.3 Statutory Deduction

The State Government is obligated to make monthly payments as a result of past financial transactions that have resulted in Irrevocable Standing Payment Order (ISPO) issued to the FGN. The total statutory deductions on gross allocation to the state for the period under review was ₦11.27 billion. These deductions increased by 2% in 2018 and 68% in 2019. The breakdown of statutory deduction is presented in the table below.

Table 106: *Summary of Statutory Deductions by FAAC 2017 – 2019*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Contractual Obligation (Bond)	1,220	1,220	1,220	3,659
ECA loan facility	1,080	1,080	1,080	3,239

Bond Issuance Programme			1,372	1,372
Salary bail out	412	412	412	1,236
Foreign loan to State/FGN Recovery (multilateral)	320	370	395	1,085
CBN Budget Support			683	683
Total	**3,031**	**3,081**	**5,161**	**11,274**
Source: *Audited Financial Statements and FAAC 2017 – 2019*				

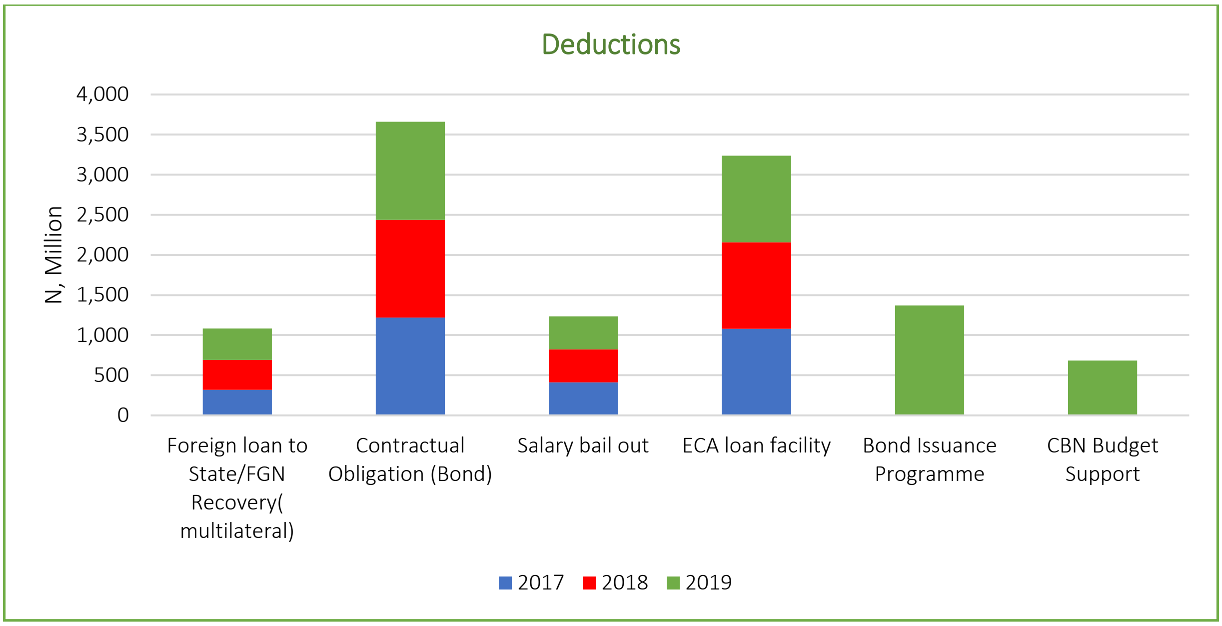


Figure 89: Statutory deduction for years 2017 – 2019

6.10.4 Expenditure

The states expenditure for the period under review can be classified into;

- Recurrent Expenditure
- Capital Expenditure

6.10.4.1 Recurrent Expenditure

Total recurrent expenditure was ₦140.08 billion. Personnel emolument (wages, salaries and employee benefits) accounted for a significant portion of the total recurrent expenditure with a percentage of 41%. In summary, personnel and overheads accounted for 78.55% of the total recurrent expenditure for 2017 – 2019. For further information on monthly recurrent expenditure see **Appendix 34.**

The breakdown of the recurrent expenditure is presented in the table below.

Table 107: *Recurrent Expenditure 2017 - 2019*

Recurrent Expenditure Heads	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Personnel Emolument	18,742	15,980	22,601	57,323	40.92
Overhead Costs	15,670	17,033	20,007	52,710	37.63
Consolidated Revenue Charges	2,539	2,819	4,018	9,376	6.69
Pensions and Gratuities	2,425	3,379	3,192	8,996	6.42
Grants and Subventions	14	4,954	35	5,003	3.57
Local Loan Servicing	927	1,053	1,225	3,205	2.29
Transfer to Sinking Fund Investment	1,220	-	1,372	2,592	1.85
International Loan Servicing	181	221	271	673	0.48
Transfer to LGAs ITE EDU BIJO LTD MOF	198	-	-	198	0.14
Total Recurrent Expenditure	**41,916**	**45,439**	**52,721**	**140,076**	**100**

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

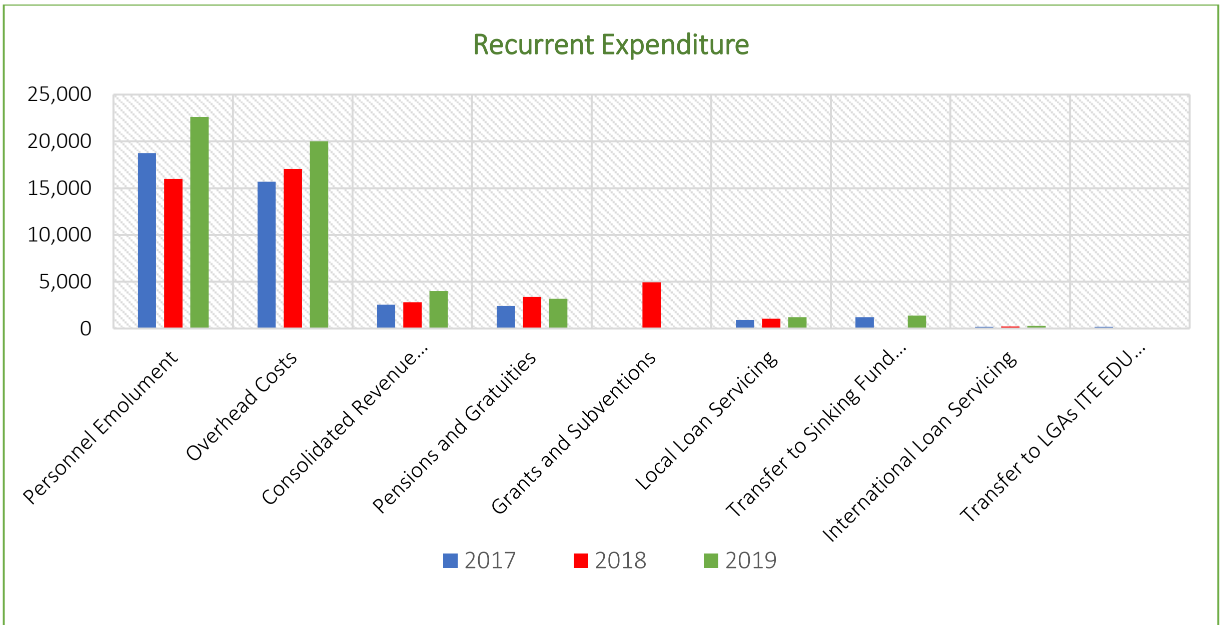


Figure 91: *Recurrent Expenditure 2017 – 2019*

6.10.4.2 Capital Expenditure

The focus on capital expenditure between 2017 to 2019 was on the economic sector. The state government expenditure in the economic sector accounted for 76%. For more information on the monthly capital expenditure see **Appendix 35.** The breakdown of the capital expenditure is presented in the table below.

***Table 108:** Capital Expenditure 2017 - 2019*

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Economic Sector	14,196	20,597	12,626	47,419	76%
Social Services Sector	4,743	1,376	1,715	7,834	13%
Administrative Sector	2,552	1,145	1,605	5,302	9%
Law and Justice Sector	196	553	127	876	1%
Others (Judgement Debts)	-	423	107	530	1%
Total	**21,688**	**24,094**	**16,180**	**61,961**	**100**

Source: Validated template and audited financial statements for 2017 - 2019

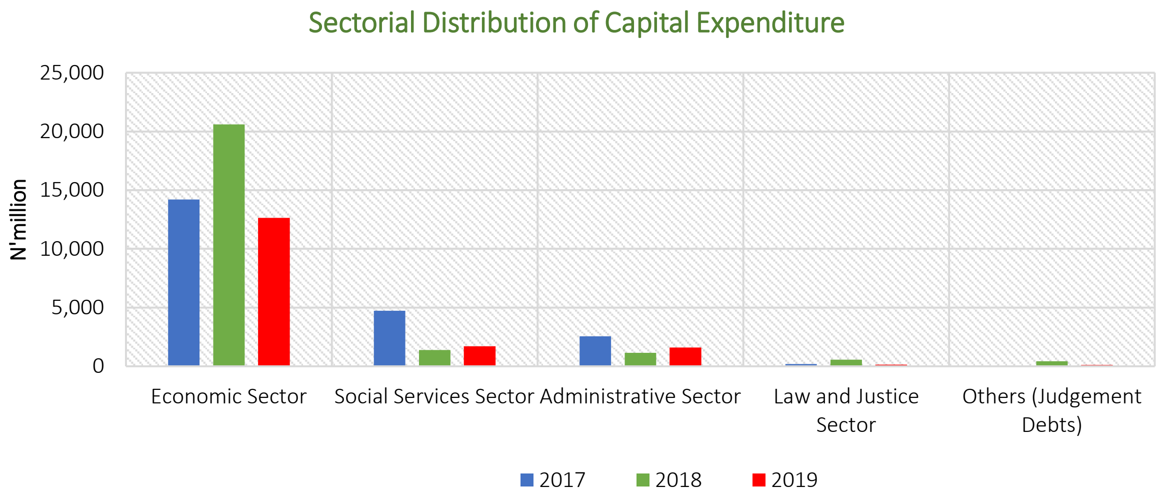


***Figure 90:** Sectorial Distribution of Capital Expenditure 2017 -2019*

6.10.4.3 Comparison of Revenue to Recurrent and Capital Expenditures

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure was 58.86%, 57.68% and 68.24% of total revenue for 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2019, it increased by 9.38% because of the rise in personnel cost.

***Table 109**: Comparison of Recurrent Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	71,217	72,918	77,263
Recurrent Expenditure	41,916	42,060	52,722
Percentage of Total Recurrent Expenditure to Total Revenue	58.86%	57.68%	68.24%

***Source:** Validated Template and Audited Financial Statements 2017 – 2019*

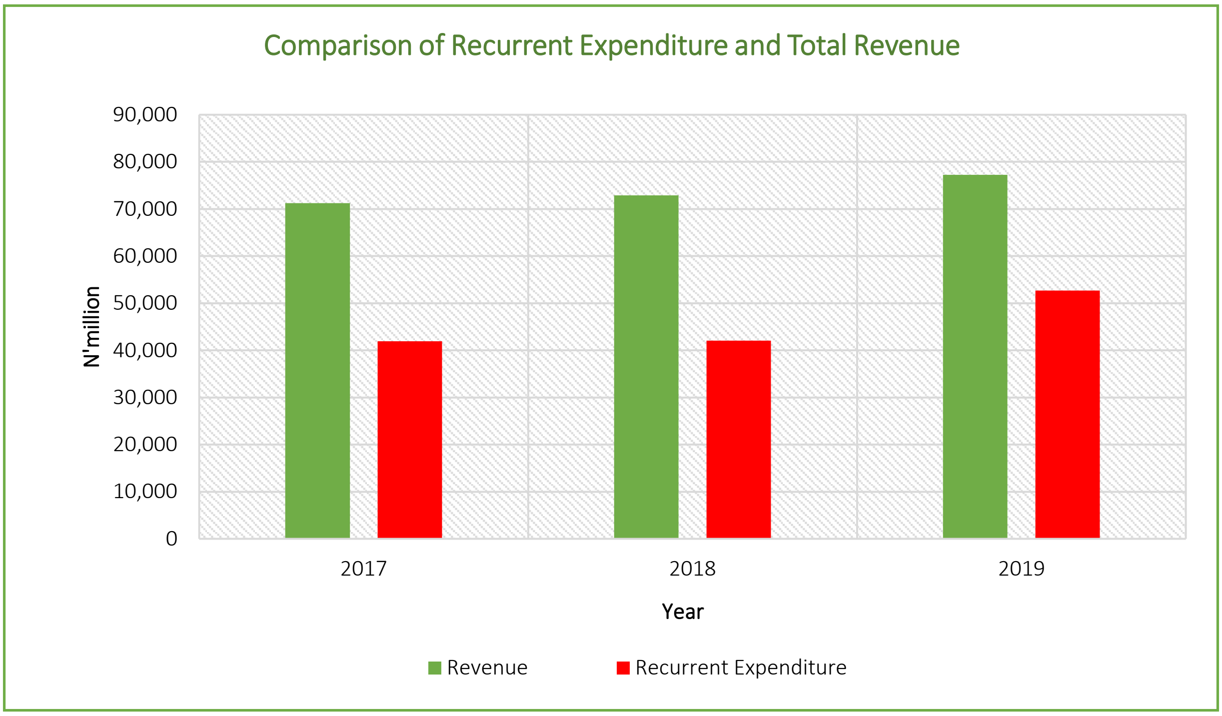


Figure 91: Comparison of Recurrent Expenditure and Total Revenue

A comparison of the capital expenditure with total revenue shows that capital expenditure represents 30%, 33% and 21% of total revenue for 2017, 2018 and 2019 respectively. The expenditure increased by 3% between 2017 to 2018 and decreased by 12% in 2019 due to increase in capital expenditure in 2018 and decreased in 2019.

