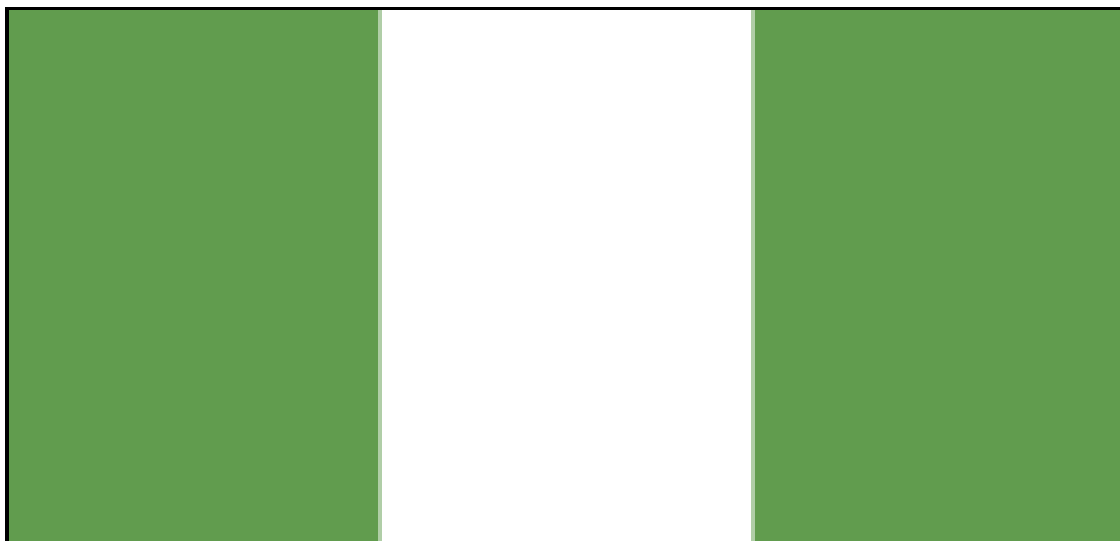


PEFA
Public Financial Management Performance Assessment
Report for Yobe State, Nigeria.



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February 2010

Basic Information

Currency
Exchange Rate ((US \$, June 2008)
Fiscal/Budget Year
Fiscal years Covered by report

Naira = 100 kobo
117 Naira (Average)
Calendar Year, January - December
2006 – 2008

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MAP of Nigeria¹



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LIST OF ABBREVIATIONS

AGA	Autonomous Government Agency
BIR	Board of Internal Revenue
COFOG	Codification of Functions of Government
EFCC	Economic & Financial Crime Commission
EU	European Union
FGN	Federal Government of Nigeria
GDP	Gross Domestic Products
GFS	Government Finance Statistics
ICPC	Independent Corrupt Practices and other Financial Related Commission
IGR	Internally Generated Revenue
LEEDS	Local Economic Empowerment and Development Strategy
LGA(s)	Local Government Area(s)
LGCs	Local Government Councils
MDAs	Ministries, Departments, and Agencies
MDGs	Millennium Development Goals
NEEDS	National Economic Empowerment and Development Strategy
NPC	National Planning Commission
OAGS	Office of the Accountant General of the state
OAudGS	Office of the Auditor General for the state
OSSAP	Office of the Senior Special Assistant to the President
PE	Public Enterprises
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PITA	Personal Income Tax Act
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
PRRINN	Programme for Reviving Routine Immunization in Northern Nigeria
SEEDS	State Economic Empowerment and Development Strategy
SHoA	State House of Assembly
SNA	Sub National Government
SRIP	Support for Reforming Institutions Programme
VAT	Value Added Tax
WHO	World Health Organisation
YBS	Yobe State
YOSERA	Yobe Socio-Economic Reforms Agenda

ACKNOWLEDGEMENT

The Consultants gratefully appreciate the contributions of all members of the Yobe State PEFA Assessment Technical Team in the preparation of this report. Special gratitude is also extended to all the officials in the different PFM institutions that responded favourably and provided information and inputs on calibration of the scoring of the indicators.

Special thanks go to the Secretary to the State Government, Head of the Civil Service and the Permanent Secretary Ministry of Finance for directing all relevant officials of the key PFM institutions to participate in the assessment. Special thanks also go to the Permanent Secretary and the Director of Budget in the Ministry of Budget & Economic Planning for their role in facilitating meetings, providing data and logistic support.

The consultants also wish to thank the Coordinator of EU-SRIP in Yobe State who not only afforded the opportunity for this work, but also actively facilitated the entire exercise. The staff of EU-SRIP Yobe State Technical Unit were all very supportive and made the assignment worthwhile and interesting for the Consultants and the members of the PEFA Assessment Technical Team.

SUMMARY ASSESSMENT

Introduction

Over the last three years, Yobe State has undertaken Public Financial Management (PFM) diagnoses that have provided useful inputs for designing the State's PFM reform initiatives. In recognition of the critical role that effective institutions and systems of PFM play in supporting the implementation of policies the government decided to undertake a detailed Public Expenditure Assessment using the Public Expenditure and Financial Accountability (PEFA) – PFM performance measurement framework.

The legal and regulatory framework for public financial management, as well as the institutional arrangements of Yobe state, has many fundamentals that could facilitate sound PFM practice. While there has been considerable effort made towards establishing the foundations of a sound PFM system in many areas, there is still serious work to be done in order to achieve the level of performance to ensure that PFM system impacts significantly on the achievement of outcomes of aggregate fiscal discipline, strategic allocation of resources and efficient service delivery. Table 1 summarizes the overall assessment against the PEFA Performance Indicators benchmarks.

Credibility of Budget

One measure of the government's ability to deliver public services is reflected in the performance of aggregate outturn against budget. Credibility of the budget depends on the government's ability to realize its revenue and expenditures plans. There have been significant differences between both planned revenue and expenditure against outturns in the three years (i.e. 2006 to 2008). Expenditure outturn was below planned levels for all the three years at aggregate level. Also in 2006, 2007 and 2008 all of the 20 largest MDAs had significant percentages of variance. The impact of these variances resulted in a non-uniform re-distribution of budgetary resources across MDAs.

There were no data available to measure the extent of stock of expenditure payment arrears, and the extent to which the government is controlling and addressing the systemic problems that cause them.

Comprehensiveness and Transparency

Budget classification determines the extent to which income and expenditure information can be analyzed and used for decision making and performance measurement. There is no relationship between recurrent and capital codes for the MDAs in the budget classification used for the fiscal years 2006, 2007 and 2008. The classification is highly restrictive and does not conform to international standards of classification.

Most of the information behind the annual budget is available at the Ministry of Budget and Economic Planning, and five out of eight of the applicable information is included in the official budget documentation which is presented to the State House of Assembly. It was also observed that not all government operations are reflected in the budget. In particular most grant funded donor projects are entirely omitted from the books.

The availability of general fiscal information to the public is average, though information is available to the general public on payment of a fixed amount for the published document.

The horizontal allocation of almost all transfers from state government is provided in the Constitution and under Yobe State Local Government Law. However, the local governments do not receive firm and reliable information on annual allocations from the state government in advance. Most of the AGAs and PEs that are required to submit quarterly or in year financial statements did not submit the financial statements to their respective Boards, parent Ministry and Office of the Auditor General of the state. Another concern is that the annual monitoring of local governments' fiscal position is significantly incomplete.

Policy Based Budget

The Yobe state government budget calendar allows MDAs at least six weeks from receipt of the budget circular to meaningfully complete their detailed proposals but substantial delays occur in implementation as there was more than, a two months delay in the passage and assent of the appropriation law in two of the three years. The budget estimates completed in all details by the MDAs are reviewed by the Executive Council and passed to the State House of Assembly for legislation and subsequently accented to by the Executive Governor. Therefore executive and legislatures intervention occur after finalization of the estimates by the MDAs.

For budgets to reflect strategic policies it is essential that the annual budget is closely linked to medium term costed plans. The state has not adopted a multi-year perspective in fiscal planning, expenditure policy and budgeting. However, the state has commenced the preparation of water and sanitation sector strategy. There were no demonstrated linkages of the recurrent and development budgets. Budgeting for investment and recurrent expenditures are two separate processes with recurrent cost estimates being handled independently.

Predictability and Control in Budget Execution

The state does not legislate on tax liabilities and procedures as this is the constitutional responsibility of the federal government. The existing legislations are clear, comprehensive and with limited discretionary powers. Notwithstanding the detailed provisions on tax liabilities, management, assessment, collection and appeal processes of the state, internal revenue administration mechanism is weak. Taxpayers do not have access to up-to-date information on tax liabilities and administrative procedures. Sections 62 - 67 of the Personal Income Tax Act provides detailed mechanism for tax appeals which includes setting up a body of tax appeal commissioners. Yobe state is yet to establish a tax appeal system as required by Personal Income tax Act.

There is no comprehensive list of potential taxpayers, and any evidence of enforcement in 2006, 2007 and 2008 of penalties for non-compliance with registration and tax declarations. There is also no process in place for verifying tax collection. The BIR did not keep record of tax arrears in 2006, 2007 and 2008. Therefore the debt ratio collection within the period cannot be determined. There is no process and/or mechanism for enforcing payment of arrears.

Although there are predictable monthly releases to MDAs for salaries and routine overhead expenditure, because of non production of cash flow forecasts, special expenditure releases are

required for non-routine recurrent expenditure. In addition requests for the release of capital expenditure funds are done only on approval by the Governor and approvals communicated to the Office of the Accountant General for payment. Approvals and release of payments are determined by the availability of funds and the Government's priorities. Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way. The adjustments are prepared by the executive and forwarded to state's legislature for approval.

Recording and management of cash balances, debts and guarantees are fairly handled. Foreign debt is approved and guaranteed by federal government, while domestic loans by MDAs, AGAs and PEs are approved by the Executive Council. Internal audit which suppose to assesses the extent to which the internal audit function conducts system and monitoring review of internal financial processes exist in only 4 parastatals and do not exist in any ministry.

Accounting, Recording, and Reporting

The Yobe state Financial Instruction (2004) provides that bank reconciliation be done for all bank accounts of government (i.e. both Offices of the Accountant General and spending MDAs managed accounts). However, monthly reconciliation is done for only the Office of the Accountant General managed accounts. Thus creating a backlog of several months in respect of spending MDAs managed accounts. Though monthly reconciliation is done for the Office of the Accountant General managed accounts, clearance of suspense accounts and advances are not covered. Clearance of suspense accounts and advances are all in arrears and in some instances for a period of more than one year.

Information about the receipt of resources by service units was not available to the team during the period of this assessment. Also the state did not carry out any ad hoc assessment, surveys, inspections or audits in respect of the Health and Education sectors for the period 2006, 2007 and 2008.

The in-year budget reports are produced within six weeks of the end of the quarter and the ministry has been consistent with the production of this report. There are some concerns about the accuracy of information and these were not highlighted in the reports. For instance, some of the figures for Actual Expenditure in the report of the Budget Performance prepared by the Ministry of Budget and Economic Planning did not agree with the figures for Actual Expenditures in the Final Accounts for the same period. However, the differences are not major as such does not fundamentally undermine their basic usefulness.

Financial statements and accounts were not prepared on time. The Office of the Accountant General submitted the 2005 financial statements and accounts to the State Auditor General for audit in March 2009, while the 2006, 2007 and 2008 financial statements and accounts were completed and submitted in December 2009.

External Scrutiny and Audit

The 2004 audited financial statements and accounts was submitted to the Public Accounts Committee of the State House of Assembly in the 2nd quarter of 2009 for scrutiny and the committee appointed consultants to review and comment on the audit report. As at the time of

this assessment the SHoA was yet to complete their statutory function of legislative scrutiny of the accounts. The audit of 2005 financial statements and accounts was completed in 2009, while the audit of 2006, 2007 and 2008 financial statements and accounts were completed in January 2010. As at the time of this assessment the audited financial statements and accounts for the period 2005 to 2008 are yet to be submitted to the Public Accounts Committee of the State House of Assembly. Also of concern is the time used to prepare 4 years backlog of financial statements and accounts.

The time utilized by the State House of Assembly for review and approval of the budget proposal varies from 2 months to 5 months for 2006, 2007 and 2008. In all these years the budgets were approved after the commencement of the financial year (i.e. after 1st January). In respect of in-year budget amendments the Executive Council prepares a virement which makes it possible for some level of administrative reallocation within the same budget head.

Recent and On-going Reform

The major on-going or planned PFM reforms in the state include:

- Budget Classification and Chart of Accounts with intention of adding program segments for four sectors (Agriculture, Health, Education and Water Resources). The state has commenced training of core budget and finance staff for the implementation of the new Budget Classification made up of four major segments and ten digit coding structure in fiscal year 2010. The segments are: the organization (with 2 digits), sub-organization (with 2 digits), the Fund (with 2 digits), the projects (with 4 digits). The remaining Codes will be considered in 2011
- Payroll Reforms – Computerization of Civil Service payroll system and establishment of a database in the Office of the Accountant General of the State.
- Fiscal and Budget Reform – Preparation of a draft Fiscal Responsibility Bill that is before the SHoA, Preparation of Budget Calendar and Improvement in the content of the Budget Call Circular.
- Procurement Reform – Drafting of a Procurement Bill and empowering procurement institutions.
- Revenue Administration Reform – Improving and strengthening the processes for revenue administration including creation of databases, process of assessment, collection, accounting and reporting, collection of arrears, tax monitoring, and appeal and sanction mechanisms.
- Reform of Accounting and Auditing Processes – The State intends to ensure that the financial statements and accounts of each year are completed and submitted to the Public Accounts Committee of SHoA before June 30 of the next year as required by Law.

Table 1: Summary of PFM Performance Scores

No.	PERFORMANCE INDICATOR	<i>Score</i>
A	PFM OUT-TURNS: Credibility of the budget	
1	Aggregate expenditure out-turn compared to original approved budget	D
2	Composition of expenditure out-turn compared to original approved budget	D
3	Aggregate revenue out-turn compared to original approved budget	D
4	Stock and monitoring of expenditure payment arrears	Not Rated
B	KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency	
5	Classification of the budget	D
6	Comprehensiveness of information included in budget documentation	B
7	Extent of unreported government operations	D+
8	Transparency of inter-governmental fiscal relations	C
9	Oversight of aggregate fiscal risk from other public sector entities	D
10	Public access to key fiscal information	C
C	BUDGET CYCLE	
C(i)	Policy-based Budgeting	
11	Orderliness and participation in the annual budget process	D+
12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D
C(ii)	Predictability and Control in Budget Execution	
13	Transparency of taxpayer obligations and liabilities	C
14	Effectiveness of measures for taxpayer registration and tax assessment	D+
15	Effectiveness in collection of tax payments	D+
16	Predictability in the availability of funds for commitment of expenditures	D+
17	Recording and management of cash balances, debt and guarantees	C+
18	Effectiveness of payroll controls	C+
19	Competition, value for money and controls in procurement	D+
20	Effectiveness of internal controls for non-salary expenditure	D+
21	Effectiveness of internal audit	D
C(iii)	Accounting, Recording and Reporting	
22	Timeliness and regularity of accounts reconciliation	C
23	Availability of information on resources received by service delivery units	D
24	Quality and timeliness of in-year budget reports	C+
25	Quality and timeliness of annual financial statements	D+

No.	PERFORMANCE INDICATOR	Score
C(iv)	External Scrutiny and Audit	
26	Scope, nature and follow-up of external audit	D+
27	Legislative scrutiny of the annual budget law	C+
28	Legislative scrutiny of external audit reports	D

1.0 INTRODUCTION

A full understanding of the Public Financial Management (PFM) System of a state government is essential, not just to appreciate the process of resource allocation and utilization but to gain some insight into the institutional weaknesses that militate against policy driven resource allocation.

Yobe State of Nigeria has over the last three years undertaken some PFM diagnoses; these include Detailed Need Assessment of Budget System, Detailed Need Assessment of Accounting and Auditing Systems, Needs Assessment of Yobe State Public Procurement and Due Process, Review of Revenue Administration, and Review and Strengthening of Audit Functions. The reports of these diagnostic reviews that were done through the European Union funded Support for Reforming Institutions Programme (EU-SRIP) provided useful inputs for designing Yobe State initial PFM reform initiatives.

In recognition of the critical role that institutions and systems of PFM play in supporting implementation of the policies of Yobe state's development initiatives, the government decided to undertake a more detailed Public Expenditure Assessment using Public Expenditure and Financial Accountability (PEFA) – PFM performance measurement framework. This assessment was funded by European Union funded Support for Reforming Institutions Programme (EU-SRIP).

1.1 Objectives of the Assessment

The PEFA-PFM Performance Measurement Framework is an integrated monitoring framework that allows measurement of a country's or state's (sub national) PFM performance at any point in time and, by comparing successive assessments progress over time.

PEFA reports provide detailed accounts of the performance of PFM systems along various dimensions. The information is also intended to contribute to the government's reform processes by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success.

The intention is also to facilitate harmonization of the dialogue between the Government and donors around an agreed pool of information and thereby reduce transaction costs, particularly for the Government.

The purpose of this assessment is twofold:

- To provide an independent assessment of the performance of the PFM system in Yobe State and its current challenges.
- To provide the basis for dialogue with the Yobe State government on PFM reforms. The report of this assessment will feed into the Joint Executive and Legislative Policy and PFM Reform Action Plan retreat scheduled for April, 2010.

It is important to highlight that the purpose of this evaluation was not to assess and score different institutions or individuals in the government. The focus was on the PFM system itself and the results of the evaluation should serve, not only as a baseline for measuring the impact of

the reform programme in future, but also as an important input in the process of developing the state reform action plan.

