



FEDERAL REPUBLIC OF NIGERIA



PART 1

AUDITOR-GENERAL'S
**ANNUAL
REPORT**
ON THE ACCOUNTS OF THE
FEDERATION OF NIGERIA
2018



Our Mission

To audit the nation's accounts in the most professional and transparent manner, ensuring value for money in government financial activities for the benefit of the Nigerian people.

Our Vision

To be a foremost audit institution, applying best professional practices towards fostering good governance and providing leadership to other Supreme Audit Institutions (SAIs)



**ANNUAL REPORT
OF THE
AUDITOR-GENERAL
FOR THE FEDERATION
ON THE ACCOUNTS OF THE FEDERATION
OF NIGERIA FOR THE YEAR ENDED 31ST
DECEMBER 2018**

PART 1



THE AUDITOR-GENERAL FOR THE FEDERATION

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P.M.B. 128, Garki - Abuja, Nigeria.

C/AR.2018/CONF/VOL.1/01

16th October, 2020

The Clerk to the National Assembly,
National Assembly Complex,
Three Arms Zone,
Abuja.

**Annual Report of the Auditor-General for the Federation on the
Accounts of the Federal Government of Nigeria for
the Year Ended 31st December 2018 (PART 1)**

In accordance with Section 85(2) and (5) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), I hereby submit 2 (two) signed copies of Part 1 of my Report on the Accounts of the Federal Government of Nigeria for the year ended 31st December, 2018. It contains audit observations made on the underlying accounting records of Ministries, Departments and other Agencies of Government, for the information of the Public Accounts Committees and Accounting Officers. Part II will contain audit observations on the Accountant-General's Financial Statements for the year under review and will be submitted as soon as the Accountant-General's comments on audit observations raised thereon are received and reviewed.

A. M. AYINE, FCA
Auditor-General for the Federation

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LIST OF ABBREVIATIONS

NITDA	National Information Technology Development Agency
NAFDAC	National Food Drug Administration and Control
IPSAS	International Public Sector Accounting Standards
SFTAS	States' Fiscal Transparency, Accountability and Sustainability
MDA's	Ministries, Departments and Agencies
FG&IP	Fiscal Governance & Institutions Programme
ICPC	Independent Corrupt Practices Commission
DFID	Department for International Development
IFAD	International Fund for Agricultural Development
DSAD	Defence and Security Agencies Department
JAD	Judiciary Audit Department
LAD	Legislature Audit Department
EIAD	Emerging Issues Audit Department
FCT&ACAD	Federal Capital Territory Administration and Area Councils Audit Department
P&PAD	Programmes and Performance Audit Department
RESAD	Revenue and Economic Sector Audit Department
SDP	Strategic Development Plan
MAD	Ministries Audit Department
SAI	Supreme Audit Institution
OAuGF	Office of the Auditor-General for the Federation
AFROSAI-E ICBF	African Organization of English-Speaking Supreme Audit Institutions' Institutional Capacity Building Framework
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GIFMIS	Government Integrated Financial Information System
PAYE	Pay As You Earn
ICAN	Institute of Chartered Accountants of Nigeria
ACCA	Association of Chartered Certified Accountants
CIMA	Chartered Institute of Management Accountants
CISA	Certified Information System Auditor
ANAN	Association of National Accountants of Nigeria
MDAs	Ministries, Department and Agencies
CAATs	Computer Assisted Audit Techniques



VCDP	Value Chain Development Programme
FIRS	Federal Inland Revenue Service
NCS	Nigeria Customs Service
CASP	Climate Change Adaptation & Agro-Business Support Programme
VAT	Value Added Tax
WHT	With Holding Tax
FR	Financial Regulations
NSITF	Nigeria Social Insurance Trust Fund
EFCC	Economic and Financial Crimes Commission
NIMASA	Nigeria Maritime Administration and Safety Agency
VON	Voice of Nigeria
NHIS	National Health Insurance Scheme
BPP	Bureau of Public Procurement
NSCDC	Nigeria Security and Civil Defence Corps
PPA	Public Procurement Act
BOQ	Bill of Quantity
SGF	Secretary to the Government of the Federation
MD	Managing Director
CEO	Chief Executive Officer

EXECUTIVE SUMMARY

Mandate

I am required by Section 85 (5) of the Constitution of the Federal Republic of Nigeria 1999 (as amended), to submit my Report on the audit of the Accountant-General's Financial Statements to the National Assembly within 90 days of receipt of the Statements from the Accountant-General of the Federation.

The Consolidated Financial Statements of the Federal Government of Nigeria for the year ended 31st December 2018 was submitted by the Accountant-General of the Federation on 27th May 2020. Following audit queries, an updated version was resubmitted on 6th October 2020 and was still under audit in accordance with the provisions of the 1999 Constitution as at the time of this report.

Significant observations

Compliance by Parastatals with Financial Reporting Requirements - The Financial Statements of Government Statutory Corporations, Companies, Commissions, etc., otherwise called Parastatals are not audited by my office, in line with Section 85 (3) (a) of the 1999 Constitution. However, in accordance with Section 85 (3) (b) of the Constitution, their Annual Accounts and Audit reports thereon shall be submitted to me for vetting and my comments. Several of the Government Corporations, Companies and Commissions have not submitted their audited accounts to me as at the time of this report despite the provision of the Financial Regulation 3210 (v) which enjoins the Chief Executive Officers of these Bodies to submit both the audited accounts and management reports to me not later than 31st May, of the following year of the accounts.

Although, we have noticed an improvement since my last report, there are still violations of statutory financial reporting obligations by Parastatals. Stringent sanctions, including withholding financial releases and sanctioning of the Chief Executive Officer, should be imposed on defaulting Agencies who do not render timely accounts as provided in the Constitution, Financial Regulations, and other relevant laws.

Cross-cutting findings - Several major weaknesses and lapses in the management of public funds and resources were identified across several MDAs during the annual audit. In total, a sum of **₦105,760,058,919.43** worth of infractions were observed and the recommendations in this report should yield a substantial saving to the Federal purse if followed up through resolutions by the National Assembly.

A separate section is therefore included in this annual report to highlight the key crosscutting issues. Our findings range from irregular expenditure, under and non-remittance of revenue generated by MDAs, items of stores not taken on charge and high magnitude of unretired advances. Also still recurring, was the continuing failures in the implementation of International Public Sector Accounting Standards (IPSAS). Overall, our findings are indicative of significant weaknesses in expenditure control, and financial reporting.

Efforts by the Federal Government to improve the annual budgeting process have resulted in the restoration of the budget cycle to January – December, effective from the 2020 budget year. This

will no doubt lead to significant improvement and success in the nation's budgeting and budget execution processes.

However, as in earlier years, 2018 witnessed low levels of budgetary releases across government. This had a direct impact on the ability of the MDAs to perform their functions and rendered the annual budget execution process ineffective to a large extent, especially regarding capital expenditure.

Responses to audit queries - We notice that there was no improvement in the level of responses to audit observations by Accounting Officers of Ministries, Departments and Agencies (MDAs).

The 9th Assembly presents a fresh opportunity for the Public Accounts Committees to achieve a positive impact in this regard by ensuring that sanctions applicable to nonresponsive behavior by Accounting Officers and their management are enforced.

We also note the efforts of the Public Accounts Committees of the 9th Assembly as reflected in the quantum of Agencies invited to appear before the Committees for accountability purposes.

Inadequate funding for audit - Severe funding constraints continue to be a major impediment to achieving the statutory and constitutional mandates of the Office of the Auditor-General for the Federation (OAuGF), especially as the office is not able to self-fund a significant amount of fieldwork. The Office also does not have adequate accommodation for its staff, thereby resorting to the Resident Auditor approach, where audit staff are based at auditees' offices. This practice has long been stopped by most Supreme Audit Institutions decades ago, but in the absence of suitable accommodation and direct funding for audit fieldwork, the OAuGF is yet to discontinue this arrangement.

As was the case in previous years, the National Budget, the mandate of the Office and public expectations have been increasing. However, the annual budget of the Office remains grossly inadequate especially in the context of fulfilling its constitutional mandate, as illustrated in the table below:

OAuGF APPROPRIATIONS AND RELEASES FOR THE YEARS 2016 TO 2019

YEAR	PARTICULARS	APPROPRIATION	RELEASE S	%
2016	OVERHEAD	589,230,794.70	425,809,745.75	72%
	CAPITAL	317,509,818.70	158,754,909.00	50%
	PERSONNEL	1,891,353,914.00	1,839,289,454.37	97%
TOTALS		2,798,094,527.40	2,423,854,109.12	87%
2017	OVERHEAD	789,030,795.08	392,467,963.77	50%
	CAPITAL	286,266,600.00	241,011,690.60	84%
	PERSONNEL	1,909,022,726.00	1,516,711,379.37	79%
TOTALS		2,984,320,121.08	2,150,191,033.74	72%
2018	OVERHEAD	2,864,230,795.00	1,551,801,297.07	54%
	CAPITAL	345,119,685.00	299,399,448.00	87%

	PERSONNEL	1,947,674,911.00	1,874,241,459.61	96%
TOTALS		5,157,025,391.00	3,725,442,204.68	72%
2019	OVERHEAD	984,230,795.00	969,487,196.64	99%
	CAPITAL	453,035,952.00	407,315,715.01	90%
	PERSONNEL	1,977,081,170.00	1,977,081,169.87	100%
TOTALS		3,414,347,917.00	3,353,884,081.52	98%

Support from stakeholders and development partners - The portfolio of audit and reform activities supported by our development partners continued to grow. These interventions are relatively small in the context of the needs of the office, but the OAuGF is determined to make the most of the opportunities provided. Of note are the audits of World Bank Assisted Projects and the International Fund for Agricultural Development (IFAD) projects, capacity building support from the World Bank, Gesellschaft für Internationale Zusammenarbeit (GIZ) and the African Organisation of English Speaking Supreme Audit Institutions (AFROSAI-E), and further assistance from the World Bank through the States' Fiscal Transparency, Accountability and Sustainability (SFTAS) Programme and the Fiscal Governance & Institutions Programme (FG&IP).

The Office has also launched a strategic partnership with the Independent Corrupt Practices and Other Related Offences Commission (ICPC) to conduct in-depth examinations of revenue generating agencies, starting with the Federal Inland Revenue Service and the Nigerian Customs Service.

In particular, the Office is grateful to AFROSAI-E and the UK Department for International Development (DFID) for their support so far toward the creation of a training academy as this will enable our staff receive timely and regular training in risk based audit methods, and will also enable the delivery of such training across the thirty-six (36) states of the Federation.

Also, the Office of the Auditor-General for the Federation (OAuGF) is further benefitting from AFROSAI-E through the execution of an accelerated support and training programme for the entire staff of the office in Performance Audit, Financial Audit and Compliance Audit, IT Audits and Institutional Development. The programme is being implemented over a three-year period covering 2019-2021.

The aim of this accelerated training is to build the OAuGF's capacity through the Training of Trainers (ToT) and on on-the-job training that will enable OAuGF staff subsequently provide training and capacity building to Offices of State and Local Government Auditors-General. The ongoing training of the OAuGF Audit Academy is targeted at auditors in various disciplines that are committed to developing audit and non-audit skills and to promoting ethical behaviour. The aim is to build the capacity within the OAuGF while promoting knowledge transfer to other audit offices on a sustainable basis.

The overall objective of the support from the various partners is to assist the OAuGF in its efforts to become a modern, credible, and independent SAI as defined in INTOSAI Standards and AFROSAI-E guidelines.

SECTION 1

INTRODUCTION, MANDATE AND REPORT ON AUDIT REFORMS

INTRODUCTION, MANDATE AND REPORT ON AUDIT REFORMS

A. INTRODUCTION:

The Auditor-General's Annual Report for the year ended 31st December 2018 is presented in accordance with Section 85(2) and (5) of the 1999 Constitution of the Federal Republic of Nigeria (as amended). The report is in two parts. Part 1 as compiled in this volume contains reports from the audits of a number of MDAs conducted by the OAuGF Ministries Audit Department (MAD), Defence and Security Agencies Department (DSAD), Judiciary Audit Department (JAD), Legislature Audit Department (LAD) and Emerging Issues Audit Department (EIAD). The report also contains observations and comments arising from the audit of the underlying accounting records of the Federal Capital Territory Administration and Area Councils Audit Department (FCT&ACAD), Programmes and Performance Audit Department (P&PAD), Special Duties Audit Department, Periodic Checks of Statutory Corporations, Commissions, Authorities and Agencies, including all Persons and Bodies established by an Act of the National Assembly and those of the Revenue and Economic Sector Audit Department (RESAD).

The report includes a section titled Cross-cutting Issues (Section 3). These are areas of common weakness that cut across the MDAs we examined during our audit for the 2018 financial year. Significant findings and observations not reported in the previous years are also included.

Part II which contains the observations made during the examination of the Consolidated Financial Statements submitted by the Accountant-General of the Federation for the year ended 31st December 2018 will be submitted once the audit is completed.

Reports of the Auditor-General for the Federation for the years ended 31st December 2014 to 2017 submitted to the National Assembly are still under consideration by the Public Accounts Committees of the 9th Assembly, and there is need to hasten the review of the backlog of reports and come up to date.

There is also a compelling need for the Public Accounts Committees of the National Assembly to conclude recommendations on my Annual Reports and present these before the Senate and the House of Representative plenary for resolutions and onward transmission to the Executive arm of Government for implementation so that the accountability cycle can be concluded.

B. MANDATE OF THE AUDITOR-GENERAL FOR THE FEDERATION

History and background of the Office: The Office of the Auditor-General for the Federation is an independent constitutional Office promoting good governance and accountability in the management of public resources. Its history stretches back many years to the colonial era. The foregoing gives an overview of the Office, providing an outline of its origin, with more details of the developments since the return to civilian rule in 1999, and especially over the last four years.

The audit of the Public Accounts in Nigeria dates back to the very beginning of the colonial era. Prior to 1910, these audits were undertaken by the Colonial Branch of the United Kingdom Exchequer & Audit Department (established in 1866). The Colonial Audit Service, responsible to the Secretary of State of the Colonies, was established in 1910 and in the same year the Heads of Audit of Southern and Northern Nigeria were appointed.

In addition, from 1954, there were Directors of Audit for each of the then three regions (Northern, Eastern and Western). These later evolved into the current 36 states.

The Audit Ordinance of 1956: Independent Nigeria currently has no extant Audit Law and the statutory framework of the OAuGF does not give it the independence that is required under international standards. The Audit Ordinance of 1956, listed the main functions of the Director of Audit to include the following:

- (i) All reasonable precautions were used to safeguard the collection of revenue and the relevant laws and instructions were followed,
- (ii) All payments were made in line with the annual budget and the relevant regulations, and
- (iii) Adequate regulations existed for stores.

The Director of Federal Audit was required to submit his Annual Audit Report to the Minister of Finance within eight months of the end of the relevant financial year. However, in the second Republic (1979 – 1983) appreciable progress was made through the 1979 Constitution which gave the Office extensive power to audit all public funds and public institutions without exception. For instance, Section 79(2) of the 1979 Constitution states inter-alia:

“The public accounts of the Federation and of all accounts, courts and authorities of the Federation, including all persons and bodies established by law entrusted with the collection and administration of public moneys and assets, shall be audited and reported on by the Auditor-General.”

The return of the Military regime brought a setback for the Office in its ability to fully play its role as the Supreme Audit Institution (SAI) for Nigeria. Decree 17 of 1985 effectively withdrew the power of the Office to audit statutory agencies established by law. This provision was subsequently inserted into the 1999 Constitution (as amended) through Section 85 subsection (3) and (4) which are presented as follows:

Subsection (3) “Nothing in subsection (2) of this Section shall be construed as authorising the Auditor-General to audit the accounts of or appoint auditors for government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly, but the Auditor-General shall –

- a. Provide such bodies with:
 - (i). a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors, and

- (ii). guidelines on the level of fees to be paid to external auditors; and
- b. comment on their annual accounts and auditor's reports thereon."

Subsection (4) "The Auditor-General shall have power to conduct checks of all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly."

The current statutory situation: The 1999 Constitution of Nigeria (as amended) includes the following key provisions regarding the role and independence of the Auditor-General for the Federation.

- (i) Section 85(1) states: "There shall be an Auditor-General for the Federation who shall be appointed in accordance with the provisions of Section 86 of the 1999 Constitution".
- (ii) Section 85(2) states: "The public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on by the Auditor-General who shall submit his reports to the National Assembly; and for that purpose, the Auditor-General or any person authorised by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts".
- (iii) Section 85(6) states: "In the exercise of his functions under this Constitution, the Auditor-General shall not be subject to the direction or control of any other authority or person".

It is however noteworthy that the independence of the Auditor-General as envisaged in the Constitution is not yet present in practice. To date, the OAuGF remains a part of the Federal Civil Service, a situation for which an Audit Bill has been in draft at various stages of the legislative process for over 15 years. In essence, the OAuGF relies on the Civil Service for all staffing and operational needs. The Office is also entirely dependent on budget setting and funds release processes that are within the control of the executive arm of government. This is at odds with the International Standards of Supreme Audit Institutions and has a direct impact on the effectiveness of the OAuGF.

C. REPORT ON AUDIT REFORMS

2.0 Background:

The Office of the Auditor-General for the Federation (OAuGF) is the Supreme Audit Institution (SAI) and the foremost statutory accountability office of Nigeria. The Office developed a 5-Year Strategic Development Plan (SDP) based on the African Organization of English-Speaking Supreme Audit Institutions' Institutional Capacity Building Framework (AFROSAI-E ICBF). The AFROSAI-E ICBF measures performance of AFROSAI-E members and consists of Five (5) development levels and five domains each addressing an Institutional perspective. The Office is currently rated a '2' which means the Office is developing and is not yet well established. Through the execution of the Strategic Development Plan, which was launched in September 2017, the OAuGF hoped to achieve a level '3' rating within the first two years of its deployment.

The strategic plan captures all the areas for improvement within the Office, the actions required within each of the five years, and the quick wins planned for the first year. The quick wins which were all achieved¹ were targeted to boost the performance of the Office in the immediate term, to enable the office meet its latest audit responsibility, particularly around the implementation of International Public Sector Accounting Standards (IPSAS) by the Federal Government as from the 2016 financial year, and the implementation of major Public Financial Management automation (IPPIS, GIFMIS, TSA² and others).

2.2.0 Progress with the five key areas of development activity within the OAuGF Strategic Development Plan

2.2.1 Domain 1: Independence and Legal Framework

Activities

- (a) **Seek support of the Legislature and the Executive toward the enactment of the Audit Bill** - The Audit Bill was passed by the two chambers of the National Assembly and subsequently submitted for presidential assent in January 2019. Assent is yet to be granted at the time of this report, and efforts to put a separate bill through the legislative process have commenced. This will be the fourth effort to achieve an Audit law for Nigeria.
- (b) **Propose and obtain resources to implement provisions of the new Audit law (i.e. prepare a Resourcing plan based on the new law and the Strategic Plan, and source funding for the plan through a supplementary budget if necessary)** – Early efforts in this area are on hold until there is clarity on the Audit Bill and a sense of whether an Audit Law is likely to be enacted in the short term.

2.2.2 Domain 2: Organization and Management

Activities

- (a) **Implement a new operational structure that includes corporate functions** - The proposed implementation of a new operational structure is on hold, as it will be best done when an Audit Law guiding the operations of the Office is in place. In the meantime, a number of changes have been made including the implementation of a Reforms Unit, a Quality Assurance Unit, a virtual Training Academy, and a dedicated desk for International and Donor funded assignments. 15 new Audit Directorates have also been proposed to ensure the portfolios given to each Director can be adequately covered. This proposal is with the Office of the Head of the Civil Service of the Federation for approval.

¹ See the 2017 Annual Report of the Auditor-General for the Federation for details.

² IPPIS – Integrated Payroll and Personnel Information Systems. GIFMIS – Government Integrated Financial Management and Information Systems, TSA - Treasury Single Account).

- (b) **Develop a 5-year IT Strategy and Plan aligned with the Strategic Plan** – An IT Strategy has finalized and is being implemented. In addition, an expert IT Consultant sponsored by **GIZ Nigeria** is in place to assist the Office in capacity building and other IT Audits and operations.
- (c) **Implement a corporate knowledge management system, with audit and non-audit functionality** – The OAuGF Audit Tracking Application (Audit Tracker) was developed in-house and is in use. The level of take-up by audit directorates is increasing.

2.2.3 Domain 3: Human Resources

Activities

- (a) **Introduce HR Policy and Systems, in particular with regard to Recruitment, Performance Management, Attendance, Record Management, Payroll and Compensation Management, Career Development etc.** – The OAuGF planned to introduce HR Policy and systems, in particular with regard to Recruitment, Performance Management, Attendance, Record Management, Payroll and Compensation Management, Career Development etc. This is yet to be concluded, as the key changes required hinge on the passage of the Audit Bill.
- (b) **Recruit new staff and fill vacancies within the new corporate functions** – The Office plans to recruit new staff and fill vacancies within the new corporate functions which is subject to passage of the Audit bill.
- (c) **Introduce a funded programme of professional training for staff: ICAN/ACCA/CIMA, CFE, CISA, ANAN, etc.** – The Office was able to train 1 member of staff to achieve the CISA qualification with the assistance of GIZ. The Office also planned to introduce a funded programme of professional training for staff: ICAN/ACCA/CIMA, CFE, CISA, ANAN, etc., subject to budget releases in coming years.
- (d) **Implement a training plan for all audit staff (focused on Accrual Accounting, IPSAS, ISA compliant Risk Based Audit, use of CAATs etc.)** – The Office has successfully trained and inaugurated an academy comprised of staff that are capable in the application of Financial, Compliance and Performance Audit methodology based on the International Standards of Supreme Audit Institutions. The OAuGF Training Academy is responsible for the continuous training of audit staff and in recent times delivered training online to all staff across the 36 States and at Headquarters.
- (e) **Implement a training plan for all staff in performance management and in the use of IT systems** - Training courses on Basic IT skills have been made available through the revamping and equipping of the Office's E-Library.
- (f) **Adopt a code of conduct and ensure all staff sign up to it** - The Office launched a Code of Conduct for all staff in September 2017 alongside its audit methodologies and manuals.

Auditors are now mandated to sign a Declaration of Interest form in line with the code in all their audit engagements.

- (g) **Create a register for the monitoring of compliance with the code of conduct, and a disciplinary committee to address instances of noncompliance** – The Audit Tracker app has been designed to hold all the declarations in one place for ease of review and remove the need for a Department-by-Department approach. As a secondary measure, the Quality Assurance Unit of the Office will also be checking compliance with the code of conduct declaration requirements. A Disciplinary Committee has also been constituted to ensure sanctions are applied to auditors who do not sign declarations or abide by them.

2.2.4 **Domain 4: Audit Standards and Methodology**

Activities

- (a) **Introduce and implement a time recording system and engagement cost management system for auditors** – The Office planned to introduce and implement an electronic time recording system and engagement cost management system for auditors. However, the funds to do so are not available. In addition, the current practice where a substantial number of staff work outside of the corporate headquarters, coupled with the present system of carrying out audit assignment as resident auditors due to inadequate accommodation, is also a constraint.
- (b) **Implement a comprehensive range of audit manuals, including the design and implementation of an IT Audit Manual** – The Office has been able to publish and implement the full range of audit manuals on Regularity Audit, Financial Audit, Compliance Audit, Performance Audit, IT Audit and Quality Control and Assurance. Training is also continuous, and an Audit Academy is in place, as set out earlier in this report.
- (c) **Introduce and implement an electronic system for the collation and followup of audit recommendations and validation of financial and non-financial impacts achieved by the OAuGF** - This is in-view, subject to funding. In the meantime, the Office re-designed the audit reporting template to ensure financial impacts from each audit are clearly captured.
- (d) **IMPLEMENTATION OF COMPUTER ASSISTED AUDIT TECHNIQUES (CAATs) –**
- i. CAATs has been introduced, software licences bought, and training provided.
 - ii. The skills and software are being applied to the audit of revenue generating agencies and to conduct analysis of transactions on GIFMIS, IPPIS and other major government databases.

2.2.5 **Domain 5: Communication and Stakeholder Management**

Activities

- (a) **Implement a communications policy and programme** – The OAuGF had previously designed a communications policy and programme which was reviewed and found to remain adequate. The Office therefore re-launched the existing communications policy and programme with outreach to all relevant stakeholders.
- (b) **Expand the existing electronic internal communications system, and ensure all staff are trained in the functions and use of such a system** - The OAuGF website has been re-designed and re-launched and content of the OAuGF Intranet has been expanded and now includes copies of all the new audit manuals and sundry information.
- (c) **Strengthen existing relationship/collaboration with the PACs** – The OAuGF has been able to strengthen the existing relationship/collaboration with the PACs.
A key outcome of this strengthened collaboration was the passage of the Audit Bill by both chambers and subsequent harmonization.

2.3.0 Other activities and reforms in the Office

2.3.1 International audits and responsibilities

The OAuGF is currently partnering with the World Bank through engagements to carry out different types of audit. As part of the pipeline of World Bank engagements, the Office has been appointed as the Independent Verification Agent on the States' Fiscal Transparency, Accountability and Sustainability Programme (SFTAS). This is a four-year programme designed to disburse grants to states that meet certain criteria that demonstrate improvements in public financial management.

Other engagements helping to improve the capacity of the auditors include the audit of programmes of the International Fund for Agricultural Development (IFAD), where the Office is to conduct audits of the Climate Change Adaptation & Agro-Business Support Programme (CASP) and the Value Chain Development Programme (VCDP).

Separately, the Office is also included within the Nigeria Fiscal Governance and Institutions Programme (FG&IP) under which a number of key audits will receive Technical Assistance from the World Bank over a four-year period. These include revenue assurance audits of systems at the Federal Inland Revenue Service (FIRS), the Nigeria Customs Service (NCS), Information Technology Audits of IPPIS and GIFMIS, and revenue reconciliations in the Oil and Gas Sector.

The Auditor-General for the Federation has also been appointed to the Board of External Auditors of the African Union and the Office is currently participating in the African Union Audits.

The Office of Auditor-General for the Federation has also taken over the secretariat of the AFROSAI ³ Working Group on Environmental Auditing (AFROSAI-WGEA), and the

³ African Organization of Supreme Audit Institutions

Auditor-General for the Federation was appointed president of the Working Group, effective from 2019.

2.3.3 Support from the African Organization of English-Speaking Supreme Audit Institutions (AFROSAI-E)

AFROSAI-E is currently delivering Year 2 out of a 3 year Accelerated Support Programme for the OAuGF. Year 1 of the programme (2019) was funded through assistance from the UK Department for International Development (DFID). Year 2 entails mostly virtual support because of travel restrictions caused by the COVID-19 Pandemic. It focuses mostly on deliverables on the World Bank assisted FG&IP Programme and costs will be met from the Technical Assistance available on that programme. The programme focusses on capacity building, hands-on coaching, and training in the following areas – Financial Audit Methodology, Compliance Audit Methodology and Performance Audit Methodology, Extractives Industry audit, Quality Controls and Assurance, Management Development, Information Technology Audit, and Integrity/Ethics.

2.3.4 Auditor remuneration

The need to ensure proper remuneration for staff of the Office, in comparison with other anti-corruption agencies has been a recurring issue. Efforts have been geared towards correcting this anomaly through proper engagement with the National Income, Salaries & Wages Commission. While the process is still ongoing, it is evident that there is a consensus on the need for better remuneration of Auditors to help them carry out their functions independently without fear or compromise.

SECTION 2

CROSS-CUTTING ISSUES

PREAMBLE

Audit observed several irregularities and weaknesses in controls which cut across several MDAs' in the disbursement and utilization of public funds. The most significant of these issues have been reported separately as cross cutting issues. In all, a total of **₦105,662,350,077.46** was expended in contravention of extant rules and regulations.

I am particularly concerned that these weaknesses remain despite my recommendations to the Honourable Minister of Finance Budget and National Planning and the Accountant General of the Federation in my previous report, where I emphasized the need to enforce strict compliance with relevant legislation, rules and regulations across all MDAs.

The table below shows at a glance the summary of the financial impacts of the infractions committed across the audited MDAs in 2018 and the comparative figures for the 2017 reporting year.

S/No	AREAS OF WEAKNESS	<u>2018</u> <u>N</u>	<u>2017</u> <u>N</u>	<u>DIFFERENCE</u> <u>N</u>
1	Failure in Remittance of Revenue	54,690,055,215.58	20,672,801,479.59	34,017,253,735.99
2	Irregularities in Payments/Expenditures	18,369,595,564.47	26,604,515,374.55	(8,234,919,810.08)
3	Irregularities in Contract Award, Execution and Payments	23,486,881,920.49	28,569,846,170.59	(5,082,964,250.10)
4	Store Items not Taken on Store Charge	8,389,842,637.88	825,871,246.67	7,563,971,391.21
5	Unretired Advances	354,223,774.67	1,410,254,803.68	(1,056,031,029.01)
6	Circumvention of Procurement Process	371,750,964.37	1,195,652,660.06	(823,901,695.69)
	TOTAL	105,662,350,077.46	79,278,941,735.14	26,383,408,342.32

The Honourable Minister and the Accountant-General of the Federation are therefore enjoined to take these cross-cutting issues as a matter of national importance. I also recommend that the Public Accounts Committees of both chambers of the National Assembly conduct urgent and in-depth examinations of these cross-cutting issues and ensure the reports and resolutions of the National Assembly on these matters are forwarded to the Executive for the implementation as quickly as possible. Clear sanctions should also be imposed on the erring officers.

Issue 1: FAILURES IN REMITTANCES OF REVENUE BY MDAs - ₦54,690,055,215.58

During our audit for the year 2018, we observed that 18 Revenue Generating Agencies failed in their statutory obligations of remitting revenue generated to the Consolidated Revenue Fund of the Federal Government. We also observed that 17 MDAs failed to either deduct or remit deductions by way of Value Added Tax (VAT), Withholding Tax (WHT), PAYE, Stamp Duties and



other similar statutory deductions to the relevant agencies, thereby depriving the government of the much-needed fund to pursue its agenda.

The sum of ₦48,551,274,468.35 being Internally Generated Revenue was not remitted to the Consolidated Revenue Fund of the Federal Government. Similarly, a total of ₦5,418,780,747.23 being statutory deductions by way of VAT, WHT, PAYE.

Stamp Duties, etc. were also either not deducted or not remitted to the relevant agencies.

In all, a total of ₦54,690,055,215.58, being revenues generated in the year under review was not remitted to Government coffers.

TABLE 1: FAILURES IN REVENUE GENERATION AND REMITTANCES OF REVENUE BY MDAs

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT (N)
		BANK OF INDUSTRY	46,236,341,600.00
1A	NON-REMITTANCE OF % OF INTERNALLY GENERATED REVENUE (IGR) INTO THE CONSOLIDATED REVENUE FUND	ENVIRONMENTAL HEALTH OFFICERS COUNCIL OF NIGERIA	29,531,165.90
		FINANCIAL REPORTING COUNCIL	104,975,043.80
		NATIONAL INSURANCE COMMISSION	1,054,893,055.20
		NIGERIA POLICE FORCE, GOMBE STATE COMMAND	160,400.00
		FEDERAL MEDICAL CENTER, OWERRI	8,519,506.75
		JOS UNIVERSITY TEACHING HOSPITAL	333,386,549.15
		PETROLEUM PRODUCT PRICING REGULATORY AGENCY	42,377,803.07
		LAGOS UNIVERSITY TEACHING HOSPITAL	237,007,828.05
		FEDERAL SCHOOL OF OCCUPATIONAL THERAPY, OSHODI, LAGOS.	3,250,962.98
		FEDERAL MEDICAL CENTRE, KEFFI	2,147,036.00
		MEDICAL AND DENTAL COUNCIL OF NIGERIA	68,604,040.68
		FEDERAL COLLEGE OF AGRICULTURE, MOORE PLANTATION, IBADAN	9,768,380.52
		VETERINARY COUNCIL OF NIGERIA	74,658,258.36
		NIGERIA POLICE ACADEMY, WUDIL, KANO.	46,457,934.92
		FEDERAL POLYTECHNIC, IDAH	9,889,298.50
		FEDERAL UNIVERSITY OF	289,305,604.47

		AGRICULTURE, ABEOKUTA	
1B	NON-DEDUCTION / UNDER DEDUCTION /	FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	20,149,300.41
		NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	1,446,887,167.70

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT (N)
	NON-REMITTANCE OF STATUTORY TAXES, AND STAMP DUTIES	NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	1,435,711,405.80
		NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	597,957,377.65
		NIGERIAN INSTITUTE OF LEGISLATIVE AND DEMOCRATIC STUDIES	577,634,638.20
		NATIONAL INSURANCE COMMISSION	225,837,920.45
		NIGERIA POLICE ACADEMY, WUDIL, KANO	13,966,179.37
		FEDERAL CHARACTER COMMISSION	5,845,411.70
		ENVIRONMENTAL HEALTH OFFICERS REGISTRATION COUNCIL OF NIGERIA	5,476,448.42
		LAGOS UNIVERSITY TEACHING HOSPITAL	945,422,478.23
		LAGOS UNIVERSITY TEACHING HOSPITAL	22,307,735.21
		ENGINEERING MATERIAL DEVELOPMENT INSTITUTE, AKURE.	2,027,983.74
		FEDERAL POLYTECHNIC, IDAH	36,396,146.38
		ENERGY COMMISSION OF NIGERIA	57,734,082.53
		NIGERIAN COPYRIGHTS COMMISSION	6,000,000.00
		NIGERIAN AGRICULTURAL INSURANCE CORPORATION	5,215,158.84
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	4,382,621.74
		FEDERAL SCHOOL OF OCCUPATIONAL THERAPY, OSHODI, LAGOS	4,018,252.81
		FEDERAL NEURO-PSYCHIATRIC HOSPITAL, ENUGU	5,810,438.05
1C	VIOLATION OF FEDERAL GOVERNMENT'S DIRECTIVE ON THE TRANSFER OF	FINANCIAL REPORTING COUNCIL	720,000,000.00

	BALANCES FROM COMMERCIAL BANKS TO THE TSA		
		TOTAL	54,690,055,215.58

Risk

Non-adherence to this statutory responsibility by Revenue Generating Agencies may adversely affect the liquidity position of the government and deprive it of funds needed to finance its operations.

Recommendation

Given the failure of the Accounting Officers of the defaulting MDAs in remitting the amounts due to the Federal Government, I recommend that the Accounting Officers and every other officer responsible for the infraction be surcharged accordingly, while the matter is referred to the either Economic and Financial Crimes Commission (EFCC) or the Independent Corrupt Practices and Other Related Offences Commission (ICPC) as stated in Financial Regulation 3112 (i) & (ii).

Issue 2: IRREGULARITIES IN CONTRACT AWARD, EXECUTION AND PAYMENT - ₦18,369,595,564.47

We examined the level of compliance of MDAs with the provisions of the Public Procurement Act (PPA), 2007, particularly Sections 19, 24 and 25 as they relate to their procurement process and found that 25 MDAs awarded 52 contracts amounting to ₦18,369,595,564.47 in violation of the Public Procurement Act, 2007.

The violation ranges from disregard to due process, irregularity in payment for contracts, excessive pricing of procurements, payment for services not rendered, payment in full for uncompleted projects and other similar infractions.

TABLE 2: IRREGULARITIES IN CONTRACT AWARD/PAYMENT/EXECUTION

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT (N)
2A	IRREGULARITY IN PAYMENTS FOR CONTRACTS	NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	1,399,524,563.21
		UNIVERSITY OF ILORIN	78,507,792.56
		NATIONAL POWER TRAINING INSTITUTE OF NIGERIA (NAPTIN)	15,000,000.00
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	1,500,000,000.00
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	1,200,000,000.00
		NATIONAL THEATRE, LAGOS	34,786,500.00
		FEDERAL COLLEGE OF FRESH WATER FISHERIES TECHNOLOGY, NEW BUSSA.	3,611,619.00
		VOICE OF NIGERIA	13,581,771.42
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	308,111,968.18
		FEDERAL MINISTRY OF WORKS AND	55,936,886.50

	HOUSING (WORKS SECTION)	
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S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT (N)
		NATIONAL AGENCY FOR FOOD AND DRUGS ADMINISTRATION AND CONTROL (NAFDAC)	25,734,018.49
2B	AWARD OF CONTRACT WITHOUT DUE PROCESS	FEDERAL MINISTRY OF FINANCE	98,540,500.00
		FEDERAL UNIVERSITY LOKOJA	156,956,310.00
		NATIONAL MANAGEMENT IDENTITY COMMISSION (NIMC)	229,797,761.00
		FEDERAL CHARACTER COMMISSION	56,030,593.50
		REGIONAL CENTRE FOR COMMERCIAL ARBITRATION	14,837,515.98
		FINANCIAL REPORTING COUNCIL	13,431,340.00
		REGIONAL CENTRE FOR COMMERCIAL ARBITRATION	14,837,515.98
		VOICE OF NIGERIA	211,307,565.00
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	871,199,063.25
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	320,465,187.41
		UNIVERSITY OF AGRICULTURE, FEDERAL OF ABEOKUTA	113,075,079.50
2C.	OVER INVOICING/ INFLATION OF CONTRACT/ OVERPAYMENT TO CONTRACTORS	ENERGY COMMISSION OF NIGERIA, ABUJA	17,603,083.74
		VOICE OF NIGERIA (VON)	5,554,708.24
2D	IRREGULARITY IN CONTRACT AWARD	NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	5,532,435,309.68
		NIGERIA ADMINISTRATION	320,450,000.00

	MARITIME SAFETY AGENCY (NIMASA)	AND	
	NATIONAL COUNCIL FOR ARTS AND CULTURE		48,943,489.21
	FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)		79,500,000.00
	ACCIDENT INVESTIGATION BUREAU		20,513,535.00
	VOICE OF NIGERIA		79,992,727.50
	FEDERAL COLLEGE OF AGRICULTURE, MOORE PLANTATION, IBADAN		23,792,621.00

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT (N)
		FEDERAL COLLEGE OF AGRICULTURE, MOORE PLANTATION, IBADAN	193,045,133.75
		NIGERIAN POLICE ACADEMY, WUDIL, KANO	35,000,000.00
2E	PAYMENT FOR SERVICES NOT RENDERED/ SUPPLIES NOT DELIVERED/ CONTRACTS NOT EXECUTED/ UNCOMPLETED PROJECTS	NIGERIA MARITIME SAFETY AGENCY (NIMASA) ADMINISTRATI ON AND	741,904,761.28
		NIGERIA MARITIME SAFETY AGENCY (NIMASA) ADMINISTRATI ON AND	115,970,941.87
		NATIONAL AGENCY FOR FOOD AND DRUGS ADMINISTRATION AND CONTROL (NAFDAC)	28,990,900.00
		SMALL AND MEDIUM ENTERPRISE DEVELOPMENT AGENCY OF NIGERIA (SMEDAN)	17,020,000.00
		NATIONA L CENTE R FOR TECHNOLOG Y MANAGEMENT	19,809,000.00
		NATIONA L CENTE R FOR TECHNOLOG Y MANAGEMENT	13,900,000.00
		NATIONAL THEATRE, LAGOS	17,873,000.00
		NATIONAL THEATRE, LAGOS	9,900,000.00
		FEDERAL COLLEGE OF FRESH WATER FISHERIES TECHNOLOGY, NEW BUSSA.	4,942,980.00
		NIGERIAN POLICE ACADEMY, WUDIL, KANO	97,708,841.97
2F	UNAUTHORIZE D CONTRACT VARIATION	PETROLEUM TRAINING INSTITUTE, EFFUNRUN	10,561,190.00
		FEDERAL UNIVERSITY LOKOJA	233,651,008.50
		NIGERIAN POLICE ACADEMY, WUDIL, KANO	204,342,446.77

2G	VIOLATION OF APPROVAL THRESHOLD	FEDERAL COLLEGE OF AGRICULTURE, MOORE PLANTATION, IBADAN	39,270,000.0
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	2,500,000,000.00
2H	CONTRACT SPLITTING	FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	1,028,940,889.65
		NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	290,414,287.30
		TOTAL	₦ 18,369,595,564.47

Risk

Violations of the PPA and other forms of weaknesses in procurement processes may be deliberate means to siphon public funds.

Recommendation

The Accounting Officers are required to account for the sum of ₦18,369,595,564.47 being infractions on procurement procedures in the award of contracts. Financial Regulations 3102, 3103, 3104, 3106 and the relevant Sections of Public Procurement Act should apply.

Issue 3: IRREGULARITIES IN PAYMENTS/EXPENDITURE - ₦23,486,881,920.49

We reviewed the level of compliance of MDAs with relevant rules and regulations as they relate to payment procedures and policies, as well as disbursement and utilization of public funds and discovered that a total of 72 payments amounting to ₦23,486,881,920.49 were made by 43 MDAs in violation of extant rules.

Among the infractions ₦15,965,998,117.10 was expended without attaching necessary supporting documents to authenticate the payments, while a total of ₦4,037,929,692.16 was likely misappropriated at 5 MDAs (*see 3H below*) as they could not account for expenditures.

TABLE 3: IRREGULARITIES IN PAYMENTS/EXPENDITURE

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT ₦
3A	OUTSTANDING PAYMENT VOUCHERS/MISSING PAYMENT VOUCHERS /ACCOUNTING RECORDS NOT PRESENTED FOR AUDIT	FEDERAL COLLEGE OF AGRICULTURE, AKURE	5,717,872.20
		NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	6,889,132,015.65
		NIGERIAN HYDROLOGICAL SERVICE AGENCY, ABUJA	15,009,532.00
		NATIONAL COUNCIL FOR ARTS AND CULTURE	5,738,761.90
		NIGERIAN HYDROLOGICAL SERVICE AGENCY, ABUJA	10,642,175.00
		FEDERAL MINISTRY OF FINANCE	98,759,299.20
		VOICE OF NIGERIA (VON)	12,975,370.00
		NIGERIAN COPYRIGHT COMMISSION, ABUJA	6,956,652.56
		ENERGY RESEARCH CENTRE, SOKOTO	34,072,592.01
		NIGERIA AIRSPACE MANAGEMENT	1,435,772,169.00

		AGENCY	
		PETROLEUM PRODUCT PRICING REGULATORY AGENCY.	200,670,992.36

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT ₦
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	39,622,903.93
		UNIVERSITY OF ILORIN	513,923,209.57
3B.	IRREGULAR PAYMENTS	NATIONAL HORTICULTURAL RESEARCH INSTITUTE, IBADAN, OYO STATE	32,375,000.00
		NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	1,872,200,771.67
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	93,732,659.00
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	13,293,500.00
		NATIONAL HEALTH INSURANCE SCHEME	32,299,700.00
		NATIONAL BOUNDARY COMMISSION	12,057,355.25
		VOICE OF NIGERIA	14,676,500.00
3C	PAYMENTS MADE WITHOUT SUPPORTING DOCUMENTS	NIGERIAN HYDROLOGICAL SERVICE AGENCY, ABUJA	42,073,465.00
		NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)	2,212,515,971.00
		MINISTRY OF FOREIGN AFFAIRS	1,600,000,000.00
		NIGERIAN HYDROLOGICAL SERVICE AGENCY, ABUJA	483,016.00
		UNIVERSITY OF ILORIN	58,208,592.69
		REGIONAL CENTRE FOR INTERNATIONAL COMMERCIAL ARBITRATION	26,446,602.98
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	104,382,696.25
		NATIONAL HORTICULTURAL RESEARCH INSTITUTE, IBADAN, OYO STATE	800,000.00
		FEDERAL COLLEGE OF AGRICULTURE, MOOR PLANTATION IBADAN	247,017,895.74
		NATIONAL ROOT CROPS	

	RESEARCH INSTITUTE.	15,499,916.98
	VOICE OF NIGERIA (VON)	6,230,100.00
	NIGERIAN COPYRIGHT COMMISSION, ABUJA	2,500,000.00
	ENGINEERING MATERIAL DEVELOPMENT INSTITUTE, AKURE	29,451,649.28

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT ₦
		SOKOTO ENERGY RESEARCH CENTRE, SOKOTO	33,226,600.28
		FEDERAL COLLEGE OF FORESTRY, JOS	8,972,940.00
		FINANCIAL REPORTING COUNCIL	1,500,000.00
		JOS UNIVERSITY TEACHING HOSPITAL	8,572,777.25
		NATIONAL FILM AND VIDEO CENSORS BOARD	21,532,906.00
		POWER AND EQUIPMENT ELECTRICAL MACHINES DEVELOPMENT, OKENE	9,613,256.33
		FEDERAL COLLEGE OF AGRICULTURE, AKURE	5,099,887.92
		COUNCIL OF REGISTERED BUILDERS OF NIGERIA	7,099,900.00
		NIGERIA AIRSPACE MANAGEMENT AGENCY	109,637,912.10
		INVESTMENT AND SECURITIES TRIBUNAL	3,120,000.00
		NATIONAL HEALTH INSURANCE SCHEME	72,383,000.00
3D.	VIOLATION OF E-PAYMENT POLICY	NIGERIA HYDROLOGICAL SERVICE AGENCY, ABUJA	12,829,690.00
		NATIONAL COUNCIL FOR ARTS AND CULTURE	6,723,400.00
		FEDERAL COLLEGE OF FRESHWATER FISHERIES TECHNOLOGY, NEW BUSSA	2,677,500.00
		NATIONAL CENTRE FOR WOMEN DEVELOPMENT, ABUJA	37,540,250.00
		ENVIRONMENTAL HEALTH OFFICERS REGISTRATION COUNCIL OF NIGERIA	3,586,000.00
		NATIONAL FILM AND VIDEO CENSORS	4,873,770.00

		BOARD	
		SURVEYORS COUNCIL OF NIGERIA	19,451,650.00
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	210,686,730.00
3E.	EXTRA BUDGETARY PAYMENTS	FINANCIAL REPORTING COUNCIL	258,589,479.00
		INVESTMENT AND SECURITIES TRIBUNAL	17,802,535.94
		HYDRAULIC EQUIPMENT DEVELOPMENT CENTRE, KANO	2,934,080.00
		INSTITUT PETROLEUM TRAINING E, EFFURU N	1,168,634,334.95
		FEDERAL MEDICAL CENTER, OWERRI	542,877,312.77

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT ₦
		NATIONAL HEALTH INSURANCE SCHEME	355,510,475.00
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	700,000,000.00
3F	UNAUTHORISED PAYMENT/ VIREMENT WITHOUT APPROVAL	NATIONAL INSURANCE COMMISSION	46,400,025.00
		HOSPITAL NEURO PSYCHIATRIC BOARD, ARO, ABEOKUTA.	28,662,265.32
3G	UNAUTHORIZED FOREIGN TRIPS	FINANCIAL REPORTING COUNCIL	960,980.00
		INVESTMENT AND SECURITIES TRIBUNAL	3,234,000.00
		NATIONAL BOUNDARY COMMISSION	26,786,101.25
		NIGERIAN COPYRIGHTS COMMISSION	15,182,197.00
		SURVEYORS COUNCIL OF NIGERIA	6,166,120.00
		FEDERAL MINISTRY OF ENVIRONMENT	10,845,215.00
3H	MISAPPLICATION OF EXPENDITURE SUB-HEAD	FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	38,308,430.60
		NATIONAL COMMISSION FOR REFUGEES, MIGRANTS, AND INTERNALLY DISPLACED PERSONS	3,879,538,900.00
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	85,626,168.56
		FEDERAL MINISTRY ENVIRONMENT	23,948,800.00
		FEDERAL SCHOOL OF ALTERNATIVE OCCUPATIONAL THERAPY, OSHODI, LAGOS.	10,507,393.00
		TOTAL	23,486,881,920.49

Risk

Irregularities and failures to comply with regulations in the spending of public funds could result in the misapplication or misappropriation of funds.

Recommendation

The Accountant-General of the Federation is required to ensure that sanctions stated in Financial Regulation 3106 are invoked against the erring Accounting Officers.

Issue 4: SUPPLY ITEMS NOT TAKEN ON STORE CHARGE - ₦8,389,842,637.88

We assessed the extent to which MDAs comply with relevant laws and regulations in the area of recording, updating and maintenance of store records and assets registers and discovered that 11 MDAs procured store items amounting to ₦8,389,842,637.88 that were not properly documented as required under Financial Regulation 2402(i) and as result, items procured were not taken on store charge.