Table 110: *Comparison of Capital Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	71,217	72,918	77,263
Capital Expenditure	21,688	24,094	16,179
Percentage of Total Recurrent Expenditure to Total Revenue	30%	33%	21%

Source: *Validated Template and Audited Financial Statements 2017 – 2019*

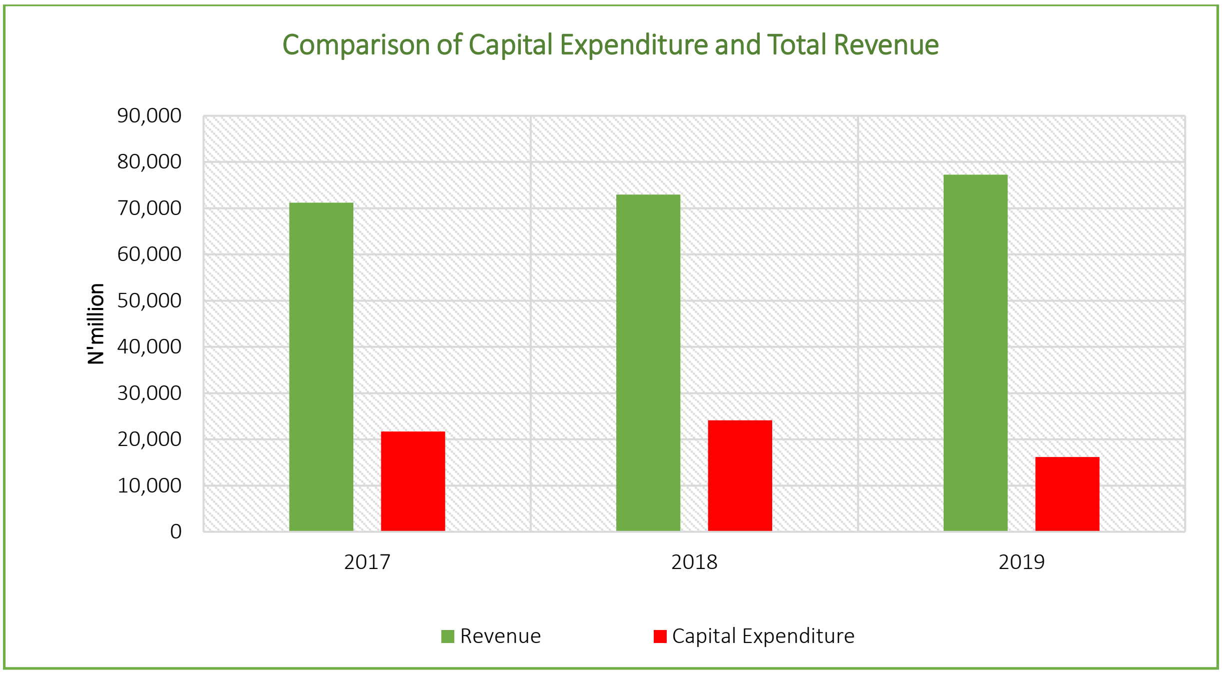


Figure 92: *Comparison of Capital Expenditure and Total Revenue*

6.10.5. Summary of findings and recommendations

The table below present a summary of findings and recommendations.

Findings	Recommendations
Federal Allocation Receipts The total federal allocation receipt by the state was ₦156.64 billion (71%) of the total receipt for the period. The state was highly dependent on Federal allocation. For instance, the ratio of Federal allocation to total State revenue for 207, 2018 and 2019 was 66%, 76% and 70% respectively. This indicate that the state is not self-sustaining and may not be able to stand the challenges that may arise because of unfavorable fluctuations in oil prices that usually affect federal allocation.	The state government should creatively develop strategies for improving and sustaining its revenue generation capacity to ensure economic growth.
Statutory Deductions: The State was exposed to the statutory deductions as a result of loans that were guaranteed by the FGN. Specifically, the total statutory deductions increased from ₦3.09 billion in 2018 to ₦5.1 billion (68%) in 2019.	Government should improve the monitoring process of loan utilization to ensure that such funds are committed to purposes for which they were taken in the first instance.

Capital Expenditure: The percentage of capital expenditure to total revenue was 33% each for 2017 and 2018. However, in 2019 it dropped to 29%. If the decline in capital expenditure persists, it will adversely affect the ability of the state government to provide the necessary infrastructure needed to support economic development in the state.	Government should make deliberate effort by using the extant laws to improve capital allocation to execute capital projects.
Recurrent Expenditure: Total recurrent expenditure was ₦140.08 billion of which personnel and overheads accounted for 78.55% of the total recurrent expenditure for the period. If this expenditure pattern is not carefully reviewed and monitored, chances are that it may continue to rise thus, leaving little funds for capital expenditure that drives economic growth and development.	The current level of recurrent expenditure should be reviewed and controlled in order to improve the state's ability to create wealth and bring about economic growth and development to the state.

6.11 Ondo State

6.11.1 State Profile

Ondo State is one of the nine states in the Niger Delta area of Nigeria. It is known as the "Sunshine State". The state is situated in the South-West geopolitical zone of the country.

The state has 18 local government areas with an estimated population of 4.7 million (NPC data, 2016) and a landmass of 15,820 Km^2 (NBS).

The key economic activities of the state include; oil and gas, agriculture and solid mineral. The economy of the state is driven by the petroleum industry given the crude oil reserve in the state. Other significant economic activities include cocoa production and asphalt mining. For further information visit http://www.ondostate.gov.ng/

6.11.2 Receipts

The State receipts for the period under review are classified into the following;

- Federal Allocation
- State Internally Generated Revenue
- Loans

The percentage of Federal allocation to state's receipts (excluding loans and grants) during the period under review was 85%, 42% and 62% respectively. The drop in the percentage of Federal allocation to total state's receipts in 2018 may indicate improvements in the state's IGR capacity. However, this is with the assumptions that total state revenue recorded for that year excludes loans and grants.

The IGR for the year 2018 grew by 393% while other income also grew by 2658%. However, there was a drop of 47% and 84% in IGR and other income respectively in 2019. This may suggest that the strategy the state deployed in 2018 was perhaps not sustainable. Therefore, there may be need for the state to review its IGR strategies in order to achieve sustainable revenue growth.

There were no borrowings in 2017 and 2018. However, in 2019 the state borrowed the sum of ₦17.8 billion and this may be because of the fall in total revenue. For more information, see **Appendix 36.**

The table below shows the receipts by the state government for 2017 to 2019.

Table 111: *Receipts*

SN	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total receipts %
1	Federal Revenue					
1.1	Statutory Allocation	26,395	39,583	38,331	104,308	24.35

1.2	13% Derivation	14,847	18,186	13,390	46,423	10.84
1.3	VAT	10,174	11,420	12,389	33,983	7.93
1.4	Paris Club Refund	13,815	14,122	-	27,937	6.52
1.5	Budget Support Facility	8,255	-	-	8,255	1.93
1.6	Exchange Gain	3,676	244	96	4,016	0.94
1.7	Excess PPT	2,950	-	165	3,115	0.73
1.8	Excess Crude	98	1,453	300	1,851	0.43
1.9	Forex Equalization	-	616	896	1,511	0.35
1.10	Good & Value Consideration	-	-	626	626	0.15
1.11	NNPC Refund	233	-	235	468	0.11
1.12	Excess Bank Charges	6	57	91	154	0.04
1.13	Solid Mineral	-	-	91	91	0.02
Total Federal Allocation (a)		80,449	85,680	66,608	232,737	54.33
2	State Receipts					
2.1	State Revenue					
2.1.1	Internally Generated Revenue	11,519	56,807	30,136	**98,463**	22.98
2.1.2	Other Income	2,279	62,858	10,354	**75,491**	17.62
2.1.3	local Grant	3,910	-	-	3,910	0.91
Total State Revenue (b)		17,708	119,665	40,490	177,863	41.52
3	Loans					
3.1	Loans (Local)		-	17,800	**17,800**	4.15
Total Loans (c)				17,800	17,800	4.15
Total Receipts (a+b+c)		98,157	205,345	124,898	428,400	100
Source: *Validated Template and Audited Financial Statements 2017 - 2019*						

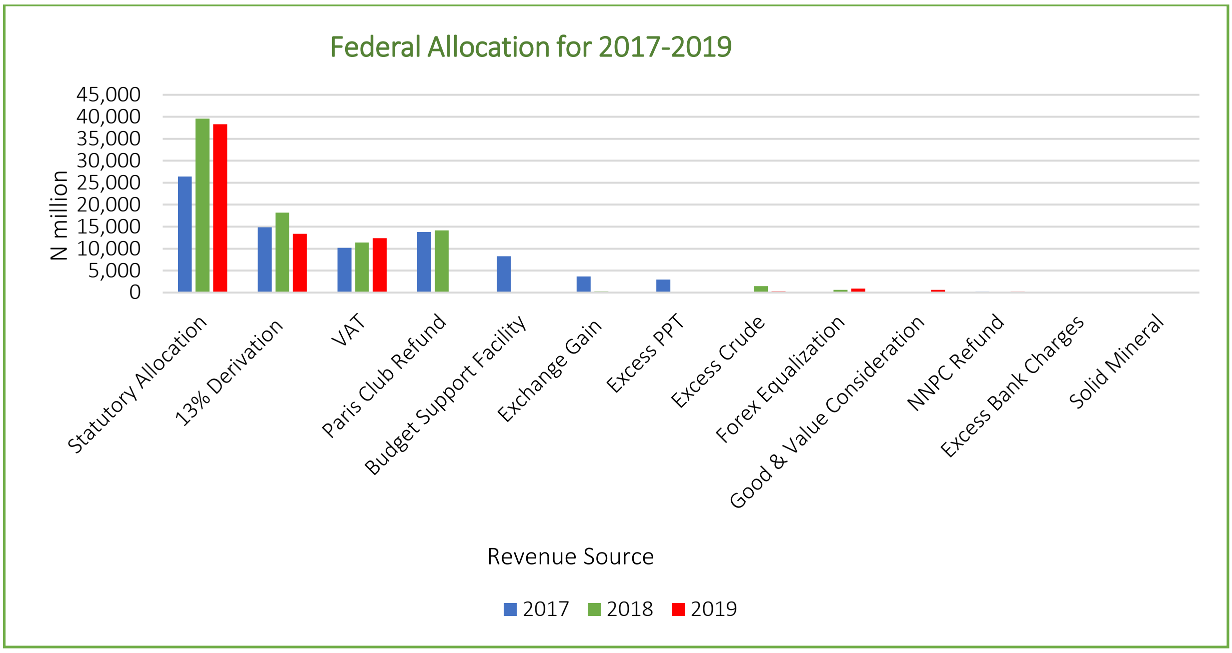


Figure 93: Federal Allocation for 2017-2019

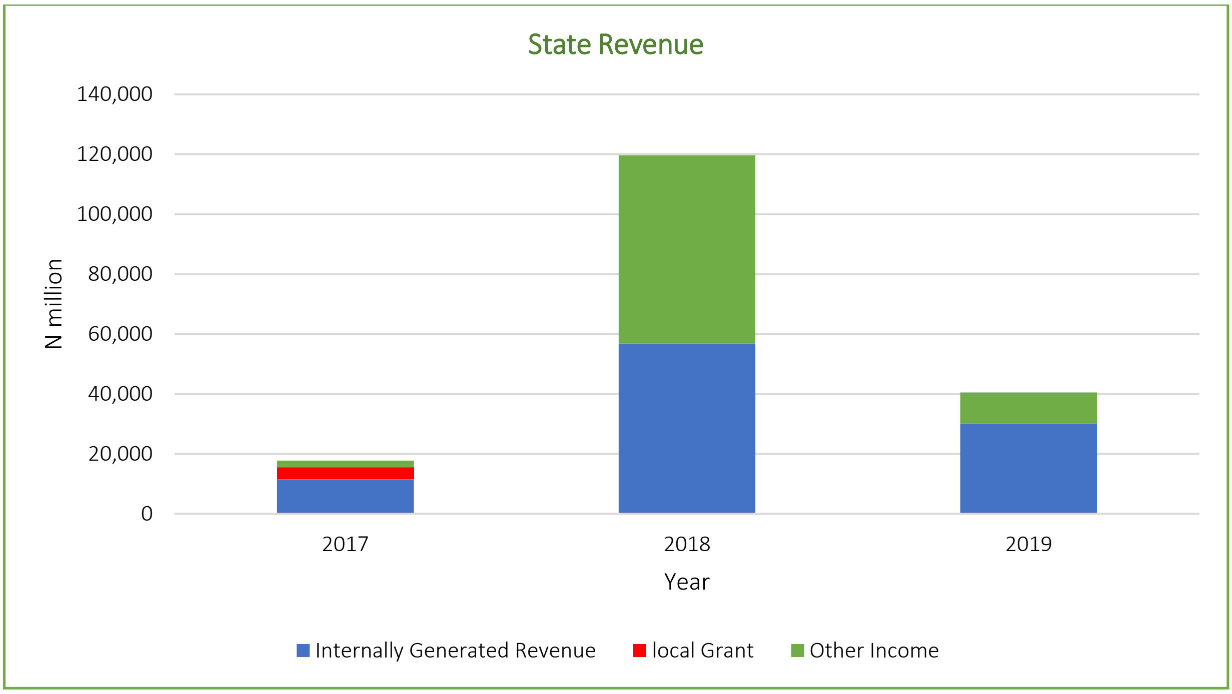


Figure 94: State Revenue

6.11.3 Statutory Deductions

The State Government is obligated to make monthly payments as a result of past financial transactions that have resulted in Irrevocable Standing Payment Order (ISPO) issued to the FGN. The total statutory deductions on gross allocation to the state was ₦29.58 billion. These deductions decreased by 40% in 2018 and increased by 20% in 2019.