1.2 Methodology for the Evaluation

This assessment adopted the PEFA methodology². The process commenced with a half-day inception and sensitization workshop for political and administrative heads of relevant MDAs and their top advisers. The purpose was to confirm the buy-in of the state government, and secure basic understanding of the principles of PEFA PFM assessment. Thereafter a twenty member state technical team was established, members were drawn from State Ministry of Finance, Ministry of Budget and Economic Planning, Office of the Accountant General of the State, Office of the Auditor General Office for the State, Board of Internal Revenue, Tenders' Board Secretariat, Debt Management Unit, Ministry of Education, Ministry of Works, Ministry of Local Government, Ministry of Health, Ministry of Information and Ministry of Women Affairs.

A two-day technical workshop was held for the state's technical team members to familiarize them with the PEFA Framework, its objectives and implementation, the assessment process, the indicators, sources of information, and the scoring process. This was followed by the actual assessment by the consultants and the State Technical Team members in the following manner:

- Collecting and analyzing existing documentation and reports from Offices of the Accountant General of the state (OAGS), Auditor General for the state (OAudGS), the Board of Internal Revenue (BIR), Ministry of Budget and Economic Planning, State House of Assembly (SHoA) and other relevant sources;
- Collecting data and information from interviews with key stakeholders and individuals with key responsibilities within the PFM system most of who are part of the State Technical Team;
- Quality assurance by seeking independent confirmation of data and information either from complementing interviews or from available recent Yobe State PFM diagnosis reports;
- Discussions within the team for reaching and consolidating a common approach, interpretation of data and presentation of information;
- Producing a working draft with limited circulation (i.e. Yobe State's key PFM functionaries) for comment;
- Producing a final draft report.

1.3 Scope of the Assessment

The assessment covered all areas of Yobe State's PFM system and the relevant ministries, departments and agencies (MDAs). However operations of other levels of government such as local governments and parastatals are considered in the PFM performance indicator set only to the extent they impact on the performance of the state PFM system and state fiscal policy as captured in indicators PI-8, PI-9, and PI-23. The assessment does not also include indicators D-1, D-2 and D-3 (i.e. elements of donor practices which impact the performance of Yobe state PFM systems).

² Good Practices in Applying the PFM Performance Measurement Framework Guidance for Assessment Planners and Managers PEFA Secretariat March 2009.

2.0 BACKGROUND INFORMATION

The objective of this chapter is to provide information on Nigeria and Yobe State, to allow sufficient understanding of the wider context to PFM reforms as well as the core characteristics of the PFM system in Nigeria and Yobe State.

This chapter has four subsections:

- Description of the Country Economic Situation
- Intergovernmental relationship
- Description of Budgetary outcomes
- Description of the Legal and Institutional Framework for PFM

2.1 Description of the Current Economic Situation

This subsection seeks to review the current situation of key social and economic indicators in Nigeria generally and Yobe state in particular. Emphasis will be on population, income level, and percentage of population living below the poverty line, growth rate, inflation, economic structure and main challenges for development. We shall also review the ongoing PFM reforms and the rationale for them.

Location, Population and Structure

Located at the extreme inner corner of the Gulf of Guinea on the west coast of Africa, Nigeria occupies an area of 923,768 sq. km (356,669 sq mi), extending 1,127 km (700 mi) E–W and 1,046 km (650 mi) N–S. It is bordered by Chad on the North East, by Cameroon on the East, by the Atlantic Ocean (Gulf of Guinea) on the South, by Benin on the West, and by Niger on the North West and North, with a total boundary length of 4,900 km (3,045 mi), of which 853 km (530 mi) is coastline. The borders between Nigeria and Chad and Nigeria and Cameroon are disputed, and there have been occasional border clashes³.

The total population of Nigeria is 140,003,542 consisting of 71,709,858 males and 68, 293, 683 females. With an area of 923,768 sq. km this gives a population density of 152/km² of land area⁴.

Yobe State (YBS) is located in the North East zone of the country⁵. Yobe state was created out of the former Borno State on 27th August 1991. It is located within latitude 11° N and longitude 13.5° E. It has a total land area of 47,153 km² and shares common boundaries with Borno State to the East and South East, Jigawa state to the North West, Bauchi and Gombe States to the South West. It also shares an international border with the Republic of Niger stretching to over 323 kilometers to the North.

Major towns in the state include Damaturu (state capital), Potiskum, Gashua, Geidam and Nguru.

³ www.nationsencyclopedia.com

⁴ National Population Commission: National Household and Population Census 2006

⁵ Nigeria semi officially groups states into six geopolitical zones, northwest (seven states), northeast, north central, southwest, south south (six states each), and southeast (five states). Although the 1999 Constitution did not create these zones, the country freely uses them in official discourses and appropriate settings, such as planning and distribution of political offices.

With a 2006 population of 2,321,591 (1.658% of total), the state has one of the lowest population density in the country (49 persons per km²)⁶

Table 2.1: Nigeria Indicators⁷

Indicator	Yr 2008
Population, total (millions)	151.3
Population growth (annual %)	2.2
Surface area (sq. km) (thousands)	923.8
Life expectancy at birth, total (years)	46.8
Mortality rate, infant (per 1,000 live births)	97.2
Literacy rate, youth female (% of females ages 15-24)	84.7
GNI (current US\$) (billions)	197.3
GNI per capita, Atlas method (current US\$)	1,160.00
Prevalence of HIV, total (% of population ages 15-49)	3.1

Economy

Nigeria's economy is highly dependent on the capital intensive oil sector. According to the Central Bank of Nigeria, Oil Revenue accounted for 78% of the Federal Government revenue in 2007. Oil Revenue as a percentage of GDP was 21.4% and 27.1% in 2007 and 2008 respectively.⁸ This high dependence on oil makes the economy susceptible to wide fluctuations based on world oil prices.

There were 36.2 billion barrels (5.76×10^9 m³) of proven oil reserves in Nigeria as of 2007, ranking the country as the largest oil producer in Africa and the 11th largest in the world, averaging 2.28 million barrels per day (362×10^3 m³/d) in 2006. At current rates this would be 43 years of supply if no new oil was found. Pipeline vandalism, kidnappings, and militant takeover of oil facilities have reduced production, which could be increased to 3 million barrels per day (480×10^3 m³/d) in the absence of such problems. The Nigerian government hopes to increase oil production capacity to 4 Mbb/d (640×10^3 m³/d) by 2010. Nigeria is the world's eighth largest exporter of crude oil and sends 42% of its exports to the United States. Nigeria is heavily dependent on the oil sector, which accounts for 95% of its export revenues⁹.

The economy of Yobe State is mostly agrarian and dependent on statutory constitutionally guaranteed transfers from the federal government. Federal allocations accounted for more than 84% of the states revenue for the period 2006 to 2008. It is evident that the state is not able to fund its expenditure without the allocations.

More than 80% of the citizens are engaged in small scale subsistence farming. Crops such as millet, sorghum, beans and maize are grown for local consumption. Crops like groundnut,

⁶ YOSSERRA II

⁷ Source: World Development Indicators

⁸ CBN Annual Report and Financial Statements for the Year Ended 31st December 2008

⁹ <http://www.eia.doe.gov/emeu/cabs/Nigeria/Oil.html>

Cotton, Benni seeds are grown as cash crops. Wheat, rice and vegetables are cultivated along the Fadama wetland areas and the basins of River Yobe, Kumadugu Gana, Ngalda, Annumma and their tributaries that cut across the state.

Livestock such as cattle, sheep and goats are reared in abundance. The state also possesses one of the richest fishing grounds in the North East sub region. The state is the largest producer of Gum Arabic in Nigeria. Solid minerals also exist in commercial quantities. Limestone, kaolin, diatomite, gypsum, clay, trona, sandstone, bentonite, silica and granite chips are found in large quantities under the ground. These have remained largely unexploited.

Poverty Level

Nigeria's position as the largest oil producer in Africa and the 11th largest in the world has however not translated into improved quality of life given the poverty levels of 54.4% in the country¹⁰.

Table 2.2: Poverty Indicators¹¹

INDICATORS	2004	2005	2007
% of population living in relative poverty	54.4	54.7	54.4
% of population living in extreme poverty (consuming 2900 calories or lower daily)	35	36.6	35
% of population living below US\$1/day (PPP)	51.55	51.55	51.55
Inequality level (Gini Coefficient)	0.49	0.49	0.49
% of underweight children	30	30	25

The above table show clearly that about half of the population are living in relative poverty and also at below US1/day. The extreme poverty index is only slightly better at about 35% of the population. The North Eastern zone which Yobe State belongs to have the highest incidence of poverty in all the six zones in Nigeria. The zone has an incidence of 72.2 %. In terms of contribution to poverty the North East and North West zones have the highest contribution at 17.7% each¹².

Table 2.3: Contribution by Sector and Zone to National Poverty¹³

ZONE	INCIDENCE	CONTRIBUTION
SOUTH SOUTH	35.1	9.7
SOUTH EAST	26.7	5.9
SOUTH WEST	43	15.5
NORTH CENTRAL	67	17.7
NORTH EAST	72.2	17.7
NORTH WEST	71.2	33.6

¹⁰ Mid-Point Assessment Report of MDG in Nigeria – OSSAP MDG 2008

¹¹ Sources: National Bureau of Statistics (2005): poverty profile for Nigeria and National Planning Commission (2004,2005 and 2006) MDG Reports

¹² National Bureau of Statistics- Poverty Profile for Nigeria 2005

¹³ Source: National Bureau of Statistics: Poverty Profile for Nigeria 2005

Table 2.4: States with Highest Incidence of Poverty¹⁴

	INCIDENCE OF POVERTY	OF POVERTY GAP
STATE	Po	P1
JIGAWA	92.1	0.4967
KEBBI	90.4	0.4322
KOGI	88.6	0.5713
BAUCHI	82.2	0.3573
YOBE	81.1	0.3563
KWARA	79.3	0.4413

Yobe State falls within the 6 states with the highest incidence of poverty in Nigeria. The state has a poverty incidence of 81.1% and a poverty gap of 0.3563.

It is pertinent to note that the poverty gap, which measures the extent to which a poor person's expenditure falls below the poverty line, Yobe State is the least in the zone. This implies that although it has a high poverty incidence the state has a shallow poverty gap (i.e. although 81% of Yobe citizens are poor, they are not as poor as the poor persons in all the other 5 states in the zone).

One of the major factors of the standard of living of any household is the type of economic activity they are engaged in and the level of returns there from.

For many households in Nigeria, especially in the rural areas, agriculture is the main activity, and it has been established that a disproportionately direct relationship exists between engagement in rural subsistence agriculture and poverty. It is for this reason that agriculture has been focused upon as a major plank of the poverty reduction strategy.

Development Challenges and Reforms

Following the millennium declaration of 2000, Nigeria began the systematic implementation of several policies and programmes to help it attain the different targets set for the MDGs by 2015.

The year 2008 marks the middle of the time frame set for the achievement of the MDGs. The Nigerian government therefore carried out a midpoint assessment detailing amongst others the status and progress made so far in achieving the MDGs in Nigeria, the challenges and the task for the next seven years. The report "observed that the macroeconomic foundations for pro poor growth in Nigeria are more benign today than they were about one or two decades ago. Impressive progress has been made in meeting the targets of the National Economic Empowerment and Development Strategy/NEEDS 1 (2004 – 2007) which is the Nigerian equivalent of a PRSP. Economic growth has averaged 6 per cent per annum since 2000 with the non oil sector serving as the key driver. Budget balances have been kept under international standards, inflation has declined from double to single digits, exchange rate stability and

¹⁴ National Bureau for Statistics: Poverty Profile for Nigeria 2005

convergence have been achieved, the banking system is more virile and stronger than ever before, and external reserves rose to about US\$64 billion in June 2008 and could finance about 30 months of imports, the largest in sub Saharan Africa¹⁵. However, as noted above these macroeconomic improvements did not have significant impact on the citizenry as evidenced by the high incidence of poverty. The progress towards achieving the MDGs is detailed in the table below.

Table 2.5: MDGs Status at a Glance¹⁶

Goal	1990	2000	2007	2015	Status
1. ERADICATE EXTREME POVERTY AND HUNGER					
Absolute PPI (US\$/day)%				21.4	Slow
Relative (%)	42.7	66	54.4	21.4	Slow
Population (million)	91.5	91.5	140		Slow
Population under poverty (m)	39.07	39.07	67.11		Slow
Percentage of population below minimum level of dietary energy consumption	13	13		5.2	Good
Percentage of underweight under-5 children	35.7	31	25	18	Slow
2. ACHIEVE UNIVERSAL EDUCATION					
Net enrolment ratio in primary education	68	95	89.6	100	Good
Proportion of pupils starting Grade 1 who each Grade 5	67	97	74	100	Good
Primary six completion rate	58	76.7	67.5	100	Good
Literacy rate of 15-24 years old	70.7	64.1	81.4	100	Good
3. PROMOTE GENDER EQUALITY & EMPOWER WOMEN					
Ratio of girls to boys in primary education(girls per 100boys)	76	78	93.6	100	Good
Ratio of girls to boys in secondary education(girls per 100boys)	75	81	97.6	100	Good
Ratio of girls to boys in tertiary education(girls per 100boys)	46	66		100	Good
Share of women in wage employment in the non-agriculture sector	66.3	79		100	Lack of data
Seat held by women in national parliament	1	3.1	7.7	30	Slow
4. REDUCE CHILD MORTALITY					
Infant mortality rate(per 1000live births)	91	81.38	110	30.3	Worsening
Under-5 mortality rate (per 1000 live births)	191	183.75	201	63.7	Worsening
% of one -year olds fully immunized against measles	46	32.8	60	100	Good
5. IMPROVE MATERNAL HEALTH					
Maternal mortality ratio		704	800	100	worsening

¹⁵ Mid – Point Assessment Report of MDG in Nigeria – OSSAP MDG 2008 Page 1

¹⁶ Source: Mid – Point Assessment Report of MDG in Nigeria – OSSAP MDG 2008

Births attended to by skilled health personnel	45	42	36.3	100	Worsening (data problem)
6. COMBAT HIV & AIDS, MALARIA & OTHER DISEASES					
HIV prevalence among pregnant young women aged 15 to 24		5.4	4.3		Slow
Young people aged 15-24 who both correctly identify ways of preventing the sexual transmission of HIV and who eject major misconception about HIV transmission			25.9	100	Slow
Young people aged 15-24 reporting the use of a condom during sexual intercourse with a non-regular sexual partner				100	slow(Lack of data)
Children orphaned by HIV & AIDS			1.97		Lack of data
Prevalence and death rates associated with malaria					slow(Lack of data)
Prevalence and death rates associated with tuberculosis					slow(Lack of data)
7. ENSURE ENVIRONMENTAL SUSTAINABILITY					
Land area covered by forest		14.6	12.6	20	Worsening
Gas fared	68	53	34	0	Slow
Energy use (kg oil equivalent) per US\$1 GDP (PPP)			1.5		slow(Lack of data)
Carbon dioxide emissions(per capita)		4799	2500		Improving
Total population with access to safe drinking water(%)	54	54	49.1	100	Worsening
Total population with access to basic sanitation (%)	39	42.9	42.9	100	worsening
People with access to secure tenure(%)		38.4	61.2	100	Improving
Residential housing construction index (ACI)(Proxy)		53	31		Worsening
8. DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT					
Per capita official development assistance to Nigeria (in US\$)	3	1.47	81.67		Improving
Debt services as a % of exports of goods and services		9	1.2		Good
Private sector investment (US\$million)	50	75	8100		Improving
Tele-density (per 1000 people)	0.45	0.73	27.41		Good
Personal computers (per 1000 people)		6.38	6.74		Lack of data
Internet access (%)	0.1	0.1	1.9		Slow

2.2 Description of Budgetary Outcomes

This subsection reviews Yobe state's fiscal performance and resources allocation.

Comments will be made on the main trends in fiscal aggregate discipline for the last three years, based on the information provided by the Yobe state government. The report also includes information on the trends in sectoral and economic allocation of resources. It also provides a statement on the priorities embodied in the state's strategy and the extent to which budget allocations reflect the priorities of government.

Fiscal Performance

Due to non availability of GDP figures for sub national governments the indices available are compared to total revenue and not to GDP. Yobe State is dependent on the federation account for survival and sustenance. The inflows from the federation account (i.e. Statutory allocation, VAT and excess crude account distribution) constitute an average of 84.13%

The internally generated revenue is a meager average of 2.24% of total revenues and 2.3% of total expenditure over the period under review. The state's IGR is not enough to cover the most essential expense; the wage bill of the state. The comfort however is that the allocations and VAT are statutorily guaranteed. There have however been cases in the recent past when a state's local governments statutory allocation was withheld for many months¹⁷.

Table 2.6: Trends in Yobe State Government Budget performance¹⁸

	2006	2007	2008	AVERAGE
	%	%	%	%
TOTAL REVENUE	100%	100%	100%	100%
STATUTORY ALLOCATION	63.42%	79.43%	53.81%	65.55%
VAT	6.00%	10.87%	8.82%	8.56%
IGR	2.35%	2.62%	1.76%	2.24%
INTERNAL LOANS	19.42%	1.10%	0.00%	6.84%
MISCELLANEOUS	2.20%	5.99%	24.28%	10.82%
GRANTS	1.22%	0.00%	0.82%	0.68%
EXCESS CRUDE OIL	0.00%	0.00%	10.15%	3.38%
ADVANCES REPAYED BY STAFF	0.14%	0.00%	0.00%	0.05%
PROCEEDS FROM SALE OF ASSETS	5.24%	0.00%	0.00%	1.75%
TOTAL EXPENDITURE	82.76%	64.62%	99.33%	82.24%
AGGREGATE SURPLUS/(DEFICIT)	17.24%	35.38%	0.67%	17.76%

¹⁷ The Federal Government in 2005 withheld Lagos State Local Governments allocations for creating additional LGAs the FG declared as illegal for not confirming with the Constitutional provisions for creation of LGs.

