2015
ANNUAL REPORT
AND AUDITED ACCOUNTS

FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

VISION, MISSION AND VALUES OF THE FISCAL RESPONSIBILITY COMMISSION

VISION

A transparent and effective Government financial management framework for Nigeria

MISSION

To reform the management of Nigeria's public finances through monitoring of government financial activities, uncompromising investigation and public reporting backed by a firm commitment to enforcement

VALUES

- Integrity
- Truth
- Justice and
- Prudence

CONTENTS

LIST OF ACRONYMS

BPE	-	Bureau of Public Enterprises
CAC	-	Corporate Affairs Commission
CBN	-	Central Bank of Nigeria
CCB	-	Code of Conduct Bureau
CSOs	-	Civil Society Organizations
DFID	-	Department for International Development
DMO	-	Debt Management Office
EFCC	-	Economic and Financial crimes Commission
DSA	-	Debt Sustainability Analysis
ECA	-	Excess Crude Account
FAAC	-	Federation Account Allocation Committee
FAAN	-	Federal Airport Authority of Nigeria
FCT	-	Federal Capital Territory
FEC	-	Federal Executive Council
FG	-	Federal Government
FIRS	-	Federal Inland Revenue Service
FGN	-	Federal Government of Nigeria
FMF	-	Federal Ministry of Finance
FOI	-	Freedom of Information Act
FRA	-	Fiscal Responsibility Act
FRC	-	Fiscal Responsibility Commission
GDP	-	Gross Domestic Product
ICPC	-	Independent Corrupt Practices and Other Related Offences Commission
ICT	-	Information and Communications Technology
IGR	-	Internally Generated Revenue
IMF	-	International Monetary Fund
MDAs	-	Ministries Department and Agencies
MTEF	-	Medium Term Expenditure Framework
NAC	-	National Automotive Council
NAFDAC	-	National Agency for Food & Drug Administration Control
NAMA	-	Nigerian Airspace Management Agency
NASENI	-	National Agency for Science and Engineering Infrastructure
NASS	-	National Assembly

NBS	-	National Bureau of Statistics
NCAA	-	Nigerian Civil Aviation Authority
NCC	-	Nigerian Communication Commission
NCS	-	Nigeria Customs Service
NDIC	-	Nigeria Deposit Insurance Corporation
NIMASA	-	Nigerian Maritime Administration and Safety Agency
NIP	-	National Implementation Plan
NIRP	-	National Industrial Revolution Plan
NIS	-	Nigeria Immigration Service
NITDA	-	Nigerian Information Technology Development Agency
NNPC	-	Nigerian National Petroleum Corporation
NPA	-	Nigerian Ports Authority
NPC	-	National Planning Commission
NPS	-	Nigerian Postal Service
NSC	-	Nigerian Shippers Council
NSDC	-	National Sugar Development Council
NSITF	-	Nigerian Social Insurance Trust Fund
NTDC	-	Nigeria Tourism Development Commission
OAGF	-	Office of the Accountant General of the Federation
OSGF	-	Office of the Secretary to the Government of the Federation
RMRDC	-	Raw Material Research and Development Council
SEC	-	Securities and Exchange Commission
SME	-	Small and Medium Enterprises
SURE-P	-	Subsidy Reinvestment and Poverty Alleviation Programme
WAIFEM	-	West African Institute for Financial and Economic Management

LIST OF TABLES

HIS EXCELLENCY

MUHAMADU BUHARI, GCFR

PRESIDENT, COMMANDER-IN-CHIEF OF THE ARMED FORCES
FEDERAL REPUBLIC OF NIGERIA

HIS EXCELLENCY

YEMI OSINBAJO, GCON

VICE-PRESIDENT

FEDERAL REPUBLIC OF NIGERIA

HIS EXCELLENCY
BUKOLA SARAKI, GCON
PRESIDENT OF THE SENATE OF THE
FEDERAL REPUBLIC OF NIGERIA

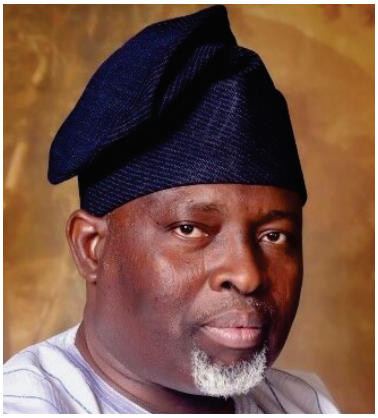
RT. HON. YAKUBU DOGARA, CFR

HONOURABLE SPEAKER, HOUSE OF REPRESENTATIVES OF THE FEDERAL REPUBLIC OF NIGERIA

BARR. VICTOR C. MURUAKO, KSJ
ACTING CHAIRMAN,
Fiscal Responsibility Commission

MANAGEMENT TEAM

BARR. VICTOR C. MURUAKO, KSJ
AG. CHAIRMAN, FISCAL RESPONSIBILITY COMMISSION



ALH. M. OLA TIJANI
HEAD, MONITORING & EVALUATION

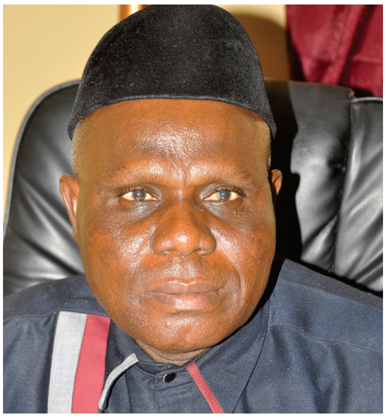
HAJIA MARYAM ILYASU MOHAMMED
HEAD, PLANNING RESEARCH & STATISTICS

ALH. MUHAMMED A. ZAILANI
HEAD, ADMINISTRATION

ALEX B. ELIKWU
HEAD, POLICY & STANDARDS

MANAGEMENT TEAM

ALH. IBRAHIM BABA DAUDA
ASST. DIRECTOR AUDIT



RAYMOND O. OMACHI
HEAD, FINANCE & ACCOUNTS

ALH. ABDULGANIYU AMINU
HEAD, PRESS

PETER OSONDU OKORO
HEAD, INTERNAL AUDIT

BARR. CHARLES C. ABANA
AG. HEAD, LEGAL INVESTIGATION & ENFORCEMENT

BEDE O. ANYANWU
AG. HEAD, STRATEGIC COMMUNICATIONS

FISCAL
RESPONSIBILITY
COMMISSION
FEDERAL REPUBLIC OF NIGERIA

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CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

It is my honour to present the Annual Report and Audited Accounts of the Fiscal Responsibility Commission for the Year ended 31st December, 2015. The report provides a wide range of information on the monitoring and enforcement of the Fiscal Responsibility Act 2007, (FRA) by the Fiscal Responsibility Commission

2 This publication is in fulfilment of section 10 of FRA which mandates the FRC to prepare and submit to the National Assembly (NASS) in each financial year a report of its activities, including its audited accounts for the preceding financial year. Efforts made by the Federal Government in the area of prudent management of its resources are also highlighted. The report also reveals the efforts made in 2015, against all odds, to secure greater accountability and transparency in fiscal operations within the medium term policy framework, and ensure long term macro-economic stability of the National economy.

3 The year 2015 was indeed a momentous year given the fact that the global economic environment was fraught with many uncertainties. First, the global economy was in recession as witnessed in the slow growth in major economies like US, UK and with marked downward slide in such economies as Japan, emerging economies like the "BRICS", China Russia and Brazil. Against this background came the volatility of the price of crude oil occasioned by the arrival of new oil producers and weak demand from our biggest market.

4 As Nigeria is integrated into the global economic system, we cannot but be affected by the supply glut in the global market and weak demand for our oil. At \$55 per barrel in 2015, oil price fell short of Nigeria's proposed federal Budget benchmark of \$65 per barrel.

5 The nation's economy looked set to face one of the most perilous times in history, as global oil prices, a key anchor for fiscal growth and macroeconomic stability continued to nosedive in 2015. The effect of this precipitous fall in oil prices has strongly impinged on Nigeria's key macroeconomic variables. These variables include; exchange rate, capital flows, current account balance, inflation and growth prospects.

6 Throughout the first half of 2015, the management of the economy was driven more by the use of monetary policy. This is understandable. The change in government at the federal level and the delay in inaugurating the Federal Executive Council led to the limited implementation of the 2015 budget. To be sure, this budget that has been termed **"transition budget"** was drawn by the previous administration, thus a myriad of problems were inherited from the previous government that needed to be fixed by the present.

7 In a speech marking his first year in office, President Muhammadu Buhari said he inherited a **"state near collapse"** ill equipped for the strain of low oil prices. Insecurity was widespread "corruption and impunity were the order of the day" and the treasury had been emptied. In spite of this, the total monetary value of all finished goods and services produced in the country in the 2nd Quarter of 2015 recorded a 2.57% growth, according to an edition of the data on quarterly Gross Domestic Product estimates produced by the Nigerian Bureau of Statistics (NBS).

8 The NBS report equally showed that the country's GDP in real terms which grew by 2.35% on year-on-year basis was lower by about 1.61% points from the figure on record in the preceding quarter. The figure was equally lower by about 4.19% points from the growth recorded in the corresponding quarter of 2014. During the quarter, the aggregate GDP stood at about N22.86 trillion (in nominal terms) at basic prices.

9 Crude oil production which is the mainstay of the country's economy stood at an average 2.05 million barrels per day reflecting about 5.9% decline from about 2.18 million barrels per day (mbpd) in the first quarter of 2015. Oil production was equally relative to the corresponding quarter in 2014 by about 7.3% when output was recorded at 2.21 million barrels per day.

10 The new administration of President Muhammadu Buhari was inaugurated May 1st 2015 on the platform of restoring security, tackling corruption and restructuring the economy. Confronted with these challenges, the administration had tended to look inwards, enforced regulations to stop financial leakages and had adopted global best practices in generating more revenue to mitigate the effect of the dwindling oil prices on the Nigerian economy.

11 The year 2015 has been, to use the words of President Muhammadu Buhari, **"a year of triumph, consolidation, pains and achievements"**. The resolution of the State Governments liquidity challenge through a bailout package was a step in the right direction to grapple with distortions in the economy. Likewise, the introduction of the Treasury Single Account (TSA) in August 2015 was right on point. The Treasury Single Account was introduced to reduce extravagant spending and plug all leakages in public expenditure. Since its introduction, the Federal Government was able to save a substantial amount for the nation – money hitherto that would have been mismanaged.

12 The Commission, on its part had not relented in pursuing its mandate in promoting fiscal prudence and transparency. The Commission in partnership with the Centre for Social Justice, held a National Forum on Fiscal Responsibility on May 11, 2015. The forum attracted key official of the Fiscal Responsibility Commission in States, Commissioners of Finance from various States, Directors of Budget and other critical stakeholders.

13 The purpose of the forum was to review the implementation of the FRA at both federal and State levels and to strategize on how to improve implementation, share good practices and jointly resolve knotty implementation challenges. Such issues as methods and basis for calculating Operating Surplus, maintaining Medium Term Sector Strategies and Medium Term Expenditure Framework, Debt Limitation were ironed out at the forum. Other issues touched upon were compliance to borrowing for infrastructure and human capital development, among others.

14 The forum was held at a critical stage in the history of Nigeria when all hands were expected to be on deck to salvage the economy. The 'Change' mantra and the anti-corruption stance of this administration is very much in tandem with the goals of prudent management of the nation's resources, accountability and transparency of the FRA, 2007.

15 Going forward, it is gratifying to note that the present administration has set a great store by the Fiscal Responsibility legislations in its various policy pronouncements. It is only through a sound institutional governance can Nigeria make a head-way in fiscal prudence and transparency. The need for fiscal responsibility, accountability and transparency has become more and more strident, especially in the light of the present administration's quest for good governance devoid of financial sleaze and corrupt practices in all its ramifications.

16 The idea of managing public income and expenditure in a responsible and responsive way in the larger interest of the country is the sole *raison d'etre* of fiscal responsibility legislation. It is indeed about prudent management of resources based on

fundamental rules of action that provides the framework for evidence based budgeting. Needless to say, various laws and policies have made provisions for different aspects of fiscal responsibility. These range from the Constitution of the Federal Republic of Nigeria 1999, FRA 2007, Public Procurement Act, Extractive Industries Transparency Initiative, financial regulations etc.

17 The Fiscal Responsibility Commission (FRC) was established by the Fiscal Responsibility Act (FRA) 2007. The FRC is mandated to monitor and enforce the provisions of the FRA, 2007 which objectives are:

(i) To provide for prudent management of the nation's resources.
(ii) To ensure long term macroeconomic stability of the nation economy
(iii) To secure greater accountability and transparency in Fiscal Operations within a Medium Term Fiscal Policy Framework
(iv) The establishment of the Fiscal Responsibility Commission is to ensure the promotion and enforcement of the nation's economic objectives, set out in the 1999 Constitution. According to the FRA, 2007, the FRC is also mandated to:

(a) Disseminate such standard practices, including international good practices that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in Fiscal matters, and
(b) Undertaking Fiscal and Financial Studies, analysis and diagnosis and disseminate the result to the general public.

18 The signing of the Fiscal Responsibility Bill into law in July, 2007 and the subsequent inauguration of the Commission by the late President Musa Yar'adua in April, 2009 marked a watershed in fiscal management as it institutionalized important Features of Fiscal Policy Reforms earlier introduced at the federal level. Since its inauguration, the Fiscal Responsibility Commission has, despite daunting challenges pulled itself by its own bootstraps in enforcing the provisions of the Act.

Revenue Generation and Accrual to Excess Crude Account

19 Relevant government agencies are required to make remittances into Federation Account for federally collectible revenue while the Federal Government (FG) independent revenue is remitted into FGN CRF. The FGN independent revenue especially Operating Surplus payable by scheduled Corporations is covered by Sections 21 to 23 of the FRA, 2007. The Act empowers the FRC to monitor compliance by the Schedule Corporations.

20 Over the years, the Commission, despite its limited resources, has been striving to ensure compliance by the relevant MDAs with these sections. The Commission was able to ensure remittance by the MDAs of over about N350 billion to the CRF since its creation. Had the Commission been properly supported, more revenue would have been generated.

21 Another contentious issue is the budget process which is spelt out in the Act. Over the years, the Commission has been in the forefront of ensuring that this important process is strictly adhered to. Unfortunately, the compliance to the Act has been more in the breach. For one, the timeline is not being followed as it should.

22 Similarly, budget implementation report which is crucial in assessing budget implementation performance is usually not done on time. The 3rd and 4th B.I.R was not disseminated in the year under review. The Act also requires the Commission to monitor the operation and management of Excess crude Account. Since the Commission started, this account, the BIR has never disclosed the opening and closing balance of this ECA. Furthermore, important instruments of expenditure control for Fiscal transparency and accountability are the preparation of Annual Cash Plan and Disbursement Schedule as enshrined in sec 26 of FRA, 2007.

23 The management of the Excess Crude Account (ECA) remained a challenge in 2015. If the ECA had been properly managed in accordance with the Act, the country would not have been embroiled in the liquidity crisis experienced in 2015. Had the conditions precedent to withdrawals been strictly observed in previous years, the effect of declining oil price would have been mitigated with the ECA acting as a buffer to part finance the budget. The Commission has had cause to raise alarm severally in the past at the way the ECA was being brazenly depleted with impunity.

24 At this juncture, the need for synergy among relevant agencies of government like the Federal Ministry of Finance, The Budget Office of the Federation, Office of the Accountant General of the Federation and the Fiscal Responsibility Commission cannot be overemphasized. Such synergy will enable compliance with the FRA, 2007, especially as it relates to revenue generation/monitoring and expenditure control.

25 A situation where other bodies other than the Fiscal Responsibility Commission determine and give directives to some corporations on payment of their operating surplus does not augur well for good accounting practice or fiscal transparency and prudence.

26 It is to stem this unwholesome practice that the FRC came up with a template on how operating surplus is to be computed. This has even become necessary in view of the fact that most agencies now declare deficits in their annual reports.

27 The standardized Operating Surplus Template designed by the Fiscal Responsibility Commission with due consultation with scheduled corporations and relevant technical professional institutions will obviate the need for creative accounting being adopted by agencies to short-change the Federal Government. In other words, what is due to the government will now be correctly determined.

28 In a bid to ensure improved fiscal governance through the Fiscal Responsibility Act, 2007, the Commission, in collaboration with the Centre for Social Justice (CSJ) launched the Fiscal Responsibility Index (FRI) in August , 2015.

29 The index is a domestic instrument indicator to facilitate benchmarking of the performance of selected Federal Ministries, Departments and Agencies (MDAs) in their implementation of fiscal laws and policies. It is done with a view to supporting and facilitating capacity building and improvements. The index is focused on key areas of policy-based budgeting, Comprehensiveness and transparency, budget credibility, budget implementation, monitoring and evaluation. It also deals with accounting, reporting and auditing with a section for the ministry of finance. It is also a self-assessment exercise that identifies gaps and facilitates the design of remedial action not excluding capacity building and systemic reforms.

30 In short, the thrust of FRI is to strengthen processes and systems and guarantee in the long run the proposed benefits of budgets and proposed fiscal policies for the Nigerian people. Also, It is to instil in those charged with public resources the need to be more cautions and prudent in the management of public finance.

31 The Fiscal Responsibility Commission aligns itself with the disposition of the new administration to tackle the challenges of corruption and we will continue to interrogate and collaborate with respective schedule corporations to enhance greater compliance to Fiscal Responsibility Frameworks by all relevant functionaries of government.

32 I wish to note that staff of the Commission spent considerable efforts to gather supporting factual documentation used to prepare this report. Though some of the documents from the MDAs did not come on time and as complete as we desired, the management and staff of the Fiscal Responsibility Commission have put what we have to the best use under the circumstance and I commend them for their diligence, dedication and hard work.

33 May I acknowledge with gratitude, the very commendable support we have continued to receive from some important Agencies and Institutions in the compilation of

this Report, especially Ministry of Finance, Ministry of Budget and National Planning, Budget Office of the Federation, National Bureau of Statistics, National Assembly Committees on Finance, Debt Management Office, Central Bank of Nigeria as well as many others.

34 It is our ultimate expectation and hope that the issues and challenges highlighted in this Report will receive the desired and necessary attention from all concerned in order to redress the negative curve in the nation's economic indicator and firmly set the economy on the path of long term stability and inclusive growth.

35 The need for vigilance and citizen's participation in the enforcement of the Fiscal Responsibility Act, 2007 by virtue of the provision of Section 51 thereof cannot be over-stressed. I therefore call on all readers of this Report, as critical stakeholders, to join the Commission in ensuring that the noble aims and objectives of the Act are realized for the greater good of all.

36 Finally, may I urge every reader to continue to take seriously, the issues of transparency and accountability in governance as well as the prudent management of the nation's resources which are indispensable conditions for the achievement of our collective economic goals.

Thank you.

Yours in Fiscal Responsibility

Barr. Victor Chinemerem Muruako
Acting Chairman

INTRODUCTION

1 A key objective of this Report is to fulfil Section 10 of the FRA 2009, which requires that a report of the Commission's activities be prepared and submitted to the National Assembly every year. Accordingly, it is organized – as has been the practice – in a way that makes clear the efforts of the Commission towards the actualization of the core mandates of the Commission in 2015.

2 Chapter 1 states the Mandate of the Fiscal Responsibility Commission and its functions under the enabling law, the Fiscal Responsibility Act, 2007.

3 Chapter 2 reports on the monitoring of the budgetary process, covering the preparation, planning and approval of the Medium Term Expenditure Framework for 2016-2018 and the 2016 Annual Budget of the Federal Government. It also covers the execution and implementation of the 2015 budget; revenue performance, expenditure analysis, savings and assets management.