It is important to note that stores and inventory constitute a major component of the Statements of Financial Position of MDAs, and where they are not properly documented and adequately reported, this may significantly distort the information contained in the Financial Statements. This is in addition to the likelihood that the store items are missing/misappropriated and not in the possession of the erring MDAs.

TABLE 4: STORE ITEMS NOT TAKEN ON STORE CHARGE

S/N	ISSUES IDENTIFIED	AGENCY/M DA	AMOUNT N
1.	STORE ITEMS NOT TAKEN ON LEDGER CHARGE	HORTICULTURAL RESEARCH INSTITUTE, IBADAN, OYO STATE	12,184,720.00
		NATIONAL COMMISSION FOR REFUGEES, INTERNAL DISPLACED MIGRANTS, AND LY PERSONS	7,144,662,349.00
		NIGERIAN AIRSPACE MANAGEMENT AGENCY, LAGOS	925,610,427.00
		CITIZENSHIP LEADERS AND HIP TRAINING CENTRE, ABUJA	22,496,000.00
		NATIONAL HAJJ COMMISSION OF NIGERIA, ABUJA	4,134,630.00
		ENGINEERING DEVELOPMENT MATERIAL INSTITUTE	21,563,850.00
		NATIONAL BOUNDARY COMMISSION	8,032,281.25
		AGRICULTURAL INSURANCE NIGERIAN CORPORATION	16,255,588.37
		SURVEYORS COUNCIL OF NIGERIA	7,868,422.66
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	63,119,429.60
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	163,914,940.00
		TOTAL	8,389,842,637.88

Cases of incomplete or non-existence of store records may cause information contained in the Financial Statements to be misleading. It may also result in diversion of government properties for personal use.

Recommendation

The Accountant-General for the Federation should urgently ensure the implementation of the Assets Management Module of GIFMIS across MDAs. Furthermore, the Accounting Officers of defaulting MDAs should be made to account for the sums expended on store items without proper documentation, failing of which sanctions provided for in Financial Regulation 3129 should apply.

Issue 5: UNRETIRED ADVANCES - ₦354,223,774.67

We reviewed the level of compliance with relevant legislations, rules, and regulations with respect to granting of cash advances to staff across a number of MDAs and found that a total of ₦354,223,774.67 in advances was disbursed by 18 MDAs and not duly retired. This is in contravention of Financial Regulation 1405 and Financial Regulation 1420.

TABLE 5: UNRETIRED CASH ADVANCES

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT ₦
5	UNRETIRED CASH ADVANCES / IMPREST	PETROLEUM TRAINING INSTITUTE, EFFURUN.	10,517,972.00
		NIGERIAN MARITIME ADMINISTRATION AND SAFETY AGENCY (NIMASA)	25,490,028.00
		FEDERAL CHARACTER COMMISSION	7,105,777.50
		ENVIRONMENTAL HEALTH OFFICERS REGISTRATION COUNCIL OF NIGERIA	16,867,690.00
		NATIONAL FILM AND VIDEO CENSORS BOARD	5,898,500.00
		NATIONAL LIBRARY OF NIGERIA	20,550,484.90
		NATIONAL LIBRARY OF NIGERIA	2,799,050.00
		ACCIDENT INVESTIGATION BUREAU	25,930,890.00
		NATIONAL DIRECTORATE OF EMPLOYMENT	12,615,905.00
		NIGERIAN COPYRIGHTS COMMISSION	5,042,465.00
		NATIONAL HAJJ COMMISSION	4,656,150.00
		NIGERIAN AGRICULTURAL INSURANCE CORPORATION	7,510,000.00
		VOICE OF NIGERIA	17,397,450.00
		FEDERAL COLLEGE OF AGRICULTURE, AKURE	3,058,346.00
		FEDERAL COLLEGE OF AGRICULTURE, MOOR PLANTATION, IBADAN.	9,849,607.00
		NATIONAL ROOT CROP RESEARCH INSTITUTE	15,049,040.00
		FCT DEPARTMENT FOR MASS EDUCATION	1,238,465.00
		NATIONAL COUNCIL FOR ARTS AND CULTURE	6,968,000.00
		NIGERIAN COPYRIGHTS COMMISSION	40,426,140.00
		FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA	115,251,814.27
		TOTAL	354,223,774.67

Risk

Unretired cash and personal advances may be a deliberate attempt to divert public funds for personal use.

Recommendation

Accounting Officers should account for all cases of unretired cash advances, while sanctions stated in Financial Regulation 3118 should apply.

Issue 6: CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦371,750,964

We reviewed the extent to which MDAs comply with the provision of the Treasury Circular Ref. No. TRY/A2&B2/2009OAGF/CAD/26/V dated 24th March 2009 on the need to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through the award of contracts, and found that the sum of ₦371,750,964.37 was granted by 12 MDAs as cash advances above the approved threshold of ₦200,000.00, in contravention of the above Circular, thereby using those advances to circumvent procurement processes.

TABLE 6: CIRCUMVENTION OF PROCUREMENT PROCEDURES

S/N	ISSUES IDENTIFIED	AGENCY/MDA	AMOUNT ₦
6	CIRCUMVENTION OF PROCUREMENT PROCEDURES	PETROLEUM PRODUCT PRICING REGULATORY AGENCY	35,522,018.50
		UNIVERSITY OF ILORIN	24,859,874.39
		ENVIRONMENTAL HEALTH OFFICERS REGISTRATION COUNCIL OF NIGERIA	23,412,500.00
		NATIONAL FILM AND VIDEO CENSORS BOARD	4,141,000.00
		FEDERAL CHARACTER COMMISSION	12,008,177.50
		ACCIDENT INVESTIGATION BUREAU	6,004,500.00
		NIGERIAN AIRSPACE MANAGEMENT AGENCY	44,063,013.51
		NATIONAL IDENTITY MANAGEMENT COMMISSION (NIMC)	4,784,581.15
		NIGERIAN POLICE ACADEMY, WUDIL, KANO	5,940,100.00
		VOICE OF NIGERIA	4,310,000.00
		FEDERAL MINISTRY OF WORKS AND HOUSING (WORKS SECTION)	139,906,251.20
		NATIONAL HEALTH INSURANCE SCHEME (NHIS)	66,798,948.12
		TOTAL	371,750,964.37

Risks

The likelihood of misappropriation and fraud are high where cash advances are granted to circumvent procurement processes.

Recommendation

Accounting Officers of the defaulting MDAs are required to justify the sum of ₦371,750,964.37, which was expended in contravention of the above extant Circular, failing which sanctions stated in FR 3129 should apply.

Furthermore, the current threshold set by the Accountant General of the Federation for cash advances should be reviewed in line with current economic realities.

CONCLUSION ON CROSS-CUTTING ISSUES

The need for transparency and accountability in government financial management systems cannot be overemphasized, considering the nation's rapidly dwindling revenues and its impact on the nation's annual budget. It is against this background, therefore, that I urge the Honourable Minister of Finance, Budget and National Planning, the Accountant-General of the Federation as well as Chairmen of Public Accounts Committees of both Chambers of the National Assembly to ensure that effective sanctions are imposed on erring MDAs for infractions, especially regarding revenue remittance. Sanctions can include withholding budget appropriations of the erring MDAs and/or surcharge of the affected Accounting Officers.

SECTION 3

MINISTRIES, DEPARTMENTS AND AGENCIES

MINISTRIES, DEPARTMENTS AND AGENCIES (MDAs)

PART A: MINISTRIES AUDIT DEPARTMENT

FEDERAL MINISTRY OF ENVIRONMENT

Issue 1: MISAPPLICATION OF FUNDS - ₦23,948,800.00

Financial regulations 417 states that, “Expenditure shall strictly be classified in accordance with the estimates and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”.

Audit observed that ₦23,948,800.00 (Twenty-three million, nine hundred and forty-right thousand, eight hundred naira) was expended on the review and examination of Capital Expenditure Pattern in all departments and Agencies of the Ministry. However, there was no provision for the expenditure in the 2018 Appropriation Act.

This is due to the failure of the Permanent Secretary to adhere to the extant regulations.

Risk

This may lead to diversion of government funds for other purposes not planned for, which may negatively affect duly budgeted projects and programmes.

Management’s response

No response was received from management at the time of our report.

Recommendations.

The Permanent Secretary is requested to account for the sum of ₦23,948,800.00 and remit to the Consolidated Revenue Fund, failing which sanctions in the Financial Regulations 3106 should apply.

Issue 2: OVERSEAS TRAINING WITHOUT AUTHORIZATION FROM THE OFFICE OF THE HEAD OF CIVIL SERVICE OF THE FEDERATION - ₦10,845,215.00

Circular Reference No. HCSF/CSO/HRM/Pol.1402/1 dated 22 January 2015, requires officers to obtain necessary approvals from the Office of the Head of Civil Service of the Federation before they proceed on foreign trips.

Also, Financial Regulation 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”.

Audit observed that some officers of the Ministry were paid a total of ₦10,845,215.00 (Ten million, eight hundred and forty-five thousand, two hundred and fifteen naira) as estacodes and other allowances to enable them travel overseas to attend Conferences, Training and Workshops without obtaining due approval from the Office of the Head of the Civil Service of the Federation.

Further audit scrutiny revealed that there was no evidence to show that the Officers had undertaken the overseas trip to attend the Conferences, Training, and Workshops as enumerated, thereby making it difficult to accept the charges against public funds. Expenditure without consideration for due economy can be because of lack of internal control mechanism and proper planning.

Risk

Failure to obtain necessary approvals before incurring expenditure can lead to loss of government funds.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to justify the failure to obtain the necessary approval for overseas travel and the lack of evidence to show the funds were spent for the purposes intended, failing which he is to refund the sum of ₦10,845,215.00 expended on overseas without due approval. Sanctions in line with FR 3106 should apply.

Issue 3: FAILURE TO RELEASE OFFICIAL DOCUMENTS FOR AUDIT EXAMINATION.

Financial Regulation 110, states that “By virtue of the responsibilities and functions of the Accountant-General and the Auditor-General or their representatives shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and information relating to the accounts of all Federal Ministries/Extra-Ministerial offices and other arms of Government or units...”

Audit made written requests for detailed statements of Accounts in respect of expenditure of the Ministry, together with their underlying records such as; Capital Expenditure cashbook, Overhead Expenditure cashbook, Revenue cashbook,

Environmental Impact Assessment, Zonal Intervention cashbook, Bank Statements/GIFMIS print out, vote books and payment vouchers etc. but they were not produced for audit.

It is important to note that because of the failure of the Ministry to produce these documents, Audit could not conclude on the reliability of the Ministry's financial records.

Risk

Poor accountability and the inability to provide documentary evidence of transactions are indicative of a high likelihood of losses of government funds.

Management's response

No response was received from management at the time of our report.

Recommendations.

The Permanent Secretary is required to explain his refusal to comply with the above regulation, failing which sanctions in line with FR 3123 should apply.

Issue 4:

DELEGATION ALLOWANCE PAID TO OFFICERS - \$3,000 (N1,077,000.00)

Financial Regulations 415 states that "The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted."

Audit observed that three officers were paid delegation allowances of \$1,000 (One thousand dollars) (N359,000.00 at N359 to a Dollar) each while travelling on official assignments abroad. Efforts to get the authority relied upon to make such payments proved abortive, as there were no such provisions in the Financial Regulations and the Public Service Rules. It is therefore difficult to accept such payments as legitimate charge against public funds.

Risk

Irregular and inappropriate payments may lead to a loss of public funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary should recover the sum of N1,077,000.00 and pay back into the government coffers. Sanctions in line with Financial Regulation 3106 should apply

Issue 5: MOTOR VEHICLES NOT PRESENTED FOR INSPECTION

Financial Regulations 2001 states, “The accounting officer shall be responsible for ensuring that there are effective controls in the use of government vehicles. For this purpose, he will ensure that the following records are maintained:

- Vehicles control register.
- Requisition/approval for journey. □ Vehicle logbook (Gen.59).
- Vehicle maintenance registers.”

Audit observed that 55 (Fifty-five) Motor vehicles were not presented for physical inspection. All efforts to inspect them and confirm their existence proved abortive and the exact locations of these official vehicles allocated to the Ministry could not be ascertained.

We are aware that some Officers take Ministry vehicles away with them when going on transfer or retirement.

The audit further observed that the Motor Vehicle Logbooks had not been updated, making it difficult to track the movement of these Motor vehicles and track their record of maintenance. It is also noted that some official vehicles carry Private plate numbers and not Government registered numbers.

The above anomalies are because of failures on the part of the management to ensure proper record keeping and due process in the Ministry.

Risk

Government Vehicles may be diverted for private use. Unauthorized journeys may be undertaken due to lack of adherence to the internal control system put in place.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary should account for the 55 Vehicles not presented during audit. He should also be sanctioned in accordance with the provisions of FR 3129.

FEDERAL MINISTRY OF WORKS & HOUSING (WORKS SECTION)

Issue 1: CONTRACT FOR THE PURCHASE OF PROJECT MONITORING VEHICLES WITHOUT DUE PROCESS - ₦343,833,338.00.

Section 24(1) of the Public Procurement Act, 2007 states that “except as provided by this Act, all procurements of goods and works by all procuring entities shall be conducted by open competitive bidding”.

Audit observed that the sum of ₦343,833,338.00 (Three hundred and forty-three million, eight hundred and thirty-three thousand, three hundred and thirty-eight naira) was paid for the purchase of 36 project monitoring vehicles without following due process. Further examination revealed that the 36 (thirty-six) vehicles were not received into store as there was no documents to show such delivery.

Risk

There may be an intention of syphoning public funds as contract prices may be inflated.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦343,833,338.00 (Three hundred and forty-eight million, eight hundred and thirty-three thousand, three hundred and thirty-eight naira). All affected officials should be sanctioned in line with Financial Regulation 3106.

Issue 2: CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦139,906,251.20

Treasury Circular Ref No: TRY/A2&B2/2009OAGF/CAD/26/V dated 24th march 2009 states “All accounting officers and officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts”.

Audit observed that advances in the sum of ₦139,906,251.20 (One hundred and thirty-nine million, nine hundred and six thousand, two hundred and fifty-one naira, twenty kobo) was granted on services and direct purchase of vehicles spare parts, Computer Accessories, Photocopying Machines parts and for designing of Nigerian Roads and Bridges. There was no store record of those items to show that they were purchased.

The management failed to comply with the provisions of the Financial Circular and Financial Regulation stated above.

The failure accounted for government revenue loss of 5% Withholding tax of ₦6,995,312.56 (Six million, nine hundred and ninety-five thousand, three hundred and twelve naira, fifty-six kobo) and 5% Value Added Tax of ₦6,995,312.56 (Six million, nine hundred and ninety-five thousand, three hundred and twelve naira, fifty-six kobo) and low staff productivity as a result of time wasted doing what the contractor would have done.

Risk

Circumventing procedures may lead to misapplication of government funds

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦139,906,251.20 (One hundred and thirty-nine million, nine hundred and six thousand, two hundred and fifty-one-naira, twenty kobo) advanced irregularly to staff. Sanction in line with Financial Regulation 3129 should apply.

Issue 3: IRREGULARITIES OBSERVED IN THE PRODUCTION AND AIRING OF SPECIAL VIDEO DOCUMENTARY - ₦210,686,730.00

Financial Regulations 415 states “the Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”, also, Financial Regulations 713 states “Personal money shall in no circumstances be paid into a government account, nor shall any public money be paid into private bank account. An officer who pays public money into a private account is deemed to have done so with fraudulent intention”.

Audit observed that ₦210,686,730.00 (Two hundred and ten million, six hundred and eighty-six thousand, seven hundred and thirty naira) meant for a documentary was split into ₦130,080,730.96 (One hundred and thirty million, eighty thousand seven hundred and thirty naira, ninety-six kobo) and ₦80,606,000.00 (Eighty million, six hundred and six thousand naira), and paid into a staff account contravening the above regulations.

Further examination revealed that the sum of ₦130,080,730.96 was for capturing developmental projects which included other Ministries like: Finance, Agriculture, Transport, Petroleum Resources, Mines and Steel and Trade and Investment. There were no receipts or retirements particulars attached to the payment vouchers to justify the payments.

The approval for the sum of ₦80,606,000.00 was done by the Director Finance and Account, which was above his approval limit. There was no evidence to show who the producer of the documentary was, or whether they were selected on a competitive basis. There was also no evidence to show the work was actually done.

These anomalies were failure of the management to ensure compliance with the above Financial Regulations and other extant Financial Circulars.

Risk

The failure of management to comply with above Rules and Regulations may indicate a deliberate attempt to misappropriate and divert public funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦210,686,730.00 (Two hundred and ten million, six hundred and eighty-six thousand, seven hundred and ten naira), pay back to the Consolidated Revenue Fund and should be sanctioned in line with Financial Regulation 3106 while the Director Finance and Accounts should be sanctioned in line with Financial Regulation 3101 and Public Service Rules 030402 (m) for granting approval above his limit.

Issue 4:

THE USE OF STAFF AS CONTRACTOR FOR IN-HOUSE ENGINEERING DESIGN WITHOUT APPROVAL OF THE BUREAU FOR PUBLIC PROCUREMENT(BPP) - ₦79,500,000.00 —

Public Procurement Act, 2007 Paragraph 63 refers to how Direct Labour can be used which is when a procuring entity engages its own personnel, equipment, and resources under its control for the procurement and execution of civil works.

Paragraph 64 of the Act stipulates that, “in all cases of procurements to be carried out on a Direct Labour Account, the Procuring Entity involved shall ensure to the satisfaction of the BPP that:

- (a) Personnel deployed to execute such civil works or design possess the requisite technical certification, professional experience, and managerial ability.
- (b) The equipment and resources to be deployed towards the execution of the procurement are such as are technically appropriate, numerically sufficient to assure that the execution of the procurement.

- (c) The combination of (a) and (b) above shall in every case assure that the procurement is executed expeditiously, efficiently and at reasonable cost”.

Audit observed that ₦43,000,000.00 (Forty-three million naira) out of the ₦79,500,000.00 (Seventy-nine million, five hundred thousand naira), paid for in-house design of some roads was without Bureau for Public Procurement (BPP) approvals and no evidence of work done. However, Section 42(1)(d)(iv) of the Public Procurement Act, relates to emergency procurement. and section 43(4) of the Procurement Act requires the entity to apply for “No Objection Certificate”.

The infringement is a failure of management to ensure compliance with the provisions of the BPP Act.

Management’s non-compliance with the above BPP Act further resulted in the loss of government revenue from 5% WHT and 5% VAT, amounting to ₦4,300,000.00 (Four million three hundred thousand naira).

Risk

Failure of management to comply with the procurement rules could lead to loss of government funds due to unexecuted contracts, and diversion of public funds for personal or private use.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦43,000,000.00 (Forty-three million naira) irregularly disbursed from the accounts and hence, should be fully recovered. The sanctions in line with FR 3106 should apply.

Issue 5: PAYMENTS MADE WITHOUT PROPER REVALIDATION - ₦1,200,000,000.00

Financial Regulations 2916(i) states, “subject to the threshold prescribed by the Bureau of public procurement from time to time there shall be an approving authority in every procuring entity, viz:

- (a) In the case of ministries, extra-ministerial offices, and other arm of government, it shall be the ministerial Tenders Board.
- (b) In the case of public corporations, it shall be Parastatals Tenders Board”. Also, FR 2908 states, “Where there are existing thresholds, no moneys shall be drawn from the

Consolidated Revenue Fund or any government account in respect of procurements falling above the set thresholds. Such payment falling above threshold shall only be valid if a “Certificate of No-Objection” is obtained from the bureau”.

Audit observed that the sum of ₦1,200,000,000.00 (One billion, two hundred million naira) was made vide payment voucher number CAP|2015|17 dated 27|12|2017, for the construction of Panyam-Bokkos-Wamba Road in Nasarawa state without revalidation by the Honourable Minister.

It was observed that the initial approval for the payment of Engineering Certificate No1 (Advance) was given in the year 2015 by the immediate past Minister of Works which ought to have been revalidated by the present Minister. The approval was however given by the Director, Finance and Accounts, instead of the Minister of Works as at 2018.

Risk

Failure to seek necessary revalidation prior to making payments could lead to former officials being able to make backdated approvals after leaving office.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to justify paying the sum of ₦1,200,000,000.00 (One billion, two hundred million naira) without the necessary revalidation, failing which sanctions in line with Financial Regulation 3106 should apply.

Issue 6: EMERGENCY REPAIRS/REHABILITATION OF KADUNA-ZARIA ROAD WITHOUT RATIFICATION BY THE BUREAU FOR PUBLIC PROCUREMENT(BPP) - ₦320,465,187.41

Financial Regulations 2948 (iii) which states, “on cessation of the emergency situation warranting procurement under this method, the procuring entity shall file records of procurement proceedings with a view to obtaining certificate of ‘No objection’ if necessary, from the Bureau of Public Procurement”.

Audit observed that the sum of ₦320,465,187.41 (Three hundred and twenty million, four hundred and sixty-five thousand, one hundred and eighty-seven-naira, forty-one kobo) was paid vide payment voucher number CAP|2853|2017 date 28|12|2017, for emergency rehabilitation of Kaduna-Zaria road on failed sections in Kaduna state without ratification of the award by BPP as stipulated in FR 2948.

It was further observed that, there was no request by the public procurement unit of the Ministry to the Permanent Secretary to adopt emergency procurement tendering procedure.

Risk

Failure to comply with procurement rules could lead to financial misconduct and the loss of government funds through misapplication or misappropriation.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦320,465,187.41 (Three hundred and twenty million, four hundred and sixty-five thousand, one hundred and eighty-seven-naira, forty-one kobo) or be sanctioned in line with Financial Regulation 3117.

Issue 7: STORE ITEMS NOT TAKEN ON LEDGER CHARGE - ₦63,119.429.60

Financial Regulations 2402(i) states that, "On all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of this regulation, the storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the store receipt voucher number and attaching the original copy of the store receipt voucher to the original L.P.O".

Audit observed that store items were purchased by the Ministry in the sum of ₦63,119.429.60 (Sixty-three million, one hundred and nineteen thousand, four hundred and twenty-nine-naira, sixty kobo) without taking them on charge in the store ledger.

Risk

Items may not be purchased or may not meet specifications. It may also result in understating of the value of closing stock (Assets) in the Ministry's financial statements.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦63,119,429.60 (Sixty-three million, one hundred and nineteen thousand, four hundred and twenty-nine-naira, sixty kobo) failing which sanctions in line with Financial Regulations 3129 should apply.

Issue 8: CONTRACT SPLITTING AND CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦1,028,940,889.68

Public Procurement Act Section 20(2)(e) of the states “Ensuring that no reduction of values or splitting of procurements is carried out such as to evade the use of the appropriate procurement method”.

Audit observed that the Ministry awarded several contracts amounting to ₦1,028,940,889.68 (One billion, and twenty-eight million, nine hundred and forty thousand, eight hundred and eighty-nine-naira, sixty-eight kobo), that are similar and to the same set of contractors by splitting the contracts and payments in order to circumvent tender’s procedure.

Audit noted specifically that the contracts were all for the same purpose (supply of stationery and office materials). In particular, on 05th September 2017, 51 (Fifty-one) separate contracts each valued at between N4.5m and N4.9m and totalling

N216,633,222, were awarded to various companies all for the supply of office stationery. The award letters were all signed by the same individual and this was just one example of similar contract splitting activities amounting up to the total of N1,028,940,889.68. This action contravenes the provisions of the Procurement Act.

Risk

Contracts may not follow specifications. Also, funds could be diverted for other purposes

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦1,028,940,889.68 (one billion, and twenty-eight million, nine hundred and forty thousand, eight hundred and eighty-nine-naira, sixty-eight kobo) expended through split contracts in violation of procurement guidelines. Sanctions within Financial Regulation 3116 should apply to all affected officials.

Issue 9: EXTRA BUDGETARY EXPENDITURE - ₦1,500,000,000.00

Section 80(4) of the Constitution of the Federal Republic of Nigeria 1999 (as amended) states “No money shall be withdrawn from the CRF or any other public fund of the Federation except in the manner prescribed by the National Assembly”.

Audit observed that the sum of N500,000,000.00 was paid to a contractor vide payment voucher number CAP/4203/17 dated 14/3/2018, after an initial payment of N1,000,000,000.00 was made in December 2017. The payment was in respected of a contract

awarded for the rehabilitation of Zaria-Panbeguwa road. It was however, observed that no provisions were made for this purpose in the 2017 Appropriation Act. To justify the payment, a copy of the 2016 approved budget was attached to the payment voucher. The transaction cannot be considered as a legitimate charge on government funds.

The anomaly is a failure of management to fully plan ahead or subsequently approach the National Assembly for Supplementary Provision in the Appropriation Act.

Risk

Extra budgetary expenditure could compromise the execution of the annual budget, cause an excess of expenditure above the annual appropriation, and provide avenues for the misuse or loss of public funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to recover the sum of ₦1,500,000,000.00 (One billion, five hundred million naira), otherwise sanctions stated in FR 3117 should apply.

Issue 10: EXTRA-BUDGETARY EXPENDITURES - ₦700,000,000.00

The Constitution of the Federal Republic of Nigeria 1999 (as amended) states “No money shall be withdrawn from the CRF or any other public fund of the Federation except in the manner prescribed by the National Assembly”. Financial Regulation 417 states “Expenditure shall strictly be classified in accordance with the estimate. And votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”.

Audit observed that out of the payment of ₦1,236,000,000.00 (One billion, two hundred and thirty-six million naira), only ₦736,000,000.00 (Seven hundred and thirty-six million naira) was budgeted, for the construction of Pankshin-Ballang-Nyelleng-Sara-Gindiri road in Pankshin, Plateau State. The Extra-budgetary expenditure amounted to ₦500,000,000.00 (Five hundred million naira).

It was further observed that out of another ₦920,000,000.00 (Nine hundred and twenty million naira) payment, ₦720,000,000.00 (Seven hundred and twenty million naira) was budgeted for the construction of Agaie-Katcha-Baro road in Niger State. Extrabudgetary expenditure was ₦200,000,000.00 (two hundred million naira).

Total Extra-budgetary expenditure in both instances amounted to ₦700,000,000.00 (Seven hundred million naira).

This anomaly also reflects weaknesses in the Internal Control System of the Ministry, as extra-budgetary expenditure is normally not possible unless several expenditure controls have been breached or by-passed.

Risk

A weak Internal Control system and management override of controls could lead to mismanagement of government funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to recover the sum of ₦700,000,000.00 (Seven hundred million naira) and should be sanctioned in line with FR 3129.

Issue 11: PAYMENT MADE ON CONSULTANCY SERVICES RENDERED FOR HIGHWAY DESIGNS AND SUPERVISION WITHOUT SPECIFIC BREAKDOWN OF COSTS - ₦308,111,968.18

Financial Regulation 603 which states “All vouchers shall contain full particulars of each service such as dates, numbers, quantities, distances and rates.... and will invariably be supported by relevant documents such as LPOs, invoices, special letters of authority, time sheets, rates etc.”.

The audit observed that contracts amounting to ₦308,111,968.18 (Three hundred and eight million, one hundred and eleven thousand, nine hundred and sixty-eight-naira, eighteen kobo) for consultancy services did not contain any breakdown of costs. The Ministry did not indicate or provide details as was done in other contracts, and adequate supporting documents were not made available to prove the contracts were genuine and valid charges on the public purse.

This is a failure of management to ensure that appropriate payment documentation and due process is complied with before payments.

Risk

Gaps in documentation could indicate misappropriation of public funds, irregular or wrong payments, and diversion of public funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦308,111,968.18 (Three hundred and eight million, one hundred and eleven thousand, nine hundred and sixty-eight-naira, eighteen kobo), failing which sanctions in line with Financial Regulation 3106 should apply.

Issue 12: MISAPPLICATION OF FUNDS FROM CAPITAL EXPENDITURE ACCOUNT - ₦38,308,430.60

Financial Regulation 417 states “Expenditure shall strictly be classified in accordance with the Estimates, and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”. Financial Regulation 316(iii) states “Virement from one Head of account in the Recurrent Expenditure estimates to another Head of account in Capital Expenditure estimates shall not be allowed and vice versa”.

The audit observed that the sum of ₦38,308,430.60 (Thirty-eight million, three hundred and eight thousand, four hundred and thirty-naira, sixty kobo), were recurrent expenditures paid from Capital votes. The expenditure cannot be treated as a legitimate charge on public funds.

This was in contravention of the above stated Financial Regulations 417 and 316(iii) by the management of the Ministry.

Risk

Misapplication of funds could lead to waste, loss, and the misappropriation of public funds.

Management’s response

No response was received from management at the time of our report.

Recommendation

1. The Permanent Secretary is required to recover the sum of ₦38,308,430.60 (Thirty-eight million, three hundred and eight thousand, four hundred and thirty-naira, sixty kobo) and;
2. The Permanent Secretary and all affected officials should be sanctioned in line with Public Service Rules 030402(m).

Issue 13 NON-DEDUCTION AND REMITTANCE OF 1% STAMP DUTY ON CONTRACT AGREEMENT - ₦20,149,300.41

Stamp duties act CAP.S8 LFN 2004 and Federal Treasury circular: OAGF/CAD/026/V.111/.182 of 20th April, 2016 makes it mandatory for all Ministries Departments and Agencies (MDA’s) to deduct 1% of all contract sums as stamp duty before

payment is made to the beneficiary and remit the deducted sums to Federal Inland Revenue Service (FIRS).

Audit observed that the sum of ₦20,149,300.41 (Twenty million, one hundred and forty-nine thousand, three hundred-naira, forty-one kobo) was not deducted and remitted to FIRS as 1% Stamp Duty from 198 (One hundred and ninety-eight) contracts.

The anomaly was caused by a failure of management to enforce the provisions of government operational circulars as stated above.

Risk

This failure of the management to ensure the compliance of the provisions of this Circular stated above could lead to loss of government revenue.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent secretary is required to review all contracts and ensure that the 1% stamp duty is deducted and remitted. He is also to recover the sum of ₦20,149,300.41 (Twenty million, one hundred and forty-nine thousand, three hundred-naira forty-one kobo) identified as a shortfall in revenue. All affected officials should be sanctioned in line with Financial Regulation 3112.

Issue 14: EMERGENCY REPAIRS OF TALABU BRIDGE ALONG TEGINAMOKWA ROAD IN NIGER STATE - ₦2,500,000,000.00

The Public Procurement Act 2007 Section 16 states “Subject to any exemption allowed by this Act, all public procurement shall be conducted : (a) subject to the prior review thresholds as may from time to time be set by the Bureau pursuant to Section 7(1)(a)-(b)

- (ii) Section 16(b) of the act states, “Subject to any exemption allowed by this Act, all public procurement shall be conducted : (b) based only on procurement plans supported by prior budgetary appropriations and no procurement proceedings shall be formalized until the procuring entity has ensured that funds are available to meet the obligations and subject to the threshold in the regulations made by the Bureau, has obtained a “Certificate of ‘No Objection’ to Contract Award” from the Bureau.
- (iii) Section 16(2) of the act states “Where the Bureau has set prior review thresholds in the procurement regulations, no funds shall be disbursed from the Treasury or Federation Account or any bank account of any procuring entity for any procurement falling above the set thresholds unless the cheque, payments or other form of request for payment

is accompanied by a certificate of “No Objection” to an award of contract duly issued by the Bureau”.

The audit observed that ₦2,500,000,000.00 (Two billion, five hundred million naira) contract was awarded by the Ministry in violation of Bureau of public procurements revised threshold for service wide application which requires approval from the Federal Executive Council, after a Due process ‘Certificate of no Objection’ has been obtained for contracts for works above One Billion Naira,

The Ministry awarded the contract without Federal Executive Council approval in violation of chapter 16 (I) of the public procurement act 2007 which states “Subject to any exemption allowed by this Act, all public procurement shall be conducted :(a) subject to the prior review thresholds as may from time to time be set by the Bureau pursuant to Section 7(1)(a)-(b)”.

It was also observed that the Ministry awarded the contract without obtaining a due process certificate of ‘no objection’ from the Bureau of public procurement in violation of section 16(1) (b) of the public procurement act.

The Ministry also out of the total contract sum, made the part payment of engineering certificate number one (1) amounting to ₦289,461,035.44 in violation of section 16(2) of the public procurement act.

Risk

Failure to comply with procurement rules and laws could lead to poor performance, abandonment of works or loss of public funds.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦289,461,035.44 (Two hundred and eighty-nine million, four hundred and sixty-one thousand, thirty-five-naira, forty-four kobo) paid in breach of Public Procurement act 2007, Section 16(2). Sanctions in line with Financial Regulation 3106 should apply to all affected officials.

Issue 15: EMERGENCY REPAIRS OF THE CALABAR-IKOM-OGOJA-KATSINA ALA ROAD IN CROSS RIVER STATE - ₦871,199,063.25

Public Procurement Act Section 16(b) states “Subject to any exemption allowed by this Act, all public procurement shall be conducted: (b) based only on procurement plans supported by

prior budgetary appropriations and no procurement proceedings shall be formalized until the procuring entity has ensured that funds are available to meet the obligations and subject to the threshold in the regulations made by the Bureau, has obtained a “Certificate of ‘No Objection’ to Contract Award” from the Bureau.

Section 16(2) of the act which states “Where the Bureau has set prior review thresholds in the procurement regulations, no funds shall be disbursed from the Treasury or Federation Account or any bank account of any procuring entity for any procurement falling above the set thresholds unless the cheque, payments or other form of request for payments is accompanied by a certificate of “No Objection” to an award of contract duly issued by the Bureau”.

The audit observed that a contract was awarded in 4th May, 2017 at the contract sum of ₦605,128,001.94 (Six hundred and five million, one hundred and twenty-eight thousand, and one naira ninety-four kobo) vide award Ref: FMPW&H/DPP/338/VOL.I/2017/37. The contract sum was later reviewed upward to ₦871,199,063.25. Full payment of the reviewed contract sum was made to the contractor on 10th May 2018 vide payment voucher departmental number: CAP/5231/17. It was realized that the Ministry awarded the contract without obtaining due process certificate of ‘no objection’ from the Bureau of Public Procurement in violation of section 16 (b) of the public procurement Act. The Ministry paid the reviewed contract sum of ₦871,199,063.25 (Eight hundred and seventy-one million, one hundred and ninety-nine thousand, sixty-three-naira, twenty-five kobo), in violation of section 16(2) of the Public Procurement Act.

This act was a failure of management to comply with the extant laws stated above.

Risk

Non-compliance with procurement rules could lead to misappropriation of government funds.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to justify the payment of the sum of ₦871,199,063.25 (Eight hundred and seventy-one million, one hundred and ninety-nine thousand, sixty-three-naira, twenty-five kobo). Sanctions within Financial Regulation 3102 should apply.

Issue 16: EMERGENCY REPAIR OF MAKERA-TEGINA ROAD SECTION II IN NIGER STATE - ₦55,936,886.50

Financial Regulation 603 which states “All vouchers shall contain full particulars of each service such as dates, numbers, quantities, distances and rates.... and will invariably be supported by relevant documents such as LPOs, invoices, special letters of authority, time sheets, rates etc.”.

The audit observed that a sum of ₦55,936,886.50 (Fifty-five million, nine hundred and thirty-six thousand, eight hundred and eighty-six naira, fifty kobo) was paid for the emergency repair of Makera – Tegna road section II in Niger state vide payment voucher departmental number CAP/3689/17 on 13th February, 2018. Further observation showed that the contract award letter was not attached to the payment voucher and detail of previous payments made in respect of the contract were not stated as required by Financial regulation 603. As a result, the audit could not ascertain the contract sum and the genuineness of the payment.

It was also observed that the engineering certificate number three (3) that the Ministry valued at ₦55,936,886.50 was not attached to the payment voucher before payment was made. Details of previous payments made in respect of the contract was also not provided.

It was further observed that approval for the payment was given by a former Minister of Works, since 13th January 2014. The approval memo was not re-presented to the current Minister of power, works and housing for revalidation before payment was made.

Risk

The violations stated above could lead to misappropriation and diversion of public funds

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to recover the sum of ₦55,936,886.50 (Fifty-five million, nine hundred and thirty-six thousand, eight hundred and eighty-six-naira, fifty kobo). Sanctions in line with Financial Regulation 3102 should apply to all affected officials.

MINISTRY OF FOREIGN AFFAIRS

Issue 1:

LACK OF ACCOUNTABILITY IN THE DISBURSEMENT OF INTERVENTION FUND FOR DISTRESSED NIGERIAN MISSIONS - USD68,875,902.00

Financial Regulations No. 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit examination of the Ministry's accounting records showed that a total of USD68,875,902.00 (sixty-eight million, eight hundred and seventy-five thousand, nine hundred

and two US Dollars was approved by the president as intervention fund for distressed Nigerian missions abroad. The sum which was in three tranches – USD32,873,896.68, USD28,810,217.80 and USD7,191,787.52 was meant to address challenges such as: missions' indebtedness, renovation and refurbishment of missions' chanceries and residencies, and replacement of broken-down representational vehicles.

Detailed examination of the Ministry's accounting records however, revealed the following anomalies:

- a. A sum of N268,814,121.20 was diverted from the first tranche of the intervention fund and was expended on "exigencies and sundry items", part of which the sum of N101,230,676.95 which, according to the documents presented by the Ministry, was for bank charges on remittance of funds by the CBN. No explanation was given, nor documents released justifying how the balance of N167,583,444.25 was utilized.
- b. Documents evidencing the disbursement of the second tranche of USD28,810,217.80 such as distribution breakdown of the funds to the beneficiary missions, expenditure returns for money received, and request for settlements of indebtedness from missions were not presented for audit verification.
- c. While a request for the third tranche of USD6,691,787.52 was made, the Ministry got approval for the sum of USD7,191,787.52 which was later released, giving an excess of USD500,000.00. The Ministry however approved the release of the excess to the Consulate-General of Nigeria in Dubai, which was originally not among the missions in need of intervention funds.

The issue had been communicated to the Permanent Secretary vide Management Letter Ref No. OAuGF/MAD/AI/2017/Vol.1/1 on 8th May, 2019 followed by two reminders vide Reference No. OAuGF/MAD/AI/2017/Vol.1/1b and OAuGF/MAD/AI/2017/Vol.1/1c dated 3rd July, 2019 and 22nd August, 2019 respectively.

Risk

Failure to apply funds specifically for the approved purposes could lead to misapplication of public funds and possible diversion.

Management's response

No response was received from management at the time of our report.

Recommendation

The Permanent Secretary is required to render full account as to how the sum of USD68,875,902.00 was disbursed to the benefiting missions, failing which sanctions stated in FR 3115 should apply.

OVERSEAS MISSIONS

NIGERIAN EMBASSY DUBLIN, IRELAND

Issue 1: UNAUTHORIZED VIREMENT - €91,150.49

FR 316 (ii) states that “Virement from one Head of account in the Recurrent Expenditure estimate to another Head of account in Capital Expenditure shall not be allowed and vice versa;”

Also, FR 316 (iii) states that “All application for virement shall be collected by the Ministry of Finance and submitted to the National Assembly for approval before virement warrant shall be issued;”

Audit observed that amounts totalling €91,150.49 (Ninety-One thousand, one hundred and Fifty Euros, and Forty-nine cents) were vired from one subhead to another without approval by the National Assembly as shown in the table below:

S No	Amount Vired (€)	Head/Subhead vired from	Head/Subhead vired to	Remark
1	50,305.94	Sub-heads	Sub-heads	Approval of the National Assembly not presented.
2	38,000.00	Capital vote	Recurrent vote	Approval of the National Assembly not presented.
3	2,844.55	Capital vote	Recurrent vote	Approval of the National Assembly not presented.
	91,150.49			

Risk

Unauthorized virements may result in misapplication of public funds.

Management's response

This matter has been communicated to the Permanent Secretary Ministry of Foreign Affairs vide letter Ref. No. SMEA/331/T/4 dated 3rd December, without any response.

Recommendation

The Permanent Secretary is requested to provide the approvals for the virement, failing which sanctions stated within FR 3115 should apply.

Issue 2: WRONGFUL PAYMENT FROM REVENUE ACCOUNT - €95,506.76

The provision of Section 223 of Financial Regulation stipulates that, “No deduction shall be made from any Revenue collection or other receipt to adjust a previous over credit. The gross amount received must, on all occasion from Revenue be accounted in full”.

It was observed that amounts totalling €95,506.76 (Nine-five thousand, five hundred and six Euros, seventy-six cents) from thirty-five (35) transactions were wrongfully expended from the mission Revenues contrary to extant rules and regulations which directed that all revenue should be paid to the Consolidated Revenue Fund Account vide J. P. Morgan Account.

Risk

Misapplication of funds and loss of Revenue to Government.

Management’s response

This matter has been communicated to the Ambassador through the Permanent Secretary Ministry of Foreign Affairs vide letter Ref. No. SMEA/331/T/4 dated 3rd December 2018 without any response.

Recommendation

The Permanent Secretary is required to account for the sum of €95,506.76 irregularly spent from the revenues received and the Ambassador in question and the Finance Attaché sanctioned in line with the provisions of section 3115 of Financial Regulations.

Furthermore, the Permanent Secretary should ensure adequate arrangements are made for funding the overseas missions such that there can be no reason for revenues received by the missions to be spent. The ability to spend from revenue accounts or to receive payments in cash should also subsequently be blocked.

Issue 3: NON-ATTACHMENT OF SUPPORTING DOCUMENTS TO PAYMENT VOUCHERS - €231,920.07

The provision of section 603 of Financial Regulation states that, “All vouchers should contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to

enable them to be checked without reference to any other document such as local Purchase Order, Invoices, Letter of Authority and Time Sheets”.

Examination of the Immigration Department’s account payment vouchers revealed that thirty-one (31) vouchers raised for the payment of staff claims totalling €231,920.07 (Two hundred and thirty-one thousand, nine hundred and twenty Euros, seven cents only) were not supported with relevant documents such as approved application for claims, receipts, copy of bills, authority and time sheets for which the claims were made.

Risk

Possibility of payment for service/work not done.

Management’s response

This matter has been communicated to the Ambassador through the Permanent Secretary Ministry of Foreign Affairs vide letter Ref. No. SMEA/331/T/4 dated 3rd December 2018 without any response.

Recommendation

The Permanent Secretary is required to account for the sum of €231,920.07 staff claims not supported with relevant documents. Sanctions within FR 3106 should apply. The affected officers at the Embassy of Nigeria, Dublin should be surcharged, and the monies paid back into the account. Sanctions within FR 3115 should apply.

Issue 4:

UNSPENT YEAR END BALANCES NOT RETURNED TO CHEST N91,724,075.34

The provision of Section 413 of Financial Regulation which states that, “the authority for recurrent expenditure conveyed by any of the warrants in Chapter 3 lapses at the end of the year in which the sum will actually be expended”.

The examination of the Authority to incur expenditures received and vote books revealed that two (2) allocations for 2016 were entered in the vote books and spent in 2017 and two (2) for 2017 were entered and spent in 2018 as shown in the schedule below.

N		
MFA/MS/04/532/2016	- July, - Sept 2016	-14,861,333.63
MFA/MS/04/573/2016	- Oct., - Dec. 2016	- 17,282,035.51
MFA/MS/04/609/2017	- 50% of 3 rd Qtr., 2017	- 25,014,318.00
MFA/MS/04/724/2017	- 4 th Quarter, 2017	- 34,566,388.20
TOTAL		<u>N 91,724,075.34</u>

These allocations which should have lapsed were re-voted and spent.

The excuse that the allocations were recovered late in these cases could not be accepted as cogent reason for flaunting extant rules.

Risk

Non-compliance with expenditure approval requirements may lead to expenditure being incurred without proper authorization, and to a loss of public funds.

Management's response

This matter has been communicated to the Ambassador through the Permanent Secretary Ministry of Foreign vide letter Ref. No. SMEA/331/T/4 dated 3rd December 2018 without any response.

Recommendation

The Permanent Secretary is required to account for the re-voted allocations while the Embassy should refund all spending made from lapsed allocations and copies of the refund particulars produced for verification.

PART B: DEFENCE AND SECURITY AGENCIES AUDIT DEPARTMENT

NATIONAL IDENTITY MANAGEMENT COMMISSION

Issue 1: NON-COMPLIANCE WITH PUBLIC PROCUREMENT ACT ON AWARD OF CONTRACT - ₦229,797,761.00

Extant Circular Reference Number: SGF/OP/1/S.3/XI/ 849 dated 14th January, 2016 and Financial Regulations 2908 states that “Where there are existing thresholds, no moneys shall be drawn from the Consolidated Revenue Fund or any government account in respect of procurement(s) falling above the set thresholds. Such payment falling above threshold shall only be valid if a ‘Certificate of No Objection’ is obtained from the Bureau”.

Audit observed that capital payment vouchers reference number: NIMC/LS/IGL/1/11/105, dated 25th October, 2017 for ₦229,797,761.00 (Two hundred and twenty-nine million, seven hundred and ninety-seven thousand, seven hundred and sixty-one naira) showed that NIMC procured 22 units of HP blade servers for Morpho BSS upgrade. The items were supplied.

There was no evidence of Ministerial Tender's Board approval, thus, negating the mandatory ‘Open Competitive bidding. Public advertisement in at least two national dailies, as required by Financial Regulation 2907 (1) and section 251(ii) of the Public Procurement Act was absent.

There was an initial payment of ₦103,408,992.45 (One hundred and three million, four hundred and eight thousand, nine hundred and ninety-two-naira forty-five kobo) vide payment voucher number NIMC/01/016 CA/18 dated 19/01/18, representing 45% of the contract sum as against the mobilization fee of 15%. The other subsequent payments were not also backed by an interim performance certificate as required by Section 35(2) of the public procurement Act 2007.

This is an indication of weakness in the internal control system at National Identity Management Commission (NIMC).

Risk

This could lead to poor value for money and possibility of misapplication and misappropriation of funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Director General is required to refund the sum of ₦229,797,761.00 (Two hundred and twenty-nine million, seven hundred and ninety-seven thousand, seven hundred and sixty-one naira). Otherwise, Sanctions in line with FR 3106 and 3117 should apply.

Issue 2

CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦4,784,581.15

Treasury Circular No TRY/A2&B2/2009/OAGF/CAD/026/V of 24th March 2009 states that "All procurement of stores and services exceeding ₦200,000.00 shall be made only through the award of contract".

Audit observed that various store items totalling ₦4,784,581.15 (Four million, seven hundred and eighty-four thousand, five hundred eighty-one-naira, fifteen kobo) were said to be procured directly by staff of the Commission.

The amounts granted for the procurement of the said store items were above the threshold for direct procurement of goods and services as benchmarked, and this is indicative of circumvention of procurement rules.

This is also an indication of weakness in the internal control system at the Commission.

Risk

Failure to comply with procurement rules may lead to poor value for money or loss of public funds through misappropriation.

Management's response

No response was received from management at the time of our report.

Recommendation

The Director General should justify the purchase irregularities and the total amount involved (₦4,784,581.15) shall be recovered from the authorizing officer. Otherwise, sanctions in line with FR 3106 should apply.

NIGERIA POLICE FORCE (GOMBE STATE COMMAND)**Issue 1: NON-PAYMENT FOR SERVICES OF POLICE GUARDS – ₦974,100.00**

Financial Regulation 224 (ii) states that “All services rendered by government must be paid for immediately on completion of the service. Where possible payment may be made in advance”.

Audit observed during examination of transactions for the period 1/1/2016 – 31/12/2017 that revenue for the services of Police personnel posted on guard duty to banks and other organizations remained uncollected. Total revenue due was ₦1,003,200.00 (One million, three thousand, two hundred naira) out of which a paltry ₦29,100 (Twenty-nine thousand, one hundred naira) was collected, leaving a balance of ₦974,100 (Nine hundred and seventy-four thousand, one hundred naira) uncollected revenue for the services of guards.

There was no adequate internal control system in place for adequate collection of revenue of government.

Risk

The government may lose revenue and there may be less probity in the management of public funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Inspector-General of Police is required to recover the sum of ₦974,100.00 (Nine hundred and seventy-four thousand, one hundred naira) from the defaulting organization and remit

same to CRF. Sanctions in line with FR 3112 (i) and (ii) should apply for failure to collect government revenue.