¹⁸ Source: Ministry of Budget and Economic Planning Budget Performance Report 2006, 2007 and 2008, and Audited Financial Statements and Accounts 2006, 2007 and 2008

Allocation of Resources

There seems to be a clear disconnect between the priorities of the state government (as seen in the table below) and the MDG and YOSERA. The single largest allocation was 17.70% to works, land & survey, while the allocation to education was 16.51%, health 6.24% and women affairs, 0.34%. Allocations of 5.723% and 0.64% to agriculture (including livestock, fishery, and forestry) and integrated rural development by the state government clearly does not reflect the agrarian and poverty prevalence nature of its economy.

With capital expenditures averaging 57% and increasing from 47% in 2006 to 52% in 2007 and 73% in 2008, there is a clear indication that the state is re allocating resources to building capacity on ground (infrastructure – roads, electrification) that should further engender growth and development.

Table 2.7: Sectoral Classification of Budgetary Allocations¹⁹

ACTUAL BUDGETARY ALLOCATION BY SECTORS (AS % OF TOTAL EXPENDITURE)				
	2006	2007	2008	AVERAGE
WORKS, LANDS & SURVEY	16.31%	11.78%	25.00%	17.70%
FINANCE, BUDGETING & ECONOMIC PLANNING	33.16%	3.66%	10.74%	15.85%
AGRICULTURE, ANIMAL & FISHERIES	4.61%	8.27%	4.28%	5.72%
EDUCATION	14.99%	21.16%	13.36%	16.51%
YOUTH , SPORTS & SOCIAL DEVELOPMENT	1.18%	0.91%	0.62%	0.90%
INFORMATION	1.14%	1.29%	1.18%	1.20%
TRANSPORT & ENERGY	1.70%	5.17%	0.79%	2.55%
HEALTH	5.14%	9.55%	4.04%	6.24%
JUSTICE	1.03%	1.65%	0.90%	1.20%
INTEGRATED RURAL DEVELOPMENT	0.54%	1.13%	0.25%	0.64%
WOMEN AFFAIRS	0.35%	0.52%	0.16%	0.34%
WATER RESOURCES	2.74%	4.16%	2.87%	3.26%
RELIGIOUS AFFAIRS	1.98%	5.51%	3.33%	3.61%
GENERAL ADMINISTRATION	6.56%	14.00%	13.09%	11.22%
HOUSING & ENVIRONMENT	3.45%	2.88%	5.32%	3.88%
COMMERCE	1.83%	2.74%	10.97%	5.18%
OTHERS	3.30%	5.61%	3.10%	4.00%
TOTAL	100.00%	100.00%	100.00%	100.00%

¹⁹ Source: Ministry of Budget and Economic Planning Budget Performance Report 2006, 2007 and 2008, and Audited Financial Statements and Accounts 2006, 2007 and 2008

Table 2.8: Economic Classification of Budgetary Allocations²⁰

ACTUAL BUDGETARY ALLOCATION BY ECONOMIC CLASSIFICATION (AS % OF TOTAL EXPENDITURE)				
	2006	2007	2008	AVERAGE
RECURRENT EXPENDITURE	53%	48%	27%	43%
PERSONNEL	17%	31%	16%	21%
OVERHEADS	36%	17%	11%	21%
CAPITAL EXPENDITURES	47%	52%	73%	57%
TOTAL	100%	100%	100%	100%

2.3 Intergovernmental Relationship

Nigeria is a Federation consisting of 36 States and Federal Capital Territory²¹. The constitution also provides for a local government structure which means that Nigeria has three levels of government: federal (central), state and local government. There is a reasonable degree of democratic and fiscal decentralization to the state governments in Nigeria. The 1999 Constitution provides increased responsibility to the states in the delivery of economic and social services and for the provision of infrastructure, both directly and jointly with local governments, while the central government remains responsible for setting standards, coordinating policy, and discharging national functions such as national security, foreign affairs, macroeconomic management²². The states are self governing entities with their own Executive Councils and Legislative Houses.

The Nigerian constitution also provides for concurrent legislative list, the extent to which the central and state governments have concurrent powers. These are in respect of public revenue, taxes, etc²³. While the functions of local government are specified in the Fourth Schedule²⁴, Local Government Councils (LGCs) can exercise their responsibilities only in accordance with enabling legislation passed by the states. LGAs are therefore subject to state oversight and control to a large extent.

The Federation maintains a special account called the Federation Account into which all revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the Federation, the Nigeria Police Force, the Ministry or department of government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory²⁵. The amounts accruing to the Federation Account are distributed between the three levels of governments using a sharing formula as prescribed by the

²⁰ Source: Ministry of Budget and Economic Planning Budget Performance Report 2006, 2007 and 2008, and Audited Financial Statements and Accounts 2006, 2007 and 2008

²¹ Sec 2(2) and 3(1) of the Constitution of Federal Republic of Nigeria 1999

²² Second Schedule Part I the Constitution of Federal Republic of Nigeria 1999

²³ Second Schedule Part II the Constitution of Federal Republic of Nigeria 1999

²⁴ The Constitution of Federal Republic of Nigeria 1999

²⁵ Sec. 162(1) of the Constitution of the Federal Republic of Nigeria 1999

National Assembly²⁶. The Constitution of the Federal Republic of Nigeria places issues relating to collection of some taxes such as personal income tax, withholding tax, capital gains tax, stamp duties, road taxes, etc on state governments, while the central government collects the value added tax and distributes it in a manner approved by the government.

2.4 Description of the Legal and Institution Framework for PFM

This subsection reviews the legal and institutional framework for PFM. Comments are made on the legal provisions that determine the fundamental rules guiding the PFM system. It also gives a brief description of recent changes made to the legal framework.

The responsibilities of the main entities involved in PFM, including the different branches of government as well as for the public enterprises or autonomous government agencies were examined. Additional information on the broad responsibilities for public financial management in the Ministry of Finance and between the Ministry of Finance and the line ministries is also included.

The report also includes the key features of the PFM system, including the degree of centralization of the payment system or the type of jurisdictional control exercised by the external audit body.

Legal Provisions and Framework

Financial Regulations are made to guide and regulate the actions of executives in order to enable decisions to be rational and non-personal. The objectives of financial management, whether in the public or private sector, include the utilization of available resources in the most efficient manner. In order to achieve these objectives, it is necessary to formulate a good accounting system, and to evolve financial regulations, which will enhance greater accountability²⁷.

The main legal provision guiding PFM at all levels in Nigeria is the 1999 constitution²⁸. The constitution stipulates how funds should be kept and the conditions for spending; payment of revenue into the Federation Account and the Consolidated Revenue Fund. The constitution also provides for establishment of the consolidated revenue fund of the state, authorization of expenditure from the consolidated revenue fund (i.e. preparation of budget and appropriation by the SHoA²⁹). It also specifies the institutions that are involved in PFM and the Audit of Public Accounts.

The Federal Finance (Control & Management) Act, Cap.144 of 1958 as amended and equivalent legislation at the state level (for Yobe state the Public Finances [Control & Management] Law 1968 Cap 108) to date is also very key in the PFM framework in Nigeria. Another important legal document is the Yobe state Financial Regulations revised in 2004.

²⁶ Sec 162 (2)(3)(4) of the Constitution of the Federal Republic of Nigeria 1999

²⁷ http://www.hosf.gov.ng/resources/guides/financial_regulations

²⁸ Constitution of the Federal Republic of Nigeria 1999

²⁹ Sections 120 and 121

The Financial Regulations are accounting and financial control documents. Specifically, they provide a body of guiding principles as well as a number of methods or uniformity in the recording of financial transactions, events and positions. As a body of rules, the Financial Regulations are generally expected to aid the achievement of probity and accountability in government. FR also comprises of codes of regulations made up of rules, which specify actions acceptable, and those deemed not acceptable in the handling of public finances.

Other legal provisions are the Annual Appropriation Law, the Supplementary Appropriation Law and the Commissioner of Finance/Accountant-General's periodic circulars in accordance with the existing laws. The state is yet to pass the Fiscal Responsibility and Public Procurement Bills,

PFM Institutional Framework in Yobe state

Based on the legal provisions the following PFM institutions exist in Yobe state

The state Ministry of Finance has the responsibility for the management and control of state government finances. The Office of The Accountant General of the state is the treasury department of the Ministry of Finance. The Office of the Accountant General is responsible for all accounting and internal audit functions of government, hence it posts all accounts and internal audit staff to the different ministries, departments and agencies (MDAs). The office is equally responsible for preparation of financial reports and banks/accounts reconciliation documents.

The state Ministry of Budget and Economic Planning is responsible for preparing the development plan of the state as well as formulating the budget policy for approval by the state executive council. The ministry coordinates all budget activities throughout the government. Budget estimates are submitted to the ministry for compilation and articulation and ultimate presentation to the legislature for approval.

The Tenders' Board Secretariat is a unit at the state Ministry of Finance. The unit acts as the secretariat of the state Tenders Board that is chaired by the Commissioner of Finance.

The office of the Auditor General for the state has the mandate to audit the public accounts of all offices and courts and submit reports to the legislature. The constitution stipulates that for that purposes the Auditor-General or any person authorized by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts.

The State House of Assembly has the power to approve the budget and pass into law the finance and appropriation law for each year. For this purpose it has the Finance and Appropriation Committee that act as lead facilitator of budget process at the SHoA. The SHoA also has oversight functions over PFM and over other government activities which make it have the Public Accounts Committee which receives Auditor General's reports and the other committees which oversee the different MDAs.

Yobe state does not have any organ(s) that serve to prevent, investigate and prosecute erring persons but the EFCC and ICPC have jurisdiction over the entire country.

3.0 ASSESSMENT OF PFM SYSTEMS, PROCESSES AND INSTITUTIONS

This chapter details the assessment of 28 of the PFM indicators (excluding the 3 indicators in respect of Donor Practices) contained in the PEFA Framework³⁰. The highest rating (score of A) implies compliance with accepted international standards. The lowest score D was applied where the requirements for any higher score are not met. D was also applied where the actual situation does not fit reasonably well into the description and the requirements for higher score are not met. This situation was properly explained in the narrative. In this assessment only evidence of a verifiable nature, i.e. supported by routine official documentation was used for ratings and scoring of the indicators. The assessment team did not accept unreliable or oral evidence, or other claims for which there was no documentary support. An indicator was not scored if there is insufficient information available for rating.

Where an indicator has more than one dimension, each dimension was scored separately, and then dimension scores were combined by one of two methods³¹:

- *Method M1*. Where poor performance on a dimension is likely to undermine the impact of good performance on other dimensions, the overall score is determined by that 'weakest link'. If any other dimension is scored more highly, a + is added to the score. Thus, an indicator having 3 dimensions with B, B, and C scores would be rated C+.
- *Method M2*. Where dimensions are independent of each other, the overall score is found by averaging the dimension scores. The Framework document prescribes the method of combining dimension scores for each indicator and includes a table for averaging alphabetical scores.

3.1 Budget Credibility

A Budget is the main instrument for translating government policy goals of economic growth and poverty reduction into a series of activities for annual implementation aimed at improving service delivery and socio-economic development. One measure of the government's ability to deliver public services is reflected in the performance of aggregate outturn against budget. In the following paragraphs budget credibility is examined in terms of expenditure, revenue and arrears (pending bills). The underlying principle is to ascertain whether Yobe state government budget is realistic and implemented as intended.

PI-1: Aggregate Expenditure Out-turn Compared to the Original Approved Budget

The original budget figures compared to outturn indicated that there has been a systematic under-expenditure measured at an aggregate level in the last three years. In 2008 the variance was 34 per cent of the original budget, 50.5 per cent in 2007, and 25.3 per cent in 2006. This indicates a reasonable increase in the expenditure deviation in the immediate past. Notably, expenditure deviations were negative for 2006, 2007 and 2008. These variances may be attributed to factors both internal and external to the Yobe state government's budgetary procedures.

³⁰ Guidelines for application of the PEFA Performance Measurement Framework at Sub National Government Level, March 2008

³¹ PEFA Public Financial Management Performance Measurement Framework June 2005.

The high variances of actual expenditure against planned expenditure bring the credibility of the budget and the budget process into question. The main factors responsible for the high variances are inability of the state to make reasonable budget forecast especially with inflow from federation accounts and poor planning by both the central and spending MDAs.

Table 3.1: Primary Budget Performance of Yobe State³², 2006 – 2008³³

	2006	2007	2008
Budget Primary Expenditure	38,667,151,000	35,706,231,000	73,110,947,000
Actual Primary Expenditure	28,887,321,169	17,663,460,284	48,242,037,782
Absolute Deviation	9,779,829,831	18,042,270,716	24,868,909,218
Percentage Deviation	25.3%	50.5%	34.0%
Score (Method M1)	D		

PI-2: Composition of Expenditure Out-turn Compared to Original Approved Budget

Changes in overall level of expenditure (assessed in PI-1) will translate into changes in spending for administrative (budget entities) budget lines. This indicator measures the extent to which the composition of *actual* expenditure varies from the composition of *budgeted* expenditure. To make that assessment requires that the total variance in the expenditure composition is calculated and compared to the overall deviation in primary expenditure for each of the last three years.

An examination of the detailed composition of the variance between budget and outturns shows a wide variation. For example:

- The Ministry of Finance, Budget and Economic Planning overspent its budget by 2.5% in 2006 and 2008 and under-spent its budget by 49.5% in 2007;
- The Ministry of Transport and Energy recorded an under-spend of 68%, 37% and 78% in 2006, 2007 and 2008 respectively;
- The Ministry of Education recorded budget variance of 37%, 48% and 52% in 2006, 2007 and 2008 respectively.

³² Source: Ministry of Budget and Economic Planning Budget Performance Report 2006, 2007 and 2008, and Audited Financial Statements and Accounts 2006, 2007 and 2008

³³ See Annex 4 for detailed calculations

Table 3.2a: Comparison of Deviation in Budgeted and Actual Outturn for Budget Head³⁴

	Deviations as % of original budget		
	2006	2007	2008
WORKS, LANDS & SURVEY	4.3%	61.9%	12.7%
FINANCE, BUDGETING & ECONOMIC PLANNING	2.5%	49.5%	2.5%
AGRICULTURE, ANIMAL & FISHERIES	44.9%	34.3%	10.6%
EDUCATION	37.4%	48.3%	52.4%
YOUTH , SPORTS & SOCIAL DEVELOPMENT	45.2%	70.4%	61.3%
INFORMATION	63.3%	69.7%	49.6%
TRANSPORT & ENERGY	67.6%	37.2%	78.3%
HEALTH	31.3%	55.3%	72.2%
JUSTICE	54.8%	53.7%	43.4%
INTEGRATED RURAL DEVELOPMENT	62.4%	79.7%	70.5%
WOMEN AFFAIRS	69.9%	67.7%	66.6%
WATER RESOURCES	48.0%	71.7%	57.7%
RELIGIOUS AFFAIRS	90.4%	154.3%	2.5%
GENERAL ADMINISTRATION	7.8%	14.9%	8.3%
HOUSING & ENVIRONMENT	45.4%	78.7%	27.6%
COMMERCE	61.2%	40.8%	33.5%
OTHERS	47.0%	50.7%	50.3%
Total expenditure	25.3%	50.5%	34.0%
Composition variance	28.9%	53.8%	34.4%

Table 3.2b: Variation in Expenditure Composition

<i>Composition 2004/05</i>	2006	2007	2008
Total Expenditure Deviation	25.3%	50.5%	34.0%
Total Composition Variance	28.9%	53.8%	34.4%
Variance in Excess of Total Deviation	3.6%	3.3%	0.3%
Score Method M1	D		

PI-3: Aggregate Revenue Out-turn Compared to Original Approved Budget

This indicator compares budgeted revenue to actual revenue. The purpose is to provide overall indication of the quality of revenue forecasting. Accurate forecasting of domestic revenue is a critical factor in determining budget performance since budgeted revenue allocations depend on that forecast.

The PEFA guidelines for sub national government application raised a fundamental issue as to the precise definition of domestic revenue. Whichever definition used for domestic revenue, the state revenue collection was below 92% of budgeted in two of the three years. Using Internally Generated Revenue (IGR) the actual performance was 83%, 72% and 93% for 2006, 2007 and 2008 respectively. Also in respect of total revenue (i.e. statutory allocation, excess crude oil distribution, VAT and IGR) the actual performance was 88%, 79% and 92% for 2006, 2007 and 2008 respectively.

³⁴ Source: Ministry of Budget and Economic Planning Budget Performance Report 2006, 2007 and 2008, and Audited Financial Statements and Accounts 2006, 2007 and 2008

Table 3.3: Aggregate Revenue Out-turn Compared to Original Approved Budget

	2006				2007				2008			
	BUDGET	ACTUAL	VARIANCE	% ACHIEVED	BUDGET	ACTUAL	VARIANCE	% ACHIEVED	BUDGET	ACTUAL	VARIANCE	% ACHIEVED
	N'M	N'M	N'M		N'M	N'M	N'M		N'M	N'M	N'M	
STATUTORY ALLOCATION	25,227	22,139	-3,088	88%	28,954	21,712	-7,242	75%	28,090	24,563	-3,527	87%
VALUE ADDED TAX (VAT)	2,320	2,096	-224	90%	2,160	2,970	810	138%	2,952	4,026	1,074	136%
IGR	999	819	-179	82%	1,000	716	-284	72%	862	801	-61	93%
Total	28,546	25,054	-3,491	88	32,114	25,398	-6,716	79	31,904	29,390	-2,514	92
	Score Method M1				D							

PI-4: Stock and Monitoring of Expenditure Payment Arrears

This indicator measures the extent to which there is a stock of expenditure payment arrears, and the extent to which the government is controlling and addressing the systemic problems that cause them. There were no data to rate this indicator.