4 Chapter 3 dwells on the important areas of debt, indebtedness and borrowing outlined in Sections 41 – 47 of the FRA, 2007.

5 Chapter 4 considers scheduled corporations and their compliance with the requirements of Sections 21 – 24 of the FRA, 2007. The chapter also contains details of operating surplus remitted to the FGN Consolidated Revenue Fund since the Commission came to being.

6. The adoption of rule-based fiscal responsibility practices and, especially the provision of legal frameworks for same, by sub-national governments are discussed in chapter 5 while the important issues of transparency and accountability in fiscal affairs are covered in chapter 6.

7. Chapter 7 communication research and the dissemination of the standards while chapter 8 summarises the activities of the commission on investigation towards enforcing the Fiscal Responsibility Act, 2007.

8. Institutional strengthening and capacity building is covered in Chapter 9 with Challenges and Prospects in Chapter 10.

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 1

THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

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THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

1.1 The Fiscal Responsibility Act, 2007, was enacted "to provide for the prudent management of the Nation's resources; ensure long term macroeconomic stability of the national economy; secure greater accountability and transparency in fiscal operations, within a Medium Term Fiscal Policy Framework; and the establishment of the Fiscal Responsibility Commission to ensure the promotion and enforcement of the nation's economic objectives, and for related matters". The concept of Fiscal Responsibility within the context of the Act covers a wide spectrum of fiscal policies, processes and actions including (but not limited to) programming, planning and budgeting. Also included in the concept are public expenditure management within the Medium Term Expenditure Framework (MTEF), the Fiscal Strategy Paper, Revenue and Expenditure Estimates and Consolidated Debt Statement.

FUNCTIONS OF THE COMMISSION

1.2 The mandate of the Fiscal Responsibility Commission is encapsulated in section 3 of the FRA, 2007, which specifies the functions of the FRC thus:

3(1) The Commission shall:

(a) monitor and enforce the provisions of this Act and by so doing, promote the economic objectives contained in Section 16 of the Constitution;

(b) disseminate standard practices including international good practice that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in fiscal matters;

(c) undertake fiscal and financial studies, analysis and diagnosis and disseminate the result to the general public;

(d) make rules for carrying out its functions under the Act; and

(e) perform any other function consistent with promotion of the objectives of this Act.

1.3 A Breakdown of the economic objectives contained in section 16 of the Constitution of the Federal Republic of Nigeria which the Commission is expected to promote are as follows:

- (i) To harness the resources of the nation and promote national prosperity and an efficient, dynamic and self-reliant economy;
- (ii) To control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity;
- (iii) To manage or operate the major sectors of the economy as well as protect the right of every citizen to engage in any economic activities outside the major sectors of the economy;
- (iv) The promotion of a planned and balanced economic development; and
- (v) To ensure that the material resources of the nation are harnessed and distributed as best as possible to serve the common good.

1.4 According to the Act, for the purpose of performing its functions, the Commission shall have powers to:

- (a) Compel any person or government institution to disclose information relating to public revenues and expenditures; and
- (b) Cause an investigation into whether any person has violated any provision of the Act.

1.5 Section 2(2) provides that if the Commission is satisfied that such a person has committed any punishable offence under this Act or violated any provisions of this Act, the Commission shall forward a report of its investigation to the Attorney-General of the Federation for possible prosecution.

1.6 For the purpose of exercising its investigative powers under the FRA, 2007, the Commission is collaborating with the Nigeria Police Force which has deployed, at the Commission's request, some police officers to bolster the Commission's Investigations Unit. The rest of this report is on the efforts made by the FRC to execute its mandate.

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CHAPTER 2

MONITORING THE BUDGETARY PROCESS

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MONITORING THE BUDGETARY PROCESS

2.1 The monitoring and evaluation of the budgetary process in 2015 was fraught with significant occurrences in the political economy of the nation. These events which culminated in the successful conduct of general elections obviously affected the planning, preparation and implementation of the annual budget and related activities. The tempo of activities across MDA's was rather low with implications on compliance with the provisions of the Fiscal Responsibility Act, 2007.

2.2 The Commission in order to ensure that the FRA, 2007 was adhered to have to devise alternative strategies to nudge the MDAs to discharge their functions through stakeholders' interactions and bilateral engagements geared towards increasing awareness and understanding the requirements of the FRA, 2007.

2.3 The key areas traditionally monitored include:

- Preparation and approval of the Medium Term Expenditure Framework (MTEF);
- Preparation and approval of the Annual Budget (Appropriations Act);
- Execution of the budget and publication of Budget Implementation Reports (BIR);
- Determination (and monitoring of) appropriate Operating Surpluses due for payment by scheduled corporations into the Consolidated Revenue Fund of the Federal Government
- Savings and assets management; and
- Revenue monitoring.

Preparation and Approval of the Medium Term Expenditure Framework (MTEF)

2.4 The preparation and approval of the MTEF is a core feature of the FRA, 2007 as elucidated in sections 11- 14. The MTEF which has been prepared conscientiously since 2009 is indeed at the apex of the entire budgeting process as annual budgets are derived from this all important document. The monitoring and enforcement of the provisions of FRA 2007 on MTEF therefore occupy the center stage of the Commission's activities.

2.5 The MTEF is mandatory for the Federal Government every year. Its preparation is anchored by the Minister, for the endorsement of the Federal Executive Council not later than the end of the second quarter of each year. The endorsed MTEF is required to be submitted for the approval of the National Assembly not later than four months before the commencement of the next financial year.

2.6 With the restructure of Federal Ministries that saw the Budget office and the National Planning Commission merged into the Ministry of Budget and National Planning, the MTEF 2016 – 2018 was prepared by the new ministry and submitted by the Presidency to the NASS for consideration and approval on 08 December 2015.

2.7 The submission indicated that the Executive did not comply with section 11 of FRA 2007 which sets out the timelines for the preparation and approval of the MTEF.

2.8 The NASS consideration and approval of the MTEF was done within one week. The manner of approval of the MTEF and the subsequent presentation of the 2016 budget estimates on 22 December 2015 by the executive was unprecedented and defeated the purposes of the MTEF as the hallmark of the budgeting process.

2.9 The late presentation of the MTEF continued to be the main reason for the delay in passing the annual budgets which obviously lead to perennial low budget implementation.

2.10 A careful study of the process leading to the preparation and approval of the MTEF 2016 – 2018 revealed that the document lacked depth and was not anchored on any national planning framework. A Second National Implementation Plan was expected to be drawn after the expiry of the First Plan from Vision 20-20-20. After the expiration of the First National Implementation Plan 2013 – 2016, the MTEF prepared from 2015 was not anchored on any national implementation framework. The absence of NIP 2014 – 2017 at the time of preparation of the MTEF 2016 – 2018 just like its predecessor made the document deficient in the provision of a clear strategy for the management of the economy.

2.11 The quality of the MTEF was also impinged by lack of adequate consultations with the States and other stakeholders as provided in the Fiscal Responsibility Act, 2007. The benefits of obtaining inputs as envisaged from different stakeholders including the private sector and civil society cannot be overemphasized.

2.12 In order to arrest the lull in the budgeting process, it is imperative that subsequent MTEFs are prepared in accordance with the requirements of FRA 2007. Also immediate steps should be taken to finalize the preparation of the second National Implementation Plan or a revised economic framework aligned with the Vision 20-20-20 to provide an effective structure for the MTEF.

2.13 Concerted efforts should be made for the preparation of the MTEF starts early to ensure timely submission and approval by the National Assembly. This if adhered to, will greatly reduce or eliminate the perennial delays in the passage of annual budgets with its attendant negative effects on budget implementation and reporting.

2.14 Finally, It is most important that the new administration should properly examine the present MTEF process and make necessary reforms to ensure full compliance with FRA 2007.

Preparation and Approval of the Annual Budget

2.15 The basis for the preparation and approval of the annual budget is well articulated in sections 18 & 19 of the Fiscal Responsibility Act, 2007. The Act expressly stipulates that the MTEF shall be the foundation for the annual budget.

2.16 The thrust of the Commission's activities in the area of the annual budget is to primarily monitor the alignment of the budget with the MTEF taking into account the intricate nature of the relationship of the executive and the legislature. Over the years, the lack of adequate communication between the two critical arms of government invariably results in discrepancies in the parameters for the MTEF with attendant delays in the approval of the framework for the annual budget.

2.17 The major components of 2016 Budget were in agreement with the parameters as approved in the MTEF 2016 -2018 after harmonization of the benchmark price of oil which has for many years been the high point of the MTEF. Table 2.1 shows the major budget components for 2016 in comparison with 2015.

Table 2.1: Major Components of 2016 Budgets & MTEF 2016 - 2018

S/N	Item	2016 Budget & MTEF	2015 Budget & MTEF
1	Oil Benchmark Price	USD38	USD53
2	Oil Production	2.200 mbpd	2.278 mbpd
3	Foreign Exchange Rate	₦197 – USD1	₦190 – USD1
4	Oil revenue	₦3.535 Trillion	₦5.431 Trillion
5	Non – Oil Revenue	₦5.720 Trillion	₦3.574 Trillion
6	Federally Collected Revenue	₦9.255 Trillion	₦9.005 Trillion
7	FGN Revenue	₦3.855 Trillion	₦3.452 Trillion
8	FGN Expenditure	₦6.061 Trillion	₦4.493 Trillion
9	Fiscal Deficit	₦2.205 Trillion	₦1.041 Trillion
10	Gross Domestic Product	₦102.921 Trillion	₦94.058 Trillion
11	Fiscal Deficit as % of GDP	2.14%	1.11%

Source: *BOF*

2.18 The parameters for the 2016 budget clearly recognized the continued oil slump which characterized the 2015 budget implementation. The focus of the legislature for once shifted from the usual arguments over oil benchmark price to a much more robust engagements on the entire budget proposals.

2.19 The approval process for the 2016 budget got off on a rather rough start with the delay in submission of the MTEF 2016 – 2018 to the NASS. The delay this time around was due largely to the change in government and the introduction of Zero Based Budgeting technique as a basis for the budget estimates.

2.20 The presentation of the 2016 Budget barely a week after the MTEF suggested that the budgets must have been prepared without an approved MTEF as required by the FRA. The NASS therefore could not consider the budget proposals until after the MTEF was adopted. The falling oil price (which at the time was below the $38 benchmark price) was a clear source of anxiety especially with the fiscal dependence of the economy on oil export.

2.21 The presentation and assent to the approved budget over the years followed a disturbing pattern which the new administration have to seriously address as a critical part of the change mantra to allow for prudent and effective management of the economy.

2.22 The 2016 budget was presented to the NASS on 22 December 2015 and passed into the 2016 Appropriation Act on 06 April 2016. The Act was however not assented to by the President until 06 May 2016 after so many pertinent issues that characterized the process right from the executive to the legislature were reconciled and resolved. It is hoped that the experience of the myriad of issues raised in the 2016 budget would result in a better and improved budgeting in subsequent years.

2.23 Table 2.2 shows the timings of budget submission and assent by the President from 2011 to date. It will be observed that there has been perennial delays in the presentation of the budget to the NASS. There has been an average of 5 months between the time of presentation to the NASS and assent by the President.

Table 2.2: Time of Submission and approval of Budgets 2011 -2015

Fiscal Year	Date Budget Presented to NASS	Date Budget Signed by the President	Time Lag Between Budget Presentation and Presidential Assent
2011	15 December, 2010	26 May, 2011	5 Months
2012	13 December, 2011	13 April, 2012	4 Months
2013	10 October, 2012	26 February, 2013	5 Months
2014	19 December, 2013	21 May, 2014	5 Months
2015	17 December, 2014	07 May, 2015	5 Months
2016	22 December, 2015	06 May, 2016	5 Months

2.24 Though the Fiscal Responsibility Act, 2007 does not specify a time-limit for the submission and passage of the annual budget into law, it stands to reason that the budget instrument should be ready for execution from the beginning of the fiscal year. The case for years where a new fiscal year's budget is being awaited months into the fiscal year owing to the late passage of the budget messes up budget tracking and contributes to poor implementation of capital budgets thereby stifling national development.

2.25 There is therefore a need for a strict budget timetable to be incorporated in the FRA. This way, relevant agencies will be committed to specific tasks, timelines and deadlines which if enforced will go a long way towards solving the perennial problem of late preparation and passage of annual budgets as well as the uncertainty in delimiting the budget cycle.

2.26 In the prevailing circumstances, it is pertinent to reiterate the Commission's earlier recommendation that the Nigerian budget preparation should begin in July and be signed into law as the Appropriation Act in December. The Appropriation Bill should be presented to the NASS in September each year and approved early December to enable the President sign the budget in same December.

The 2015 Budget

2.27 The 2015 Budget of the Federal Government was presented to the National Assembly on 17 December 2014 and was signed into law on 07 May 2016. The budget which was themed "A Transition Budget" focused on "managing the revenue challenge in a manner that protects the most vulnerable while safely transiting to a broader based non-oil driven economy".

2.28 The budget aptly recognized the dwindling oil revenue as a result of the massive fall in the international price of oil from $114 per barrel in 2013 to a little over $63 in December 2014. The need for government to give attention to the vulnerable was stressed while concerted efforts were to be made to implement policies towards the much talked about diversification of the nation's revenue base to non-oil activities.

Budget 2015 Assumptions

2.29 The basic assumptions for the 2015 budget were as stipulated in the approved MTEF 2015 – 2017.

Oil Revenue

Benchmark oil price	US$53/barrel
Oil production	2.278 mbpd
Naira/US$ Exchange rate	N190

Non-oil Revenue

Company Income Tax	30%
VAT	5%
Custom duty	based on CIF value of imports.

GDP Growth Rate	5.5%
Fiscal Deficit	1.11%

2.30 Expenditure were to be closely monitored to ensure value for money and kept within budget limits. In this regard the success of the cost savings measures put in place in the previous year would be consolidated to achieve maximum expenditure control. Among the cost saving measures are the Government Integrated Financial Management System (GIFMIS), Integrated Payroll and Personnel Information System (IPPIS) and other strategies for general reduction in overheads.

Key Budget Components

2.31 Based on the budget assumptions and in congruence with the embedded MTEF, the total projected expenditure of the Federal Government in 2015 fiscal year as appropriated amounted to N4,493.77 billion with N21.03 billion appropriated under the Subsidy Reinvestment and Empowerment Programme (Sure-P) for the implementation of social safety nets, specific infrastructure projects and programmes. The 2015 budget proposal was N201.42 billion or 4.29% lower than the N4,695.19 billion budgeted for 2014. The Sure-P budget was however only 7.84% of N268.37 billion appropriated for 2014.

2.32 A Supplementary Appropriation Act was later approved in the course of the year for additional recurrent (non-debt) expenditure in the amount of N574.53 billion bringing the Aggregate Expenditure for 2015 to a total of N5067.90 billion.

2.33 The component of the 2015 Budget is detailed in Table 2.3

Table 2.3: Components of 2015 Budget

S/N	Component	2015 Budget	% of Aggregate	2014 Budget	% of Aggregate
		₦000	%	₦000	%
1	Personnel	1,834.92	36.21	1,769.04	37.68
	Pension & Gratuity	291.05	5.74	187.45	3.99
	Total Personnel	**2,125.97**	**41.95**	**1956.49**	**41.67**
2	Overheads	981.80	19.37	498.40	10.62
	Presidential Amnesty	63.28	1.25		
	Total Overheads	**1,045.08**	**20.62**	**498.40**	**10.62**
3	Debt Service - Domestic	894.61	17.65	663.61	14.13
	Foreign	59.01	1.16	48.39	1.03
	Total Debt service	**953.62**	**18.82**	**712.00**	**15.16**
4	Statutory Transfer	386.24	7.62	408.69	8.70
5	Capital Expenditure	557.00	10.99	1,119.62	23.85
6	**Aggregate Expenditure**	**5,067.91**	**100.00**	**4,695.19**	**100.00**

Source: *BOF*

2.34 Analysis of the budget component as detailed in Table 2.3 revealed that the ratio of recurrent to capital expenditure was expected to be 89.01% to 10.99%. This is a far cry from the avowed intention of government to reduce recurrent expenditure while attempts would be made to improve the capital expenditure allocations. A measly 10.99% capital expenditure cannot in any way address the massive infrastructure deficit in the country.

2.35 The budget therefore was to a large extent aimed at the administration of government structure and debt service without focus for real development. Its either the government has given up on the policies aimed at cost reduction or there is a total lack of drive to address real development which can only be brought about by increased and sustained capital expenditure allocations.

2.36 Of the total non-debt recurrent expenditure of N3,171.05 billion, personnel cost accounted for N2,125.97 billion repressing 41.95% of aggregate expenditure or 67.04% of non-debt recurrent expenditure. The overheads component of the non-debt recurrent expenditure totalled N1,045.08 billion representing 20.62% of aggregate expenditure or 32.96% of non-debt recurrent expenditure.

2.37 A total of N953.62 billion was appropriated for debt service in 2015. This represents 18.82% of aggregate expenditure and an increase of N241.62 billion or 33.94% over N712 billion appropriated for 2014. The cost of servicing debt has been on the increase in the last three years with the oil slump which necessitated increased borrowing to finance the budget.

2.38 The 2015 budget as usual was expected to be financed largely from oil revenue though concerted efforts were being made to diversify the revenue base to non-oil revenue. The budget proposal has aggregate revenue of N3,452.34 billion made up of oil revenue - N1,637.87, non-oil revenue - N1,147.69 billion, independent revenue – N489.29 billion and N177.49 from other revenue sources.

2.39 With the aggregate revenue less than aggregate expenditure made up of the regular and supplementary appropriations, the 2015 budget has a projected deficit of N1,615.56 billion which represents 1.72% of GDP. The fiscal deficit is well within the 3% limit imposed by the FRA 2007.

Budgetary Execution and Achievement of Targets

2.40 The monitoring and enforcement of the implementation of FRA 2007 remained challenging during the year. This is obviously due to the lackadaisical attitudes of MDAs and paucity of funds.

2.41 The instruments to facilitate an effective budgetary process and implementation monitoring include the preparation of Annual Cash Plan, Disbursement Schedule and periodic Budget Implementation Reports.

Annual Cash Plan and Disbursement Schedule

2.42 Section 25 requires that an annual cash plan is prepared in advance by the Accountant General of the Federation and shows projected monthly cash flows for the financial year. The plan is to be revised periodically to reflect actual cash flows.

2.43 Section 26 on the other hand requires that a Disbursement Schedule shall be prepared by the Finance Minister within 30 days of the Appropriation Act and must be derived from the Annual Cash Plan.

2.44 The import of sections 25 & 26 underscore the need to ensure efficient and effective management of revenue and expenditure across all MDAs towards the achievement of budget targets.

2.45 In the course of implementing the 2015 budget, the Office of the Accountant General of the Federation prepared and submitted a combined statement of annual cash plan and disbursement schedule. While this was an improvement over the previous year, compliance with FRA 2007 was still not observed. Sections 25 and 26 requires the preparation and submission of two separate statements. The annual cash plan is to be prepared in advance of the year or at the time the appropriation bill is being presented to the NASS. The disbursement schedule on the other hand is expected to be prepared within one month of the budget being signed into law.

2.46 It is pertinent to state here that the implications of operating the Appropriation Acts without a Cash Plan and Disbursement schedule in the manner prescribed by FRA 2007 invariably results in arbitrariness in the execution of the budget as continuously witnessed over the years.