Furthermore, the Inspector-General of Police in conjunction with relevant authorities should revisit the tariff of charges for police services to ensure the rates are in line with today's economic realities.

Issue 2: UNDER REMITTANCE OF REVENUE INTO CONSOLIDATED REVENUE-FUND ACCOUNT - ₦160,400.00

Financial Regulation 224(ii) states that "All services rendered by government must be paid for immediately on completion of the service. Where possible, payment may be made in advance." In addition, FR 232 states that "If at any time, a Public Officer sustains a loss of Revenue due to negligence, he shall be liable to be surcharged for the amount involved."

Audit observed that the sum of ₦494,100.00 (Four hundred and ninety-four thousand, one hundred naira) was the revenue collected from both Bank guard and Bank escort. The sum of ₦333,700.00 (Three hundred and thirty-three thousand, seven hundred naira) however was paid into Consolidated Revenue Fund (CRF) Account. The unremitted difference, being ₦160,400.00 (One hundred and sixty thousand, four hundred Naira). This anomaly was noted during the audit of the police command for the period 1/1/2016 – 31/12/2017.

This instance is one example, and audit is concerned that the under-remittance of revenue occurs at other police commands across the Federation.

Risk

Under-remittance and failure to remit revenue when due may lead to loss of revenue and diversion of funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Inspector-General of Police is requested to introduce a cashless system for the receipt of fees and revenues for police services, as this will holistically address the issue of collection and under-remittance.

Furthermore, the Inspector-General of Police should recover the unremitted revenue of ₦160,400.00.

NIGERIAN POLICE ACADEMY WUDIL, KANO

Issue 1: NON-REMITTANCE OF INTERNALLY GENERATED REVENUE – ₦46,457,934.92

Federal Government Circular reference number HCSF/428/S.1/120 dated 7th August, 2015 states that “all receipts due to the Federal Government or any of her agencies shall be paid into the Treasury Single Account maintained in the Central Bank of Nigeria except otherwise expressly approved”

Audit observed in the financial year 2017 that, out of ₦56,740,802.87 (Fifty-six million, seven hundred and forty thousand, eight hundred and two-naira, eighty-seven kobo) being Internally Generated Revenue to the Federal Government, the sum of ₦46,457,934.92 (Forty-six million, four hundred and fifty-seven thousand, nine hundred and thirty-four naira, ninety-two kobo) was not remitted. The funds were received in cash and the Academy was not on the TSA system at the time.

This indicates weaknesses in internal controls operated by the management of Police Academy Wudil.

Risk

Non-remittance of revenue accruable to Federal Government might lead to misappropriation of funds.

Management’s response

The sum of ₦10,282,867.95 was remitted to Consolidated Revenue Fund (CRF) of the Federation being 25% share of total revenue generated during the year under review. However, any revenue that comes in with an obligation to discharge in the University system is viewed as service charge rather than the Internally Generated Revenue as indicated.

Auditor’s evaluation

The response from Management was not satisfactory.

Recommendation

The Inspector-General of Police is required to remit the sum of ₦46,457,934.92 being the unremitted Internally Generated Revenue (IGR) to the Treasury Single Account maintained in the Central Bank of Nigeria. Sanctions in line with FR 3112 (i) and (ii) should apply.

Issue 2: NON-DEDUCTION OF WITHHOLDING TAX (WHT) AND VALUE ADDED TAX - ₦13,966,179.37

Financial Regulation 234(i) states that “It is mandatory for accounting officers to ensure full compliance with the dual roles of making provision for the VAT & WHT on supply and services contract and actual remittance of same. Any loss of government revenue through direct payment of VAT and WHT to Contractor or failure to provide for VAT and WHT due and remitting same to Federal Inland Revenue Service by any Ministry/extra ministerial department shall be recovered from the statutory allocation of the defaulting Ministry/extra ministerial and other arms of government. Remittance shall be made not later 21 days after deduction”

Audit observed that 56 payment vouchers were raised and paid to different contractors totalling ₦138,168,043.69 (One hundred and thirty-eight million, one hundred and sixty-eight thousand, forty-three-naira sixty-nine kobo) in the year 2017. However, the statutory deductions of 5% WHT amounting to ₦7,057,777.18 (Seven million, fifty-seven thousand, seven hundred and seventy seven naira, eighteen kobo) and 5% VAT of ₦6,908,402.18 (Six million, nine hundred and eight thousand, four hundred and two naira, eighteen kobo), totalling ₦13,966,179.37 (Thirteen million, nine hundred and sixty six thousand, one hundred and seventy nine naira, thirty seven kobo) due to the Federal Government were not deducted. This is an indication of weakness in the internal control system at Police Academy.

Risk

Non-deduction of statutory taxes might have led to loss of revenue to the Federal Government.

Management’s response

Management of the Nigeria Police Academy is fully compliant with dual role of making provision for VAT and WHT due, on any supply and or services as contained in the Financial Regulation. However, Food and Agricultural Products, Books and Educational Materials are exempted from VAT.

Auditor’s evaluation

The response from Management was not satisfactory.

Recommendation

The Inspector-General of Police is hereby required to recover the sum of ₦13,966,179.37 (being the 5% WHT amounting to ₦7,057,777.18 and 5% VAT of ₦6,908,402.18) from the beneficiaries of the transactions and remit to Federal Inland Revenue Service. Otherwise, appropriate sanctions in line with (FR) 234 (ii) and 3112(i) shall apply.

Issue 3: UNAUTHORIZED VARIATION OF CONTRACT - ₦204,342,446.77

Financial Regulation 3103 states that ‘‘A query on an unauthorized variation of contract(s) and procurement shall be answered within 21 days of issue. However, if it remains unanswered after the time limit and it affects the Accounting officer, such failure shall be reported to the President. If it affects any other officer, appropriate sanction shall be imposed and the officer shall be removed from the duty schedule, dismissed, and prosecuted’’

Audit observed that the contract sum of ₦84,145,095.24 (Eighty-four million, one hundred and forty-five thousand, and ninety-five Naira, twenty-four kobo) for the construction of a 90m by 90m new parade ground was awarded and paid for in 2012 by the defunct Ministry of Police Affairs. Approval was given by the commandant without recourse to the Ministry. In 2013, the then Commandant modified the expansion of the construction to 120m by 120m square at an additional cost of ₦70,200,885.56 without any further tendering process, bringing the total cost to ₦154,345,980.80 (One hundred and fifty-four million, three hundred and forty-five thousand, nine hundred and eighty naira, eighty kobo) without reference or recourse to the supervising Ministry. The approval limit of management at the Academy is ₦100,000,000.

Furthermore, the project was abandoned, the stage of work and the details of payment made before abandonment was not disclosed. A second variation cost for the review of the layer thickness was put at ₦49,950,125.65 thus bringing the final total contract sum to ₦204,942,446.22 (Two hundred and four million, nine hundred and forty-two thousand, four hundred and forty-six-naira twenty-two kobo). Furthermore, the Bill of Quantities and drawings as well as the contract files which should have provided useful information were not provided for audit examination.

This means that procurement due processes were not adhered to by the management.

Risk

Failure to adhere to contracting guidelines hinders government policy in ensuring transparency and probity in the management of public funds and may lead to misapplication of funds.

Management’s response

“ The initial contract sum was ₦84,145,095.24 for the 90m by 90m Parade Ground contract. However, after the contractor had mobilized to site and done some work, the Commandant directed that the Parade Ground should be increased in size to 120m by 120m. The expansion of the scope of work led to the variation of the contract sum by ₦70,200,885.56. (₦154,345,980.80). Due to rise in the cost of major building materials, such as Bitumen, Cement, Coarse Gravel and Labour cost etc, the contractor applied for variation. Also the thickness of the parade ground was increased from 50mm originally approved to 100mm. The

contractor was directed to work out the cost implication of the variation request for consideration by management and an additional variation of N49,950,125.86 was approved, bringing the contract sum to N204,942,446.22. and the project is on-going.”

Auditor’s evaluation

Management’s response was unsatisfactory.

Recommendation

The Inspector-General of Police is required to justify the non-compliance with the Procurement Act 2007 in the award of the contract and variations unilaterally effected. Otherwise, sanctions in line with FR 3103 should apply.

Issue 4: UNVERIFIABLE CONTRACT FOR THE CONSTRUCTION WORK AT COMMISSIONERS’ RESIDENCE - N35,000,000.00

Financial Regulation 2936(iv) states that ‘Records and documents in respect of procurement proceedings shall be made available for inspection by the Bureau, an investigator appointed by the Bureau and the Auditor-General upon request. Where donor funds have been used for the procurement, donor officials shall have access on request to procurement files and records for audit review’.

Audit observed that a contract sum of ₦136,750,980.00 (One hundred and thirty-six million, seven hundred and fifty thousand, nine hundred and eighty naira), for the construction of the secondary-link-road/landscaping between two Commissioner’s Residences, was awarded in 2017 to a contractor. The dimension and actual cost of the Secondary Link Roads and landscaping was unknown, as well as the actual cost of the two (2) Commissioner’s Residences since the Bill of Quantities was not provided.

The relevant contract file and the record for the payment of the sum of ₦35,000,000.00 to the contractor were not provided for audit review.

The status of the project could not be verified and that cast doubt as to the genuineness of the disbursement and contract.

Risk

This may lead to unauthorized/unwarranted spending and/or commensurate values might not be obtained for such expenditure.

Final response from management

“The project was among the three new projects executed in the Academy for the year 2017, and as such, all procurement activities were carried out leading to the award. The project was never an ongoing project. The payments of the sum of ₦35,000,000.00 made to the contractor

was the second payment made to him. As at the time this payment was made, the percentage of work done was 65% of the whole project.

Auditor's evaluation

Management's response was unsatisfactory.

Recommendation

The Inspector-General of Police is required to account for and justify the payment of the sum of ₦35,000,000.00 and to substantiate the genuineness of contract, failing which sanctions in line with FR 3106 should apply.

Issue 5: CIRCUMVENTION OF PROCUREMENT RULES - ₦5,940,100.00

The Federal Treasury Circular Ref. No. TRY/A2&B2/2009 OAGF/CAD/026/V of 24th March, 2009 states that "All Accounting Officers and Officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts".

Audit observed that cash advances totalling ₦5,940,400.00 (Five million, nine hundred and forty thousand, four hundred naira) were paid to staff between January and December 2017 to purchase items and to procure services. These expenditures should have been executed by way of contracts through a competitive tendering procedure as the purchases were not emergencies.

Risk

Non-compliance with relevant extant laws and regulations on cash advances and threshold may lead to misappropriation of public funds.

Management's response

"The Management is in strict compliance with guiding principles stipulated in Financial Regulations of the Federal Government. It is in practice that supplies and or services costing above ₦200,000.00 shall be made only through award of contract. Committees comprising staff across departments, including procurement department was set up to handle procurement issues that need urgent attention. Payment totally ₦5,940,100.00 was expended on procurement of laboratory reagents and stools that are desperately in need as examination was approaching. Also, ₦450,000.00 was used to purchase security trackers for vehicles in order ensure safety of Academy's assets.

Auditor's Evaluation

The response from management was not satisfactory.

Recommendation

The Inspector-General of Police is required to justify the cash advances granted in excess of threshold, otherwise sanction in line with FR 3117 should apply.

Issue 6: IRREGULAR DISBURSEMENT OF ALLOWANCE - ₦15,650,067.85

Financial Regulation 417 provides that “Expenditure shall be classified in accordance with the estimate and votes must be applied only for the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”.

Also, Financial Regulation 415 (2009) states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”.

Audit observed that the sum of ₦15,650,067.85 (Fifteen million, six hundred and fifty thousand, sixty-seven naira, eighty-five kobo) was paid to 88 staff vide payment voucher number PA/GIF/200/201 dated 28th December, 2017, for excess work load allowance of 50% of each academic staff's salary.

The agreement between Federal Government of Nigeria (FGN) and Academic Staff Union in January 2009 presented to authorize this payment was not endorsed nor signed by both parties, and there was no circular issued by the FGN confirming this purported agreement.

Audit doubts the genuineness of this payment as the internal control system may have been compromised.

Risk

This may lead to misapplication of funds and loss of government money into private pocket.

Management's response

The excess work-load issue came about during the 1992 FG/ASUU Agreement which was re-negotiated in 2009. It came about as a result of dearth of qualified lecturers in the system necessitating the shouldering of overload by Academic staff. The excess work is referred to as excess work load, which has to be paid. It will only stop if enough lecturers are engaged in the system or subsequent renewal of the agreement is signed without the clause. On the part of the Academy, the 2019 personnel cost was substantially increased, to allow for the engagement of qualified Senior Academics. This may very well obviate the payment of excess work-load.

Recommendation

The Inspector-General of Police is required to provide evidence (Circular and signed agreement) to support the genuineness of the payment, or otherwise recover the sum of ₦15,650,067.85 (Fifteen million six hundred and fifty thousand sixty-seven naira, eighty-five kobo) from the affected staff members and pay same to CRF. Sanctions in line with FR 3106 and 3129 should apply.

Issue 7: FAILURE TO INSURE PUBLIC ASSETS

Federal Government Circular Ref. No. SGF/OP/I/S.3/VII/981 of 21st July 2008 in compliance with the Insurance Act of 1977, directed all MDAs to ensure that all assets under them are fully and adequately insured with registered insurance companies.

Audit observed that the Academy's assets totalling ₦9,740,445,424.00 (Nine billion seven hundred and forty million, four hundred and forty-five thousand, four hundred and twenty-four naira) were not covered against risks/perils by insurance policy.

The anomaly was due to the failure of the management of the Police Academy to include insurance cover in the budget.

Risk

This may lead to loss of valuable properties of the Government, in the event of unexpected occurrence.

Management's response

Nigeria Police Academy as a new Federal Government Establishment took off just in the year 2013 and the bill establishing the Academy is yet to be passed by the National Assembly. However, the management is doing its best to ensure safety of all assets under its watch. A unit was created under the office of the Bursar to handle insurance cover for all assets of the Academy as contained in the Insurance policy of the FGN.

Auditor's evaluation

Management's response was unsatisfactory.

Recommendation

The Inspector-General of Police is required to ensure that all the assets are fully and adequately insured.

RIVERS STATE POLICE COMMAND

Issue 1: LOSS OF 20 FIREARMS AND AMMUNITION AT THE RIVERS STATE POLICE COMMAND

Financial Regulation 2504(i) states that “the officer in-charge of the office in which the loss occurs shall take the following actions:

- Report Immediately to Head of Unit or Division by the fastest means if the loss occurs away from the Headquarters.
- Report to Police if fraud or theft is suspected.
- Initiate immediate action by completing Treasury Form 146, Part1 and forward same in quintuplicate to Head of supervising department or unit.
- Ensure that if a weakness in the system of internal, control or in security is established, measures have been taken to prevent a re-occurrence of the loss.
- Ensure that the accounting entries as prescribed in Financial Regulation 2524 and 2525 have been made.

Audit observed that various arms and ammunition were either snatched or got missing at various formations within the command. Details of the missing arms and ammunition, and the formation are shown in the table below:

S/No	Command Formation	No of Arms and Rounds of Ammunition	Period	Remark
1	Central Police Station, Port Harcourt, Rivers State.	One Beretta Pistol Serial No. A010132 and 7 rounds of ammunition	23 rd August 2018	i. Was claimed to be snatched by ii. kidnappers. iii. No police investigation report; Treasury Form 146 not presented in compliance with FR 2504 & 2505.

2	19 Squadron, Port-Harcourt, Rivers State.	11 firearms and 260 rounds of ammunition	6 firearms and 170 rounds of ammunition on 20 th September 2016. 5 firearms and 90 rounds of ammunition on 12 th September 2017.	i. The command was unaware of the loss until it was identified through audit. ii. Treasury Form 146 not presented in compliance with FR 2504 & 2505.
3	18 Mobile Police 48, Ahoda, Rivers State.	8 firearms and 196 rounds of ammunition	Between March 2016 and October 2017.	i. Arms and ammunitions got missing from armoury. ii. Treasury Form 146 not presented in compliance with FR 2504 & 2505.

Audit observed that security firearm (Beretta Pistol) Serial No. A010132 and 7 (seven) rounds of ammunitions were missing at the ammunition store. Further investigation revealed that there was a claim of snatched arm and ammunitions by kidnappers from a Police officer on 23rd August 2018 while on routine patrol, and this was reported to the Police Headquarters through signal No. DTO:260800/08/2017 dated 26th August 2018.

However, there was neither a Police Investigation Report nor a completed Treasury form 146 presented for inspection in compliance with the provisions of Financial Regulations 2504 and 2505.

In the absence of a police investigation report, audit is not convinced of the claim made of arms being snatched.

Risk

There is a risk of police arms falling into criminal hands.

Recommendation

The Inspector General of Police is required to recover the missing arms from the affected officer. Sanctions for serious misconduct should be imposed on the affected police officer in line with Public Service Rules 030402(o).

NIGERIA POLICE FORCE, IMO STATE COMMAND

Issue 1: IMPROPER RELEASES OF EXHIBIT ITEMS

Section 417 (1) of The Nigerian Police Act 2004 (as amended) states that “Where any property has come into the possession of the police as unclaimed property or property found or otherwise, a court of summary jurisdiction may, on application either of a member of the police force or by a claimant of the property, either order the delivery of the property to the person appearing to the court to be the owner thereof or, if the owner cannot be ascertained, make such order with respect to the property as to the court may seem meet.”

Also, Section 417 (1) states that “A register of unclaimed property shall be maintained for each police station in which register shall be recorded the details of all unclaimed property handed at the police station, and the particulars of disposal of such property.”

Audit observed that 4 (four) non-monetary and 1 (one) monetary exhibit were released without proper identification and documentation, in contravention of the above Sections of the Nigeria Police Act.

- i. One ash colour Xterra Jeep with Reg. No. KSF 780 EE, marked as CER No. 09/2017;
- ii. One custom colour Lexus RX 300 Jeep with Reg. No. WER 672 TL, marked as Exhibit 49/2017;
- iii. One Toyota Camry with Reg. No. RLU 349 AA marked as CER 50/2017;
- iv. One black Samsung Television marked as CER 05/2018; and
- v. Cash of ₦100,000 (One hundred thousand naira) marked as CER 01/2018.

The above anomalies were failure of the State Command to ensure compliance with rules and regulations.

Risk

Contravention of these sections of the Act could lead to misuse or conversion of public property to private use.

Recommendation

The Inspector General of Police is required to recover the exhibit items stated above from the affected officer(s). Sanctions for gross misconduct should also be applied in line with Public Service Rules 030402(w).

Issue 2: UNREMITTED REVENUE - ₦883,600.00

Treasury Circular No. HCSF/428/S1/120 dated 7th August 2015, states “all receipts due to the Federal government shall be paid into the Treasury Single Account...”

Audit observed that ₦883,600.00 (Eight hundred and eighty-three thousand, six hundred naira) only, was generated from; auction sales, firearms renewals, auctioneer’s renewals, bank guard and specie escorts between January and May 2018 but was not paid into Government Treasury Single Account.

The anomaly is a failure of the Police Commissioner to ensure supervision and monitoring of officers in charge of Revenue collections.

Risk

Failure to remit revenue generated could lead to a reduction in government funds.

Recommendation

The State Police Commissioner should recover the sum of ₦883,600.00 (Eight hundred and eighty-three thousand, six hundred naira), into Treasury Single Account, and sanctions within Financial Regulation 3112(ii) should apply.

PART C: JUDICIARY AUDIT DEPARTMENT**NATIONAL JUDICIAL INSTITUTE, ABUJA.****Issue 1: IRREGULAR PAYMENTS TO DOMESTIC-STAFF - ₦882,147.56**

The provisions of Certain Political, Public and Judicial Office Holders (Salaries and Allowances, Etc.) (Amendment) Act 2008. (Part I) provides that the salary of the CEO has been consolidated with 75 percent of the basic salaries as domestic servant allowance.

A domestic staff (cook) of the Hon. Administrator of the Institute was paid a monthly salary of ₦63,845.53 for the 2018 fiscal year totalling ₦882,147.56 from the overhead account. Audit

review of the entitlements Administrator revealed that the salary of the domestic servants had been consolidated into the salary payable to her. The conditions of appointment of the Administrator of the Institute were not furnished to the Audit Team when requested.

The irregular payments made to a cook whose wages had been consolidated into the emolument of the CEO is as a result of the failure to adhere to Establishment Circulars

Risk

Substantial resources may be lost through irregular payment of wages and allowances.

Management's response

1. The cook was engaged for the Institute's Guest House. He can also be deployed to serve in any part of the Institute.
2. The cook is not personal cook to the Administrator.

Auditor's evaluation

At the time of audit, there was no evidence that the cook was a staff of the Institute. The cook's name was not included in the nominal roll of the Institute; neither was the salary paid from the personnel subhead. Instead, payment was made from the overhead expenditure account. The cook personal file was not among those recruited within the period. As a result, the response is not acceptable.

Recommendation

The Administrator is required to account for the sum of ₦882,147.56 already paid, in addition to the sum paid between December 2018 and when the payment to the staff is stopped. The surcharge particulars from the emoluments of the Chief Executive Officer should be produced for verification in line with Financial Regulation 3106.

Issue 2:

RETENTION OF PERSONNEL FOR OUTSOURCED SERVICES

Establishment Circular Ref. No. HCSF/C/626/S.2/11/274 dated 28th April 2005 provides that: "Jobs contracted out (or outsourced) include those of the following cadres: - Cleaners, Security men & Watchmen, guards, etc. attendants, catering officers and allied staff, Technical staff/artisan/Craftsmen in Technical MDA's as well as Maintenance Unit in MDA's whose services are considered redundant, by current policy and practice".

Audit observed that the Institute retained these classes of staff as permanent officers of the Institute when these services have been outsourced by the Federal Government.

The authority to retain the above outsourced services of staff as permanent officers of the Institute was not furnished to the audit team. Retention of outsourced staff is not in compliance with relevant Establishment circulars.

The Federal Government has outsourced these services, but the Institute failed to comply with Government directive which is mandatory across the public service nationwide. The directive was issued after the scheme of service of the Institute was put in place.

Risk

There is the risk of returning the wage burden which the Federal Government had relinquished from these categories of workers.

Management's response

- (i) They are in the Institute's Scheme of Service.
- (ii) The Institute does not obtain approval or go through the Head of Service of the Federation for employment as stated in Section 6(1a) of its Act.
- (iii) Therefore, the employment is in line of its Act and its Scheme of Service.

Auditor's evaluation

The response of the Institute is not acceptable to audit as the Federal Government has outsourced these services, but the Institute failed to comply with government directive, which is mandatory across the public service nationwide. The directive was issued after the scheme of service of the Institute was put in place.

Recommendation

The Administrator is required to comply with Government policy or seek exemption from the Head of the Civil Service of the Federation.

PART D: LEGISLATURE AUDIT DEPARTMENT

NIGERIAN INSTITUTE OF LEGISLATIVE AND DEMOCRATIC STUDIES

Issue 1: TAXES DEDUCTED WITHOUT EVIDENCE OF REMITTANCE - N577,634,638.20

Financial Regulation 234(1) states that “It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and service contracts and actual remittance of same”.

Similarly, FR 235 states that “Deductions for WHT and VAT shall be remitted to the Federal Inland Revenue at the same time the payee who is the subject of the deduction is paid”.

Audit observed that the sum of N577,634,638.20 (Five hundred and seventy-seven million, six hundred and thirty-four thousand, six hundred and thirty-eight naira, twenty kobo) was deducted from 26 transactions between 17th January, 2018 to 11th May, 2019, but with no evidence of remittance to the relevant tax authorities.

This infraction was due to the failure of the Institute to adhere to laid down procedures guiding the collection and remittance of government revenue.

Risk

Failure to remit deducted taxes to relevant authorities may result in the loss of revenue to government.

Management’s response

In its response the Institute claimed that all taxes in the capital account was duly deducted. Remittances were done by the National Assembly, as they maintained the account on behalf of the Institute.

The response provided was unsatisfactory as it failed to address the issues raised. In particular, the response did not provide evidence of remittance obtained from the Federal Inland Revenue Service to confirm receipt of deducted taxes and any relevant records obtained from the National Assembly, proving such compliance.

Recommendation

The Director General is required to provide evidence of remittance of the sum of N577,634,638.20 to the Federal Inland Revenue Service (FIRS), failing which sanctions within FR 234 (ii) & (iii) should apply.

Issue 2: NON-COMPLIANCE WITH EXTANT LAWS AND POLICY IN THE ACQUISITION OF RESIDENTIAL BUILDING - ₦47,750,000.00

Section 27 (1) of the Fiscal Responsibility Act, 2007 states that “The sums appropriated for a specific purpose shall be used solely for the purpose specified in the Appropriation Act”

Similarly, Financial Regulation 301 state that, “The annual estimates and Appropriation Act are instruments used to limit and arrange annually the disbursement of funds of the Federal Government. No expenditure may be incurred except on the authority of warrant issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the estimate, until he has received an authority to do so in accordance with one of the following provisions in the Act, rules, and regulations. Any officer controlling a vote, or part thereof, who incurs expenditure without such authority does so on sole responsibility and will consequently, be held pecuniary responsible for his actions”.

Also, Financial Regulation 417 equally state that, “Expenditure shall strictly be classified in accordance with the estimates, and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”

Audit observed that a residential building was purchased for use by the Institute’s newly employed Director, with the following issues noted:

- i. The original payment voucher for this expenditure was not presented for audit examination (a photocopy was seen).
- ii. There was no evidence that budgetary provision for the acquisition of a residential building was provided for in the Appropriation Act for the year 2018
- iii. Acquisition of a residential building runs contrary to Public Policy on Monetization of the Federal Government of Nigeria.
- iv. The institute could not produce valuations and approvals obtained from the Federal Ministry of Power, Works and Housing certifying the acquisition of the building as required by the provisions of extant laws.

This infraction was due to the failure of the Institute to strictly comply with the provision of the section 27(1) of the Fiscal Responsibility Act 2007 guiding specific purposes for utilization of funds.

Risk

Purchase of residential buildings contrary to regulations may be a misapplication of funds.

Management’s response

Management responded that, the Property was acquired to serve as transit Guest house to staff and not as Residential Accommodation to staff. The Institute does not provide residential accommodation to its staff, but only temporary transit accommodation pending the time staff

settles down and is able to secure accommodation. In line with the recommendation. However, on the recommendation of the Audit, the sales process has been initiated and details will be provided soon.

Auditor's evaluation

The response on the purchase of the transit guest house for staff was accepted, but evidence of approval sought through the Appropriation Act or supplementary Appropriation Act before embarking on the purchase of the building(s) must be produced for scrutiny, likewise the document issued by the Ministry for the valuation of the building before being purchased.

Recommendation

The Director-General is required to provide the authority to incur extra budgetary expenditure not approved by the National Assembly and approval issued by the Ministry of Power, Works and Housing in respect of valuations for the property purchased, failing which sanctions in line with FR 3106 should apply.

NATIONAL COMMISSION FOR REFUGEES, MIGRANTS AND INTERNALLY DISPLACED PERSONS

Issue 1: USE OF 2015 APPROPRIATION TO SERVICE DEBT OF 2014 - N3,879,538,900.00

Financial Regulation 417 states that “expenditure shall strictly be classified in accordance with the estimate, and vote must apply only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed.”

Audit observed that in the year 2014, the Commission approved the sum of N3,879,538,900.00 (Three billion, eight hundred & seventy-nine million, five hundred & thirty-eight thousand, nine hundred naira) for payment to contractors, and thirty six payment vouchers were raised for those payments in the same year. However, payments were made between October 2015 to February 2016 without revalidating both the approval and the payment vouchers. Audit noted from a management report that there was no provision for servicing this debt in the 2015 appropriation.

The use of the current year's appropriation to service previous years' debts appears to have resulted in an extra-budgetary expenditure, in violation of the above Regulation.

Risk

This act may reduce the funds available for the Commission to expend in the current year.

Management's response

No response was received from management at the time of our report.

Recommendation

The Honourable Commissioner is required to justify the above infraction or to produce authority that permits such payments, failing which sanctions stated within FR 3106 should apply.

Issue 2:

**PAYMENTS FOR MONITORING AND EVALUATION OF
CONSTITUENCY PROJECTS NOT CARRIED OUT -
N43,044,800.00** —

Financial Regulation 708 states that “On no account should payment for services not yet performed or for goods not yet supplied”

Audit observed that amounts totalling N43,044,800.00 (Forty-three million, forty-four thousand, eight hundred naira) were paid to three officers of the Commission as detailed in the table below:

S/N	DATE	P.V No	Amount (N)
1	16/12/2015	008	13,858,400.00
2	06/01/2016	001	10,220,800.00
3	22/01/2016	119	18,965,600.00
TOTAL			43,044,800.00

The amount was meant for monitoring and evaluation of Constituency Projects which was later cancelled. However, the amount was yet to be recovered from the officers as the time of the audit.

Risk

Government could lose the sum of N43,044,800.00 through diversion.

Management's response

No response was received from management at the time of our report.

Recommendation

The Honourable Commissioner is required to recover the sum of N43,044,800.00 and pay back to the Consolidated Revenue Fund of the Federal Government, failing which sanctions stated within FR 3106 should apply.

Issue 3**SUPPLIES OF ITEMS NOT TAKEN ON LEDGER CHARGE-
N7,144,662,349.00**

Financial Regulation 2402(i) states that, “On all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of this regulation, the storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the store receipt voucher number and attaching the original copy of the store receipt voucher to the original L.P.O”.

Audit observed that supplies amounting to N5,470,134,400.00 for years 2015/2016 and supplies amounting to N1,674,527,949.00 in 2017 were all not taken on ledger charge.

The items were supplied to communities without documentation as the store officer was not on ground to assess the items supplied. He however issued SRV for the items without ascertaining the quantity of items supplied. In all, there was no satisfactory evidence of supply.

Risk

Failure to update store records increases the likelihood of loss or diversion of public property and funds.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Honourable Commissioner is required to justify the supplies, failing which he is to recover the sum of N7,144,662,349.00 and pay to the Consolidated Revenue Fund. Sanctions in line with FR 3129 should apply.

Issue 4:**PAYMENTS NOT VOUCHERED FOR - N2,368,739,912.76**

Financial Regulation 601 states that “All payment entries in the cashbook/account shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances should a cheque be raised, or cash paid for the service for which a voucher has not been raised.”

Audit observed, from the examination of the Commission’s CBN REMITA print-out, that between the months of March and May 2017, payments totalling N2,368,739,912.76 were made without raising payment vouchers, in contravention of the above Regulation. Of this amount, the sum of N1,195,102,129.18 was paid without raising payment vouchers, neither was it entered into the cash book.

Risk

Non-compliance with the above Financial Regulation could lead to circumvention of system checks and balances, full disclosure of financial transaction, loss of source documents and mismanagement of government funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Honourable Commissioner is required to justify the above infraction, failing which sanctions stated in FR 409 should apply.

Issue 5: PAYMENTS WITHOUT PRE-PAYMENT AUDIT - ₦1,095,450,227.27

FR 1705 states that “the head of internal audit unit in all ministries/extra-ministerial offices and other arms of government shall ensure that 100% pre-payment audit of all checked and passed vouchers is carried out and the vouchers forwarded under security schedule direct to the appropriate Central Pay Office for payment...”

Audit observed, from the examination of 80 payment vouchers in the month of March 2018, that the sum of ₦1,095,450,227.27 was paid to contractors for supplies of different items. These payments were made without pre-payment audit, and neither were they stamped “paid” in line with FR 622.

Risk

This could lead to by-passing of payment procedures and consequently, misappropriation of funds against priority projects and programs of government.

Management's response

No response was received from management at the time of our report.

Recommendation

The Honourable Commissioner is required to recover the sum of ₦1,095,450,227.27 from the beneficiaries, otherwise, sanction in line with FR 3106 should apply.

Issue 6: UNAUTHORIZED VIREMENT - ₦122,738,966.40

Financial Regulation 309 states that “virement warrant shall be issued with approval of the National Assembly, when virement is required as a result of circumstances which could not have been foreseen.”

Audit observed that a contract amounting to N122,738,966.40 was awarded and paid for from 2017 budget appropriation. It was however observed that the line items were changed from what was approved to another item of expenditure that was not appropriated for in the same year's budget, without approval for virement.

Payments to contractors without supporting documents and without pre-audit exposes Government to risk of loss of funds through fraud, mismanagement, or abuse.

Risk

Failure to obtain approvals prior to virement can lead to misapplication of funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Honourable Commissioner is required to provide the of approval of the National Assembly for the amount vired, otherwise the sum of N122,738,966.40 should be paid back to Consolidated Revenue Fund. Sanctions stated in FR 3106 should apply.

Issue 7: DISCREPANCIES IN CENTRAL BANK REMITA PRINT OUT - N221,200,286.13

Financial Regulation 3106 states that "a public officer who makes an irregular payment from public funds, shall be given 21-day notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule".

It was observed during audit of the Central Bank of Nigeria REMITA Print-Out that the inflow and outflows of funds reveals discrepancies between the cash book and the CBN REMITA print-out.

Examination of disbursement dated 21/4/2017 reveals that the balances in the CBN REMITA print-out was ₦1,710,261,340.56, while the balances as at 25/4/2017 reduced to ₦1,489,061,054.43 without any corresponding debit entry(s).

This unreconciled balance of ₦221,200,286.13 (i.e. ₦1,710,261,340.56 - ₦1,489,061,054.43) is unexplained.

Risk

Government funds may be irregularly removed without trace by tampering with the balances.

Management's response

No response was received from management at the time of our report.

Recommendation

The Honourable Commissioner is required to justify the discrepancies noted above, failing which he/she should account for the difference of ₦221,200,286.13 and sanctions within Financial Regulation 3106 should apply.

PART E: EMERGING ISSUES AUDIT DEPARTMENT**AGRIC RESEARCH COUNCIL OF NIGERIA****Issue 1 - MISAPPLICATION OF CAPITAL FUNDS - ₦6,938,240.70**

Financial Regulation 417 states that "Expenditure shall strictly be classified in accordance with the estimate and Votes must be applied only for the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed"

Audit observed that several payments amounting to ₦6,938,240.70 (Six million nine hundred and thirty-eight thousand two hundred and forty naira and seventy kobo) which were not capital related were incurred from capital vote such as shown in the table below:

S/N	DATE	P.V No	DESCRIPTION	AMOUNT (₦)
1	07/11/2017	037/17	First 28 days (3 officers)	2,134,591.20
2	08/08/2017	044/17	Death Benefit	912,792.00
3	21/12/2017	045/17	Repatriation Allowance	245,943.95
4	22/12/2017	047/17	Repatriation Allowance	539,913.55
5	19/03/2017	132/17	Payment for the Devt. of ARCN scheme & condition of service to a solicitor.	3,105,000.00
			TOTAL	6,938,240.70

Risk

This may lead to non-execution of projects approved in Annual Estimates.

Management's response

No response was received as at the time of this report.

Recommendation

The Executive Secretary is required to furnish explanations for authorizing payments totalling ₦6,938,240.70 (Six million, nine hundred and thirty-eight thousand, two hundred and forty naira, seventy kobo that are not capital related expenses from capital vote or forward evidence of virement to incur recurrent expenses from capital vote, failing sanctions in line with the provisions of FR 2906 ii and 417.

Issue 2: OVERSEAS TRAVEL WITHOUT APPROPRIATE APPROVAL - ₦6,623,548.00

The Establishment Circular Ref No. HCSF/CSO/HRM/Pol.1402/1 dated 22nd January, 2015 restricts foreign training, conferences, seminars, workshops and travels, except with the approval of the Secretary to the Government of Federation for political office holders and Head of Civil Service of the Federation for civil servants while Mr. President approves for the Honourable Ministers.

Audit observed that payment of estacode and travel allowance in favour of the Executive Secretary (ES) and one Officer on official visit to Brazil from April 29th to 7th May, 2017 was made to the tune of ₦6,623,548.00 (Six million, six hundred and twenty three thousand five hundred and forty eight naira) without appropriate approval from the Head of Civil Service of the Federation for the journey which is a contravention of the above Circular. The payment was made via Payment Voucher No: CAP/008/2017 dated 7/9/2017.

Risk

Public funds spent on unauthorized journeys result in irregular expenditure and a loss of resources.

Management's response

No response was received as at the time of this report.

Recommendation

The Executive Secretary is required to refund the sum of ₦6,623,548.00 (Six million, six hundred and twenty-three thousand, five hundred and forty-eight naira) in accordance with the provisions of FR 3106.

Issue 3: VIOLATION OF E-PAYMENT POLICY - ₦6,471,000.00

The Federal Government E-payment Circular Ref. No. TRY/A8/B8/2008 dated 22nd October 2008 which stipulates that individual benefit/claim should be effected through their personal bank accounts.

Audit observed that payment of the sum of ₦6,471,000.00 (Six million, four hundred and seventy-one thousand naira) was made to persons other than direct beneficiaries of such payments, as stipulated by the above circular. The details of the payments are as follows:

S/N	DATE	PV. NO	DESCRIPTION	AMOUNT (N)
1	19/07/2017	CAP/006/2017	DTA FOR M&E	1,105,000.00
2	07/09/2017	CAP/007/2017	DTA FOR M&E	1,560,000.00
3	14/03/2018	ARC/CAP/124/2018	DTA FOR M&E	1,555,000.00
4	21/3/2018	CAP/146/2017	DTA, AIR TICKET OF GOVERNING MEMBERS	2,251,000.00
			TOTAL	6,471,000.00

Risk

Payments may be duplicated and/or converted to inappropriate beneficiaries.

Management's response

No response was received as at the time of this report.

Recommendation

The Executive Secretary is required to account for the sum of ₦6,471,000.00 made as E-payment infractions. Sanctions within FR 3106 should apply.

Issue 6: NON-REMITTANCE OF INTERNALLY GENERATED REVENUE (IGR) TO CONSOLIDATED REVENUE FUND - ₦3,258,000.00

Establishment Circular of the Head of Service of the Federation, Reference No. HCSF/428/S.120, dated 7th August, 2015 on Re-Introduction of Treasury Single Accounts (TSA) (E-Collection of Government Receipts) states in part "...To aid transparency and facilitate compliance with section 80 and 162 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), all receipts due to Federal Government or any of her agencies shall be paid into TSA..."

Audit observed, from examination of the Council's inflow report of IGR for 2017, that the Council generated a total of ₦3,258,000.00 (Three million, two hundred and fifty-eight thousand naira), being independent revenue (tender fees and sales of government properties). However, evidence of remittance to the CRF for the period was not presented for audit.

Risk

Violation of the above Circular may deprive the Government of the much-needed revenue.

Management's response

No response as at the time of our report.

Recommendation

The Executive Secretary is required to remit 100% of the revenue collected in the year 2017 which amounted to ₦3,258,000 (Three million, two hundred and fifty-eight thousand naira) to the Consolidated Revenue Fund, failing which sanctions within FR3112(ii) should apply.

Issue 7: CIRCUMVENTION OF PROCUREMENT PROCEDURES AND UNRETIRED ADVANCES - ₦6,941,379.90

Treasury Circular Ref No: TRY/A2&B2/2009OAGF/CAD/26/V dated 24th march 2009 states “All accounting officers and officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts”.

Audit observed that several advances were made above the advances threshold. These ranged between ₦277,500.00 and ₦5,000,000.00 and were granted to some staff of the Council for the year under review. These advances amounted to ₦6,941,379.90, and audit is concerned they were done to circumvent procurement rules. Moreover, evidence of retirements to prove that the funds were utilized for the purpose for which they were granted was not presented for audit, in contravention of Financial Regulations 1420.

Risk

The inability of Management to account for public funds may lead to loss of government resources.

Management's response

No response as at the time of our report.

Recommendation

The Executive Secretary required to justify the cash advances granted in excess of threshold, otherwise Sanctions in line with FR 3117 shall apply. Furthermore, the Executive Secretary should ensure all outstanding advances are recovered. Sanctions in line with the provisions of FR 3118 and 3124 should apply.

Issue 8: **THE USE OF SUBSTITUTE PAYMENT VOUCHERS IN PLACE OF LOST PAYMENT VOUCHERS WITHOUT DUE PROCESS - ₦935,000.00**

Financial Regulation 630 states that “if a payment voucher is reported lost, prompt investigation shall be made. It must be established immediately whether payment has been made or whether the cash drawn is still on hand. If a loss or fraud has occurred, action will be taken in accordance with FR. Chapter 25. Where the Accounting Officer is satisfied that no loss or fraud has taken place, he will submit a report on the circumstances of the loss of the voucher to the Accountant-General...”

Audit observed that a total of 34 payment vouchers valued at ₦935,000.00 (Nine hundred and thirty-five thousand naira) were raised and paid in place of lost payment vouchers without following the procedures contained in Financial Regulation 630.

The number of lost payment vouchers (34) also indicates there are significant weaknesses in internal control.

Risk

Lost payment vouchers may be utilized as a way of duplicating payments.

Management’s response.

The verbal responses provided at the exit briefing were unsatisfactory, and no further clarification or response was received as at the time of this report.

Recommendation

The Executive Secretary is required to explain why the procedures contained in FR630 were not followed, otherwise the sanctions in FR 3129 should be applied.

Issue 9: **VEHICLES TAKEN AWAY BY THE SPECIAL ASSISTANT TO FORMER EXECUTIVE SECRETARY & BY THE PRESENT BOARD CHAIRMAN**

Financial Regulation 2001 states that “the Accounting Officer shall be responsible for ensuring that there are effective controls in the use of government vehicles” while Financial Regulation 2002 states that “Official transport is to be used on all occasions to facilitate government business but shall not be used for private journeys”.

Audit observed that a Toyota Hilux vehicle with registration number ARCN FG 52 (other details not made available to the team) was taken away by the SA to the former Executive Secretary. Another Ford Edge with the registration number ARCN FG 03 (other details not made available to the team) was also taken away by the present Board Chairman. This is a contravention of the above section of the Financial Regulation on the use of government vehicles.

Risk

The conversion of government vehicles for private use violates government regulation. It may result in loss of government vehicles. Furthermore, other officials are denied the use of the vehicles provided by government for official use.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Secretary is required to recover the vehicles mentioned above immediately while providing evidence of recovery. If recovery is not done, the provisions of FR3113 and Public Service Rules 030402 (w) shall apply. Sanctions for the misappropriation of public property should also be applied to the persons that removed the vehicles.

Issue 10: PAYMENT FOR CONTRACTS WITHOUT RELEVANT SUPPORTING DOCUMENTS - ₦59,880,000.00

Section 603(i) of the Financial Regulation states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, so as to enable them to be checked without reference to any other documents and will variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets, etc.”.

Audit observed that contracts were awarded and paid without relevant supporting documents (such as bill of service rendered, contact numbers, and addresses of participants of training, report of the training etc.) attached to the Payment Vouchers. These contracts include:

- i. Contract for the training of youth on value chain management on geo-political zones at a contract sum of ₦10,640,000.00.
- ii. Contract for the training of M & E secretariat staff at a contract sum of ₦4,830,000.00.
- iii. Contract for the training of farmers on the adopted technologies in the North East at a contract sum of ₦32,160,000.00.
- iv. Contract for consultancy services rendered in operating zonal intervention/constituency projects at a contract sum of ₦12,250,000.00.

Risk

Payment without relevant supporting documents exposes the Council to financial irregularities.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Secretary is required to produce all the supporting documents relating to the Contracts, failing which sanctions provided for in FR 3117 should apply.

**Issue 11: NON-PREPARATION & SUBMISSION OF AUDITED
FINANCIAL STATEMENTS FOR 5 YEARS**

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and Management Report to the Auditor-General and the Accountant-General not later than 31st of May of the following year of account.”

Audit observed that as at the time of the conclusion of the periodic check in November, 2018, the Management of the Council had not prepared and submitted the Audited Accounts of the Council for the periods of 2013, 2014, 2015, 2016 and 2017 financial years to the Office of the Auditor-General for the Federation. Consequently, the constitutional duty of the Auditor-General, of incorporating comments on the Annual Accounts and Management Report of the Council to the Public Accounts Committee of the National Assembly as contained in section 85(3b) Constitution of the Federal Republic of Nigeria (1999 as amended) has been hindered due to non-preparation and submission of audited accounts by the Council's Management to Auditor-General for the Federation.

Failure to render accounts as stipulated by law is unacceptable and indicative of poor financial management and reporting.

Risk

Government finances may not be properly accounted for.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Secretary should justify the failure to present audited financial statements for over 5 years in contravention of FR 3210(v).

The Executive Secretary should also prepare and submit all the overdue financial statements (2013-2017) without further delay. Sanctions stated in FR 3129 should apply.

Issue 12: PAYMENT FOR DOUBTFUL MONITORING AND EVALUATION - ₦24,445,260.00

Section 603(i) of the Financial Regulation states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to enable them to be checked without reference to any other documents will and variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets, etc.”.

Audit observed that several monitoring and evaluation activities (20) were claimed to have been carried out in 2017 and 2018, totalling ₦24,445,260.00 (Twenty-four million, four hundred and forty-five thousand, two hundred and sixty thousand naira). However, examination of the documents made available to the team revealed no evidence of the purported exercises. There was no report of the various monitoring and evaluation exercises claimed to have been carried out - a contravention of the above section of the Financial Regulation which requires that payment should be supported with relevant documents.

Risk

Payment without relevant supporting documents exposes the Council to financial irregularities.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Executive Secretary is required to substantiate the expenditure on the monitoring and evaluation, otherwise the sum of ₦24,445,260.00 (Twenty-four million, four hundred and forty-five thousand, two hundred and sixty thousand naira) should be recovered and paid into Government Treasury. Sanctions in line with the provisions of FR 3106 should apply.

FEDERAL COLLEGE OF AGRICULTURE, AKURE

Issue 1: NON-DEDUCTION AND NON-REMITTANCE OF VAT AND STAMP DUTY - ₦6,410,273.69

Financial Regulations 234(i) states that “It is mandatory for Accounting Officers to ensure full compliance with the dual role of making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and services contract and actual remittance of same”.

Audit observed that the College failed to deduct and remit Stamp Duty of ₦5,574,176.88 (Five million, five hundred and seventy-four thousand, one hundred and seventy-six naira, eighty-eight kobo) and Value Added Tax of ₦836,116.81 (Eight hundred and thirty-six thousand, one hundred and sixteen naira, eighty-one kobo) from contracts awarded, some of which were for the supply of crop processing plant, tree planting and purchase of a Hyundai Santa-Fe Grand Luxury Jeep.

The above anomaly may be due to failure of the College to ensure that deductions are made and remitted as soon as payments are made to contractors.

Risk

Non-compliance with regulations on deduction and remittances of appropriate taxes could lead to loss of Government Revenue thereby affecting Government’s ability to implement programs and projects beneficial to citizens.

Management’s response

There was no response from management as at the time of our report.

Recommendation.

The Provost is required to recover the sum of ₦6,410,293.69 (Six million, four hundred and ten thousand, two hundred and ninety-three-naira, sixty-nine kobo) only from the contractors and pay the tax authorities. Otherwise, sanctions in line with FR 234 (iii) should apply.

Issue 2: PAYMENT VOUCHERS WITHOUT NECESSARY SUPPORTING DOCUMENTS - ₦5,099,887.92

Financial Regulation 603 (I) of the Federal Republic of Nigeria states that “All vouchers shall contain full particulars of each service such as dates, numbers, quantities, distances, and rates, as to enable them to be checked without reference to any other documents will and variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets etc.”

Audit that 5 (five) payment vouchers were prepared and paid totalling ₦5,099,887.92 (Five million, ninety-nine thousand, eight hundred and eighty-seven-naira, ninety-two kobo), without supporting documents.

The above anomaly was due to failure of the College to adhere to appropriate provisions of the Financial Regulations and an indication of weakness in the internal control system.

Risk

The control failure could lead to multiple payments, diversion of funds and mismanagement of public funds.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to account for the sum of ₦5,099,887.92 (Five million, ninety-nine thousand, eight hundred and eighty-seven-naira, ninety-two kobo), paid without supporting documents, otherwise sanctions in line with Financial Regulation 3106 should apply.

Issue 3: UNRETIRED CASH ADVANCES - ₦3,058,346.00

The provision of Financial Regulations 1405 states that; "Accounting Officers are responsible for ensuring the prompt repayment of all advances by installments or otherwise".