The statutory deductions are presented in the table below:

Table 112: *Summary of Statutory Deductions by FAAC 2017 – 2019*

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Bond issuance programme	8,711	4,111	3,693	16,514
Excess crude account loan facility	1,080	1,080	1,080	3,239
FG salary bailout	1,020	1,020	1,020	3,059
Foreign loans	620	730	806	2,155
Restructuring of commercial bank loans into FGN bonds	663	663	481	1,808
Commercial agriculture credit scheme	-	-	763	763
Refund of arrears of derivation revenue	31	44	663	739
CBN micro small & medium Ent. Dev fund		-	683	683
Deductions from surplus state to pay deficit states.	482	-	-	482
Application of Comprehensive Reconciliation	142	-	-	142
Total	**12,747**	**7,647**	**9,189**	**29,583**

Source: *Validated Template and Audited Financial Statements 2017-2019*

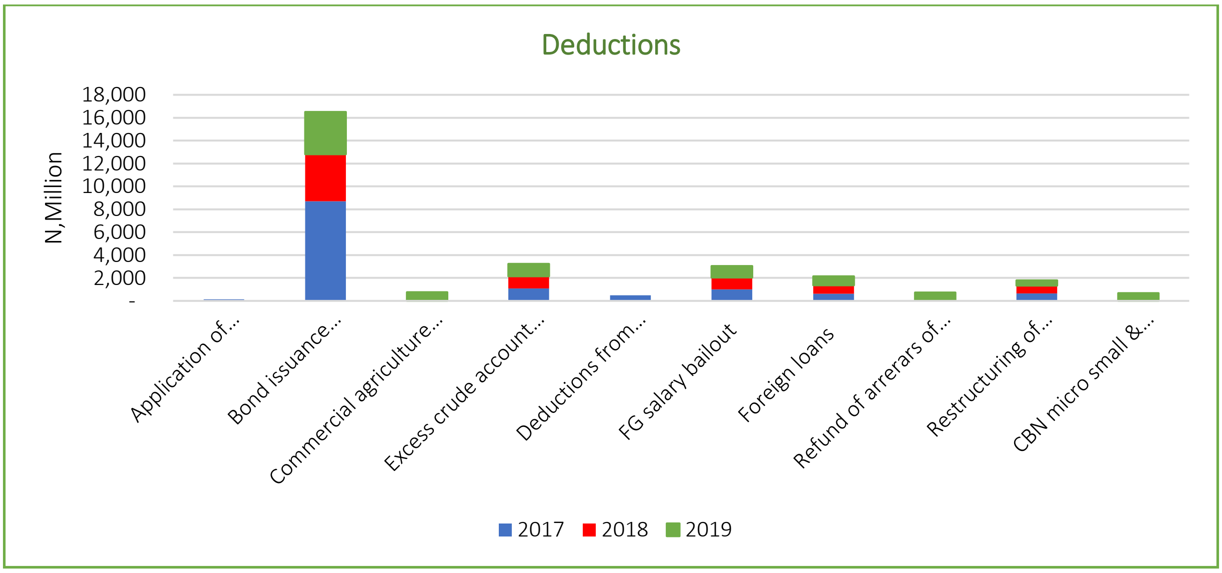


Figure 95: *Statutory Deductions 2017 – 2019*

6.11.4 Expenditure

The states expenditure for the period under review can be classified into:

- Recurrent Expenditure
- Capital Expenditure

6.11.4.1 Recurrent Expenditure

Total recurrent expenditure was **₦263.71** billion. Personnel emolument (wages, salaries and employee benefits) accounted for 50.10%. In summary, personnel cost, overheads, pensions and gratuities accounted for 80% of the total recurrent expenditure for 2017 – 2019. For more information on monthly recurrent expenditure, see **Appendix 37.**

The breakdown of recurrent expenditure is presented in the table below:

Table 113: *Recurrent Expenditure 2017 - 2019*

Recurrent Expenditure Heads	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Personnel Emolument	45,769.47	51,553.82	34,799.53	132,123
Overheads	8,735.14	14,687.77	26,263.32	49,686
Pensions & Gratuities	1,884.56	17,689.30	9,579.89	29,154
Grants & subventions	9,774.94	7,555.17	6,179.17	23,509
Public Debt Charges	-	7,646.98	9,188.70	16,836
Other Deductions	609.62	661.28	10,089.01	11,360
Statutory Obligations	-	-	1,038.58	1,039
Total Recurrent Expenditure	**66,774**	**99,794**	**97,138**	**263,706**

Source: *Validated Template and Audited Financial Statements 2017 - 2019*

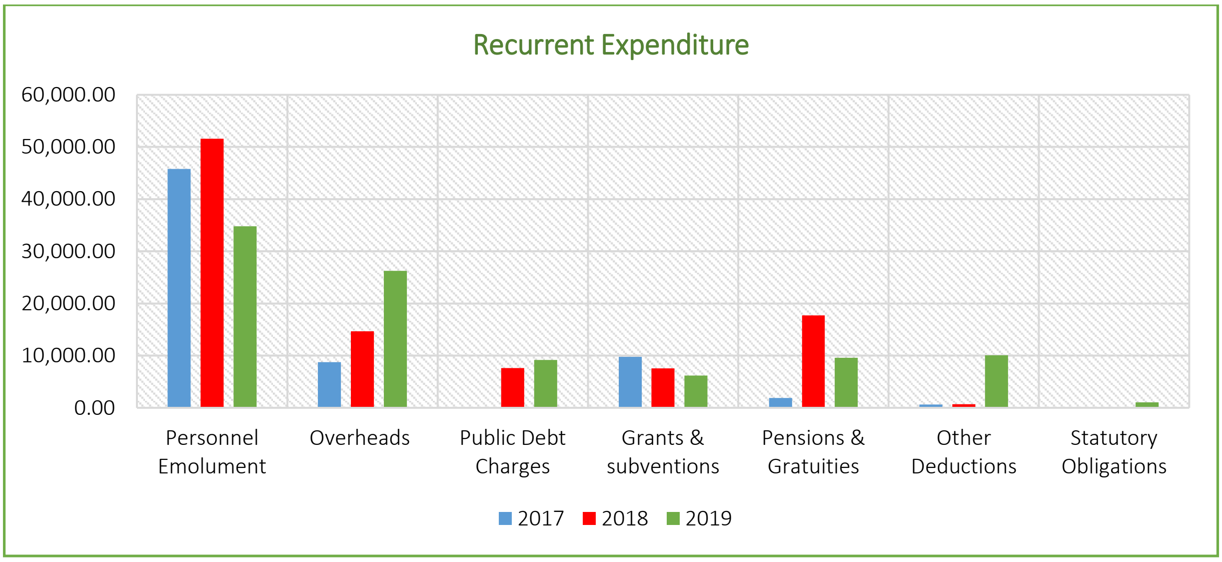


Figure 96: *Recurrent Expenditure*

6.11.4.2 Capital Expenditure

The focus on capital expenditure between 2017 to 2019 was on economic sector. The expenditure on the economic sector accounted for 43% of the total capital expenditure. For more information on the monthly capital expenditure, see **Appendix 38.**

The breakdown of capital expenditure is presented in the table below:

Table 114: *Capital Expenditure 2017 – 2019*

Capital Expenditure	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Economic Sector	5,727.15	20,379.63	22,562.31	48,669	43%
Others	-	27,295.69	2,712.42	30,008	26%
Environmental Dev. Sector	5,186.04	13,852.54	3,092.66	22,131	19%
Social Services Sector	3,747.86	6,133.06	766.95	10,648	9%
General Admin. Sector	1,048.46	834.16	800.15	2,683	2%
Total	**15,710**	**68,495**	**29,934**	**114,139**	**100%**

Source: *Validated Template and Audited Financial Statements 2017 - 2019*

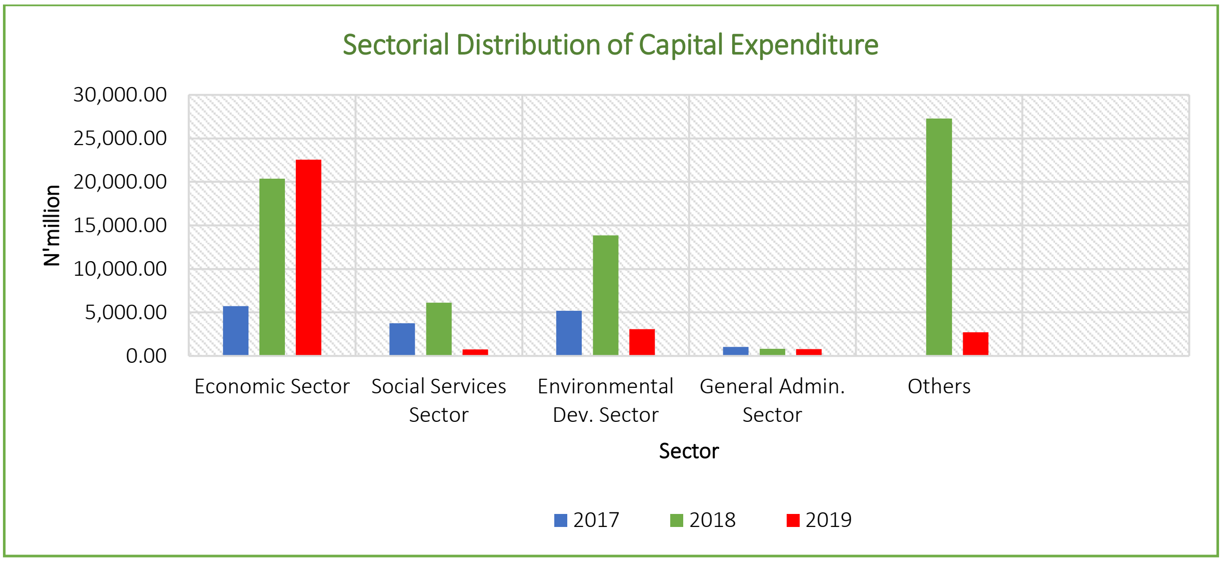


Figure 97: *Sectoral Distribution of Capital Expenditure 2017 -2019*

6.11.4.3 Comparison of Revenue to Recurrent and Capital Expenditures

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure was 68%, 49% and 78% of total revenue for 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2019, it increased by 27.24% because of the rise in overhead costs.

Table 115: *Comparison of Recurrent Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	98,156.99	205,344.93	124,898.42
Recurrent Expenditure	66,773.72	99,794.33	97,138.20
Percentage of Total Recurrent Expenditure to Total Revenue	68%	49%	78%

Source: *Validated Template and Audited Financial Statements 2017-2019*

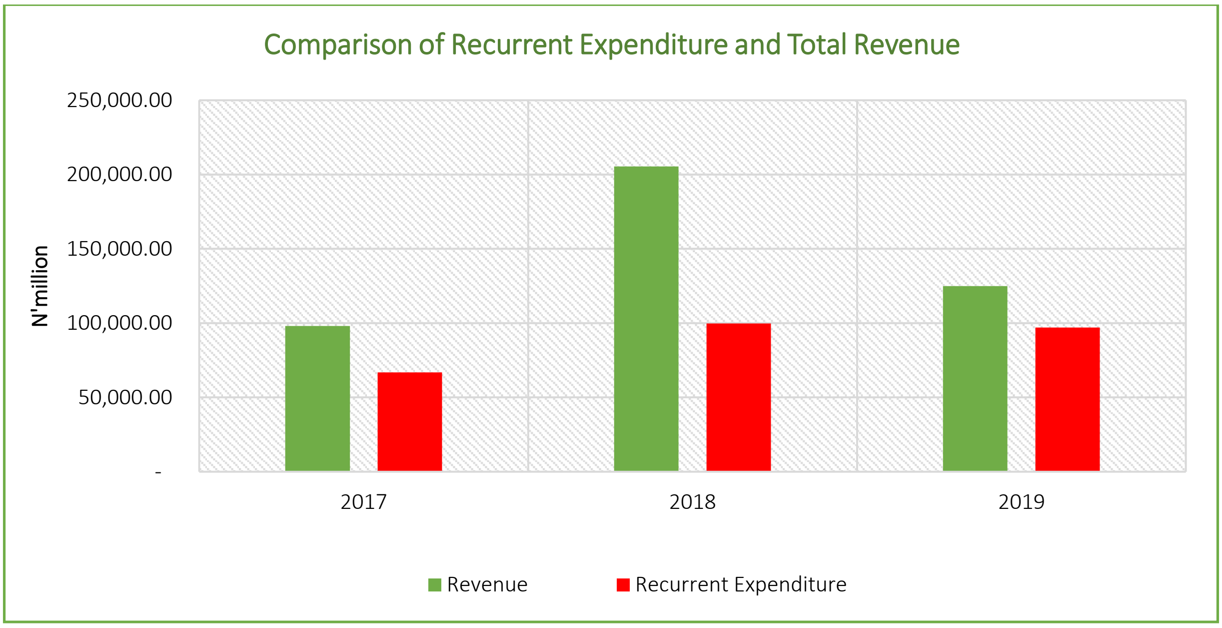


Figure 98: *Comparison of Recurrent Expenditure and Total Revenue*

A comparison of the capital expenditure with total revenue shows that capital expenditure represents 16%, 33% and 24% of total revenue for 2017, 2018 and 2019 respectively. The decline in 2019, is because of lower spending on capital projects as shown in the table below:

Table 116: *Comparison of Capital Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	98,156.99	205,344.93	124,898.42
Capital Expenditure	15,709.51	68,495.09	29,934.49
Percentage of Total capital Expenditure to Total Revenue	16%	33%	24%

Source: *Validated Template and Audited Financial Statements 2017 - 2019*

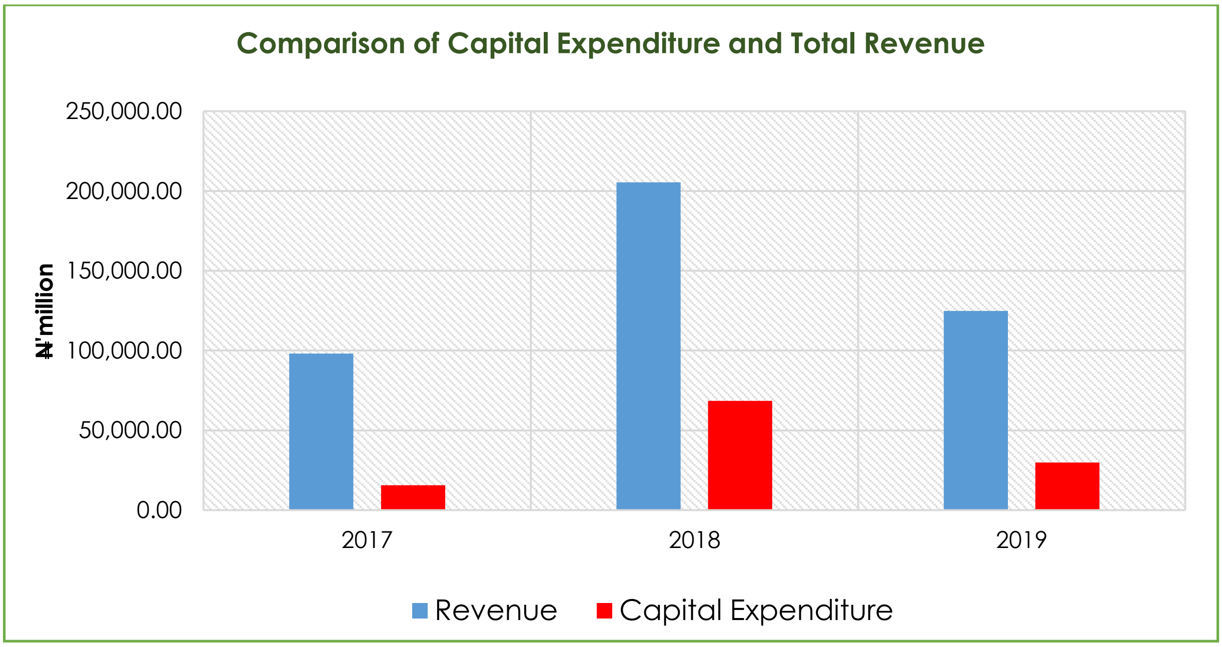


Figure 99: *Comparison of Capital Expenditure and Total Revenue 2017 -2019*

6.11.5. Summary of Findings and Recommendations

The table below presents the summary of findings and recommendations.

Findings	Recommendations
Receipts: Federal Allocation Receipts: The State was less reliant on Federal allocation in 2018 than prior year as the State IGR was more than inflow from Federal Allocation. Specifically, the total State IGR in 2018 was ₦119.7 billion while Federal Allocation was ₦85.7 billion. Internally Generated Revenue There was also a huge increase in IGR and other income in 2018 by 393% and 2658% respectively. However, in 2019 IGR dropped by 47% and other income significantly by 84%.	The State should therefore continue to innovate to improve their IGR potentials to guarantee future self-sufficiency. However, there may be need for the State to review its IGR strategies to achieve sustainable revenue growth.
Loans: There were no borrowings in 2017 and 2018 years. However, in 2019 the State borrowed the sum of ₦17.8billion to support budget implementation.	The purposes for which loans are taken needs to be carefully reviewed to ensure that the facilities are not used for projects that are not self-financing either directly or indirectly.
Expenditure: We observed the spending allocations to capital expenditure was very low compared to recurrent expenditure during the years under review.	It is imperative for the State to increase its allocation to capital projects where practicable to improve infrastructure needed in the State. This is required to bring about significant economic growth and development in the state.

6.12 Rivers State

6.12.1 State Profile

Rivers State is one of the nine states in the Niger Delta area of Nigeria. It is situated in the South-South geopolitical zone of Nigeria. The state capital is Port Harcourt and it is known as the "Treasure Base of the Nation".

The state has 23 local government areas and is the 6th most populous state in Nigeria (NPC data, 2016) with an estimated population of 7.3 million, and a landmass of 10,575 Km^2 (NBS).

The state economy is dominated by the petroleum industry, given its vast reserves of crude oil and natural gas. Most multinational oil and gas companies operating in Nigeria are either based in Rivers state or have branches in the state. It is home to major oil companies like Shell Petroleum Development Company (SPDC), Chevron Nigeria Limited, Total-Elf-Fina, Nigeria Agip Oil Company, Saipem Nigeria Limited, Dawoo Nigeria Limited and Nigeria Liquefied Natural Gas Limited (NLNG).

Apart from crude oil, the state is also rich in solid minerals such as silica sand, glass and clay even though most of these minerals have been untapped. Rivers state has a fairly robust and expanding service sector. The service sector covers both the private business and the public service in areas such as retail, banks, hotels, education, healthcare, administration, social work, information technology, communications, transportation, arts, entertainment, recreation, electricity and water supply. For further information visit https://www.riversstate.gov.ng/state

6.12.2 Receipts

The State receipts are classified into the following:

- Federal Allocation
- State Internally Generated Revenue
- Loans

There has been a drop in the percentage of Federal allocation to total state revenue from 66.48% in 2017 to 59.88% in 2019. This indicates that there are continuous improvements in the state's IGR capacity. The state should therefore continue to innovate to improve their IGR potentials to guarantee self-sufficiency.

Notwithstanding the improvements in the state's IGR, its loan profile continued to increase and grew by 33.5% between 2017 and 2019. Although the state's capital expenditure grew, this may also reflect continuous pressure on social services due to population growth and increased economic activities. For more information see **Appendix 39.** The table below shows the receipts by the state government for 2017 - 2019.

Table 117: Summary of Receipts

SN	Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total receipts %
1	**Federal allocation**					
1.1	13% Derivation	70,769.54	114,052.83	96,290.28	281,112.65	28.36
1.2	Statutory Allocation	31,483.44	59,363.28	54,838.72	145,685.44	14.70
1.3	VAT	18,267.25	17,228.65	17,629.63	53,125.53	5.36
1.4	Paris Club Refund	50,112.70	-	-	50,112.70	5.05
1.5	Exchange Gain	10,577.11	7,204.41	283.12	18,064.64	1.82
1.6	Excess PPT	7,664.68	-	-	7,664.68	0.77
1.7	Forex Equalization Fund	-	-	5,307.78	5,307.78	0.54
1.8	Excess Bank Charges	7.17	2,211.67	105.59	2,324.43	0.23
1.9	Goods and Values Consideration	-	-	2,057.91	2,057.91	0.21
1.10	Excess Crude	-	-	1,572.66	1,572.66	0.16
1.11	NNPC Refunds	-	-	771.74	771.74	0.08
1.12	Solid Mineral Revenue	-	-	63.19	63.19	0.01
Total Federal Allocation (a)		**188,881.89**	**200,060.84**	**178,920.62**	**567,863.35**	**57.28**
2	**State receipts**					
2.1	**Revenue**					
2.1.1	Internally Generated Revenue	92,742.53	109,908.73	115,911.03	318,562.29	32.13
2.1.2	Miscellaneous	2,508.77	19,331.99	3,976.97	25,817.73	2.60
Total State Revenue (b)		**95,251.30**	**129,240.72**	**119,888.00**	**344,380.02**	**34.74**
3	**Loans**					
3.1	Internal Loans	4,871.08	16,286.34	25,491.28	46,648.70	4.71
3.2	External Loans	-	-	23,521.03	23,521.03	2.37
3.3	FGN Bonds/Support	6,555.00	1,700.00	700	8,955.00	0.90
Total loans (c)		**11,426.08**	**17,986.34**	**49,712.31**	**79,124.73**	**7.98**
Total Receipts (d = a+b+c)		**295,559.27**	**347,287.90**	**348,520.93**	**991,368.10**	**100**

Source: *Validated Template and Audited Financial Statements 2017 - 2019*

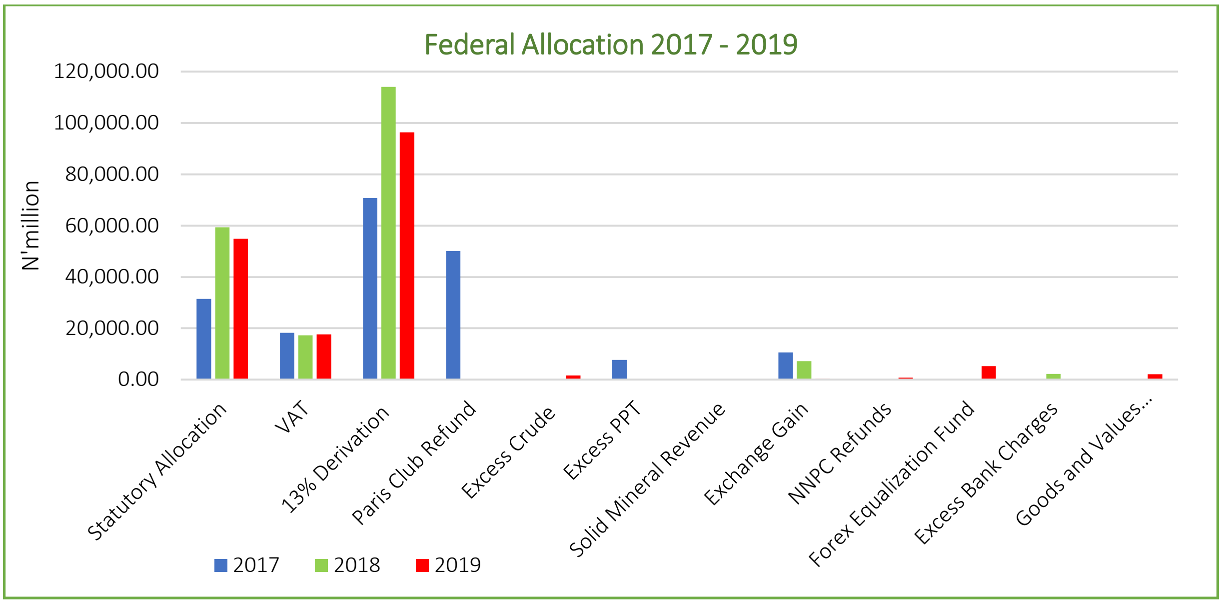


Figure 100: Federal Allocation Received 2017 – 2019.