Budget Implementation Reporting

2.47 Sections 30(1) & (2) of FRA 2007 makes it mandatory for the preparation and submission of Quarterly Budget Implementation Reports to the Fiscal Responsibility Commission and the Joint Finance Committee of Finance of the National Assembly not later than 30 days after the end of each quarter. Similarly, section 50 requires a Consolidated Budget Execution Report to be prepared for the entire budget year not later than six months after the end of the fiscal year. These reports are also required to be published in the print and electronic media and on the website of the Ministry of Budget and National Planning for ease of access by the public.

2.48 In spite of several requests and reminders for the preparation and submission of BIRs, the reports were still being submitted behind schedule thereby limiting their use as effective tools in budget implementation. For example the 1st and 2nd quarters BIR were uploaded onto the BOF website around February/March 2016 while those for the 3rd and 4th quarters were uploaded in May 2016.

2.49 As was the case in the last three fiscal years, no separate Consolidated Budget Execution Report was produced for 2015 as specifically required by section 50 of FRA

2007. By consolidating the 4th quarter BIR with the CBER, vital reports on the analysis of the year's financials are not being properly carried out as well as the complete omission of the reports on physical capital projects monitoring and evaluation.

2.50 As continuously reiterated in previous reports, the BOF is once again enjoined to comply with the requirements of sections 30 and 50 of the FRA with particular emphasis on the following:

i. Separate reports should be prepared for each quarter
ii. Each quarter's BIR should contain details of the Annual Cash Plan and Disbursement Schedule
iii. Annual Consolidated Budget Execution Reports should be prepared separately independent of the 4th Quarter BIR.
iv. Details of Excess Crude Accounts should always include opening and closing balances in addition to accruals and withdrawals currently disclosed.
v. BIRs should be published and circulated in the mass media

Highlights of 2015 Budget Performance

2.51 The implementation of 2015 budget was characterised by the continued slide in the international price of crude oil which for most part of the year fell below the benchmark price. Similarly, the country still had to contend with oil theft and pipelines vandalism which invariably resulted in low oil production below the target set for the budget.

Revenue Performance

2.52 According to the 4th Quarter and 2015 Consolidated BIR, the average crude oil price recorded in 2015 was $52.46 per barrel which was 1.02% lower than budget and 52.77% of the average price of $99.42 recorded in 2014. Oil production on the other hand settled at 2.14 mbpd representing 93.86% of budget and 1.83% lower than 2014. While the foreign exchange rate averaged N190.16 to the Dollar, it represents a depreciation of 19.93% against the average rate of N158.56 in 2014. The combined effect of these key components resulted in low oil revenue achieved in the year.

2.53 However, assiduous implementation of government policies and measures to improve non-oil revenue yielded some positive results which accounted for the increase in the non-oil revenue. These measures had new impetus with the coming of the new administration from the second quarter.

2.54 Analysis of the gross federally collected revenue performance for the various categories of revenue in 2015 is presented in Table 2.4.

Table 2.4: Federally Collected Revenue Performance

Revenue Items	2015			2014			Actual 2015 v 2014	
	Actual	Budget	% Perf.	Actual	Budget	% Perf.	Variance	
	Nbn	Nbn	%	Nbn	Nbn	%	Nbn	%
Oil Revenue (Gross)								
Crude Oil Sales	1,859.36	2,583.16	71.98%	2,973.31	3,840.73	77.42%	(1,113.95)	(37.46)%
Gas Sales	92.16	615.06	14.98%	311.99	552.71	56.45%	(219.83)	(70.46)%
Royalties	536.71	648.5	82.76%	1,007.14	744.42	135.29%	(470.43)	(46.71)%
Pertoleum Profit Tax(PPT)	1,245.87	1,580.85	78.81%	2,432.34	2,023.88	120.18%	(1,186.47)	(48.78)%
Other Oil Revenue	19.45	3.65	532.88%	9.00	3.07	293.16%	10.45	116.11%
Sub-Total	**3,753.55**	**5,431.22**	69.11%	**6,733.78**	**7,164.81**	**93.98%**	**(2,980.23)**	**(44.26)%**
Non- Oil Revenue (Gross)								
Value ADDED Tax (VAT)	778.72	1,283.70	60.66%	794.22	845.45	93.94%	(15.50)	(1.95)%
Company Income Tax (CIT)	1,029.10	1,423.60	72.29%	1,207.28	986.25	122.41%	(178.18)	(14.76)%
Customs Excise Duties	514.35	718.26	71.61%	566.24	782.38	72.37%	(51.89)	(9.16)%
Special Levies	31.58	148.54	21.26%	-	222.47	0.00%	0.00%	0.00%
Sub -Total	**2,353.75**	**3,574.10**	65.86%	**2,567.74**	**2,836.55**	**90.52%**	**(213.99)**	**(8.33)%**
Grand - Total	**6,107.30**	**9,005.32**	67.82%	**9,301.52**	**10,001.36**	**93.00%**	**(3,194.22)**	**(34.34)%**

Source: *OAGF and BOF*

2.55 Table 2.4 revealed that a total of N9,005.32 billion was budgeted for federally collected revenue in 2015. Of this amount, N6,107.30 billion or 67.82% was actually collected. In relation to the previous year, the 2015 budget was 90.04% of the N10,001.36 billion budgeted for 2014. The 2015 actual revenue performance of N6,107.30 billion was below the performance of N9,301.52 billion or 93.00% achieved in 2014. Similarly the year on year actual comparison indicated that revenue shortfall recorded in 2015 amounted to N3,194.22 billion or 34.34%. The oil slump and shortfall in oil production due to oil theft and pipelines vandalism accounted for this sharp revenue decline.

2.56 A critical analysis of the components of oil revenue clearly underscores the magnitude of the combined effects of declining international oil price and local impediments to optimum oil production on the ability of government to meet revenue targets. The performance of Crude oil sales, Gas sales, Royalties and Petroleum Profit Tax were all below budgets and previous year actual performance.

2.57 Oil revenue performance averaged 69.11% in 2015 as against 93.98% in 2014. Comparing actual oil receipts in 2015 with 2014, the shortfall recorded was a whooping N2,980.23 billion or 44.26%. With oil revenue constituting about 70% of the gross revenue, one needs not look farther to appreciate the need for additional borrowing and increased deficit in financing the 2015 budget.

2.58 Non-oil revenue though with higher budget estimates in 2015 than the previous year equally did not show better performance. Non-oil revenue budget for 2015 was increased by N737.55 billion or 26.00% to N3,574.10 billion from N2,836.55 billion budgeted in 2014 to give effect to the much talked about revenue diversification. Actual non-oil revenue receipt however recorded a total of N2,353.75 billion or 65.86% which was N213.99 billion or 8.33% lower than N2,567.74 generated in 2014.

2.59 Detailed analysis of non-oil revenue revealed that all non-oil revenue components performed below the budget and equally lower than the previous year's receipts. Value added tax recorded a total of N778.72 billion or 60.66%. Company income tax recorded N1,029.10 billion or 72.29% while Customs & Excise achieved N514.35 billion or 71.61%.

2.60 The low non-oil revenue performance suggests the ineffectiveness of the measures geared towards revenue increase as a result of the revenue diversification being pursued. These measures have to be reinvigorated in subsequent years to block revenue leakages and evasion of taxes and customs duties.

Net Distributable Revenue

2.61 The net distributable revenue is the balance of funds in the federation account available for sharing among the three tiers of government after the deduction of all costs. Table 2.5 shows that a total of N4,743.01 billion was available for distribution in 2015 which represented 69.86% of the budget of N6,789.07 billion and 76.11% of the actual funds available in 2014.

Table 2.5: Net Distributable Funds for 2015 with 2014 Comparative

Items Description	2015		2014	Actual Performance	
	Actual	Budget	Actual	% Budget	% Prev Yr
	N 'bn	N 'bn	N 'bn	%	%
Gross Oil Revenue	**3,753.55**	**5,431.20**	**6,733.78**	**69.11%**	**55.74%**
Less: Joint Venture Cash Calls	792.81	1,404.02	1,223.73	56.46%	64.79%
DPR Cost of collection	24.70	-	-	-	-
Excess Crude A/c	48.93	-	796.69	-	6.14%
Oil Excess Revenue	-	-	20.00	-	-
Domestic Fuel Subsidy	-	145.52	-	-	-
Derivation	375.32	504.62	610.14	74.38%	61.51%
Net Oil Revenue	**2,511.79**	**3,377.04**	**4,083.22**	**74.38%**	**61.51%**
Gross Solid Mineral Revenue	-	**15.68**	-	-	-
Less: Derivation	-	2.04	-	-	-
Net Solid Mineral Revenue	-	**13.64**	-	-	-
Net Non- Oil Revenue	**2,231.22**	**3,381.14**	**2,148.67**	**65.99%**	**103.84%**
Balance in Special Acct. b/f	-	17.24	-	0.00%	-
Distributable Revenue	**4,743.01**	**6,789.06**	**6,231.89**	69.86%	76.10%
Distribution:					
To Federation Account	3,995.43	5,556.72	5,469.44	71.90%	73.05%
To VAT Pool Account	747.58	1,232.35	762.45	60.66%	98.05%
Total	**4,743.01**	**6,789.07**	**6,231.89**	**69.86%**	**76.11%**

Source: *OAGF and BOF*

2.62 The table revealed that oil and non-oil contribution to the net distributable funds were 52.95% and 47.05% respectively. There was no contribution from solid minerals as budgeted. It is important that efforts are intensified on solid minerals and other non-oil revenue in subsequent years.

FGN Revenue Performance

2.63 The total revenue available for the FGN to fund its annual budget is the share of revenue from the Federation account and FGN independent revenue and sundry receipts from MDAs.

2.64 The 2015 FGN revenue budget amounted to N3,452.34 billion which was N278.67 billion or 7.47% lower than the previous year's budget of N3,731.01 billion. Actual performance in 2015 was N3,240.35 billion or 93.06%. In absolute term, this was about the same as N3,242.30 billion recorded in 2014 however, with the performance achievement of 86.90%. Analysis of the FGN revenue performance is provided in Table 2.6.

Table 2.6: FGN Revenue Performance for 2015 with 2014 Comparative

Revenue category	2015 Actual Nbn	2015 Budget Nbn	2015 % Perf. %	2014 Actual Nbn	2014 Budget Nbn	2014 % Perf. %	Actual 2015 v 2014 Variance Nbn	Actual 2015 v 2014 Variance %
Share of Oil Revenue	**1,218.22**	**1,637.87**	**74.38%**	**1,980.36**	**2,114.54**	**93.65%**	**(762.14)**	**(38.48)%**
Share of Solid Minerals Revenue	**-**	**6.61**	**0.00%**	**-**	**-**	**-**	**-**	**-**
Share of Non-Oil Revenue	***809.98***	***1156.05***	***70.06%***	***779.05***	***1021.41***	***76.27%***	***30.93***	***3.97%***
Value ADDED Tax (VAT)	104.66	172.53	60.66%	106.74	113.63	93.94%	(2.08)	(1.95)%
Company Income Tax (CIT)	473.32	659.55	71.76%	416.91	454.54	91.72%	56.41	13.53%
Customs Excise Duties	232.00	323.97	71.61%	255.40	453.24	56.35%	(23.40)	(9.16)%
Independent Revenue	**323.37**	**489.29**	**66.09%**	**295.33**	**452.04**	**65.33%**	**28.04**	**9.49%**
FGN Share of Balances in Special Accounts	**14.25**	**67.00**	**21.27%**	**-**	**1.34**	**0.00%**	**14.25**	**-**
FGN Balances in Special Levies Accounts	**21.68**	**8.2**	**264.39%**	**-**	**21.68**	**0.00%**	**21.68**	**-**
FGN Share of Unspent Balance of Prev. Fiscal Year	**-**	**50.00**	**0.00%**	**7.56**	**120.00**	**6.30%**	**-**	**-**
FGN Share of Kerosene Subsidy	**-**	**37.32**	**0.00%**	**-**	**-**	**-**	**-**	**-**
Other Financing Sources	**388.97**	**-**	**0.00%**	**180.00**	**-**	**0.00%**	**208.97**	**116.09%**
Total Revenue	**2,776.47**	**3,452.34**	**80.42%**	**3,242.30**	**3,731.01**	**86.90%**	**(465.83)**	**(14.37)%**
TSA Collection Pool account	463.88	-	0.00%	-	-	-	463.88	-
Total Revenue Available	**3,240.35**	**3,452.34**	**93.86%**	**3,242.30**	**3,731.01**	**86.90%**	**(1.95)**	**(0)%**

Source: *OAGF and BOF*

2.65 The basic total actual FGN revenue for 2015 amounted to N2,776.47 billion or 80.42% compared with N3,242.30 billion or 86.90% recorded in 2014. However, year on year comparison showed a decline of N465.83 billion or 14.37% which was adequately offset by TSA collection pool of N463.88 billion.

2.66 Analysis revealed that both oil and non-oil revenue categories performed below budget. This was clearly a reflection of the low performance of the federally collected revenue. Oil revenue showed 74.38% performance against budget and a decline of N762.14 billion or 38.48% compared with 2014. Non-oil revenue on the other hand showed a combined performance of 70.06% against budget but largely represented a marginal increase of N30.98 billion or 3.97% over the previous year. The relative improvement was achieved through the increase of N56.41 billion or 13.41% generated in company income tax over the previous year, though performance against budget was 71.76% compared with 91.27% recorded in 2014. The low performance in value added tax and custom & excise duties were offset by the relative improved performance of company income tax.

2.67 FGN Independent revenue recorded in 2015 was N323.37 billion representing 66.09% of budget. This performance was about 1% better than the performance of 65.33% recorded in 2014. Comparing the 2015 revenue with the actual recorded in 2014 showed a marginal increase of N28.04 billion or 9.49%. Despite the measures aimed at improving independent revenue, it is imperative that concerted efforts has to be made to ensure effectiveness to propel MDAs to improve IGR while leakages must be blocked. There is ample capacity to increase IGR if measures are properly harnessed. It may be necessary to exploit incentive schemes to boost IGR collection.

Excess Crude Account

2.68 The Excess Crude Account (ECA) was created as a stabilization and savings fund to augment budgets, mainly on account of the volatility of the international oil market. The account is therefore funded with the proceeds accruing from oil revenues in excess of the oil benchmark price as approved in the MTEF and Budget.

2.69 As a result of the continued decline in oil price in 2015 which obviously culminated in shortfall in oil revenue, only N48.94 billion was transferred to the ECA compared with N796.70 billion transferred in 2014. Details of the ECA inflows and outflows in 2015 is provided in Table 2.7.

Table 2.7: Details of Excess Crude Account for 2015 with 2014 Comparative

Item Description	2015					2014
	QTR 1	QTR 2	QTR 3	QTR 4	Full Year	Full Year
	₦ 'bn	₦ 'bn	₦ 'bn	₦ 'bn	₦ 'bn	₦ 'bn
Inflow:						
Transfer to ECA	**14.98**	**0.00**	**33.96**	**0.00**	**48.94**	**796.70**
Outflow:						
Payment for Petroleum Products Subsidy	197.05	162.34	0.00	0.00	359.39	400.23
Distribution among tiers of Government	15.63	0.00	82.56	0.00	98.19	303.56
Transfer for Special Intervention Fund	0.56	0.00	0.00	0.00	0.56	223.54
Total Outflow	**213.24**	**162.34**	**82.56**	**0.00**	**458.14**	**927.33**
Net Excess Crude Account	**(198.26)**	**(162.34)**	**(48.60)**	**0.00**	**(409.20)**	**(130.63)**

Source: *OAGF and BOF*

2.70 Table 2.7 revealed that N458.14 billion was withdrawn from the ECA in 2015 compared with N927.33 billion withdrawn in 2014. Other than the distribution of N98.19 billion shared among the three tiers of government, the withdrawal of N359.39 billion for the payment of petroleum products subsidy was in violation of section 35 of FRA 2007, such payment was clearly outside the scope of the ECA.

2.71 It is worth mentioning that this is the first time since 2008/2009 when the ECA was utilized for the purpose it is meant for. The oil slump which started in the second half of

2014 resulted in international oil price falling below the benchmark price continuously more than the three months stipulated as the primary condition for withdrawal from ECA to augment the budget.

2.72 The operation and management of the ECA over the years has been in breach of FRA 2007, the consequence of which is the difficulties in the implementation of budgets across the three tiers of government with the continued sharp drop in oil revenue. The discipline to manage the ECA with prudence was clearly abused. The actual balance in the ECA has become contentious especially as this has never been disclosed in the BIRs despite repeated suggestions for this to be done. The non-disclosure of the opening and closing balances of the account has made the full appraisal of the account impossible.

Federal Government Expenditure

2.73 FGN aggregate expenditure appropriated for 2015 totaled N4,514.40 billion inclusive of N21.03 billion appropriated under the Subsidy Reinvestment and Empowerment Programme (SURE-P) for the implementation of social safety nets, specific infrastructure projects and programmes. In the course of the year, a supplementary appropriation of N574.53 billion was approved for additional Recurrent (Non-Debt) Expenditure thereby making the overall regular budget to N5,067.91 billion. The size of the 2015 budget was N372.71 billion or 7.94% more than 2014.

2.74 The regular budget is made up N3,171.05 billion (62.57%) for Recurrent (Non-Debt) Expenditure, N953.62 billion (18.82%) for Debt Service, N386.24 billion (7.62%) for Statutory Transfers and N557 billion (10.99%) for Capital Expenditure. Table 2.8 provides details of the FGN expenditure for 2015 in comparison with 2014.

Table 2.8: Details of FGN Expenditure for 2015 with 2014 Comparative

Expenditure Category	2015			2014			Actual 2015 v 2014	
	Actual	Budget	Perf.	Actual	Budget	Perf.	Variance	
	₦bn	₦bn	%	₦bn	₦bn	%	₦bn	%
Recurrent Expenditure								
Personnel	2,077.45	2,125.97	97.72%	1,838.99	1,956.49	93.99%	238.46	12.97%
Overheads	472.62	1,045.08	45.22%	377.79	498.40	75.80%	94.83	25.10%
Total Recurrent (Non-Debt)	**2,550.07**	**3,171.05**	**80.42%**	**2,216.78**	**2,454.89**	**90.30%**	**333.29**	**15.03%**
Debt Service	**1,060.39**	**953.62**	**111.20%**	**941.67**	**712.00**	**132.26%**	**118.72**	**12.61%**
Statutory Transfers	**338.55**	**386.24**	**87.65%**	**377.37**	**408.69**	**92.34%**	**(38.82)**	**(10.29)%**
Capital Expenditure	**601.26**	**557.00**	**107.95%**	**587.61**	**1,119.62**	**52.48%**	**13.65**	**2.32%**
Aggregate Expenditure	**4,550.27**	**5,067.91**	**89.79%**	**4,123.43**	**4,695.20**	**87.82%**	**426.84**	**10.35%**

Source: *OAGF and BOF*

2.75 Analysis of Table 2.8 revealed that the components of the aggregate expenditure achieved varying degrees of performance which reflected the FGN's inability to effectively implement the budget as a result of low revenue generation.

2.76 Recurrent (Non-Debt) expenditure which is made up of personnel costs and overheads recorded a total of N2,550.07 billion or 80.42% compared to N2,216.78 billion or 90.30% posted in 2014. Of this expenditure category, actual overheads in 2015 amounted to N472.62 billion representing 45.22% of budget. The overheads budget for 2015 included N63.26 billion for amnesty programme out of which N57.81 billion (91.38%) was disbursed. There was no provision for amnesty programme in 2014.

2.77 A total debt service of N1,060.39 billion was disbursed in 2015. This represents an increase of N106.77 billion or 11.20% above budget. Compared with the actual debt service of N941.67 billion in 2014, the year on year increase was N118.72 billion or 12.61%. The actual debt service in 2015 was 23.30% of aggregate expenditure compared with 22.84% in 2014. The breakdown of the debt service between domestic and foreign was N996.80 billion and N63.59 billion respectively. The high debt service rate is as a result of the increasing debt stock of the FGN.