Audit that advances were granted to 21 (twenty-one) staff of the College amounting to ₦3,058,346.00 (Three million, fifty-eight thousand, three hundred and forty-six naira), without evidence of retirement.

The above failure was because of the College's non-compliance with extant regulations.

Risk

This could adversely affect the effective and efficient use of the College's financial resources.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to recover the sum of ₦3,058,346.00 (Three million, fifty-eight thousand, three hundred and forty-six naira), and pay same to the Consolidated Revenue Fund of the Federal Government and present evidence of recovery. Furthermore, sanctions in line with Financial Regulation 3118 should apply.

Issue 4: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT - ₦5,717,872.20

Financial Regulations 601 states, “All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.”

Audit observed that 19 (nineteen) payment vouchers were raised and paid from the capital vote amounting to ₦2,974,266.15 (Two million, nine-hundred and seventy-four thousand, two-hundred and sixty-six naira, fifteen kobo) while 41 payment vouchers were paid from the overhead vote amounting to ₦2,743,606.05 (Two million, seven hundred and forty-three thousand, six hundred and six naira, five kobo). The total of ₦5,717,872.20 (Five million, seven hundred and seventeen thousand eight hundred and seventy-two naira and twenty kobo), was paid without evidence of raising payment vouchers, contrary to the above Financial Regulation.

Risk

The non-presentation of the vouchers may lead to misappropriation and misapplication of funds.

Recommendation

The Provost is required to recover the sum of ₦5,717,872.20 (Five million, seven hundred and seventeen thousand, eight hundred and seventy-two naira and twenty kobo), and pay to the Consolidated Revenue Fund (CRF) and provide evidence of recovery. Otherwise, sanction stated in Public Service Rule 030402(b) should apply.

FEDERAL COLLEGE OF AGRICULTURE, MOOR PLANTATION, IBADAN**Issue 1: PAYMENTS NOT ENTERED INTO THE VOTE-BOOK - ₦18,345,746.98**

Financial Regulation 403 provides that “the gross amount, i.e. the actual charge to the vote of every expenditure voucher shall be entered into the vote-book. Similarly, all liabilities and commitments will be entered as soon as they are known or incurred”

Audit observed that 44 (Forty-four) payment vouchers in 2014 and 31 (Thirty-one) payment vouchers in 2016 amounting to ₦18,345,746.98 (Eighteen million, three hundred and forty-five thousand, seven hundred and forty-six naira, ninety-eight kobo) were neither entered into the vote book nor posted to the cashbook. These payments were for DTAs, payment for JAMB processing, emergency meeting, project visitation, etc.

Risk

This infraction can result in the diversion of public funds for other purpose through payments that are not authorized or not properly classified. Hidden liabilities could also be accumulated. The payments could also be irregular.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to account for the sum of ₦18,345,746.98 (Eighteen million, three hundred and forty-five thousand, seven hundred and forty-six-naira, ninety-eight kobo) and sanctions as provided for in FR 3119 should apply.

Issue 2:**PURCHASES MADE BUT NOT TAKEN ON LEDGER
CHARGE - ₦59,870,168.75**

Financial Regulation 2402 (i) states, "On all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of this Regulation, the Storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original L.P.O."

Audit observed, from examination of the College's store accounting records that 37 (Thirty-seven) payments totalling ₦59,870,168.75 (Fifty-nine million, eight hundred and seventy thousand, one hundred and sixty-eight naira and seventy-five kobo) were made to purchase various store items. However, we could not trace the amount to the College's store records, as there were no documents to show that the items were taken on store charge.

Risk

Failure to take stores on charge in the store ledger can result in diversion of store items for private use.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to give full account of the sum of ₦59,870,168.75 (Fifty-nine million, eight hundred and seventy thousand, one hundred and sixty-eight naira and seventy-five kobo), failing which sanctions stated in FR 3129 should apply.

Issue 3: UNRETIRED CASH ADVANCES - ₦9,849,607.00

Financial Regulations 1405 provides that “Accounting Officers are responsible for ensuring the prompt repayment of all advances by instalments or otherwise.” Also, Financial Regulations No. 1420 states that “It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered.”

Audit observed, from the examination of the College’s accounting records that advances totalling ₦9,849,607.00 (Nine million, eight hundred and forty-nine thousand, six hundred and seven naira), granted to staff of the College between 2016 and 2017, remained unretired as at the time of audit in 2018. In some cases, multiple advances were granted without retiring previous ones.

It was further observed that from the amount, a total of ₦2,600,000.00 (Two million, six hundred thousand naira) were granted to four staffs of the College in 2016 above the ₦200,000.00 threshold, contrary to Federal Treasury Circular Ref. No. TRY/A2&B2/2009 OAGF/CAD/026/V of 24th March, 2009.

Risk

Contravention of the above regulation can lead to loss of public funds due to poor accountability in the use of government funds.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to recover the sum of ₦9,849,607.00 (Nine million, eight hundred and forty-nine thousand, six hundred and seven naira) from the benefitting staff and pay same to the CRF. He should also justify the contravention of the above treasury circular. In addition, sanctions provided for in FR 3118 should apply.

Issue 3: IRREGULARITY IN THE AWARD OF CONTRACT - ₦23,792,621.00

Financial Regulation 603 (i) states, “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

FR 2933 (ii) further provides that "No further payments shall be made to a supplier or contractor who has been paid mobilization fee except on the strength of an interim performance certificate issued in accordance with the contract agreement".

The College awarded a contract for the construction and asphalt finish of College road to a contractor at a sum of ₦23,792,621.00 (Twenty-three million, seven hundred and ninety-two thousand, six hundred and twenty-one naira). Audit observed that the contractor was paid in full without relevant documents attached. The payments that were in four tranches were made on the same day as shown below:

- a) 15% mobilization vide mandate No.1000341053 -1 at ₦3,212,003.84, net of tax
- b) 45% of contract sum vide mandate No. 1000344136-2 for ₦9,636,011.50, net of tax.
- c) 30% of contract sum vide mandate No.1000354245-2 for ₦6,424,007.67, net of tax.
- d) Final payment vide mandate No.1000363863 -1 for ₦904,586.20, net of tax.

Risk

This could lead to contract award without due process, which can result in loss of Government funds.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to account for the sum of ₦23,792,621.00 (Twenty-three million, seven hundred and ninety-two thousand, six hundred and twenty-one naira) and paid back to the Consolidated Revenue Fund of the Federal Government. In addition, sanctions in line with FR 3117 should apply.

Issue 5: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS

Financial Regulation 3210(v) makes it mandatory for Chief Executive Officer of each parastatals to submit both Audited Accounts and Management Report to the Auditor- General for the Federation.

Audit observed that the Audited Financial Statements of the College for the 2017 financial year together with the Management Report for the same period are yet to be submitted to the Office of the Auditor-General for the Federation for his comments as at the time of this report.

Risks

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to justify the lateness in submission and immediately submit the Audited Accounts for 2017 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 7:

**NON-REMITTANCE OF 25% INTERNALLY GENERATED
REVENUE TO THE FEDERAL GOVERNMENT
CONSOLIDATED REVENUE
FUND - ₦9,768,380.52**

Financial Regulation 236 states that “Revenue paid into the revenue accounts for internally generated revenue (IGR) of MDAs shall be transferred to the CRF on or before 15th of the month following the month of collection of the revenue.”

Similarly, Federal Treasury circular Reference No. FMF/HMF/2015/1 dated 8th December 2015, require that revenue paid into the Revenue Accounts as Internally Generated Revenue (IGR) of MDAs be transferred to the CRF on or before the 15th of the month following the month of collection of the Revenue, and that all partially funded agencies/parastatals to limit their annual budgetary expenditure to not more than 75% of their gross revenue and remit 25% to CRF.

Audit observed that the sum of ₦9,768,380.52 (Nine million, seven hundred and sixty-eight thousand, three hundred and eighty naira, and fifty-two kobo) representing 25% of ₦39,073,522.10 (Thirty-nine million, seventy-three thousand five hundred and twenty-two naira, ten kobo) collected as Internally Generated Revenue (IGR) for the year 2017 was not remitted to Consolidated Revenue Fund.

Risk

Violation of the above provisions can deprive the Government of the much-needed revenue to improve on the wellbeing of its citizens.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to remit the sum of ₦9,768,380.52 (Nine million, seven hundred and sixty-eight thousand, three hundred and eighty naira, fifty-two kobo) representing 25% of the College's IGR to the Consolidated Revenue Fund, failing which sanctions provided for in FR 3122 and 3123 should apply.

Issue 8: AWARD OF CONTRACTS ABOVE APPROVED THRESHOLDS:
₦39,270,000.00

Financial Regulations 2908 states that “When there are existing thresholds, no moneys shall be drawn from the Consolidated Revenue Fund or any government account in respect of procurements falling above the set thresholds. Such payment falling above threshold shall only be valid if a “Certificate of No- Objection” is obtained from the Bureau.”

Audit observed that the Provost approved the award and payments for two contracts totalling ₦39,270,000.00 (Thirty-nine million, two hundred and seventy thousand naira), above his approval threshold.

From this amount, the sum of ₦30,270,000.00 was for the training of 400 staff, and for the provision of breakfast and lunch vide payment voucher No. FCA/V/March/2018/001 dated 1st March 2018. While the sum of ₦9,000,000.00 was approved for the appointment of a lead consultant for the proposed capital of the College in 2017 vide payment voucher No. FCA/V/March/2018/38 dated 20th March 2018.

Furthermore, it was observed that whereas, the sum of ₦30,270,000.00 was paid for training and other logistics of 400 officers, only 187 officers were trained at the same amount. The contracts were not advertised, and there was no bidding process.

Risk

Failure to follow due process in the approval of contracts and payments can lead to loss of public funds through mismanagement and diversion to private use.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to account for the sum of ₦39,270,000.00 (Thirty-nine million, two hundred and seventy thousand naira) and sanctions provided for in FR 3106 should apply.

Issue 9: IRREGULARITY IN THE AWARD OF CONTRACT -
₦193,045,133.75

Section 24 (1) of Public Procurement Act (2007) and Financial Regulations No. 2921 state that “Except as provided by this Act, all procurements of goods and works by all procuring entities shall be conducted by open competitive bidding....”

Audit observed, from the examination of the College’s accounting records, that 21 (Twenty-one) Contracts totalling ₦193,045,133.75 (One hundred and ninety-three million, forty-five thousand, one hundred and thirty-three-naira, seventy-five kobo) were awarded between February 2017 and March 2018 without following due process.

There was no evidence of advertisement on (2) two national dailies and federal tenders’ journal for the entire contract. Evidence of open competitive bidding such as submission of tenders, the College Tenders Boards’ approval, etc. were not made available for audit.

Risk

There is therefore no assurance that the process leading to the award were objective, as contracts may have been awarded to incompetent contractors.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to account for the sum of ₦193,045,133.75 (One hundred and ninety-three million, forty-five thousand, one hundred and thirty-three naira, seventy– five kobo) spent without due process and sanctions in line with FR 3117 should be effected.

Issue 10: PAYMENTS WITHOUT ADEQUATE SUPPORTING
DOCUMENTS -
₦247,017,895.74

Financial Regulations No. 603(i) states “that all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets. etc.”

The audit team observed that, between February 2017 and March 2018, forty (40) payments vouchers, totalling ₦247,017,895.74 (Two hundred and forty-seven million, seventeen thousand, eight hundred and ninety-five-naira, seventy-four kobo) were raised and paid on contract awarded. Documents such as evidence of competitive biddings, minutes of the College Tender Board’s meeting, quotation of other bidders, valuation certificates and evidence of work/service done were however not presented for audit.

Risk

The violation of the above provision may result in loss of public fund arising from failure to follow due process.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to account for the sum of ₦247,017,895.74 (Two hundred and forty-seven million, seventeen thousand, eight hundred and ninety-five-naira, seventy-four kobo), failing which sanctions in line with FR 3117 should apply.

Issue 11: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT - ₦22,022,604.58

Section 85(2) of the 1999 Constitution of the Federal Republic of Nigeria, 1999 (as amended) states that “The public accounts of the Federation and of all offices and courts of the federation shall be audited by the Auditor-General who shall submit his report to the National Assembly; 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.”

Also, Financial Regulation 601 states, “All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.”

Audit observed that 28 (Twenty-Eight) payment vouchers for the year 2016 in the sum of ₦11,590,950.00 (Eleven million, five hundred and ninety thousand, nine hundred and fifty naira) and Eighteen (18) payment vouchers for the year 2017 totalling ₦10,431,654.58 (Ten million, four hundred and thirty-one thousand, six hundred and fifty-four-naira, fifty-eight kobo) were not presented for audit examination. Efforts to get management to present these vouchers vide management letter dated 11th December 2018 with Reference No. OAuGF/EIAD&SD/FMARD/FCA/2018/7 yielded no response.

The violation of the above section of the Constitution may mean that the entity made payments for goods not supplied or for services not rendered.

Risk

Non-release of payment vouchers to auditors could result in unapproved expenditure which can lead to misapplication of public funds.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to account for the 2016 and 2017 unrepresented payment vouchers in the sum of ₦22,022,604.58 (Twenty-two million, twenty-two thousand, six hundred and four-naira, fifty-eight kobo), failing which sanctions as contained in FR 3106 should apply. Public Service Rules Section 030402 (b) which considers such action as "Serious acts of misconduct including suppression of records "should also apply.

Issue 12: **VIOLATION OF FEDERAL GOVERNMENT E-PAYMENT POLICY - ₦1,200,000.00**

Treasury circular Ref No. OAGF/CAD/026/VOLII/465 dated 22nd October 2008 on implementation of e-payment states that "Henceforth all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid".

In addition, Financial Regulations No. 613 states in part, "Payments shall be made only to the persons named in the vouchers or their properly authorized representative. Paying Officers must satisfy themselves that the person claiming the payment is the person authorized to receive the amount and it is the duty of the Ministry, extra-ministerial office and other arms of Government authorizing payment to furnish proof of identity if required..."

Audit observed that payments totalling ₦1,200,000.00 (One million, two hundred thousand naira) were made by the College to eleven contract staff as salaries and other claims for the year 2017 through an officer against the guidelines of the Federal Government E-payment policy.

Risk

This action can lead to loss of public funds through diversion into private use without meeting the needs of the intended officers.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to justify the payment of ₦1,200,000.00 (One million, two hundred thousand naira) to an individual, which is contrary to Government regulation on E-Payment. Otherwise, sanctions in line with FR 3129 should apply.

Issue 13: **NON-DEDUCTION OF STATUTORY VAT AND WITHHOLDING TAX**
= **₦4,468,428.57**

Financial Regulation 234 (i) states that “It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and services contract and actual remittance of same. Treasury circular Ref No. TRY/A1&B1/2009/OAGF/LAD/026/V/12 dated 19/1/09 further corroborates this provision.

Audit observed that VAT and withholding tax amounting to ₦4,468,428.57 (Four million, three hundred and ninety-four thousand, six hundred naira) were not deducted at the point of payment, hence there was no remittance of same to the relevant tax authority. The entire contract sum of ₦30,270,000.00 was paid vide payment voucher No. FCA/V/2018/00/1 dated 1st March 2018.

The above anomaly was due to the failure of the college to play its supervisory role of ensuring that appropriate deductions as VAT and withholding tax were made before paying the consultant.

Risk

Failure to comply with the above provisions could lead to loss of revenue to the government.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to recover the sum of ₦4,468,428.57 (Four million, three hundred and ninety-four thousand, six hundred naira) being VAT and withholding tax from the consultant and pay same to the Consolidated Revenue Fund of the Federal Government. In addition, sanctions in line with FR 234 (ii) and (iii) should apply.

Issue 14: **DIVERSION OF GOVERNMENT PROPERTY FOR PERSONAL USE**

Financial Regulation 3113 states that “A public officer who fails to pay for the use of government property shall be given 30days to offer explanation for the query issued for this

purpose. If his explanation is unsatisfactory, the amount involved shall be recovered from him and be sanctioned under Public Service rules".

Audit observed that a Toyota Corolla salon car with Registration No. FG 973 NO3 belonging to the college had been taken out of the college premises by the Registrar since March 2017 and was yet to be returned as at the time of audit in September 2018. There was no written document or police report about the vehicle giving reasons why it remained out of the college premises. Hence, it was difficult to ascertain the location of the vehicle and its status.

Risk

Government vehicles can be converted to private ownership without due process of acquiring government property.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to recover the Toyota Corolla Salon Car removed by the Registrar, otherwise, he should be held accountable in line with FR 111(ii). Also, sanctions stated in FR 3113 should apply.

Issue 15: PAYMENT FOR CONSULTANCY SERVICE WITHOUT DUE PROCESS - ₦9,000,000.00

Section 24(1) of the Public Procurement Act, provides that "except as provided for in this Act, all procurements of goods and works by all procuring entities shall be conducted by open competitive bidding."

Audit observed that the sum of ₦9,000,000.00 (Nine million naira) with voucher No FCA/V/March/2018/38, dated 20/3/2018, was paid to a contractor for consultancy service.

The following irregularities were however observed:

- I. The contract was awarded on the 13th of February 2018, whereas the proposal for the contract was dated 19th February 2018, indicating that the contract was awarded six days before the proposal was made.
- AI. The contract sum was not quoted in the award letter, acceptance letter and the request for payment, yet the sum of ₦9,000,000.00 was paid to the contractor.
- BI. Evidence of advertisement, bidding and selection process were not presented for audit.

Risk

Where the violation of the above provision remains unchecked, it can result in loss of government funds through misapplication.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Provost is required to recover the sum of ₦9,000,000.00 and pay back same to the Consolidated Revenue Fund of the Federal Government and sanction in line with FR 3117 should apply.

Issue 16: PAYMENTS WITHOUT PRE-PAYMENT AUDIT - ₦37,625,082.40

Financial Regulations No 1705 states, "The head of internal Audit Unit in all Ministries/extraministries office shall ensure that 100% prepayment audit of all checked and passed vouchers is carried out and the vouchers forwarded under security schedule direct to the appropriate Central Pay Office for payment. Checked and passed vouchers received in the Internal Audit Unit must be promptly dealt with and, under no circumstance, shall a voucher be held in that Unit for more than forty-eight (48) hours."

Audit observed that, between September, 2017 and March 2018, eight (8) payment vouchers totalling ₦37,625,082.40 (Thirty-seven million, six hundred and twenty-five thousand, eighty-two-naira forty kobo) were paid to contractors for supplies of different items without prepayment audit, neither were they stamped "paid" in line with FR 622.

Risk

This can lead to breakdown of internal control system, by-passing of payment procedures and consequently, misappropriation of funds against priority projects and programs of government.

Management's response

No response was received from management at the time of our report

Recommendation

The provost is required to account for the sum of ₦37,625,082.40 (Thirty- seven million, six hundred and twenty-five thousand, eighty-two-naira, forty kobo) and sanctions in line with FR 3106 should apply.

**FEDERAL COLLEGE OF FRESHWATER FISHERIES
TECHNOLOGY, NEW BUSSA**

**Issue 1: VIOLATION OF GOVERNMENT CIRCULAR ON E-PAYMENT POLICY-
₦2,677,500.00.**

Treasury circular Ref No. OAGF/CAD/026/VOLII/465 dated 22nd October 2008 on implementation of e-payment states that “Henceforth all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid”.

In addition, Financial Regulations No. 613 states in part, "Payments shall be made only to the persons named in the vouchers or their properly authorized representative. Paying Officers must satisfy themselves that the person claiming the payment is the person authorized to receive the amount and it is the duty of the Ministry, extra-ministerial office and other arms of Government authorizing payment to furnish proof of identity if required..."

Audit observed that three payments totaling ₦2,677,500.00 (Two million, six hundred and seventy-seven thousand, five hundred naira), being transportation and feeding of 65 female trainees, training allowances and honorarium for the resource persons were made into an officer's account vide payment vouchers No. Rev/2017/117, Rev/2017/1279 and Rev/2017/1280.

Moreover, there was no evidence to show that amount due to each beneficiary were received by them.

Risk

This action can lead to loss of public funds through diversion into private use without meeting the needs of the intended officers.

Management's response

No response was received from management at the time of our report

Recommendation

The Provost is required to justify the payment of ₦2,677,500.00 (Two million, six hundred and seventy-seven thousand, five hundred naira) to an individual, which is contrary to Government regulation on E-Payment. Otherwise, sanction in line with FR 3129 should apply.

Issue 2: PAYMENT FOR POORLY EXECUTED JOB - ₦4,942,980.00

Financial Regulation 3105 states that “A public officer, on receipt of a query from the Auditor-General for a poor work carried out by a contractor, has 42 days to get the contractor to rectify the anomalies or get refund for the amount over-paid as a result of the poor job...”

Audit observed that the College awarded a contract for the rehabilitation of the College Library at a contract sum of ₦4,942,980.00 (Four million, nine hundred and forty-two thousand, nine hundred and eighty naira) and was paid for in two tranches vide payment vouchers No CAP/2017/008 and CAP/2018/019 respectively.

It was however, observed from audit verification that the ceiling of the Library was already dilapidating and falling off while only the Office of the Librarian and a part of the lobby was painted. The remaining parts of the complex were not painted.

Risk

This could result in loss of public funds as this job might have been executed by a non-competent contractor.

Management's response

No response was received from management at the time of our report

Recommendations

The provost is required to justify the above irregularity, otherwise, sanctions in line with FR 3105 should apply

Issue 3: EXTRA-BUDGETARY EXPENDITURE - ₦3,611,619.00

Financial Regulation 2906(ii) stipulates that "...all procurement plans must be supported by prior budgetary appropriation as proof of availability of funds. In other words, payments that are not provided for in the annual estimates shall not be accepted"

Similarly, Financial Regulation 417 states that "Expenditure shall strictly be classified in accordance with the Estimates, and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed."

Audit observed that contract for training 50 unemployed Youths and Women empowerment in fingerling production and hatchery management was awarded in 2016 at a contract sum of ₦14,093,900.00. It was however observed that payment of ₦3,611,619.00 (Three million, six hundred and eleven thousand, six hundred and nineteen naira) was made on the same contract in 2017 vide payment voucher No. CAP/2017/001 without budgetary allocation in year 2017.

Risk

The implication of this is that Extra-budgetary expenditure will affect the execution of the budget for that year negatively as funds meant for specific projects will be diverted into other areas.

Management's response

No response was received from management at the time of our report

Recommendations

The provost is required to justify the sum of ₦3,611,619.00 expended without budgetary provisions, otherwise, sanction in line with FR3106 should apply.

Issue 4: CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦13,437,646.00

Financial Circular Ref No: TRY/A2&B2/2009OAGF/CAD/26/V dated 24th march 2009 states “All accounting officers and officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts”.

Also, Financial Regulation 2302(ii) states that “On no account shall special imprest or cash advance be used in place of Local Purchase Order or Job Order of the procurement of stores locally”.

Audit observed that 14 cash advances amounting to ₦13,437,646.00 were granted to officers of the College above the threshold of ₦200,000.00 (two hundred thousand naira), thereby circumventing procurement procedure laid down in the above quoted Circular. It was also observed that the 54 cash advances amounting to ₦15,592,665.31 (inclusive of 14 cash advances on circumvention of procurement procedures) granted to officers between 2016 and 2018 remained unretired.

Risk

The inability of Management to account for public funds may lead to loss of government resources.

Management Response

No response from management as at the time of our report.

Recommendation

The Provost is required to justify the cash advances granted in excess of threshold, otherwise Sanctions in line with FR 3106 shall apply.

Issue 5: PAYMENT MADE ON STALE APPROVAL - ₦1,120,400.00

Financial Regulation 611(c) states that “A Sub-Accounting Officer may not make payment against a voucher unless it is not more than three months since the voucher was signed by the officer controlling expenditure”.

Audit observed that fifteen (15) payment vouchers in the sum of ₦1,120,400.00 (One million, one hundred and twenty thousand four hundred naira) were raised in favour of some officers of the College as DTA based on stale approvals, without revalidation.

Approvals were made between 2013 and 2016, while payments were effected between 2017 and 2019.

Risk

Non-revalidation of a stale payment voucher can lead to loss of government funds through duplication of payments using a recycled payment voucher.

Management Response

No response from management as at the time of our report.

Recommendation

The Provost is required to account for the sum of ₦1,120,400.00. Sanction in line with FR 3106 should apply.

Issue 6: NON-MAINTENANCE OF FIXED ASSET REGISTER

Financial Regulation 2209 requires that “every item of plant be numbered in series to be recorded in a register at the headquarters of a Ministry/extra ministerial office and other arms of government concerned with the acquisition and issue of the plant. The appropriate series and number shall be inscribed on the equipment.

Audit observed that the College did not maintain an up-to-date Fixed Assets Register, showing cost, date of acquisition, location, etc., of its property, plant, and equipment.

Management’s response

No response from management as at the time of our report.

Risk

Assets may not be properly valued in the Statement of Financial Position, resulting in misstatement. It may also lead to diversion of government properties for personal use.

Recommendation

The Provost is required to put in place a comprehensive asset register, which should be in accordance with the International Public Sector Accounting Standard (IPSAS).

**NATIONAL HORTICULTURAL RESEARCH
INSTITUTE, IBADAN, OYO STATE****ISSUE 1: DOUBTFUL PAYMENT FOR SUPPLY & CONSULTING SERVICES -
₦32,375,000.00**

Financial Regulation 415 states that, “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that:

- (a) Amounts totaling ₦30,295,000.00 were paid vide five (5) payment vouchers No. 1176, 1177, 1178, 1179 & 1183 in March 2018, in favour of three (3) consultants, for skill acquisition and empowerment on Horticultural value chain in Delta, Ebonyi and Oyo states. Relevant documents such as advertisement for the contract in two National dailies, attendant list of participants and contract agreement were not attached to any of the payment vouchers. It was also observed that the contractors were paid a mobilization fee of 20% of the contract sum as against the 15% required by law.
- (b) The sum of ₦2,080,000.00 was paid vide payment voucher number 1369 on 23rd March 2018 for the supply 10,000 litres of diesel. However Local purchase order (LPO) was not issued, there was no evidence of a functional oil dump, there was no store receipt voucher and there was no evidence of issuing the product to any user.

The above anomalies are an indication of the Institute's failure to follow due process and procedure to award contract and this make the transactions illegitimate.

Risk

Lack of due process in contract awards and payment irregularities, can lead to loss of public funds which can affect the Institute's ability to meet with its financial commitments.

Management's response

No response as at the time of our report.

Recommendation

The Executive Director is required to account for the sum of ₦32,375,000.00, recover from the contractors as necessary and pay into the Consolidated Revenue Funds, failing which sanctions in line with the FR 3106 and FR 3117(i) should apply.

Issue 2: CIRCUMVENTION OF PROCUREMENT PROCEDURES – ₦9,531,900.00

Financial Circular Ref No: TRY/A2&B2/2009OAGF/CAD/26/V dated 24th march 2009 states “All accounting officers and officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts”.

The provision of FR 2302(ii) states that “On no account shall special imprest or cash advance be used in place of Local Purchase Order or Job Order of the procurement of stores locally”.

Audit observed that advances in the sum of ₦4,531,900.00 to staff of the Institute in excess of the approved threshold of N200,000.00, in violation of the above extant regulations.

Summary of the payments which were made to NIHORT staff is shown in the table below:

SUPPLIER	VOUCHER NO	DATE	AMOUNT (N)	PURPOSE
8 staff	1389-1396	27/3/18	1,831,300.00	Re-completion of 12 new offices at NIHORT H/Q
1 staff	804-808	28/2/18	750,000.00	Payment for slasher in the institute farmland
1 staff	776,447-448	13/11/17	393,600.00	Two payments
5 Staff	381 -385	17/11/17	997,000.00	Rehabilitation of internal road network
1 staff	1554 – 1556	11/4/18	560,000.00	Purchase LG Air- Conditioners
TOTAL		TOTAL	4,531,900.00	

Furthermore, the sum of ₦5,000,000.00 was paid through 25 payment vouchers as cash advances in favour of 25 staff, in one day, for the supply of solar lamps, instead of awarding it as a single contract. As at the time of audit in 2018, the advances were yet to be retired.

The above contravention shows that there is weak internal control system to checkmate contract splitting.

Risk

Circumventing procedures may lead to misapplication of government funds

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to recover and refund the sum of ₦4,531,900.00 to the Consolidated Revenue Funds. Otherwise sanctions in line with Financial Regulation 3129 should apply.

Issue 3: PAYMENT WITHOUT SUPPORTING DOCUMENTS - ₦800,000.00

Financial Regulation 603 (i) states, "All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc."

Audit observed that, the sum of ₦800,000.00 was paid vide payment voucher No. 60, dated 29th September 2017 for the supply of Agricultural facilities without the following supporting documents:

Approval memo, Relevant supporting documents, and Award letter. The payment voucher presented was also a photocopy as the original copy was not presented for audit.

The above anomaly was due to the failure of management to establish good control system and can lead to waste of public funds.

Risk

This can lead to multiple payments using the same Payment Voucher, which is a result of weak control system, which can lead to misapplication of public funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to account for the sum of ₦800,000.00 (Eight hundred thousand naira) and ensure that the affected officers face disciplinary action. Sanctions in line with Financial Regulation 3106 (2009) should apply.

Issue 4: STORE ITEMS NOT TAKEN ON LEDGER CHARGE - ₦12,184,720.00

Financial Regulation 2402(i) states that, “on all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of this Regulation, the store keeper must certify that the stores have been received and taken on charge in the stores ledger, quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original LPO.”

Audit observed that store items to the tune of ₦12,184,720.00 (Twelve million, one hundred and eighty-four thousand, seven hundred and twenty naira) were purportedly supplied, and vide payment voucher numbers 1174, 1175, 1554, 1555 and 1556 in March and April 2018 were subsequently made. However, store receipt vouchers were not attached to any of the payment vouchers, neither were records of the stores found in the Institutes store ledger. As a result, audit could not confirm that those items were actually supplied.

This is indicative of the failure of the Institute to maintain appropriate records of store.

Risk

This violation could lead to diversion of public assets to private use and under-valuation of the Institute's assets.

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to account for the sum of ₦12,184,720.00 expended on stores without evidence of taking the items on store charge. Sanctions in line with FR 3129 should apply.

Issue 5: ABUSE OF ADVANCE GRANTED IN ONE DAY - ₦1,100,000.00

Federal Treasury Circular Ref No. TRY/A2 & B2/2009 OAGF/CAD/026/V states that, “All Accounting Officers and Officers controlling expenditure are to ensure that all procurement of store and services costing above ₦200,000.00 shall be made only through award of contract”.

Financial Regulation 415 states, “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that amounts totaling ₦1,100,000.00 were granted and paid vide four (4) payment vouchers numbers 728- 730 and 1324 in the month of March 2018 in favor of a staff for various services without contract tender procedure. Such services as production of signpost, purchase of Computer, renovation of screen house in Bagauda and citrus/vegetable seed. There was no store receipt voucher on any of the items purchased and all advances granted are yet to be retired as at the time of this report.

The above weakness is due to supervisory failure of the management and this can lead to misapplication of public funds.

Risk

This can lead to loss of public funds through diversion of funds to personal use which can negatively affect the Institute’s ability to carry out critical programs and projects to the citizens’ benefit.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to account for the sum of ₦1,100,000.00 (One million, one hundred thousand naira) sanctions in line with FR 3115 should apply.

**NATIONAL ROOT CROPS RESEARCH INSTITUTE,
UMUAHIA, ABIA STATE**

**Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS – 2015
2017**

Financial Regulation 3210(v) requires all the Federal Government parastatals to forward seven (7) copies of their audited financial statement/accounts to the Office of the Auditor General for the Federation not later than May 31st of the following year,

Audit observed that the Audited Financial Statements covering the period of 2015 - 2017 financial years of the Institute were yet to be submitted to the Office of the Auditor General for the Federation for his comments.

The Implication of Non-submission of Financial statements signifies lack of accountability on the part of the management and in the use of Government funds.

Risk

The statutory function of the Auditor-General for the Federation to vet and comment on the Audited Accounts and Management Reports of the Institute to the National Assembly has been hindered.

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to justify the lateness in submission and immediately submit the Audited Accounts for 2015 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: UNRETIRED CASH ADVANCES - ₦15,049,040.00

Financial Regulation 1405 states that, "Accounting Officers are responsible for ensuring prompt repayment of all advances by instalments or otherwise".

Audit observed that 66 (sixty-six) cash advances amounting to ₦15,049,040.00 (Fifteen million, forty-nine thousand, forty naira) granted to members of staff between March 2016 and December 2017, for purchases and payments for wages were yet to be retired.

Three of the cash advances, each running into millions of naira were granted above the N200,000.00 approved threshold, in contravention of Federal Treasury Circular Ref No. TRY/A2 & B2/2009 OAGF/CAD/026/V.

The above situation is an indication of failure of controls on the part of internal audit unit and the Accounting officer of the corporation.

Risk

This may result in possible loss of government funds when advances are not retired.

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to recover all overdue advances from the salaries and other entitlements of the affected staff. Otherwise, sanctions in line with Financial Regulation 3124 should apply.

Issue 3: PAYMENTS WITHOUT SUPPORTING DOCUMENTS - ₦15,499,916.98

FR 603(i) states that, "All vouchers shall contain full particulars of each service such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc."

Audit observed that 15 (fifteen) payment vouchers amounting to ₦15,499,916.98 (Fifteen million, four hundred and ninety-nine thousand nine hundred and sixteen-naira, ninety-eight kobo) in respect of works and procurements were raised between November 2016 and March 2018. However, relevant supporting documents such as invoice/receipt, local purchase order, award letter, etc. we're not presented for audit.

The above anomaly was due to the failure of the management to establish good control system and thereby may result to waste of public funds without adequate consideration for economy.

Risk

Payment to contractors without adequate supporting documents exposes the Government to financial irregularities and may lead to diversion of funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to recover the sum of ₦15,499,916.98 (Fifteen million, four hundred and ninety-nine thousand, nine hundred and sixteen naira and ninety-eight kobo) from the approving officer and pay to the Consolidated Revenue Fund. Otherwise, sanction in line with FR 3106 should apply.

Issue 4: CIRCUMVENTION OF PROCUREMENT PROCESS – ₦23,132,477.00

Treasury Circular Reference Number TRY/A2&B2/ 2009/OAGF/ CAD/ 026/ V of 24th March 2009 stipulates that all accounting officers controlling expenditure are to ensure that all local procurement of store and services above ₦200,000.00 shall be made through award of contract.

Audit observed that, cash advances amounting to ₦23,132,477.00 (Twenty-three million, one hundred and thirty-two thousand, four hundred and seventy-seven naira) granted to Forty-four (44) staff of the Institute between March 2016 and October, 2018 were above the stipulated limit of ₦200,000.00, in violation of the above quoted circular.

Risks

- (i) There could be procurement of substandard items due to not engaging an expert.
- (ii) Loss of income due to the Federal Government by not paying relevant taxes (WHT and VAT) that would have been paid if the job were given out as a contract.

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to justify the payment of ₦23,132,477.00 in contravention of the above circular, otherwise, sanction in line with Financial Regulation 3129 shall apply.

NIGERIAN HYDROLOGICAL SERVICE AGENCY, ABUJA

Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2016 & 2017)

FR 3210(v) states, “The Chief Executive Officer shall submit both the Audited Accounts and Management Report to the Auditor-General and the Accountant-General not later than 31st May of the following year of Account.”

Audit observed that, the Agency’s Audited Financial Statements and Management reports for years 2016 and 2017 were not submitted to the Office of the Auditor-General for the Federation for comments.

The Implication of Non-submission of Financial statements signifies lack of accountability on the part of the management and in the use of Government funds.

Risk

The statutory function of the Auditor-General for the Federation to vet and comment on the Audited Accounts and Management Reports of the Institute to the National Assembly has been hindered.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Director General is required to justify the lateness in submission and immediately submit the Audited Accounts for 2016 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: PAYMENT WITHOUT ADEQUATE SUPPORTING DOCUMENTS - ₦42,073,465.00

Financial Regulation 603 (I) states that “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to enable them to be checked without references to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets etc.”

Audit observed that 13 payment vouchers amounting to N26,626,465.00 were raised between February and December 2017 for advertisement and publicity, delineation, sampling assessment, without attaching relevant supporting documents.

Similarly, 7 payment vouchers amounting to N15,447,000.00 were raised between January and September 2017 for installation, maintenance, procurement, and consultancy services. However, relevant documents such as award letters, letter of acceptance, SRVs for items procured were equally not presented for audit.

Risk

Payment without adequate supporting documents may lead to diversion of public funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Director General is required to account for the sum of ~~N~~42,073,465.00 or recover the amount from the beneficiaries, failing which sanctions in line with Financial Regulation 3106 shall apply.

Issue 3: VIOLATION OF E-PAYMENT POLICY - N12,829,690.00

Federal Government Treasury Circular Ref: No:

TRY/A8&B8/2008/OAGF/CAD/026/VOL.11/465 dated 22nd October 2008 stipulates that individual benefits/ claim should be effected through their personal bank accounts.

Also, Financial Regulation 613 states in part "Payments shall be made only to the persons named in the vouchers or their properly authorize representatives. Paying officers must satisfy themselves that the person claiming the payment is the person authorized to receive the amount and it is the duty of the Ministry, Extra-Ministerial office and other arms of Government payments to furnish proof of identity if required..."

Audit observed that the Agency made seven payments amounting to N12,829,690.00 (Twelve million, eight hundred and twenty-nine thousand, six hundred and ninety naira) between January and July 2017 to some beneficiaries through other staff instead of paying the beneficiaries directly.

This diversion of personnel emoluments was a failure of the Agency to adhere to extant rules and regulations.

Risk

Non-compliance with extant laws could lead to mismanagement and diversion of public funds. Money may also not get to beneficiaries.

Management's response

No response was received from management at the time of our report.

Recommendation

The Director General is required to justify the payment of ₦12,829,690.00, failing which the amount should be recovered and paid back the government chest. Sanction stated in FR 3129.

Issue 4: NON-POSTING OF VOUCHERS INTO THE CASH BOOK - ₦10,642,175.00

Financial Regulation 802 states that: "A Sub-Accounting Officer shall enter promptly into the cash book all sums of money received by him or paid by him as a public officer, supporting such entries by a receipt or payment voucher on the prescribed form. Receipts and payments vouchers shall be numbered consecutively, from No. 1 each month in the order in which the amounts are received or paid and will be entered into the cash book accordingly".

Audit observed that 10 capital expenditure payment vouchers amounting to ₦10,642,175.00 (Ten million, six hundred and forty-two thousand, one hundred and seventy-five naira) were not posted into the cashbook, contrary to the above regulation. The vouchers were raised between January and September 2017, part of which were in respect of DTAs, production and presentation of 2017 annual flood outlook, maintenance, etc.

This was due to failure of the Agency to ensure adequate controls are put in place.

Risk

It could result in misleading financial information through overstating of balances.

Management's response

No response was received from management at the time of our report.

Recommendation

The Director General is required to ensure that the appropriate posting is done. Otherwise Financial Regulation 3129, shall apply

Issue 5: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT INSPECTION
₦15,009,532.00 (OVERHEAD AND PERSONNEL)

Financial Regulation 110 states that “By virtue of the responsibilities and functions of the Accountant-General and the Auditor-General or their representatives shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and information relating to the accounts of all federal ministries/extra-ministerial offices and other arms of government or units. They shall also be entitled to require and receive from members of the Public Service. Such Information, reports, and explanations as they may deem necessary for the proper performance of their functions”.

Audit observed that 13 payment vouchers (overhead) that were raised in 2017, and amounting to ₦15,009,532.00 (Fifteen million, nine thousand five hundred and thirty-two naira), posted into the cash book were not presented for audit.

Risk

The Non-release of documents to auditors can lead to the Agency to carry out unapproved expenditure which can lead to misappropriation of public funds.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Director General is required to account for the sum of ₦15,009,532.00 (Fifteen million and nine thousand five hundred and thirty-two naira) Otherwise, FR 3129, should apply.

Issue 6: DOUBTFUL PAYMENT OF PROMOTION ARREARS - ₦483,016.00

Financial Regulation 603 states that “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to enable them to be checked without references to any other documents will and variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets etc.”.

Audit observed that three personnel payment vouchers raised in December 2017 amounting to ₦483,016.00 (Four hundred and eighty-three thousand and sixteen naira) was paid as promotion arrears without the letters of promotion and variation advice to authenticate the purpose of the payments.

This was due to failure of the Agency to ensure proper supervision and internal checks.

Risk

This could encourage fraud and loss of Government funds.

Management's response

No response was received from management at the time of our report.

Recommendation

The Director General is required to account for the sum of N483,016.00 (four hundred and eighty-three thousand and sixteen naira) and pay same into Government Account. Otherwise, Financial Regulation 3106 shall apply.

VETERINARY COUNCIL OF NIGERIA**Issue 1:
(IGR) –****NON-REMITTANCE OF INTERNALLY GENERATED REVENUE****₦74,658,258.36**

Treasury Circular HCSF/428/S.1/120 dated 7th August, 2015 on Re-Introduction of Treasury Single Accounts (TSA) (e-Collection of Government Receipts) mandates all MDAs that are fully funded through the Federal Government Budget, under the implementation strategy, to ensure that all collections are paid directly into the TSA (e-collection), and Expenditure to be drawn from the CRF based on Annual Budget.

Audit observed that out of the sum of ₦77,924,402.00 (Seventy-seven million, nine hundred and twenty-four thousand, four hundred and two naira) that the Council generated as independent revenue for the year 2017, only a paltry sum of ₦3,266,143.64 (Three million, two hundred and sixty-six thousand, one hundred and forty-three naira, sixty-four kobo) was remitted vide Mandate Nos. 003, 029, 049 and 096 and dated 10/2/2017, 24/3/2017, 2/5/2017 and 12/10/2017 respectively, leaving an unremitted balance of ₦74,658,258.36 (Seventy-four million, six hundred and fifty-eight thousand, two hundred and fifty-eight naira, thirty-six kobo).

Risk

This may result in a loss of funds to the government, monies can also be used for expenditures not budgeted for and also funds diverted into private use.

Management's response

No response was received from management at the time of our report.

Recommendation

The Registrar is required to remit the outstanding of the total revenue received in the year 2017 amounting to ₦74,658,258.36 (Seventy-four million, six hundred and fifty-eight thousand, two hundred and fifty-eight naira and thirty-six kobo) to the Consolidated Revenue Fund of the Federal Government. Otherwise, sanction in line with provision of FR 3112 (i) and(ii) should apply.

Issue 2:**OVERSEAS TRAVEL WITHOUT APPROPRIATE APPROVAL - ₦1,078,015.00**

Establishment Circular, Ref No. HCSF/CSO/HRM/Pol.1402/1 dated 22nd January, 2015, restricts foreign training, conferences, seminars, workshops and travels, except with the approval of the Secretary to the Government of Federation for political office holders and Head of Civil Service of the Federation for civil servants while Mr. President approves for the Honorable Ministers.

Audit observed that an officer was paid the sum of ₦578,015.00 vide Payment Voucher No. 119/2017 dated 12/7/2017 and the sum of ₦500,000.00 vide payment voucher No. 067/2017 dated 12/4/2017 as estacode allowance to attend the World Organisation on Animal Health (OIE) conference in Bangkok without approval from the Head of Civil Service of the Federation.

Risk

This could lead to waste of government funds on unauthorized activities/ event.

Management's response

No response was received from management at the time of our report.

Recommendation

The Registrar is required to recover the sum of ₦1,078,015.00 (One million, seventy-eight thousand, fifteen naira) and pay to the consolidated revenue fund of the Federal Government. Sanctions in line with FR 3106 should apply.

Issue 3:**NON-DEDUCTION AND REMITTANCE OF 1% STAMP DUTY - ₦520,072.11**

Federal Treasury Circular with Ref No: TRY A1 & B1/2017 and OAGF/CAD/026/V.III/182 dated 20th April 2016 and the Stamped Duties Act of 2004 stipulates that 1% of contract sum shall be deducted and paid to FIRS as stamp duty.

Audit observed that eighteen payments to several contractors and suppliers were made without deduction of 1% stamp duty totalling ₦520,072.11 (Five hundred and twenty thousand, seventy-two naira, and eleven kobo).

Risk

The implication of non-deductions and non- remittance of stamp duty constitute a huge loss of funds to the Government.

Management's response

No response was received from management at the time of our report.

Recommendation

The Registrar is requested to recover the sum of ₦520,072.11 (Five hundred and twenty thousand seventy-two naira and eleven kobo) from the contractors and remit same to the Federal Inland Revenue Services (FIRS), failing which sanctions within FR3112(ii) should apply



SECTION 4

FEDERAL CAPITAL TERRITORY ADMINISTRATION AND AREA COUNCILS

**FEDERAL CAPITAL TERRITORY ADMINISTRATION AND AREA
COUNCILS AUDIT DEPARTMENT
FCT DEPARTMENT FOR MASS EDUCATION**

Issue 1: UNRETIRED CASH ADVANCES - ₦1,238,465.00

Financial Regulation 1420 states that “It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered”

Audit observed that ten cash advances amounting to ₦1,238,465.00 (One million, two hundred and thirty-eight thousand, four hundred and sixty-five naira) granted to seven officers between February and June 2018 were yet to be retired. Cases of multiple cash advances without retiring previous ones was also noticed.

This was a weakness of internal Control System and failure of management in the running of the Agency.

Risk

This practice could lead to diversion and mismanagement of funds meant for the implementation of government projects and programmes.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Executive Director is required to recover the sum of ₦1,238,465.00 (One million, two hundred and thirty-eight thousand, four hundred and sixty- five naira) from the beneficiaries and pay same to Federal Government coffers, failing which sanction stated in FR 3118 should apply.

FCT ARCHIVES AND HISTORICAL BUREAU, ABUJA

**Issue 1: RETIREMENT VOUCHERS WITHOUT SUPPORTING
DOCUMENTS - ₦3,731,000.00**

Financial Regulation 603(I) states that ‘all vouchers shall contain full particulars of each service such as dates, numbers, quantities, distances and rates, as to enable them to be check without reference to any other documents will and invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets etc. “

Audit observed that twenty-one Retirement Vouchers amounting to ₦3,731,000. 00 (Three million, seven hundred and thirty-one thousand naira) were raised by the Bureau between February and November 2018 without attaching the relevant supporting documents, contrary to the above quoted Regulation.

Risk

Government funds may be diverted for personal use.

Management's response

No response was received from management at the time of our report.

Recommendation

The Director should recover the sum of ₦3,731,000.00 from the beneficiaries and pay back to government chest. Also, sanctions stated in FR 3118 should apply.

Issue 2: UNRETIRED CASH ADVANCES - ₦2,970,000.00

Financial Regulation 1420 states that ‘‘It is the Responsibility of all Accounting Officers to ensure that all Advances granted to officers are fully recovered or Retired’’.

Audit observed that sixteen cash advances granted to nine staff of the Bureau between April and December 2018 amounting to ₦2,970,000.00 (Two million, nine hundred and seventy thousand), were yet to be retired as at the time of this report.

Cases of multiple cash advances without retiring the previous advances were also noted.

The above failure was because of the Bureau non-compliance with extant regulations.

Risk

This could adversely affect the effective and efficient use of the Bureau's financial resources.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director of the Bureau is required to recover the sum of ₦2,970,000.00 (Two million, nine hundred and seventy thousand), and pay same to the Consolidated Revenue Fund of the Federal Government and present evidence of recovery. Furthermore, sanctions in line with Financial Regulation 3118 should apply.

FEDERAL CAPITAL TERRITORY LEGAL SERVICES SECRETARIAT

Issue 1: CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦16,408,000.00

Financial Circular Ref No: TRY/A2&B2/2009OAGF/CAD/26/V dated 24th march 2009 states “All accounting officers and officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts”.

Audit observed that fifteen cash advances in the sum of ₦16,408,000.00 (Sixteen million, four hundred and eight naira) were granted to six officers of the Secretariat in 2018 above the approved threshold of ₦200,000.00. It was also observed that some officers were granted multiple cash advances without retiring previous ones as required under extant regulations.

Risks

Loss of income due to the Federal Government by way of VAT and withholding tax that would have accrued if the job were given out as a contract.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Solicitor-General is required to justify the payment of ₦16,408,000.00 (Sixteen million, four hundred and eight naira) in contravention of the above circular, otherwise, sanction in line with Financial Regulation 3129 shall apply.