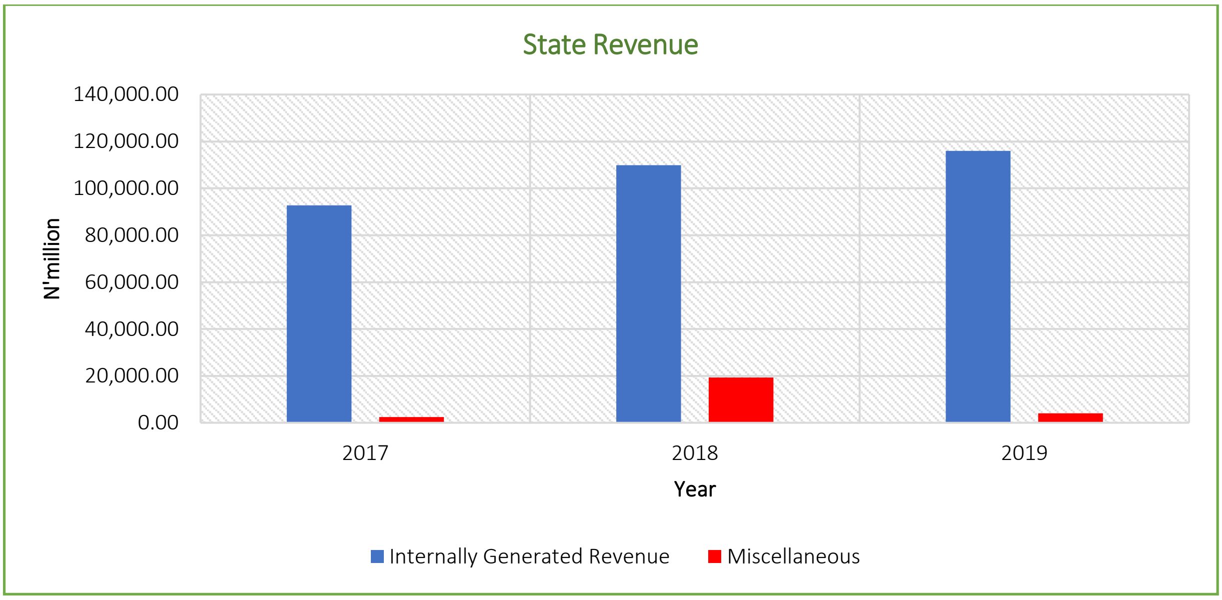


Figure 101: State Revenue 2017 -2019

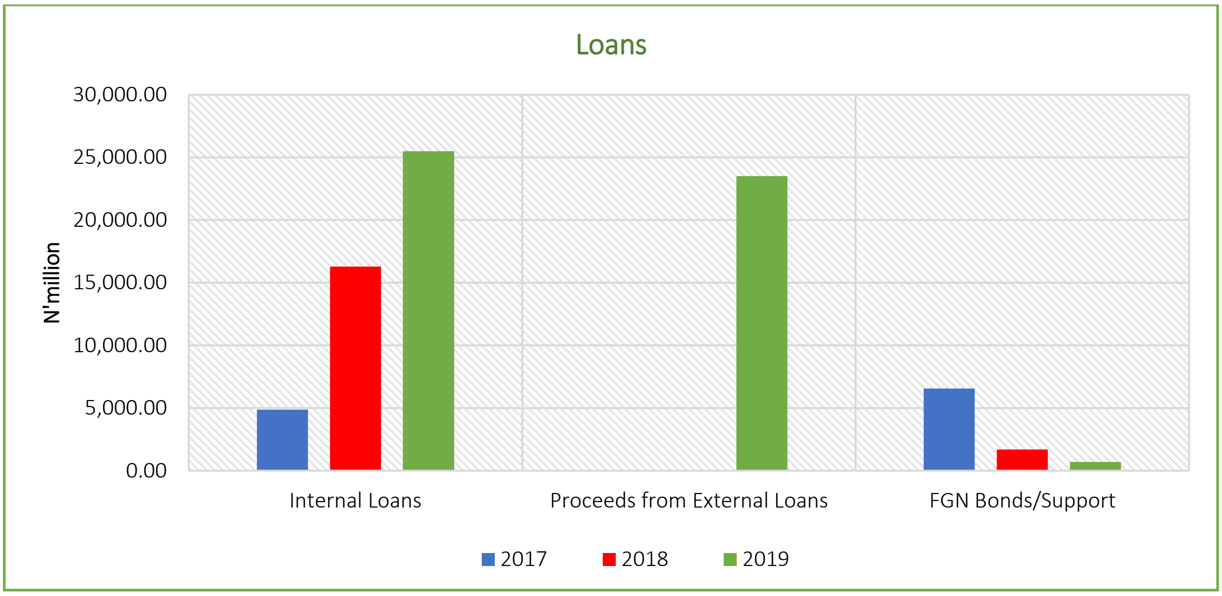


***Figure 102:** Loans 2017 – 2019*

6.12.3 Statutory Deductions

The State Government was obligated to make monthly payments as a result of past financial transactions that have resulted in Irrevocable Standing Payment Order (ISPO) issued to the FGN. The total statutory deductions on gross allocation to the state for the period was ₦44.71 billion. These deductions decreased by 27.26% between 2017 and 2019. Statutory deductions for the period are presented in table below:

Table 118: Summary of Statutory Deductions by FAAC 2017 – 2019

Description	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦
Other internal loans	17,429.46		8007.62	25,437
Refunds		6,556		6,556
Foreign loan to State	632.71	670	5,130.91	6,434
Restructuring of commercial bank loans into FGN bonds	-	3,679.61	-	3,680
ECA loan facility	-	1,520	-	1,520
FGN Salary bail out	-	1,080	-	1,080
Total	**18,062**	**13,506**	**13,139**	**44,707**

Source: Validated Template and Audited Financial Statements 2017 - 2019

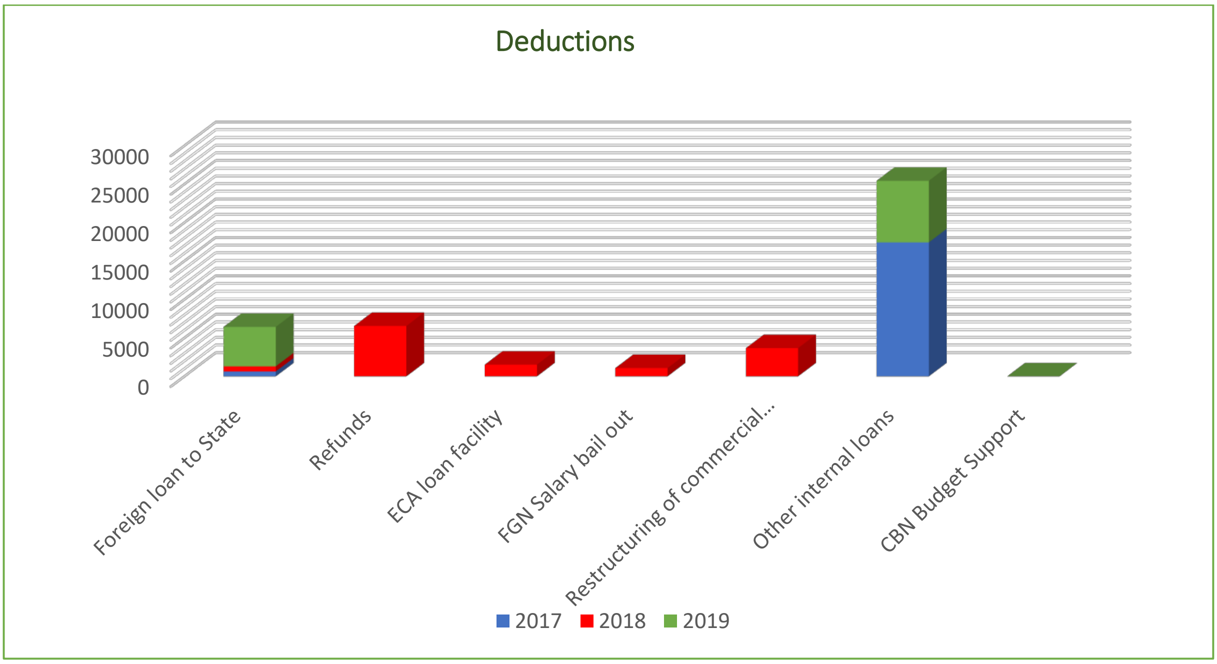


Figure 103: Internal and External Loans 2017 – 2019

6.12.4 Expenditure

The states expenditure for the period under review can be classified into;

- Recurrent Expenditure
- Capital Expenditure

6.12.4.1 Recurrent Expenditure

Personnel cost (wages, salaries and employee benefits) accounted for a significant portion of the total recurrent expenditure with a percentage of 64%. In summary, personnel cost and overheads accounted for 75% of the total recurrent expenditure for the period 2017 – 2019. For further information on monthly recurrent expenditure see **Appendix 40.** The breakdown of recurrent expenditure is presented in the table below:

Table 119: *Recurrent Expenditure 2017 – 2019*

Recurrent Expenditure Heads	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Wages, Salaries and Employee Benefits	74,332	76,281	77,613	228,227	64
Overheads	12,534	12,985	13,009	38,528	11
Public Debt Charges	30,050	41,201	6,964	78,216	22
Others (Bank charges)	3,731	3,459	2,101	9,291	3
Total Recurrent Expenditure	**120,648**	**133,926**	**99,688**	**354,262**	**100**

Source: *Validated Template and Audited Financial Statements 2017 - 2019*

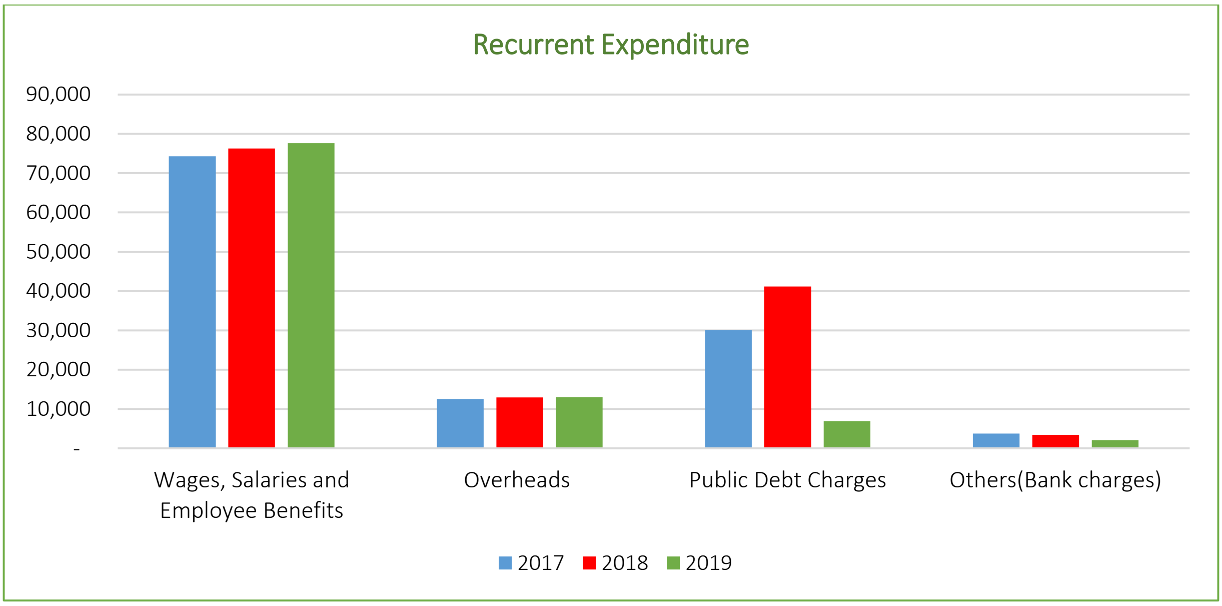


Figure 104*: Breakdown of Recurrent Expenditure 2017 – 2019*

6.12.4.2 Capital Expenditure

The capital expenditure focus between 2017 and 2019 was on economic, administrative and social service sectors. The expenditure on these sectors accounted for 43%, 33% and 22% respectively. For more information on monthly capital expenditure see **Appendix 41.** The breakdown of the capital expenditure is presented in the table below:

Table 120: *Capital Expenditure 2017 – 2019*

Sector	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Total %
Administrative Sector	64,856	72,666	60,376	197,898	33
Economic Sector	62,724	110,278	87,249	260,251	43
Law and Justice	1,851	2,551	9,471	13,873	2
Social Service Sector	25,628	39,247	64,842	129,718	22
Total	**155,060**	**224,743**	**221,938**	**601,740**	**100**

Source: *Validated Template and Audited Financial Statements 2017 - 2019*

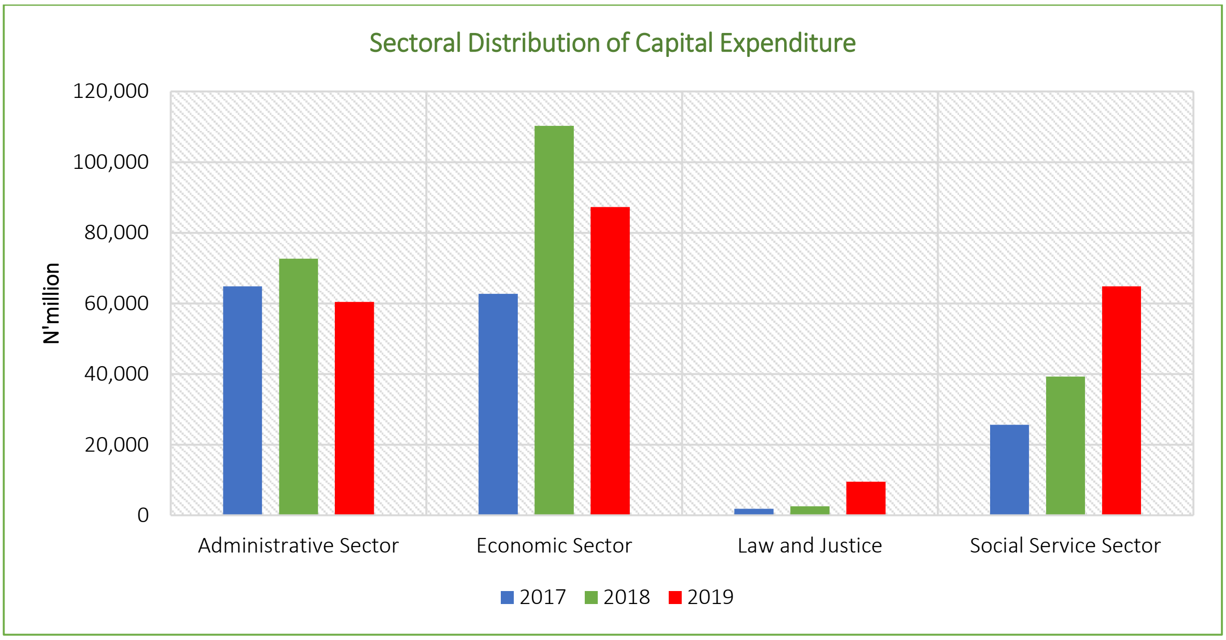


Figure 105: *Sectoral Distribution of Capital Expenditure 2017 – 2019*

A comparison of the recurrent expenditure with total revenue shows that recurrent expenditure was 41%, 39% and 29% of total revenue for 2017, 2018 and 2019 respectively. Specifically, between 2017 and 2019, it decreased by 17% because of fall in public debit charges. The table below presents comparison of recurrent expenditure and total revenue.