2.78 The total FGN debt stock at 31st December, 2015 stood at US$65.43 billion (N12,603.71 billion) comprising US$10,617.35 (N2,111.53 billion) or 6.75% for foreign debt and domestic debt of US$54.71 billion (N10,492.18 billion) or 83.25%. The rise in domestic debt naturally attracts increasing debt service. The debt service on external debt stock though equally increasing but such debts are usually on concessional terms from multilateral financial institutions.

2.79 With the debt service almost doubling the capital expenditure, it is obvious that recurrent expenditures were being financed by borrowings which is at variance with section 44(2) of FRA 2007 that specifically allows borrowings to finance long term capital expenditure. It is pertinent to mention that there is need to keep watch on the debt profile while concerted efforts must continually be made to boost revenue generation to defray some debts particularly domestic debts. Similarly, measures geared towards cost reduction must also be vigorously pursued.

2.80 The capital expenditure budget for 2015 was N557 billion or 10.99% of aggregate expenditure. Compared with 2014 budget of N1,119.62 billion, this amounted to a budget slash of N562.62 billion or 50.25%. The total capital expenditure disbursement in 2015 amounted to N601.26 billion made up of N362.39 billion direct budget disbursement, N217.19 billion refund to MDAs from TSA and N21.68 billion capital releases for 2014. Comparing direct budget disbursement with the 2015 budget, this showed a performance of 65.06% which was a slight improvement over 52.48% recorded in 2014.

2.81 The low capital expenditure performance has over the years remained dismal largely due to high recurrent expenditure and low revenue generation especially in the last two years. In 2015 the relationship of recurrent expenditure to capital expenditure was 86.79% to 13.27% which was not too different from 85.75% to 14.25% recorded in 2014. Attempts to redress this imbalance has not yielded a positive result. There is therefore an urgent need for a rethink and complete overhaul of the capital expenditure implementation strategy to ensure better funding, utilization of resources and completion of projects in line with national development.

Capital Expenditure Budget Implementation

2.82 The Federal Government in 2015 continued to direct the greater part of its capital budget to the provision of critical infrastructure in the priority areas of power, health, education, roads, rail and aviation sectors as well as the delivery of physical and food security. The low capital expenditure budget as appropriated however, could not actually make any significant impact in the face of high infrastructural deficit in the country even if 100% fully implemented.

2.83 The total capital budget of N557 billion as appropriated though lower than the previous year's budget, showed a performance of N362.39 billion or 65.06% and represent a reduction of 38.33% compared with the actual disbursement of N587.61 billion in 2014. If the level of capital expenditure implementation is the barometer by which national development is measured, the on-going efforts at the restructuring of the budget to accommodate increased capital expenditure has to be expedited.

2.84 Analysis of the 2015 4th Quarter and Consolidated BIR revealed that N387.39 billion (69.55%) was released and cash backed against actual utilization of N362.39 billion (65.06%). In terms of efficiency of fund releases, a performance of 93.55% was recorded denoting a high degree of ease of access to funds once all relevant documentations are completed in accordance with due process. The BIR further indicated different levels of utilization among MDAs.

2.85 Table 2.9 highlights the performance of ten MDAs considered to be key priority sectors in the implementation of FGN capital budget.

Table 2.9: Performance of Ten Key Priority MDAs

MDA	Appropriation	Released	Cash Backed	Utilization			
	₦000	₦000	₦000	₦000	As % of Appropriation	As % of Released	As % of Cash Backed
Power	5,130,000	7,923,000	7,923,000	7,174,439	139.85%	90.55%	90.55%
Transport	8,300,000	6,490,741	6,490,741	6,131,870	73.88%	94.47%	94.47%
Health	22,676,000	16,445,054	16,445,054	12,214,243	53.86%	74.27%	74.27%
Agriculture	8,790,000	4,452,715	4,452,715	4,248,346	48.33%	95.41%	95.41%
Water Resources	15,778,000	8,161,029	8,161,029	7,602,050	48.18%	93.15%	93.15%
Education	23,520,000	13,832,124	13,832,124	13,035,150	55.42%	94.24%	94.24%
Works	19,812,000	19,362,000	19,362,000	19,012,796	95.97%	98.20%	98.20%
Niger Delta	8,300,000	4,150,000	4,150,000	4,034,191	48.60%	97.21%	97.21%
FCTA	13,500,000	10,450,000	10,450,000	10,450,000	77.41%	100.00%	100.00%
Police Formations	17,800,000	13,861,530	13,861,530	-	0.00%	0.00%	0.00%
Total Average Utilization (by all MDAs)					**65.06%**	**93.55%**	**93.55%**

Source: *OAGF and BOF*

2.86 It is evident that the perennial low capital expenditure performance as expressed by the cash utilization in relation to the annual appropriation is the direct result of ineffective capital expenditure funding. This has largely been the case in the last few years as project execution slowed down and sometimes totally abandoned. The consequence of this is the possibilities of escalation in project costs and the inability of the projects to satisfy the needs for which they were originally intended.

2.87 The difficulties in the full implementation of capital expenditure are generally due to the following:

- Late passage of budget
- Low revenue inflows
- MDAs capacity to utilise funds released
- Overspending in recurrent expenditure

2.88 However, the following suggestions will enhance the level of capital expenditure budget performance:

i. Approval for Budgets must be timely and consistent with the Medium Term Expenditure Framework. The MTEF being the foundation block for the budget must be produced in line with the relevant provisions of the Fiscal Responsibility Act, 2007.

ii. MDAs must have the capacity to execute set out capital projects within the stipulated execution timelines.

iii. Selective capital expenditure releases in the implementation process should be adequate to ensure meaningful project execution.

iv. Funds released for projects not fully paid for at the end of the fiscal year should be treated as outstanding balance carried forward. In most cases such projects may be excluded in the current year's budget as the year's capital budget estimates must have been concluded and submitted for approval by the National Assembly.

v. Adequate provisions should be made for regular and effective project monitoring and evaluation to ensure compliance with project specifications, execution time frame and overall value for money.

vi. Loans secured for capital expenditure implementation must be for specific projects in accordance with FRA 2007. These loans must be an integral part of the budgeting process.

Revenue Monitoring

2.89 As part of the efforts to ensure prompt remittance of revenue and promote accountability and greater transparency, the Commission as in previous years intensified activities in revenue monitoring.

2.90 For federally collected revenue, the FIRS and NCS were quite responsive in submitting revenue returns on quarterly basis. NNPC and DPR on the other hand failed in this regard yet again in 2015 as was the case in 2014. Requests and reminders for revenue returns were just never responded to.

2.91 For FGN independent revenue, only 48 MDAs were monitored out of the over 400 MDAs due to inadequate logistics. It is disappointing that despite many requests and reminders, only 15 MDAs submitted IGR returns for the four quarters of 2015. 8 MDAs made submissions for quarters 1-3 while over half of the MDAs (25) did not make any submissions at all. This response rate has not been too different from previous years and indeed worrisome. In order to stem the pattern of non-compliance, the Commission is stepping up activities to create awareness and persistency.

2.92 Analysis of revenue returns processed in 2015 showed that a total of N4,903,408,623.98 independent revenue was remitted to the treasury by 25 MDAs in 2015. This is rather low compared to a total of N7,773,150,990.94 remitted by 20 MDAs in 2014. Table 2.10 shows details of the MDAs revenue returns for 2015.

Table 2.10: Summary of MDAs Revenue Returns for 2015

Č B	MDAs	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
1	Federal Road Safety Corps	501,004,816.08	492,188,189.57	477,334,330.51	421,685,933.05	**1,892,213,269.21**
2	Federal Ministry of Interior	101,835,000.00	152,885,500.00	223,777,500.00	171,585,500.00	**650,083,500.00**
3	Federal Ministry of Environment	32,634,500.00	13,087,200.00	22,620,349.36	48,500,250.00	**116,842,299.36**
4	Federal Ministry of Justice	6,813,887.86	12,014,977.60	12,376,109.44	18,003,927.48	**49,208,902.38**
5	National Sports Commission	1,847,700.00	9,668,500.00	2,403,508.38	7,028,500.00	**20,948,208.38**
6	Federal Ministry of Water Resources	250,000.00	87,523.00	1,190,000.00	4,200,000.00	**5,727,523.00**
7	Office of the Auditor-Gen. of the Federation	6,152,000.00	5,491,000.00	1,970,000.00	4,163,500.00	**17,776,500.00**
8	Office of the Secretary to Federal Government		1,502,000.00	6,130,000.00	4,163,500.00	**11,795,500.00**
9	Federal Ministry of Women Affairs & Social Devpt.	3,000.00	5,000.00	8,000.00	1,961,000.00	**1,977,000.00**
10	Fed. Ministry of Information	2,799,296.35	5,378,725.00		458,100.00	**8,636,121.35**
11	Federal Ministry of Health		849,129.46	836,755.05	367,750.00	**2,053,634.51**
12	Federal Ministry Of Labour and Productivity	8,080,050.00	325,700.00	2,010,100.00	313,300.00	**10,729,150.00**
13	National Youth Service Corps	224,200.00	357,800.00	1,734,300.00	270,177.91	**2,586,477.91**
14	Federal Ministry of Defence	671,165.00			380,000.00	**1,051,165.00**
15	Teachers Registration Council of Nigeria				38,000.00	**38,000.00**
16	Federal Ministry of Foreign Affairs	1,310,620.00	1,419,710.00	1,199,820.00		**3,930,150.00**
17	Federal Ministry of Science & Technology		920,550.00	550,000.00		**1,470,550.00**
18	Fed. Ministry of Mines and Solid Minerals	406,778,719.05	568,193,366.77	568,028,497.56		**1,543,000,583.38**
19	Federal Ministry of Transport		7,075,200.00	556,700.00		**7,631,900.00**
20	Federal Ministry of Works	23,683,222.50	39,465,034.50			**63,148,257.00**
21	National Emergency Management Agency	1,922,600.00	1,308,000.00			**3,230,600.00**
22	Court of Appeal	13,398,780.00	23,184,725.00			**36,583,505.00**
23	Federal Ministry of Housing & Urban Devpt.	479,745,831.50				**479,745,831.50**
	TOTAL	**1,589,155,388.34**	**1,335,407,830.90**	**1,322,725,970.30**	**683,119,438.44**	**4,930,408,627.98**

Source: *MDAs Quarterly Revenue Returns*

2.93 Analysis of the revenue generated compared with approved revenue targets over 5 years from 2011 - 2015 revealed that revenue targets in most cases did not reflect the strength of the MDAs in revenue generation. This is evident in the wide dispersion between targets and actual trend as detailed for 2 selected MDAs in Table 2.11.

Table 2.11: Revenue Analysis for Selected MDAs for 2011 - 2015

S/N.	MDAS	2011			2012			2013			2014			2015		
		Actual	Target	Perf.	Actual	Target	Perf.	Actual	Target	Perf.	Actual	Target	Perf.	Actual	Target	Perf.
		N000	N000	%	N000	N000	%	N000	N000	%	N000	N000	%	N000	N000	%
1	Court of Appeal	70,627	-	0.0%	48,906	50,000	97.8%	51,097	50,000	102.2%	60,230	69,416	86.8%	36,584	43,017	85.0%
2	Federal Ministry of Defence	348,261	61,882	562.8%	101,907	200,000	51.0%	4,517	200,000	2.3%		277,666	0.0%	1,051	172,070	0.6%
3	Federal Ministry of Environment	106,471	127,080	83.8%	240,875	100,000	240.9%	268,046	100,000	268.0%	129,988	138,833	93.6%	116,842	86,035	135.8%
4	Federal Ministry of Health	14,647	2,207,706	0.7%	7,678	200,000	3.8%	21,271	200,000	10.6%	4,025	277,666	1.4%	2,054	172,070	1.2%
5	Federal Ministry of Housing & Urban Devpt.	987,518	6,798,162	14.5%	1,924,777	3,000,000	64.2%	1,756,486	3,000,000	58.5%	2,403,748	4,164,983	57.7%	479,746	2,581,043	18.6%
6	Fed. Ministry of Information	886,644	1,308,179	67.8%	146,780	1,200,000	12.2%	10,924	1,200,000	0.9%	21,099	1,665,993	1.3%	8,636	32,417	26.6%
7	Federal Ministry of Interior	360,887	209,609	172.2%	382,059	300,000	127.4%	393,048	300,000	131.0%	259,245	416,498	62.2%	650,084	258,104	251.9%
8	Federal Ministry of Police Affairs	2,491	49,576	5.0%	3,850	50,000	7.7%	1,088	50,000	2.2%		-69,416	0.0%	-	43,017	0.0%
9	National Youth Service Corp	10,304	20,000	51.5%	9,012	20,000	45.1%	17,090	20,000	85.5%	12,493	27,767	45.0%	2,586	17,207	15.0%
10	office of the Secretary of the Federation	8,077	143,033	5.6%	8,674	25,000	34.7%	7,129	25,000	28.5%	34,708	3,031	1145.3%	11,796	21,509	54.8%
11	Office of the Auditor-Gen. of the Federation	9,884	66,094	15.0%	16,490	5,000	329.8%	16,062	5,000	321.2%	4,572	6,942	65.9%	17,777	4,302	413.2%
12	Supreme Court of Nigeria	3,593	5,000	71.9%	2,615	5,000	52.3%	1,883	5,000	37.7%		- 5,000	0.0%	-	4,302	0.0%
13	Fed. Ministry of Mines and Solid Minerals	1,314,679	5,004,581	26.3%	1,810,877	700,000	258.7%	2,037,594	700,000	291.1%	2,235,876	602,243	371.3%	1,543,001	602,243	256.2%
14	Federal Ministry of Justice	295,463	48,913	604.1%	181,309	5,000	3626.2%	208,056	5,000	4161.1%	116,695	4,302	2712.7%	49,209	4,302	1143.9%
15	Federal Ministry Of Labour and Productivity	5,008	47,212	10.6%	10,748	5,000	215.0%	27,173	5,000	543.5%	29,756	4,302	691.7%	10,729	4,302	249.4%
16	Federal Ministry of Niger Delta Affairs	42,361	205,493	20.6%	10,724	100,000	10.7%	24,011	100,000	24.0%	23,901	86,035	27.8%	-	86,035	0.0%
17	Federal Ministry of Water Resources	3,748	35,000	10.7%	34,480	500,000	6.9%	28,965	500,000	5.8%	23,330	430,174	5.4%	-	430,174	0.0%
18	Federal Ministry of Works	894,511	967,008	92.5%	573,486	800,000	71.7%	505,165	800,000	63.1%	322,533	688,278	46.9%	63,148	688,278	9.2%
19	National Emergency Management Agency	6,414	21,981	29.2%	15,362	30,000	51.2%	14,174	30,000	47.2%	10,699	25,810	41.5%	3,231	25,810	12.5%
20	National Judicial Council	633,268	22,980	2755.8%	864,269	5,000	17285.4%	25	5,000	0.5%	8,683	4,431	196.0%	-	4,431	0.0%
21	National Sports Commission	4,300	206,537	2.1%	16,497	10,000	165.0%	11,433	10,000	114.3%	8,801	8,603	102.3%	20,948	8,603	243.5%
	TOTAL	**6,009,157**	**17,556,024**	**34.2%**	**6,411,373**	**7,310,000**	**87.7%**	**5,405,240**	**7,310,000**	**73.9%**	**5,710,383**	**8,977,388**	**63.6%**	**3,017,420**	**5,289,271**	**57.0%**

Source: *MDAs Quarterly Revenue Returns*

2.94 Table 2.11 revealed that, of the 21 MDAs that had complete revenue submissions for each of the last 5 years, about 8 MDAs on average achieved less than 25% of their target with 2015 showing the highest number of 11. Chief among the MDAs in this category include: Federal Ministry of Health, Housing and Urban Development, Police Affairs and the Federal Court of Appeal. 7 MDAs achieved above 100% performance on average over the last five years with the highest number of 8 recorded in each of 2012 and 2013. Notable MDAs in this category include: Federal Ministry of Environment, Interior, Mines & Solid Minerals, and Labour & Productivity. The other MDAs achieved performance of between 26% and 95%.

2.95 It is evident from Table 2.11 that the revenue target settings need to be overhauled to ensure agreed targets reflect the revenue generation capacity of MDAs. This can be achieved by actively involving the MDAs in the revenue target setting process.

2.96 It is disheartening to still observe that quite a sizeable number of MDAs continue to disregard requests for the submission of quarterly revenue returns in spite of several letters and reminders. It is high time a serious sanction is imposed on recalcitrant MDAs which can probably be achieved by stipulating penalties for non-compliance in the proposed amendments to the Fiscal Responsibility Act 2007.

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

ANNUAL REPORT AND AUDITED ACCOUNTS 2015

CHAPTER 3

DEBT, INDEBTEDNESS AND BORROWING

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DEBT, INDEBTEDNESS AND BORROWING

3.1 The Fiscal Responsibility Act, 2007 in Part IX Sections 41 – 43 and Part X Sections 44 – 47 spell out the provisions to ensure order, accountability and transparency in public debt transactions within a medium term borrowing policy framework that will ultimately lead to the long term debt sustainability.

3.2 The Commission in 2015, intensified efforts in monitoring and ensuring compliance with the relevant provisions of the Act across the three tiers of government through the examination of debt transactions reported and an analysis of their sustainability in the prevailing situation.

Framework for Debt Management

3.3 Part X of the FRA, 2007 empowers the Governments in the Federation to borrow for only capital expenditure and human development at a concessionary interest rate not more than 3% per annum. In addition, the borrowing shall be with long amortization period and approved by the appropriate legislative body. The precipitating issue examined in the light of these requirements is the level of compliance by the FGN and various States governments.

3.4 Analysis of the borrowings of both the FGN and States revealed that all outstanding external debts as at 31 December, 2015 were for capital expenditure and human development in line with the provisions of FRA 2007. However, there was no clear evidence that the loans were obtained on concessional interest rate of 3% or less. Similarly, it could not be ascertained that all the loans were on reasonably long amortization periods of not less than 10 years. The categories of the external debt are; multilateral agencies 70.54%, bilateral agencies 1.47% and commercial loans 27.99%. Loans from multilateral agencies were largely within the 3% concessional interest rates while the commercial loans are well above 3% interest rate.

3.5 For domestic debt, there were no clear indications that all tiers of Government were borrowing for only capital expenditure and human development at 3% interest rate with the approvals of the appropriate legislative body and in compliance with the provisions of FRA, 2007 In order to keep the domestic debt within reasonable control, it is desirable for domestic borrowing to be rationalised.

3.6 As in previous years, most of the domestic loans in 2015 have maturity period of between 5 to 20 years with most of the loans having no specified purpose for which they were meant.

3.7 In the course of monitoring compliance with the provisions of FRA on borrowings, the Commission observed that despite several letters and reminders, some banks still continue to lend to State Governments/Agencies without obtaining proof of compliance with FRA as clearly stipulated. It was noted that such lendings are indeed contractual arrangement with the banks for repayment via deductions from the States Statutory allocations. This is contrary to section 45 (2) of the FRA, 2007 which stipulates that ''all lending by banks and financial institutions in contravention of this Part (Part X) shall be unlawful''.

3.8 Against this backdrop, any contractual arrangement undertaken as debt transaction(s) between states/their agencies with any bank(s) without compliance with section 45(2) is unlawful. In effect all, all Commercial Banks still lending to Governments in the Federation, their agencies and corporations are not only in breach of the FRA 2007, but such lending are clearly unlawful and may be irrecoverable.