Issue 2: VIOLATION OF E-PAYMENT POLICY - ₦6,141,400.00

Circular on e-payment policy Ref. No. TRY/A8 & B8/2008 OAGF/CAD/026/Vol.11/465 dated 22nd October, 2008 states in paragraph 4(vii) that “henceforth, all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid.”

Audit observed that two payments totalling ₦6,141,400.00 (Six million, one hundred and forty-one thousand, four hundred naira), being payment for end of the year party and training fees were paid to a consultant through two officers, rather than paying the monies directly to the consultant. The following irregularities were also observed from the transaction:

- a) The number of officers that attended the training and the end of the year party was not indicated.
- b) Statutory 5% VAT and 10% withholding tax were not deducted from the payments.

Risk

This action may result in diversion of public funds for personal use.

Management's response

No response from management as at the time of our report.

Recommendation

The Solicitor-General is required to justify the violation of the above regulation. Otherwise, sanctions contained in FR 3106 should apply.

SECTION 5
PROGRAMMES AND
PERFORMANCE
AUDIT DEPARTMENT

PROGRAMMES AND PERFORMANCE AUDIT DEPARTMENT

MINISTRY OF FOREIGN AFFAIRS

Issue 1: DOUBTFUL ALLOCATIONS OF ₦3,125,820,000.00 TO FOREIGN MISSIONS WITHOUT AUTHORITY

Financial Regulation 320 states that: “The Development Fund General Warrant authorizes the Accountant General to issue Development funds for expenditure on Capital Projects, as contained in Annual Estimates. And it authorizes the officer to incur expenditure on projects; such authority will be conveyed after the Capital Expenditure Estimates have received approval by resolution of the National Assembly”

Audit observed that out of the sum of ₦5,251,070,000.00 (Five billion, two hundred and fifty-one million, seventy thousand naira) released to the Ministry, by the Accountant General of the Federation through the Development Fund General Warrant for its projects and programmes for 2016/2017 financial year, only ₦2,125,250,000.00 (Two billion, one hundred and twenty-five million, two hundred and fifty thousand naira only) was budgeted for by the NASS as contained in the Appropriation Act and expended during the period under review. The balance of ₦3,125,820,000.00 (Three billion, one hundred and twenty-five million, eight hundred and twenty thousand naira only) which was released to the Ministry during the period had no virement approval from NASS or other relevant documents to authenticate its usage.

The non-attachment of relevant documents made it difficult to authenticate the validity, genuineness and correctness of the transactions that led to the payments.

Risk

This may lead to irregular expenditure and poor cash management.

Recommendation

The Permanent Secretary is required to justify the irregular expenditure incurred, failing which he should recover the sum of ₦3,125,820,000.00 (Three billion, one hundred and twenty-five million, eight hundred and twenty thousand naira) and pay back to the Consolidated Revenue Fund. Sanctions in line with Financial Regulation 3106 should apply.

Issue 2: UNACCOUNTED FUNDS FOR POSTING/RETURN CLAIMS OF STAFF- N1,600,000, .00.

Financial Regulations 111 (ii) states that the Accounting Officer shall be responsible for safeguarding of public funds and the regularity and propriety of expenditure under his control. Financial Regulations 415 states that ‘the Federal Government requires all officers responsible for expenditures to exercise due economy.

Audit observed that the sum of N1,600,000,000.00 (One billion, six hundred million naira) was released for the payments of postings of the Ambassadors and other Officers of the Ministry vide AIE No. MFA/HQ/CAP/144/2016 dated 20th September 2016. as listed below:

- (a) ₦1,000,000,000.00 - for the postings of newly appointed Ambassadors; (b) ₦300, 000,000.00-for the newly Posted Officers to foreign countries and (c) ₦300, 000,000.00 for the payments of allowances of the Returning Officers.

However, no supporting documents (such as Expenditure Returns from Mission, PVs etc.) were made available to confirm that the funds had been expended in accordance with the reasons for which the funds were released. This anomaly was as a result of the Ministry's failure to observe due process in the disbursement of government funds.

Risk

Government monies might have been spent on purposes not intended while other obligations of the Ministry might not have been met.

Management's response

No response from management as at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦1,600,000,000.00 and pay back to government account, otherwise, sanctions stated in FR 3115 should apply.

Issue 3: UNAUTHORISED VIREMENT OF FUNDS - ₦419,178,396.00.

Financial Regulations 316 (iii, iv,) states as follows: (iii) Virement from one Head of account in the Recurrent Expenditure estimates to another Head of account in Capital Expenditure estimates shall not be allowed and vice versa; (iv) ‘All applications for virement shall be collated by the Minister of Finance and submitted to the National Assembly for approval before virement warrant shall be issued’

Financial Regulations 301 states that ‘The Annual Estimates and Appropriation Act is the instrument used to limit and arrange annually the disbursement of funds of the Federal Government. No expenditure may be incurred Estimates except on the Authority of a Warrant issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the estimate, until the Appropriation has received an authority to do so in accordance with one of the following provisions of the Act, these rules, and regulations. Any officer controlling a vote, or part thereof, who incurs Expenditure without such authority does so on sole responsibility and will consequently, be held pecuniarily responsible for his actions’.

Audit observed that the sum of N419,178,396.00 (Four hundred and nineteen million, one hundred and seventy-eight thousand, three hundred and ninety-six naira) was allocated for “Linking Remote Site (Missions and Headquarters on the MPLS Optics Fibre) and Satellite Space Segment”, a supposed contract completed in the year 2015 as contained in some documents reviewed. This was obtained through the Authority to incur expenditure (AIE): No. MFA/HQ/CAP/141/2016 dated 18th August 2016.

However, the sum of N321,619,192.01 representing 75% of the said amount was found to have been diverted to Recurrent/Overhead expenditures. While the sum of N97,559,203.99 only was expended for the linking remote site. Further audit investigation revealed that the Ministry did not have access to the site due to an outstanding debt of N227,638,142.67 that should have been paid from the allocation earmarked.

This anomaly is because the Ministry failed to follow due process in the disbursement of government funds and proper supervision of government projects as stated in FR 3115 (Poor Management of Cash).

Risks

Waste of government resources, poor value for money in government projects and room for possible diversion and embezzlement of government funds.

Management’s response

No response from management as at the time of our report.

Recommendations.

The Permanent Secretary is required to provide evidence of proper approval for the virement, failing which he is to recover the sum of N321,619,192.01 and pay back to the Consolidated Revenue Fund. Sanctions within Financial Regulation 3106 should apply.

Issue 4: DIVERSION OF FUNDS MEANT FOR THE COMPLETION OF HEADQUARTERS BUILDING - ₦394,881,441.21

FR 301 states, “The Annual Estimates and Appropriation Act are instruments used to limit and arrange the disbursement of funds of the Federal Government. No expenditure may be incurred except on the Authority of a Warrant issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the Estimates, until he has received an authority to do so in accordance with one of the following provisions in these rules and regulations. Any officer controlling a vote, or part thereof, who incurs expenditure without such authority does so on his sole responsibility and will consequently, be held pecuniarily responsible for his actions”.

Audit observed that of the sum of ₦521,600,000.00 (Five hundred and twenty-one million, six hundred thousand naira only) released on (A.I.E) MFA/HQ/cap/137.2016 dated 18th August 2016 was meant for the “Completion of Headquarters Building”, Only the sum of ₦126,718,558.79 was used for the purpose of which the AIE was incurred. The building was completed, commissioned and occupied, yet the balance of the sum of ₦394,881,441.21 (Three hundred and ninety four million, eight hundred and eighty one thousand, four hundred and forty one naira, twenty one kobo) was found to have been diverted for other Capital projects without seeking approval as required by the law.

This anomaly happened because the Ministry allowed expenditures to be made without approval from the National Assembly.

Risk

The transactions are considered as misapplication of public funds, which can lead to loss of public funds.

Management’s response

No response from management as at the time of our report

Recommendation

The Permanent Secretary is required to provide the evidence of proper approval from National Assembly for virement, otherwise, he should recover and pay into the government account the sum of ₦394,881,441.21 expended without due process. Sanctions in line with FR 3106 shall apply.

Issue 5: PAYMENT TO THREE NIGERIAN FOREIGN MISSIONS WITHOUT SUPPORTING DOCUMENTS - ₦600,000,000.00

Financial Regulations (FR) 415 which states that: ‘the Federal Government requires all officers responsible for expenditures to exercise due economy. Money must not be spent because it has been voted’.

Audit observed that the sum of ₦600,000,000.00 was paid on the 9th September 2016 through AGF’s mandate schedule of payment to three foreign missions, namely Bamako, Cotonou and Ouagadougou for repair works. However, there were no supporting documents such as PVs, contract agreements, letter of awards, Bill of Quantities, MTBs approval, etc.

The above anomaly is because of the Missions’ violation of due process in public expenditure.

Risk

The implication of the above is that government funds may be inappropriately utilized, and monies may not be available to carry out budgeted programmes and projects.

Management’s response

No response from the management as at the time of our report.

Recommendations.

- (i) The Permanent Secretary is required to provide requisite supporting documents, otherwise recover the sum of ₦600,000,000.00 not properly accounted for and pay back into the government account.
- (ii) Sanctions within Financial Regulation 3106 should apply.

Issue 6: INAPPROPRIATE PAYMENTS OF WARM CLOTHING ALLOWANCES TO STAFF OF THE MINISTRY - ₦89,090,000.00

Public Service Rule 130112 (a) states that: ‘An officer who is required by the government to proceed to a foreign country on duty or on an approved course of instruction will be eligible for a warm clothing allowance as may be specified in the extant circular.’

Paragraph b (iii) of Public Service Rule 130112 however states that “the allowance is not payable to an officer under the condition (iii) that: “if the duty or course which the officer is directed to undertake, takes place earlier than three years from the date on which he/she last drew warm clothing allowance”.

Audit observed that.

- (i) Senior staff of the Ministry were paid warm clothing allowance on a yearly basis contrary to stipulation of once in three years. Staff were overpaid based on our computation. The payment of warm clothing allowance is at the rate of \$720.00 for a period of three years and should have been at the exchange rate of ₦305.00 as at 2016. Therefore, the payment by the Ministry should have been $720 \times \text{N}305 = \text{N}219,000.00$ per person. This would have totalled ₦49,410,000.00, therefore the payment of ₦89,090,000.00 instead of ₦49,410,000.00 led to an overpayment of ₦39,680,000.00.
- (ii) Payment of clothing allowance totalling ₦89,090,000.00 was made from the capital allocation, rather than the recurrent allocation.

This anomaly is due to the Ministry's failure to adhere to extant regulations on expenditure of government funds.

Risk

The Ministry may carry out unapproved expenditure which could lead to diversion of public funds.

Management's response

No response from the management as at the time of our report.

Recommendations

The Permanent Secretary is required to recover and refund the overpayment of Warm Clothing Allowances. Sanctions stated in FR 3106 should apply.

Issue 7: DEBT INCURRED TO FUND ESTACODE ALLOWANCE – ₦26,400,000.00

Financial Regulation 3205, states that, "No loan or any form of advance shall be obtained from the bank without prior approval from Debt Management Office."

In addition, Financial Regulation 710, states that, "No government bank account shall be overdrawn, or any temporary advance obtained from a bank. In the event of an account being overdrawn, the officer responsible shall be made to refund any bank charges incurred thereon."

Audit observed that a Payment voucher No. MFA/OC/1281/2017 dated 13th December 2017 for the sum of ₦26,400,000.00 (Twenty-six million, four hundred thousand naira) was raised in favour of an officer, and payment was made on the 28th December 2017 vide Batch No. 449613.

The payment was a refund of an amount borrowed to fund estacode allowance of the delegation to Saudi Arabia (Makkah) for consular services support for 2017 Hajj operation.

Further audit scrutiny of the records showed that the source of the loan, account paid into, authority for the loan, delegations paid and refund to the source was not disclosed.

Risk

Loans obtained without authorisation can be diverted for private use, while the government is to make the repayments.

Management's response

No response from the management as at the time of our report.

Recommendation

The Permanent Secretary is required to account for the sum of ₦26,400,000.00 and sanctions in line with FR 3115 should apply.

Issue 8: PAYMENT FOR DOUBTFUL SERVICES - ₦202,620,467.00

Financial Regulation 708 states that “on no account should payment be made for services not yet performed or for goods not yet supplied”

Audit observed that amounts totalling ₦202,620,467.00 was granted as payments to Travel Agencies for purported provision of flight tickets to officers of the Ministry who embarked on various trips to Nigerian Missions abroad. This money was confirmed as not appropriated for in the year under review. These payments were also made without adequate supporting documents.

- (a) An in-depth examination of cash books and some of the payment vouchers revealed that some of the payments were made to ‘Travel Agencies’ for the provision of flight tickets to officers who embarked on various trips abroad and also to officers whom were recently posted out to Missions abroad. These payments under normal circumstances were seen to have been budgeted for, in the approved Local Travels and Tours of the Appropriation of the Ministry during the period under review (1st January 2016 to 5th May 2017), but contrary was the case.
- (b) It was also gathered that parts of the payments made to the Travel Agencies were purported claims of Outstanding Liabilities of previous years, which these Travel Agencies presented in respect of flight tickets to the Ministry. No evidences such as proposals and approvals for the journeys, copies of tickets and tickets bookings with electronic reference numbers, evidences of documentations of the travellers, authority

to incur debts with Travel Agencies, data of travellers and any other relevant information on the journeys claimed to have been embarked on, on behalf of the nation; were seen in the files presented to us for examination.

- (c) Also evidences of the registration and the fees paid by these Travel Agencies to provide these services to the Ministry were not seen and therefore required to be provided for verification.
- (d) The documents indicating proper awards of the contracts for the provision of these services by these Travel Agencies in accordance with the extant rules and regulations contained in the 2007 Procurement Act were also missing and ought to have been provided for audit examination.

Management's response

No response from the management as at the time of our report.

Recommendation

The Permanent Secretary is required to provide all the lists of the beneficiaries of the expenditures of ₦202,620,467.25 (Two hundred and two million, six hundred and twenty thousand, four hundred and sixty-seven naira, twenty-five kobo) failing which the amount should be recovered from the various Travel Agencies and paid back to the CRF with their particulars of recovery forwarded for verification. Sanction stated within FR 3104(i) – (iii) should apply.

FEDERAL UNIVERSITY LOKOJA, KOGI STATE

Issue 1: UNAUTHORIZED VARIATION OF CONTRACT - ₦233,651,008.50

Financial Regulations 3103 states that “A query on unauthorized variation of contract(s) and procurement shall be answered within 21 days of issue. However, if it remains unanswered after the time limit and it affects the Accounting Officer, such failure shall be reported to the President. If it affects any other officer, appropriate sanction shall be imposed and the officer shall be removed from the duty schedule, dismissed and prosecuted.”

Audit observed, from the examination of the University’s contract files and other related procurement records in respect of funds allocated to it through the Tertiary Education Trust Fund (TETFUND), that a sum of ₦233,651,008.50 (Two hundred and thirty-three million, six hundred and fifty-one thousand, eight naira and fifty kobo) was approved by the Fund for the construction of a four-story administrative building.

The approval, which was communicated to the University in a letter dated 7th April, 2014, with Ref. No. TETFUND UNIV/LOKOJA/SP2014/Vol 1 instructed that the University should use the amount for the construction of a four-story departmental office building comprising 59 rooms, 4 seminar rooms, security rooms, toilet and other external works.

During physical verification of the project, it was observed that the University constructed a two-storey building with 39 rooms in contravention of the specifications contained in the approval letter.

Risk

The above anomaly could result in the diversion of public funds.

Management’s response

No response from the management as at the time of our report.

Recommendation

The Vice Chancellor is required to produce authorization for the variation from TETFUND, failing which he should account for the sum of ₦233,651,008.50 for projects not carried out in the variation and sanctions stated in FR 3103 quoted above should apply.

Issue 2: AWARD OF CONTRACT WITHOUT DUE PROCESS – N156,956,310.00

Section 24(1) of the Public Procurement Act, 2007 states that “Except as provided by this Act, all procurement of goods and works open by all procuring entities shall be conducted by open competitive bidding.”

Audit observed, from the examination of the University’s contract files and other related procurement records in respect of funds allocated to it through the Tertiary Education Trust Fund (TETFUND), that the Fund approved the sum of N156,956,310.00 for the procurement of furniture and other equipment to be installed in some departmental offices and two lecture theatres as observed during the audit for the period January, 2014 to May, 2017 which was carried out in July, 2018. However, the following infractions were observed from the procurement process.

- (a) Documents such as newspaper advertisement, bidders’ quotations, etc. evidencing that the process was conducted by open competitive bidding were not presented for audit verification.
- (b) Due process ‘Certificate of no Objection’ from the Bureau of Public Procurement as well as the report of the Procurement Planning Committee of the University were not presented for audit scrutiny.
- (c) Contrary to the provisions of Section 35(1) of the Public Procurement Act, 2007 and FR 2933(1) that prescribe a mobilization fee of not more than 15% of the contract price, the University paid a mobilization fee of 50% of the contract price to the contractors.
- (d) The items purported to have been supplied were neither taken on Store Ledger Charge nor recorded in the Assets Register, in contravention of FR2206.

Risk

The above violation may lead to wastage of government fund through the award of contract to a non-competent contractor. It may also result in diversion of government fund.

Management’s response

No response from the management as at the time of our report.

Recommendation

The Vice Chancellor is required to account for the sum of N156,956,310.00 (One hundred and fifty-six million, nine hundred and fifty-six thousand, three hundred and ten naira). Otherwise, the amount should be recovered and paid to the Consolidated Revenue Fund of the Federal Government. In addition, sanctions stated in FR 3117(i) and (ii) should apply.

Issue 3: PAYMENTS FOR STAFF TRAINING WITHOUT ADEQUATE SUPPORTING DOCUMENTS - ₦112,826,755.00

Financial Regulations No 603(i) states that “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, so as to enable them to be checked without reference to any other documents will and variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets, etc.”

Audit observed, during the examination of payment vouchers and other relevant document during the period January 2014 to May 2017, that a total of ₦112,826,755.00 was expended on local and foreign training of some of the university’s staff. However, documents such as letter of invitation from the training organization, certificate of attendance, receipts of training registration, photocopies of return tickets, and photocopies of entry and exit page in the passport for the countries of destination needed to authenticate this claim were not attached to the payment vouchers.

Risk

The University may incur out unauthorized expenditures and thereby undermine the controls around the use of government funds

Management’s response

No response from the management as at the time of our report.

Recommendation

The Vice Chancellor is required to account for the sum of ₦112,826,755.00 which was claimed to be expended on both local and foreign training, or recover the amount from the beneficiaries and remit same to the Consolidate Revenue Fund of the Federal Government, failing which sanctions provided for in FR 3106 should apply.

**NATIONAL INFORMATION TECHNOLOGY
DEVELOPMENT AGENCY (NITDA)**

Issue 1: IRREGULAR PAYMENT OF CONTRACT - ₦11,366,800.00

The Provision of Financial Regulations 412 states that, “Where a contract involves supplies of goods or work done, there will be attached to the to the voucher a certificate that the payments are in accordance with the terms of the contract agreement, that as regards supplies,

the articles have been received and, in the case of work, that it has been properly done. In the case of payment on account, no money will be claimed other than the cost of the work certified to have been performed. If a deduction is made from the amount payable on a contract in respect of a penalty or fine, the net sum only will be paid, while the deduction shall be credited to the appropriate revenue head”

We observed that the sum of ₦11,366,800.00 was paid to a company for advertorial to Business Year Nigeria 2015 Yearbook. The payment was marred with the following irregularities:

- Payment was made to a third-party company, instead of directly to who made the request; the payment was not subjected to both Withholding and Value Added Tax as required by law;
- Authorization letter of 12th February 2015 from The Business Year to pay the third-party company was not signed and as such has no legal backing for its implementation;
- There was no evidence that the exchange rate was used to convert the money from Pounds to Naira emanated from Central Bank of Nigeria;
- Award letter was not produced for examination.

This infraction was due to the failure of the Director-General to strictly comply with the provision of extant laws and regulations, especially as it relates to issues bordering on the Procurement Act. Under no circumstances should the payment for the supply of goods or services be made to third party. Payments must be in line with the provisions in the contract agreement and E-Payment principles.

Risk

The Agency may carry out irregular payments in respect of contracts for goods and service not in line with the provision of the Procurement Act, thereby making payments to beneficiaries not party to the original contract, which may lead to litigating challenges for government. This practice may lead to loss of public funds.

Management's response

No response from the management as at the time of our report.

Recommendation

We recommend that the Director-General be made to account for the infractions and sanctioned in line with provisions with the provisions of FR 409 and 3106.

Issue 2: **INFLATION OF CONTRACT - ₦300,826,000.00**

The Provision of the Financial Regulation 3102 requires that any officer alleged to be involved in contract inflation shall be given 5 days to answer to the query and if found culpable shall be surcharged appropriately and removed from the duty schedule, dismissed, and prosecuted. Where the query affects the Accounting Officer, he/she shall be reported to Mr. President. Where the inflation of the contract affects the Tenders' Board all the members involved in the inflation shall be severely and collectively sanctioned.

We however observed that a Contract for the renewal of bandwidth for rural Information Technology Centres was awarded to a company on the 26th June, 2013 but paid for in 2014, to supply a twelve (12) months dedicated internet bandwidth to forty-six (46) identified schools across Nigeria at the total cost of ₦184, 000, 000.00 (one hundred and eighty-four million Naira), at a unit cost of ₦4,000,000.00 (Four million Naira) per annum. However, market enquiry revealed that this contract was over-invoiced.

In one of the contracts that 12-month bandwidth subscription was provided by another company for Okoro Gbede High School, Ijumu L.G.A, Kogi State for establishment of information technologies center at the cost of ₦1,944,000.00 (one million, nine hundred and forty-four thousand Naira). The company invoice was therefore inflated to the tune of ₦2,056,000.00 (Two million, fifty-six thousand naira) per bandwidth translating to a total refundable sum of **₦94,576,000.00** (Ninety-four million, five hundred and seventy-six thousand naira) for the forty-six (46) schools (centers). The company bandwidth specification was 512/128 kbps whereas that of the referenced company was 512/256kbps with a covering period of 13 months (from 13th September, 2014 to September 2015) while that of company in question covers July, 2013 to June, 2014 which is less than 13 month but has a higher cost than the earlier. There was no evidence that the company's bandwidth was subscribed from a network provider. The company did not produce receipt from the internet service provider to justify that the price was fair.

Another contract was also awarded to another Company to establish a Wide Area Network (WAN) at Nuhu Bamali Polytechnic, Zaria, Kaduna State at the sum of **₦206,250,000.00** (Two hundred and six million, two hundred and fifty thousand naira) and paid. This contract price was also observed to have been inflated, from our market survey. Most of the items listed were not supplied to specifications; the bandwidth worked for only two months after installation; and the mast collapsed after installation and was later replaced by the school.

This infraction was due to the failure of the Director-General to strictly comply with the provision of extant laws and regulations, especially as it relates to procurement transactions which is governed by the Procurement Act. The practice of over invoicing in the contract process by government is unacceptable.

Risk

The Agency may carry out activities that are at variance with the provisions of the Procurement Act which may result in gross abuse of the process, thereby leading to financial gain to the officers of the agency and also loss of funds to government.

Management's response

Management's response stated that, the agency's contracts passed through due process in line with the procurement Act 2007. And that the bandwidth project was advertised and competitively bided for by the interested companies in which the Company in question was one. NITDA has in place a very robust and strong internal control mechanism system over the operational activities of the agency. Therefore, the idea of collusive agreement with the contractor does not arise. The contract was technical in nature and the audit team needed some clarifications and explanations to assist in forming an opinion on the transactions.

We evaluated the response above and found that NITDA admits in paragraph two (2) of its response that there are technicalities on the project and refutes the claim of over invoicing by further attaching copies of payment voucher, award letter, agreement latter and site migration from technologies Plc.

NITDA failed to attach documents on the technical specification of the project as required by the Public Procurement Act 2007. The Agency also admitted that the company in question is not a registered internet service provider but bought the service from a third party but also failed to name the third party and also provide evidence of acquisition by the stated company.

Recommendation

The Director-General should account for the sum of ₦300,826,000.00, being over invoiced amount on the contracts in question. He should also be sanctioned in line with the provision FR 3112.

Issue 3: **IRREGULAR AWARD OF CONTRACT - ₦39,000,000.00**

The Provision of Section 20 (2) of the Procurement Act 2009 states that, "The accounting officer of every procurement entity have overall responsibility for the planning at organization of tenders, evaluation of tenders and execution of all procurements and in particular shall be responsible for (a) ensuring compliance with the provisions of this Act by his entity...."

We observed that the Agency awarded two contracts for E- Learning Solution in favour of the National Commission for Nomadic Education, Kaduna as follows: ₦24,000,000.00 for the establishment of Knowledge Access Venue (KAV) and ₦15,000,000.00 for the establishment of Community Access Centre (CAC).

We further observed the following during our site inspection visits:

- there was no priced bill of quantities for proper evaluation and assessment;
- the contract for the Knowledge Access Venue (KAV) was not executed,
- only Community Access Centre (CAC) was done;
- item No. 2 in the bill was not installed;
- the Enterprises Antivirus (McAfee 2015/Norton2015/AVG2015) ten in number were not installed;
- item No. 27 perimeter fencing/secured locks and solar panels etc. was not in place, copper wire was put instead;
- item 28 on the bill for a standard signpost describing the project was not in place, and the internet is not functioning.

This infraction was due to the failure of the Director-General to strictly comply with the provision of extant laws and regulations, especially as it relates to procurement issues which are governed by the Procurement Act. Guidelines for the award, execution and payments for government contracts should be strictly adhered to.

Risk

The Agency may carry out unapproved procedures in the award, execution, and payments of contracts, which may be at variance with the provisions of the Procurement Act 2009, thereby resulting in the diversion and loss of funds to government.

Management's response

No response from the management as at the time of our report.

Recommendation

The Director-General should account for the sum of ₦24,000,000.00 being unexecuted contract on the Knowledge Access Venue (KAV) transaction as well as the uncompleted Community Access Centre. He should be sanctioned in line with the provision of FR 3104

Issue 4: UNEXECUTED CONTRACTS - ₦48,000,000.00

The Provision of Section 20 (2) of the Procurement Act 2009 states that, “The accounting officer of every procurement entity have overall responsibility for the planning at organization of tenders, evaluation of tenders and execution of all procurements and in particular shall be responsible for (a) ensuring compliance with the provisions of this Act by his entity....”

We observed that the agency awarded two (2) contracts to equip Nigerian Army School of Public Relations and Information, Bonny Camp Lagos for the Establishment of Two (2) Access Venues (KAV) at ₦24,000,000.00 each. However, we observed the following from site inspection visits:

- One out of the two contracts was partially executed; the bandwidth worked for only one month and parked up;
- there was no priced bill for effective evaluation.
- We could not ascertain the particular contractor who actually executed his contract as NITDA did not give the records to NASPRI.

This infraction was due to the failure of the Director-General to strictly comply with the provision of extant laws and regulations, especially as it relates to procurement issues which are governed by the Procurement Act. Guidelines for the award, execution and payments for government contracts should be strictly adhered to.

Risk

The Agency may carry out unapproved procedures in the award, execution, and payments of contracts, which may be at variance with the provisions of the Procurement Act 2009, thereby resulting in the diversion and loss of funds to government.

Management's response

No response from the management as at the time of our report.

Recommendation

The Director-General should account for the sum of ₦24,000,000.00 being the unexecuted contract on the Knowledge Access Venue (KAV) transaction. He should be sanctioned additionally in line with the provision of FR 3104 for payment made for jobs not executed.

SECTION 6
PERIODIC CHECKS OF
STATUTORY BODIES
AND AGENCIES

PERIODIC CHECKS OF STATUTORY BODIES AGENCIES

PART A: EXTRA-MINISTERIAL AUDIT DEPARTMENT

ENVIRONMENTAL HEALTH OFFICERS REGISTRATION COUNCIL OF NIGERIA, ABUJA

Issue 1: UNDER-REMITTANCE OF 25% OF INTERNALLY GENERATED REVENUE **= ₦19,761,061.30**

Federal Ministry of Finance's Circular Ref. No. Bo/REV/12235/259/VII/201 dated 11th November 2011, directs all Federal Agencies to limit their utilization of Internally Generated Revenue to 75% while the balance of 25% to be remitted to the Consolidated Revenue Fund (CRF).

Audit observed that the Management of the Council under-remitted the mandatory 25% of its total Internally Generated Revenue (IGR), due to the Federal Government's Consolidated Revenue Fund (CRF) for the year ended December 2017, to the tune of ₦29,531,165.90 (Twenty-Nine Million, five hundred and thirty-one thousand, one hundred and sixty-five naira, ninety kobo).

While the total internally generated revenue was ₦192,912,745.19 (One hundred and ninety-two million, nine hundred and twelve thousand, seven hundred and forty-five naira, nineteen kobo) and the expected 25% remittance to the Consolidated Revenue Fund (CRF) was ₦48,228,186.30 (Forty-eight million, two hundred and twenty-eight thousand, one hundred and eighty-six naira, thirty kobo), only ₦18,697,020.40 (Eighteen million, six hundred and ninety-seven thousand, twenty naira and forty kobo) was actually remitted to the CRF, leaving a balance of ₦29,531,165.90 (Twenty Nine Million, five hundred and thirty-one thousand, one hundred and sixty-five naira, ninety kobo) unremitted.

Risk

This could lead to material misstatement and loss of revenue to Federal Government.

Management's response

In his response, the Registrar only provided documentary evidence of remittance of a total amount of ₦28,467,125.00 (Twenty-eight million, four hundred and sixty-seven thousand, one hundred and twenty-five naira) to the treasury, thereby leaving outstanding balance of

₦19,761,061.30 (Nineteen million, seven hundred and sixty-one thousand, sixty-one naira and thirty kobo) to be remitted.

Auditor's evaluation

The response of the Registrar did not fully address the issue, as the balance of ₦19,761,061.30 (Nineteen million, seven hundred and sixty-one thousand, sixty-one naira and thirty kobo) remains unremitted.

Recommendation

The Registrar is required to remit both the balance of ₦19,761,061.30 (Nineteen million, seven hundred and sixty-one thousand, sixty-one naira and thirty kobo) and all interest accruing therefrom to the Consolidate Revenue Fund of the Federal Government, forwarding evidence of remittance to the Public Accounts Committees of the National Assembly for verification. Otherwise, sanction stated in FR 3112 should apply.

Issue 2: NON-DEDUCTION AND REMITTANCE OF 1% STAMP DUTIES-₦5,476,448.42

Treasury Circular Ref. No. TRY A1 & B1/2017 OAGF/CAD/026/V.III/182 dated 20th April 2016 emphasized the need to deduct and remit 1% as Stamp Duty on contract agreement by Ministries, Departments and Agencies (MDAs).

Audit observed that the statutory 1% Stamp Duties totalling ₦5,476,448.42 (Five million, four hundred and seventy-six thousand, four hundred and forty-eight naira, forty-two kobo) which ought to have been deducted from 27 different contracts awarded by the Council between April, 2017 and March, 2018 at a total contract sum of ₦547,644,842.10 (Five hundred and forty-seven million, six hundred and forty-four thousand, eight hundred and forty-two naira, ten kobo) were not deducted and remitted to the relevant tax authority.

Risk

Non-compliance with the provisions of extant section of the Federal Treasury Circulars could result in loss of revenue to the government and overpayment to the contractors concerned that were paid from the 2017 capital budget releases.

Management's response

In his response, the Registrar claimed to have remitted the amount in question.

Auditors' evaluation

The document presented as proof of remittance of the deductions to FIRS does not contain the various amounts remitted.

Recommendation

The Registrar is required to recover the sum of ₦5,476,448.42 (Five million, four hundred and seventy-six thousand, four hundred and forty-eight naira, forty-two kobo) from the contractors concerned the Federal Inland Revenue Service, forwarding evidence of remittance to the Public Accounts Committees of the National Assembly for verification. Otherwise, sanction stated in FR 3112 should apply.

Issue 3: NON-RETIREMENT OF CASH ADVANCES – ₦16,867,690.00

Financial Regulation 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that 31 non-personal advances for conference and workshop expenses granted to some staff of the Council between June and November 2017, amounting to ₦22,012,190.00 (Twenty-two million, twelve thousand, one hundred and ninety naira) remained unretired. Some cases multiple advances cash advances without retiring previous ones were also noted.

It was also observed that cash advances above the approved threshold of ₦200,000.00 were granted to some officers, thereby depriving the government of the revenue that would have accrued. For example, an officer was paid the sum of ₦1,862,500.00 vide payment voucher No. EHORECON/CA/106/2017/19 dated 8th September 2017 as cash advances for Council examination expenses.

Risk

Monies granted as cash advances may not have been utilized for the intended purposes. It may also be a way of diverting public funds for personal use

Management’s response

In his response, the registrar only attached evidence of retirement amounting to ₦5,144,500.00 (Five million, one hundred and forty-four thousand, five hundred naira), thereby leaving the sum of ₦16,867,690.00 (Sixteen million, eight hundred and sixty-seven, six hundred and nine naira) without proof of retirement.

Auditor’s evaluation

The response of the Registrar did not fully address the issue as the balance of ₦16,867,690.00 (Sixteen million, eight hundred and sixty-seven, six hundred and nine naira) remains unretired. He also fails to justify the granting of multiple cash advances without retiring previous ones.

Recommendation

The Registrar is required to explain why the advances were not retired as and when due and ensure that the amount standing against each staff is retired immediately or recovered from

their salaries and other entitlements while forwarding evidence of retirement or recovery for verification. Otherwise, sanction stated in FR 3118 should apply.

Issue 4: CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦23,412,500.00

Federal Treasury Circular Ref. No.: TRY/A2 & B2/2009 OAGF/CAD/026/V. of 24th March, 2009 states that “all Accounting Officers and Officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts, except as provided by the Public Procurement Act, 2007”.

Audit observed that 29 non-personal/cash advances amounting to ₦23,412,500.00 (Twenty-three million, four hundred and twelve thousand and five hundred naira) were granted to some officers of the Council, between June and November, 2017, for various expenses in excess of the approved threshold of ₦200,000.00.

Risk

This could lead to loss of government revenue totalling ₦2,229,761.90 that would have been deducted as taxes (WHT and VAT) if the procurement were made through award of contracts.

Management’s response

In the Registrar’s response, he noted the observation and stated that it has been corrected in subsequent years.

Auditor’s evaluation

The response of the Registrar did not address the issue as the infraction had already been committed.

Recommendation

The Registrar is required to justify the payment of the sum of ₦23,412,500.00 (Twenty three million, four hundred and twelve thousand and five hundred naira) granted as cash advances in contravention of the above quoted Circular or to refund the amount back to Federal Government coffers. Otherwise, sanction stated in FR 3106 should apply.

Issue 5: CONTRAVENTION OF E-PAYMENT POLICY - ₦3,586,000.00

Federal Treasury Circular on E-payment policy Ref. No. TRY/A88 & B8/2008 OAGF/CAD/026/VOL.11/465 of 22nd October, 2008 states in paragraph 4(vii) that “henceforth, all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid.”

In addition, Financial Regulation 613 states in part “payments should be made only to the persons named in the voucher or their properly authorized representatives...”

Audit observed that payments totalling ₦3,586,000.00 meant for several officers of the Council, were disbursed through six officers’ accounts, rather than paying the monies into the individual beneficiaries’ accounts. Moreover, there were no proofs of acknowledgement of receipt of their entitlements by the said beneficiaries in order to ascertain probity, transparency and accountability of the public funds disbursed

Risk

This action may result in diversion of public funds for personal use.

Management’s response

In his response, the Registrar claimed that payments were made directly to the beneficiaries

Auditor’s evaluation

The Registrar’s response did not address the issue as the documents attached to his did not relate to the observation under consideration.

Recommendation

The Registrar is required to justify the violation of the above regulations. Otherwise, sanctions contained in FR 3106 should apply.

NATIONAL FILM AND VIDEO CENSORS BOARD, ABUJA

Issue 1: VIOLATION OF E-PAYMENT POLICY - ₦4,873,770.00

Federal Treasury Circular on E-payment policy Ref. No. TRY/A88 & B8/2008 OAGF/CAD/026/VOL.11/465 of 22nd October, 2008 states in paragraph 4(vii) that “henceforth, all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid.”

In addition, Financial Regulation 613 states in part “payments should be made only to the persons named in the voucher or their properly authorized representatives...”

Audit observed that eleven payments totalling ₦4,873,770.00 meant for several officers of the Board, were disbursed through six officers accounts, rather than paying the monies into the individual beneficiaries’ accounts. Moreover, there were no proofs of acknowledgement of receipt of their entitlements by the said beneficiaries in order to ascertain probity, transparency and accountability of the public funds disbursed.

Risk

This action may result in diversion of public funds for personal use.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Director is required to justify the violation of the above regulations. Otherwise, sanctions contained in FR 3106 should apply.

Issue 2: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS - N21,532,906.00

Financial Regulation 603(i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that twelve (12) payment vouchers totalling N21,532,906.00 (Twenty-one million, five hundred and thirty-two thousand, nine hundred and six naira), raised in 2017 has no relevant supporting documents such as originating memo, approval for payment, etc. attached. In the absence of these documents, audit found it difficult to accept those payments as legitimate charges against public funds.

Risk

The anomaly may make payments to be made to wrong accounts, for fictitious contracts and overpayment for goods and services.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Director is required to account for the sum of N21,532,906.00 (Twenty-one million, five hundred and thirty-two thousand, nine hundred and six naira), failing which sanction stated in FR 3106 should apply.

Issue 3: NON-RETIREMENT OF CASH ADVANCES - ₦5,898,500.00

Financial Regulation 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that twelve cash advances for the purchase of various items and servicing of meetings granted to some staff of the Board between April 2017 and December 2018, amounting to ₦5,898,500.00 (Five million, eight hundred and ninetyeight thousand, five hundred naira) remained unretired. Some cases of multiple cash advances without retiring previous ones were also noted.

It was also observed that cash advances above the approved threshold of N200,000.00 were granted to some officers, thereby depriving the government of the revenue that would have accrued. For example, an officer was paid the sum of N1,512,400.00 vide payment voucher No. NFVCB/HQ/564/2017 dated 26th October 2017 as cash advances for miscellaneous expenses to clean up movie industries.

Risk

Failure to retire advances may be indicative of the fact that monies granted to staff may not be accounted for and may have not been used for the purposes they were released.

Management’s response

No response from management as at the time of our report.

Recommendation

The Executive Director is required to explain why the advances were not retired as and when due and ensure that the amount standing against each staff is retired immediately or recovered from their salaries and other entitlements while forwarding evidence of retirement or recovery for verification. Otherwise, sanctions stated in FR 3118 should apply.

Issue 4: CIRCUMVENTION OF PROCUREMENT PROCEDURES ₦4,141,000.00

TRY/A2 & B2/2009 OAGF/CAD/026/V. of 24th March, 2009 states that “all Accounting Officers and Officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts, except as provided by the Public Procurement Act, 2007”.

Audit observed that seventeen cash advances amounting to ₦4,141,000.00 (Four million, one hundred and forty-one thousand naira) were granted to some officers of the Board, between

June and December 2017, for various expenses in excess of the approved threshold of ₦200,000.00.

Risk

This could lead to loss of government revenue totalling ₦534,100.00 that would have been deducted as taxes (WHT and VAT) if the procurement were made through award of contracts.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Director is required to justify the above infraction, failing which sanctions stated in FR 3106 should apply.

NATIONAL BOUNDARY COMMISSION, ABUJA

Issue 1: IRREGULAR PAYMENT OF ESTACODE AND AIR FARE WITHOUT EVIDENCE OF ATTENDANCE - ₦26,786,101.25

Establishment Circular Ref. No: HCSF/CSO/HRM/Pol.1402/1 dated 22nd January, 2015 on 'Restriction on Foreign Trainings and International Travels by Public Servants' places embargo on participation or attendance of international conferences, seminars, workshops, study tours, trainings, paper presentation, negotiating/signing of MOU abroad at Government expenses, except those that are fully funded by sponsoring/inviting organizations.

Audit observed that the Commission made payments totalling ₦26,786,101.25 (Twenty-six million, seven hundred and eighty-six thousand, one hundred and one naira, twenty-five kobo) on three payment vouchers with Voucher Nos. NBC/CAP/ADV/078/18, NBC/CAP/ADV/079/18 and NBC/CAP/OC/105/18, for the attendance of 33rd meeting of the Nigeria-Cameroun Mixed Commission in Yaoundé, Cameroun, between 3rd and 14th June, 2018. However, the following important documents were not attached to any of the payment vouchers:

- (i) Letter of invitation to the Commission to attend the meeting.
- (ii) Approval for the trip by the Head of Civil Service of the Federation or the Secretary to the Government of the Federation, as the case may be, in line with the above quoted Circular.
- (iii) Evidence of travel such as immigration stamped pages in their international passports and air tickets, or boarding pass was not attached
- (iv) The \$2000 earmarked for contingency was not accounted for.

Risk

The resultant effect is that government fund might have been lost to trips not embarked upon, as there was no appropriate approval for the trip.

Management's response

No response from management as at the time of our report.

Recommendation

The Director-General is required to account for the sum of ₦26,786,101.25 incurred on estacode allowance and air ticket, failing which sanction stated FR 3106 should apply.

Issue 2: PAYMENT OF ESTACODE ALLOWANCES ON ACTIVITIES WITHIN NIGERIA - ₦12,057,355.25

Financial Regulation 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”.

Audit observed that the Commission made payment of ₦12,057,355.25 (Twelve million, fifty-seven thousand, three hundred and fifty-five naira, twenty-five kobo) vide payment voucher number NBC/CAP/OC/106/18 dated 9th May, 2018 as estacode allowance and DTA for reconstruction of pillars at Nigeria-Niger International Boundary. Since these pillars were at the Border of Nigeria, there was no need for payment of estacode as they did not cross over to Niger Republic for any further activities. In addition, the officers that travelled for this programme were engaged to work for fifteen (15) days while the local guide and security personnel were paid for forty (40) days each, and there was no evidence that money paid to officers representing the State and Local government amounting to ₦960,000.00, got to them.

Risk

Audit is concerned that funds might have been lost due to irregular payment of estacode allowance instead of duty tour allowance to the staff concerned.

Management's response

No response from management as at the time of our report.

Recommendation

The Director-General is required to justify the payment of ₦12,057,355.25 (Twelve million, fifty-seven thousand, three hundred and fifty-five naira, twenty-five kobo) paid as estacode allowances for activities that took place within the country, failing which sanction stated FR 3106 should apply.

Issue 3: STORE ITEMS NOT TAKEN ON LEDGER CHARGE - ₦8,032,281.25

Financial Regulation 2402(ii) states that “of this regulation, the storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original Local Purchase Order (L.P.O)”.

Audit observed that payments totalling ₦8,032,281.25 (Eight million, thirty-two thousand, two hundred and eighty-one naira, twenty-five kobo) were made on five (5) payment vouchers with voucher Nos. ADV/085, ADV/088, ADV/033/ ADV36 and OC/114, between December 2017 and June, 2018, for the procurement of various stores items which were not taken on ledger charge, as there were no stores receipt vouchers attached to the payment vouchers.

Risk

This act may expose the Commission to theft and could lead to loss of public assets.

Management’s response

No response from management as at the time of our report.

Recommendation

The Director-General is required to account for the sum of ₦8,032,281.25 (Eight million, thirty-two thousand, two hundred and eighty-one-naira, twenty-five kobo) being items paid for but not collected. Otherwise, sanction in line with FR 3129 should apply.

NATIONAL CENTRE FOR WOMEN DEVELOPMENT, ABUJA**Issue 1: WRONGFUL SPONSORSHIP OF PROFESSIONAL PROGRAMME – ₦5,764,000.00**

Establishment Circular Ref. No. HCSF/PSO/784/III/2 dated 23rd January, 2009, issued by the Office of the Head of Civil Service of the Federation, stipulates that all MDAs should no longer pay for course fees and allowances for officers attending training programmes organised or sanctioned by their respective professional bodies.

Audit observed that fifteen payments in the sum of ₦5,764,000.00 (Five million, seven hundred and sixty-four thousand naira) was spent on sponsorship of courses organised by various professional bodies between May 2016 and August 2017, in violation of the above circular.

Risk

Non-compliance with provisions of the extant circular led to misuse of public funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Director-General is required to recover the sum of ₦5,764,000.00 from the beneficiaries and pay same to the government coffers, otherwise, sanction in line with FR 3106.

Issue 3: VIOLATION OF E-PAYMENT POLICY – ₦37,540,250.00

Circular on e-payment policy Ref. No. TRY/A8 & B8/2008 OAGF/CAD/026/Vol.11/465 dated 22nd October, 2008 states in paragraph 4(vii) that “henceforth, all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid.”

Audit observed that twenty-seven payments totalling ₦37,540,250.00 (Thirty-seven million, five hundred and forty thousand, two hundred and fifty naira) meant for several officers of the Center, were disbursed through twenty-one officers accounts, rather than paying the monies into the individual beneficiaries' accounts. Moreover, there were no proofs of acknowledgement of receipt of their entitlements by the said beneficiaries in order to ascertain probity, transparency and accountability of public funds disbursed.

Risk

This action may result in diversion of public funds for personal use.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to justify the violation of the above regulation. Otherwise, sanctions contained in FR 3106 should apply.

SOKOTO ENERGY RESEARCH CENTRE, SOKOTO**Issue 1: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT – 34,072,592.01**

Financial Regulations 110 states in part “by virtue of the responsibilities and the functions of the Accountant-General and Auditor-General or their representatives shall, at all reasonable times, have free access to the books of accounts, files, safes, security documents and other

records and information relating to the accounts of all federal ministries/extra-ministerial offices and other arms of government or units...”

Audit observed that eighteen payment vouchers totalling ₦34,072,592.01 (Thirty-four million, seventy-two thousand, five hundred and ninety-two-naira, one kobo) that were raised between March 2017 and January 2018 were not presented for audit. Among the outstanding payment vouchers was a payment voucher raised vide payment voucher No. 002 of 26th January 2018 for the upgrade of solar factory in the sum of N33,368,355.56 (Thirty-three million, three hundred and sixty-eight thousand, three hundred and fifty-five-naira, fifty-six kobo)

Risk

This act could lead to unapproved expenditures and diversion of public funds. It may also undermine the credibility of the Centre’s Financial Statements.

Management’s response

No response from management as at the time of our report.

Recommendation

The Director/CEO is required to account for the sum of ₦34,072,592.01 (Thirty-four million, seventy-two thousand, five hundred and ninety-two-naira, one kobo), failing which sanction stated within FR 3106 should apply.

Issue 2: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS - N33,226,600.28

Financial Regulation 603(i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that three (3) payment vouchers amounting to ₦33,226,600.28 (Thirty-three million, two hundred and twenty-six thousand, six hundred naira, twenty-eight kobo) raised between in February and March, 2018 were not supported by relevant documents such as job completion certificate, store receipt vouchers, quotations from competitive bidders and contract agreements.

Details of the payment vouchers are as shown in the table below:

S/No	DATE	P.V No	DESCRIPTION	AMOUNT (N)
1	07/02/2018	007	Supply of Cell Tech.	8,324,678.10
2	02/03/2018	010	Consultancy fee for Cap. Project	3,400,000.00

3	27/03/2018	006	Construction of Solar Street Light	21,501,922.18
			TOTAL	33,226,600.28

Risk

The anomaly may make payments to be made to wrong accounts, for fictitious contracts and overpayment for goods and services.

Management's response

No response from management as at the time of our report.

Recommendation

The Director/CEO is required to account for the sum of ₦33,226,600.28 (Thirty-three million, two hundred and twenty-six thousand, six hundred-naira, twenty-eight kobo), failing which sanction stated in FR 3106 should apply.

NATIONAL HAJJ COMMISSION OF NIGERIA, ABUJA**Issue 1: NON-RETIREMENT OF CASH ADVANCES – ₦4,656,150.00**

Financial Regulation 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that twelve cash advances for the purchase of various items between August and December 2017, amounting to ₦4,656,150.00 (Four million, six hundred and fifty-six thousand, one hundred and fifty naira) remained unretired. Some cases of multiple cash advances without retiring previous ones were also noted.