Table 121: *Comparison of recurrent expenditure and total revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	295,559	347,288	348,521
Recurrent Expenditure	120,648	133,926	99,688
Percentage of Total Recurrent Expenditure to Total Revenue	41%	39%	29%

Source: Validated template and audited financial statements for 2017 - 2019

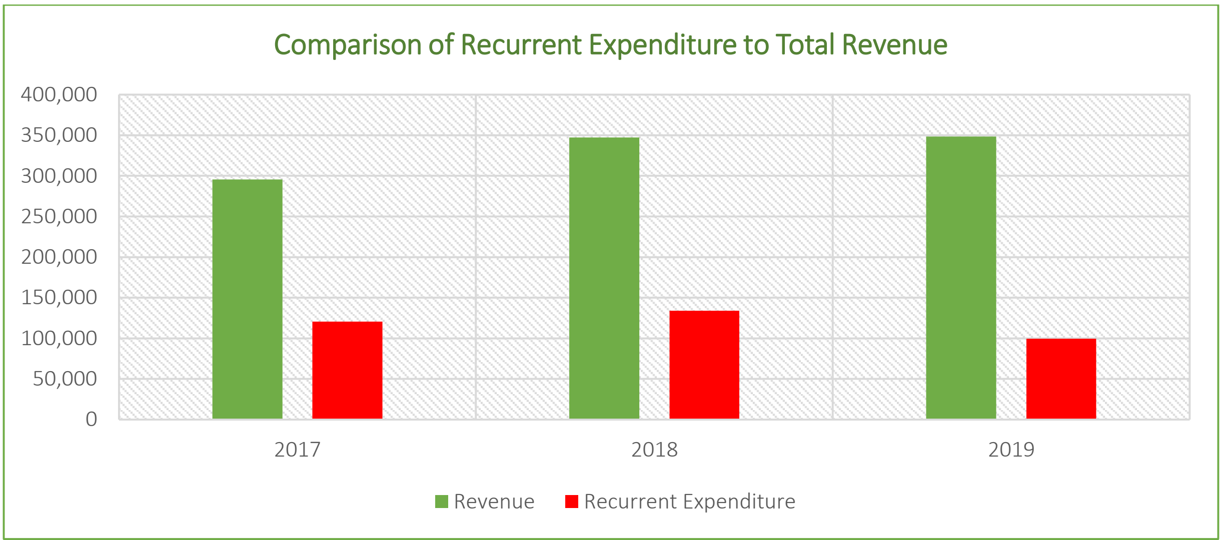


Figure 106: *Comparison of Recurrent Expenditure and Revenue 2017 – 2019*

A comparison of the capital expenditure with total revenue shows that capital expenditure was 52%, 65% and 64% of total revenue for 2017, 2018 and 2019 respectively. The analysis shows that the state spends on the average over 60% of its total revenue on capital projects during the period under review. The percentage increased by 13% between 2017 to 2018 due to increase in capital expenditure and dropped by 1% in 2019 as shown in the table below:

Table 122: *Comparison of Capital Expenditure and Total Revenue*

Description	2017 million ₦	2018 million ₦	2019 million ₦
Revenue	295,559	347,288	348,521
Capital Expenditure	155,060	224,743	221,938
Percentage of Total Capital Expenditure to Total Revenue	52%	65%	64%

Source: *Validated Template and Audited Financial Statements 2017 - 2019*

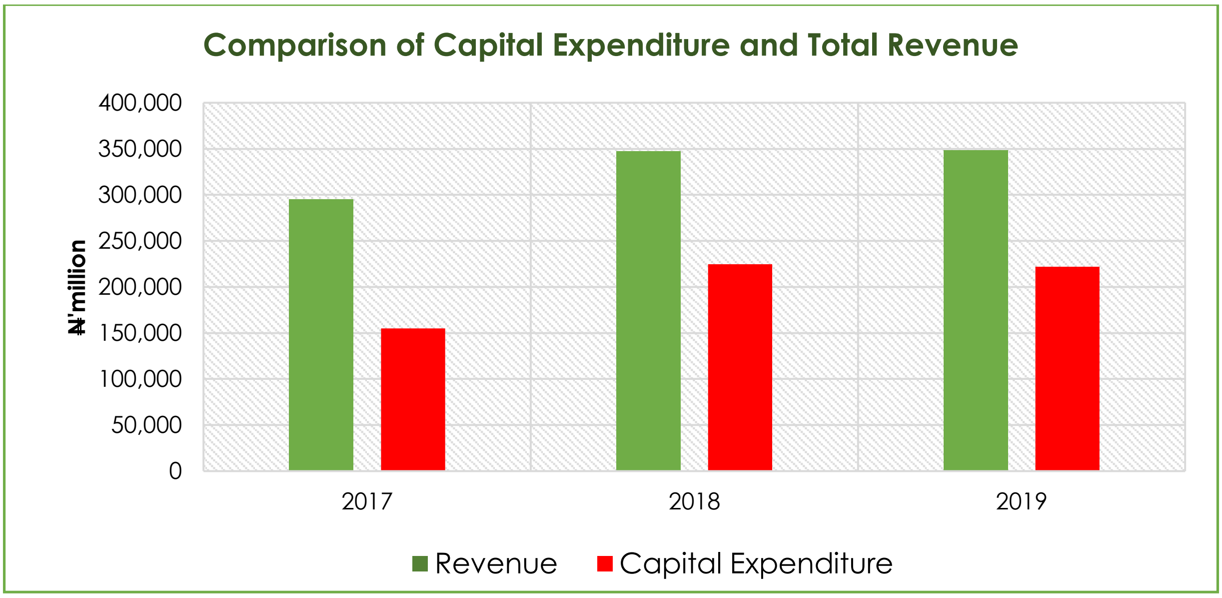


Figure 107: *Comparison of Recurrent Expenditure and Revenue 2017 – 2019*

6.12.5. Summary of Findings and Recommendations

The table below present the summary of findings and recommendations.

Findings	Recommendations
Receipts: **Federal Allocation Receipts** There has been a drop in the ratio of Federal allocation to total State revenue from 66.48% in 2017 to 59.88% in 2019. **Loan** The State's loan profile continued to increase, growing by 335% between 2017 and 2019. Although the State's capital expenditure also grew by 43% within the same period, which may also reflect continuous pressure on social services due to population growth and increased economic activities.	The State should therefore continue to innovate to improve their IGR potentials to guarantee future self-sufficiency. Loans should be judiciously utilized on viable capital investments to foster economic activities that would unlock the opportunities in private sector investments.
Expenditure pattern: The total expenditure of the State for the years under review was ₦999.5billion. The percentage of capital expenditure to total expenditure for the years 2017, 2018 and 2019 is 52.67%, 60.39% and 66.65% respectively.	The State should thrive to maintain its focus on infrastructural development to support economic growth. However, the caveat to this is to ensure there is no over dependence on borrowings especially interest related borrowings.

6.13 Comparative Analysis of the Nine Selected States

This section presents a comparative analysis of the nine selected states for the period under review.

Table 123: Analysis of Receipts for the States

S/N	States	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Sub-total %
1.0	Federal Allocation					
1.1	Delta	185,796	287,263	239,640	712,699	20.00
1.2	Akwa-Ibom	215,092	247,824	214,845	677,761	19.02
1.3	Rivers	188,882	200,061	178,921	567,864	15.93
1.4	Bayelsa	167,540	198,164	173,425	539,129	15.13
1.5	Kano	103,291	106,276	89,688	299,256	8.40
1.6	Ondo	80,449	85,673	66,610	232,732	6.53
1.7	Imo	67,506	77,231	67,356	212,093	5.95
1.8	Gombe	48,348	60,380	57,412	166,140	4.66
1.9	Nasarawa	47,282	55,507	53,855	156,644	4.39
Total Federal Allocation (a)		**1,104,186**	**1,318,379**	**1,141,752**	**3,564,318**	**100.00**
2.0	State Receipts					
2.1	Delta	95,848	106,307	159,239	361,394	27.41
2.2	Rivers	95,251	129,241	119,888	344,380	26.12
2.3	Ondo	13,798	119,665	40,490	173,953	13.19
2.4	Akwa-Ibom	24,028	42,653	83,159	149,840	11.37
2.5	Kano	42,702	44,426	33,360	120,488	9.14
2.6	Gombe	12,449	17,875	18,680	49,004	3.72
2.7	Bayelsa	12,581	14,312	17,004	43,897	3.33
2.8	Nasarawa	10,677	15,167	14,585	40,429	3.07
2.9	Imo	12,348	8,267	14,386	35,001	2.65
Total State receipts (b)		**319,682**	**497,913**	**500,791**	**1,318,386**	**100.00**
3.0	Loans					
3.1	Rivers	11,426	17,986	49,712	79,124	34.85
3.2	Akwa-Ibom	220	6,652	48,070	54,942	24.20
3.3	Gombe	10,324	3,742	15,600	29,666	13.07
3.4	Bayelsa	11,387	5,469	2,359	19,215	8.46
3.5	Ondo	-	-	17,800	17,800	7.84
3.6	Nasarawa	11,543	700	5,000	17,243	7.60
3.7	Delta	8,255	700		8,955	3.94
3.8	Imo	66	-	-	66	0.03
	Total loans (C)	**53,221**	**35,249**	**138,541**	**227,011**	**100**

4.0	Grants					
4.1	Gombe	367	3,593	6,120	10,080	46.32
4.2	Nasarawa	1715	1,544	3,823	7,082	32.54
4.3	Ondo	3910			3,910	17.97
4.4	Kano	684			684	3.14
4.5	Imo	5	-	-	5	0.02
Total grants (d)		6,681	5,137	9,943	21,761	100
Grand Total		1,483,770	1,856,678	1,791,027	5,131,476	

Federal Allocation

Federal allocation for the states during the period amounted to ₦3.56trillion which represents 70% of the total receipts. The federal allocation grew by 19% in 2018 and dropped by 13% in 2019. To ensure self-sufficiency and minimize the level of dependence on federal allocations, state governments should explore alternative sources of revenue, creatively develop strategies and leverage on existing laws, regulations to improve non-federal revenue/receipts.

Four states (Delta, Akwa-Ibom, Rivers and Bayelsa) accounted for 70% of the total Federal allocation while Imo, Gombe and Nasarawa received the least allocation.

Internally Generated Revenue

Total states' IGR for the period was ₦1.32 trillion representing 26% of the total states' receipts. The top four (4) states (Delta, Rivers, Ondo and Akwa-Ibom) accounted for 78%. The total IGR rose by 57% from ₦319.68 billion in 2017 to ₦500.79 billion in 2018 and this increased by 3% to ₦515.67 billion in 2019.

Ondo IGR increased by 767% in 2018 while Imo State IGR dropped by 33%. In 2019, Imo and Delta states IGR grew significantly by 74% and 50% respectively, this may have resulted from the IGR strategies adopted by the respective state government to improve its revenue.

Loan Receipts

Total loan receipts by the state governments for the period under review was ₦227.01 billion. The top three (3) states (Rivers, Akwa-Ibom and Gombe) accounted for 72% of total loan receipts. The total loan receipts dropped by 34% in 2018 and increased significantly by 293% in 2019.

While loan receipts dropped in Imo, Delta, Nasarawa, Gombe and Bayelsa, it rose significantly by 2,924% in 2018 in Akwa-Ibom State. However, in 2019 it rose by 623%, 614%, 317%, 176% and 100% for Akwa-Ibom, Nasarawa, Gombe, Rivers and Ondo States respectively, with the exception of Bayelsa whose loan receipts dropped by 57% in 2019.

As shown in the analysis above, there was a decline in loan receipts for most of the states during the period. However, these state governments are yet to build a corresponding revenue expansion base to augment shortfalls in revenue which may impact negatively on its abilities to deliver services to its citizens.

Grants Receipts

The total grant receipts by the states for the period under review was ₦21.76 billion, of which Gombe, Nasarawa, Ondo and Kano accounted for 46%, 33%, 18% and 3% respectively.

Many of the state governments did not receive grants during the period and this calls for efforts by concerned state to attract aids and grants with a view to support development in the state. Specifically, the state government should develop a robust grants sourcing and management strategy to boost receipts from grants and aids.

Table 124: Analysis of Expenditure for the Selected Nine States

S/N	States	2017 million ₦	2018 million ₦	2019 million ₦	Total million ₦	Sub-total %
1	Statutory Deductions(a)					
1.1	Delta	28,276	24,174	15,364	67,814	20.71
1.2	Bayelsa	19,046	19,506	17,453	56,005	17.10
1.3	Rivers	18,062	13,506	13,139	44,707	13.09
1.4	Akwa-Ibom	13,070	13,923	13,873	40,866	12.48
1.5	Imo	8,730	10,457	11,790	30,977	9.99
1.6	Ondo	12,747	7,647	9,189	29,583	9.03
1.7	Gombe	8,070	8,253	10,445	26,768	8.17
1.8	Kano	6,433	5,606	7,098	19,137	5.99
1.9	Nasarawa	3,031	3,081	5,161	11,273	3.44
Sub-total (a)		**117,465**	**106,153**	**103,512**	**327,130**	**100**
2	Recurrent Expenditure(b)					
2.1	Delta	186,002	231,636	215,752	633,390	22.83
2.2	Bayelsa	156,611	200,056	164,617	521,284	16.77
2.3	Akwa-Ibom	112,884	130,580	127,080	370,544	13.35
2.4	Rivers	120,648	133,926	99,688	354,262	12.79
2.5	Ondo	66,774	99,794	97,138	263,706	9.50
2.6	Kano	82,934	82,929	90,779	256,642	8.50
2.7	Gombe	51,073	61,286	61,942	174,301	6.28
2.8	Imo	42,400	41,596	57,555	141,551	5.06
2.9	Nasarawa	41,916	45,439	52,721	140,076	4.93
Sub-total (b)		**861,242**	**1,027,242**	**967,272**	**2,855,756**	**100**
3	Capital Expenditure (c)					
3.1	Rivers	155,060	224,743	221,938	601,741	29.22
3.2	Akwa-Ibom	117,090	168,170	197,833	483,093	23.46
3.3	Delta	44,945	108,785	143,362	297,092	14.43

3.4	Kano	70,969	69,869	31,290	172,128	8.36
3.5	Bayelsa	45,529	47,755	42,159	135,443	6.58
3.6	Imo	35,725	55,615	28,669	120,009	5.83
3.7	Ondo	15,710	68,495	29,934	114,139	5.54
3.8	Gombe	17,371	25,776	30,717	73,864	3.59
3.9	Nasarawa	21,688	24,094	16,179	61,961	3.01
Sub-total (c)		**524,087**	**793,302**	**742,081**	**2,059,470**	**100.00**
Total Expenditure (d=a+b+c)		**1,502,794**	**1,926,697**	**1,812,865**	**5,242,356**	-

Statutory Deductions

The total statutory deductions on gross allocations to the states for 2017 to 2019 was ₦327.13 billion representing 6% of total receipts. Year-on-year, the total deductions decreased by 10% in 2018 and 3% further in 2019.