Limits on Consolidated Debt of the Federal, State and Local Governments

3.9 Since the commencement of the FRA, 2007, overall limit for the amounts of consolidated debt of the Federal, State and Local Governments have not been set by the President as prescribed by section 42 (1) of the Act under reference. This state of affair makes it difficult for the FRC to implement sections 42 (3-5) and 44(4) of the FRA, 2007.

3.10 Currently, the Debt Management Office (DMO) relies on the World Bank threshold of 40 percent Debt to GDP ratio as the limit. However, given the peculiarities of the country, there is need for the overall limits to be set and approved by the National Assembly in pursuance to section 42(1) of the FRA, 2007. Instead of relying on the World Bank threshold, there is need for the country's debt limit to be pegged to the size of the economy.

3.11 It is worth noting that the Commission since inception had written several letters and reminders to the Minister of Finance on the need to set limits of Consolidated Debt for

Federal, State and Local Governments. As at the time of this report, the limits have not been set. This has considerably hindered the Commission from effectively carrying out the consequential duties of monitoring, enforcing and implementing the relevant provisions of the FRA, 2007, on public debt, indebtedness and borrowing.

Debt Stock of FG, States and FCT as at 31 December, 2015

3.12 The total Consolidated Debt of the FG, States and FCT as at 31 December, 2015 amounted to N11.84 trillion made up of domestic debt amounting to N9.73 trillion or 82.20% and external debt of N2.11 trillion representing 17.80%. Of the domestic debt, a total of N8.90 trillion or 94.43% was sourced from the capital market while the balance of N834.27 billion was arranged through commercial banks. The total public debt profile remained as in the previous year with more domestic debt than external debt.

3.13 The Federal Government's total debt stock as at the end of 2015 amounted to ₦10.29 trillion. This comprises domestic debt of N8.84 trillion or 85.96% and external debt of ₦1.44 trillion or 14.04%. The capital market borrowing component of FGN debt stock stood at N8.84 trillion representing 85.88% of the total debt stock and almost the entire domestic borrowing (99.9%) as only N8.00 billion was raised through commercial banks.

3.14 The debt stock of all the States including FCT, as at the end of 2015 totalled ₦1.55 trillion. This is made up of domestic debt of ₦887.22 billion or 57.24% of total debt and external debt of ₦662.75 billion or 42.76% of total debt. The component of domestic debt was; N60.95 b1llion (6.87%) for capital market borrowing and N826.27 billion (93.13%) borrowing from commercial banks.

3.15 Analysis of the total domestic debt of the Federal Government, States and FCT amounting to N9.73 trillion revealed the FG component of N8.84 trillion representing 90.85%. The States and FCT on the other hand accounted for N887.22 billion or 9.15%. Further analysis revealed that the N8.90 trillion domestic debt raised from the capital market was in the ratio of 93.71% and 6.29% for the States and FCT. Conversely, the proportion of borrowings from commercial banks weigh heavily in favour of the States and FCT at N826.27 billion or 99.01% while the FG accounted for N8.00 billion representing 0.91%.

3.16 Table 3.1 shows the Debt Stock of the Federal Government (inclusive of debts of its Corporations and Agencies), States (inclusive of debts of the Local Governments and Agencies) and FCT.

Table 3.1: Summary of Debt Stock of Federal Government, States and FCT

S/N	States	Domestic Borrowings			External Debt	Total Public Debt
		Commercial Bank	Capital market	Total Domestic Debt		
		₦	₦	₦	₦	₦
1	Abia	32,978,424,669.06		32,978,424,669.06	8,155,203,736.19	41,133,628,405.25
2	Adamawa	22,862,657,297.32		22,862,657,297.32	9,617,515,220.80	32,480,172,518.12
3	Akwa Ibom	22,233,900,426.61		22,233,900,426.61	10,358,977,201.70	32,592,877,628.31
4	Anambra				11,943,569,776.47	11,943,569,776.47
5	Bauchi	8,639,100,000.00		8,639,100,000.00	16,768,462,908.15	25,407,562,908.15
6	Bayelsa	30,706,949,331.78		30,706,949,331.78	7,388,961,274.74	38,095,910,606.52
7	Benue	16,931,966,070.53	4,950,000,000.00	21,881,966,070.53	7,015,168,051.31	28,897,134,121.84
8	Borno	17,680,080,000.00		17,680,080,000.00	4,556,807,144.16	22,236,887,144.16
9	Cross River	17,856,400,000.00	8,000,000,000.00	25,856,400,000.00	26,803,203,190.16	52,659,603,190.16
10	Delta	31,702,008,308.70		31,702,008,308.70	7,622,710,917.11	39,324,719,225.81
11	Ebonyi	1,951,400,534.68		1,951,400,534.68	9,268,236,911.79	11,219,637,446.47
12	Edo	17,000,000,000.00		17,000,000,000.00	33,048,587,804.82	50,048,587,804.82
13	Ekiti	25,388,305,291.67		25,388,305,291.67	10,804,072,705.95	36,192,377,997.62
14	Enugu	16,463,000,000.00		16,463,000,000.00	14,114,367,181.83	30,577,367,181.83
15	Gombe	29,233,897,297.30	5,000,000,000.00	34,233,897,297.30	7,825,174,165.49	42,059,071,462.79
16	Imo	26,806,430,000.00		26,806,430,000.00	11,625,695,173.08	38,432,125,173.08
17	Jigawa	10,000,000,000.00		10,000,000,000.00	6,697,841,003.03	16,697,841,003.03
18	Kaduna	20,300,000,000.00		20,300,000,000.00	44,481,344,998.25	64,781,344,998.25
19	Kano	30,000,000,000.00		30,000,000,000.00	11,320,816,741.71	41,320,816,741.71
20	Katsina	11,071,628,220.31		11,071,628,220.31	14,178,225,238.97	25,249,853,459.28
21	Kebbi	17,080,460,000.00		17,080,460,000.00	8,896,715,191.02	25,977,175,191.02
22	Kogi	4,770,216,053.75	3,000,000,000.00	7,770,216,053.75	6,608,708,958.69	14,378,925,012.44
23	Kwara	10,415,437,962.73		10,415,437,962.73	10,027,918,218.59	20,443,356,181.32
24	Lagos	145,719,111,233.06		145,719,111,233.06	237,352,467,438.23	383,071,578,671.29
25	Nasarawa	13,317,169,849.27		13,317,169,849.27	10,427,497,869.78	23,744,667,719.05
26	Niger	9,436,810,000.00		9,436,810,000.00	8,799,411,014.30	18,236,221,014.30
27	Ogun	24,935,247,523.38		24,935,247,523.38	20,304,610,263.21	45,239,857,786.59
28	Ondo	33,913,815,323.34		33,913,815,323.34	10,235,598,777.77	44,149,414,101.11
29	Osun	25,413,067,720.26		25,413,067,720.26	15,699,589,770.98	41,112,657,491.24
30	Oyo	31,270,944,831.03	4,800,000,000.00	36,070,944,831.03	13,117,279,792.11	49,188,224,623.14
31	Plateau	8,490,819,474.00	28,200,000,000.00	36,690,819,474.00	5,988,223,921.04	42,679,043,395.04
32	Rivers	48,165,245,858.23		48,165,245,858.23	9,220,252,334.91	57,385,498,193.14
33	Sokoto	13,907,332,128.81		13,907,332,128.81	8,242,492,577.12	22,149,824,705.93
34	Taraba	20,921,035,700.00		20,921,035,700.00	4,506,624,960.41	25,427,660,660.41
35	Yobe	2,500,000,000.00		2,500,000,000.00	5,984,627,652.71	8,484,627,652.71
36	Zamfara	22,702,235,729.63	7,000,000,000.00	29,702,235,729.63	6,861,711,843.98	36,563,947,573.61
37	FCT Abuja	3,509,249,969.60		3,509,249,969.60	6,886,294,538.28	10,395,544,507.88
	Sub Total	**826,274,346,805.05**	**60,950,000,000.00**	**887,224,346,805.05**	**662,754,966,468.84**	**1,549,979,313,273.89**
	FGN	8,000,000,000.00	8,836,995,859,000.00	8,844,995,859,000.00	1,443,984,246,861.09	10,288,980,105,861.10
	Grand Total	**834,274,346,805.05**	**8,897,945,859,000.00**	**9,732,220,205,805.05**	**2,106,739,213,329.93**	**11,838,959,419,135.00**

Source:

1. *External Debts figures were obtained from the records of Debt Management Office (DMO)*
2. *Landings by Commercial Banks were obtained from the Central Bank of Nigeria (CBN)*
3. *Capital Market borrowings were obtained from DMO and Security Exchange Commission (SEC)*

<u>Note:</u>

- *Exchange rate used in conversion of foreign loans at 31 December, 2015 was US$1 = ₦196.50*
- *States and FCT debts include borrowings by Local Governments.*

3.17 Table 3.1 revealed that the debt profile of the country in 2015 was more of domestic than external debt just as was the case in 2014. The bulk of the total domestic debt was contracted by the FG which was 90.88% as against 9.12% for the States and FCT. The composition of the domestic debt indicated that the greater part was obtained from capital market. The fact that the bulk of FG borrowing was from the capital market apparently suggests that it mobilized resources towards financing long term capital projects aimed at providing critical infrastructure. The FG capital borrowings in 2015 consist of 65.73% raised through the issuance of Bonds, 31.38% Treasury bills and 2.90% Treasury bonds.

3.18 The debt profile of the States and FCT was similar to that of the FG in that there were more of domestic debts than external debts. The States and FCT borrowed from commercial banks. Seven States borrowed from the capital market along with the FG namely; Benue, Cross River, Gombe, Kogi, Oyo, Plateau and Zamfara. These States, in addition to borrowing from capital market borrowed from commercial banks as well. Only Anambra state neither borrowed from commercial bank nor capital market. In 2014, all States and FCT borrowed from commercial banks with only Bauchi State borrowing from capital market in addition to commercial banks.

3.19 Comparing the total domestic debt of States and FCT in 2015 with 2014 total domestic debt of N527.470 billion (N512.470 billion commercial borrowing and N15 billion capital market borrowing), total domestic debt grew by about 68.21%. Commercial bank borrowing grew by about 61.23% while capital market borrowing grew by 306.33%.The statistics indicated that 2015 in comparison to 2014 witnessed more states borrowing from the capital market. In effect, this state of affairs drove up interest rates on commercial bank borrowings. Consequent upon this, more States resorted to capital market borrowing in 2015. However the effect of the shift was not significant enough to change the composition of the domestic debt as commercial bank borrowing still remained the largest component of the total domestic debts.

3.20 External debts of States and FCT rose from N604.339 billion in 2014 to N621.755 billion in 2015 representing an increase of 9.67%. It is obviously clear that the growth in domestic debt was higher than external debt. This is easily attributed to the limited access of States and FCT to international credit market in the light of section 47(3) of FRA 2007 which prescribes that Federal Government guarantee shall be a requirement to obtain foreign currency borrowing and that no State, Local Government or Federal Agency, shall on its own borrow externally.

3.21 It is worthy of note that while some states indebtedness in 2015 was more of domestic debt than external debt, there were states where indebtedness was more of external debt than domestic debt. The states whose indebtedness were more of domestic debt than external debt and vice versa are shown in Table 3.2 below.

Table 3.2: Categorisation of States and Indebtedness

S/N	States with More Domestic Debt	S/N	State with More External Debt
1.	Abia	1.	Anambra
2.	Adamawa	2.	Cross River
3.	Akwa-Ibom	3.	Bauchi
4.	Bayelsa	4.	Ebonyi
5.	Benue	5.	Edo
6.	Borno	6.	Kaduna
7.	Enugu	7.	Katsina
8.	Delta	8.	Kogi
9.	Gombe	9.	Lagos
10.	Ekiti	10.	Yobe
11.	Imo	11.	FCT
12.	Jigawa		
13.	Kano		
14.	Kebbi		
15.	Kwara		
16.	Nasarawa		
17.	Niger		
18.	Ogun		
19.	Osun		
20.	Ondo		
21.	Oyo		
22.	Plateau		
23.	Rivers		
24.	Sokoto		
25.	Taraba		
26.	Zamfara		

3.22 Table 3.2 indicates that, 26 states had more domestic debt than external debt in 2015 while 10 states and the FCT had more external debt than domestic debt. In 2014 only 19 states had more domestic debt than external debt while18 states had more external debt than domestic debt.

3.23 It must be emphasized that there is nothing wrong in states borrowing from abroad provided such borrowing is utilized to increase capacity and expand output and in line with the provisions of FRA 2007. However, in the event that the fiscal position of the borrowing state becomes unsustainable, that may lead to a higher cost of borrowing and/or credit rationing. This process is costly and makes foreign borrowing less attractive to fund government investment.

3.24 Foreign Borrowing is attractive if savings are low, and helps to avoid the crowding out of the private sector's use of available domestic savings. The choice between foreign and domestic borrowing, depends on the cost (interest rates), maturity structure, and risks.

3.25 With regard to states that had more domestic debt than external debt, the concern is that, the overall domestic debt is of interest to the Federal Government to avoid indebtedness that will threaten the sovereignty of any State Government or rather the Governments in the Federation. This fact was emphasized in the Commission's 2014 annual report that, with subnational borrowings come the risks of subnational insolvency. Systemic subnational insolvency may threaten financial stability and core public services, which may create pressures on the Federal Government to provide financial assistance to ensure the continuing provision of essential public services. This state of affairs rears its ugly head in 2015 giving rise to the Federal Government as a matter of necessity to provide bail out financial assistance to some states that were unable to pay salaries to their workers for some months. Thus, the need to regulate subnational debt default risks therefore cannot be over emphasized in the light of Parts IX and X of the FRA, 2007.

Consolidated Debt as Percentage of Gross/Net Statutory Allocation to States and States Total Revenue (Gross Statutory Allocation plus IGR)

3.26 Under section 42 (1) of the FRA, 2007 and within 90 days from the commencement of the same Act, the President with advice from the Minister of Finance subject to approval of National Assembly, is expected to set overall limits for the amounts of consolidated debt of the Federal, State and Local Governments pursuant to the provisions of items 7 and 50 of Part l of the Second Schedule to the Constitution. The limits and conditions shall be approved by the National Assembly, and be consistent with the rules set in the Act and be consistent with the fiscal policy objectives in the Medium-Term Fiscal Framework.

3.27 Given that as at the time of preparing this report, the overall limits for the amounts of consolidated debt of the Federal, State and Local Governments have not been set, it becomes difficult for the Commission to assess and bring to fore, a list of the Governments in the Federation that have exceeded the limit of consolidated debt as required by FRA 2007. As a way out and for the purpose of annual reports, the Commission resorted to make the necessary assessment of consolidated debt of each State in the Federation in relation to Gross/Net Statutory Revenue during the fiscal year, 2015. This has become necessary as most of the States loan service payments are deductible from their respective Statutory Allocation (FAAC Account) domiciled in various commercial banks consequent upon Irrevocable Standing Payment Order (ISPO) arrangements.

3.28 In the light of above, Table 3.3 has been produced to serve the required assessment to determine the debt status of the FG, States and FCT.

3.29 From Table 3.3, the Consolidated Debt of the Federal/State Governments and FCT, is matched with the Gross/Net Statutory Allocations and Total Revenue (Gross Statutory Allocation plus Internally Generated Revenue) to identify which Governments were heavily borrowed and which ones still have loan space as at 31 December, 2015. In the light of DMO's guidelines on Debt Management Framework, particularly, as pertains to debt sustainability, the debt to income ratio of states should not exceed 50 percent of the statutory revenue for the preceding 12 months. In effect, State Governments have a subsisting, though not in line with the FRA, 2007, loan policy which requires State Governments not to owe more than 50% of their statutory revenue for the previous 12 months. The FG on the other hand is expected not to accumulate debt more than 40% of the National GDP. Bearing this in mind, Table 3.3 shows that 23 states exceeded the threshold of 50 percent of their gross/net statutory allocations during the year 2015. However, out of the 23 states, only 20 states exceeded the threshold of 50 percent of their total revenue (gross statutory allocation plus Internally Generated Revenue).

3.30 The 23 states that exceeded the threshold of 50 percent of their gross/net statutory allocations are: Lagos, Kaduna, Cross River, Gombe, Ekiti, Edo, Ondo, Imo, Zamfara, Adamawa, Oyo, Abia, Ogun, Taraba, Kebbi, Enugu, Bauchi, Nasarawa, Kano, Benue, kwara, katsina and Sokoto. Lagos is the highest while the least is Sokoto.