It was also observed that cash advances above the approved threshold of ₦200,000.00 were granted to some officers, thereby depriving the government of the revenue that would have accrued. For example, an officer was paid the sum of ₦787,000.00 vide payment voucher No. NHC/ADV/28/17 dated 4th December 2017 as cash advances for the purchase of the electronic file management system.

Risk

Failure to retire advances may be indicative of the fact that monies granted to staff may not be accounted for and may not be used for the purposes they were released.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Chairman is required to explain why the advances were not retired as and when due and ensure that the amount standing against each staff is retired immediately or recovered from their salaries and other entitlements while forwarding evidence of retirement or recovery for verification. Otherwise, sanction stated in FR 3118 should apply.

Issue 2: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS - ₦79,097,038.00

Financial Regulation 603(i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that four payment vouchers amounting to ₦79,097,038.00 (Seventy-nine million, ninety-seven thousand and thirty-eight naira) that were all raised on the 18th December 2017 for pre-visit for 2018 hajj to the kingdom of Saudi Arabia were not supported by relevant documents such as stamped pages of their international passports, air tickets or boarding pass and the report of the visit were not attached.

Risk

The resultant effect is that government fund might have been lost to trips not embarked upon, as there was no appropriate approval for the trip.

Management’s response

No response from management as at the time of our report.

Recommendation

The Executive Chairman is required to account for the sum of ₦79,097,038.00 (Seventy-nine million, ninety-seven thousand and thirty-eight naira) incurred on air ticket, estacode, and telephone allowances, failing which sanction stated FR 3106 should apply.

Issue 3: STORES NOT TAKEN ON LEDGER CHARGE – ₦4,134,630.00

Financial Regulation 2402(i) states that, “on all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of this Regulation, the store keeper must certify that the stores have been received and taken on charge in the stores ledger, quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original LPO.”

Audit observed that store items amounting to ₦4,134,630.00 (Four million, one hundred and thirty-four thousand, six hundred and thirty naira) were purportedly supplied in the year 2017. However, store receipt vouchers were not attached to any of the payment vouchers, neither were records of the stores found in the Commission's store ledger. As a result, audit could not confirm that those items were actually supplied.

This is indicative of the failure of the Commission to maintain appropriate records of store.

Risk

This violation could lead to diversion of public assets to private use and under-valuation of the Commission's assets.

Management's response

No response was received from management at the time of our report.

Recommendation

The Executive Chairman is required to account for the sum of ₦4,134,630.00 (Four million, one hundred and thirty-four thousand, six hundred and thirty naira), failing which sanction stated within FR 3129 should apply.

ACCIDENT INVESTIGATION BUREAU, LAGOS

Issue 1: VIOLATION OF E-PAYMENT POLICY - ₦7,862,500.00

Circular Ref. No. TRY/A88 & B8/2008 OAGF/CAD/026/Vol.11/465 dated 22nd October, 2008 states in paragraph 4(vii) that "henceforth, all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid."

Audit observed that eleven payments totalling ₦7,862,500.00 (Seven million, eight hundred and sixty-two thousand, five hundred naira), meant for various beneficiaries, were paid between January and December 2017 to ten officers of the Bureau, in violation of the above stated circular.

Risk

Government funds may get into wrong hands and may not be use for the purpose for which it was provided.

Management's response

No response from management as at the time of our report.

Recommendation

The Commissioner is required to justify the sum of ₦7,862,500.00 (Seven million, eight hundred and sixty-two thousand, five hundred naira) paid in contravention of the above quoted circular, failing which sanction within FR 3106 should apply.

Issue 2: NON-RETIREMENT OF CASH ADVANCES - ₦25,930,890.00

Financial Regulation 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that thirty-two cash advances totalling ₦25,930,890.00 (Twenty-five million, nine hundred and thirty thousand, eight hundred and ninety naira) granted to some members of staff of the Bureau between 1st January and 31st December, 2017, were not retired as at the end of the financial year

Risk

Cases of unretired advances could lead to diversion of public funds.

Management’s response

No response from management as at the time of our report.

Recommendation

The Commissioner is required to recover the sum ₦25,930,890.00 (Twenty-five million, nine hundred and thirty thousand, eight hundred and ninety naira) from the beneficiaries and pay same to the government coffers, failing which sanction stated within FR 3118 should apply.

Issue 3: IRREGULARITIES IN THE CONTRACT FOR THE SUPPLY AND INSTALLATION OF PERKINS ENGINE SOUND-PROOF GENERATOR AND SUB-STATION IN KANO - ₦20,513,535.00

Section 24(1) of the Public Procurement Act, 2004 states that “except as provided by this Act, all procurement of goods and works by all procuring entities shall be conducted by open competitive bidding.”

Audit observed the following irregularities in a contract for the supply and installation of Perkins engine soundproof generator and Sub-station in Kano, awarded to One Complete Solutions Ltd. at a contract price of ₦20,513,535.00 (Twenty million, five hundred and thirteen thousand, five hundred and thirty-five naira):

- (i) Letter of award for the contract was not attached to the payment voucher. As a result, audit could not ascertain separately the cost of the generator from the Sub-station.
- (ii) The contractor was to supply Perkins generator but Mikano generator was supplied, contrary to the terms of the agreement. This implies that the contractor was paid for contract not supplied to specification.

Risk

The asset acquired may not serve the purpose for which it was needed, thereby resulting in waste of government funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Commissioner is required to justify the supply of Mikano generator instead of Perkins and to provide the award letter and BOQ for the construction of the Sub-station failing which the sum of ₦20,513,535.00 (Twenty million, five hundred and thirteen thousand, five hundred and thirty-five naira) be recovered from the contractor and pay back to government purse. Also, sanction stated in FR 3104 should apply.

Issue 4:

CIRCUMVENTION OF PROCUREMENT PROCEDURES – ₦6,004,500.00

Treasury circular Ref. No. TRY/A2 & B2/2013 OAGF/CAD/026/V.1/188 of 9th April, 2013 which stipulates that “all Accounting Officers and Officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made only through award of contracts, except as provided by the Public Procurement Act, 2007”.

Audit observed, from the examination of advances ledger and payment vouchers, that seventeen cash advances totalling ₦6,004,500.00 (Six million, four thousand and five hundred naira) were granted eleven officers of the Bureau, between April and December, 2017 in excess of the approved threshold of ₦200,000.00. It was also observed that some officers were granted two cash advances without retiring the previous ones.

Risk

The act of the Bureau could lead to the loss of ₦600,450.00 (Six hundred thousand, four hundred and fifty naira) that would have accrued to the government by way of VAT and withholding tax if the procurement were made through award of contracts.

Management's response

No response from management as at the time of our report.

Recommendation

The Commissioner is required to justify payment of the sum of ₦6,004,500.00 (Six million, four thousand and five hundred naira) in contravention of the above quoted circular, failing which sanction stated in FR 3106 should apply.

FEDERAL COLLEGE OF FORESTRY, JOS**Issue 1: NON-REMITTANCE OF DEDUCTED STATUTORY TAXES - ₦2,808,834.54**

Financial Regulations 235 states that “deductions for WHT, VAT and PAYE shall be remitted to the FIRS at the same time the payee who is the subject of the deduction is paid”.

Audit observed that the sum of ₦3,595,784.53 (Three million, five hundred and ninety-five thousand, seven hundred and eighty-four naira, fifty-three kobo) deducted from overhead services and capital projects executed by the College in 2017, were not remitted to the appropriate tax authority. The summary of the amount is shown below:

TYPE OF TAXES	OVERHEAD SERVICES ₦	CAPITAL PROJECTS ₦	TOTAL ₦
VAT	628,912.61	862,229.03	1,491,141.94
WHT	628,912.61	862,229.03	1,491,141.94
STAMP DUTY	125,782.52	181,068.10	306,850.62
DEVELOPMENT LEVY(PSIRS)	125,782.52	181,068.10	306,850.62
	1,509,390.27	2,086,594.26	3,595,984.53

Risk

This could result in loss of revenue to government.

Management's response

In his response, the Provost provided evidence of remittance in the sum of ₦787,149.99, thereby leaving ₦2,808,834.54 not accounted for.

Auditor's evaluation

The response of the provost did not fully address the issue as there is an outstanding sum of ₦2,808,834.54 that remains unremitted.

Recommendation

The Provost is required to remit the unremitted balance of ₦2,808,834.54 to the relevant tax authorities, failing which sanction stated in FR 3112 and 3106 should apply.

Issue 2: EXTRA-BUDGETARY EXPENDITURES – ₦3,516,957.80

Financial Regulations 313 states that “The authority conveyed to the Accountant General and to officers controlling votes, by recurrent warrant is limited to the amount provided under each subhead in the approved estimates in excess of the provision in the approved estimate or supplementary may be authorized by any officer controlling the vote...”

Audit observed that a total of ₦3,516,957.80 (Three million, five hundred and sixteen thousand, nine hundred and fifty-seven-naira, eighty kobo) were incurred on expenditures not approved by the National Assembly in the 2017 Appropriation of the College, as shown below:

S/N	SUBHEAD CODES	AMOUNT (₦)	REMARKS
1	22020805	563,500.00	Expenditure not approved in 2017
2	22020203	1,041,540.00	Expenditure not approved in 2017
3	22020901	51,975.00	Expenditure not approved in 2017
4	22021001	1,469,942.8	Expenditure not approved in 2017
5	22020501	390,000.00	Expenditure not approved in 2017
	TOTAL	3,516,957.80	

Risk

This could result in misappropriation of funds.

Management's response

No response from management as at the time of our report.

RECOMMENDATION

The Provost is required to refund the sum of ₦3,516,957.80 (Three million, five hundred and sixteen thousand, nine hundred and fifty-seven-naira, eighty kobo) to government treasury and forward proof of refund for confirmation, otherwise, sanction within FR 3106 should apply.

Issue 3: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS – ₦8,972,940.00

Financial Regulations 603 (i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates as to enable them to be checked without references to any other documents will invariably be supported by relevant documents such as Local Purchase Orders, invoice, special letters of authority, time sheet, etc.”

Audit observed that payments totalling ₦8,972,940.00 (Eight million, nine hundred and seventy-two thousand, nine hundred and forty naira) were made in 2017 without relevant supporting documents.

The non-attachment of the relevant documents made it difficult to authenticate the validity, genuineness and correctness of the transactions that led to the payments.

Risk

This could result in payment for wrong or unapproved expenditure. It may also result in diversion of government fund.

Recommendation

The Provost is required to account for the sum of ₦8,972,940.00 (Eight million, nine hundred and seventy-two thousand, nine hundred and forty naira), failing which sanction stated in FR 3106 should apply.

FEDERAL CHARACTER COMMISSION, ABUJA

Issue 1: NON-RETIREMENT OF CASH ADVANCES - ₦7,105,777.50

Financial Regulation 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that twenty cash advances totalling ₦7,105,777.50 (Seven million, one hundred and five thousand, seven hundred and seventy-seven naira, fifty kobo) granted to sixteen officers of the Commission between March and December, 2017, were not retired as at the time of periodic checks in May, 2018. Cases of multiple advances without the retirement of previous advances were also noted.

Risk

Cases of unretired advances could lead to diversion of public funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Chairman is required to recover the sum ₦7,105,777.50 (Seven million, one hundred and five thousand, seven hundred and seventy-seven-naira, fifty kobo) from the beneficiaries and pay same to the government coffers, failing which sanction stated within FR 3118 should apply.

Issue 2: CIRCUMVENTION OF PROCUREMENT PROCEDURES -
₦12,008,177.50

Treasury Circular Ref. No. TRY/A2&A3/2013 OAGF/CAD/026/V.1/188 of 9th April, 2013 which states that all Accounting officers and officers controlling expenditure are to ensure that all local procurement of stores and services above ₦200,000.00 should be made only through the award of contract.

Audit observed that nineteen cash advances totalling ₦12,008,177.50 (Twelve million, eight thousand and one hundred and fifty kobo) were granted to thirteen (13) officers between March and December, 2017 for procurement and provision of services in excess of the approved threshold of ₦200,000.00, contrary to the above quoted treasury circular.

Risk

This act of the Commission could result in loss of revenue that would have accrued to the government by way of VAT and withholding tax if the procurement were made through award of contracts.

Management's response

No response from management as at the time of our report.

Recommendation

The Executive Chairman is required to justify payment of the sum of ₦12,008,177.50 (Twelve million, eight thousand and one hundred and fifty kobo) in contravention of the above quoted circular, failing which sanction stated in FR 3106 should apply.

Issue 3: NON-REMITTANCE OF TAX REVENUE DEDUCTED - N5,845,411.70

Financial Regulation 235 states that “ Deduction for WHT, VAT and PAYE shall be remitted to the federal remittance inland revenue at the same time the payee who is the subject of the deduction is paid.

Audit observed, from the examination of records and payment vouchers, that VAT, withholding tax and stamp duties amounting to N5,845,411.70 (Five million, eight hundred and forty-five thousand and seventy kobo) that were deducted from payments made to contractors between January and March, 2017, were not remitted to the relevant tax authorities.

Risk

Non-compliance with extant regulations on deduction and remittances of appropriate taxes could lead to loss of Revenue to the government which will affect the government’s ability to implement programmes and project for the citizen benefit.

Management’s response

No response from management as at the time of our report.

Recommendation

The Executive Chairman is required to remit the sum of N5,845,411.70 (Five million, eight hundred and forty-five thousand and seventy kobo) to the relevant tax authorities, failing which sanction within FR 234(ii) & (iii) should apply.

Issue 4: AWARD OF CONTRACT WITHOUT DUE PROCESS: N56,030,593.50

Section 24(1) of the Public Procurement 2007 states that “ Except as provided by this Act, all procurement of goods and services by all entities shall be conducted by open competitive bidding”

Also, Financial Regulation 2921 states that “ Except as exempted under the procurement Act, all procurement of goods, works and services shall be by way of open competitive bidding by which is meant that all contractor/ supplies shall be subject to the same level playing ground”

Audit observed that the Commission awarded a contract at a contract sum of N56,030,593.50 (Fifty-six million, thirty thousand, five hundred and ninety-three naira, and fifty kobo) for the construction of fence and gate house at its Training School in Katsina State, and payment was made through payment voucher number FCC/CAP/16/16 dated 10th October, 2016. Audit however observed the following irregularities:

- i. Award letter and the contract agreement between the Commission and the contractor was not attached to the payment voucher, and.

- ii. The contractor was paid the whole contract sum at the commencement of the contract, in contravention of section 35(1) of the Public Procurement Act, which stipulates a mobilization fee of 15% of the contract sum as the first payment.

Risk

This could result in the award of contract to a non-competent contractor, thereby resulting in waste of public funds.

Recommendation

The Executive chairman is required to justify the award the contract in contravention of the provision Public Procurement Act, failing which sanction stated within FR account for the sum of ₦56,030,593.50 for refusal to comply with extant rules and regulation. Otherwise sanction in line with FR 3115 shall apply.

NATIONAL THEATRE, IGANMU, LAGOS

Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2016 AND 2017)

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and management Reports to the Auditor-General and the Accountant General not later than 31st May of the following year of Account.”

Audit observed that the Theatre’s Audited Financial Statements for the years 2016 and 2017 have not been submitted to the Auditor-General for the Federation as required by the above quoted Regulation.

Risks

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The General Manager is required to justify the lateness in submission and immediately submit the Audited Accounts for 2015 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: PAYMENT FOR DOUBTFUL CONTRACT - ₦34,786,500.00

Financial Regulations 603 (I) states that “All payment vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distance and rates, as to enable them to be checked without reference to any other documents will and variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets etc.”

Audit observed that the Theatre awarded a contract for capacity building workshop for performing artistes in Benin City on music, dance, drama and scenography at a contract sum of ₦34,786,500.00 (Thirty-four million, seven hundred and eighty-six thousand, five hundred naira), and payment was made vide payment voucher number

NTC/OC/CAP/28/18. However, relevant supporting documents such as copy of contract agreement, Job completion certificate, attendance lists/register and copies of certificates of attendance were not attached to the payment voucher.

Risk

Payment for unexecuted contracts may lead to no value-for-money on the expended funds.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The General Manager is required to account for the sum of ₦34,786,500 (Thirty-four million seven hundred and eighty-six thousand five hundred naira) or to recover the amount and pay to government coffers, failing which and Financial Regulation 3115 should apply.

Issue 3: PAYMENT FOR PROJECT NOT COMPLETED - ₦27,773,000.00

Financial Regulation 708 states that “on no account should payment be made for services not yet performed or for goods not yet supplied”.

Audit observed that the Theatre awarded a contract for the rehabilitation of water and civil work at a contract sum of ₦17,873,000.00 (Seventeen million, eight hundred and seventy-three thousand naira), with the payment of 15% payment mobilization fee amounting to ₦2,680,950.00 (Two million, six hundred and eighty thousand nine hundred and fifty naira).

It was however observed that the contract was abandoned by the contractor, yet final payment of ₦15,192,050.00 (Fifteen million, one hundred and ninety-two thousand, fifty naira) was made vide voucher number NT/OC/CAP/26/18 dated 27th March, 2018.

It was also observed that the Theatre awarded a contract for the supply of materials and rehabilitation of male and female toilets in the Main Exhibition Hall at a contract sum of ₦9,900,000.00 (Nine million and nine hundred thousand naira). 15% mobilization fee and final payment of ₦1,485,000. (One million, four hundred and eighty-five thousand naira) and ₦8,415,000.00 (Eight million, four hundred and fifteen thousand naira) were made, respectively.

It however observed that although, the materials were supplied to store, the rehabilitation was not done, despite the fact that the contract, as contained in the agreement, was for the supply and rehabilitation of male and female toilets.

Risk

This act could result in waste of government fund, as the purpose for which it was approved may not be achieved.

Management's response

There was no response from management as at the time of our report.

Recommendation

The General Manager is required to mobilize the contractors back to site to complete the abandoned project or recover the sum of ₦27,773,000.00 (Twenty-seven million, seven hundred and seventy-three thousand naira) from the contractors, failing which sanction in line with FR 3104 should apply.

NATIONAL DIRECTORATE OF EMPLOYMENT, ABUJA

Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2016 AND 2017)

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and management Reports to the Auditor-General and the Accountant General not later than 31st May of the following year of Account.”

Audit observed that the Directorate's Audited Financial Statements for the years 2016 and 2017 have not been submitted to the Auditor-General for the Federation as required by the above quoted Regulation.

Risks

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to justify the lateness in submission and immediately submit the Audited Accounts for 2015 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: NON-RETIREMENT OF CASH ADVANCES - ₦12,615,905.00

Financial Regulation 1420 states that "It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered".

Audit observed that cash advances amounting to ₦12,615,905:00 (Twelve million, six hundred and fifteen thousand, nine hundred and five naira) granted to sixty officers of the Directorate since 31st December, 2017 were yet to be retired as at the time of audit in July, 2018, in contravention of the above quoted regulation.

Risk

Cases of unretired advances could lead to diversion of public funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to recover the sum ₦12,615,905.00 (Twelve million, six hundred and fifteen thousand, nine hundred and five naira) from the beneficiaries and pay same to the government coffers, failing which sanction stated within FR 3118 should apply.

CITIZENSHIP AND LEADERSHIP TRAINING CENTRE, ABUJA**Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2017)**

Financial Regulation 3210(v) states that "The Chief Executive Officer shall submit both the Audited Accounts and management Reports to the Auditor-General and the Accountant General not later than 31st May of the following year of Account."

Audit observed that the Centre's Audited Financial Statements for the year ended 31st December 2017 have not been submitted to the Auditor-General for the Federation as required by the above quoted Regulation.

Risk

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to justify the lateness in submission and immediately submit the Audited Accounts for 2017 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: DELAY IN COLLECTION OF RENTAL INCOME - ₦5,500,000.00

Financial Regulation 224 (ii) states that "All services rendered by government must be paid for immediately on completion of the service. Where possible, payment may be made in advance".

Financial Regulation 224(iii) further states in part "where payment is outstanding, a system of follow up by means of reminders and final demand through courier service shall be made..."

Audit observed that ₦5,500,000.00 (Five million, five hundred thousand naira) rental income from two Flats at Oluwole Street, Apapa, Lagos State, was yet to be collected two years after it became due. The audit also observed that the rent charged was inadequate.

Failure to collect this revenue reveals the weakness of the management of the Centre in putting government assets into economic use.

Risk

This failure could lead to loss of government assets and loss of revenue, for the implementation of programs and projects.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to recover ₦5,500,000.00 (Five million, five hundred thousand naira) and take adequate possession of the property and review the rent in line with current economic realities of the area, failing which sanctions stated in FR 232 and 3112 should apply.

Issue 3: STORE ITEMS NOT TAKEN ON LEDGER CHARGE - ₦22,496,000.00

Financial Regulation 2402(i) states that “On all payment vouchers for the purchase of store, except as provided in sub-section (ii) of this regulation, the storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original Local Purchase Order (L.P.O)”.

Audit observed that nine payments vouchers amounting to ₦22,496,000.00 (Twentytwo million, four hundred and ninety-six thousand naira), were raised between July and December, 2017 in favour of four officials of the Centre as cash advances for the purchase of store items which could not be traced to the store, as they were not taken on ledger charge.

It was also observed that all the advances were in excess the approved threshold of ₦200,000.00, thereby, violating extant regulation. For example, a payment voucher amounting to ₦5,400,000.00 was raised vide P.V No. 12 of 8th December 2017 as cash advance for training materials for course participants.

Also, cases of multiple advances without retiring the previous ones were observed.

The failure to ensure that store items are properly documented is an indication of a weak system of control put in place by management of the Centre.

Risks

This failure could lead to waste of government resources through purchase of inferior items. It may also be a way of diverting public funds, as those items may never be purchased.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to recover the sum of ₦22,496,000.00 (Twenty-two million, four hundred and ninety-six thousand naira), or to recover the amount from the beneficiaries and pay same to government purse, failing which sanction in line with FR 3115 should apply.

NIGERIAN COPYRIGHT COMMISSION, ABUJA

Issue 1: FOREIGN TRAVELS WITHOUT EVIDENCE OF TRAVEL AND APPROVAL FROM HEAD OF SERVICE OR SECRETARY TO THE GOVERNMENT OF THE FEDERATION - ₦15,182,197.00

Establishment Circular Ref No. HCSF/CSO/HRM/Pol.1402/1 of 22nd January, 2015 on “Restriction on Foreign Training and International Travels by Public Servants”, placed embargo on participation or attendance of international, conferences, seminars, workshops, study tours, trainings, presentation of papers, negotiating/signing of memoranda of understanding (MOU) abroad at government expenses, except they are fully funded by the sponsoring/inviting organizations.

Audit observed that sixteen payment vouchers amounting to ₦15,182,197.00 (Fifteen million, one hundred and eighty-two thousand, one hundred and ninety-seven naira), were raised in favour of the Director General and three officers of the Commission between January 2016 and November, 2017 to attend World Intellectual Property Organization (WIPO) meetings in Geneva, Switzerland without approvals from neither the Head of Civil Service of the Federation, nor Secretary to the Government of the Federation.

In addition, evidence of travels such as copies of the invitation letter from the Organization, Immigration stamped pages in their international passport, air-ticket, or boarding pass, etc. were not attached.

‘Risk

This act could lead to mismanagement of government funds. It may also be possible that funds might have been diverted, as the journey might not have taken place.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Director General/CEO is required to account for the sum of ₦15,182,197.00 (Fifteen million, one hundred and eighty-two thousand, one hundred and ninety-seven naira) or to recover the amount from the officers and pay back to government purse, failing which sanctions stated in FR 3106 and FR3115 should apply.

Issue 2: PAYMENTS WITHOUT PAYMENT AUDIT - ₦84,183,272.80

Financial Regulation 1705 states that “The Head of Internal Audit Unit in all Ministries/Extra-Ministerial Offices and other arms of government shall ensure that 100% pre-payment audit of

all checked and passed vouchers is carried out and the vouchers forwarded under scrutiny schedule direct to the appropriate Central Pay Office for payment...”

Audit observed that one hundred and eleven payment vouchers amounting to ₦84,183,272.80 (Eighty-four million, one hundred and eighty-three thousand, two hundred and seventy-two-naira eighty kobo), were not audited by the Internal Auditor before payment, in contravention of the above quoted Regulation.

This infraction shows the weakness in the system of control put in place by the management of the Commission.

Risk

This could lead to by-passing of payment procedures, thereby resulting in misappropriation of funds. It may also result in payments for unapproved expenditures.

Management’s response

No response was received from management at the time of our report.

Recommendation

The Director General/CEO is required to account for the sum of ₦84,183,272.80 (Eighty-four million, one hundred and eighty-three thousand, two hundred and seventy-two-naira eighty kobo) or to recover the amount from the beneficiaries and pay back to government purse, failing which sanctions stated in FR 3106 and FR3115 should apply.

Issue 3: NON-RETIREMENT OF IMPRESTS - ₦40,426,140.00

Financial Regulation 1011(i) states in part that “All standing imprest must be retired on or before the 31st December of the financial year in which they are issued while special imprest shall be immediately the reasons for which they were granted cease to exist...”

Audit observed that amounts totalling ₦40,426,140.00 (Forty million, four hundred and twenty-six thousand, one hundred and forty naira) granted to officers of the Commission as imprests remains unretired, two years after they were granted in 2016, in contravention of the above quoted regulation.

It was also observed that standing imprests as high as N602,500 were paid as monthly imprest in violation of Financial Regulation 1014.

Risk

Cases of unretired advances/imprests may mean that the funds were not applied for the purposes for which they were approved and could lead to diversion of public funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General/CEO is required to recover the sum ₦40,426,140.00 (Forty million, four hundred and twenty-six thousand, one hundred and forty naira) from the beneficiaries and pay same to the government coffers, failing which sanction stated within FR 3124 should apply.

Issue 4: NON-REMITTANCE OF P.A.Y.E TO EDO STATE INTERNAL REVENUE SERVICE - ₦6,000,000.00

Financial Regulations 235 which stipulates that “Deduction for VAT, WHT and PAYE shall be remitted to the Federal Inland Revenue Service at the same time the payee who is the subject of the deduction is paid”.

Audit observed that management meeting of 3rd August 2017, and other records revealed that PAYE deductions on employees' salaries amounting to ₦6,000,000.00 (Six million naira) due to Edo State Government was not remitted to it.

This was a failure of management to ensure close supervision on the activities of the finance department regarding deductions and remittance of same to the appropriate authorities.

This could lead to diversion of government funds meant for development, into personal use.

Risk

Failure to remit revenues can affect the availability of funds for Govt activities, and lead to diversion of public funds.

Management's response

No response from management as at the time of our report.

Recommendations

The Director General/CEO is required to account for the sum of ₦6,000,000.00 (Six million naira) or sanctions in line with Financial Regulation 3106 and Public Service Rules 030402(L) should be imposed on the affected officer.

Issue 5: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT -
₦6,956,652.56

Financial Regulation 601 states that “All payment entries in cash books /accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is, due. Under no circumstance shall a cheque be raised, or cash paid for service which a voucher has not be raised”.

Audit observed that seventeen payment vouchers amounting to ₦6,956,652.56 (Six million, nine hundred and fifty-six thousand, six hundred and fifty-two-naira, fifty-six kobo), were not presented for audit. Eight of those payment vouchers amounting to ₦3,738,422.56 (Three million, seven hundred and thirty-eight thousand, four hundred and twenty two naira, fifty six kobo) were raised 2016, while nine payment vouchers amounting to ₦3,218,230.00 (Three million, two hundred and eighteen thousand, two hundred and thirty naira) were raised in 2017.

Risks

This act may result in payments for unapproved expenditure. It may also lead to misapplication of expenditure and possible diversion of funds.

Management’s response

No response from management as at the time of our report.

Recommendation

The Director General/CEO is required to account for the sum of ₦6,956,652.56 (Six million, nine hundred and fifty-six thousand, six hundred and fifty-two-naira, fifty-six kobo), or sanction in line with FR 3106 and Public Service Rules 030402(b) should apply.

Issue 6: NON-RETIREMENT OF CASH ADVANCES - ₦5,042,465.00

Financial Regulation 1405 states that “Accounting Officers are responsible for ensuring the prompt repayment of all advances by instalments or otherwise”,

Also, Financial Regulation 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered”

Audit observed that twenty-eight cash advances amounting to ₦5,042,465.00 (Five million, forty-two thousand, four hundred and sixty-five naira), granted to seven officers of the Commission between April 2016 and December 2017, remained unretired as the time of this report. Cases of multiple cash advances without retiring previous ones were also observed.

Risks

Nonretirement of cash advances could lead to diversion and misapplication of government funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General/CEO is required to recover the sum ₦5,042,465.00 (Five million, forty-two thousand, four hundred and sixty-five naira), from the affected officers and same to government coffers, failing which sanctions stated in FR 3118 and 3124 should apply.

Issue 7: PAYMENT VOUCHER WITHOUT RELEVANT SUPPORTING DOCUMENTS - ₦2,500,000.00

Financial Regulation 603(i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that a payment voucher in the sum of ₦2,500,000.00 (Two million, five hundred thousand naira) raised on the 10th July, 2017, vide Payment Voucher No. 099/001, being payment for third instalment for rent due on NCI building of the Commission, was not supported by relevant documents such as tenancy agreement and receipt from the landlord.

Risk

This could lead to loss of government funds through diversion. There is also the possibility of the rental expense being inflated

Management's response

No response from management as at the time of our report.

Recommendation

The Director General/CEO is required to account for the sum of ₦2,500,000.00 (Two million five hundred thousand naira) paid without supporting documents, failing which sanction in line with FR 3106 should apply.

Issue 8: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2017)

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and management Reports to the Auditor-General and the Accountant General not later than 31st May of the following year of Account.”

Audit observed that the Centre’s Audited Financial Statements for the year ended 31st December 2017 have not been submitted to the Auditor-General for the Federation as required by the above quoted Regulation.

Risk

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to justify the lateness in submission and immediately submit the Audited Accounts for 2017 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

COUNCIL OF REGISTERED BUILDERS OF NIGERIA

Issue 1: AWARD OF CONTRACT TO NON-LEGAL PERSON - ₦5,812,637.00

Financial Regulation 2909 states in part “All bidders in a contract for public procurement must show proof of eligibility for the award of contract...”

Audit observed that a total of ₦5,812,637.50 (Five million, eight hundred and twelve thousand, six hundred and thirty-seven-naira, fifty kobo) was paid to four “contractors” in the period under review, for services rendered to the Council. Further scrutiny however, revealed that those entities were not qualified to be awarded contracts by any government body as they were not registered with the Corporate Affairs Commission.

Details of the businesses involved are as shown in the table below

S/N	BUSINESS NAME/CONTRACTOR	AMOUNT (₦)	REMARKS
1	Chypans Graphic Press Nig.	1,976,137.50	No legal status
2	Ya'amba Cakes & Catering Services	2,349,000.00	No legal status
3	Ithrite Catering Services	1,023,500.00	No legal status
4	Otunba Global Services	464,000.00	No legal status
	TOTAL	₦ 5,812,637.50	

Risks

This could result in waste of public funds, as contracts may be awarded to noncompetent contractors that may either underperform or abandon the contract after being paid. It may also lead to loss of public funds through diversion.

Management's response

No response from management as at the time of our report.

Recommendation

The Registrar is required to justify the payment of the sum of ₦5,812,637.50 (Five million, eight hundred and twelve thousand, six hundred and thirty-seven-naira, fifty kobo) to non-existent entities and sanctions in line with FR 3106 should apply.

Issue 2: PAYMENT VOUCHERS WITHOUT RELEVANT DOCUMENTS - ₦7,099,900.00

Financial Regulation 603(i) states that "All voucher shall contain full particular of each service, such as date, numbers, quantities, distance, and rates, as to enable them to check without reference to any other document will and variably be supported by relevant document such as local purchase orders, invoice, special letter of authority, time sheet etc."

Audit observed that fifteen payment vouchers amounting to ₦7,099,900.00 (Seven million, ninety-nine thousand, nine hundred naira) raised between March and December 2017 were not supported by relevant documents such as invoices for supplies made, Local Purchase Orders, SRVs, etc.

Risk

This could lead to loss of government funds through diversion.

Management's response

No response from management as at the time of our report.

Recommendation

The Registrar is required to account for the sum of ₦7,099,900.00 (Seven million, ninety-nine thousand, nine hundred naira) paid without supporting documents, failing which sanction in line with FR 3106 should apply.

ENERGY COMMISSION OF NIGERIA, ABUJA

Issue 1: INFLATION OF CONTRACTS – ₦17,603,083.74

Financial Regulations 3102 state that “(a) Any public officer who is alleged to be involved in the inflation of contract shall be allowed 5 days within which to respond to audit query addressed to him. Where the query involves an Accounting Officer, he shall be reported to Mr. President. In the case of any other officer, he shall be surcharged appropriately and removed from the duty schedule, dismissed, and prosecuted. (b) Where the inflation of the contract involves the Tenders Board, all the members that approved the inflated contract shall be severally and collectively sanctioned”.

Audit observed that, contracts on sampled capital projects such as, supply and installation of transformers, Solar Street Lights, Solar Boreholes, and purchase of office stamps were inflated to the tune of ₦17,603,083.74. The summary is as follows:

	Inflation on Solar Street Light-----	
(a)	--	- 14,340,092.85
	Inflation on Solar Borehole -----	
(b)	---	2,334,828.14
	Inflation on transformer-----	
(c)	--	638,962.75
	Purchase of Office Stamp-----	
(d)	-	<u>289,200.00</u>
	TOTAL -----	<u>₦ 17,603,083.74</u>

The difference arose from the contract sum as contained in the award letters which were above the contract value as indicated in the financial bids by the contractors.

Risk

Public funds may be diverted for private use.

Management's response

No response from management as at the time of our report.

Recommendations

The Director-General is required to recover the inflated contract amount of ₦17,603,083.74 and remit same to the CRF. Evidence of remittance should be forwarded to the Public Account Committee of the National Assembly, failing which sanction 3102 should apply.

Issue 2: UNAPPROVED VIREMENT - ₦4,589,167.00

Financial Regulations 417 states that “Expenditure shall strictly be classified in accordance with estimate and vote must be applied only for the purpose for which money is provided. Expenditure incorrectly charged to a vote shall be disallowed”

Audit observed that, the sum of ₦4,589,167.00 was vired from the Overhead account to the Capital account without approval as follows:

(a)	Transfer via payment voucher No. 237 dated 03/08/2017 for	<u>₦2,229,000.00</u>
(b)	Transfer via payment voucher No. 297 dated 07/09/2017 for	<u>₦2,360,167.00</u>
	Total	<u>₦ 4,589,167.00</u>

The above infraction was due to the failure of the Commission to seek approval for virement from the appropriate authorities (Ministry of Finance and the National Assembly) who are the only authorities with the mandate on movement of funds from one subhead to the other.

Risks

With this practice, the Commission may carry out unapproved expenditure which can lead to diversion of public funds for other purposes. It can also lead to mismanagement and under-utilization of public funds.

Management’s response

No response from management as at the time of our report.

Recommendation

The Director-General is required to account for the sum of ₦4,589,167.00 spent without necessary approvals, failing which sanctions in line with the provisions of FR 3106 should apply

Issue 3: SPENDING ON UNAPPROVED SUBHEAD - ₦4,798,413.92

Financial Regulation 417 states that, “Expenditure shall strictly be classified in accordance with the Estimates, and votes must be applied only to the purpose for which money is provided. Expenditure incorrectly charged to a vote shall be disallowed.” Audit observed that, the sum of ₦4,798,413.92 was expended on four (4) different subheads that were not approved by the National Assembly, under Overhead vote, during the year 2017.

The detail of the transaction is as follows:

	CODE S	AMOUNT SPENT (N)
(i)	41030102	2,266,740.25
(ii)	41030103	1,616,499.33
(iii)	22020106	105,480.00
(iv)	41040104	809,694.34
	TOTAL	<u>4,798,413.92</u>

This above anomaly was due to the failure of the Director General to seek approval for supplementary budget from the appropriate authorities, the Ministry of Finance and National Assembly.

Risk

The Commission may carry out unapproved or unbudgeted expenditure, which can lead to diversion of public funds for other purposes through misapplication of public funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Director-General is required to account for the sum of ₦4,798,413.92 expended without National Assembly's approval and sanctions in line with the provisions of FR 3106 should apply.

Issue 4: NON-REMITTANCE OF STATUTORY DEDUCTIONS - ₦57,734,082.53

Financial Regulation 234(1) states, "It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and service contracts and actual remittance of same".

Also, Federal Treasury Circular Ref: NO. TRY A1 & B1/2017 OAGF/CAD/026/V.111/.182 dated 20th April, 2016 also state that, MDAs are to ensure that 1% Stamp Duty is deducted on contract Agreements before payment is made to beneficiary and the amount deducted remitted to the FIRS TSA sub account.

Audit observed, from the examination of the Commission's accounting records, it was observed that, the sum of ₦57,734,082.53 were deducted in respect of withholding tax, value added tax and stamp duties without evidence of remittance to the relevant tax authority.

The summary of the deductions are as follows:

(i)	Withholding Tax (WHT) (5%) -----	N25,788,219.33
	A Value Added Tax (VAT) (5%) -----	
	----	25,788,219.33
(ii)	Stamp Duties (1%) -----	5,157,643.87
	TOTAL	<u>N 57,734,082.53</u>

Risk

The Commission's action can result in loss of revenue to government.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to remit, the sum of ~~N~~57,734,082.53 to the Federal Inland Revenue Service (FIRS) and the evidence forwarded to the Public Accounts Committee of the National Assembly, otherwise sanctions 234(ii) & (iii) and FR 3112 should apply.

Issue 5: POOR EXECUTION OF CAPITAL PROJECTS – N111,469,645.40

The provision of Financial Regulation 3105 state that, "A public officer, on receipt of a query from the Auditor-General for a poor quality work carried out by a contractor, has 42 days to get the contractor to rectify the abnormalities or get refund for the amount over-paid as a result of the poor job. If the query remains unanswered after the time limit, the officer(s) that certified the job for payment shall be demoted in rank while the contractor blacklisted and reported to the Economic and Financial Crimes Commission for prosecution"

Audit observed that, four contracts amounting to N111,469,645.40 that were awarded by the Commission in the year 2017 were poorly executed by the contractors. The contracts are:

- (a) Contract for the establishment of 152 Solar streetlights in DawakinKudu/Warawa, Kano 1, Kano State at a contract sum of N100,190,891.20.
- (b) Contract for the establishment of Solar powered streetlights at Zaria Prison, Kaduna state, for the sum of N4,614,054.20.
- (c) Contract for the establishment of one Solar powered borehole in Nasarawa North Senatorial District, at contract price of N6,664,700.00.
- (d) Contract for the establishment of thirty standalone solar powered streetlights in Dawakin Kudu/warawa, Kano state.

It was observed that some of the projects executed were not within specification while others could not be sighted at their agreed locations. Also, there were issues relating to non-compliance with the terms of the contract agreement.

Risk

This may result in waste of government fund, as the purposes for which they were expended may not be achieved.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to justify the award of contracts totalling ₦111,469,645.40 to incompetent contractors, failing which sanction stated in FR 3105 should apply.

Issue 6: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2015 & 2016)

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and management Reports to the Auditor-General and the Accountant General not later than 31st May of the following year of Account.”

Audit observed that the Commission's Audited Financial Statements for the years 2015 and 2016 have not been submitted to the Office of the Auditor-General for the Federation as required by the above quoted Regulation.

Risk

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to justify the lateness in submission and immediately submit the Audited Accounts for 2015 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

HYDRAULIC EQUIPMENT DEVELOPMENT CENTRE, KANO

Issue 1: EXTRA BUDGETARY EXPENDITURE - ₦2,934,080.00

Financial Regulations 313 states that “The authority conveyed to Accountant-General and to Officers controlling votes, by recurrent warrant is limited to the amount provided under each subhead in the approved estimates...”

Similarly, Financial Regulation 417 states that, “Expenditure shall strictly be classified in accordance with the Estimates, and votes must be applied only to the purpose for which money is provided. Expenditure incorrectly charged to a vote shall be disallowed.” Audit observed that the sum of ₦14,934,080.00 was paid to a contractor for the supply of a pick-up van (Nissan NP-300), whose budgetary provision for the 2018 financial year was only ₦12,000,000.00. The excess of ₦2,934,080.00 was not provided for in the Appropriation Act of 2018. Hence it is an extra-budgetary spending.

Risk

The above breach of Appropriation Act could result in misappropriation of public funds.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Managing Director/Chief Executive is required to justify the above infraction. Otherwise, sanction in line with Financial Regulation 3106 should apply.

Issue 2: PAYMENT OF SALARIES TO RETIRED STAFFS – ₦1,986,235.02

Financial Regulation 3110 states that “A Public Officer who authorizes the payment of public fund to ghost-workers and/or knowingly processes such payment, shall be charged for gross misconduct, removed from the schedule and reported to the Economic and Financial Crimes Commissions for prosecution.

Audit observed that two staff of the Centre who had exited the service were being paid salaries from the Centre for a period of four months, even after retirement from service. A total of ₦1,986,235.92 (One million, nine hundred and eighty-six thousand, two hundred and thirty-five-naira, ninety-two kobo) was paid to the two retired staffs for the four months.

The above anomaly showed the weaknesses in the internal control of the Centre.

Risk

This may be a connivance to siphon public funds.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Managing Director/Chief Executive is required to justify the payment of the sum of ₦1,986,235.92 (One million, nine hundred and eighty-six thousand, two hundred and thirty-five naira, ninety-two kobo) to persons who are not officers of the Centre and to recover the amount from the beneficiaries, and pay same back to the Consolidated Revenue Fund (CRF). Otherwise, sanction in line with Financial Regulation 3110 should apply.

NATIONAL COUNCIL FOR ARTS AND CULTURE, ABUJA**Issue 1: UNRETIRED CASH ADVANCE AND IMPREST - ₦6,968,000.00**

Financial Regulation 1011 state that "all standing imprests must be retired on or before 31st December of the financial year which they are issued while special imprests shall be retired immediately the reasons for which they were granted cease to exist".

Also, Financial Regulation 1420 states that "It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered"

Audit observed that seventeen cash advances and twenty-six standing imprest all amounting to ₦6,968,000. (Six million, nine hundred and sixty-eight thousand naira), some officers of the Council between May and November 2017, remained unretired as the time of this report. Cases of multiple cash advances without retiring previous ones were also observed.

Risks

Nonretirement of cash advances could lead to diversion and misapplication of government funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to recover the sum ₦6,968,000. (Six million, nine hundred and sixty-eight thousand naira), from the affected officers and remit same to government coffers, failing which sanctions stated in FR 3118 and 3124 should apply.

Issue 2: PAYMENTS WITHOUT PAYMENT VOUCHERS - ₦5,738,761.90

Financial Regulation 110 state that “By virtue of the responsibilities and functions of the Accountant-General and the Auditor-General or their representatives shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and information relating to the accounts of all federal ministries / extra-ministerial offices and other arms of government or units.”

Audit observed, from examination of the Council’s cashbook for year 2017, that five payment vouchers amounting to ₦5,738,761.90. (Five million, seven hundred and thirty-eight thousand, seven hundred and sixty-one-naira ninety kobo) were not presented for audit examination, contrary to the above quoted regulation.

Risk

This could result in payments for unapproved expenditures. It may also be a means of diverting public funds for personal use.

Management’s response

No response from management as at the time of our report.

Recommendation

The Director General is required to explain why the payment vouchers were not presented for examination otherwise the sum of ₦5,738,761.90. (Five million, seven hundred and thirty-eight thousand, seven hundred and sixty-one-naira, ninety kobo) should be recovered and paid into government chest, failing which sanction stated in FR 3106 should apply.

Issue 3: VIOLATION OF E-PAYMENT POLICY - ₦6,723,400.00

Treasury Circular Ref. No. TRY/A88 & B8/2008/OAGF/CAD/026/Vol.11/465 dated 22nd October 2008 states in part “Henceforth all employees of the Federal Government of Nigeria must each open an account with a commercial bank into which all payments due to him/her must be paid”.

Audit observed that ten payments amounting to ₦6,723,400.00 were made to some staff of the Council between March and December 2017 through four other officers, instead of making the payments directly to the beneficiaries’ accounts.

Risks

Funds may not get to the beneficiaries.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to justify the payment of the sum of ₦6,723,400.00 (Six million, seven hundred and twenty-three thousand four hundred naira) in contravention of the above quoted circular. Otherwise, Financial Regulation 3106 shall apply.

Issue 4: IRREGULARITY IN THE AWARD OF CONTRACT - ₦48,943,489.21

Financial Regulation 603 (i) and (ii) state that "All vouchers shall contain full particulars of each service, such as date, numbers, quantities, distances, and rates, as to enable them to be check without reference to any other documents will and variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets etc."

Audit observed that the council awarded a contract for the construction of cultural village and community at a contract sum of ₦48,943,489.21. There was no evidence that certificate of 'no objection' was obtained from the Bureau of Public Procurement before the award of the contract. Other irregularities observed in the award include:

- i. Included in the Bill of Quantities of the contract was the sum of N1,500,000.00 as contingency charge without any detail of utilization provided.
- ii. No Job Completion Certificate as attached to the payment voucher before payment.
- iii. All effort for audit inspection to verify the project proved abortive.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to justify why Certificate of No objection was not obtained before the award of the contract. The sum of ₦1,500,000.00 included as contingencies should be recovered from the contractor and pay into government chest, otherwise, sanction stated in FR 3117 should apply.

NIGERIAN AGRICULTURAL INSURANCE CORPORATION**Issue 1: STORE ITEMS NOT TAKEN ON CHARGE – ₦16,255,588.37**

Financial Regulation 2402(i) states that, "On all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of this Regulation, the Storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipt

voucher number and attaching the original copy of the store receipt voucher to the original L.P.O.”

Audit observed that, forty-eight payments totalling ₦16,255,588.37 (Sixteen million, two hundred and fifty-five thousand, five hundred and eighty eight naira, thirty seven kobo) were made between January and December, 2017 for the procurement of various store items that were not taken on store charge, as there were no Store Receipt Vouchers attached to the payment vouchers.

Risk

This above anomaly is an indication of weak internal control system of the corporation, which can lead to payment made for assets not acquired.

Management’s response

No response from management as at the time of our report.

Recommendation

The Managing Director is required to account for the sum of ₦16,255,588.37 (Sixteen million, two hundred and fifty-five thousand, five hundred and eighty-eight-naira, thirty seven kobo) as there is no evidence to show that the items were purchased. Otherwise, sanction in line with FR 3109 should apply.

Issue 2: NON-RETIREMENT OF CASH ADVANCES – ₦7,510,000.00

FR 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that, fifty-three cash advances in the sum of ₦7,510,000.00 (Seven million, five hundred and ten thousand naira) granted to staff of the Corporation between December, 2016 to December, 2017 for several purchases and other transactions remained unretired as at the time of this report. Cases of multiple cash advances granted without retiring previous ones were also observed.

The above situation is an indication of control failure on the part of the internal audit unit and the Accounting officer of the corporation.

Risk

This violation could lead to possible loss of government funds when advances are not retired.

Management’s response

No response from management as at the time of our report.

Recommendation

The Managing Director is required to recover ₦7,510,000.00 (Seven million, five hundred and ten thousand naira) from the beneficiaries and pay same to government chest, failing which sanction stated in FR 3118 should apply.

Issue 3: UNREMITTED PAYE TAX – ₦5,215,158.84

Financial Regulation 235 states that, “Deduction for VAT, WHT and PAYE shall be remitted to the federal Remittance Inland Revenue at the same time the payee who is subject of the deduction is paid.”

Audit observed that the sum of ₦5,215,158.84 (Five million, two hundred and fifteen thousand, one hundred and fifty-eight-naira, eighty-four kobo) deducted as PAYE has not been remitted to the appropriate tax authorities.

Risk

This may lead to loss of government revenue.

Management’s response

No response from management as at the time of our report.

Recommendation

The Managing Director is required to recover the sum of ₦5,215,158.84 (Five million, two hundred and fifteen thousand, one hundred and fifty-eight naira, eighty four kobo) from the contractors and pay same to government chest, failing which sanction stated in FR 234 (ii) and (iii) should apply.