Table 3.4: Stock and Monitoring of Expenditure Payment Arrears

Indicator	Score	Brief Explanation
PI-4 Stock and Monitoring of Expenditure Payment Arrears	Not Rated	Insufficient data
Score Method M1		

3.2 Comprehensiveness and Transparency

Six of the twenty eight indicators cover cross-cutting issues that relate to transparency and comprehensiveness of the public financial management. The six indicators cover:

- The dimensions and information structure in which budget and outcome data is presented.
- Whether important financial information is presented in the budget document.
- Whether important government operations are unreported.
- If resources are transferred to sub-national entities in a predictable and timely manner.
- If autonomous government agencies and public enterprises submit financial reports and the fiscal position of sub-national entities is monitored. And
- Whether the public has timely access to key fiscal information.

PI – 5 Classification of the Budget

Classification of revenues and expenditures is important in policy formulation and the identification of resource allocations; the identification of activities of the government and the level at which performance should be assessed; the establishment of accountability for

compliance with legislative authorizations, policies and performance; economic analysis; and day-to-day budget administration. The structure and classification of budget receipts and expenditures is determined not only by objectives of the budget process, but also by the institutional patterns and requirements of the Government. Transactions reported in the accounting system must be recorded in a timely and accurate manner. The presentation of budget data facilitates internal and international comparability, which has assumed increased importance in connection with international or regional programs of coordinating fiscal policies for government.

The budget classification system used by Yobe state government for the 2006, 2007 and 2008 fiscal years consists of one-line personnel costs and 12 - line operating expenses called Overhead Costs. The capital costs are broken out into four sectors (economic, social services, regional development, and general administration) with a listing of projects in the budget document for each of the sectors. There is no relationship between the recurrent budget and capital budget codes for the same MDA.

For instance, under personnel cost (Code 101), it would be difficult to determine how much is being spent on allowances and overtime against basic salaries and wages. Overhead costs are accounted for in the following codes: 102—Transport & Travelling, 103—Utility Services, 104—Telephone Services, 105—Stationery, 106—Maintenance of Office Furniture and Equipment, 107—Maintenance of Vehicles and Capital Assets, 108—Consultancy Services, 109—Grants, Contributions and Subvention, 110—Training and Staff Development, 111—Entertainment and Hospitality, 112—Miscellaneous, 113—Loans. Under overhead costs, for instance, “transport and travelling” expenses are one and the same; there is no differentiation between local and international travels. Also the “miscellaneous” sub-head are used for many government expenses and do not clearly identify the use of government funds.

Also the budget classification of Yobe for the period under review will not allow for the tracking of spending on the following dimensions: administrative unit, economic, functional and program. The classification system does not conform to the international standard for classification systems provided in the Government Finance Statistics (GFS) which provides the framework for economic and functional classification of transactions.

Table 3.5: Classification of the Budget

Indicator	Score	Brief Explanation
PI-5 Classification of the Budget	D	No relationship between recurrent and capital codes for the MDAs. The classification system cannot track spending across MDAs. It is highly restrictive and does not conform with international standard of classification.
Score Method M1		

Yobe state in 2009 developed new budget classification and chart of accounts made up of four major segments and ten digit coding structure. The segments are: the organization (with two digits), sub-organization (with two digits), fund (with two digits), projects (with four digits). Also the state developed detailed program classification for pilot ministries of Education, Health,

Water Resources and Agriculture. The state intend to implement the 10 digits new budget classification in 2010 fiscal year and the Program segment for the pilot ministries in 2011.

PI-6: Comprehensiveness of Information included in Budget Documentation

This indicator refers to the extent to which the state House of Assembly has sufficient information to scrutinize the annual budget. There are nine designated elements but one of the elements is not relevant to Yobe state government. Therefore the rating is based on eight elements as against nine elements and the scoring of the indicator is done on a pro rata basis against the total number of relevant elements. A scrutiny of the budget documents related to the benchmarks in the PEFA framework gives the following result:

Table 3.6: Comprehensiveness of Information included in Budget Documentation

	Elements	Coverage	Criteria Met
1	Macro economic assumptions, including at state level - estimates of economic growth in the SNG jurisdiction, estimates of inflation and exchange rates, etc.	The budget proposals contain insufficient information on economic growth but no information on inflation and exchange rate.	No
2	Fiscal deficit (where applicable)	Not Applicable to Yobe State	Not rated
3	Deficit financing, describing anticipated composition (where relevant).	For fiscal year where applicable it was provided	Yes
4	Debt stock, including details at least for the beginning of the current year (where relevant).	Not Provided	No
5	Financial Assets, including details at least for the beginning of the current year.	Not Provided	No
6	Prior year's budget outturn, presented in the same format as the budget proposal.	Provided in the Governors budget speech to State House of Assembly	Yes
7	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.	Provided in the Governors budget speech to State House of Assembly	Yes
8	Summarized budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year.	Provided in the Governors budget speech to State House of Assembly	Yes
9	Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.	Provided in the Governors budget speech to State House of Assembly	Yes
	Score Method M1	B	

Five out of the nine benchmarks have been met hence the requirements for level B are met.

PI-7: Extent of Unreported Government Operations

Annual budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public, should cover all budgetary and extra-budgetary activities of state government to allow a complete picture of state government revenue, expenditures across all categories, and financing. This will be the case if ;

(i) Extra-budgetary operations government activities which are not included in the annual budget, such as those funded through extra-budgetary funds or unbudgeted revenue, are insignificant or if any significant expenditures on extra-budgetary activities are included in fiscal reports, and if

(ii) Activities included in the budget but managed outside the government’s budget management and accounting system (mainly donor funded projects) are insignificant or included in government fiscal reporting.

This indicator has two dimensions: the level of extra-budgetary expenditure (other than donor funded projects) which is unreported i.e. not included in fiscal reports; and Income/expenditure information on donor-funded projects which is included in fiscal reports.

The members of the technical team after reviewing the dimensions identified five institutions that their internal revenue/service charge is not expressly captured in the annual budget. All other revenue of the government is captured in the annual budget. The five institutions are by relevant laws allowed to spend such internal revenue/service charge for operational costs. Though, data in respect of these revenue/service charge is not readily available, members of the technical team estimated the level of unreported extra-budgetary expenditure under these categories to be between 1% and 5% of total expenditure.

For the second dimension, it was noted by the technical team members that most of the donor agencies activities are not included in the budget. Though, there is no data on the level of funds spent by donor agencies in the state the score of D was awarded based on the fact lead donor agencies such as EU- SRIP, PRRINN, WSSRP and WHO activities are managed outside the government budget and accounting system.

Table 3.7: Extent of Unreported Government Operations

Indicator	Score	Brief Explanation
PI-7 Extent of unreported government operations	D+	
(i) Level of unreported extra-budgetary Expenditure	B	The government extra budgetary expenditure arises for only five institutions that spend their internal revenue/service charge. The level of the extra budgetary expenditure is estimated to be within the range of 1% to 5%.
(ii) Income/expenditure information on donor funded projects	D	The lead donor agencies expenditure in the state are managed outside the government budget and accounting system.
Score Method M1		

PI-8: Transparency of Inter-Governmental Fiscal Relation

Inter governmental relations in respect of states in Nigeria refers to local government. The indicator assesses the transfers to local governments. The fiscal relationship between States and local governments are clearly set out in the Constitution as well the respective states Local Government Laws.

This indicator has three dimensions, namely:-

- (i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from higher level SN government (both budgeted and actual allocations);
- (ii) Timeliness of reliable information to lower level SN governments on their allocations from higher level SN governments for the coming year;
- (iii) Extent to which financial information (at least on revenue and expenditure) is collected and reported by SN government according to sectoral categories.

The Constitution of Federal Republic of Nigeria by section 7(1) guarantees the system of democratically elected local government councils³⁵. However, by virtue of the provisions of Section 162(6) 1999 Constitution, state governments were allowed to establish State Joint Local Government Account. All allocation to the local governments from Federation and state funds to local governments are paid into the account. Sub section 8 also stipulated that amount standing to the credit of local government councils of a state shall be distributed among the local governments of the state on such terms and in such manner as may be prescribed by the House of Assembly of the state. Sections 162(6), 162(8) and 7(6b)³⁶ gave states reasonable control over allocations accruing to local governments as well as methodology and distribution formula.

Yobe state government in recognition of Section 7(1) on 2nd October 2001 enacted the Yobe State Local Government Law. Section 86(1) of Yobe State Local Government Law 2000 stated the main sources of revenue of local governments.

The expenditure responsibilities and revenue sharing arrangements are clearly provided by the Constitution and for the funds in the state local government joint account the Local Government Law. The revenue sources are federal transfers³⁷, 10% of internally generated revenue of the state government and internal revenue of the local government. However, the local governments do not receive firm and reliable information on annual allocations from the state government in advance of the completion of their own budget preparation processes. Finally the fiscal information by sectoral category is not collected and consolidated for Yobe state local government expenditure.

³⁵ 7(1) - The system of local government by democratically elected local government councils is under this Constitution guaranteed; and accordingly, the Government of every State shall, subject to section 8 of this Constitution, ensure their existence under a Law which provides for the establishment, structure, composition, finance and functions of such councils.

³⁶ The House of Assembly of a State shall make provisions for statutory allocation of public revenue to local government councils within the State

³⁷ Sec 162(3) - Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the Local Government Councils in each State on such terms and in such manner as may be prescribed by the National Assembly.

Table 3.8: Transparency of Inter-Governmental Fiscal Relation

Indicator	Score	Brief Explanation
PI-8 Transparency of Inter-Governmental Fiscal Relations	C	
(i) Transparent and rules based systems in the horizontal allocation among local governments of unconditional and conditional transfers from the SG (both budgeted and actual allocations)	A	The horizontal allocation of almost all transfers from state government is provided in the Constitution and the Local Government Law.
(ii) Timeliness of reliable information to local governments on their allocations from State Governments for the coming year	D	The local governments do not receive firm and reliable information on annual allocations from the state government in advance
(iii) Extent to which financial information (at least on revenue and expenditure) is collected and reported by the SG according to sectoral categories	D	The fiscal information by sectoral category is not collected and consolidated for Yobe state local government expenditure.
Score Method M2		

PI-9: Oversight of Aggregate Fiscal Risks from Other Public Sector Entities

State governments in Nigeria have a formal oversight role in relation to Autonomous Government Agency (AGA) or Public Enterprise (PE) owned by them. Yobe state government is expected to receive quarterly financial statements and audited year-end statements from AGAs and PEs, and monitor performance against financial targets. AGAs and PEs often report to parent line ministries, but consolidation of information is important for overview and reporting of the total fiscal risk for Yobe state government. There are 66 AGAs and PEs in Yobe state. Yobe state government's monitoring of these fiscal risks should enable it to take corrective measures arising from actions of the 66 AGAs and PEs, in a manner consistent with transparency, governance and accountability arrangements.

The 66 AGAs and PEs are required to submit annual financial statement to their parent ministry and State Auditor General. They are not required to submit quarterly or in year financial statements. However, by end of 2007 annual financial statement of the almost all the 66 AGAs and PEs were in arrears. By end of 2008 only 17 prepared and submitted their financial statements to their board, parent ministry and State Auditor General. None of these financial statements have been audited by the State Auditor General or independent auditor.

In respect of the extent the state government monitors local governments' fiscal position, the Office of the Auditor General of the Local Government by practice are expected to assign touring auditors to each local government every year, who go to the local governments under a team leader to audit the accounts of the preceding year before reporting to the Office of the Auditor General of the Local Government at the end of their exercise. The Office of the Auditor General of Local Government is then expected to review and issue an Audit Inspection Report

on the Local Government addressed to the Chairman of the Local Government who is expected to direct responses to the issues raised in the report. The Office of the Auditor General of local government was able to produce a copy of only one of such reports issued on Muri Mafa Local Government in respect of year 2004 accounts.

Review of this report shows that audit was only concentrated on expenditures and cash and bank disbursements. The report did not cover Revenue accounting, Property and Equipment Accounting and records.

Table 3.9: Oversight of Aggregate Fiscal Risks from Other Public Sector Entities

Indicator	Score	Brief Explanation
PI-9 Oversight of Aggregate Fiscal Risks from Other Public Entities	D	
(i) Extent of SN government monitoring of AGAs and PEs	D	The AGAs and PEs are not required to submit quarterly or in year financial statement. They are required to submit annual financial statements of which most of the AGAs and PEs are in arrears.
(ii) Extent of SN government monitoring of lower level SN governments' fiscal position	D	Annual monitoring of local governments' fiscal position is significantly incomplete.
Score Method M1		

PI-10: Public Access to Key Fiscal Information

Transparency will depend on whether information on the budget and its execution by the government is easily accessible to the general public or at least interested groups. By this government is required to make relevant fiscal information available to the public in a timely and accessible manner. Therefore the government should select outlets/means that is readily accessible by a wide section of the population. There are seven items to which the public ought to have routine access.

The definition of public accessibility as well as readily accessible outlets is relative and depends on particular circumstances and the environment. In Nigeria, publication of information in the official government Gazette used to be sufficient and acceptable means of publishing information to the public. Then, the government widely circulated the Gazette to offices, libraries, and other similar places. The interested public could readily purchase the Gazette at reasonable prices. However in the 90,s the use of official Gazette became problematic, most states in Nigeria, Yobe state inclusive no longer publish government Gazette. Current practice is to use newspapers, periodic bulletin or website to disseminate government information. The table 3.10 below summarizes the position of Yobe state in respect of the 7 elements of this indicator.

Table 3.10: Public Access to Key Fiscal Information

	<i>Element</i>		<i>If available Where and when</i>
1	Annual budget documentation: the public can obtain a complete	Yes	Printed copies are available to the general public and can be purchased on payment of

	(including the items listed under <i>PI-6</i>) set of documents through appropriate means when it is submitted to the State House of Assembly (SHoA)		N2, 500.00 a copy.
2	In year budget execution reports: routinely made available to the public through appropriate means within one month of their completion	No	In year budget execution reports are prepared but copies are not available to the public
3	Year-end financial statements: available to the public through appropriate means within six months of completed audit	No	The 2006, 2007 and 2008 financial statements were completed in January 2010 and are yet to be published.
4	External audit reports: all reports on consolidated central government operations made available to the public through appropriate means within six months if completed audit	No	External audit reports yet to be forwarded to SHoA and not published.
5	Contract awards: that SG publishes award of all contracts with value above USD 100,000 equivalent (N15 million naira) at least quarterly through appropriate means	No	The state does not publish a procurement journal and it does not publish the information on its official website
6	Resources available to primary units: the SG publicizes information through appropriate means at least annually, or available on request, for primary service units, e.g., hospitals	No	The resources available to primary units are not available to the public.
7	Fees and charges for major service organizations are posted at the service delivery site and in other appropriate locations/media	Yes	The information is usually in a public notice board of the facility as well as supervising MDA.
	Score Method M1		C

3.3 Policy Based Budgeting

There are two indicators under Policy Based Budgeting and they assess the extent to which the state government prepares its budget with due regard to stated policy. The two indicators are orderliness and participation in the annual budget process and multi-year perspective in fiscal planning, expenditure policy, and budgeting.

PI-11: Orderliness and Participation in Annual Budget Process

This indicator reflects the organization, clarity and comprehensiveness of the annual budget process as well as participation of MDAs³⁸. Full participation requires an integrated top-down and bottom-up budgeting process, involving all parties in an orderly and timely manner, in accordance with a pre-determined budget formulation calendar. The financial budget year for all levels of government in Nigeria (federal, state and local government) runs from the 1 January to 31 December.

Yobe state has a budget calendar consistent with the financial budget year. The budget timetable is as follows:

- | | | |
|--|---|------------------------|
| <input type="checkbox"/> Preparation of Sector policies and limits | - | July |
| <input type="checkbox"/> Issuance of Call circular reflecting agreed policies & limits | - | 1 st August |
| <input type="checkbox"/> Submission of Proposals by MDAs | - | Mid September |
| <input type="checkbox"/> Bilateral discussions and defense of proposals | - | September |
| <input type="checkbox"/> Consolidation of proposals by Ministry of Budget and Economic Planning Dept | - | 3rd week of Oct |
| <input type="checkbox"/> EXCO approval of draft proposal | - | last week of Oct |
| <input type="checkbox"/> Presentation of draft budget to House of Assembly | - | 1st week of Nov |
| <input type="checkbox"/> Assembly Approval | - | December |
| <input type="checkbox"/> Governors Assent | - | December |
| <input type="checkbox"/> Publication and Dissemination of Budget | - | December |

The budget call circular for 2006, 2007 and 2008 were issued to MDAs within the first week of August of the preceding year. The budget call circular for 2008 budget had indicative ceiling for each budget institution but there was no evidence that the indicative ceilings for the budget institutions were approved by the State Executive Council prior to issuance of the call circular. The budget call circular issued in respect of 2006 and 2007 budget had no ceilings. In all the three years the State Executive Council approved the budget proposal only after they have been completed in all details by MDAs and consolidated by the Ministry of Budget and Economic Planning. The budget call circulars for the three years allowed the MDAs more than 6 weeks from the date of issue to prepare and submit budget proposal to ministry of Budget and Economic Planning. However, in all the years the budgets were presented to SHoA less than one month to the beginning of the next budget year. The position is further explained in table – 3.11a.

Table 3.11a: Orderliness and Participation in Annual Budget Process

Budget Year	Date Presented to SHA	Date of Approval/Assent
2006	14 th December 2005	19 th April 2006
2007	11 th January 2007	3 rd April 2007
2008	4 th December 2007	6 th February 2008

³⁸ The MDAs concerned for the purpose of this indicator are those which are directly charged with responsibility for implementing the budget in line with sector policies and which directly receive funds or authorization to spend from the MOF. Department and agencies that report and receive budgetary funds through a parent ministry are considered.