Table 3.3: Consolidated Debt as Percentage of Gross/Net Statutory Allocation

S/N	State	Public Debt*	Net Statutory Allocation **	Gross Statutory Allocation**	Total Revenue (Gross Statutory Alloc. + IGR)**	Public Debt as % of		
						Net statutory Allocation	Gross Statutory Allocation	Total Revenue
1	Abia	41,133,628,405.25	40,082,543,528.57	42,289,387,662.19	53,431,987,792.29	102.62%	97.27%	76.98%
2	Adamawa	32,480,172,518.12	37,753,050,520.67	40,192,770,674.43	42,204,786,638.51	86.03%	80.81%	76.96%
3	Akwa Ibom	32,592,877,628.31	163,962,359,835.25	168,640,438,424.57	178,753,535,088.25	19.88%	19.33%	18.23%
4	Anambra	11,943,569,776.47	40,384,859,045.39	40,891,086,253.52	55,176,034,298.39	29.57%	29.21%	21.65%
5	Bauchi	25,407,562,908.15	41,369,707,889.11	47,811,728,323.34	46,763,429,885.11	61.42%	53.14%	54.33%
6	Bayelsa	38,095,910,606.52	82,881,652,510.18	102,888,076,359.47	91,595,169,036.42	45.96%	37.03%	41.59%
7	Benue	23,947,134,121.84	37,819,773,534.63	44,936,347,511.23	45,451,563,376.00	63.32%	53.29%	52.69%
8	Borno	22,236,887,144.16	48,243,658,532.84	48,778,250,504.87	51,773,919,755.15	46.09%	45.59%	42.95%
9	Cross River	44,659,603,190.16	30,036,521,426.23	40,339,488,836.76	43,603,643,933.61	148.68%	110.71%	102.42%
10	Delta	39,324,719,225.81	119,122,741,707.01	139,371,472,002.82	159,928,398,618.97	33.01%	28.22%	24.59%
11	Ebonyi	11,219,637,446.47	30,521,338,932.29	36,006,978,567.11	36,006,978,567.11	36.76%	31.16%	31.16%
12	Edo	50,048,587,804.82	40,107,447,041.09	49,821,301,698.56	59,224,915,410.34	124.79%	100.46%	84.51%
13	Ekiti	36,192,377,997.62	29,426,105,283.51	36,074,439,417.99	32,723,812,987.47	122.99%	100.33%	110.60%
14	Enugu	30,577,367,181.83	38,054,045,441.15	40,463,756,864.13	56,135,059,968.15	80.35%	75.57%	54.47%
15	Gombe	37,059,071,462.79	29,508,862,661.74	37,765,064,011.19	34,293,468,523.21	125.59%	98.13%	108.06%
16	Imo	38,432,125,173.08	39,478,849,278.83	46,174,621,309.08	44,951,430,913.01	97.35%	83.23%	85.50%
17	Jigawa	16,697,841,003.03	44,345,996,445.11	45,195,055,119.97	49,427,420,550.51	37.65%	36.95%	33.78%
18	Kaduna	64,781,344,998.25	48,635,908,665.02	52,750,448,507.03	60,172,638,653.61	133.20%	122.81%	107.66%
19	Kano	41,320,816,741.71	63,081,426,239.56	65,324,992,090.51	76,693,280,175.41	65.50%	63.25%	53.88%
20	Katsina	25,249,853,459.28	48,369,024,174.45	50,042,774,228.72	54,160,032,915.45	52.20%	50.46%	46.62%
21	Kebbi	25,977,175,191.02	41,019,427,582.69	42,326,126,375.22	44,611,833,690.69	63.33%	61.37%	58.23%
22	Kogi	11,378,925,012.44	40,415,861,606.59	43,714,400,671.97	47,192,442,362.76	28.15%	26.03%	24.11%
23	Kwara	20,443,356,181.32	34,051,502,675.12	36,042,737,065.84	41,230,424,857.88	60.04%	56.72%	49.58%
24	Lagos	383,071,578,671.29	88,349,485,946.83	116,295,930,247.65	356,574,268,382.06	433.59%	329.39%	107.43%
25	Nasarawa	23,744,667,719.05	39,855,276,897.54	43,812,098,170.55	44,136,978,704.04	59.58%	54.20%	53.80%
26	Niger	18,236,221,014.30	39,889,370,809.16	46,119,045,879.87	45,864,520,731.02	45.72%	39.54%	39.76%
27	Ogun	45,239,857,786.59	34,475,889,643.12	39,160,529,006.77	69,072,336,162.64	131.22%	115.52%	65.50%
28	Ondo	44,149,414,101.11	41,437,906,592.82	53,253,907,710.16	51,535,906,592.82	106.54%	82.90%	85.67%
29	Osun	41,112,657,491.24	21,434,893,792.60	38,658,232,876.52	29,507,860,238.60	191.80%	106.35%	139.33%
30	Oyo	44,388,224,623.14	41,447,747,286.14	46,561,019,585.63	57,111,262,110.87	107.09%	95.33%	77.72%
31	Plateau	14,479,043,395.04	34,296,237,317.33	42,272,747,046.20	41,233,587,120.03	42.22%	34.25%	35.11%
32	Rivers	57,385,498,193.14	105,175,742,696.86	122,610,182,250.45	187,277,041,105.29	54.56%	46.80%	30.64%
33	Sokoto	22,149,824,705.93	43,174,134,155.70	43,907,514,915.22	49,398,582,278.23	51.30%	50.45%	44.84%
34	Taraba	25,427,660,660.41	37,206,577,102.06	38,757,026,333.81	41,361,630,918.21	68.34%	65.61%	61.48%
35	Yobe	8,484,627,652.71	39,044,197,135.25	39,282,196,684.77	41,295,527,562.64	21.73%	21.60%	20.55%
36	Zamfara	29,563,947,573.61	32,548,823,220.77	40,149,065,108.94	35,290,455,761.80	90.83%	73.64%	83.77%
37	FCT Abuja	10,395,544,507.88	39,572,636,356.73	39,944,962,747.66		26.27%	26.02%	
	Sub Total	**1,489,029,313,273.89**	**1,806,581,583,509.94**	**2,048,626,201,044.72**	**2,455,166,165,666.55**	**82.42%**	**72.68%**	**60.65%**
	FGN	68,921,528,325.39	2,276,396,368,809.32	2,104,300,637,547.84		3.03%	3.28%	
	Grand Total	**1,557,950,841,599.28**	**4,082,977,952,319.26**	**4,152,926,838,592.56**	**2,455,166,165,666.55**	**38.16%**	**37.51%**	**63.46%**

Source:

**Table 3.2*
***Office of the Accountant General of the Federation*

3.31 Lagos exceeded the threshold of 50 percent of its gross statutory allocation by well over 300 percent and for its net statutory allocation by well over 200 percent; Kaduna, Cross River, Gombe, Ekiti, Edo, Ondo, Oyo, Abia and Ogun exceeded the 50 percent of their gross statutory allocations by well over 50 percent but less than 100 percent. Imo, Zamfara, Adamawa, Taraba, Kebbi, Enugu, Bauchi, Nasarawa, Kano, Benue, Kwara, Katsina and Sokoto exceeded the 50percent of their gross statutory allocations by less than 50percent.

3.32 On the basis of total revenue (gross statutory allocation plus Internally Generated Revenue) rather than gross statutory allocation, 21 states exceeded the threshold of 50 percent. Of the 23 states that exceeded the threshold of their gross/net statutory allocations, Kwara, Katsina and Sokoto States did not exceed the 50percent threshold of their consolidated debt to total revenue (gross statutory allocation plus Internally Generated Revenue).

3.33 From 2012 to 2015, five (5) states consistently exceeded the threshold of 50 percent of their gross statutory allocations. The states are: Kaduna, Lagos, Ogun, Cross River and Osun. Although, it is neither safe nor right to pontificate that these State Governments over borrowed based on the fact that, the amount of debt incurred respectively was not related to their respective GDP. The percentage performance as already indicated seems to suggest that their respective indebtedness had consistently exceeded the 50 percent threshold. However, there is therefore the need for each of these states to work towards bringing their respective consolidated debts within the 50 percent threshold of their gross statutory allocations. This is by way of restricting their funding commitments accordingly.

3.34 Although, the analysis so far suggests that some states are heavily indebted. This may not be because they borrow ''too much'' but more likely because of suboptimal debt structure which is partly the consequence of a poorly designed financial architecture. It is therefore worthy of note that, in as much as, there is need to ensure prudence in borrowing, there is also the need for borrowing to comply with the relevant provisions of the FRA, 2007. Whilst this, it is important to stress that a government's debt stock should not grow beyond the point where the debt to GDP ratio is too high for debt servicing payments to be made.

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

ANNUAL REPORT AND AUDITED ACCOUNTS 2015

CHAPTER 4

BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

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BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

4.1 Part IV of the Fiscal Responsibility Act, poignantly titled BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES made deliberate accommodation for Government-Owned Enterprises (GOEs) in the planning and preparation of the national budget. The said Part IV which runs from Section 21 to Section 24 of the Act also articulated a framework for the treatment of the Operating Surpluses and Deficits of the Government-Owned Corporations listed in the Schedule to the Act.

List of Scheduled Corporations

4.2 31 Government-Owned Corporations are listed in the schedule to the Fiscal Responsibility Act 2007, with provision wisely made for "any other corporation, agency or government-owned company that may be included by the Minister (of Finance) through a local notice." In 2011 the Minister added 6 more corporations to the Schedule.

4.3 Of the originally listed 31 corporations, 7 have become privatized or dysfunctional in the intervening period, effectively leaving 24; the addition of 6 corporations to the schedule by the Minister brought the number of functional government-owned corporations under the cover of Section IV of the Fiscal Responsibility Act, 2007 to 30, a figure that is less than 10% of the number of government-owned institutions in the country.

Table 4.1: List of Scheduled Corporations - with Brief Commentary

S/N	Name of Corporation	Status
1.	Nigerian National Petroleum Corporation (NNPC)	
2.	Nigerian Deposit Insurance Corporation (NDIC)	
3.	Bureau of Public Enterprises (BPE)	
4.	National Agency for Science and Engineering Infrastructure	
5.	Nigerian Social Insurance Trust Fund (NSITF)	
6.	Corporate Affairs Commission (CAC)	
7.	National Clearing and Forwarding Agency	Privatized
8.	Nigeria Unity Line	Privatized
9.	Nigerian Airspace Management Agency	
10.	Nigerian Shippers Council (NSC)	
11.	Nigerian Maritime Administration and Safety Agency (NIMASA)	
12.	Raw Marital Research and Development Council	
13.	Nigerian Civil Aviation Authority (NCAA)	
14.	National Sugar Development Council (NSDC)	
15.	Nigerian Postal Service (NPS)	
16.	Nigerian Ports Authority (NPA)	
17.	Federal Airport Authority of Nigeria (FAAN)	
18.	Nigeria Mining Corporation (NMC)	
19.	Nigeria Re Insurance	Privatized
20.	Niger Dock Nigeria PLC	Privatized
21.	Securities and Exchange Commission (SEC)	
22.	National Insurance Corporation of Nigeria (NICON)	Privatized
23.	Nigeria Re-insurance Corporation	Privatized
24.	Nigerian Telecommunication (NITEL)	Dysfunctional
25.	National Automotive Council (NAC)	
26.	Nigerian Tourism Development Corporation (NTDC)	
27.	Nigerian Communications Commission (NCC)	
28.	National Agency for food and Drug Administration and Control (NAFDAC)	
29.	Nigeria Custom Service (NCS)	
30.	Federal Inland Revenue Service (FIRS)	
31.	Central Bank of Nigeria (CBN)	
32.	Nigerian Immigration Service (NIS)	Added in 2011
33.	Nigerian Broadcasting Commission (NBC)	Added in 2011
34.	Nigerian Electricity Regulatory Commission (NERC)	Added in 2011
35.	National Oil Spill Detection and Response Agency (NOSDRA)	Added in 2011
36.	National Business and Technical Examinations Board (NABTEB)	Added in 2011
37.	National Environmental Standards Regulatory Agency (NESRA)	Added in 2011

Remittance of Operating Surplus

4.4 Sections 22 and 23 of the FRA stipulate the manner in which a scheduled corporation should treat its Operating Surplus/deficit. In 2015, the Commission continued its monitoring of the remittance of the Operating Surplus of these scheduled corporations. A corporation's annual report from which Operating Surplus/Deficit is determined is prepared in the year succeeding the one being reported on. Hence, in 2015 for instance, the Commission monitored the payment/remittance of Operating Surpluses emanating from activities in the 2014 fiscal year and earlier.

4.5 It is instructive that the sum received by the Federal Government as its share of Operating Surplus from these corporations has recorded year-on-year increases since 2007 - 2012. It is not in doubt that this improvement in returns to the Federal Government was engendered by the interventions of the Fiscal Responsibility Commission. However, the sum accruing to the CRF has been on a drastic decline from 2013 due to the impact of the Oronsanye Report and Government white paper in accepting the recommendation of the report to scrap the Commission.

4.6 Incidentally, the number of corporations that timeously prepare and forward their audited annual reports to the FRC has been on the decline in spite of the Commission's unrelenting efforts in the face of continued reduced budgetary provisions.

4.7 Table 4.2 shows a summary of Operating Surplus remitted to the Federal Government Consolidated Revenue Fund from 2007 – 2015.

Table 4.2: Remittances of Operating Surplus to the FG CRF 2007 - 2015

S/N	AGENCY	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
		N000	N000	N000	N000	N000	N000	N000	N000	N000	N000
1	NIMASA	601,220	-	-	-	450,000	6,441,384	13,833,432	10,846,326	4,985,000	**37,157,361**
2	RMRDC	6,340	11,674	17,711	36,112	10,596	22,859	16,468	233	3,575	**125,567**
3	NCAA	95,436	80,000	80,000	255,436	6,442	-	-	-	-	**517,314**
4	NSDC	-	-	-	-	-	-	8,715	968,534	618,760	**1,596,009**
5	NAMA	8,218	11,554	20,130	28,731	51,141	63,429	60,000	90,747	50,000	**383,950**
6	NSC	30,000	66,408	52,051	7,400	70,000	1,760,549	20,000	8,000	8,000	**2,022,408**
7	NNPC	-	-	-	-	-	-	-	-	-	**-**
8	NDIC	1,763,740	4,443,452	1,270,876	2,856,087	3,031,554	5,988,387	9,134,069	15,378,878	24,185,762	**68,052,804**
9	BPE	-	-	-	-	-	-	-	-	-	**-**
10	NASENI	-	4,352	2,348	20,000	4,352	3,524	-	-	-	**34,576**
11	NSITF	-	-	-	-	-	-	-	-	-	**-**
12	CAC	826,300	300,000	4,255,247	41,020	-	-	-	500,000	-	**5,922,566**
13	CBN	24,262,000	11,172,000	32,897,000	34,870,064	64,123,257	80,308,000	100,000,000	150,000,000	-	**497,632,321**
14	NAFDAC	64,048	93,558	105,000	-	-	253,612	-	-	-	**516,218**
15	NCC	-	600,000	-	1,000,000	4,000,000	6,802,074	9,289,237	3,800,000	6,856,182	**32,347,493**
16	FIRS	8,714,848	9,726,719	104,757	4,254,494	1,265,813	-	169,186	-	-	**24,235,817**
17	NCS	-	-	-	-	-	-	-	-	-	**-**
18	NABTEB	-	-	-	-	-	-	14,938	-	-	**14,938**
19	NIPOST	32,459	46,698	38,364	49,472	-	-	-	-	-	**166,993**
20	NPA	-	-	-	-	-	-	6,157,911	-	-	**6,157,911**
21	FAAN	-	-	-	-	-	-	130,000	250,000	-	**380,000**
22	SEC	-	-	1,929,651	-	-	-	-	-	-	**1,929,651**
23	NAC	44,922	7,091	10,227	15,598	4,089	193,713	161,290	-	-	**436,930**
24	NTDC	-	-	-	-	-	-	51,734	-	-	**51,734**
25	NESREA	-	-	-	-	-	-	-	-	-	**-**
26	NIS	1,350,000	1,595,000	1,769,201	-	649,607	56,441	2,666,479	-	-	**8,086,728**
27	NBC	-	-	-	-	40,000	-	-	-	-	**40,000**
28	NERC	-	-	-	-	-	-	-	-	-	**-**
29	NOSDRA	-	-	-	-	163	16,313	-	-	-	**16,476**
30	NITEL	-	-	-	-	-	-	-	-	-	**-**
	TOTAL	**37,799,531**	**28,158,506**	**42,552,563**	**43,434,413**	**73,707,013**	**101,910,285**	**141,713,459**	**181,842,718**	**36,707,279**	**687,825,767**

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CHAPTER 5

IMPLEMENTING FISCAL RESPONSIBILITY IN THE STATES

CHAPTER 5

IMPLEMENTING FISCAL RESPONSIBILITY IN THE STATES

5.1 The Fiscal Responsibility Act, 2007 as it currently stands applies wholly to the Federal Government. But, in the areas of public debt, Indebtedness, Borrowings, banking, currency, savings and assets management, the Act covers the three tiers of government as those matters mainly fall within the Exclusive Legislative List in the 1999 Constitution (as amended). However, the Act mandates the Commission to provide such technical assistance to as many States and Local Governments that show willingness to adopt similar Fiscal Responsibility Legislation.

5.2 A snap shot of the relevant Sections of the FRA 2007 which contain persuasive provisions intended to encourage the States and Local Governments to adopt similar principles are as follows:

- **Section 17:** States and Local Governments that so desire shall be assisted by the Federal Government to manage their fiscal affairs within the Medium-Term Expenditure Framework.

- **Section 20:** In preparing their annual budget, States and Local Governments may adopt Part II (Annual Budget) with such modification as may be necessary.

- **Section 31:** In implementing their annual budget, States and Local Governments may adopt the provisions of Part IV (Budgetary Planning of Corporations and other Related Agencies) with such modifications as may be necessary and appropriate.

- **Section 40:** In incurring public expenditures, States and local Governments may adopt the provisions on Public Expenditure with modification as may be appropriate.

- **Section 54:** The Federal Government may provide technical and financial assistance to States and Local Governments that adopt similar fiscal responsibility legislation along the same lines as this Act for the modernization of their tax, financial and assets administration.

NB: In 2015 no State or Local Government Council made any such request to the Commission even though the Commission had repeatedly assured of its capacity and readiness to provide the requisite technical assistance to any requesting State or Local Government.

5.3 In spite of funding challenges, the Commission has not relented in leveraging on every available opportunity to continue its advocacy on the need for States and Local Governments to key into the regime of fiscal responsibility in order to reap its benefits and thereby enhance its positive effect on the Nigerian economy, which is one economy.

5.4 The imperative of prudence, transparency and accountability at States and Local Governments levels which jointly account for approximately 52% of federally distributable revenue by way of statutory allocations, in attaining sustainable macro-economic growth and overall financial and fiscal well-being of the nation, through the enactment of Fiscal Responsibility Legislations cannot be over emphasized.

5.5 The Commission has on several occasions hosted Officials of States FRCs who undertake study visits/tours to its Headquarters, and at such times, very comprehensive interactions are held with the various Directorates on general operations, strategies and other technical issues about the activities of the Commission and experiences are exchanged on ways to improve overall operational capacities.

5.6 Also, during the year, the Commission, in concert with the Centre for Social Justice (CSJ) organized a Joint Forum of Fiscal Responsibility Commissions in Nigeria in May, to which all States Fiscal Responsibility Commissions and other related agencies across the country were invited to showcase their successes and challenges. At the end of the programme, a Communiqué was issued pointing the way forward on some salient economic and financial challenges facing both States and the federal government.

5.7 The Commission, which is a recognized preventive anti-corruption agency, also participated and made presentations in a number of National Workshops, Seminars and Conferences on Corruption prevention and Good Governance organized by various local and international organizations including the United Nations Office on Drugs & Corruption (U.N.O.D.C), the Economic and Financial Crimes Commission (EFCC), as well as other government Agencies.

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CHAPTER 6

TRANSPARENCY AND ACCOUNTABILITY

CHAPTER 6

TRANSPARENCY AND ACCOUNTABILITY

6.1 Sections 48-50 of the Fiscal Responsibility Commission, 2007 provide for transparency and accountability in fiscal transactions.

6.2 These sections provide, among other things, that the:

i. Federal Government shall ensure that its fiscal and financial affairs are conducted in a transparent manner, and accordingly, to ensure full and timely disclosure and wide publication of all its transactions and decisions involving public revenues and expenditures as well as their implications for its finances;

ii. NASS should ensure transparency during the preparation and discussion of the MTEF, Annual Budget and Appropriation Bill;

iii. Federal Government shall publish their audited accounts not later than six months following the end of the financial year and in the mass media not later than seven months following the end of the financial year;

iv. Publication of General Standards for the consolidation of public accounts shall be the responsibility of the OAGF;

v. Federal Government, through the BOF, shall within 30days after the end of each quarter publish a summarized report on budget execution in such form as may be prescribed by the FRC;

vi. Minister of Finance shall publish, not later than six months after the end of the financial year, a consolidated budget execution report showing implementation against physical and financial targets. The consolidated report shall be submitted to NASS and disseminated to the public.

6.3 The Federal Government attempted to be more transparent in its Fiscal transactions in 2015, except in the following areas:

i. The procedures for the preparation of MTEF and Annual Budget were not followed as there was no evidence that the Minister of Finance held consultations with the States and the public as required by the FRA 2007.

ii. The FG continued to withdraw funds from the ECA for purposes other than allowed by section 35 of FRA 2007.

iii. There was no budget for ECA to monitor actual accretion into the account.

iv. The publication of the FG accounts is still in arrears and there was no evidence of publications in the mass media and the website of the Federal Ministry of Finance.

6.4 Despite promptings from the Fiscal Responsibility Commission, the Federal Government did not publish its audited accounts in the mass media as and when due in violation of the requirements of FRA 2007.

6.5 With regard to the production of quarterly budget implementation reports and consolidated budget execution reports, the Federal Government, through the BOF and Minister of Finance, has reasonably ensured compliance. However, most of the reports were late and not officially submitted to the Commission but downloaded from the BOF website. This did not give the Commission the opportunity to effectively comment on the reports for guidance and remedial actions that may be required in subsequent quarters implementation reports.

6.6 In the circumstances, it is observed that the issues of transparency and accountability have to be taken more seriously to ensure integrity in government activities across all MDAs.

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CHAPTER 7

COMMUNICATION, RESEARCH AND DISSEMINATION OF STANDARDS

CHAPTER 7

COMMUNICATION, RESEARCH AND DISSEMINATION OF STANDARDS

7.1 The Commission in accordance with section 3 subsections 1(b) and (c) of FRA 2007, continued to carry out research activities on a number of issues relevant to its mandate. The outcome of such research ultimately culminates in the dissemination of international good practices to various stakeholders.