NIGERIAN AIRSPACE MANAGEMENT AGENCY, LAGOS**Issue 1: PAYMENTS WITHOUT RAISING PAYMENT VOUCHERS - ₦1,435,772,169.00**

Financial Regulation 601 states that “All payment entries in the cash book/accounts shall be vouched for on one of prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services which a voucher has not been raised”

Audit observed that payments totalling ₦1,435,772,169.00, were made without raising payment vouchers, in contravention of extant laws and regulations. These payments were

recorded in the Agency's cash book, without presenting the payments vouchers authorizing such expenditures for audit.

Risk

Expenditures without raising payment vouchers which can lead to payment for goods not supplied or services not rendered.

Management's response

No response from management as at the time of our report.

Recommendation

The Managing Director/Chief Executive Officer is required to account for the sum of ₦1,435,722,169.00 being unauthorized expenditure carried out by the agency, failing which sanction stated in FR 3106 should apply.

Issue 2: STORE ITEMS NOT TAKEN ON STORE LEDGER CHARGE. **₦925,610,427.00** —

Financial Regulation 2402 stipulates that, "on all payment vouchers for the purchase of stores, the Storekeeper must certify that the stores have been received and taken on charge in the store ledger, quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original Local Purchase Order".

Audit observed that, items of store amounting to ₦925,984,845.19, said to have been purchased by staff of the Agency or supplied by various contractors through contracts, could not be traced to the stores Ledger. The payments for these items were not supported with store receipt vouchers as evidence of actual purchase. In the absence of documentary evidence, it is difficult to ascertain the items were actually purchased and put to use by the Agency.

Risk

This action may lead to diversion of store items purchased which could lead to loss of public funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Managing Director/Chief Executive Officer is required to account for the sum of ₦925,984,845.19. Otherwise, sanctions in line with FR 3129 should apply to the defaulting officers.

Issue 3: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS- ₦109,637,912.10

Financial Regulation 603(i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that forty-five payment vouchers amounting to ₦109,637,912.10 were raised without relevant supporting documents such as letter of award, delivery note, and details of the cost attached in contravention of provisions of extant laws and regulations. These payments cannot pass the test of being a valid charge against public funds.

Risk

Expenditures that are not supported with relevant documents can lead to diversion and misapplication of funds.

Management’s response

No response from management as at the time of our report.

Recommendation

The Managing Director/Chief Executive Officer is required to account for the sum of ₦109,637,912.10, expended without supporting documents. The provision of Financial Regulation 3106 should apply.

Issue 4: CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦44,063,013.51

Treasury Circular Ref. No. TRY/A2&A3/2013 OAGF/CAD/026/V.1/188 of 9th April, 2013 state that, “cash advance in excess of ₦200,000.00 should not be granted to any officer for procurement of goods and services, but the procurement should be given out as a contract.”

Audit observed that Cash advances totalling ₦44,063,013.51 (Forty-four million, sixty-three thousand, thirteen-naira, fifty-one kobo) were granted to officers of the Agency, in excess of the approved threshold of ₦200,000.00, in contravention of extant laws and regulations.

Risk

This practice by the agency can result in loss of revenue to government and possibly deprive the government the opportunity of channelling funds to the informal sector to stimulate economic activities and growth.

Management's response

No response from management as at the time of our report.

Recommendation

The Managing Director/Chief Executive Officer is required to justify the above infraction, failing which sanction stated within FR 3106 should apply.

Issue 5: ILLEGAL CUSTODY OF OFFICIAL VEHICLES

The provision of FR 2001 states "The-Accounting Officer shall be responsible for ensuring that there are effective controls in the use of government vehicles."

Audit observed, during physical inspection of the agency's vehicles, that two vehicles belonging to the Agency were in the custody of the Honourable Minister of Aviation and the Board Chairman of the Agency without any justifiable reasons, contrary to the provision of extant laws and regulations.

The details of the vehicles are as follows:

- (a) A Toyota Land cruiser with Registration No. FG-83 E2 in custody of the Honourable Minister of Aviation.
- (b) A Toyota Land cruiser with Registration No. FG-484 E2 in custody with the Board Chairman.

Risk

This practice could lead to loss of public assets as they may be diverted for personal use.

Management's response

No response from management as at the time of our report.

Recommendation

The Managing Director/Chief Executive is required to account for the vehicles.

SURVEYORS COUNCIL OF NIGERIA, ABUJA

Issue 1: STORE ITEMS NOT TAKING ON LEDGER CHARGE - ₦7,868,422.66

Financial Regulation 2402 (i) states that “On all payment vouchers for the purchase of stores, the store keeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original local purchase order”.

Audit observed that thirty-two payment vouchers raised between January and September, 2017, for the procurement of store items amounting to ₦7,868,422.66 (Seven million, eight hundred and sixty-eight thousand, four hundred and twenty-two naira, sixty-six kobo) could not be traced to the store, as they were not taken on ledger charge.

Risk

Payment can be made for items not purchased or supplied and this could lead to loss of public funds.

Management’s response

No response from management as at the time of our report.

Recommendation

The Registrar is required to account for the sum of ₦7,868,422.66 (Seven million, eight hundred and sixty-eight thousand, four hundred and twenty-two naira, sixty-six kobo) expended without evidence. Otherwise, sanctions in line with FR 3107 should apply.

Issue 2: OVERSEA TRIPS WITHOUT APPROVAL FROM OFFICE OF THE SECRETARY TO THE GOVERNMENT OF THE FEDERATION - ₦6,166,120.00

Federal Circular Ref. No CSF/PS/SD/64/1 states that “an approval must come from the secretary to the government of the federation before any officer can embark on overseas trip”.

Audit observed that eight payments in the sum of ₦6,166,120.00 (Six million, one hundred and sixty-six thousand, one hundred and twenty naira) was spent on overseas trips by two officers of the Council between February and July 2017, without approval from the appropriate authorities.

Risk

This could result in waste of government funds; they are incurred on unapproved expenditures.

Management's response

No response from management as at the time of our report.

Recommendation

The Registrar is required to justify the payment of the sum of ₦6,166,120.00 (Six million one hundred and sixty-six thousand, one hundred and twenty naira) expended on the trips from in violation of the above quoted circular, failing which sanction within FR 3106 should apply.

Issue 3: VIOLATION OF E-PAYMENT POLICY - ₦19,451,650.00

The extant regulations and Federal Government circular on E-Payment Policy, Ref. No TRY/A8/B8/2008 states that "money should be paid to individual beneficiaries through their personal bank accounts".

Audit observed that twenty-three payments totalling ₦19,451,650.00 (Nineteen million, four hundred and fifty-one thousand, six hundred and fifty naira) meant for various staffs of the Council were paid to them through other officers, instead of the payments going directly to the beneficiaries.

Risk

This is an indication of poor internal control system at the council which could lead to funds not reaching the intended beneficiaries' accounts.

Management's response

No response from management as at the time of our report.

Recommendation

The Registrar is required to account for the sum of ₦19,451,650.00 (Nineteen million, four hundred and fifty-one thousand, six hundred and fifty naira) expended without due regard to extant regulation. Sanctions in line with FR 3129 should apply.

VOICE OF NIGERIA (VON)**Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2014 TO 2018)**

Financial Regulation 3210(v) states that "The Chief Executive Officer shall submit both the Audited Accounts and management Reports to the Auditor-General and the Accountant General not later than 31st May of the following year of Account."

Audit observed that the Agency's Audited Financial Statements for the years 2015 and 2016 have not been submitted to the Office of the Auditor-General for the Federation as required by the above quoted Regulation.

Risk

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to justify the lateness in submission and immediately submit the Audited Accounts for 2015 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: DOUBTFUL PAYMENT OF TOURING ALLOWANCES - N14,676,500.00

Financial Regulation 603 (I) states that "All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates so as to enable them be checked without reference to any other documents, and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc."

Audit observed that the agency made fifty-four payments amounting to ₦14,676,500.00 (Fourteen million, six hundred and seventy-six thousand, five hundred naira), being staff claim for official trips without appropriate documents to back up the claim. Request and approval memos were also not attached to the payment vouchers.

Risk

The action of the agency could lead to diversion of public funds to private uses.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to account for the sum of ₦14,676,500.00 (Fourteen million, six hundred and seventy-six thousand, five hundred naira). Otherwise, sanction in line with Financial Regulation 3106 should apply.

**Issue 3: PAYMENT WITHOUT RELEVANT SUPPORTING
DOCUMENTS – ₦6,230,100.00**

Financial Regulation 603 (I) states that “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates so as to enable them be checked without reference to any other documents, and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that forty-nine payments amounting to ₦6,230,100.00 (Six million, two hundred and thirty thousand, one hundred naira), were made to companies and some staff of the agency without attaching appropriate documents such as job completion certificates, course receipts, store receipt vouchers, contractor invoice, and delivery notes.

Risk

This failure could lead to diversion of resources, loss of stocks, and misappropriation of Government funds.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to account for the sum of ₦6,230,100.00 (Six million, two hundred and thirty thousand, one hundred naira), otherwise sanctions in line with Financial Regulation 3109 shall apply.

**Issue 4: CIRCUMVENTION OF PROCUREMENT PROCEDURES -
₦4,310,000.00**

Federal Treasury Circular Ref. No: Try/A2&B2/2009 OAGF/CAD/026/V. states that “all Accounting Officers controlling expenditure are to ensure that all local procurement of stores and services costing above ₦200,000.00 shall be made through award of contract”.

Audit observed that non-personal cash advances totalling ₦4,310,000.00 (Four million, three hundred and ten thousand naira), was granted to some officers above the approved threshold of ₦200,000.00, contrary to the above Circular provisions.

Risk

This could result in loss of revenue to that would have accrued to government by way of VAT and withholding tax.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to justify the above infraction, failing which sanction stated in FR 3106 should apply.

Issue 5: UNSUBSTANTIATED PAYMENT TO CONTRACTOR - **₦13,581,771.42** —

Financial Regulation 603 (I) (2009) states that “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates so as to enable them be checked without reference to any other documents, and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that contracts amounting to ₦13,581,771.42 (Thirteen million, five hundred and eighty-one thousand, seven hundred and seventy-one-naira, forty-two kobo), were awarded by the agency for various supplies. It was however, observed that documents like award letters, job performance certificates, invoices, store receipt vouchers and bills of quantities, were not attached to the payment vouchers.

Risk

Misappropriation of Government funds may be encouraged, in addition to revenue loss.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to account for the sum of ₦13,581,771.42. otherwise, sanction in line with FR 3106 should apply.

Issue 6:**IRREGULARITIES IN CONTRACT AWARD AND PAYMENT FOR CONTRACT WITH DOUBTFUL EVIDENCE OF EXECUTION-
₦79,992,727.50**

Financial Regulation 412 states that “Where a contract involves supplies of goods or work done, there will be attached to the voucher a certificate that the payment are in accordance with terms of the contract agreement, that as regards supplies, the articles have been received and, in the case of work, that it has been properly done. In the case of payment on account, no money will be claimed other than the cost of the work certified to have been performed. If a deduction is made from the amount payable on a contract in respect of a penalty or fine, the net sum only will be paid, while the deduction shall be credited to the appropriate revenue head.”

Audit observed that a contract for the sum of ₦79,992,727.50 (Seventy-nine million, nine hundred and ninety-two thousand, seven hundred and twenty-seven naira, fifty kobo), was awarded for the supply, installation, and development of Electronics Content Management system. Further examination revealed the following irregularities:

- i. Certificate of No Objection was not obtained from the Bureau of Public Procurement before the award.
- ii. Store Received Voucher (SRV) was not attached to the payment voucher.
- iii. The sum of ₦35,996,727.05 (Thirty five million, nine hundred and ninety six thousand, seven hundred and twenty-seven naira, five kobo), being 45% of the contract sum was paid vide payment voucher No. MCB054 dated 30th November, 2017, without any performance bond or certificate by the user department (i.e. VON representatives), contrary to the terms of the agreement
- iv. Final payment of ₦25,331,030.43 (Twenty-five million, three hundred and thirty-one thousand, thirty-naira, forty-three kobo) was paid vide payment voucher No. MCB060, dated 21st December 2017 without Job Completion Certificate attached.
- v. The auditors were denied access to the site for physical verification.

Risk

Non-compliance with extant laws could lead to mismanagement of public funds, affecting Government’s ability to implement programs and projects for the benefit of the citizens.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to account for the sum of ₦79,992,727.50 (seventy-nine million, nine hundred and ninety-two thousand, seven hundred and twenty-seven naira, fifty kobo), failing which sanction in line with FR 3104 should apply.

Issue 7: OVERPAYMENT TO CONTRACTOR - ₦5,554,708.24

Financial Regulation 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”.

Audit observed that the contract for the Construction of Foundation and Installation of Studio Transmitter Link Tower at the Agency’s Headquarters’, Abuja, was awarded at a contract sum of ₦35,699,241.53. Review of the documents and records showed that the sum of ₦31,794,128.40 was paid to the contractor on 5th March 2014 through valuation certificate No. 3.

It was further observed that two additional payments were made in 2017 vide payment voucher No. MCB072 and payment voucher No MCB004, both dated 9th October 2017 in the sum of ₦4,253,949.77 and ₦5,000,000.00, respectively.

In all, a total of ₦41,253,949.77 was paid to the contractor, leading to excess payment of ₦5,554,708.24, without any document evidencing variation of the contract.

Risk

Government could lose funds meant for development as a result of misapplication of funds.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to recover the overpaid sum of ₦5,554,947.24 (Five million, five hundred and fifty-four thousand, nine hundred and forty-seven-naira, twenty-four kobo), otherwise sanctions in line with the provisions of FR 3106 should apply.

Issue 8: CONTRACT FOR THE SUPPLY AND INSTALLATION OF DIGITAL WEBCAST EQUIPMENT AND SOFTWARE - ₦211,307,565.00

Financial Regulation 2921 (i) states in part “Except exempted under the Procurement Act, all procurement of goods, works and services shall be way of open competitive bidding...”

Audit observed that the agency awarded a contract for the supply and installation of Digital Webcast Equipment and Software at a contract price of ₦211,307,565.00.

Further audit scrutiny revealed the following irregularity in the award:

- i. Certificate of No Objection was not obtained from the Bureau of Public Procurement before the contract was awarded.
- ii. The sum of N126,784,539.00, representing 60% of the contract sum was paid vide payment voucher No MCB094 dated 28th February 2018 without Performance/Valuation Certificate attached, a departure from the terms of the agreement.
- iii. There was no Store Receipt Voucher attached to the payment voucher to authenticate the supply.

Risk

The above irregularities could lead to mismanagement of public funds.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is required to account for the sum of ~~₦~~211,307,565.00, failing which sanction in line with Financial Regulation 3117 should apply.

Issue 9: NON-RETIREMENT OF CASH ADVANCES - ₦17,397,450.00

Financial Regulation 1420 states that "It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered."

Audit observed that ninety-nine cash advances granted to some officers of the agency between February and December 2017 to the tune of ₦17,397,450.00 (Seventeen million, three hundred and ninety-seven thousand, four hundred and fifty naira) remained unretired as at the time of this report.

Cases of multiple cash advances without retiring previous ones were also observed.

Risk

This could amount to loss of funds thereby denying Government of funds to implement programs and projects beneficial to the citizens.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Director General is hereby required to recover the sum of ₦17,397,450.00 from the affected Officers in line with the provisions of Financial Regulation 3124.

Issue 10: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT -
₦12,975,370.00

FR 601 states, “All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.”

Audit observed that fifty-three payment vouchers raised between July and December, amounting to ₦12,975,370.00 (Twelve million, nine hundred and seventy-five thousand, three hundred and seventy naira), were not presented for audit.

Risk

This could result payments on unapproved expenditure and diversion of public funds.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Director General is hereby required to account for the sum of ₦12,975,370.00 (Twelve million nine hundred and seventy-five thousand three hundred and seventy naira), failing which sanction in line with FR 3106 should apply.

PART B: HEALTH AND ALLIED INSTITUTIONS AUDIT DEPT.

FEDERAL NEURO-PSYCHIATRIC HOSPITAL ENUGU, ENUGU STATE.

Issue 1: IRREGULAR SALARY ADVANCE - ₦5,200,000.00

Financial Regulation 1406, states that “An Officer proceeding on transfer, who has to bear wholly or partly the cost of his own or his family's transport may on application be granted an advance not exceeding one month's salary”.

Also, Financial Regulation 1407 states that “Officers on posting to an overseas Office of the Ministry of Foreign Affairs or other duty posting in an overseas’ country may receive an advance of up to one month's salary”.

Similarly, Financial Regulation 1408 states that “An Officer on first appointment may, on application to the Accounting Officer of his Ministry/Extra-Ministerial Office and other arms of government, receive an advance not exceeding one month's salary. An officer on temporary appointment may also be given salary advance not exceeding one month's salary on production of acceptable guarantee”.

Audit observed that the Hospital granted the total of ₦5,200,000.00 (Five million, two hundred thousand naira) as salary advance to the Medical Director via a memo dated 13/03/2017 on mandate No. FNHE/PE/AD/002/2017 for the sum of ₦5000,000.00 (Five million naira) and memo dated 05/12/2017 on mandate No. FNHE/PE/AD/012/2017 for the sum of ₦200,000.00 (Two hundred thousand naira), making the total salary advance granted to the Medical Director to be ₦5,200,000.00 (Five million, two hundred thousand naira). Further enquiry showed that the Medical Director was neither proceeding on transfer, on posting nor on first appointment to qualify to be granted salary advance.

The above anomaly was due to the failure of the Management to ensure that Statutory requirements are followed before approving salary advances.

Risks

Non-compliance with extant regulations on granting of Salary Advance could lead to diversion of Public Funds and mismanagement of funds by the Hospital.

Management's response

No Response from Management as at the time of our report.

Recommendation

The Chief Medical Director is required to immediately refund the sum of ₦5,200,000.00 (Five million, two hundred thousand naira) being the salary advance granted the Medical Director and forward the evidence of recovery and remittance to my Office, failing which sanction stated in FR3106 should apply

Issue 2: LOSS OF HOSPITAL CASH BY A STAFF OF THE HOSPITAL **₦3,387,139.00**

As part of our review, we checked the level of compliance with Financial Regulation 2504. “(i) The Officer in-charge of the office in which the loss occurs shall take the following actions:

- (a) Report Immediately to Head of Unit or Division by the fastest means if the loss occurs away from the Headquarters.
- (b) Report to Police if fraud or theft is suspected. (c) Initiate immediate action by completing Treasury Form 146, Part I and forward same in quintuplicate to Head of supervising department or Unit.
- (c) Ensure that if a weakness in the system of internal control or in security is established, measures have been taken to prevent a re-occurrence of the loss.
- (d) Ensure that the accounting entries as prescribed in FR. 2524 and 2525 have been made”.

Audit observed that there was a loss of cash in the hospital in the sum of ₦3,387,139.00 (Three million, three hundred and eighty-seven thousand, one hundred and thirty-nine naira) in the year 2017 by an officer of the hospital

It was further observed that the hospital management was yet to issue an official statement on how the cash was lost, neither have they made any attempt to recover the said amount nor report the loss to the Loss Committee as required under Financial Regulations 2504 – 2507.

The internal control mechanisms of the hospital may be either weak or inadequate and ineffective resulting to such loss of cash.

Risk

The stated amount could be embezzled.

Management's response

No Response from Management as at the time of our report.

Recommendation

The Chief Medical Director is required to ensure that the amount is fully recovered and paid to government chest. Otherwise, sanction stated within FR 3115 should apply

NEURO-PSYCHIATRIC HOSPITAL MANAGEMENT BOARD ARO-ABEOKUTA, OGUN STATE.

Issue 1: UNAUTHORIZED VIREMENTS - N28,662,265.32

Financial Regulation 316 (iii) states that “Virement from one Head of Account in the Recurrent Expenditure estimates to another Head of account in Capital Expenditure estimates shall not be allowed and vice versa.

Financial Regulation 316 (iv) further states that “All applications for virement shall be collated by the Minister of Finance and submitted to National Assembly for approval before virement warrant shall be issued.
”

Audit observed that the Hospital vired some expenditure in both Capital and Revolving Fund Accounts. The sum of ₦10, 570,725.00 (Ten million, five hundred and seventy thousand, seven hundred and twenty-five naira) of overhead expenditure was incurred in the Capital Account. Another sum of ₦18,151,540.32 (Eighteen million, one hundred and fifty-one thousand, five-hundred and forty naira, thirty-two kobo) of overhead expenditure was incurred in the Revolving Fund Account, both totalling ₦28,662,265.32 (Twenty-eight million, six-hundred and sixty-two thousand, two hundred and sixty-five naira, thirty-two kobo).

These funds were supposed to be used in the procurements of drugs, implants, and other inputs for running of the Revolving Fund Accounts as approved by the Federal Government as well as in the procurement of capital work and services. This unauthorized expenditure resulted in virement without approval of the National Assembly.

Risk

The hospital may carry out unapproved expenditure which may lead to diversion of public funds for other purposes other than the sole purpose for which the funds were appropriated.

Management’s response

Management responded as follows “The hospital has not committed any act of virement whatsoever in its fund allocations and expenditures. The revolving fund referred to in the report is a TSA CBN account dedicated by the hospital for fees for service payments by our clients, and it is from this account that most of the service related overhead expenditures (including diesel purchase, electricity bills payments, infrastructure maintenance etc.), apart from procurement of supplies for health care delivery to our clients are charged. These expenditures are inevitable in the face of inadequate ceiling based overhead budget, appropriation and release”.

“Secondly, the expenditure classified as capital in the report was so labelled on the payment vouchers because there were above the ₦50,000.00 materiality thresholds for capitalization of noncurrent assets in the property plant and equipment (PPE) category according to the training manual issued from the Office of Accountant General of the Federation for finance operators in the three tiers of government in June, 2015 to ensure a smooth implementation of IPSAS Accrual Accounting by all MDAs”.

AUDITORS EVALUATION

The response of the Hospital did not fully address as the issue as they were not backed up with documentary evidence. Also, the approval of the National Assembly for the amount vired was not presented for audit verification.

Recommendation

The Medical Director is required to refund the sum of ₦28,662,265.32 (Twenty-eight million, six-hundred and sixty-two thousand, two hundred and sixty-five-naira, thirty-two kobo) to the treasury, failing which sanction stated in FR 3115 should apply.

IRRUA SPECIALIST TEACHING HOSPITAL, IRRUA EDO STATE

Issue 1: PAYMENTS WITHOUT PRE-PAYMENT AUDIT - ₦58,829,426.84

Financial Regulation 1705 states that ‘The Head of Internal Audit Unit in all ministries/extra-ministerial offices and other arms of government shall ensure that 100% pre-payment audit of all checked and passed vouchers is carried out and the vouchers forwarded under security schedule direct to the appropriate Central Pay Office for payment. Checked and passed vouchers received in the Internal Audit Unit must be promptly dealt with and, under no circumstance, shall a voucher be held in that Unit for more than forty-eight (48) hours.’

Financial Regulation 609 (i) also states that “All payment vouchers shall be passed to checking section for checking to ensure that all the requirements of a valid voucher are on the payment voucher.”

(ii) All Vouchers shall be stamped “checked and passed” for payment at (station) only and is duly signed to that effect by the checking officers in the appropriate place on the voucher.’

Audit observed that four Payment Vouchers totalling ₦58,829,426.64 (Fifty-eight million, eight hundred and twenty-nine thousand, four hundred and twenty-six-naira, eighty-four kobo) were paid to two contractors for supplies and installations. Further scrutiny reveals the following irregularities:

- (a) GIFMIS statement shows that payments made to the contractors before Payment Vouchers were raised.
- (b) The Payment Vouchers were not pre-audited, contrary to FR 1705 that specifies 100% pre-payment auditing for all Payment Vouchers
- (c) Also, the vouchers were not presented for checking and not passed by audit before payments were made as stipulated in FR. 609.

Risk

Non-compliance with the stated Financial Regulations could lead to payments for contracts not executed or poorly executed. It equally indicates the non-existence of effective internal and accounting control system in the hospital.

Management's response

Management responded "The vouchers for payment of the approved amounts to the two contractors for the supplies of equipment were being processed at the time the payments were made. The payments were made under urgent circumstances to prevent loss of lives. The error is regretted".

Auditor's evaluation

The response of management is not satisfactory as the infraction had already been committed.

Recommendation

The Chief Medical Director is required justify the above infractions, failing which sanction stated in FR 3106 should apply.

JOS UNIVERSITY TEACHING HOSPITAL JOS, PLATEAU STATE.

Issue 1: NON-REMITTANCE OF 25% INTERNALLY GENERATED REVENUE TO CONSOLIDATED REVENUE FUND: ₦333,386,549.15

The Federal Ministry of Finance Circular No. BO/RVE/12235/VII/201 dated 11th November 2011 that states in part "all Federal Agencies/Parastatals should limit their annual budgetary expenditure from internally generated revenue to no more than 75% of their gross revenue. Therefore, Heads of agencies are to ensure prompt remittance of their operating surplus into the Consolidated Revenue Fund as required by the provisions of the Fiscal Responsibility Act 2007".

Also, the Financial Regulations 236 states that, “Revenue paid into the Revenue Accounts for Internally Generated Revenue (IGR) of MDAs shall be transferred to the CRF on or before the 15th of the month following the month of collection of the Revenue”

Audit observed that a total of ₦1,333,546,196.60 (one billion, three hundred and thirtythree million, five hundred and forty-six thousand, one hundred and ninety-six naira, sixty kobo) was disclosed as the total revenue generated for the year under review, out of which they are expected to remit 25% amounting to ₦333,386,549.15 (Three hundred and thirty-three million, three hundred and eighty-six thousand, five hundred and forty-nine naira, fifteen kobo). There is, however, no evidence of remittance to the CRF.

Risk

Non-Remittance of 25% IGR will deprive government of the most needed revenue for developmental purposes.

Management’s response

No response from management as at the time of our report.

Recommendation

The Accounting Officer is required to remit the sum of ₦333,386,549.15 (Three hundred and thirty-three million, three hundred and eighty-six thousand, five hundred and forty-nine-naira, fifteen kobo) to the Consolidated Revenue Fund, failing which sanction within FR 3112 should apply.

Issue 2

ACCIDENTED VEHICLES NOT REPORTED

Financial Regulation 2011 states in part “In addition to any action which may be required to be taken in accordance with the provisions of section 23, of the Road Traffic Act, Cap 184 the procedure prescribed in this chapter shall be observed when an accident occurs involving a Federal Government vehicle...”

Financial Regulation 2012 (i) further states that “The driver, or the person in charge of the vehicle, must immediately report the accident to his head of Department or Division. At the scene of the accident he will furnish, only to a police Officer, or to the owner of the property to which injury has been caused, details of:

- (a) His name and address;
- (b) The name and address of his Ministry or Agency; and (c) The identification mark of his vehicle.

- (ii) Pursuant to sub-section (i) above, the driver shall in no way admit liability to any member of the public, or make any statement other than those above, to the police, or to the owner of the damaged property.’

Audit observed that Accidental vehicles in JUTH presently include the following:

- (i) 42 N09 FG TOYOTA COROLLA purchased in 2011
 - (ii) 42 N21 FG TOYOTA COASTER BUS purchased in 2009
 - (iii) FG 813 Q12 Ambulance HiAce Bus purchased 6/7/01
 - (iv) FG 815 Q12 Old Mercedes Tanker
- The cause/Reports on the accidented vehicles are yet to be submitted/known by management.

Non-compliance with the stated Financial Regulation could result in misrepresentation of assets and their correct value in the Financial Statement of the Hospital.

Response from the Management’s response from the Management has not been forwarded as at the time of writing this report.

Recommendations

- (i) The accidented vehicles should be reported officially in accordance with Financial Regulations quoted above.
- (ii) Copy of the report including interim and final police report on the accidented vehicles should be forwarded to my office for verification.

Issue 3

PAYMENTS MADE WITHOUT SUPPORTING DOCUMENTS (N8,572,777.25)

Financial Regulation 603 (i) states that “All vouchers shall contain full particulars of each service. Such as dates. Numbers, quantities, distances, and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets. etc.”.

Audit observed that four Payment Vouchers amounting to the sum of **N8,572,777.25** (Eight million, five hundred and seventy-two thousand, seven hundred and seventy-seven-naira, twenty-five kobo) were not supported with relevant supporting documents especially receipts or invoices. Furthermore, the nature of services and its particulars were not clearly stated.

The above anomaly was due to the failure of Management to put Internal Control in place to check appropriateness of documents before payments are made.

Risk

The Entity may not have Internal Control in place or Internal Control failures which may lead to the purported services not been rendered and public money spent.

Management's response

No response from management as at the time of our report.

Recommendation

The Chief Medical Director is required to account for the sum ₦8,572,777.25 (Eight million, five hundred and seventy-two thousand, seven hundred and seventy-seven naira, twenty-five kobo) irregularly incurred, failing which sanction stated in FR 3106 should apply.

LAGOS UNIVERSITY TEACHING HOSPITAL, LAGOS,

NON-REMITTANCE OF DEDUCTED PAYE TAX TOTALING: ₦945,422,478.23

Issue 1

Financial Regulation 235 states that “Deductions for WHT, VAT and PAYE shall be remitted to the Federal Inland Revenue at the same time the payee who is the subject of the deduction is paid.”

Similarly, Personal Income Tax (PITA) 2011 states that “there shall be allowed a consolidated relief allowance of ₦200,000.00 subject to a minimum of 1% of gross income whichever is higher plus 20% of the gross income and the balance shall be taxable in accordance with the income table in the sixth schedule to the Act” the PAYE tax relived therein shall be remitted to the appropriate tax authorities.

Audit observed that a sum of ₦945,422,478.23 (Nine hundred and forty-five million, four hundred and twenty-two thousand, four hundred and seventy-eight-naira, twenty-three kobo) were not remitted to appropriate tax authority as at the time of audit.

The unremitted tax was made up of outstanding of ₦395,059,616.20 (Three hundred and ninety-five million, and fifty-nine thousand, six hundred and sixteen naira, twenty kobo) for the previous year 2017 and unremitted of ₦550,362,862.03 (Five hundred and fifty million, three hundred and sixty-two thousand, three kobo) for the year under review,

2018, out of total deduction of ₦740,001,309.52 (Seven hundred and forty million, and one thousand, three hundred and nine naira, fifty-two kobo) while ₦189,638,447.49 (One hundred and eighty-nine million, six hundred and thirty-eight thousand, four hundred and forty-seven naira, forty-nine kobo) was purportedly remitted but remittance evidence was not produced for audit verification.

See the summary as stated below for details.

	₦
2018 Deduction	740,001,309.52
Amount Remitted	<u>(189,638,447.49)</u>
Unremitted balance in 2018	550,362,862.03
Unremitted balance in 2017	<u>395,059,616.20</u>
Total amount Unremitted	<u><u>945,422,478.23</u></u>

Risk

Noncompliance to the provisions of the stated regulations could result in the following:

- (i) The unremitted PAYE deductions could attract penalty and accrued interest.
- (ii) Risk of material misstatement.
- (iii) Understatement of revenue accruing to the government.

Management's response

Management responded as follows “The outstanding tax liability for the year 2017 and 2018 yet to be remitted to Lagos State Internal Revenue Service were due to shortfall between personnel budget and appropriations for the two financial years.

The Federal Ministry of Finance had been informed about the shortfalls and our inability to settle the PAYE to relevant Tax Authority. Copies of letters attached as appendix 111A & 111B.

Management is making concerted effort on the release of these short falls. As soon as these releases are made, balance of the tax arrears will be remitted, and evidence forwarded to your office.

Meanwhile copy of remittance statement from 10/01/2018 to 08/05/2019 from LIRS porter as evidence for the settlement of ₦189,638,447.49 out of the year 2018 tax liabilities shall soon be forwarded to your office.”

AUDITORS' EVALUATION

The response did not address the issue as the amount remained unremitted.

Recommendation

The Chief Medical Director is required to remit the sum of ₦945,422,478.23 (Nine hundred and forty-five million, four hundred and twenty-two thousand, four hundred and seventy-eight-naira, twenty-three kobo) to the relevant tax authority. Otherwise, sanction stated in FR 3112 (i) & (ii) should apply.

Issue 2:

UNDER REMITTANCE OF 25% OF INTERNALLY GENERATED REVENUE (IGR): ₦237,007,828.05

The Federal Ministry of Finance Circular No: BO/RVE/12235/Vii/201 dated 11th November 2011 states that, “all Federal Agencies/Parastatals should limit their annual budgetary expenditure from internally generated revenue TO NOT MORE THAN 75% of their gross revenue while the remaining 25% are to be remitted to the coffers of the Federal Government through Consolidated Revenue Fund (CRF). Therefore, heads of agencies are to ensure prompt remittance of their operating surplus into the Consolidated Revenue Fund as required by the provisions of the Fiscal Responsibility Act 2007”.

Also, Financial Regulation FR 236 states that “Revenue paid into the Revenue Accounts for Internally Generated Revenue (IGR) of MDAs shall be transferred to the CRF on or before the 15th of the month following the month of collection of the Revenue”.

Audit observed that the Hospital realised the sum of ₦962,699,449.49 (Nine hundred and sixty-two million, six hundred and ninety-nine thousand, four hundred forty-ninenaira, forty-nine kobo) as Internally Generated Revenue (IGR). The 25% due to be remitted to the Consolidated Revenue Fund (CRF) is ₦240,674,862.37 (Two hundred and forty million, six hundred and seventy-four thousand, eight hundred and sixty-two naira, thirty-seven kobo) out of which only ₦3,667,034.32 (Three million, six hundred and sixty seven thousand, and thirty four naira, thirty two kobo) was remitted leaving unremitted balance of ₦237,007,828.05 (Two hundred and thirty seven million, and seven thousand, eight hundred and twenty eight naira, five kobo).

Risk

The non-compliance with extant regulations on remittance of the portion of Internally Generated Revenue to the Consolidated Revenue Fund (CRF) could lead to loss of Revenue to the Government.

Management's response

The management responded as follows; “it should be noted that the hospital's IGR is revolving while service charge to patients are greatly subsidized at the expenses of other sources of revenue of the hospital. However, from the computed hospital revenue of ₦962,699,449.49 to which the 25% remittance charge was attached, the sum of ₦715,467,022.00 is revolving revenue on hospital's revolving service income that should not have been charged with the

25% Remittance. Therefore, only the sum of ₦247,232,427.49 should have the 25% remittance charge. Based on this observation, the remittance amount outstanding for year 2018 would be ₦61,808,106.87 out of which we had remitted ₦3,667,034.32, leaving a balance of ₦58,141,072.55. We are pleading for concession because hospital's fund is quite inadequate while the costing method that subsidized hospital's service charge for patients to access and afford health care delivery is at Luth expense. It is important to inform you that Teaching Hospital forum of Chief Medical Directors had made report about this to the National Assembly, Ministry of Finance and other concerned Government agencies and the issue is receiving attention".

Auditor's evaluation

The response of management is not acceptable as they were not supported with documentary evidence. Moreover, the amount remains unremitted.

Recommendation

The Accounting Officer is required to remit the sum of ₦237,007,828.05 (Two hundred and thirty-seven million, seven thousand, eight hundred and twenty-eight-naira, five kobo) to the Consolidated Revenue Fund, failing which sanction FR 3112 (i) & (ii) should apply.

Issue 3: NON-REMITTANCE OF TAXES - ₦22,307.735.21

Financial Regulation 235 states that "Deductions for VAT, WHT and PAYE shall be remitted to the Federal Inland Revenue at the same time the payee who is the subject of the deduction is paid."

Financial Regulation 236 also states that "Revenue paid into the "Revenue Accounts for Internally Generated Revenue of MDAs shall be transferred to the CRF on or before the 15th of the month following the month of collection"

Audit observed that Tax liabilities of ₦22,307,735.21 (Twenty-two million, three hundred and seven thousand, seven hundred and thirty-five-naira, twenty-one kobo) was not remitted as at the time of audit in May 2019.

The un-remitted tax was made up of Withholding Tax (WHT) of ₦25,459,045.91 (Twenty five million, four hundred and fifty nine thousand, and forty five naira, ninety kobo) which was deducted from various contracts awarded and paid for between January and December, 2018 of which ₦3,151,310.70 (Three million, one hundred and fifty one thousand, three hundred and ten naira, seventy kobo) was remitted, leaving a balance of ₦22,307,735.21 (Twenty two million, three hundred and seven thousand, seven hundred and thirty five naira, twenty one kobo).

Risk

Non-compliance with the stated regulations could result in loss of government revenue.

Management's response

Management responded as follows "The sum of ₦22,307,735.21 was the observed outstanding tax liabilities for the year 2018 transaction. We have paid about ₦19,000,000.00 from this outstanding in both year 2018 and 2019. The timeline on this exercise constrained the generation of evidence of payments because the transactions involved are many since Federal Inland Revenue Service issued the receipts individually and not in bulk for the payments. We shall tabulate the payment evidence and forward it to your Office".

Auditor's evaluation

Evidence of remittance of the sum of N19,000,000.00 as claimed by management was not produced for audit, therefore, the query stands.

Recommendations

The Chief Medical Director is required to remit the sum of ₦22,307,735.21 (Twenty-two million, three hundred and seven thousand, seven hundred and thirty-five-naira, twenty-one kobo) to the relevant tax authority, failing which sanctions stated in FR 3106 should apply.

**FEDERAL MINISTRY OF
HEALTH, ABUJA**

Issue 1:

**OVERPAYMENT FOR PERSONNEL BUDGET
PREPARATION:
N13,910,000.00**

Financial Regulations 415 states that "The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted".

Audit observed that a sum of ₦18,770,000.00 (Eighteen million, seven-hundred and seventy thousand, naira) was spent on a 2-day Training and Bilateral discussion with the Chief Executives (Chief Medical Directors and Chairmen Medical Advisory Council) in conjunction with Ministry of Budget and National Planning in respect of preparation of 2019 Personnel Budget, instead of the sum ₦4,860,000.00 (Four million, eight hundred and sixty thousand naira) that was originally meant for the programme.

A memo was written by the Assistant Chief Admin Officer (ACAO), Budget on the 25/05/2018 requesting for a sum of ₦4,860,000.00 (Four million, eight hundred and sixty thousand naira) to organise a 2-day bilateral discussion for the Chief Executives of the Federal Institutions on

the subject matter. However, it was observed that ₦9,720,000.00 (Nine million, seven-hundred and twenty thousand naira) was paid in favour of an officer the Ministry, while another payment of ₦9,290,000.00 (Nine million, seven-hundred and twenty thousand naira) was made to another officer, thereby, resulting in a total payment of ₦18,770,000.00 (Eighteen million, seven-hundred and seventy thousand naira).

This amount was by ₦13,910,000.00 (Thirteen million, nine hundred and ten naira) higher than the sum ₦4,860,000.00 (Four million, eight hundred and sixty thousand naira) that was originally applied for by the ACAO/Budget. Approval for the additional amount was not presented for audit.

Risk

This act could result in mismanagement of government funds. It may also be a way of diverting government funds for personal use.

Management's response

No response from management as at the time of our report.

Recommendation

The Permanent Secretary is required to provide approval for the overpayment of the sum of ₦13,910,000.00 (Thirteen million, nine hundred and ten naira). Otherwise, the funds should be recovered and paid back to treasury. Sanctions stated in FR 3115 and 3106 should apply.

FEDERAL MEDICAL CENTRE, OWERRI, IMO STATE.

Issue 1: UNDER REMITTANCE OF 25% INTERNALLY GENERATED REVENUE (IGR) - ₦8,519,506.75

The Federal Ministry of Finance Circular No: BO/RVE/12235/259/Vii/201 dated 11th November, 2011 states that, “all Federal Agencies/Parastatals should limit their annual budgetary expenditure from internally generated revenue to not more than 75% of their gross revenue while the remaining 25% are to be remitted to the coffers of the Federal Government through Consolidated Revenue Fund (CRF).

Also, Financial Regulation 236 states that “revenue paid into the Revenue Accounts for Internally Generated Revenue (IGR) of MDAs shall be transferred to the CRF on or before the 15th of the month following the month of collection of the Revenue”.

Audit observed that the Hospital realized a total of ₦54,882,991.00 (fifty-four million, eight-hundred and eighty-two thousand, nine-hundred and ninety-one naira) as Internally Generated Revenue in 2017, out of which the sum of ₦13,720,747.75 (thirteen million, seven-

hundred and twenty thousand, seven-hundred and forty-seven naira, seventy-five kobo) being 25% was supposed to be remitted to the Consolidated Revenue Fund (CRF).

However, only the sum of ₦5,201,241.00 (Five-million, two hundred and one thousand, two-hundred and one naira) was remitted, leaving an unremitted balance of ₦8,519,506.75 (Eight million, five hundred and nineteen thousand, five-hundred and six-naira, seventy-five kobo).

Risk

Failure to remit IGR could lead to loss and/or misappropriation of revenues due to government.

Management's response

No response from management as at the time of our report.

Recommendation

The Accounting Officer is required to remit to CRF the sum of ₦8,519,506.75 (Eight million, five hundred and nineteen thousand, five-hundred and six naira, seventy-five kobo) representing the unremitted portion of 25% of IGR generated for 2017 financial year, failing which sanction within FR 3112 should apply.

Issue 2: EXTRA BUDGETARY SPENDING ON PERSONNEL COST: ₦542,877,312.77

Financial Regulations 401(i) states that “All disbursements of public funds shall be made by the Accountant-General on the authority of the appropriate Warrant issued to him and also by Accounting Officers entrusted with the expenditure of public fund falling within the votes of charge of their ministries or extra-ministerial offices and other arms of government. The officers charged with the control of votes shall be specified in the Annual Estimates together with the votes for which they are responsible”.

Audit observed that the Centre made extra-budgetary spending on Personnel costs in the year 2015 and 2016 to the tune of ₦542,877,312.77 (Five hundred and forty-two million, eight hundred and seventy-seven thousand, three hundred and twelve naira seventy-seven kobo) as against the total appropriation of ₦12,761,350,337.00 (Twelve billion, seven hundred and sixty-one million, three hundred and fifty thousand, three hundred and thirty-seven naira), for payment of salaries and wages to regular and no regular staff of the Centre.

Risk

Engaging in extra-budgetary spending on personnel can lead to payments to ghost workers and illegitimate workers.

Management's response

No response from management as at the time of our report.

Recommendation

The Chief Medical Director is required to justify the extra-budgetary spending in the personnel costs for 2015 and 2016 to the tune of ₦542,877,312.77 (Five hundred and forty two million, eight hundred and seventy-seven thousand, three hundred and twelve-naira seventy-seven kobo). Otherwise, sanctions stated in FR 3106 should apply.

Issue 3:**UNDER-REMITTANCE OF INTERNALLY
GENERATED REVENUE - ₦898,076,719.14**

Financial Regulation 217 provided that, "It is the duty of the Accounting Officer responsible for the collection of revenue or other moneys due to Government, to ensure that all collections for which he is responsible are correctly and promptly brought to account, whether such collections are payable direct to him, or to a Sub-Accounting Officer or through any other channel. None of the checks which are required by these Regulations to be carried out by Sub-Accounting Officers relieves the Accounting Officer of the ultimate responsibility of verifying that all collections are brought to account. In addition to any other checks, which an Accounting Officer may consider necessary. Revenue Collectors' cash books and cash balances shall be checked at irregular intervals and cash books shall be promptly reconciled with revenue registers or other records in use for the control of collections. Accounting Officers will notify the appropriate Sub-Accounting Officer and the Auditor-General of the establishment of any new revenue collecting office".

Audit observed, during the 2017 audit inspection, that the Internally generated revenue as indicated below and the corresponding figures reflected in the TSA varied to the tune of ₦898,076,719.14 (Eight-hundred and ninety-eight million, seventy-six thousand, seven hundred and nineteen naira, fourteen kobo, as shown in the table below:

S/N	ITEMS	AMOUNT GENERATE D	AMOUNT REFLECTED IN TSA	OUTSTANDIN G
1	Drugs Revolving Fund	375,831,793.00	427,984,834.00	(52,153,041.00)
2	Revolving Fund	1,306,073,623.00	448,167,595.93	857,906,027.07
3	IGR	54,882,991.00	34,905,660.93	19,977,330.07
4	FEEDING	168,194,671.00	95,848,268.00	72,346,403.00

TOTAL	1,904,983,078.00	1,006,906,358. 86	898,076,719.14
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It was also observed that the Centre was granting IOUs to its staff from its Internally Generated Revenue.

Risk

The variance observed above could lead to loss of government by way of diversion.

Management's response

No response from management as at the time of our report.

Recommendation

The Medical Director is required to account for the sum of ₦898,076,719.14 (Eight hundred and ninety-eight million, seventy-six thousand seven hundred and nineteen-naira fourteen kobo). Otherwise the amount should be paid to treasury, failing which sanction stated in FR 3112 should apply.

Issue 4:

TRANSFER OF EXCESS PERSONNEL COST INTO IGR ACCOUNT: ₦23,598,074.38

According to Financial Regulation 1527, "Surplus cash remaining unaccounted for after payment of salaries and overtime shall be brought to account immediately as an expenditure credit to the vote to which the salaries or over time were originally charged and the reason for the surplus investigated."

Audit observed that the sum of ₦23,598,074.38 (Twenty-three million, five hundred and ninety-eight thousand, seventy-four naira, eight kobo only) was transferred from the Personnel Vote in May 2015 into an IGR Account and was neither returned to Personnel Vote nor accounted for at the close of the financial year 2015. Approval for the transfer was also not presented for audit.

Risk

This could result in spending on unapproved expenditures.

Management's response

No response from management as at the time of our report.

Recommendation

The Chief Medical Director should refund the sum of ₦23,598,074.38 (Twenty-three million, five hundred and ninety-eight thousand, seventy-four-naira thirty-eight kobo only) being amount illegally transferred into IGR Account from the Personnel Vote. Sanctions in FR 3115 should apply.

**NATIONAL PRIMARY HEALTH CARE
DEVELOPMENT AGENCY, ABUJA.**

**Issue1: IRREGULAR PAYMENT OF ESTACODE ALLOWANCE -
₦19,564,429.91**

According to Financial Regulation 603, 603(i) “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

A review of the accounting records and documents prepared and paid by the Agency revealed that, amount totalling ₦19,564,429.91 (Nineteen million, five-hundred and sixty-four thousand, four hundred and twenty-nine naira, ninety-one kobo) was paid as estacode allowance to various staff of the Agency.

The following irregularities were observed in the process:

- (a) The grade levels of the beneficiaries were not stated to determine their estacode allowances.
- (b) Number of days was not stated.
- (c) The payment documents were not supported with the approval of Civil Service of the Federation on the recommendation of the Permanent Secretary of the supervising Ministry and the Secretary to the Government of the Federation.

Risk

The above irregularity could give room for making excess payment of estacode to members who at same did not embarked on the trip.

Management’s response

No response from management as at the time of our report.

Recommendation

The Accounting Officer should justify the amounts paid as estacodes and provide evidence of necessary approvals for the trip. Otherwise, the funds should be refunded to the CRF and

evidence of remittance forwarded to my Office. Sanctions in line with FR 3106 and FR3115 should apply.

NATIONAL HEALTH INSURANCE SCHEME

Issue 1: EXTRA- BUDGETARY EXPENDITURE IN CAPITAL VOTE ₦355,510,475.00

Section 80(2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) states that “No money shall be withdrawn from the Consolidated Revenue Fund of the Federation except to meet expenditure that is charged upon the Fund by this Constitution or where the issue of those moneys has been authorized by an Appropriation Act, Supplementary Appropriation Act or an Act passed in pursuance of the National Assembly.”

Audit observed that the sum of ₦355,510,475.00 (Three-hundred and fifty-five million, five-hundred and ten thousand, four-hundred and seventy-five naira) was expended on capital projects which was not appropriated for in 2016 and 2017 capital budget provisions.

Risk

The above infraction is indicative of the weaknesses in the internal control system put in place by management of the Scheme which could result in diversion of public funds .

Management’s response

No response from management as at the time of our report.

Recommendation

The Executive Secretary is required to comply with the above provision, sanctions stated in Financial Regulations No 3106 and 3115 should apply.