It is therefore clear that the budget calendar is adhered to, only in respect of issuance of call circular. All other activities stipulated in the calendar were performed weeks (in some cases months) outside the provided timeline.

Table 3.11b: Orderliness and Participation in Annual Budget Process

Indicator	Score	Brief Explanation
PI-11 Orderliness and participation in the annual budget process	D+	
(i) Existence of, and adherence to, a fixed budget calendar	C	A clear annual budget calendar that allows MDAs at least six weeks from receipt of the budget circular to meaningfully complete their detailed proposal exists but substantial delays occurs in it is implementation.
(ii) Guidance on the preparation of budget submissions.	C	The budget circular issued to MDAs, for 2008 had indicative ceilings for budget institutions. The budget estimates already completed in all details by the MDAs are reviewed by the Executive Council and passed to the State House of Assembly for legislation and subsequently accented to by the Executive Governor.
(iii) timely budget approval by the legislature	D	Due to late submission of the budget to State House of assembly the budget has been approved with more than two months delay in two of the last three years.
Score Method M2		

PI-12: Multi-year Perspective in Fiscal Planning, Expenditure Policy and Budgeting

Expenditure policy decisions have multi-year implications, and must be aligned with the availability of resources in the medium-term perspective. Therefore, multi-year fiscal forecasts of revenue, medium term expenditure aggregates for mandatory expenditure and potential deficit financing (including reviews of debt sustainability involving both external and domestic debt) must be the foundation for policy changes.

This indicator assesses the extent a state recognizes and adopts a multi-year approach to fiscal planning. Yobe state like most states in Nigeria still operate annual budget system. There is no multi-year perspective in fiscal forecast and functional allocation. The state has a Debt Management Unit in MOF but the unit does not have the capacity to handle debt sustainability analysis and consequently none has been done in the state.

Preparation of Sector strategy has commenced in water and sanitation sector and none has been prepared for other sectors. Also budgeting for investment and recurrent expenditure are separate processes.

Table 3.12: Orderliness and Participation in Annual Budget Process

Indicator	Score	Brief Explanation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D	
(i) multi-year fiscal forecast and functional allocations	D	No forward estimates of fiscal aggregates are undertaken
(ii) scope and frequency of debt sustainability analysis	D	No DSA was done in the three years
(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditures	D	Preparation of Sector strategy has commenced in water and sanitation sector and none has been prepared for other sectors.
(iv) Linkage between investment budgets and forward expenditure estimates	D	Budgeting for investment and recurrent expenditure are separate processes.
Score Method M2		

3.4 Predictability and Control in Budget Execution

Predictable and controlled budget execution is necessary to enable effective management of policy and programme implementation. There are nine indicators that assess whether implementation is in an orderly and predictable manner, and what arrangements are in place for exercising control and stewardship over the use of public funds.

PI-13: Transparency of Taxpayer Obligation and Liabilities

As stated in chapter 2, state governments in Nigeria raise revenue through tax as well as user charges and therefore this indicator was used in this assessment. It has also been explained in chapter 2 there are taxes that the federal government collects on behalf of states in which state governments pays back expenditure incurred to the federal government. The Constitution of the Federal Republic of Nigeria places issues relating to major taxes such as taxation of income, profits and gains, custom duties, excise and stamp duties, and road taxes under the Exclusive Legislative List i.e. at the federal level. The responsibility for collecting personnel income tax, capital gain tax, withholding tax, stamp duties and road taxes from individuals deemed to be resident in that state³⁹.

³⁹ However, personal income tax of the personnel of the armed forces of the Federation, the Nigeria Police Force, the Ministry or department of government charged with responsibility for Foreign Affairs resident in states are collected by the federal government and not part of the federation account.

The states do not legislate on tax liabilities and procedures as this is the constitutional responsibility of the federal government. The Personal Income Tax Act (PITA) and other tax legislations made by the federal government had comprehensive and clear procedures for all these taxes. There are also limited discretionary powers by the State Board of Internal Revenue⁴⁰. It is only the Joint Tax Board⁴¹ that can take decision on changes in tax policy, tax legislation (which must be enacted by the National Assembly), tax treaties and exemptions as may be required from time to time.

Notwithstanding the detailed provisions on tax liabilities, management, assessment, collection and appeal process the states internal revenue administration mechanism is weak. Taxpayers do not have access to up-to-date information on tax liabilities and administrative procedures. A recent report of the revenue administration in Yobe state summarized the position thus ‘to lack of awareness on the part of the tax payers and low aggression on the part of the BIR towards educating them’⁴².

Sections 62 - 67 of Personal Income Tax Act provided detailed mechanism for tax appeals which include setting up body of tax appeal commissioners. Yobe state is yet to establish a tax appeal system as required by Sections 62 - 67 of Personal Income tax Act.

Table 3.13: Transparency of Taxpayer Obligation and Liabilities

Indicator	Score	Brief Explanation
PI-13 Clarity and comprehensiveness of tax liabilities	C	
(i) Clarity and comprehensiveness of tax liabilities	A	The tax legislation is clear and comprehensive. The discretionary powers are limited.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	D	Taxpayers do not have access to up-to-date information on tax liabilities and administrative procedures.
(iii) Existence and functioning of a tax appeals mechanism	D	The state is yet to establish a tax appeal system.
Score Method M2		

PI-14: Effectiveness of Measures for Taxpayer Registration and Tax Assessment

Effectiveness in tax assessment is ascertained by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers. Taxpayer registration is facilitated by control mechanisms introduced by the revenue administration (i.e. State Board of Internal Revenue). Maintenance of a taxpayer database based on a unique taxpayer identification number is an important element of such a control system, but it is most effective if combined

⁴⁰ Section 85A(1) of Personal Income Tax provide that there shall be a Board to be known as the State Board of Internal Revenue (BIR) whose operational arm shall be known and called State Internal Revenue Service (IRS). The Board shall in addition be responsible for ensuring the effectiveness and optimum collection of all taxes and penalties due to the government under the relevant Laws

⁴¹ Joint Tax Board is statutory body created by PITA that is composed of Head of FIRS and respective states BIR.

⁴² EU-SRIP funded Report on Review of Revenue Administration, Generation, Collection and Remittance in Yobe state, 2008.

with other government registration systems that involve elements of taxable turnover and assets. In addition, State Board of Internal Revenue should ensure compliance with registration requirements through occasional surveys of potential taxpayers e.g. by selective, physical inspection of business premises and residences.

Data collection and processing as well as information management capacity in the Yobe State Board of Internal Revenue is very limited perhaps because of inadequate information technology equipment including computers. This situation might be responsible for limited data collection, lack of systematic registration of taxpayers. Consequently, revenue administration was not anchored on definite knowledge of the potential revenue base. There is no comprehensive list of potential taxpayers in Yobe state.

The Personal Income Tax Act provided for penalties for non-compliance with registration and tax declarations, but there was no evidence of enforcement in 2006, 2007 and 2008. A recent report observed that the taxes paid by the banks, federal Institutions and other organized private sector in the state are not being verified by Yobe Board of Internal Revenue⁴³.

Table 3.14: Effectiveness of Measures for Taxpayer Registration and Tax Assessment

Indicator	Score	Brief Explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	D+	
(i) Controls in taxpayer registration system	D	There is no comprehensive list of potential taxpayers in Yobe state.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	C	The Personal Income Tax Act provided for penalties for non-compliance with registration and tax declarations, but there was no evidence of enforcement in 2006, 2007 and 2008
(iii) Planning and monitoring of tax audit and fraud investigation programs	D	There is no evidence of verifying tax collection.
Score Method M2		

PI-15: Effectiveness in Collection of Tax Payments

The accumulation of tax arrears can be a critical factor in undermining high budgetary outturns, while the ability to collect tax debt lends credibility to the tax assessment process and reflects equal treatment of taxpayers. The prompt transfer of collections to the Treasury is essential for ensuring that the collected revenue is available to the Treasury for spending, and aggregate reporting on tax assessments, collections, arrears and transfers to Treasury must take place regularly and be reconciled.

⁴³ EU-SRIP funded Report on Review of Revenue Administration, Generation, Collection and Remittance in Yobe state, 2008.

The BIR did not keep record of tax arrears in 2006, 2007 and 2008 therefore the debt ratio collection within the period cannot be determined. There is no process of enforcing payment of arrears. In respect of effectiveness of transfer of collections to the Treasury Yobe state BIR maintains monthly records of total collections and are transferred to the Treasury during the period. The BIR indicated that there is regular reconciliation of tax assessments, collections and transfers to Treasury at least within one month of the end of month. However, the Board did not readily produce substantive evidence that this actually happens on monthly basis particularly in the light of the Board not maintaining record of arrears. Because of time constraint it was not possible to logically conclude on this issue.

Table 3.15: Effectiveness in Collection of Tax Payments

Indicator	Score	Brief Explanation
PI-15 Effectiveness in collection of tax payments	D+	
(i) Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	D	The BIR did not keep record of tax arrears in 2006, 2007 and 2008 therefore the debt ratio collection within the period cannot be determined
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	C	BIR maintain monthly records of total collections and are transferred to the Treasury during the period
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	Not Rated	Insufficient Information
Score Method M1		

PI-16: Predictability in Availability of Funds for Commitment Expenditure

This indicator assesses the extent to which the Office of the Accountant General of the state provides reliable information on availability of funds to spending MDAs, so that they can properly plan and manage their expenditure throughout the year.

A review of position in Yobe state in respect of the indicator is summarized as follows:

- There is no annual cash flow forecast.
- Recurrent expenditure: Although there are predictable monthly releases to MDAs for salaries and routine overhead expenditure, special expenditure releases are required for non-routine recurrent expenditure.
- Capital expenditure: Requests for the release of funds are assessed by the Governor with approvals communicated to the Office of the Accountant General for payment directly to the contractor. Approvals and release of payments are determined by the availability of funds and the Governor's priorities. This has resulted in unpredictable availability of capital funds

- Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way. The adjustments are prepared by the executive and forwarded to SHoA for approval.

The above position tallies with the findings in a recent EU-SRIP funded study⁴⁴.

Table 3.16: Predictability in Availability of Funds for Commitment Expenditure

Indicator	Score	Brief Explanation
PI-16 Predictability in the availability of funds for commitment of expenditures	D+	
(i) Extent to which cash flows are forecast and monitored.	D	There is no annual cash flow forecast
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	D	Requests for the release of funds are assessed by the Governor with approvals communicated to the Office of the Accountant General for payment directly to the contractor.
(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	B	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way. The adjustments are prepared by the executive and forwarded to SHoA for approval
Score Method M1		

PI-17: Recording and Management of Cash Balances, Debts and Guarantees

Debt management, in terms of contracting, servicing and repayment of loans, and the provision of government guarantees are major elements of overall fiscal management. There is a Debt Management Unit in the Ministry of Finance. The unit is responsible for keeping record of both domestic and foreign debt as well as updating the records. However, the records of the office have some gaps and are not regularly reconciled with the data in the MDAs. There is also no evidence of regular report of debt stocks. The Debt Management office of the federation also has the responsibility of maintaining reliable database of all external loans taken by the State Governments and also on agency basis, services such debts⁴⁵. The federal office keeps up to date record of foreign debts of the state⁴⁶.

Yobe state government (and its MDAs) has many bank accounts but the cash balances in the main accounts of the government are consolidated at the end of each month. The accounts are

⁴⁴ Detailed Needs Assessment for Accounting Financial Control and Audit Systems in Yobe State – 2007

⁴⁵ Section 6(1)(a) and (e) of Debt Management Establishment Act 2003

⁴⁶ This is possible because the Debt Management Establishment Act 2003 provides that the federal government must guarantee foreign loans of both federal and state governments.

not linked therefore the calculation and consolidation are done manually as the system does not allow for automatic consolidation of bank balances.

For the period of the assessment the state did not take any loan. Currently state governments in Nigeria have no capacity to contract foreign loans without approval and guarantee of the federal government. The state continues to service the foreign debts arising from commitments entered into before the period of this assessment. MDAs, AGAs and PEs cannot borrow directly from banks without approval of the Governor.

Table 3.17: Recording and Management of Cash Balances, Debts and Guarantees

Indicator	Score	Brief Explanation
PI-17 Recording and management of cash balances, debts and guarantees	C+	
(i) Quality of debt recording and reporting	C	The state Debt Management Unit keeps record of domestic and foreign debt. However there is no evidence of regular report of debt stocks.
(ii) Extent of consolidation of the Government's cash balances	C	The cash balances in the main accounts of government are consolidated at the end of each month. The system does not allow for automatic consolidation.
(iii) Systems for contracting loans and issuance of guarantees	B	Foreign debt is approved and guaranteed by federal government, while domestic loans by MDAs, AGAs and PEs are approved by the Governor.
Score Method M2		

PI-18: Effectiveness of Payroll Controls

Salaries and wages is one of the single largest expenditure of government. Its peculiar nature (high number of small and diverse transactions) makes it especially susceptible to errors and frauds. This indicator is concerned with the payroll for public servants only.

Every payroll should have an underlying personnel database (“nominal roll”), which provides a list of all staff, who should be paid every month and which can be verified against the approved establishment list and the individual personnel records (or staff files). The link between the personnel database and the payroll is a key control. Any amendments required to the personnel database should be processed in a timely manner through a change report, and should result in an audit trail. Payroll audits should be undertaken regularly to identify ghost workers, fill data gaps and identify control weaknesses.

Yobe State does not have a comprehensive and full personnel database residing in one place. Rather database for grade levels 02 to 06 reside with the MDAs while that of level 07 and above reside with the Civil Service Commission. The Civil Service Commission employs based on clearance issued to the respective MDAs by the Head of Service. The only record that may be

described as complete is the clearances issued which reside in the HOS's file. This is however not a compact record and is seldom reconciled with any other record. The Permanent Secretary Establishment issues a variation order to the Ministry of Finance which is the central payment centre for all salaries in the state. The process sometimes spills into the following month; hence the changes/variations do not always occur within the month. There is however an audit trail. The Ministry of Finance obtains biometrics data on the new personnel and obtains final approval from its Permanent Secretary thereby guarding against ghost workers.

Table 3.18: Effectiveness of Payroll Controls

Indicator	Score	Brief Explanation
PI-18 Effectiveness of Payroll Controls	C+	
Degree of integration and reconciliation between personnel records and payroll data.	C	A personnel database is not fully maintained but reconciliation of the payroll with personnel records takes place at intervals
Timeliness of changes to personnel records and the payroll	B	More than a months' delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes.
Internal controls of changes to personnel records and the payroll	A	Authority to change records and payroll is restricted and results in an audit trail.
Existence of payroll audits to identify control weaknesses and/or ghost workers	B	A payroll audit covering all government entities has been conducted at least once in the last three years.
Score (Method M1)		

PI-19: Competition, value for money and controls in procurement

Chapter 33 (Sections 3301 – 3322) of Yobe state government financial regulation made provisions for tenders board and tenders. The financial regulation provided procurement rules, procedures, composition and threshold of both the ministerial and state tenders' board. However, section 3404(a) provided that where an emergency operation is declared by the Governor, the tender procedure shall be waived and shall be empowered to make purchases and award contracts up to N10 million. Where the value of such contracts exceeds N10 million the Commissioner concerned shall obtain, through the Ministry of Finance, the authority of the Governor in writing.

By virtue of this provision an emergency can be declared and open competitive process will be waived. The term emergency in most cases was used arbitrary and therefore justifications for use of less competitive process were weak. There is some sample data on the procurement methods employed, but the State tenders' board record indicates a number ratio of less than 50%.

The Financial Regulation did not make provision for submitting and addressing complaints regarding the implementation of the procurement process. There is also no recorded complaint of procurement process for the period of this assessment.

Table 3.19: Competition, value for money and controls in procurement

Indicator	Score	Brief Explanation
PI-19: Competition, value for money and controls in procurement	D+	
(i) Use of open competition for award of contracts that exceed the nationally established threshold for small purchases	C	The regulations instruct on the use of open competition procurement thresholds. There is some sample data on the procurement methods employed. The State Tenders Board record indicates a number ratio less than 50%.
(ii) Justification for use of less competitive procurement methods	C	Where other non-competitive methods are to be used by procuring entities, Justification is weak or missing.
(iii) Existence and operation of a procurement complaints mechanism	D	The Financial Instruction did not make provision for addressing procurement process complaints and there is no record of complaint to an external body.
Score Method M2		

PI-20: Effectiveness of Internal Controls for Non-Salary Expenditures

Effectiveness in an internal control system is indicated by the following attributes;

- (a) Relevance (i.e. based on an assessment of risks and the controls required to manage the risks),
- (b) Comprehensiveness and cost effectiveness (which address compliance with rules in procurement and other expenditure processes, prevention and detection of mistakes and fraud, safeguard of information and assets, and quality and timeliness of accounting and reporting),
- (c) Widely understood and complied with, and
- (d) Circumvention only for genuine emergency reasons.

This indicator covers only the control of expenditure commitments and payment for goods and services, casual labor wages and discretionary staff allowances. The effectiveness of expenditure commitment controls is singled out as a separate dimension of this indicator due the importance of such controls for ensuring that the government’s payment obligations remain within the limits of projected cash availability, thereby avoiding creation of expenditure arrears

Yobe State has a Financial Regulation which was revised in 2004. The majority of the officers are however not aware of the existence of the revised financial regulations. They cannot therefore be said to be following it. The earlier one inherited from the defunct North Eastern State however have clear and comprehensive rules which are meant to control expenditure.