7.2 During the year under review, the Commission reinvigorated participation in radio and television programmes where issues on fiscal responsibility were extensively addressed by the Acting Chairman and the Head of Monitoring and Evaluation on different occasions. This has undoubtedly increased awareness of the existence and functions of the Commission.

7.3 The Commission in partnership with Centre for Social Justice (CENSOJ) launched Fiscal Responsibility Index (FRI) to benchmark compliance of selected Federal Ministries, Departments and Agencies for a pilot period of 2011 – 2013. The FRI is programmed to achieve the following objectives:

i. Apply a domestic framework of indicators and indices for monitoring and assessing the level of fiscal prudence across Federal MDAs.
ii. To produce baseline empirical data and statistics for assessing the identified indicators and indices.
iii. Benchmark and ranking the level of fiscal responsibility (or otherwise) of the MDAs including remittances where applicable.
iv. Set up baseline data that will be used for future benchmarking so as to monitor progress (or failure) that may arise from the current benchmarking.
v. Facilitate the use of fiscal responsibility reports for advocacy by the civil societies and other private sector stakeholders.
vi. Promote the use of the fiscal responsibility report in identifying, designing and implementing reforms.

7.4 A National Fiscal Responsibility Forum was organised during the year bringing stakeholders together with the Commission and a number of State's Fiscal Responsibility

Commissions to examine the roles of fiscal responsibility legislations at Federal and Subnational levels. The need to improve transparency, accountability, popular participation, introducing evidence led budgeting through Medium Term Expenditure Framework and ensuring effective capital budget implementation were thoroughly studied.

Collection and Collation of Annual Budgets and Financial Reports from the 36 States of the Federation

7.5 The Commission continued with the collection and collation of approved budgets and annual financial reports from the States and FCT during the period under review. The importance of the exercise cannot be overemphasized considering that about 50% of the nation's resources is expended at the sub-national level. The States and FCT were requested to submit approved budgets for 2011 – 2016 and annual financial reports for the period of 2011 – 2015. Level of compliance to the submissions across the states are summarised according to geo-political zones.

North Central

7.6 There are seven states in the North Central zone including FCT. The states are; Benue, Kogi, Kwara, Nasarawa, and Niger. Only two States (Niger and Plateau) have fully submitted approved budgets. Benue and Nasarawa states made submissions for 2011 – 2014 leaving out 2015 and 2016. Kwara state and FCT made submissions for only 2011 and 2012 while Kogi state failed out rightly to provide any information on budgets.

7.7 Niger State is the only state in the North – Central Zone that submitted the annual financial statements for the required period. Benue state made submissions for 2011 – 2014. Nasarawa and Plateau states made submissions for 2011 -2013 while Kogi and Kwara states submitted for 2011 only. The FCT made no submissions at all.

North East

7.8 The States within the zones are; Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe. Of the six States only two states (Taraba and Borno) did not fully comply with the request for the submission of approved budget estimates for 2011 – 2015. In other words the two states failed to submit approved budgets for 2015.

7.9 For annual financial statements, only Bauchi state made submission for the entire period of 2011 – 2015. Gombe and Yobe states submitted for 2011 -2014. Borno and Taraba states did not submit any financial statements as requested.

North West

7.10 The North-West zone comprises seven (7) States; Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto and Zamfara. All the States complied with the request for the submission of approved budget estimates for 2011 – 2015 with the exception of Zamfara state submitting for only 2011 and 2012.

7.11 Compliance in respect of the submission of annual financial statements revealed that only Kaduna state fully complied with submission for the entire period of 2011 – 2015. Jigawa, Kano and Kebbi States made submissions for 2011 – 2014. The two other states in the zone (Katsina and Zamfara) submitted financial statements only for 2011 and 2012.

South East

7.12 South- East Zone has only five States namely; Abia, Anambra, Ebonyi, Enugu and Imo. The request for the submission of approved budgets for 2011 – 2016 was only fully complied with by Enugu state. Ebonyi and Imo states made submissions for 2011 - 2015. Anambra state submitted for 2011 & 2012 while Abia state made submissions for 2011, 2012 and 2015 leaving out 2013 & 2014.

7.13 For the annual financial statements, Enugu state again made submissions for all the years from 2011 – 2015. Abia state submitted for 2011 – 2014 while Ebonyi submitted for 2011 – 2013. Imo state on the other hand submitted annual financial statements for 2014 only while Anambra state completely failed to submit any financial statement.

South South

7.14 The South-South Geo-Political Zone comprises six States namely; Akwa Ibom, Bayelsa, Cross River, Delta, Edo and Rivers. Only Cross River state submitted the complete approved budgets for the period of 2011 – 2015. The other five states submitted budgets for only 2011 and 2012.

7.15 Compliance with the submission of annual financial statements for the period of 2011 – 2015 recorded poorest response. Cross River state submitted for 2011, 2013 and 2014. Delta made submissions for 2011 and 2012 while Edo and Rivers states submitted for only 2011. Both Akwa Ibom and Bayelsa states brazenly failed to submit any financial statement.

South west

7.16 The six states in the South West are; Ekiti, Ogun, Ondo, Osun, Oyo, and Lagos. Four out of the six states (Ekiti, Ondo, Osun and Lagos) submitted approved budgets for 2011 – 2015 as required. The other two sates (Ogun and Oyo) however made submissions for only 2011.

7.17 Ondo State is the only state in the zone that submitted complete annual financial statements for 2011 – 2015. Ekiti, Osun and Lagos states made submissions for 2011 – 2014 while Ogun and Oyo states again failed to submit any financial statements just as the case with approved budgets.

7.18 Analysis of the submissions on approved budgets revealed that compliance by the states within the geo-political zones was highest in North East and North West. Compliance in South East and South West was average while South-South and North Central was poorest.

7.19 For compliance on the annual financial statements; States in the North West posted the best response rate followed by the South – East, South – West, North Central and North East. South South Zone recorded the poorest response in the submission of annual financial statements.

Performance Analysis of the States Internally Generated Revenue

7.20 Analysis of the performance of the states IGR in relation to Total Revenue was carried out for twenty – four states for which complete data were available in 2012.

7.21 The analysis is aimed at providing an insight into the revenue profile of State Governments, considering the model of fiscal Federalism being practiced in Nigeria where constituent States exercise a high degree of fiscal autonomy. However, these States share a single economy thus an analysis of their fiscal profile is important for resultant macroeconomic indices as a prerequisite for the management and stabilization of the national economy, considering the fact that a significant percentage of the nation's resources is expended at the sub-national level. Table 7.1 presents the results for the 24 States

Table 7.1: Analysis of Selected States IGR and Total Revenue - 2012

State	IGR	Total Revenue	IGR as % of Total revenue
	₦m	₦m	%
Abia	11,141	71,639	15.55%
Adamawa	5,100	52,019	9.80%
Akwa Ibom	12,600	181,678	6.94%
Bauchi	4,062	72,301	5.62%
Benue	15,521	98,717	15.72%
Cross River	12,735	57,966	21.97%
Ebonyi	7,817	56,712	13.78%
Ekiti	12,890	65,886	19.56%
Enugu	12,377	77,117	16.05%
Gombe	6,792	54,140	12.55%
Imo	25,475	89,640	28.42%
Jigawa	6,067	88,284	6.87%
Kaduna	14,432	142,520	10.13%
Kano	32,165	102,526	31.37%
Katsina	3,989	66,554	5.99%
Kebbi	4,424	68,106	6.50%
Lagos	219,200	348,980	62.81%
Nasarawa	4,632	56,540	8.19%
Niger	3,782	74,557	5.07%
Ondo	11,639	89,678	12.98%
Osun	12,876	129,576	9.94%
Plateau	7,245	64,538	11.23%
Sokoto	13,936	75,992	18.34%
Yobe	1,885	34,812	5.41%

7.22 The analysis compares the States IGR with Total Revenue with a view to assess the revenue generation capacity of each state and determine their dependency on statutory allocation from the Federation Account in funding their annual budgets.

7.23 The Table shows IGR generated by all the States was less than 35% of total revenue except Lagos State, where IGR represented 62.81% of the total revenue. On the average, the remaining 23 States generated less than 16% IGR of the total revenue of their respective States.

7.24 The IGR generation is significantly low for Jigawa (6.87%), Katsina (5.99%), Kebbi (6.50%), Bauchi (5.62%), Yobe (5.41%), Niger (5.07%) and Nasarawa (8.19%). These States largely depend on the monthly statutory federal allocation to execute their budgets.

This situation calls for a review of fiscal strategy policy so as to make the states less dependent on federal allocation for the provision of public goods which is their constitutional responsibility to the citizenry.

7.25 The need to look in-wards and think outside the box to raise revenue generation at the states outside the centre is imperative especially in the face of dwindling oil revenue occasioned by the continued slide in the international oil price and low oil production which still remained under serious threat from militant activities, pipeline vandalism and oil theft.

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CHAPTER 8

ENFORCING FISCAL RESPONSIBILITY

CHAPTER 8

ENFORCING FISCAL RESPONSIBILITY

8.1 As has been stated earlier, the provisions of FRA 2007, mainly apply to the Federal Government except in the areas of Debts, Indebtedness and Borrowings in which the Act applies to all the tiers of government. There has been serious efforts by the Commission at achieving the domestication of the FRA at the States, even as it has continued to advocate for the substantial amendment of the Act, especially by way of a repeal and re-enactment of the current law, with the express inclusion of sanctions/punishment for violations as an integral part thereof in order to command compliance and strengthen its enforcement.

Engagement with particular Scheduled Corporations/Agencies

8.2 The Commission, in keeping with its mandate and functions as set out in Section 3 of the F.R.A, 2007, has continued to adopt, as an enforcement mechanism, the strategy of inviting the Chief Executive Officers/Accounting Officers and top level management officials of particular Agencies to its headquarters for "Joint Stakeholders' Meetings". This very interactive engagement, which is usually covered by the Press, is aimed at addressing very specific issues of non-compliance with certain provisions of the Act by the invited Agency as well as finding a way of resolving any disputed matters that might have arisen, including the determination of the amount due from the agency as Operating Surplus and verifying the status of any amounts previously paid etc.

8.3 As an off-shoot of the Stakeholders' Meeting, a joint team comprising some officials of the Agency and some from the Commission is usually set up to go over the nitty-gritty of the issues in contention and come up with a Report that will form the basis of the required compliance or implementation of good or standard practices in the financial management processes of the Agency. This strategy was effectively deployed with a number of agencies in 2015, including the Nigeria Ports Authority (NPA) and the National Agency for Science and Engineering Infrastructure (NASENI).

Citizens participation in Monitoring & Enforcing the FRA, 2007

8.4 In 2015, the Commission paid substantial attention to spreading the importance of fiscal responsibility while enlightening the public on the import and potency of Section 51 of the FRA, 2007 which empowers every citizen, corporate body and citizen groups such as Civil Society Organizations to engage the instrumentality of the Federal High Court for the enforcement of the provisions of the Act.

8.5 Another aspect of the Commission's strategy is to partner with community & faith based organizations and other CSOs as citizen-agents for the purpose of monitoring the execution of Federal Capital budget in their respective communities/localities of domicile. The focus is to sensitize and encourage knowledgeable residents of particular communities where federal capital projects are sited to be actively involved in its implementation by periodically monitoring and reporting on the progress or otherwise thereof to the Commission, which will then verify the report and act thereon accordingly.

8.6 The above is in addition to the Commission's scheduled physical inspection/ verification visits to selected capital projects covered in the national budget and the execution of which is contained in the quarterly budget implementation reports provided to the Commission by the Budget Office of the Federation, pursuant to Section 30 of the F.R.A, 2007.

Pending Litigations & Efforts towards the Amendment of the FRA, 2007

8.7 The Commission was not sued nor joined in any new litigation in 2015. Regarding previously pending suits, most of which the Commission was merely joined as a nominal party, it is gratifying to report that most of them have either been struck out for want of diligent prosecution or become stalled for various reasons with no dates fixed for hearing.

8.8 However, Appeal No: CA/A/375/2012 – Charles Musa & Co vs. Fiscal Responsibility Commission which arose from a previous suit at the Federal High Court, Abuja against the Commission and in which the Plaintiff/Appellant lost, is now pending at the Supreme Court. The apex Court is yet to fix a date for hearing the Appeal.

8.9 With the coming into office of a new administration at the federal level as well as the inauguration of the 7th National Assembly, the Commission has revived its engagement with the new leadership of the relevant committees of the National Assembly, especially both Chambers' Committees on Finance as well as the newly appointed Ministers of Finance and Budget & National Planning regarding pending proposals to amend and strengthen the Commission's parent legislation, the Fiscal Responsibility Act, 2007.

8.10 The Commission has almost concluded work and consultations regarding the development and issuance of Rules for carrying out its functions in line with the provisions of Section 3(1) (d) of the F.R.A 2007, beginning with the template for the computation of Operating Surplus by Scheduled Corporations.

Investigation of Infractions to the FRA, 2007

8.11 The Commission's Investigation Unit is undergoing some restructuring and retooling of its personnel and capacity for greater efficiency and effectiveness. In the meantime, the major focus of current investigation activity had been on some of the Scheduled Corporations/Agencies. The cases against them essentially deal with issues of noncompliance with the provisions of Sections 21, 22 and 23 of the Fiscal Responsibility Act (FRA), 2007. Even though many other Agencies are involved in varying degrees of non-compliance with the Part IV of the Act, the more serious instances which have lingered for a while involve NIMASA, NCC, FAAN, BPE and NTDC. A summary of the state of the investigations involving the named Corporations is as follows:

Nigerian Maritime Administration and Safety Agency (NIMASA)

8.12 The Commission's investigation into the NIMASA's non-compliance with its statutory responsibilities under Part IV of the Act, which began in 2012 is still on-going. There have been several meetings and inspection/investigation visits undertaken since then but the issues are yet to be fully resolved. One contributory factor is the constant changes in the management of the Agency. It is hoped that with the cooperation of the new management, all outstanding issues will soon be resolved.

Nigerian Communications Commission (NCC)

8.13 Arising from the last joint report issued after a meeting of the joint technical committee whose members were drawn from FRC and NCC, the agency was expected to make a final payment of N99, 385,067.61 in settlement of outstanding Operating Surplus for the period 2007 to 2010. There is no evidence yet that the NCC has paid the said sum of N99,385,067.61 as outstanding operating surplus for year 2007 – 2010 in spite of constant reminders by the Commission. Meanwhile, there are outstanding issues relating to determining the actual Operating Surpluses due for 2011, 2012, 2013 & 2014 vis-à-vis the status of remittances actually made to the treasury by N.C.C for the said period.

Federal Airport Authority of Nigeria (FAAN)

8.14 Even though some progress was recorded by the belated payment of the total sum of N680,000,000 (Six Hundred and Eighty Million Naira) (paid in tranches) by FAAN into the Treasury as outstanding Operating Surplus for 2009 – 2013, not much else have been resolved. It is still work in progress regarding the Commission's issues with FAAN. It is very much hoped that the Agency's management will continue to cooperate and work with the Commission towards the resolution of all outstanding issues.

Bureau of Public Enterprises (BPE)

8.15 The BPE is perhaps the most recalcitrant and refractory amongst all the Agencies/Corporations mentioned herein being that it has continued, with impunity, to refuse/fail to pay/remit the sum of N81,814,000 into the Consolidated Revenue Fund, being 80% of its Operating Surplus for 2007 as disclosed in its Approved Audited Financial Statement despite series of meetings and briefings over the years. It has also been non-compliant in other issues relating to submission of its approved budgets, scheduled estimates of its revenue and expenditure for the next three financial years (similar to MTEF) and audited accounts for 2012 to 2015 financial years.

8.16 As consequence of the BPE's deliberate, flagrant and disdainful disregard of its compliance obligations under the F.R.A, 2007 notwithstanding the prolonged indulgence of the Commission which clearly amount to a brazen violation of the extant provision of the Act, the Commission is now left with little option other than to act in accordance with the provision of Section 2(2) of the F.R.A, 2007.

Nigeria Tourism Development Corporation (NTDC)

8.17 Substantial non-compliance with its statutory obligations under the F.R.A, 2007, necessitated this investigative action against the NTDC in 2012. Though the investigation is still on-going, it is proving intractable due to the investigators inability to reach/contact some former directors/senior officers of the Agency including its former external auditors to invite them to come and clarify some serious discrepancies discovered in some financial statements of NTDC made available to the Commission.

8.18 There is also the unresolved issue of the Agency's failure to remit the balance of its operating surplus from 2007 – 2011 in the sum of N160,000,665.04 as indicated in its records. The Agency's audited financial records, approved budgets, scheduled estimates of its revenue and expenditure for the next three financial years (similar to MTEF) for 2012 to 2014 are part of the issues in contention. The Commission has severally demonstrated its willingness to engage with the leadership of the Agency towards resolving the issues but have always been met with a request for more time.

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AUDITED ACCOUNTS
2015

CHAPTER 9

INSTITUTIONAL STRENGTHENING & CAPACITY BUILDING

CHAPTER 9

INSTITUTIONAL STRENGTHENING & CAPACITY BUILDING

9.1 In continuation with its efforts to proactively carry out its mandate, the Commission undertook a number of measures to strengthen its capacity.

Maintenance of Data Base

9.2 The Commission's ICT Unit has created a user friendly data base in which financial data from States and MDAs are continually warehoused. The data obtained from the Stakeholders (MDAs and States) are for the purposes of enquiry and Study as spelt out in section 3(1c) of FRA 2007.

9.3 The Commission used the stored data to generate studies/research for policy formulation that will ensure prudence and accountability in government fiscal activities.

Development Plans and Programs

9.4 In compliance with section 20 of FRA 2007, MDAs submitted their 3-year Medium Term Expenditure Frameworks. In line with this, the Planning, Research and Statistics Directorate designed a Template for work plan/development activities for the Commission. The implementation of the plans has made the preparation of the Commission's MTEF possible and has enhanced the budgeting process in the Commission.

Computerization Project

9.5 The Commission's IT Unit has continued to manage the WLAN facility, implementing hotspot and captive portal on the facility in addition to providing end-user support services.

9.6 The online real-time linkage with relevant stakeholders is also being monitored by the IT Unit.

TRAINING

9.7 In addition to handling general staff matters of the Commission, the Administration Department is charged with the task of ensuring a conducive environment for the smooth operation of the commission.

9.8 During the period under review, the Commission was able to undertake local training for all cadre of staff. The training programmes were specifically designed to acquire and improve skills on monitoring and evaluation and fundamentals of the Fiscal Responsibility Act 2007. Effective in-house and on the job training was also intensified across directorates to further improve organisational effectiveness and personnel performance.

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

ANNUAL REPORT AND AUDITED ACCOUNTS 2015

CHAPTER 10

CHALLENGES AND PROSPECTS

CHAPTER 10

CHALLENGES AND PROSPECTS

10.1 For a commission of the magnitude of Fiscal Responsibility Commission, the need for adequate funding by the government cannot be gainsaid. This is because, its functions require very intensive public enlightenment programmes entailing workshops, seminars, media campaigns, interactive sessions and projects monitoring etc. To be sure, these projects cannot be carried out with shoe-string budgets that the Commission is being given. For instance, project monitoring and evaluation, which is an important function of the Commission, could not be carried out in 2015 due to sheer lack of funds.

10.2 Without mincing words, the Commission has not been given enough funds to effectively prosecute the afore-mentioned mandate. The enormous responsibility the Commission is saddled with requires robust financial resources for effective implementation. But the opposite has always been the case. Inadequate funding has hamstrung the Commission's ability to execute many of its lofty plans. Such plans include carrying out intensive media campaigns and workshops to sensitize the MDAs and the general public on the FRA, 2007 and the need to adhere to its provisions. As a consequence of this, the Commission could not purchase adequate vehicles and equipment to discharge its function effectively.