On a state basis, between 2017 to 2018, the major decline in statutory deductions occurred in Ondo, Rivers and Delta states accounting for 40%, 25% and 15% respectively. In 2019, while statutory deductions decreased in Delta, Rivers and Bayelsa states, it increased by 68%, 27%, 20%, 27% and 13% in Nasarawa, Gombe, Ondo, Kano and Imo states respectively. These were the consequences of financial obligations entered into by the respective state governments that resulted in Irrevocable Standing Payment Order (ISPO) issued to the FGN.

Generally, state governments can effectively meet shortfalls in revenue needed to deliver services if loans receipts are properly utilized. However, when loans (sourced internally and externally) continue to rise without corresponding impact on the states, chances are that such loans could pile up, thereby creating unsustainable debt burden on the states and their abilities to access external finance and provide services to its citizens. The state governments should carefully and consistently review borrowings to ensure that the need for loan facilities is not only justified but judiciously utilized to derive the expected benefits.

Recurrent Expenditure

The total recurrent expenditure of the states for the period was ₦2.86 trillion (55%) of total expenditure. The expenditure increased by 19% in 2018 and declined by 6% to ₦9.49 trillion in 2019.

On a state basis, Delta, Bayelsa, Akwa-Ibom and Rivers states expenditure represent 66% of the total recurrent expenditure. The individual state recurrent expenditures increased between 2017 and 2018 with the exception of Kano and Imo. However, in 2019, it dropped in Rivers (26%), Bayelsa (18%) and Delta (7%) while it rose by 38%, 9% and 16% for Imo, Kano and Nasarawa states respectively.

The high recurrent expenditure by the various state governments negatively affected their abilities to carry out capital projects needed to accelerate economic growth and development in the states.

Therefore, it has become imperative for state governments to make increased allocation to capital expenditure a priority in order to bridge infrastructural gaps. This could be achieved through the formulation and enforcement of policies that would balance the state expenditure pattern.

Capital Expenditure

Total capital expenditure by the states for the period was ₦2.06 trillion (39%) of the total expenditure. It increased by 51% in 2018 and declined by 6% in 2019.

On state basis, capital expenditure (Rivers, Akwa-Ibom and Delta) accounted for 67% of the total capital expenditure for 2017 to 2019.

Among the states, with the exception of Kano, capital expenditure increased in 2017 and 2018. However, in 2019, it declined in Ondo (56%) and Kano (55%), while in Akwa-Ibom and Delta it increased by 18% and 32% respectively.

The persistent low ratio of capital expenditure to total revenue in the states has the effect of slowing down the execution of developmental projects, thereby depriving citizens of basic amenities.

State governments should as a matter of policy, improve allocation to capital projects as this will rejuvenate economic activities and attract investments with the associated multiplier effect.

7. Findings and Recommendations

Table 125: Summary of Findings and Recommendations in the NEITI 2017-2019 FASD Audit

S/N	Findings	Recommendations
1.0 Generating and Regulatory Agencies		
1.1 Federal Inland Revenue Service (FIRS)		
1.1.1	The report noted that PPT collection accounted for 43.09% of total FIRS collections for the period. This indicates significant dependence on oil taxes. This could affect FIRS revenue negatively due to fluctuations in global oil prices.	The Service need to be more proactive in exploring other avenues to boost its revenue generation from the sector. Specifically, in addition to devising strategies to block revenue leakages from PPT, mechanism for tracking companies on compliance and collection must be strengthened to minimise evasion.
1.2 Nigerian National Petroleum Corporation (NNPC)		
1.2.1	It found that a total of ₦8.8 trillion was generated by the Agency out of which only ₦3.5 trillion (39.55%) was remitted to the Federation Account because of deductions at source for JV cash calls.	It is expedient to holistically review NNPC's cost of production to ensure optimization of revenue benefits to the nation. Furthermore, FA needs to develop a cost of collection mechanism to address the issue as it applies to other revenue generating agencies (FIRS, DPR, NCS).
1.3 Ministry of Mines and Development (MMSD)		
1.3.1	The report established that the amount generated by MID and MCO was still rely heavily on manual methods. This strategy is prone to errors and omissions, and it may have an impact on revenue generation.	Government (MMSD) must take steps to ensure a contemporary, technology-driven revenue collection and record-keeping system. This will enhance revenue generation and service delivery.
2.0 Federal Beneficiary Agencies		
2.1 Niger-Delta Development Commission (NDDC)		
2.1.1	**Federal Allocation Receipts** According to the provision of section 14(2a) and (2c) of the NDDC Establishment Act, 2000, the Federal Government is to contribute the equivalent of 15% of the total monthly statutory allocation due to member states of the commission from the Federation Account to the commission. Similarly, 50% of monies due to member states of the commission from the Ecological Fund is also to be paid to the commission account. However, the contribution of the Federal Government during the period was based	The FGN should comply fully with section 14 (2c) of the NDDC Establishment Act 2000. This will make funds available to the NDDC for projects that will positively impact the lives of the Niger Delta people.

	on appropriation in the annual budget which was relatively less than the amount due if contributions were made in accordance with the provisions of the Act above.	
2.1.2	Non-contributions to the Fund by some oil producing companies: Contrary to Section 14(2)b of the NDDC Act, it was discovered that 45 oil and gas companies did not remit funds to NDDC during the period as mandated by the Act. Non-remittance of these funds to NDDC negatively affected the commission's cash flow and its capacity to implement projects.	The commission should collaborate with relevant regulatory authorities to enforce compliance in line with the provision of the Act. There is need for NDDC to deploy an enduring strategy to drive its statutory revenue collections by setting up a task force that will drive revenue collection from defaulting companies. There is need for the review of NDDC Act to compel oil producing companies to make their budgets available to the commission to enable them have knowledge of their budgetary provision for NDDC.
2.1.3	Physical Expenditure: A comparison of the physical project expenditure as shown in financial statement vis-à-vis the project monitoring list made available by NDDC presents a difference of ₦523 billion. The financial statements showed a total expenditure of ₦679 billion while the project monitoring list showed that a total of ₦157 billion was spent on physical projects across the member states during the period.	NDDC should present accurate value of expenditure across the states that shows total amount expended in each of the relevant member states in the Niger Delta Region.
2.1.4	Federal Allocation Receipts: According to the provision of section 14(2a) and (2c) of the NDDC Establishment Act, 2000, the Federal Government is to contribute the equivalent of 15% of the total monthly statutory allocation due to member states of the commission from the Federation Account to the commission. Similarly, 50% of monies due to member states of the commission from the Ecological Fund is also to be paid to the commission account. However, the report found that contribution of the Federal Government during the period was based on appropriation in the annual budget which was relatively less than the amount due if	The FGN should comply fully with section 14 (2c) of the NDDC Establishment Act 2000. This will make funds available to the NDDC for projects that will positively impact the lives of the Niger Delta people.

	contributions were made in accordance with the provisions of the Act above.	
2.2 Tertiary Education Trust Fund (TETFUND)		
2.2.1	During the period, the total expected disbursement was ₦536.51 billion and actual disbursement was ₦267.73 billion. This gives a difference of ₦268.78 billion (50.10%). Consequently, this would have limited funds available to institutions for the implementation of development projects.	The agency should urgently organise re-orientation for the institutions to enable them clearly understand the criteria for accessing the fund.
2.2.2	The report found that that some institutions did not receive allocations and disbursement during the period.	Efforts should be made to ensure that all government-owned tertiary institutions benefit from the education tax receipts. TETFund should therefore review the reasons why eligible institutions were unable to access the funds. Engagements should be held with such institutions and relevant stakeholders with a view to addressing the challenges being faced in accessing the funds.
2.3 Petroleum Technology Development Fund (PTDF)		
2.3.1	Total receipts that accrued to the Agency for the period was ₦155.34 billion. Signature bonus accounted for ₦147.73 billion (95%) of the total revenue and this could expose the Fund to risk associated with one major source of revenue.	The Agency should explore other sources of revenue to complement the signature bonus.
2.3.2	During the peroid, the accumulated funds increased by 121%, from ₦55.66 billion in 2017 to ₦123.15 billion in 2019. This was attributed to underutilization of annual receipts.	In accordance with the approved annual budget, the Agency should be encouraged to increase its utilization of the annual receipts on the core operating mandate.
2.4 Nigeria Content Development and Monitoring Board (NCDMB)		
2.4.1	NCDMB expenditure structure seems to focus on activities that are in line with their mandate, specifically, the NOGAPS projects. However, in the three years under review a huge part of the capital expenditure went into the construction of the headquarters building in Yenagoa.	The NOGAPS programme is a laudable project that can go a long way to build capacity in the Niger Delta Region. NCDMB should therefore take it as priority and accelerate the delivery of the project across member states. There is need for NCDMB to synergise with PTDF in terms of capacity building in the oil & gas sector to increase the local content in the sector in respect of manpower development.
2.5 Nigeria Sovereign Investment Authority (NSIA)		
2.5.1	The total financial flows of NSIA was N1,335 billion for the period. The sum of N76.28 billion was received being contribution by	More funds should be made available for NSIA to increase their investment in order to provide buffer

	government in 2017 while the sum of US$250 million was approved by NEC in 2019 but the money was received in 2020. CBN approved a loan for fertilizer initiative in the sum of N40 billion to NAIC-NPK but as of 31st December 2019 the company was able to draw N35 billion of the loan. Investment fund increased by 71% within the period to the sum of N946.36 billion. The return on capital employed for the SF, FGF and NIF were 8.68%, 7.21% and 5.40% respectively.	in periods of economic downturn and liquidity for the nation.
2.6 Petroleum Equalization Fund (PEF)		
2.6.1	The annual inflow of PEF was from bridging allowance, National Transportation Average (NTA) and other receipts. The total revenue realized by the agency was ₦382.14 billion. The total fund utilization was ₦401.47 billion and 80% of the disbursement was on Bridging and NTA claim to major marketers and independent marketers. 20% of the agency's disbursement was on personnel cost and administrative cost. It was also established that 83.61% was the percentage of contribution to claims under NTA regime.	There is need to strengthen processes and procedures for effective management of the Fund. This has become vital in order to ensure optimal utilization of the fund's receipts in line with its mandate.
2.7 Petroleum Product Pricing Regulatory Agency (PPPRA)		
2.7.1	d. US$2.22 billion was received from excess crude oil and excess PPT and Royalties. US$110 million was received from excess crude oil while US$2.11 billion was for PPT and royalties. e. Disbursement from ECA during the period under review was in respect of Paris club refund, budget augmentation, procurement of critical military equipment, consultancy fee and transfer to NSIA. Paris club refund accounted for US$2.06 billion or 45.88% of the disbursement from the account.	Existing administrative procedures should be strengthened to ensure that monies in the account are wholly utilized for the purpose for which the account was established.

	f. Total disbursement during the period was 202.5% of the total inflows during the same period. That is, expenditure was 102.5% over and above the receipts.	
2.8 Stabilization Fund (SF)		
2.8.1	The report found that during the period the fund was not wholly utilized for the purpose it meant for. For instance, more than half of the fund available in 2019 was paid to AU. Also, professional fees for the forensic audit of ECA was paid directly from the Stabilization Fund Account and based on available information, no part of the Fund was used for budget augmentation in 2019.	Every good policy initiative requires a strong political will to succeed. There is therefore the need for all stakeholders to support the right controls over how disbursements are made from the Fund. There is need for procedure manual to guide disbursement from the Fund.
2.8.2	We also observed that total disbursement of the fund was 103.8% of total inflows during the period. This indicates that 3.8% of the disbursements was covered by brought-forward balances.	The Federal Government should consider setting a cap on the disbursements as a percentage of the monthly inflows so as to ensure that there is perpetual balance in the account.
2.8.3	Some transfers to the NSIA were not done as at when due. For instance, the transfers for July – December 2018 were made in April 2019. Also, the transfers for January to March 2019 were made in April 2019.	The Federal Government should put measures in place to ensure that monthly transfers are made as at when due to avoid transfers to NSIA falling into arrears.
2.9 Development of Natural Resources Fund (DNRF)		
	A review of the operations of the Fund from 2017 to 2019 showed that not all receipts to the Fund were utilized for the purpose for which the Fund was established. It may become increasingly difficult to diversify the Nigerian economy, and reduce dependence on Oil and Gas if the Funds are used for purposes outside the original objectives.	Laws should be enacted to prohibit the disbursements of funds from the Accounts for purposes outside those for which the Fund was established.
3.0 States		
3.1	Akwa Ibom	
3.1.1	**Federal Allocation Receipts:** There has been a drop in the ratio of Federal allocation to total State revenue from 89.87% in 2017 to 62.08% in 2019. This indicates that there are continuous improvements in the State's IGR capacity.	The State should therefore continue to innovate to improve their IGR potentials to guarantee future self-sufficiency.