The State Tenders Committee does not award contracts, rather it recommends to State Executive Council which may then award contracts based on own criteria which is not publicly disclosed. Sometimes contracts are also awarded without passing through the State tenders Committee

Table 3.20: Effectiveness of Internal Controls for Non-Salary Expenditures

Indicator	Score	Brief Explanation
PI-20 Effectiveness of Internal Controls for Non-Salary Expenditures	D+	
Effectiveness of Expenditure Commitment Controls	D	Commitment control systems are generally lacking and are routinely violated.
Comprehensiveness, relevance, and understanding of other control rules/procedures	C	Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures are excessive, while controls are deficient in areas of minor importance.
Degree of compliance with rules for processing and recording transactions	C	Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.
Score (Method M1)		

PI-21: Effectiveness of Internal Audit

This indicator assesses the effectiveness of internal audit and its ability to provide sufficient and timely feedback to management and support the work of the Auditor General of the state. It assesses the extent to which the internal audit function conducts system and monitoring of internal financial processes. A recent report of the Accounting Financial Control and Audit Systems in Yobe State stated that “the inbuilt checks and balances that should guide activities of accounting and Treasury officers in their monitoring and evaluation roles are not observed and used to monitor individual performance in a hierarchical manner whereby the accounting records prepared by lower level Staff are constantly cross checked by higher level officials for accuracy and due process”⁴⁷.

Another report in respect of Audit functions states that “the Internal Audit functions are only being performed in four parastatals (Rural Electrification Board, Board of Internal Revenue, Water Corporation and Pilgrims Welfare Board) in the state and these are usually post-audit rather than pre-audit prescribed in the Financial Instructions. Other MDAs do not currently perform any internal audit function”⁴⁸.

⁴⁷ Detailed Need Assessment for Accounting Financial Control and Audit Systems in Yobe State 2007 pg 21

⁴⁸ Review And Strengthening Audit Functions in Yobe State and Local Government Audit Departments 2008 pg 5.

Table 3.21: Effectiveness of Internal Audit

Indicator	Score	Brief Explanation
PI-21. Effectiveness of internal audit	D	
(i) Coverage and quality of the internal audit function	D	Internal Audit functions are only being performed in four MDAs of Yobe state government.
(ii) Frequency and distribution of reports	D	Reports are not prepared
(iii) Extent of management response to internal audit findings	D	Reports are not prepared
Score Method M1		

3.5 Accounting, Recording, and Reporting

The accounting system ensures the maintenance and production of adequate records and information, and their dissemination to meet decision making and control. There are four indicators that assess whether budget performance and accounts information are prepared regularly and in a timely manner.

PI-22: Timeliness and Regularity of Accounts Reconciliation

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants – this is an important part of internal control and a foundation for good quality information for management and for external reports. Timely and frequent reconciliation of data from different sources is fundamental for data reliability. The Yobe state Financial Instruction 2004 provides that bank reconciliation should be done for all bank accounts of government (i.e. both Offices of the Accountant General and spending MDAs managed accounts. However, monthly reconciliation is done for only the Office of the Accountant General managed accounts and there are backlog of several months in respect of spending MDAs managed accounts. The EU-SRIP Detailed Need Assessment for Accounting Financial Control and Audit Systems in Yobe State summarized the position in the following phrase “Accounts were in arrears, including monthly bank Statement reconciliation as most MDAs depended on manual procedures for processing accounting data, leading to late preparation of Annual Accounts and Financial Statements”.

Though monthly reconciliation is done for Office of the Accountant General managed accounts, clearance of suspense accounts and advances are not covered. Clearance of suspense accounts and advance are all in arrears and in some instances for a period of more than one year

Table 3.22: Timeliness and Regularity of Accounts Reconciliation

Indicator	Score	Brief Explanation
PI-22: Timeliness and Regularity of Accounts Reconciliation	C	
(i) Regularity of Bank reconciliations	B	Monthly reconciliation is done for only the Office of the Accountant General managed accounts and there are backlog of several months in respect of spending MDAs managed accounts
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	D	Reconciliation and clearance of suspense accounts and advances take place less frequently, usually annually with long period of delays.
Score Method M2		

PI-23: Availability of information on resources received by service delivery units

This indicator measures the extent to which frontline service delivery units providing service at the community (such schools and health clinics) level obtain resources intended to their use in cash or kind. Frequently, frontline service delivery units suffer most when resources fall short because they are furthest in the resource allocation chain. At other times, there are significant delays in transferring resources, whether cash or kind, to such units. It is crucial to track such information in order to determine the extent to which the PFM system effectively supports frontline service delivery.

Information about the receipt of resources by service units was not readily available to the team during the period of this assessment. Also the state did not carry out any ad hoc assessment, surveys, inspection or audit in respect of Health and Education sectors for the period 2006, 2007 and 2008.

Table 3.23: Availability of information on resources received by service delivery units

Indicator	Score	Brief Explanation
PI-23 Availability of information on resources received by service delivery units	D	No comprehensive data collection on resources to service delivery units in any major sector has been collected or processed for 2006, 2007 and 2008.
Score Method M1		

PI-24: Quality and Timeliness of in-year budget reports

The state Ministry of Budget and Economic Planning based on returns from Office of the Accountant General and spending MDAs prepares quarterly in-year budget reports which compare the actual results for the quarter with the pro-rata approved estimates for the quarter using consistent budget classification, and displaying variances in absolute and percentage terms.

These reports are produced within six weeks of the end of the quarter and the ministry has been consistent with the production of this report. There are some concerns about the accuracy of information and these were not highlighted in the reports. For instance, the figures for Actual Expenditure in the report of the Budget Performance Office did not agree with the figures for Actual Expenditures in the Final Accounts for the same period. However, the differences are not major as such will not fundamentally undermine their basic usefulness.

Table 3.24: Quality and Timeliness of in-year budget reports

Indicator	Score	Brief Explanation
PI-24 Quality and Timeliness of in-year budget reports	C+	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	B	The state Ministry of Budget and Economic Planning based on returns from Office of the Accountant General and spending MDAs prepares quarterly in-year budget reports which compare the actual results for the quarter with the pro-rata approved estimates for the quarter.
(ii) Timeliness of the issue of reports	B	These reports are produced within six weeks of the end of the quarter and the ministry has been consistent with the production of this report
(iii) Quality of information	C	There are some concerns about the accuracy of information and these were not highlighted in the reports, but this does not fundamentally undermine their basic usefulness.
Score Method M1		

PI-25: Quality and timeliness of annual financial statements

All Budget institutions are to examine and settle final statements of their subordinate units then consolidate these accounts and prepare final statements of revenues and expenditures within their management scope. Final statements of revenues and expenditure are to be sent to the Accountant General of the State not later than the thirty-first of January. The Office of the Accountant General of the state shall within three months after the end of each financial year prepare the financial statements and annual accounts of the state. The financial statements and annual accounts of the state cover all MDAs but do not include those of LGs, AGAs, and PEs, that are required to prepare independent accounts.

Preparations of financial statements and accounts for the period under review were completed outside the stipulated time. The Office of the Accountant General submitted the 2005 financial statements and accounts to the State Auditor General for audit in March 2009, while the 2006, 2007 and 2008 financial statements and accounts were completed and submitted to the Auditor General in December 2009.

Theses financial statements and accounts are consistent with the Nigerian standards as provided by Technical Sub-Committee of the Federation Account Allocation Committee Report on

Standardization of Federal, States and Local Governments Accounts in Nigeria. The report prescribed financial statements and also stated that the cash basis of accounting is preferred in the short and medium run for the preparation of the financial statements.

Table 3.25: Quality and timeliness of annual financial statements

Indicator	Score	Brief Explanation
PI-25 Quality and timeliness of annual financial statements	D+	
(i) Completeness of the financial statements	C	A consolidated government statement is prepared annually. Information is not always complete and contains numerical errors, but these are not significant.
(ii) Timeliness of submission of the financial statements	D	The annual financial statements and accounts are prepared outside the stipulated time line.
(iii) Accounting standards used	B	Nigerian National Standards are used for the presentation of the accounts.
Score Method M1		

3.6 External Scrutiny and Audit

These are three indicators whether there are effective arrangements for scrutiny of public finances and follow up by the executive. These indicators recognize the importance of a high quality external audit in creating transparency as well as legislative scrutiny of the annual budget Law and external audit reports in the use of public funds.

PI-26: Scope, nature and follow-up of external audit

The powers, responsibilities, mode of appointment and removal of the Auditor General of the State are provided in the Constitution. The tenure of the Auditor General is secured but that of the staff of the office is not secured as they are subjected to terms and conditions of normal civil servant of the state.

The Constitution of the Federal Republic of Nigeria provides that “the public accounts of a State and of all offices and courts of the State shall be audited by the Auditor-General for the State who shall submit his reports to the House of Assembly of the State concerned, and for that purpose the Auditor-General or any person authorized by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts”⁴⁹. The Constitution also sets out time limit of 90 days for the Auditor General for the State of receipt of the Accountant-General's financial statement and annual accounts of the State, to submit his report to the House of Assembly of the State.

The 2004 audited financial statements and an account was submitted to the Public Accounts Committee of the State House of Assembly in the 2nd quarter of 2009 for scrutiny. The audit of 2005 financial statements and accounts was completed in 2009, while the audit of 2006, 2007

⁴⁹ Section 125(2)

and 2008 financial statements and accounts were completed in January 2010. Staff of the Office of the Auditor General for the State complained that the delays in finalising the audited financial statements and accounts for these years were as result of delay in submission of the statements by the Accountant General of the State.

The Auditor General’s function is thus undermined by the delays in the submission of the financial statements. The Office of the Auditor General of the State is yet to forward the audited financial statements and accounts for 2005, 2006, 2007 and 2008 to the Public Accounts Committee of the State House of Assembly, hence limiting the level of information available to the State House of Assembly on the financial management and execution of the previous fiscal years.

The state audit process for the period 2006 to 2008 is predominantly transaction-based testing, carried out by members of the Auditor General’s staff. This process does not make evaluations of major risks to the integrity of the financial statements.

Table 3.26: Scope, nature and follow-up of external audit

Indicator	Score	Brief Explanation
PI-26. Scope, nature and follow-up of external audit	D+	
(i) Scope/nature of audit performed (incl. adherence to auditing standards)	C	The state audit process for the period 2006 to 2008 is predominantly transaction-based testing, carried out by members of the Auditor General’s staff
(ii) Timeliness of submission of audit reports to the legislature	D	2006, 2007 and 2008 audit report yet to be submitted to SHoA.
(iii) Evidence of follow-up on audit recommendations	D	See above
Score Method M1		

PI-27: Legislative scrutiny of the annual budget law

The indicator assesses the scope of the Legislature’s scrutiny, the internal legislative procedures, and the time allowed for that process. It also examines rules for in-year budget amendments and the level of adherence to them. The State House of Assembly stated that they reviewed details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.

The Section 86 and 87 of State House of Assembly Standing Rules made provisions for procedure on money bills (budget) which include first, second and third readings. The House has a Finance and Appropriation Committee to which the budget bills are committed after second reading. The 18 standing committees (Health, Water Resources, Judiciary, Agriculture, etc) of the House for purpose of budget bills are regarded as sub-committee of the Finance and Appropriation committee. This process though simple is respected by all.

The time utilized by the State House of Assembly for review and approval of the budget proposal varies from 2 months to 5 months for 2006, 2007 and 2008. In all these years the budget were approved after the commencement of the financial year (i.e. after 1st January). In respect of in-year budget amendments the Executive Council prepares a virement which makes it possible for some level of administrative reallocation within the same budget head.

Table 3.27: Legislative scrutiny of the annual budget law

Indicator	Score	Brief Explanation
PI-27 Legislative scrutiny of the annual budget law	C+	
(i) Scope of the legislature's scrutiny	C	The State House of Assembly stated that they reviewed details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.
(ii) Extent to which the legislature's procedures are well-established and respected	B	Procedures exist for the legislature's budget review and are respected.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for	B	The time allowed for the legislature review is clearly sufficient though the appropriation bills were passed after the commencement of the financial year.
(iv) Rules for in-year Amendments to the budget without ex-ante approval by the legislature.	B	Rules regarding in-year budget amendments exist, but there is room for some level of administrative reallocation.
Score Method M1		

PI-28: Legislative scrutiny of external audit reports

There is permanent backlog of more than 3 years, the 2004 audited financial statements and accounts was submitted within the 2nd quarter of 2009 and up to the time of this assessment (February 2010) the House is yet to finalize examination of the reports. It was reported that the Public Accounts Committee of the House appointed consultants to review and make recommendations to the House in respect of the reports. More than 6 months of receipt of the reports the House is yet to complete their statutory function. Audited accounts for 2005 to 2008 are yet to be submitted to the SHoA.

Table 3.28: Legislative scrutiny of external audit reports

Indicator	Score	Brief Explanation
PI-28. Legislative scrutiny of external audit reports	D	
(i) Timeliness of examination of audit reports by legislature (for reports received with the last three years)	D	There is a permanent backlog of more than 3 years. The last audit report to be presented to Yobe State House of Assembly is 2004. The House is yet to complete legislative scrutiny of the audited financial statements and accounts so many months after submission.

(ii) Extent of hearings on key findings undertaken by legislature	D	Same as above
(iii) Issuance of recommended actions by the legislature and implementation by the executive	D	Same as above
Score Method M1		

4.0 GOVERNMENT REFORM PROCESS

4.1 Recent and On-going Reforms

Over the past 9 years the Nigerian government has embarked on a wide range of PFM reform programmes and most states of the federation have adopted the approach of the federal government. The most important reform process of the federal government that had the greatest impact at the sub national levels (i.e. state and local government levels) is the development of National Economic Empowerment and Development Strategy (NEEDS). NEEDS had three main pillars of strengthening governance and fighting poverty; growing the private sector; and empowering Nigerians through improved service delivery. The NEEDS also had economic and financial management reform as well as changing the way government does business through improved efficiency, transparency and strengthened anti-corruption activities as its main priorities.

The NEEDS concept was adopted by states with the development of State Economic Empowerment and Development Strategy (SEEDS) or its equivalent (and also development of Local Economic Empowerment and Development Strategy 'LEEDS' at the local government levels). Most states development strategy was prepared with four main goals of wealth creation, employment generation, poverty reduction and value reorientation. SEEDS approach served as the catalyst for states reform process. The National Planning Commission (NPC) and the joint group of donors further developed a framework for the joint assessment of SEEDS (with particular emphasis on reform) performance across states. SEEDS benchmark was developed as a means of identifying and encouraging states that demonstrated a clear commitment to improved governance, service delivery, transparency and accountability. The NPC and joint group of donors conducted two different benchmarking exercises in 2005 and 2006 respectively. The states were benchmarked on four key areas of:

- Policy: *To ensure that the State government develops, publishes and implements a strategy that advances its policy targets*
- Fiscal and Budget Management *To ensure responsible and prudent fiscal management that effectively contains the negative impacts of revenue fluctuation, and to establish the budget as a comprehensive, transparent and binding tool for the implementation of government priorities.*
- Service Delivery: *To ensure that government strategies to improve service delivery, both in terms of quality and in terms of reach, is developed and can be implemented.*
- Communication and Transparency: *To ascertain that policies are planned and implemented in a transparent and accountable manner.*

Yobe state adopted the core principles and values of SEEDS and also participated in the 2005 and 2006 NPC and joint donors benchmarking exercises. Yobe state in recognition of the importance of SEEDS principles and values in its reform, development and poverty reduction initiatives developed Yobe Socio-Economic Reforms Agenda (YOSERA) for the period 2004 to 2007 and Yobe Socio-Economic Reforms Agenda II (YOSERA II) for the period 2008 to 2011 as equivalent of SEEDS. The YOSERA II sets out clear and comprehensive policy priorities, with targets, goals and strategies for achieving them. The priority goals of YOSERA II are the following:

- Create opportunities for employment*
- Create opportunities for wealth generation*
- Design foresights for reorientation programme take off*
- Support economic growth*
- Improvement of local industry (particularly agro based industries)*
- Infrastructural development.*

The performance of Yobe state in the NPC SEEDS benchmarking exercise of 2005 resulted in the state being selected as one of the six partner states of the European Union funded Support to Reforming Institution Programme (EU-SRIP). The EU-SRIP has played a crucial role in the state reform programme to date. Through the support of the EU-SRIP various reform programmes anchored on the strategy and building on past efforts have been designed and are either being implemented or are in the process.

The major on-going or planned PFM reforms in the state include:

- Budget Classification and Chart of Accounts with intention of adding program segments for four sectors (Agriculture, Health, Education and Water Resources). The state has commenced training of core budget and finance staff for the implementation of the new Budget Classification made up of four major segments and ten digit coding structure in fiscal year 2010. The segments are: the organization (with 2 digits), sub-organization (with 2 digits), the Fund (with 2 digits), the projects (with 4 digits). The remaining Codes will be considered in 2011
- Payroll Reforms – Computerization of Civil Service payroll system and establishment of a database in the Office of the Accountant General of the State.
- Fiscal and Budget Reform – Preparation of a draft Fiscal Responsibility Bill that is before the SHoA, Preparation of Budget Calendar and Improvement in the content of the Budget Call Circular.
- Procurement Reform – Drafting of a Procurement Bill and empowering procurement institutions.
- Revenue Administration Reform – Improving and strengthening the processes for revenue administration including creation of databases, process of assessment, collection, accounting and reporting, collection of arrears, tax monitoring, and appeal and sanction mechanisms.
- Reform of Accounting and Auditing Processes – The State intends to ensure that the financial statements and accounts of each year are completed and submitted to the Public Accounts Committee of SHoA before June 30 of the next year as required by Law.

4.2 Institutional Factors Supporting Reform Planning and Implementation

Institutional factors play an important role in successful implementation and sustainability of any reform efforts. Some of the institutional factors contributing to the reform efforts of Yobe state are discussed below.