10.3 Furthermore, non-compliance by the MDAs to the provisions of the Act stick out like a sore thumb, especially with regards to payment of Operating Surplus to the Consolidated Revenue Fund.

10.4 The Commission has continued to mount pressure on the MDAs to ensure prompt remittance to the treasury. This has become compelling in the face of dwindling revenue from oil.

10.5 We look forward to the proposed amendments to the FRA, 2007 being pursued by the National Assembly with great expectation. The proposed amendments, when finalized, will prescribe punishment for various nations under the Act. This will effectively complement our current method of 'naming and shaming' and reporting offending bodies to the Attorney General for prosecution.

10.6 The Commission continues to have issues with the government with regards to smooth flow of the budget cycle (as witnessed in the delayed appropriation of 2015 budget) high budget deficits which continue to threaten the objectives of the Act, non-computing of GDP for states and absence of complete and reliable data base on loans and debts at the Debt Management Office (DMO). The MTEF, annual budgets, budget implementation reports, contracts awarded are yet to be published and conducted transparently according to the standards and deadlines set by the Act. Besides, Nigerian citizens have not fully utilized the FRA, 2007 to seek for their rights. Under section51, any citizen of Nigeria is empowered to seek the enforcement of the Act in any court of law without showing any special interest in doing so. This section, coupled with the Freedom of Information Act (FOI) provides a veritable platform for citizen's participation in governance.

10.7 Anti-graft agencies such as the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and other related offences Commission (ICPC), and the Code of Conduct Bureau (CCB) need to be strengthened to enable them fight financial crimes and lend more credibility to the anti-corruption war of the Federal Government.

10.8 The recent fall of oil price in the international market has again exposed the deep-rooted structural weakness in the economy given its overdependence on oil revenue for economic development. The need to deepen the diversification of revenue earnings cannot be gainsaid at this critical period.

10.9 Indeed independent revenue of the Federal Government still constitutes a paltry 10% or less of the budget and this constitutes a damper to compliance with revenue-based provisions of the Act. However, the steady growth in IGR in recent times gives a glimmer of hope that there is room for improvement.

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

ANNUAL REPORT AND
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2015

ANNEXURE

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015

FISCAL RESPONSIBILITY COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

CORPORATE INFORMATION

Ag Chairman
Victor C. Muruako Esq.

Management Team

Ag Chairman:	Victor C. Muruako Esq.
Head, Monitoring & Evaluation:	Alh. Mashood Ola Tijani
Head, Planning, Research & Statistics:	Hajia Maryam Ilyasu Mohammed
Head, Finance & Admin:	Alh Zailani Muhammed
Head, Policy & Standards:	Mr. Alex Elikwu
Head, Internal Audit:	Mr. Peter Osondu Okoro
Head, Finance & Accounts:	Mr. Raymond Omachi [Outgoing]
Head, Finance & Accounts:	Mr. Sampson I. Eletuo [Incoming]
Deputy Director, Press:	Alh. Abdulganiyu Aminu
Assistant Director, Internal Audit:	Alh. Ibrahim Baba Dauda
Ag Head, Legal, Investigation and Enforcement:	Barr. Charles Chukwuemeka Abana
Ag Head, Strategic Communications:	Mr. Bede O. Anyanwu

Office Address
Head Office:
Plot 66, Samuel Ajayi Crowther Street,
Asokoro District,
FCT, Abuja.

Annex Office:
No. 50 Mamman Nasir Street,
Asokoro District,
Fct, Abuja.

Bankers
Central Bank of Nigeria
Stanbic IBTC Bank Plc
Zenith Bank Plc
First City Monument Bank Plc

Auditors
Messrs Ugochuchwu Ukah & Company
(Chartered accountants)
Suite B3, Abuja Shopping Mall,
Beside Federal Road Safety Headquarters,
Wuse zone 3,
Abuja.
Tel: 0803-786-5959

FISCAL RESPONSIBILITY COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

THE COMMISSION

The Commission was established by Fiscal Responsibility Act No. 31 of 2007 as a corporate body with perpetual succession. The Commission's headquarters is located in Abuja. A chairman with executive powers heads the Commission.

Principal Activities and Operational Review

The primary activities of Fiscal Responsibility Commission (FRC) as provided for by the Act are amongst others to:

a. Monitor and enforce the provisions of this Act and by so doing, promote the economic objectives contained in section 16 of the Constitution;
b. Disseminate such standard practices including international good practice that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in fiscal matters;
c. Undertake fiscal and financial studies, analyse, diag nose and disseminate the result to the general public;
d. Make rules for carrying out its functions under the Act; and
e. Perform any other function consistent with the promotion of the objectives of this Act.

In carrying out the above functions, the Commission is empowered by the Act to:

a. Formulate and provide general policy guidelines for the discharge of the functions of the Commission;
b. Superintend the implementation of the policies of the Commission;
c. Appoint for the Commission such numbers of employees as may in the opinion of the Commission be expedient and necessary for the proper and efficient performance of the functions of the Commission;
d. Determine the terms and conditions of service in the Commission, including disciplinary measures for the employees of the Commission;
e. Fix the remuneration, allowances and benefits of the employees of the Commission as approved by Salaries and Wages Commission;
f. Do other things which in its opinion are necessary to ensure the efficient performance of the functions of the Commission; and
g. Regulate its proceedings and make standing orders with respect to the holding of its meetings, notices to be given, the keeping of minutes of its proceedings and such other matters as the Commission may, from time to time, determine.

FISCAL RESPONSIBILITY COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

REPORT OF THE MANAGEMENT

The management has the pleasure in presenting the report of the financial operation of the Commission for the year ended 31 December, 2015 as follows:

1. Summary of Income and Expenditure

Summary of Income and Expenditure	31 December 2015	31 December 2014
	₦	₦
Recurrent subventions received during the year	348,347,106	430,480,384
Unspent balance remitted to Federal Sub-Treasury	(1,446,480)	(15,334)
	346,900,626	430,465,051
Personnel costs	159,598,358	221,268,123
Administrative costs	222,999,807	238,180,166
Depreciation	11, 323, 182	26, 020, 508
	(393,921,347)	(485,468,797)
Surplus/ (Deficit) for the year	(47,020,720)	(55,003,746)

2. Capital Grants

Capital Grants	31 December 2015	31 December 2014
Unutilised balance as at 1 January,	- - --- - - -- --	- - --- - - -- --
Amount received during the year	-	24, 815, 134
		24, 815, 134
Amount expended during the year	-	(24,766, 250)
		48, 884
	-	
Amount returned to Federal Sub-Treasury – CRF	-	(48,884)
Un-utilised balance as at 31 December,	-- -- -------	-- -- -------

3. Employment of Disabled Persons
It is the Commission's policy that there should be no discrimination in considering applications for employment including those from disabled persons. All employees, whether disabled or not, are given equal opportunities.

4. Health, Safety and Welfare
Health and safety regulations are in force within the Commission's premises and employees are aware of existing regulations. Staff welfare received adequate attention during the period under review.

FISCAL RESPONSIBILITY COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

REPORT OF THE MANAGEMENT (CONTINUES)

5. Employees Involvement and Training
The Commission is committed to keeping employees fully informed as much as possible regarding the Commission's performances and progress, and seeking their views whenever practicable on matters which particularly affect them as employees.

6. The Auditors, Messrs Ugochukwu Ukah & Co (Chartered Accountants), have indicated willingness to continue in office.

Victor C. Muruako Esq.
AG CHAIRMAN

BN: 992277

UGO

UGOCHUKWU UKAH & CO.

(Chartered Accountants & Tax Consultants)

ABUJA OFFICE:
Suite B3, Abuja Shopping Mall,
No. 8 Maputo Street,
Beside FRSC HQ, Wuse Zone 3, Wuse, Abuja - Nigeria
Other Locations: Lagos, Owerri, Port Harcourt

Tel: 0803-786-5959(D/L)
0807-325-8640,
0818-428-8250
E-mail: ugoukah2000@yahoo.com
info@ugouchkwuukahng.con
website: www. ugochukwuukahng.com

Partners

In Abuja
GODWIN U. UKAH,
B.Sc (Econs), FCA
0803-786-5959

In Owerri
VICTOR ENYIDEDE
B.Sc, FCA, ACTI
0803-793-1571

In Lagos
MICHAEL O. IKERODAH
MBA,ACA
0803-701-7861

Tin:
09836379-0001

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FISCAL RESPONSIBILITY COMMISSION

We have examined the accompanying financial statements of **Fiscal Responsibility Commission**, for the year ended 31 December, 2015 set out on pages 9 to 11 which have been prepared under the historical cost convention and on the basis of the significant accounting policies set out on pages 7 to 8 and other explanatory notes set out on pages 12 to 14.

Commission's Responsibility for the Financial Statements

The Commission is responsible for the preparation and fair presentation of these financial statements. This responsibility includes designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Commission's financial position as at 31 December, 2015 in accordance with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria and the requirements of Fiscal Responsibility Act No. 31 of 2007.

We confirm that:

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary and sufficient for the purpose of our audit.

In our opinion, proper books of account have been kept by the Commission; and the Commission's balance sheet and income and expenditure statement are in agreement with the books of account.

Abuja Nigeria
7th **September, 2016**

Cal- 8707

Godwin U. Ukah
FRC/2013/ICAN/00000004755
FOR: **Ugochukwu Ukah & Co.**
(Chartered Accountants)

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0025271

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A member of the Public Practice Section of ICAN

FISCAL RESPONSIBILITY COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

STATEMENT OF ACCOUNTING POLICIES

The followings were the summary of the significant accounting policies adopted by the Commission in the preparation of the financial statements for the year ended 31 December, 2015:

Basis of Accounting:
The accompanying financial statements have been prepared on the historical cost convention in conformity with generally accepted accounting principles.

Fixed Assets:
Fixed assets are stated at their historical cost or valuation less accumulated depreciation.

Research Studies, Capacity Building and Monitoring of Capital Projects:
Research studies, capacity building and monitoring of capital projects funded from capital grants are capitalised and fully amortized in the period they are incurred.

Depreciation:
Depreciation on fixed assets is calculated and provided for on straight line basis to write off the cost/valuation of the assets acquired over their estimated useful lives at the following annual rates:

Items of Fixed Assets	**Depreciation Rate** (%)
Office Furniture & Equipment	20
Motor Vehicles	25
ICT Facilities and Equipment	331/3
Plant and Equipment	25
Library Books	331/3
Other Capital Items	---

Stocks (Inventory):
Stocks are stated at the lower of cost and net realizable value.

Debtors:
Debtors are stated at their book value.

Prepayments:
All prepayments such as rent are charged to the accounts for the period they cover.

FISCAL RESPONSIBILITY COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

STATEMENT OF ACCOUNTING POLICIES (CONTINUES)

Government Grants / Subventions:
Capital and recurrent grants / subventions are recognised only when they are received. Capital grants are credited to Capital Fund Account of the Commission, whereas recurrent subventions are credited to income and expenditure account net of amounts returned to Federal Sub-Treasury to meet the operating costs of the Commission.

Internally Generated revenue:
Internally generated revenue is recorded when received, or when its realisation in cash is reasonably ascertained. Amounts realised and received are remitted at intervals to the Federal Sub-treasury.

Foreign Currencies:
Assets and liabilities in foreign currencies are translated into Naira at the rate of exchange ruling at the date of the Balance Sheet. Transactions in foreign currencies are translated at the appropriate exchange rate ruling at the time they arose.

FISCAL RESPONSIBILITY COMMISSION
BALANCE SHEET
AS AT 31 DECEMBER, 2015

	Note	2015	2014
Assets		₦	₦
Fixed Assets	1	7,070,416	18,393,598
Research Studies, Capacity Building & Capital Monitoring	2	-	-
		7,070,416	18,393,598
Current Assets			
Stock	3	8,053,380	7,156,412
Debtors and Prepayments	4	37,896,203	51,915,328
Cash and Bank Balances	5	4,539,839	2,370,545
		50,489,422	61,442,285
Current Liabilities			
Creditors and Accruals	6	53,639,580	28,029,661
		53,639,580	28,029,661
Net Current Assets/(Liabilities)		(3,150,158)	33,412,624
Total Assets Less Current Liabilities		**3,920,258**	**51,806,222**
Financed By:			
Capital Fund	7	334,695,089	334,695,089
Income and Expenditure Account	8	(330,774,831)	(282,888,867)
		3,920,258	**51,806,222**

The financial statements were approved by the Commission on 08 December, 2016 and signed on its behalf by:

Ag Chairman

Head, Finance & Accounts

The accounting policies and the notes form integral part of these financial statements

FISCAL RESPONSIBILITY COMMISSION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER, 2015

	Note	2015	2014
Income		**₦**	**₦**
Recurrent Subvention	**9**	**346,900,626**	**430,465,051**
Expenditure:			
Administrative Expenses:			
Personnel Cost	**10**	159,598,358	221,268,123
Maintenance Cost	**11**	29,503,070	18,611,295
Local Travels and Transport		31,394,300	33,906,106
Staff Incentives		9,602,118	9,602,118
Stationery, Printing & Consumables		20,552,218	15,235,135
Postages, Fax and Telephone		5,460,582	5,713,525
Office Expenses		27,132,530	22,082,125
Donations and Subscriptions		1,536,500	3,399,000
Advert and Publicity		7,204,000	7,426,000
Rent - Office Building		51,000,000	50,000,000
Staff Training and Development - Local		8,924,500	17,635,650
Staff Training and Development - Overseas		-	21,124,707
Honorarium and Sitting Allowance		7,534,447	1,201,205
Bank Charges		2,275	19,427
Financial, Legal and Other Prof. Consultancy Fees		680,000	6,831,250
Staff Welfare and Recreation		9,949,710	15,496,323
Security Services		11,629,000	8,136,500
Depreciation		11,323,182	26,020,508
Audit Fee		1,759,800	1,759,800
Total Administrative Expenses		394,786,590	485,468,797
Surplus(Deficit) for the year		**(47,885,963)**	**(55,003,746)**

The accounting policies on pages 7 to 8 and the notes on pages 12 to 14 form integral part of these financial statements.

FISCAL RESPONSIBILITY COMMISSION
STATEMENT OF CASH FLOW
FOR THE YEAR 31 DECEMBER, 2015

	2015 ₦	2014 ₦
Cash Flows Generated From Operations		
Deficit of Income over Expenditure	**(47,885,963)**	**(55,003,746)**
Adjustments For Non-Cash Items:		
Depreciation	11,323,182	26,020,508
Cash flows from Operating Activities Before Changes in Working Capital	**(36,562,781)**	**(28,983,238)**
Changes In Working Capital		
Decrease/(Increase) in Stocks	(896,968)	2,035,313
Decrease/(Increase) in Debtors and Prepayments	14,019,125	6,084,294
Increase/(Decrease) in Creditors and Accruals	25,609,919	14,320,145
Net Cash Flows From Operating Activities	**2,169,294**	**(6,543,486)**
Cash Flows From Investing Activities		
Purchase of Fixed Assets	-	(13,638,600)
Net Cash flows From Investing Activities	-	(13,638,600)
Cash Flows From Financing Activities		
Capital Grant Received	-	24,815,134
Cost of Research and Studies and Capital Project monitoring	-	(13,190,000)
Returned to Federal Sub - Treasury - CRF	-	(48,884)
Net Cash Flows From Financing Activities	**-**	**11,576,250**
Net Movement In Cash & Cash Equivalents	2,169,294	(8,605,836)
Cash and Cash Equivalents at 1 January	2,370,545	10,976,381
Cash and Cash Equivalents at 31 December	**4,539,839**	**2,370,545**
Represented By:		
Cash and Bank Balances at 31 December	**4,539,839**	**2,370,545**

FISCAL RESPONSIBILITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

1 FIXED ASSETS	Office Furniture	Motor Vehicles	ICT Facilities & Equipment	Plant & Equipment	Library Books	Total
	20%	25%	33.33%	25%	33.33%	
Cost	₦	₦	₦	₦	₦	₦
At 1 January, 2015	107,561,824	126,788,750	95,899,520	13,112,750	4,334,794	347,697,638
Balance at 31 December ,2015	107,561,824	126,788,750	95,899,520	13,112,750	4,334,794	347,697,638
Accumulated Depreciation						
At 1 January, 2015	100,998,144	121,591,240	91,002,247	11,377,625	4,334,784	329,304,040
Depreciation for the year	6,563,670	1,732,500	2,448,637	578,375	-	11,323,182
Balance at 31 December ,2015	107,561,814	123,323,740	93,450,884	11,956,000	4,334,784	340,627,222
Carrying Amount						
At 31 December, 2015	10	3,465,010	2,448,636	1,156,750	10	7,070,416
At 31 December, 2014	6,563,680	5,197,510	4,897,273	1,735,125	10	18,393,598

	2015	2014
2 RESEARCH STUDIES, CAPACITY BUILDING AND CAPITAL MONITORING	₦	₦
Amount received during the year	-	13,190,000
Amount amortized in the year	-	(13,190,000)
	-	-
3 STOCK		
Stationery items	7,386,880	6,381,662
Office Equipment	25,500	32,250
Stock of Furniture	622,000	723,500
Stock of Motor Accessories	19,000	19,000
	8,053,380	**7,156,412**
4 DEBTORS AND PREPAYMENTS		
Advance for petty cash expenses	1,760,000	1,760,000
Purchases Advance	-	6,341,898
Salary Advance	2,507,461	2,507,461
Motor Vehicle Loan - for the Commissioners	-	1,291,911
Staff Car Revolving Loan (Zenith Bank)	33,628,742	40,014,058
	37,896,203	**51,915,328**

FISCAL RESPONSIBILITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

	2015	2014
5 CASH AND BANK BALANCES	**₦**	**₦**
Stanbic IBTC Plc	-	498,267
FCMB Bank Plc	-	1,499
Zenith Bank Plc	2,038,709	1,870,779
TSA Balance (Zennith Bank)	2,001,363	-
TSA Balance (Stanbic IBTC and FCMB Bank Balances)	499,766	-
	4,539,839	**2,370,545**
6 CREDITORS AND ACCRUALS		
Value Added Tax (VAT)	4,102,911	2,548,891
With-Holding Tax (WHT)	10,648,674	7,494,480
Creditors - CRF (**Note 12**)	1,593,522	1,593,522
Accruals (Audit fee,Rent & Other Accruals)	37,090,963	14,635,238
Deferred interest income on loan	4,306,421	4,306,421
	53,639,580	**28,029,661**
7 CAPITAL FUND		
As at 1 January	334,695,089	323,118,839
Received during the year	-	24,815,134
	334,695,089	347,933,973
Amortised Cost of research and Studies (**Note 2**)	-	(13,190,000)
Returned to Federal Sub - Treasury - CRF	-	(48,884)
As at 31 December	**334,695,089**	**334,695,089**
8 INCOME AND EXPENDITURE		
As at 1 January	(282,888,867)	(227,885,121)
Surplus/Deficit for the year	(47,885,963)	(55,003,746)
As at 31 December	**(330,774,831)**	**(282,888,867)**
9 RECURRENT SUBVENTION		
Overhead Cost	177,867,750	195,329,558
Personnel Cost	148,054,280	183,537,386
Service-wide Vote (AIE)	-	29,100,000
Severance Subvention	5,872,740	-
NHIS Deductions	1,150,721	4,249,953
Pension Contribution - FGN	7,700,808	9,131,744
Pension contribution - Employee	7,700,808	9,131,744
	348,347,106	430,480,385
Returned to Federal Sub-Treasury - CRF	(1,446,480)	(15,334)
	346,900,626	**430,465,051**