3.1.2	It was found that the State's loan profile continued to increase, growing by 220 million to 48billion between 2017 and 2019. Although the State's capital expenditure also grew by 69% within the same period, which may also reflect continuous pressure on social services due to population growth and increased economic activities.	Loans should be judiciously utilized on viable capital investments in order to foster economic activities that would unlock the opportunities in private sector investments.
3.1.3	The total expenditure of the State for the years under review was ₦894.5billion. The percentage of capital expenditure to total expenditure for the years 2017, 2018 and 2019 is 48%, 54% and 58% respectively.	The State should thrive to maintain its focus on infrastructural development to support economic growth. However, the caveat to this is to ensure there is no over dependence on borrowings especially interest related borrowings.
3.2	Bayelsa	
3.2.1	Federal Allocation Receipts: It was discovered that that the State was highly dependent on Federal Allocation during the years under review. For instance, the ratio of Federal allocation to total State revenue during the three (3) years under review was 87%, 91% and 90% respectively.	The State should creatively develop strategies and tactics within the ambits of the extant laws and regulations to improve the IGR potentials.
	Internally Generated Revenue: There was a year-on-year increase in the State's IGR by 14% and 19% in 2018 and 2019 year respectively.	Matters relating to IGR should be brought to the front burner and assistance sought from relevant professionals to drive IGR enhancement in the state.
3.2.2	Loans: The report found that a total of ₦19.22billion was borrowed by the state from internal and external sources. In 2017, 2018 and 2019, the state loan was 6%, 3% and 1% of total receipt respectively.	The purposes for which loans are taken needs to be carefully reviewed to ensure that the facilities are not used for projects that are not self-financing either directly or indirectly.
3.2.3	Capital Expenditure: We observed that the percentage of annual allocations to capital expenditure is below average. Specifically, in 2017, 2018 and 2019 the ratio of capital expenditure to total expenditure was 23%, 19% and 20% respectively.	It is imperative for the State to improve on its allocation to capital projects to address the huge infrastructural gap in the State in order to accelerate economic growth and development.
3.2.4	Recurrent Expenditure: A comparison of the State's recurrent expenditure with total revenue shows that recurrent expenditure accounted for 87%, 94% and 86% of total revenue for the years 2017, 2018 and 2019 respectively. This implies that the state on the average spends 89% of its total revenue on recurrent expenditure.	The State Government should institutionalize policies that will reverse this expenditure pattern in favour of capital expenditure so as to effectively bridge the infrastructural gaps within the State.

3.3	Delta	
3.3.1	Federal Allocation Receipts: The ratio of Federal allocation to the state revenue dropped from 66% in 2017 to 60% in 2019. This indicates a consistent growth in State's IGR capacity during the three (3) years under review.	The state should put measures in place to sustain the innovations that led to increase in the IGR to guarantee self-sufficiency.
3.3.2	Capital Expenditure: There was a yearly increase in the capital expenditure of the state. The percentage of capital expenditure to total expenditure for the years 2017, 2018 and 2019 was 17%, 30% and 38% respectively. The increase in capital expenditure indicates a prioritization of infrastructural development.	The state should continue to improve on its capital vote to help close the infrastructural gaps as this will also trigger private sector investments that will positively impact on the state's macro-economic objectives.
3.3.3	Recurrent Expenditure: There was a yearly decrease in percentage of recurrent expenditure as against total expenditure. This is a reflection of the state's focus on capital spending.	The State Government should critically review its current expenditure on personnel and overhead with a view to keep it at a sustainable level.
3.4	Gombe	
3.4.1	Federal allocation receipts: The state is highly dependent on Federal allocation, notwithstanding that there was a drop-in ratio of Federal allocation to state's revenue during the period under review. This indicates that the state is not self-sustaining and may not be able to withstand the challenges that may arise from fluctuations in oil prices.	It is important for the state to continue its revenue drive to ensure that the state meets its expenditure budget without necessarily relying on Federal allocation.
3.4.2	Internally Generated Revenue: The state made progress at improving its revenue generation. IGR grew by 44% in 2018 and further 4.5% in 2019.	The state should continue to innovate to improve their IGR potentials to guarantee future self-sufficiency. However, there may be need for the State to review its current IGR strategies to achieve sustainable revenue growth.
3.4.3	Loans: The state augmented its revenue with a total of ₦29.6billion loans during the period under review.	The purpose for which loans were taken needs to be carefully reviewed to ensure that the facilities are not used for projects that are not self-financing either directly or indirectly.
3.4.4	Expenditure pattern: The total expenditure of the state for the period under review was ₦274.9 billion. The ratio of capital expenditure to total revenue increased on yearly basis representing 24%, 30% and	It is imperative for the state to increase its allocation to capital projects in order to improve infrastructure, which is a prerequisite for economic development in the state. However, policy makers should consider

	31% for in 2017, 2018 and 2019 respectively.	prevailing fiscal objectives to stimulate economic activities.
3.5	Imo	
3.5.1	Federal Allocation Receipts: The Federal allocation receipts accounted for 85.8% of ₦247.17 billion for the period under review. This accounted for an average of 80% of the state total receipts for each year. This shows that the state is highly dependent on Federal allocation. Consequently, when there is a significant drop in Federal allocation, the state may find it difficult to seamlessly implement its budget.	It is expedient for the state government to creatively develop strategies for improving and sustaining its revenue generation capacity to ensure economic growth.
3.5.2	Statutory Deduction: The total statutory deductions on gross allocation to the state for the period was ₦30.98 billion. The deductions, when compared with the State's generated revenue, accounted for 70.30%, 84.20% and 94.94% in 2017, 2018 and 2019 respectively. This has a limiting effect on the capacity of the state to meet its recurrent and capital expenditure.	Borrowing should be judiciously utilized on viable investments in order to enhance the revenue generating capacity of the state. The level of borrowing should be closely monitored to ensure that they do not rise to a level where they become a burden to the state.
3.5.3	Capital Expenditure: The ratio of capital expenditure to total revenue was commendable in 2017 and 2018. However, there was a significant drop in 2019. The decline in capital expenditure as seen in 2019, if persistent, will adversely affect the ability of the state government to provide the necessary infrastructure needed to support economic development in the state.	The state government should make deliberate effort by using the extant laws to improve capital allocation to execute capital projects.
3.5.4	Recurrent Expenditure: The recurrent expenditure of the state in 2019 accounted for 70% of the total revenue, it was also high when compared to the capital expenditure in the year.	The current level of recurrent expenditure should be reviewed and controlled in order to improve the state's ability to create wealth and bring about economic growth and development to the state.
3.6	Kano	
3.6.1	Federal Allocation Receipts: The Federal allocation receipts represents 71.18% of ₦420.43billion total revenue. The Federal allocation receipts have consistently accounted for over 70% of the State's total revenue.	The receipt of this type of revenue by the State Government should challenge decision makers to think outside the box on creative ways to boost revenue generation.

	During the three (3) years under review, Paris Club Refund which is a non-regular source of revenue, accounted for ₦48.24billion or 11.47% of the Federal Allocation. This non-regular source of income affected the State's total revenue in 2019 when the allocation was nil. Specifically, there was a drop in revenue receipt by ₦16.59billion or 15.61% between 2018 and 2019. This drop was substantially due to the non-receipt of Paris Club Refund during 2019 year by the State Government.	
3.6.2	Internally Generated Revenue: The State internal revenue generation efforts during the years under review is generally below average. This is because the Federal allocation was N103,290million, N106,276 million and N89,688 million while the IGR was N42,420million, N44,107million and N31,795million for 2017, 2018 and 2019 respectively. This represents a total of 71.18% for Federal allocation and 28.14% for internally generated revenue over the three (3) years under review. Specifically, the State's revenue generation capacity compared to Federal allocation has been between 31% to 33%.	The State Government should deliberately design strategies to boost the IGR potentials by using the instrumentality of the existing tax laws to bring corporate entities and individuals into the tax bracket. Furthermore, private investors should be attracted to the state through friendly and accessible incentives with a view to reinventing the massive agricultural and commercial potentials of the State.
3.6.3	Statutory Deductions: The State embarked on financial transactions that have now made it obligatory to make payments because of Irrevocable Standing Payment Order (ISPO) issued to the FGN. As a result of this, statutory deductions increased by 26.61% between 2018 and 2019. A comparison of the deductions with the State's revenue shows that it accounts for 15.80%. In addition, when compared with the IGR, it reveals that the amount represents 16.17%.	Loans should be judiciously utilized on viable investments in order to enhance the revenue generating capacity of the State. Also, loan level should be closely monitored to ensure that they do not rise to a level where they become a burden to the State.
3.6.4	Capital Expenditure: A comparison of the capital expenditure with total revenue shows that there has been a steady decline in the percentage of revenue spent on capital expenditure. Specifically, there was a significant decrease by over 56.77%	The State Government should explore ways and means, possibly using the instrumentality of law to improve the capital allocation. This way, the State will be able to deliberately appropriate a substantial part of the annual budget to capital expenditure. Thus, improving the investments in infrastructure

	between 2017 and 2019. Furthermore, expenditure analysis shows that there has been a steady fall in capital expenditure over the years under review, both in absolute and relative terms. In 2019 -year, capital expenditure was 25.44% and 24.22% of total revenue and total expenditure respectively.	that will ultimately lead to the economic growth and development of the state.
3.6.5	Recurrent Expenditure: The recurrent expenditure of the State is disproportionately high compared to the capital expenditure. In 2019, recurrent expenditure was 79.57% of total revenue. Also, between 2017 to 2019 years, it increased by 9.53% largely due to the consistent rise in personnel cost during the years under review.	The State Government should reverse the trend of high spending on recurrent expenditure in favour of capital expenditure to effectively achieve a balanced economic distribution of wealth.
3.7	Nasarawa	
3.7.1	Federal Allocation Receipts: The total federal allocation receipt by the state was ₦156.64 billion (71%) of the total receipt for the period. The state was highly dependent on Federal allocation. For instance, the ratio of Federal allocation to total State revenue for 207, 2018 and 2019 was 66%, 76% and 70% respectively. This indicate that the state is not self-sustaining and may not be able to stand the challenges that may arise because of unfavourable fluctuations in oil prices that usually affect federal allocation.	The State government should creatively develop strategies for improving and sustaining its revenue generation capacity to ensure economic growth.
3.7.2	Statutory Deductions: The State was exposed to the statutory deductions as a result of loans that were guaranteed by the FGN. Specifically, the total statutory deductions increased from ₦3.09 billion in 2018 to ₦5.1 billion (68%) in 2019.	Government should improve the monitoring process of loan utilization to ensure that such funds are committed to purposes for which they were taken in the first instance.
3.7.3	Capital Expenditure: The percentage of capital expenditure to total revenue was 33% each for 2017 and 2018. However, in 2019 it dropped to 29%. If the decline in capital expenditure persists, it will adversely affect the ability of the state government to provide the necessary	Government should make deliberate effort by using the extant laws to improve capital allocation to execute capital projects.

	infrastructure needed to support economic development in the state.	
3.7.4	Recurrent Expenditure: Total recurrent expenditure was ₦140.08 billion of which personnel and overheads accounted for 78.55% of the total recurrent expenditure for the period. If this expenditure pattern is not carefully reviewed and monitored, chances are that it may continue to rise thus, leaving little funds for capital expenditure that drives economic growth and development.	The current level of recurrent expenditure should be reviewed and controlled in order to improve the state's ability to create wealth and bring about economic growth and development to the state.
3.8	Ondo	
3.8.1	Federal Allocation Receipts: The State was less reliant on Federal allocation in 2018 than prior year as the State IGR was more than inflow from Federal Allocation. Specifically, the total State IGR in 2018 was ₦119.7 billion while Federal Allocation was ₦85.7 billion. Internally Generated Revenue: There was also a huge increase in IGR and other income in 2018 by 393% and 2658% respectively. However, in 2019 IGR dropped by 47% and other income significantly by 84%.	The State should therefore continue to innovate to improve their IGR potentials to guarantee future self-sufficiency. However, there may be need for the State to review its IGR strategies to achieve sustainable revenue growth.
3.8.2	Loans: There were no borrowings in 2017 and 2018 years. However, in 2019 the State borrowed the sum of ₦17.8billion to support budget implementation.	The purposes for which loans are taken needs to be carefully reviewed to ensure that the facilities are not used for projects that are not self-financing either directly or indirectly.
3.8.3	Expenditure: The report found that allocations to capital expenditure was low compared to recurrent expenditure during the period.	It is imperative for the State to increase its allocation to capital projects where practicable to improve infrastructure needed in the State. This is required to bring about significant economic growth and development in the state.
3.9	Rivers	
3.9.1	Federal Allocation Receipts: The report noted a decline in the ratio of Federal allocation to total State revenue from 66.48% in 2017 to 59.88% in 2019.	State government should therefore continue to creatively improve its IGR capacity to boost revenue as this would guarantee it self-sufficiency.
3.9.2	Loans: The State's loan profile continued to increase, growing by 335% between 2017 and 2019. Although the State's capital expenditure also grew by 43% within the	The State government should ensure that proceeds from borrowings be judiciously utilized on viable capital investments to foster economic activities

	same period, which may also reflect continuous pressure on social services due to population growth and increased economic activities.	that would unlock the opportunities for investments in the state.
3.9.3	Expenditure pattern: The total expenditure of the State for the years under review was ₦999.5billion. The percentage of capital expenditure to total expenditure was 52.67%, 60.39% and 66.65% for 2017, 2018 and 2019 respectively.	The State should thrive to maintain its focus on infrastructural development to support economic growth through increased resource allocation to capital expenditure.

FISCAL ALLOCATION AND STATUTORY DISBURSEMENT (FASD) AUDIT REPORT

2020

Prepared by

Amedu Onekpe & CO

(Chartered Accountants)

Address: No. 4 Marte Close, off Misau Crescent, Garki 2. Abuja

Tel: +234 803 3024 658

E-mail: info@ameduonekpe.com

Website: www.ameduonekpe.com