Government Ownership and Leadership

The most important factor is the ownership of the process by the key actors in the state PFM systems. The Commissioners and Permanent Secretaries of Ministry of Finance; Budget and Economic Planning; Accountant General of the State, and Director of Budget are the driving forces behind the ongoing reform efforts of the government.

Partnership

A number of development partners particularly EU-SRIP are supporting the PFM reforms of the state through assessment/studies, technical support, and capacity building initiatives. In addition to allowing for better coordination between the government and the development partners, the framework will improve the effectiveness of external support and strengthen local ownership of the reform process.

Reform Implementation Capacity

The capacity to implement reforms is critical to success and sustainability. The state has commenced the process of improving the capacity of the implementers of the reform programmes.

Annex 1: Performance Indicators Summary

Indicator /Dimension	Score	Brief Explanation
A. PFM-OUT-TURNS: Credibility of the Budget		
PI-1 Aggregate expenditure out-turn compared to original approved budget	D	<p>The original budget figures compared to outturn indicated that there has been a systematic under-expenditure measured at an aggregate level in the last two years. In 2008 the variance was 34 per cent of the original budget, 50.5 per cent in 2007, and 25.3 per cent in 2006. Notably, expenditure deviations were negative for 2006, 2007 and 2008.</p> <p>The high variances of actual expenditure against planned expenditure bring the credibility of the budget and the budget process into question.</p>
PI-2 Composition of expenditure out-turn compared to original approved budget.	D	<p>An examination of the detailed composition of the variance between budget and outturns shows a wide variation. For example:</p> <ul style="list-style-type: none"> □ Ministry of Finance, Budget and Economic Planning overspent its budget by 2.5% in 2006 and 2008, under-spent its budget by 49.5 in 2007; □ Ministry of Transport and Energy recorded an under-spend of 68%, 37% and 78% in 2006, 2007 and 2008 respectively; □ Ministry of Education recorded budget variance of 37%, 48% and 52% in 2006, 2007 and 2008 respectively.
PI-3 Aggregate revenue out-turn compared to original approved budget	D	The performance of the Internally Generated Revenue (IGR) was below 92% of budgeted domestic revenue estimates in two of the last three years.
PI-4 Stock and monitoring of expenditure Payment arrears		Not Rated
(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock	Not Rated	Insufficient Data
(ii) Availability of data for monitoring the stock payment arrears	Not Rated	Insufficient Data
B. KEY CROSS CUTTING ISSUES: Comprehensiveness and Transparency		

PI-5 Classification of the Budget	D	No relationship between recurrent and capital codes for the MDAs. The classification system cannot track spending across MDAs. It is highly restrictive and does not conform with international standard of classification
PI-6 Comprehensiveness of information included in budget documentation	B	Five out of the nine benchmarks have been met hence the requirements for level B are met.
PI-7 Extent of unreported government operations		D+
(i) The level of extra-budgetary expenditure (other than donor funded projects) which is unreported i.e. not included in fiscal reports.	B	The government extra budgetary expenditure arises for only five institutions that spend their internal revenue/service charge. The level of the extra budgetary expenditure is estimated to be within the range of 1% to 5%.
(ii) Income/expenditure information on donor-funded projects which is included in fiscal policy	D	The lead donor agencies expenditure in the state are managed outside the government budget and accounting system.
PI-8 Transparency of inter-governmental fiscal relations		C
(i) Transparency and objectivity in the horizontal allocation among Local governments	A	The horizontal allocation of almost all transfers from state government is provided in the Constitution and the Local Government Law.
(ii) Timeliness of reliable information to local governments on their allocations.	D	The local governments do not receive firm and reliable information on annual allocations from the state government in advance
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories.	D	The fiscal information by sectoral category is not collected and consolidated for Yobe state local government expenditure.
PI-9 Oversight of aggregate fiscal risk		D
(i) Extent of central government monitoring of autonomous government agencies and public enterprises.	D	The AGAs and PEs are not required to submit quarterly or in year financial statement. They are required to submit annual financial statements of which most of the AGAs and PEs are in arrears.
(ii) Extent of central government monitoring of sub national governments' fiscal position	D	Annual monitoring of local governments' fiscal position is significantly incomplete.

PI-10 Public access to fiscal information	C	Printed copies of annual budget documentation are available to the general public and can be purchased at N2,500.00 a copy. The year - end accounts are in arrears and so are the external audit reports
C. BUDGET CYCLE		
C (i) Policy-Based Budgeting		
PI-11 Orderliness and participation in the annual budget process		D+
(i) Existence of, and adherence to, a fixed budget calendar	C	A clear annual budget calendar that allows MDAs at least six weeks from receipt of the budget circular to meaningfully complete their detailed proposal exists but substantial delays occurs in it is implementation.
(ii) Guidance on the preparation of budget submissions.	C	The budget circular issued to MDAs, for 2008 had indicative ceilings for budget institutions. The budget estimates already completed in all details by the MDAs are reviewed by the Executive Council and passed to the State House of Assembly for legislation and subsequently accented to by the Executive Governor.
(iii) timely budget approval by the legislature	D	Due to late submission of the budget to State House of assembly the budget were approved with more than two months delay in two of the last three years.
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting		D
(i) multi-year fiscal forecast and functional allocations	D	No forward estimates of fiscal aggregates are undertaken
(ii) scope and frequency of debt sustainability analysis	D	No DSA was done in the three years
(iii) existence of costed sector strategies	D	Preparation of Sector strategy has commenced in water and sanitation sector and none has been prepared for other sectors.
(iv) linkages between investment budgets and forward expenditure estimates	D	Budgeting for investment and recurrent expenditure are separate processes.
C (ii) Predictability and Control in Budget Execution		
PI-13. Transparency of taxpayer obligations and liabilities		C
(i) Clarity and comprehensiveness of tax liabilities	A	The tax legislation is clear and comprehensive. The discretionary powers are limited.

(ii) Taxpayer access to information on tax liabilities and administrative procedures	D	Taxpayers do not have access to up-to-date information on tax liabilities and administrative procedures.
(iii) Existence and functioning of a tax appeals mechanism	D	The state is yet to establish a tax appeal system.
PI-14. Effectiveness of measures for taxpayer registration and tax assessment		D+
(i) Controls in taxpayer registration system	D	There is no comprehensive list of potential taxpayers in Yobe state.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	C	The Personal Income Tax Act provided for penalties for non-compliance with registration and tax declarations, but there was no evidence of enforcement in 2006, 2007 and 2008
(iii) Planning and monitoring of tax audit and fraud investigation programs	D	There is no evidence of verifying tax collection.
PI-15. Effectiveness in collection of tax payments		D+
(i) Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	D	The BIR did not keep record of tax arrears in 2006, 2007 and 2008 therefore the debt ratio collection within the period cannot be determined
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	C	BIR maintain monthly records of total collections and are transferred to the Treasury during the period
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	Not Rated	Insufficient Information.
PI-16 Predictability in the availability of funds for commitment of expenditures		D+
(i) Extent to which cash flows are forecast and monitored.	D	There is no annual cash flow forecast
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	D	Requests for the release of funds are assessed by the Governor with approvals communicated to the Office of the Accountant General for payment directly to the contractor.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	B	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way. The adjustments are prepared by the executive and forwarded to SHoA for approval
PI-17 Recording and management of cash balances, debts and guarantees		C+
(i) Quality of debt recording and reporting	C	The state Debt Management Unit keeps record of domestic and foreign debt. However there is no evidence of regular report of debt stocks
(ii) Extent of consolidation of the Government's cash balances	C	The cash balances in the main accounts of government are consolidated at the end of each month. The system does not allow for automatic consolidation.
(iii) Systems for contracting loans and issuance of guarantees	B	Foreign debt is approved and guaranteed by federal government, while domestic loans by MDAs, AGAs and PEs are approved by the Governor.
PI-18 Effectiveness of payroll controls		C+
(i) Degree of integration and reconciliation between personnel records and payroll data	C	A personnel database is not fully maintained but reconciliation of the payroll with personnel records takes place at intervals
(ii) Timeliness of changes to Personnel records and the payroll	B	More than a months' delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes.
(iii) Internal controls of changes to personnel records and the payroll	A	Authority to change records and payroll is restricted and results in an audit trail.
(iv) Existence of payroll audits to identify control weaknesses and /or ghost workers.	B	A payroll audit covering all government entities has been conducted at least once in the last three years.
PI-19: Competition, value for money and controls in procurement (M2)		D+
(i) Use of open competition for award of contracts that exceed the nationally established threshold for small purchases	C	The regulations instruct on the use of open competition procurement thresholds. There is some sample data on the procurement methods employed. The State Tenders Board record suggests a number ratio less than 50%.
(ii) Justification for use of less competitive procurement methods	C	Where other non-competitive methods are to be used by procuring entities, Justification is weak or missing.
(iii) Existence and operation of a procurement complaints	D	The Financial Instruction did not make provision for addressing procurement process complaints and

mechanism		there is no record of complaint to an external body.
PI-20: Effectiveness of internal controls for non-salary expenditure (M1)		D+
(i) Effectiveness of expenditure commitment controls	D	Commitment control systems are generally lacking and are routinely violated.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures	C	Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures are excessive, while controls are deficient in areas of minor importance.
(iii) Degree of compliance with rules for processing and recording transactions	C	Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.
PI-21. Effectiveness of internal audit		D
(i) Coverage and quality of the internal audit function	D	Internal Audit functions are only being performed in four MDAs of Yobe state government.
(ii) Frequency and distribution of reports	D	Reports are not prepared
(iii) Extent of management response to internal audit findings	D	Reports are not prepared
C (iii) Accounting, Recording and Reporting		
PI-22 Timeliness and regularity of accounts reconciliation		C
(i) Regularity of Bank reconciliations	B	Monthly reconciliation is done for only the Office of the Accountant General managed accounts and there are backlog of several months in respect of spending MDAs managed accounts
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	D	Reconciliation and clearance of suspense accounts and advances take place less frequently, usually annually with long period of delays.
PI-23 Availability of information on resources received by service delivery units	D	No comprehensive data collection on resources to service delivery units in any major sector has been collected or processed for 2006, 2007 and 2008.
PI-24 Quality and Timeliness of in-year budget reports		C+

(i) Scope of reports in terms of coverage and compatibility with budget estimates	B	The state Ministry of Budget and Economic Planning based on returns from Office of the Accountant General and spending MDAs prepares quarterly in-year budget reports which compare the actual results for the quarter with the pro-rata approved estimates for the quarter.
(ii) Timeliness of the issue of reports	B	These reports are produced within six weeks of the end of the quarter and the ministry has been consistent with the production of this report
(iii) Quality of information	C	There are some concerns about the accuracy of information and these were not highlighted in the reports, but this does not fundamentally undermine their basic usefulness.
PI-25 Quality and timeliness of annual financial statements		D+
(i) Completeness of the financial statements	C	A consolidated government statement is prepared annually. Information is not always complete and contains numerical errors, but these are not significant.
(ii) Timeliness of submission of the financial statements	D	The annual financial statements and accounts are prepared outside the stipulated time line.
(iii) Accounting standards used	B	Nigerian National Standards are used for the presentation of the accounts.
C (iv) External Scrutiny and Audit		
Indicator	Score	Brief Explanation
PI-26. Scope, nature and follow-up of external audit		D+
(i) Scope/nature of audit performed (incl. adherence to auditing standards)	C	The state audit process for the period 2006 to 2008 is predominantly transaction-based testing, carried out by members of the Auditor General's staff
(ii) Timeliness of submission of audit reports to the legislature	D	2006, 2007 and 2008 audit report yet to be submitted to SHoA.
(iii) Evidence of follow-up on audit recommendations	D	See above
PI-27 Legislative scrutiny of the annual budget law		C+
(i) Scope of the legislature's scrutiny	C	The State House of Assembly stated that they reviewed details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.
(ii) Extent to which the legislature's procedures are	B	Procedures exist for the legislature's budget review and are respected.

well-established and respected		
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for	B	The time allowed for the legislature review is clearly sufficient though the appropriation bills were passed after the commencement of the financial year.
(iv) Rules for in-year Amendments to the budget without ex-ante approval by the legislature.	B	Rules regarding in-year budget amendments exist, but there is room for some level of administrative reallocation.
PI-28. Legislative scrutiny of external audit reports		D
(i) Timeliness of examination of audit reports by legislature (for reports received with the last three years)	D	There is a permanent backlog of more than 3 years. The last audit report to be presented to Yobe State House of Assembly is 2004. The House is yet to complete legislative scrutiny of the audited financial statements and accounts more than 6 months after submission.
(ii) Extent of hearings on key findings undertaken by legislature	D	Same as above
(iii) Issuance of recommended actions by the legislature and implementation by the executive	D	Same as above

Annex 2: Documents Consulted

1. CBN: Annual Report and Financial Statements for the Year Ended 31st December 2008
2. Debt Management Establishment Act 2003
3. Detailed Needs Assessment for Accounting Financial Control and Audit Systems in Yobe State – 2007
4. EU-SRIP funded Report on Review of Revenue Administration, Generation, Collection and Remittance in Yobe state, 2008.
5. Federal Government Economics Reform & Governance project: National Bureau of Statistics Annual Abstract of Statistics 2008
6. FGN MDGS: Mid-Point Assessment Report of MDG in Nigeria – OSSAP MDG 2008
7. FGN-NBS: National Bureau of Statistics- Poverty Profile for Nigeria 2005
8. Good Practices in Applying the PFM Performance Measurement Framework Guidance for Assessment Planners and Managers PEFA Secretariat March 2009.
9. Guidelines for application of the PEFA Performance Measurement Framework at Sub National Government Level, Main Report, March 2008
10. Guidelines for application of the PEFA Performance Measurement Framework at Sub National Government Level, Annex, March 2008
11. <http://www.eia.doe.gov/emeu/cabs/Nigeria/Oil.html>
12. http://www.hosf.gov.ng/resources/guides/financial_regulations
13. Ministry of Budget and Economic Planning Budget Performance Report 2007
14. Ministry of Budget and Economic Planning Budget Performance Report 2008
15. National Bureau of Statistics: The Nigerian Statistics Fact Sheets on Economic & Social Development- Dec 2007
16. National Population Commission: National Household and Population Census 2006
17. PEFA- Public Financial Management Performance Measurement Framework June 2005.
18. Review and Strengthening Audit Functions in Yobe State and Local Government Audit Departments 2008

19. The Federal Republic of Nigeria: Constitution of Federal Republic of Nigeria 1999
20. www.nationsencyclopedia.com
21. Yobe State Government Approved Budget 2006
22. Yobe State Government Approved Budget 2007
23. Yobe State Government Approved Budget 2008
24. Yobe State Government Financial Regulation
25. Yobe State Government Financial Statements and Accounts 2006

Annex 3: List of Persons Met

S/N	FULL NAME	ORGANISATION	POSITION
1	Babagoni Machina mni	Office of the Secretary to the State Government	Secretary to the State Government
3	Dauda Yahaya mni	Office of the Head of Service	Head of Service
4		Office of the Head of Service	Permanent Secretary Establishment
	Mohammed.A.Geidam	Ministry of Finance	Permanent Secretary/SAO
5	K.K Amshi	Ministry of Budget & Economic Planning	Permanent Secretary
6		Office of the Secretary to the State Government	Permanent Secretary Administration
7	Barr. Saleh Samaja	Ministry of Justice	Permanent Secretary
8	Bukar. G. Gujba	Board of Internal Revenue	Executive Chairman
9		State House of Assembly	Clerk of the House
1	Yahaya Inuwa Barde	Ministry of Health	Permanent Secretary
4	Babaji Galadima	Ministry of Budget & Economic Planning	Director of Budget
5	Muhammad. A. Ali	Ministry of Finance	Director of Finance & Accounts
6	Yusuf.A.Amshi	Ministry of finance	Head, Budget Performance
7	Yusuf Ahmed Fajee	Ministry of Finance	Head, Debt Management Unit
8	Shettima Balube	Ministry of Finance	Secretary
9		Ministry of Finance	Secretary State Tenders Board
10	Mere Kolo Geidam	Ministry of Justice	Director of Finance & Supplies
11	Idi Lawan	Ministry of Justice	Director of Personnel Management
12	Jibrin Maluri	MHAIC	Director of Finance & Supplies
13	Hassan Garba Kafmzu	MHAIC	Director of Planning Research & Statistics
14		Ministry of Finance	Director Final Accounts
15	Bulama Umar Suleiman	Ministry of Health	Director of Planning Research & Statistics
17	Ahmed Wakili	Board of Internal Revenue	Director
18	Samaila.I.Yaro	Office of the Auditor General	Director
19	Mohammadu. M. Shehu	Office of the Auditor General	Director of Finance & Supplies

20	Yerima Kachalla	Office of the Auditor General	Director
21	Umaru. H. Babayo	Office of the Accountant General	Accountant General
22	Adamu Mazika	Ministry of Water Resources	Director of Finance & Supplies
23	Hussaini Ahmad Kabamo	Ministry of Water Resources	Director of Planning Research & Statistics
24	Babagana Modu	Ministry of Works	Director of Planning Research & Statistics
25	Yahaya Idris	Local Government Audit	Director
26	Gubo Aji Laya	Local Government Audit	Director of Finance & Supplies
27	Aji Kolomi	Ministry of Education	Director of Finance & Supplies
28	Mohammed Wakil	Ministry of Education	Director of Finance & Supplies
29	Ta'a Abdu Daura	Ministry of Education	Permanent Secretary
30	Regina Sonaiya	EU – SRIP	State Coordinator
33	Mohammed Mohamed Sadiq	EU - SRIP	Secretary

MEMBERS OF TECHNICAL TEAM

S/N	FULL NAME	ORGANISATION	POSITION
1	Adamu Mazika	Ministry of Water Resources	Director of Finance & Supplies
2	Hussaini Ahmad Kabamo	Ministry of Water Resources	Director of Planning Research & Statistics
3	Samaila.I.Yaro	Office of the Auditor General	Director
4	Moh'd Sabo Lamido	Office of the Auditor General	Asst Director Parastatals
5	Yerima Kachalla	Office of the Auditor General	Director
6	Babaji Galadima	Ministry of Budget & Economic Planning	Director of budget
7	Hassan Garba Kafmzu	MHAIC	Director of Planning Research & Statistics
8	Jibrin Maluri	MHAIC	Director of Finance & Supplies

9	Ahmed Wakili	Board of Internal Revenue	Director
10	Barbar Goni	Board of Internal Revenue	Director of Planning Research & Statistics
11	Idi Lawan	Ministry of Justice	Director of Personnel Management
12	Yahaya Idris	Local Government Audit	Director
13	Gubo Aji Laya	Local Government Audit	Director of Finance & Supplies
14	Mohammed Wakil	Ministry of Education	Director of Finance & Supplies
15	Aji Kolomi	Ministry of Education	Director of Finance & Supplies
16	Abdulahi Adamu	Ministry of Education	Chief Accountant
17	Abubakar Ali	Ministry of Education	Director
18	Yusuf Ahmed Fajee	Ministry of Finance	Head, Debt Management Unit
19	Muhammad. A. Ali	Ministry of Finance	Director of Finance & Accounts
20		Ministry of Finance	Director Final Accounts

Annex 4: Excel Calculation for PI-1 to PI-3

Table 1 - Fiscal years for assessment	
Year 1 =	2006
Year 2 =	2007
Year 3 =	2008

2006

functional head	budget	actual	difference	Absolute	percent
WORKS, LANDS & SURVEY	4,515,780,000.00	4,711,489,526.00	195,709,526.00	195,709,526.00	4.3%
FINANCE, BUDGETING & ECONOMIC PLANNING	9,345,312,000.00	9,578,044,545.00	232,732,545.00	232,732,545.00	2.5%
AGRICULTURE, ANIMAL & FISHERIES	2,416,712,000.00	1,331,006,111.00	(1,085,705,889.00)	1,085,705,889.00	44.9%
EDUCATION	6,919,211,000.00	4,331,475,198.00	(2,587,735,802.00)	2,587,735,802.00	37.4%
YOUTH , SPORTS & SOCIAL DEVELOPMENT	619,730,000.00	339,806,217.00	(279,923,783.00)	279,923,783.00	45.2%
INFORMATION	896,240,000.00	328,624,468.00	(567,615,532.00)	567,615,532.00	63.3%
TRANSPORT & ENERGY	1,518,973,000.00	491,853,764.00	(1,027,119,236.00)	1,027,119,236.00	67.6%
HEALTH	2,159,335,000.00	1,483,472,814.00	(675,862,186.00)	675,862,186.00	31.3%
JUSTICE	661,076,000.00	298,804,551.00	(362,271,449.00)	362,271,449.00	54.8%
INTEGRATED RURAL DEVELOPMENT	415,600,000.00	156,162,441.00	(259,437,559.00)	259,437,559.00	62.4%
WOMEN AFFAIRS	337,600,000.00	101,753,103.00	(235,846,897.00)	235,846,897.00	69.9%
WATER RESOURCES	1,520,460,000.00	790,436,963.00	(730,023,037.00)	730,023,037.00	48.0%
RELIGIOUS AFFAIRS	300,252,000.00	571,629,156.00	271,377,156.00	271,377,156.00	90.4%
PARASTATALS	2,056,000,000.00	1,895,480,832.00	(160,519,168.00)	160,519,168.00	7.8%
GENERAL ADMINISTRATION	1,826,800,000.00	997,199,664.00	(829,600,336.00)	829,600,336.00	45.4%
HOUSING & ENVIRONMENT	1,360,272,000.00	527,471,505.00	(832,800,495.00)	832,800,495.00	61.2%
COMMERCE	1,797,798,000.00	952,610,311.00	(845,187,689.00)	845,187,689.00	47.0%
OTHERS	38,667,151,000.00	28,887,321,169.00	(9,779,829,831.00)	9,779,829,831.00	25.3%
Total expenditure	38,667,151,000.00	28,887,321,169.00		11,179,468,285.0	28.9%
Composition variance	4,515,780,000.00	4,711,489,526.00	195,709,526.00	195,709,526.00	4.3%

2007

Functional Head	Budget	Actual	Difference	Absolute	Percent
WORKS, LANDS & SURVEY	5,459,425,000.00	2,081,188,446.00	(3,378,236,554.00)	3,378,236,554.00	61.9%
FINANCE, BUDGETING & ECONOMIC PLANNING	1,279,979,000.00	646,168,554.00	(633,810,446.00)	633,810,446.00	49.5%
AGRICULTURE, ANIMAL & FISHERIES	2,225,120,000.00	1,461,491,342.00	(763,628,658.00)	763,628,658.00	34.3%
EDUCATION	7,224,964,000.00	3,738,227,943.00	(3,486,736,057.00)	3,486,736,057.00	48.3%
YOUTH , SPORTS & SOCIAL DEVELOPMENT	542,300,000.00	160,281,603.00	(382,018,397.00)	382,018,397.00	70.4%
INFORMATION	753,371,000.00	227,998,171.00	(525,372,829.00)	525,372,829.00	69.7%
TRANSPORT & ENERGY	1,455,172,000.00	913,233,954.00	(541,938,046.00)	541,938,046.00	37.2%
HEALTH	3,771,854,000.00	1,686,142,574.00	(2,085,711,426.00)	2,085,711,426.00	55.3%
JUSTICE	630,425,000.00	292,086,550.00	(338,338,450.00)	338,338,450.00	53.7%
INTEGRATED RURAL DEVELOPMENT	983,000,000.00	199,379,042.00	(783,620,958.00)	783,620,958.00	79.7%
WOMEN AFFAIRS	282,100,000.00	91,104,208.00	(190,995,792.00)	190,995,792.00	67.7%
WATER RESOURCES	2,597,077,000.00	735,580,058.00	(1,861,496,942.00)	1,861,496,942.00	71.7%
RELIGIOUS AFFAIRS	382,745,000.00	973,175,809.00	590,430,809.00	590,430,809.00	154.3%
PARASTATALS	-	-	-	-	#DIV/0!
GENERAL ADMINISTRATION	2,906,077,000.00	2,473,586,467.00	(432,490,533.00)	432,490,533.00	14.9%
HOUSING & ENVIRONMENT	2,384,852,000.00	508,707,818.00	(1,876,144,182.00)	1,876,144,182.00	78.7%
COMMERCE	817,698,000.00	484,345,067.00	(333,352,933.00)	333,352,933.00	40.8%
OTHERS	2,010,072,000.00	990,762,678.00	(1,019,309,322.00)	1,019,309,322.00	50.7%
Total expenditure deviation	35,706,231,000.00	17,663,460,284.00	(18,042,770,716.00)	18,042,770,716.00	50.5%
Composition variance	35,706,231,000.00	17,663,460,284.00		19,223,632,334.00	53.8%

2008

Functional head	Budget	Actual	Difference	Absolute	Percent
WORKS, LANDS & SURVEY	13,816,869,000.00	12,061,785,681.00	(1,755,083,319.00)	1,755,083,319.00	12.7%
FINANCE, BUDGETING & ECONOMIC PLANNING	5,055,549,000.00	5,182,270,393.00	126,721,393.00	126,721,393.00	2.5%
AGRICULTURE, ANIMAL & FISHERIES	2,311,646,000.00	2,066,936,505.00	(244,709,495.00)	244,709,495.00	10.6%
EDUCATION	13,540,094,860.00	6,445,364,514.00	(7,094,730,346.00)	7,094,730,346.00	52.4%
YOUTH , SPORTS & SOCIAL DEVELOPMENT	768,365,000.00	297,734,783.00	(470,630,217.00)	470,630,217.00	61.3%
INFORMATION	1,127,876,000.00	568,075,789.00	(559,800,211.00)	559,800,211.00	49.6%
TRANSPORT & ENERGY	1,759,037,000.00	382,003,133.00	(1,377,033,867.00)	1,377,033,867.00	78.3%
HEALTH	7,015,916,440.00	1,950,574,037.00	(5,065,342,403.00)	5,065,342,403.00	72.2%
JUSTICE	767,657,000.00	434,576,050.00	(333,080,950.00)	333,080,950.00	43.4%
INTEGRATED RURAL DEVELOPMENT	400,604,000.00	118,346,548.00	(282,257,452.00)	282,257,452.00	70.5%
WOMEN AFFAIRS	230,825,000.00	77,021,723.00	(153,803,277.00)	153,803,277.00	66.6%
WATER RESOURCES	3,272,838,000.00	1,384,992,586.00	(1,887,845,414.00)	1,887,845,414.00	57.7%
RELIGIOUS AFFAIRS	1,647,497,000.00	1,605,579,367.00	(41,917,633.00)	41,917,633.00	2.5%
PARASTATALS	-	-	-	-	
GENERAL ADMINISTRATION	6,890,130,700.00	6,315,262,683.00	(574,868,017.00)	574,868,017.00	8.3%
HOUSING & ENVIRONMENT	3,544,097,000.00	2,566,393,606.00	(977,703,394.00)	977,703,394.00	27.6%
COMMERCE	7,952,732,000.00	5,290,306,990.00	(2,662,425,010.00)	2,662,425,010.00	33.5%
OTHERS	3,009,213,000.00	1,494,813,394.00	-1514399606	1514399606	50.3%
Total expenditure deviation	73,110,947,000.00	48,242,037,782.00	(24,868,909,218.00)	24,868,909,218.00	34.0%
Composition variance	73,110,947,000.00	48,242,037,782.00		25,122,352,004.00	34.4%

Table 5 - Results Matrix					
	for PI-1			for PI-2	
year	total exp. deviation		total exp. variance		variance in excess of total deviation
2006	25.3%		28.9%		3.6%
2007	50.5%		53.8%		3.3%
2008	34.0%		34.4%		0.3%
Score for indicator PI-1:			D		
Score for indicator PI-2:			D		
Score for indicator PI-3:			D		

Annex 5: Terms of Reference

SUPPORT TO REFORMING INSTITUTIONS PROGRAMME (SRIP)

Yobe State SRIP Phase 2 OPE1

TERMS OF REFERENCE

Activity 1.3 – Public Expenditure Assessment in Yobe State using PEFA - Performance Measurement Framework

1. BACKGROUND

The Support to Reforming Institutions Programme (SRIP) aims at improving the quality of service delivery through more efficient and transparent management of public finances in the 6 focal states. Such an outcome directly calls for a more efficient and more transparent budget management; the end-result of which must be reflected in a business climate more conducive to private productive investment and job creation and, subsequently, to a marked reduction of poverty in the affected Programme areas.

According to the Financing Agreement between the European Commission and the Federal Republic of Nigeria, the Programme plans to achieve two results:

- (i) Transparent budgeting processes that take account of past experience, reflect the political priorities identified through political debate, and serve as a binding guide to their implementation, using the prudently estimated resources available; and
- (ii) Citizens who through Civil Society Organisations can participate effectively in the budget process, highlighting cases of corruption and business crime.

SRIP is managed by a Project Management Unit (PMU) based in Abuja. State Technical Units (STUs) are directed and monitored by the PMU in their delivery of assistance to selected state and local government authorities and CSOs in Cross River, Osun, Jigawa, Anambra, Kano and Yobe.

SRIP will support a Public Expenditure Assessment in Yobe State as part of the overall objective of improving service delivery and assisting the state to achieve a more accountable and transparent budgeting and Public Finance Management processes. Nigeria's poor growth performance has been attributed to some observed weaknesses in her public finance management system.

There is wide agreement that effective institutions and system of public financial management (PFM) have a critical role to play in supporting implementation of policies of national development and poverty reduction. A major weakness in Nigeria's PFM system is the inadequate budget formulation, expenditure prioritization and expenditure control which invariably manifest itself in poor finances of core public services.

A second major weakness is the absence of accountability mechanisms, resulting in large scale corruption and misuse of public funds within the budget execution process.

A review of public financial management performance by the World Bank (May 2007) in four Nigerian States (Bauchi, Cross River, Enugu and Kaduna) confirmed that the public financial management performance of Nigerian states is very weak and in need of urgent reform. The Report further stressed that though there might be exceptional cases of good performance, but overall, these cases constitute a small proportion to have any appreciable impact on economic development and poverty reduction agenda.

A good PFM system is essential for aggregate fiscal discipline, strategic allocation of resources and efficient service delivery. An open and orderly PFM system is critical for the achievement of the three budget outcomes:

- Aggregate fiscal discipline.
- Strategic prioritization of need and policies.
- Efficient service delivery and value for money.

A consultancy input is required to assess the present situation and highlight weaknesses of the PFM system in Yobe State using the Public Expenditure and Financial Accountability (PEFA 2005) – Performance Measurement Framework (see www.pefa.org). A PEFA-type assessment forms the basis of a PFM Reform Plan. A PFM Reform Plan must be driven by the state government. The assignment is to conduct a PEFA self-assessment as a consultative process with state government officials taking a lead role.

2. DESCRIPTION OF THE ASSIGNMENT

2.1 Beneficiaries

The state government and her citizens through effective service delivery and poverty reduction occasioned by a sound PFM systems, processes and institutions.

2.2 Global Objectives

- To promote fiscal discipline and achieve sound public financial management.
- Achieve strategic allocation of resources.
- Provide effective service delivery and value for money during budget execution.
- Support implementation of development policies and poverty reduction.

2.3 Specific Objectives

- Assess the extent to which the existing PFM system supports the achievement of aggregate fiscal discipline, strategic allocation of resources and effective service delivery.
- Assess the extent to which PFM systems, processes and institutions meet the core dimensions of PFM performance. (See Annex 1).
- Use the high-level indicators to measure the operational performance of the key elements of the PFM system against the core dimensions of PFM performance. (See Annex 2).
- Compare and contrast the findings of Yobe study with the PEFA-type assessment carried out by the World Bank in four Nigerian States – Bauchi, Cross River, Enugu and Kaduna (see World Bank Report No. 36496-NG). Draw lessons and provide possible next steps in form of priority directions for PFM reform in the State.
- Prepare a comprehensive PFM-Performance Report (PFM-PR) in accordance with PEFA methodology.

2.4 Requested Services

- Undertake an in-depth study of the PEFA-PFM Performance Measurement Framework.

- Identify PFM institutions in the state that would participate in the programme and hold a training/workshop sessions with the officials on the PEFA Performance Measurement Framework prior to the assignment proper, so as to enhance their participation in the PEFA-type assessment. The selected officials will form the state PEFA Team.
- Prepare a brief economic analysis containing the economic and demographic structure of the state and recent financial reforms implemented and on-going in the state. The brief should also provide:
 - an overview of the budgetary outcomes in the state in the last three years with information on the main trends in fiscal performance, sectoral and economic allocation of resources and other relevant information as well as
 - a description of the legal and institutional environment within which PFM systems and institutions operate and other key features of the PFM system.
- Present the analysis of the findings of the indicator-led assessment of the core dimensions of PFM performance separating the present situation (what the situation is) differently from the status of reforms being undertaken by the state.
- Analyze other state specific issues that impact on the state PFM performance but not fully captured by the indicators.
- Discuss the overall efforts made by the state government to improve the PFM performance and a prognosis for the future of PFM reforms in the state.
- Organize focused group meetings with stakeholders of each PEFA focused area brainstorm and mentoring on key aspects of weaknesses and improvements strategy with timelines, resources and parties to be responsible for the different improvements in the PFM Reform Process in the State.
- Document findings and action Plan by the Stakeholders themselves on what they propose to do and resources to be deployed to improve the Reform Process from 2010-2012.

2.5 Expected outputs

- A completed PEFA Assessment Report.
- A comprehensive PFM-PR based on the template provided by PEFA in Public Financial Management Performance Measurement Framework.

3.0 EXPERT PROFILE

Two short term experts, one senior level for 23 days and one middle level for 20 days under Service Contract. The senior level STE should have a higher degree in economics with specialization in public finance. He/She must possess not less than 15 years experience in public sector consulting. The middle level must have also a higher degree in Economics, Statistics or other relevant degree with specialization also in Public Finance. He/she must have at least 10 years post qualification experience. Both STEs must have undertaken PER assignment at either the Federal and or State level. Familiarity with World Bank and other Donor agencies publications on Public Expenditure Measurement and in particular the PEFA-PFM Performance Management Framework will be an advantage. Excellent computing, analytical and report writing skills will be required.

3.1 Working Language

English Language.

4.0 Duration

- Senior STE - 23
- Middle level STE – 20
- Commencement date: February 2010

4.1 Work plan

Travel Time	Preparation	Pre-PEFA Inception Workshop	PEFA Assessment	Analysis/ Report Writing	Post PEFA Assessment (Consultation workshop)	Total
1	2	1	9	9	1	23
1	2	1	9	6	1	20

4.2 Approach

PEFA is a self-assessment tool and must be driven by the state government. Therefore, a consultative process approach (focus group discussion) will be adopted. A PEFA team from the Ministry of Economic Planning, Finance and Budget will be formed to drive the PEFA self-Assessment, but will be backstopped by the Consultants. The PEFA team will be responsible for data collection and collation. (Reference to PEFA Performance Measurement Framework, June 2005 as a guide)

5.0 Reporting

Submission of draft report 3 days after the completion of the assignment. The final reports will be required, after incorporating comments from the STU and the Stakeholders, 5 days after the receipt of these comments, and forwarded to SRIP, Yobe State Technical Unit, Damaturu. The soft copy should be e-mailed to regina@sripnig.org.