ISSUES 2: IRREGULAR PAYMENT OF FINANCIAL MEDICAL ASSISTANT TO NON-ENROLLEES - ₦32,299,700.00

Financial Regulations No.112 (g) mandates all accounting officers to, as part of their functions, ensure prudence in the expenditure of public funds.

Also, Financial Regulations No. 415 states that “. The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that the sum of ₦32,299,700.00 (Thirty-two million, two-hundred and ninety-nine thousand, seven-hundred naira) was spent as “financial medical assistance” on individuals who have not been enrolled into the scheme (NHIS).

Risk

The Entity may be assisting the non-enrolees to the detriment of the enrolees. Also, the Entity may be jeopardizing the purpose for the scheme as all citizens are expected to enrol on the scheme.

This anomaly further exposes the weakness in the Scheme’s internal control system that has resulted into mismanagement of public funds.

Management’s response

No response from management as at the time of our report.

Recommendation

The Executive Secretary is required recover and pay the sum of ₦32,299,700.00 into the NHIS Fund, failing of which sanctions provided for in FR 3115 should apply.

Issue 3: PAYMENT FOR VERIFICATION EXERCISE NOT SUPPORTED WITH RELEVANT DOCUMENTS - N72,383,000.00

Financial Regulations No. 603 (i) states that “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other document and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that the sum of ₦72,383,000.00 (Seventy-two million, three-hundred and eighty-three thousand, naira) was purportedly paid for verification exercise without relevant documents such as photographs taken, posters, flyers and reports or other evidences taken during the event etc. to confirm that the exercise actually took place.

Risk

The entity may use this means to divert public funds for personal gain.

Management’s response

No response from management as at the time of our report.

Recommendation

The Executive Secretary is required to account for the sum of ₦72,383,000.00 said to be used for verification without supporting documents, otherwise sanctions as provided for in FR 3106 should apply.

Issue 4:**IMPROPER AWARD OF LOCAL PROCUREMENT TO MEMBERS OF STAFF- ₦66,798,948.12**

Federal Government Circular Ref. No. TRY/A2 & B2/2009/OAGF/CAD/028/V dated 24th March 2009 states that “all local procurement of stores and services costing above ₦200,000.00 (Two-hundred thousand naira) shall be made only through award of contracts”.

Audit observed that some members of staff were granted amounts above ₦200,000.00 (Two-hundred thousand naira) only for procurement of goods and services totalling the sum of ₦66,798,948.12 (Sixty-six million, seven-hundred and ninety-eight thousand, nine-hundred and forty-eight, naira twelve kobo) only instead of making the procurement through award of contracts.

The above anomaly is the failure of the Accounting Officer to adhere strictly to the procurement Act and other extant circulars.

Risk

The Entity may carry out unnecessary procurements thereby wasting public funds. Also, government is denied the tax (VAT, WHT, Stamp Duty tax) that would have accrued if the procurements were to be given on award of contracts.

Management's response

No response from management as at the time of our report.

Recommendation

The Management should provide detailed explanation for disbursing public fund directly to procure goods and services instead of through contract awards while accounting for sum of ₦66,798,948.12 irregularly spent. FR 3106 should apply.

FEDERAL SCHOOL OF OCCUPATIONAL THERAPY, OSHODI, LAGOS.

Issue 1: NON-REMITTANCE OF 25% FEDERAL GOVERNMENT SHARE OF INTERNALLY GENERATED REVENUE - ₦3,250,962.98

The Federal Ministry of Finance Circular No: BO/REV/12235/vii/201 dated 11th November 2011 that states in part “all Federal Agencies/Parastatals should limit their annual budgetary expenditure from Internally Generated Revenue TO NOT MORE THAN 75% of their gross revenue while the remaining 25% are to be remitted to the coffers of the Federal Government through Consolidated Revenue Fund (CRF).

Therefore, Heads of Agencies are to ensure prompt remittance of their operating surplus into Consolidated Revenue Fund as required by the provisions of the Fiscal Responsibility Act 2007”

Audit review of the schools’ cash book, trial balance, monthly cash analysis and other relevant accounting records revealed that the school failed to remit the sum of

₦3,250,962.98 (Three million, two hundred and fifty thousand, nine hundred and sixty two thousand and ninety-eight kobo) which represents 25% of a total of ₦13,003,851.92 (Thirteen-million, three thousand, eight hundred and fifty-one naira and ninety-two kobo) it generated in the year 2018.

Risk

Non-compliance by the School’s Management with the above requirement to remit IGR may have deprived the Federal Government of revenue.

Management’s response

No response from management as at the time of our report.

Recommendation

The Medical Director is required to remit the sum of ₦3,250,962.98 (Three million, two hundred and fifty thousand, nine hundred and sixty-two thousand, ninety-eight kobo) into the Consolidated Revenue Fund, failing of which sanctions provided for in FR 3106 should apply.

Issue 2: NON-REMITTANCE OF TAX LIABILITIES – ₦4,018,252.81

Financial Regulations Nos. 234, 235 and the Value Added Tax Act 102 of 1993, “(i) It is mandatory for Accounting Officers to ensure full compliance and dual roles for making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due to supply and services contract and actual remittances of same; and (ii) “Accounting Officer/Sub Accounting Officer

who fails to provide for and remit VAT and WHT due on valuable supplies and services shall be sanctioned under the applicable VAT act”.

Audit of accounting records and documents for the year under review (2018) revealed that tax liabilities of ₦4,018,252.81 (Four million, and eighteen thousand, two hundred and fifty-two naira, eighty-one kobo) which were deducted from various contracts awarded and paid for between January and December, 2018, were yet to be remitted as at the time of audit in May, 2019.

These deductions were made up of: Withholding Tax of ₦2,002,491.84 (Two million, and two thousand, four hundred and ninety-one-naira, eighty-four kobo); Value Added

Tax of ₦1,678,492.51 (One million, six hundred and seventy-eight thousand, four hundred and ninety-two-naira, fifty-one kobo) and stamp duties of ₦337,268.46 (Three hundred and thirty-seven thousand, two hundred and sixty eight naira, forty six kobo)

Risks

Delay in remittance of funds due to the government may result in loss of government revenue.

Management’s response

No response from management as at the time of our report.

Recommendation

The Medical Director is required to remit the sum of ₦4,018,252.81 (Four million, and eighteen thousand, two hundred and fifty-two-naira, eighty-one kobo) to the relevant tax authorities, otherwise sanctions stated in FR 234, ii & iii should be invoked

Issue 3: IRREGULAR AND EXTRA-BUDGETARY EXPENDITURE ₦10,507,393.00

Financial Regulations 301 stipulates that “the Annual Estimates and Appropriation Act are instruments used to limit and arrange the disbursement of the funds of the Federal Government. No expenditure may be incurred except on the authority of a warrant Issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the Estimates, until he has received an authority to do so in accordance with one of the following provisions in these rules and regulations. Any officer controlling a vote, or part thereof, who incurs expenditure without such authority does so on his sole responsibility and will consequently be held pecuniarily responsible for his actions.”

Audit observed that in the year 2018, the School incurred capital expenditure in excess of its approved budget estimate to the tune of ₦10,320,771.39 (Ten million, three hundred and twenty thousand, seven hundred and seventy-one-naira, thirty-nine kobo). The amount was

spent from Internally Generated Revenue (IGR) of the school in contravention of the provisions.

Risk

This disregard for budgetary process and Appropriation Act could result in diversion of public funds.

Management's response

No response from management as at the time of our report.

Recommendation

The Medical Director is required to provide the authority upon which this amount was incurred, otherwise the sum of ₦10,320,771.39 (Ten million, three hundred and twenty thousand, seven hundred and seventy-one naira, thirty-nine kobo) should be recovered and paid back to the Consolidated Revenue Fund. In addition, sanctions stated in FR 301 and 3115 should apply

FEDERAL MEDICAL CENTRE, KEFFI NASARAWA STATE.

Issue 1:

UNDER-REMITTANCE OF INTERNALLY GENERATED REVENUE – ₦2,147,036.00

The Federal Ministry of Finance Circular No. BO/RVE/12235/VII/201 dated 11th November 2011. States in part that “All Federal Agencies/Parastatals should limit their annual budgetary expenditure from internally generated revenue to NO MORE THAN 75% OF THEIR GROSS REVENUE. Therefore, Heads of agencies are to ensure prompt remittance of their operating surplus into the Consolidated Revenue Fund as required by the provisions of the Fiscal Responsibility Act 2007”.

Audit observed, from the examination of revenue cashbooks, Receipts and Records related to Internally Generated Revenue from January to December, 2018 that the Centre generated a total of ₦45,414,532.00 (Forty-five million, four hundred and fourteen thousand, five hundred and thirty-two naira) as IGR for 2018 financial year, of which they were expected to remit ₦11,352,633.00 (Eleven million, three hundred and fifty-two thousand, six hundred and thirty-three naira). The Centre however, remitted ₦9,206,597.00 (Nine million, two hundred and six thousand, five hundred and ninety-seven naira) as evidenced in the payment advice generated by REMITA thus leaving an unremitted balance of ₦2,147,036.00 (Two million, one hundred and forty-seven thousand, thirty-six naira) . We also noted a delay in remittances to the Consolidated Revenue Fund of the Federal Government by the Centre.

Risk

Non-compliance with the stated Extant Circular will deprive government of revenue as at when due.

Management's response

No response from management as at the time of our report.

Recommendation

The Chief Medical Director is required to remit ₦2,147,036.00 (Two million, one hundred and forty-seven thousand, thirty-six naira) to the Consolidated Revenue Fund of the Federal Government. Otherwise sanction in line with FR 234 should apply.

FEDERAL NEURO-PSYCHIATRIC HOSPITAL, ENUGU, ENUGU STATE

Issue 1: NON-DEDUCTION OF WITHHOLDING TAX - ₦5,810,438.05

Financial Regulation 235 states that “Deduction for VAT, WHT and PAYE shall be remitted to the Federal Inland Revenue Service at the same time the payee who is the subject of deduction is paid”

The Federal Inland Revenue Services Information Circular No. 9502 of 20th Feb., 1995 makes provision for a Withholding Tax rate of 10% in respect of consultancy services.

Audit of the financial records of the Hospital for 2018 Financial Year revealed that the Hospital engaged the services of four consultants in the sum of ₦108,063,856.73 (one hundred and eight million, sixty-three thousand, eight-hundred and fifty-six naira, seventy-three kobo), from which a 10% withholding tax amounting to ₦10,806,385.67 was expected to be deducted and remitted accordingly. The Hospital however deducted the sum of ₦4,995,947.68, leaving an outstanding of ₦5,810,438.05.

Risk

Non-compliance with requirements to deduct and remit revenues will deprive government of funds and increase the likelihood of waste or misappropriation.

Management's response

No response from management as at the time of our report.

Recommendation

The Medical Director is required to recover the sum of ₦5,810,438.05 (Five million, eight hundred and ten thousand, four-hundred and thirty-eight naira, five kobo) and to pay same to the Federal Inland Revenue Service, failing of which sanctions provided for in FR 234(II) and (III) should apply.

MEDICAL AND DENTAL COUNCIL OF NIGERIA

Issue 1:

NON-REMITTANCE OF INTERNALLY GENERATED REVENUE ₦68,604,040.68

The Federal Ministry of Finance Circular No. BO/RVE/12235/V11/201 dated 11th November 2011 states in part that “all Federal Agencies/Parastatals should limit their annual budgeting expenditure from Internally Generated Revenue to no more than 75% of their gross revenue. Therefore, head of agencies are to ensure prompt remittance of their operating surplus into the Consolidated Revenue Fund as required by the provisions of the Fiscal Responsibility Act 2007.”

Audit review of the Council’s revenue cash book and other relevant accounting records in respect of its revenue for 2018 financial year revealed that the Council failed to remit the sum of ₦68,604,040.68 (Sixty-eight million, six hundred and four thousand, forty naira and sixty-eight Kobo) which represents 25% of a total of ₦914,720,542.37 (Nine hundred and fourteen million, seven hundred and twenty thousand, five hundred and forty-two Naira and thirty-seven Kobo) in the year under review.

Risk

Non-compliance with requirements to remit revenues will deprive government of funds and increase the likelihood of waste or misappropriation.

Management’s response

The issue was brought to the attention of the Executive Secretary who responded by forwarding to my office documents evidencing remittance of the said amount.

Auditor’s evaluation

Audit review of the documents however revealed that a balance of ₦56,998,215.32 remains outstanding.

Recommendation

The Executive Secretary is requested to remit the sum of ₦56,998,215.32 (Fifty-six million, nine hundred and ninety-eight thousand, two hundred and fifteen thousand naira, and thirty-two kobo) which stands outstanding to the Consolidated Revenue Fund. Otherwise, sanction in FR3112 should apply.

NATIONAL FOOD DRUG ADMINISTRATION AND CONTROL (NAFDAC)

Issue 1. PAYMENT FOR SERVICES NOT RENDERED – ₦48,885,845.00

Financial Regulations 708 states that; “On no account should payment be made for services not yet performed or for goods not yet supplied”.

Audit observed that payments totalling ₦28,990,900.00 (Twenty-eight million, nine hundred and ninety thousand, nine-hundred naira) were made for purported procurement of different services for the Agency during the period under review. Further review of the payments indicated improper documentation, or lack of evidence of actual disbursements for the said services. It was also observed that fake and fictitious receipts were attached to the Payment Vouchers used in making these disbursements.

The above non-compliance with extant regulations is due to supervisory failure of the Director of Finance and Accounts to ensure goods are duly supplied and certified before payments are made.

Risk

The entity may cause wasteful spending of public funds by paying for goods that are not supplied.

Management’s response

No response from management as at the time of our report.

Recommendation

The Director-General is required to account for the sum ₦28,990,900.00, otherwise he should remit same to the Consolidated Revenue Fund of the Federal Government, failing of which sanctions provided for in FR 3104(iii) should apply.

Issue 2: PAYMENT TO FIRMS OTHER THAN THE AWARDEE/CONTRACT EXECUTOR - ₦25,734,018.49

Financial Regulation 615 states that ‘When payments are to be made to legal representatives, authorities such as Powers of Attorney, Letters of Administration, etc. shall be presented to the Sub Accounting Officer for inspection and a certificate showing that they have been seen should be appended to the voucher...’

Financial Regulation 410 stipulates that the persons named in the vouchers are those entitled to receive the payment.

Also, Financial Regulation 601 stipulates that Payment Vouchers shall be made out in favour of the person or persons to whom the money is actually due.

Audit observed from the Agency's procurement records that payments totalling ₦25,734,018.49 were made to companies/firms who were never awarded any contracts and never executed them. Audit revealed that the contracts were purportedly awarded to and executed by companies different from the payees without being the appointed Agent/representatives, or without proper authorization of payment to the payees for transfer of the contracts to the payees.

This anomaly is the failure of the Accounting Officer and the Director of Finance and Accounts to adhere to the extant regulations in making payments.

Risk

This may lead to financial loss through double payment on such contracts.

Management's response

No response from management as at the time of our report.

Recommendation

The Director-General is required to account for the sum of ₦25,734,018.49, otherwise he should remit same to the Consolidated Revenue Fund, failing of which sanctions stated in FR 3117 (I) and (II) should apply.

Issue 3: NON-DEDUCTION OF 1% STAMP DUTY

Treasury Circular Reference Number: TRY/A12 & B12/2015 and OAGF/CAD/VOL.II/390 dated 29th December 2015, states that; 1% stamp duty chargeable on contract awards and the remittance be made to the relevant tax Authority (Federal Inland Revenue Service).

Audit observed that 1% Stamp Duties were not deducted from payments for contracts in the year 2017. This could not be determined due to absence of sufficient records.

The above anomaly was the supervisory failure of the Management to ensure that appropriate 1% tax deduction is made before payments.

Risk

The non-compliance to the extant regulation on deduction and remittance of tax could lead to loss of revenue to the government which will affect the government's ability to implement programmes and projects.

Management's response

No response from management as at the time of our report.

Recommendation

The Director General is required to recover the 1% Stamp Duty on contracts awarded in the year and the total amount remitted to the FIRS.

PART C: EDUCATION AND RESEARCH INSTITUTIONS AUDIT
DEPT.

ENGINEERING MATERIAL DEVELOPMENT INSTITUTE, AKURE

Issue 1: **NON-DEDUCTION AND REMITTANCE OF 1%
STAMP DUTY - ₦2,027,983.74**

Federal Treasury Circular Ref: No. TRY A1 & B1/2017 OAGF/CAD/026/V.111/.182 dated 20th April, 2016 stipulates that, MDAs are to ensure that 1% Stamp Duty is deducted on contract Agreements before payment is made to beneficiary and the amount deducted remitted to the FIRS TSA sub account.

Audit observed, from sample payments to contractors that, 1% stamp duties in the sum of ₦2,027,983.74 were not deducted on contract agreements for the respective payments contrary to the above provision.

The above anomaly was due to the failure of the Institute to observe strictly provisions of treasury circulars and other extant rules and regulations guiding financial transactions, especially as it relates to loss of revenue to the Federal Government.

Risk

This infraction has resulted in overpayment to contractors and also loss of revenue to Government.

Management's response

No response from management as at the time our report.

Recommendation

The Managing Director is required to recover from the beneficiary contractors, the sum of ₦2,027,983.74 and remit same to the CRF, otherwise, sanctions stated in FR 3112 (i) and (ii) should apply.

Issue 2: STORES NOT TAKEN ON LEDGER CHARGE - ₦21,563,850.00

Financial Regulation 2402(i) states that, “On all payment vouchers for the purchase of stores, the Storekeeper must certify that the stores have been received and taken on charge in the store ledger, quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original Local Purchase Order”.

Audit observed that, some items of stores purchased in the sum of ₦21,563,850.00 between February and March 2018, were not taken on store charge. The payments for these items were not supported with store receipt vouchers as evidence of receipt into the store. In the absence of this, it is difficult to ascertain if those items were actually purchased and put to use.

Risk

The Institute may engage in the diversion of store items purportedly purchased or not procured at all, resulting in loss of public funds.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Managing Director is required to account for the stores items amounting to ₦21,563,850, otherwise he should recover the amount in question and remit same to the CRF. Sanctions within FR 3129 should apply.

Issue 3: PAYMENT FOR THE RESEARCH WORK NOT ACCOUNTED FOR - ₦2,000,000.00

Financial Regulation 415 requires that, “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”

Also, Financial Regulation 708 also states that “On no account should payment be made for services not yet performed or for goods not yet supplied”.

Audit observed that payment for Research Work on Synchronous Generator to the Institute in the sum of ₦2,000,000.00, made vide payment voucher No. Cap/059/2018 dated 1st March 2018 was not properly accounted for. Evidence such as the name of the researcher and the research report to justify this payment were not attached to the payment voucher.

The above anomaly is indicative of poor system of internal control within the Institute

Risk

Government funds may be diverted for personal use.

Management's response

No response was received from management as at the time our report.

Recommendation

The Managing Director is required to account for the sum of ₦2,000,000.00 and justify that value was derived from the expenditure, failing which sanctions stated in FR 3106 should apply.

Issue 4: PAYMENT WITHOUT SUPPORTING DOCUMENT - ₦29,451,649.28

The provision of Financial Regulations 603(i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

Audit observed that nine (9) payment vouchers in the sum of ₦29,451,649.28 raised and paid between March and December, 2018 were not supported with necessary documents such as letter of Award, delivery note, and details of the cost contrary to the provision of the extant law above. Consequently, these payments cannot be regarded as legitimate charge against public funds.

The above infraction is an indicative of a weaknesses in the internal controls in place at the Institute.

Risk

Failure to properly scrutinize payments and associated supporting documents could lead to diversion and misapplication of public funds.

Management's response

No response was received from management as at the time our report.

Recommendation

The Managing Director is required to account for the sum of ₦29,451,649.28 otherwise be sanction in accordance with the provision of FR 3106 should apply.

POWER EQUIPMENT AND ELECTRICAL MACHINES DEVELOPMENT,

OKENE

Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2015 TO 2017

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and Management Report to the Auditor General for the Federation, not later than 31st May of the following year of Account”.

Audit observed that the agency’s Audited Financial Statements for the years 2015 to 2017 have not been submitted to the Auditor-General for the Federation as required by the above quoted Regulation.

Risks

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management’s response

There was no response from management as at the time of our report.

Recommendation

The Managing Director is required to justify the lateness in submission and immediately submit the Audited Accounts for 2015 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: PAYMENT VOUCHERS WITHOUT SUPPORTING DOCUMENTS - ₦9,613,256.33

Financial Regulation 603(i) states that “All vouchers shall contain full particulars of each service such as dates, numbers, quantities, distances and rates, as to enable them to be check without reference to any other documents will and invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets etc.”

Audit observed that 9 (Nine) payment vouchers amounting to ₦9,613,256.33 (Nine million, six hundred and thirteen thousand, two hundred and fifty-six-naira, thirty-three kobo), were raised between March 2018 and April 2019 without supporting documents attached. The descriptions of the payments include construction, rehabilitation, and security services.

Risk

Failure to properly scrutinize payments and associated supporting documents could lead to diversion and misapplication of public funds.

Management's response

No response was received from management as at the time our report.

Recommendation

The Managing Director is required to account for the sum of ₦9,613,256.33, otherwise sanctions in accordance with FR 3106 should apply.

Issue 3:**PAYMENTS VOUCHERS WITHOUT PRE-PAYMENT AUDIT-₦10,369,163.01**

Financial Regulation 1705 states that “The Head of Internal Audit Unit in all ministries/extraministries offices and other arms of Government shall ensure that 100% pre-payment audit of all checked and passed vouchers is carried out and the vouchers forwarded under security schedule direct to the appropriate Central Pay Office for payment. Checked and passed vouchers received in the Internal Audit Unit must be promptly dealt with and, under no circumstances, shall a voucher be held in that Unit for more than forty-eight (48) hours.”

The audit observed that 11 (eleven) payment vouchers raised between February 2017 and April, 2019 amounting to ₦10,369,163.01 (Ten million, three hundred and sixty-nine thousand, one hundred and sixty-three-naira, one kobo) were made without passing through Internal Audit checks, as internal audit stamps were not on any of those vouchers.

This was an indication of failure of management to ensure proper internal control system in the Agency.

Risk

This could result in in-appropriate payments that could lead to loss of funds meant for implementation of government projects and programs.

Management's response

No response was received from management as at the time our report

Recommendation

The Managing Director is required to account for the sum of ₦10,369,163.01 (Ten million, three hundred and sixty-nine thousand, one hundred and sixty-three-naira, one kobo), failing which sanction in line with FR 3106 should apply.

NATIONAL LIBRARY OF NIGERIA

Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS - 2016 AND 2017

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and Management Report to the Auditor General for the Federation, not later than 31st May of the following year of Account”.

Audit observed that the Agency’s audited Financial Statements for years 2016 and 2017 have not been submitted to the Office of the Auditor General for the Federation as required by the above quoted regulation.

Risk

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Chief Executive Officer is required to justify the lateness in submission and immediately submit the Audited Accounts for 2016 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: UNRETIRED CASH ADVANCES – N20,550,484.90

Financial Regulation 1420 states that “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed 76 (seventy-six) cash advances amounting to N20,550,484.90 (twenty million, five hundred and fifty thousand, four hundred and eighty-four-naira, ninety kobo) that were all granted in December 2018 remained unretired as at 31st December 2018.

There were no details of transactions the cash advances were used for, as the only narration on the payment vouchers were “cash advance payment balance as at December 2018”. This therefore create doubts as to the genuineness of those advances.

Risk

This could lead to wastage of government funds through diversion.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Chief Executive is required to recover the sum of ₦20,550,484.90 from the benefitting staff, failing which sanction stated within FR 3118 should apply.

Issue 3: ENGAGEMENT OF SOLICITORS WITHOUT APPROVAL OF THE ATTORNEY-GENERAL OF THE FEDERATION - ₦900,000.02

The Federal Government Circular No. Ref: SGF/PS/CIR/625/I/1 of 16th July, 2003 requires the prior approval of the Attorney General of the Federation before the engagement of External Solicitors, and Advocates by Federal Government Ministries, Parastatals, and Departments, and payment of professional fees in respect of such services.

Audit observed that 2 (two) payments totalling ₦900,000.02 (Nine hundred thousand naira and two kobo) were made in June and December 2018 as legal fees without the approval of the Attorney General of the Federation in accordance with extant regulation.

Meanwhile, the contract between the Agency and the legal firms in order to determine the nature and scope of their services as well as the extent of the financial commitment of the Agency to the legal firms were not provided on request during the audit.

Risk

This could result in expending government funds for purpose other than for which it was provided.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Chief Executive Officer is required to provide the approval of the Attorney-General of the Federation to engage a private firm, otherwise sanctions stated within FR 3106 should apply.

Issue 4: CASH ADVANCES NOT RECORDED IN THE ADVANCES LEDGER - ₦2,799,050.00

Financial Regulation 1404(i) stipulates that the "Accounting Officer shall of a Ministry/extra-ministerial offices and other arms of government shall ensure advances account records fully indexed, are maintained to record advances issued and all recoveries made".

Audit observed that 20 (twenty) payments totalling ₦2,799,050.00 were granted to some staff of the Agency for repair, Installation, payment of securities and cleaners, drilling of boreholes, etc. but were not recorded in the ledger and were yet to be retired as at the time of periodic check in April 2019.

Cases of multiple advances were also noticed as previous advances were not retired before being granted another.

Risk

The above action may lead to loss of public fund.

Management's response

These issues had been communicated to the Chief Executive Officer through management letter Ref. No. OAuGF/ERIAD/NLN/VOL.1/012 dated 6th September 2019 and a response is being awaited. No response was received from management as at the time our report.

Recommendation

The Chief Executive Officer is required to recover from the beneficiaries, the sum of ₦2,799,050.00 and pay same to the Consolidated Revenue Fund. He should also ensure that the cash advances are updated accordingly. Sanctions provided in FR 3118 and FR 3124 should apply.

NATIONAL CENTRE FOR TECHNOLOGY MANAGEMENT, ILE-IFE

Issue 1: PAYMENTS FOR ITEMS NOT SUPPLIED (₦19,809,000.00) AND POOR CONTRACT EXECUTION (13,900,000.00)

Financial Regulation 708 states that "on no account should payment be made for services not yet performed or for goods not yet supplied".

Audit observed that contracts in the sum of ₦19,809,000.00 (Nineteen Million, eight hundred and nine thousand naira) awarded to several contractors were paid for but the execution of the contracts could not be sighted during the physical inspections.

Inspection of supplies and construction contracts executed at the NACETEM during the periodic check revealed that some of the work done and items supplied to the Centre in the sum of ₦13,900,000.00 did not meet specifications in either the contractors' quotations or the approved Bill of Quantity (BoQ).

The above actions showed weakness in internal control as inferior and substandard goods were supplied and paid for.

Risk

The items may not have been fully supplied and the contracts not properly executed, leading to loss of public funds.

Management's response

The issues have been communicated to the Director-General through Management letter dated OAuGF/ERIAD/NACETEM/VOL.1/006 dated 6th September 2019. No response was received from management as at the time our report.

Recommendation

The Director-General is required to refund in full the sum of ₦19,809,000.00 and should be sanctioned in accordance with the provisions of Financial Regulation 3104(iii).

The Director-General of the Centre is also required to ensure the affected suppliers/contractors effect the necessary corrections to be in compliance with the contract as awarded, otherwise sanctions in line with Financial Regulation 3105 should apply.

OBAFEMI AWOLOWO UNIVERSITY, ILE—IFE,

Issue 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS - 2014 TO 2018

Financial Regulation 3210(v) states that "The Chief Executive Officer shall submit both the Audited Accounts and Management Report to the Auditor General for the Federation, not later than 31st May of the following year of Account".

Audit observed that the University's Financial Statements for years 2014 to 2018 have not been submitted to the Auditor-General for the Federation as required by the above quoted Regulation.

Risk

Non submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out constitutional duties of vetting and commenting on the accounts.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to justify the lateness in submission and immediately submit the Audited Accounts for 2014 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

UNIVERSITY OF ILORIN, KWARA STATE**Issue 1: IRREGULAR PAYMENT OF SALARIES/ALLOWANCES ₦513,923,209.57**

Federal Circular Ref. No SWC/S/04/S.167/216 of 12/02/2004 states in part "...all Federal Parastatals and Agencies that wish to monetize their fringe benefits, should always submit the proposal package to the National Salaries, Income and Wages commission for necessary evaluation and approval before implementation..."

Audit observed the following irregularities from the review of the University's payroll and other personnel records amounting to ₦513,923,209.57 (Five hundred and thirteen million, nine hundred and twenty-three thousand, two hundred and nine-naira, fifty-seven kobo):

(i) Double payment of Field Trip Allowance - ₦279,403,844.40

Field Trip Allowance is one of the allowances consolidated in arriving at the Consolidated University Academic Salary Structure (CONUASS) 2007 with Circular Reference No. SWC/S/04/S.301/1 of 18th January 2007 and the Consolidated Tertiary Institution Salary Structure (CONTISS) 2007 with Circular Reference No. SWC/S/04/S.301/1 of 18th January 2007. However, the University paid this same allowance to all staff on a monthly basis, in addition to the consolidated salary, which resulted in overpayment in staff salaries totalling ₦279,403,844.40 in 2016.

(ii) Payment of Monthly Hazard Allowance - ₦115,576,595.00

Hazard allowance amounting to ₦115,576,595.00 was paid to all staff monthly without evidence of approval from the National Salaries, Income and Wages Commission.

(iii) Payment of Monthly Responsibility Allowance - ₦108,468,526.90

The University paid monthly responsibility allowance to Principal officers, Unit Heads, and Heads of Departments to the tune of ₦108,468,526.90 without approval from the National Salaries, Income and Wages Commission.

(iv) Overpayment of Vice-Chancellor's Emoluments - ₦6,209,951.08

The Vice-Chancellor was paid Teaching allowance, Call-duty allowance, Clinical allowance, Specialist allowance and field trip allowance in addition to the basic salary and allowances provided in "the certain Public and Judicial Office Holders" (Salaries and allowances, Etc.) Amendment Act, 2008 which indicates the entitlements of the Vice-Chancellor as a political office Holder and Chief Executive of a Federal Government Institution. The payment of these allowances resulted in overpayment of the Vice-Chancellor's in 2016 by ₦6,209,951.08.

(v) Continued Payment of Vice-Chancellor's Salary to A Former Vice Chancellor of the University - ₦3,857,070.69

A former Vice-Chancellor was paid the salary and allowances of a Vice-Chancellor despite the expiration of his term of office, instead of the salary and allowances of a CONUASS 07 step 10 officer applicable to the most senior academic staff as stated in the Consolidated University Academic Salary Structure (CONUASS II) which is the salary scale the former Vice-Chancellor ought to have reverted to, after the completion of his term of office. This result in overpayment of emoluments totalling ₦3,857,070.69 from January to September 2016.

(vi) Continued Payment of Registrar's Salary to a former Registrar of the University- ₦407,221.50

A former Registrar of the University was paid the salary and allowances of a Registrar despite the expiration of her term of office, instead of reverting to the correct salary of CONTISS 15 step 9 (Consolidated Tertiary Institutions Salary II). This also result in an overpayment of emoluments totalling ₦407,221.50 from January to June 2016.

The above payments amount to irregular payments in the sum of ₦513,923,209.57 from the Personnel vote, since there was no Authority backing the payments.

Risk

Payment of unapproved salaries and allowances are form of misappropriation and may lead to loss of public funds.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to recover the irregular salaries and allowances in the sum of ₦513,923,209.57 and remit same to the Consolidated Revenue Fund. Sanctions stated within FR3106 and 3111 should apply.

Issue 2:**PAYMENT OF MOBILIZATION FEE ABOVE THE PRESCRIBED 15% - ₦78,507,792.56**

Section.35(1) of the Public Procurement Act 2007 provides that all mobilization fee of not more than 15% supported by an unconditional bank guarantee or insurance bond may be paid to a supplier or contractor.

Audit observed that mobilization fees totalling ₦78,507,792.56 (Seventy-eight million, five hundred and seven thousand, seven hundred and ninety-two-naira, fifty-six kobo) were paid to some contractors for supply of equipment and machineries at rates higher than the 15% prescribed by law. Some contractors were mobilized at rates as high as 75% of the contract sum.

Risk

This act may lead to loss of public funds, particularly, in the even where the contractors abandon the contract.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to justify the payment of the sum of ₦78,507,792.56 (Seventy-eight million, five hundred and seven thousand, seven hundred and ninetytwo naira, fifty-six kobo) in contravention of the above provision of the Public Procurement Act or to the recover the amount and pay back to government chest, failing which sanction stated within FR 3117 should apply.

Issue 3:**CIRCUMVENTION OF PROCUREMENT PROCEDURES - ₦24,859,874.3**

Treasury Circular No TRY/A2&B2/2009/OAGF/CAD/026/V of 24th March 2009 states that "All procurement of stores and services exceeding ₦200,000.00 shall be made only through the award of contract".

Audit observed that the University granted cash advances totalling ₦24,859,874.39 (Twenty-four million, eight hundred and fifty-nine thousand, eight hundred and seventy-four naira, thirty nine kobo) to staff for the purchase of store items and to execute projects in excess of the threshold of ₦200,000.00, thereby, contravening the above quoted circular.

Risk

The act exposes staff to theft or collusion with suppliers, considering the amount involved. Government is also denied revenue in the form of 5% VAT and WHT in the sum of ₦2,485,987.44.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to justify the above infraction and to recover the lost revenue in the sum of ₦2,485,987.44 and pay same to the Consolidated Revenue Fund, failing which sanctions stated within FR 3106 should apply.

Issue 4:

PAYMENT VOUCHERS WITHOUT SUPPORTING DOCUMENTS - ₦58,208,592.69

Financial Regulation 603 states that “All payments vouchers shall contain full particulars of each service such as dates, quantities distances and rates so as to enable them to be checked without reference to any other documents as they will invariably be supported with relevant documents such as local purchase orders, invoice special letter of authority time sheet etc.”

Audit observed that payments in the sum of ₦58,208,592.69 (Fifty- eight million, two hundred and eight thousand, five hundred and ninety-two naira, sixty-nine kobo) were raised and payments made without attaching relevant supporting documents that would have helped in ascertaining the validity of the payments.

Non-attachment of the relevant particular creates doubt as to whether the funds were used in the best interest of the University.

Risk

Possible misappropriation and payments without authorization.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to account for the sum of ₦58,208,592.69 being payments without supporting documents, otherwise sanction stated in FR 3106 should apply.

FEDERAL POLYTECHNIC, IDAH, KOGI STATE**Issue 1: NON-REMITTANCE OF 100% IGR - ₦9,889,298.50**

Treasury Circular No. TRY/A6 & B6/2014 OAGF/CAD/026/V.I/218 dated 20th November 2012 requires all revenue including earnings from use of government vehicles, investment incomes, contract registration, etc., to be remitted promptly into the Consolidated Revenue Fund

Audit observed that the sum of ₦9,889,298.50 which represents the independent revenue generated from contractor registration fees, Tender fees, hiring of academic gown, hiring of government vehicles, sales of journals, government assets etc. which should have been remitted 100% to the CRF was not remitted as required by the above Federal Treasury Circular.

This anomaly was due the failure of the Polytechnic to adhere to the provisions of extant law and regulations, especially where circulars are regularly issued to guide the financial activities of government.

Risk

The non-remittance of IGR by the Institute to the CRF as required by extant regulation may lead to the loss of revenue to Government.

Management's response

No response was received from management as at the time our report.

Recommendation

The Rector is required to remit the sum of ₦9,889,298.50 to the CRF. Evidence of compliance should be forwarded to the Public Accounts Committee of the National Assembly for verification, failing which sanction within FR 3112 should apply.

Issue 2: NON-REMITTANCE OF STATUTORY VAT AND WITHHOLDING TAX - ₦36,396,146.38

Financial Regulation 234(i) states that "It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and service contracts and actual remittance of same".

Similarly, FR 235 states that “Deductions for VAT, WHT and PYE shall be remitted to the Federal Inland Revenue at the same time the payee who is the subject of the deduction is paid”.

Audit observed that, the Polytechnic deducted VAT and WHT from contractors in the sum of ₦36,396,146.38, but failed to remit same to the appropriate tax authorities, in this case, the Federal Inland Revenue Service (FIRS), in line with the provision of the law.

The violation of the above law was due to the failure of the Polytechnic to strictly adhere to the provisions of laid down procedures guiding the collection and remittance of government revenue.

Risk

The Polytechnic’s action may result in the loss of revenue to government and thereby reduce its ability to provide infrastructure to the citizenry.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Rector is required to remit the sum of ₦36,396,146.38 to the Federal Inland Revenue Service (FIRS) and the evidence forwarded to the Public Accounts Committee of the National Assembly for verification, failing which sanction stated 234(ii) & (iii)

Issue 3: ENGAGEMENT OF A SOLICITOR WITHOUT APPROVAL OF THE ATTORNEY-GENERAL OF THE FEDERATION - ₦13,800,000.00

Federal Circular Ref. No. SGF/PS/CIR/625/1 of 16th July, 2003 states that “approval of the Honourable Attorney-General of the Federation should be obtained before External Solicitors/Advocates are hired, and legal fees agreed upon by Ministries and their Parastatals/Agencies for any service rendered; and that claims for professional fees, which are to be submitted to the Honourable Attorney-General of the Federation for clearance and approval, should be accompanied by the relevant Letter of Instruction and a Comprehensive Report on the services rendered, supported by relevant copies of process filed (if any) on behalf of the Government”

Audit observed that payments amounting to ₦13,800,000.00 were made to a legal firm for services described as professional fees, legal and appearance fees etc. These payments were made without the prior consent and approval of the Attorney General of the Federation in accordance with extant regulation.

This infraction is due to the failure of the Polytechnic to strictly comply with the provisions of extant laws and regulations issued by government to guide its activities.

Risk

This could result in the hiring of inexperienced solicitors and could lead to the depletion of scarce public funds. In addition, there may be no value for money.

Management's response

No response was received from management as at the time our report.

Recommendation

The Rector is required to justify the above infraction and to account for the sum of ₦13,800,000.00, failing which sanctions stated within FR 3106 should apply.

Issue 4: SERVICEABLE POLYTECHNIC VEHICLE SOLD TO THE FORMER RECTOR AND REGISTRAR - ₦16,000,000.00

Section 56(1) of the Public Procurement Act 2007 states that, “before slating any property for disposal, a valuation report by an Independent Evaluator should be prepared.

Section 55(3) Procurement Act 2007 also requires that a Procuring Entity should dispose property through open competitive bidding”

Audit observed that a Toyota land Cruiser with registration number 53K 01FG purchased on the 10th December, 2014 at the cost of ₦10,000,000.00 and a Toyota Prado Jeep with registration Number 53K 03FG, purchased and delivered on the 10th of December, 2014 at the cost of ₦6,000,000.00, were taken away by the former Rector and Registrar respectively. The former Officers were granted the vehicles at the depreciation rate of 50% of its current Net book value vide approval by the Council.

The above violation was due to the failure of the Rector to strictly adhere to the provisions of extant laws and regulations guiding the disposal of public assets. The procurement Act 2007 is very clear on this.

Risk

The Polytechnic may carry out the premature scrapping and the subsequent disposal of public assets without following due process, which may result in loss of assets, and ultimately, loss of public funds.

Management's response

No response was received from management as at the time our report.

Recommendation

We recommend that the Rector be sanctioned in accordance with the provisions of Financial Regulation 3114 and in line with PSR 030310.

Issue 5: NON-SUBMISSION OF AUDITED ACCOUNTS FOR 2018

Financial Regulation 3210(v) states that “The Chief Executive Officers shall submit both the Audited Accounts and Management Report to the Auditor-General and the Accountant-General not later than 31st May of the following year of Account”

Audit observed that the Audited Accounts for the 2018 financial year was not submitted to the Office of the Auditor General for the Federation in line with the provision of the law.

This infraction was due to failure of the management to adhere to the provisions of extant laws and regulations as they relate to the submission of financial statements.

Risk

Non-compliance with the submission of Audited Financial Statements deprives the office of the Auditor-General from carrying out his constitutional duties of vetting and commenting on the accounts. Also, those charged with governance are striped of the timely information on the Polytechnic’s performance and for decision making.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Rector is required to justify the lateness in submission and immediately submit the Audited Accounts for 2018 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply

FEDERAL UNIVERSITY OF AGRICULTURE, ABEOKUTA

Issue 1: NON-REMITTANCE OF 25% INTERNALLY GENERATED REVENUE TO CONSOLIDATED REVENUE FUND ACCOUNT - ₦289,305,604.47 —

Finance Circular Ref. No. BO/REV/12235/259/VII/201 dated 11th November 2011 restricts the expenditure of IGR to 75% of the gross revenue while 25% should be remitted to the CRF. Likewise, Treasury Circular Ref. No. TRY/A10&B10/2016 OAGF/CAD/026/VIII/101 of 22nd November 2016, paragraph 3b directed all partially funded Federal Government Agencies/Parastatals to limit their annual budgetary expenditure to no more than 75% of their gross revenue, and remit 25% to CRF or pay 80 percent operating surplus computed according to the approved template to CRF, whichever is higher.

Audit observed that the sum of ₦1,152,222,417.88 (One billion, one hundred and fifty-two million, two hundred and twenty-two thousand, four hundred and seventeen naira, eighty-eight kobo) was generated as Internally Generated Revenue (IGR), from January to December, 2017. The sum of ₦289,305,604.47 (two hundred and eighty-nine million three hundred and five thousand six hundred and four naira forty-seven kobo) being 25% of the gross IGR was not remitted to Consolidated Revenue Fund Account of Government.

The infraction was as a result of the disregard for the provision of the above Circulars by the University.

Risk

The non-remittance of IGR by the University to the CRF as required by extant regulation may lead to the loss of revenue to Government.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to account for the sum of ₦289,305,604.47 (Two hundred and eighty-nine million, three hundred and five thousand, six hundred and four naira, forty-seven kobo) and pay back to the CRF. Sanctions in line with FR 3112 (i) & (ii) should apply.

Issue 2: UNSPENT BALANCES ON RECURRENT EXPENDITURE - ₦86,210,630.24 —

Section 16 of Finance (Control and Management) Act, 1958 states "Subject to any express provision of an Appropriation Act or Supplementary Appropriation Act, monies appropriated

thereby and not expended shall lapse and accrue to the Consolidated Revenue Fund Account at the expiration of the year in respect of which they are appropriated”.

The audit observed that **Personnel cost** amounting to ₦86,210,630.24 (Eighty-six million, two hundred and ten thousand six hundred and thirty-naira, twenty-four kobo) out of the ₦5,058,482,214.97 (Five billion, and fifty eight million, four hundred and eighty two thousand, two hundred and fourteen naira, ninety seven kobo), released for the year 2017, was unspent. The unspent balance was not returned to chest. Further evaluation shows that actual performance was below 100% because releases were below approved appropriations.

This is a failure of management to comply with the above circular and improvise other sources of income to complement government efforts.

Risk

The non-remittance of lapsed releases by the University to the CRF as required by extant regulation may lead to the loss of revenue to Government.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to account for the sum of ₦86,210,630.24 (Eighty-six million, two hundred and eleven thousand, three hundred and sixty-four-naira, thirtynine kobo) and pay the money back into the Consolidated Revenue Fund, failing which sanctions in line with Financial Regulations 3129 and 3106 should apply.

Issue 3: ENGAGEMENT OF A SOLICITOR WITHOUT APPROVAL OF THE ATTORNEY-GENERAL OF THE FEDERATION - ₦33,375,000.00 —

Federal Circular Ref. No. SGF/PS/CIR/625/1 of 16th July, 2003 provides that approval of the Honorable Attorney-General of the Federation should be obtained before External Solicitors/Advocates are hired, and legal fees agreed upon by Ministries and their Parastatals/Agencies for any service rendered; and that claims for professional fees, which are to be submitted to the Honorable Attorney-General of the Federation for clearance and approval, should be accompanied by the relevant Letter of Instruction and a Comprehensive Report on the services rendered, supported by relevant copies of process filed (if any) on behalf of the Government.

Audit observed that payments amounting to ₦33,375,000.00 (Thirty-three million, three hundred and seventy-five thousand naira) were made in 2017 for services described as professional fees, legal and appearance fees etc. These payments were made without the prior

consent and approval of the Attorney General of the Federation in accordance with extant regulation.

This infraction is due to the failure of the University to strictly comply with the provisions of extant laws and regulations issued by government to guide its activities.

Risk

This could result in the hiring of inexperienced solicitors and could lead to the depletion of scarce public funds. In addition, there may be no value for money.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to justify the above infraction and to account for the sum of ₦33,375,000.00 (Thirty-three million, three hundred and seventy-five thousand naira), failing which sanctions stated within FR 3106 should apply.

Issue 4: NON-DEDUCTION OF STATUTORY WITHHOLDING AND VALUE ADDED TAX - ₦4,382,621.74

Financial Regulations 234(i) states “It is mandatory for Accounting Officers to ensure full compliance with Value Added dual roles of making provision for the value added tax (VAT) and Withholding Tax (WHT) due on supply and services contract and actual remittance of same “

Audit observed that withholding amounting to ₦705,662.50 (Seven hundred and five thousand six hundred and sixty-two naira fifty kobo) and value added tax on contracts amounting to ₦3,676,959.24 (Three million six hundred and seventy-six thousand nine hundred and fifty-nine naira twenty-four kobo), were not deducted from contracts awarded in 2017. Hence, no remittance of same to the relevant tax authorities.

The violation of the above law was due to the failure of the University to strictly adhere to the provisions of laid down procedures guiding the collection and remittance of government revenue.

Risk

The University's action may result in the loss of revenue to government and thereby reduce its ability to provide infrastructure to the citizenry.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to remit the sum of ₦4,382,621.74 to the Federal Inland Revenue Service (FIRS) and the evidence forwarded to the Public Accounts Committee of the National Assembly for verification, failing which sanctions stated 234(ii) & (iii)

Issue 5: MISAPPLICATION OF PERSONNEL FUNDS - N85,626,168.56

Financial Regulation 417 states “Expenditure shall strictly be classified in accordance with the Estimates, and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”.

Audit observed that 239 (Two hundred and Thirty-Nine) payments totaling N85,626,168.56 (Eighty-five million, six hundred and twenty-six thousand, one hundred and sixty-eight-naira, fifty-six kobo) were paid as Honorarium, overtime allowances and wages of outsourced staffs from the Personnel vote for the year 2017.

However, there was no evidence that the procedures for approval of virement in compliance extant Regulations were followed and necessary approval obtained before making those payments.

Risk

This act could result in in misappropriation of public funds.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to provide the approval from the National Assembly for the sum of N85,626,168.56 (Eighty-five million six hundred and twenty-six thousand one hundred and sixty-eight-naira fifty-six kobo) vired from personnel vote of the University, failing which sanctions stated within FR 3106 should apply.

Issue 6: PAYMENT WITHOUT RELEVANT SUPPORTING DOCUMENTS-N104,382,696.25

Financial Regulation 603 (i) states, “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”.

Audit observed that 40 (forty) payment vouchers amounting to N104,382,696.25 (One hundred and four million, three hundred and eighty-two thousand, six hundred and ninety-six-naira, twenty-five kobo), were raised between January and November, 2017 for the supply of vehicles, printing of Calendars, logistics for 2015/2016 graduation, etc. without Store Receipt Vouchers, Valuation Certificates, Certificates of Job Completion, Invoices, etc.

This infraction is a weakness of University's Internal Control, to ensure that appropriate process is followed before payments are made.

Risk

This failure could lead to inappropriate expenditure and waste of government resources without value for the money spent.

Management's response

No response was received from management as at the time our report.

Recommendations

The Vice Chancellor is required to account for the sum of ₦104,382,696.25 (One hundred and four million, three hundred and eighty-two thousand, six hundred and ninety-six-naira, twenty-five kobo) expended without attachment of relevant supporting documents, failing which sanction in line with FR 3106 should apply.

Issue 7: UNRETIRED CASH ADVANCES - ₦115,251,814.27

Financial Regulation 1420 states "It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered".

Audit observed that 40 (forty) cash advances amounting to ₦115,251,814.27 (One hundred and fifteen million, two hundred and fifty-one thousand, eight hundred and fourteen-naira, twenty-seven kobo), was granted to staff of the University between January and December, 2017 without retirement. Further examination revealed that some officers were granted additional advances without retiring the previous ones.

It was further observed that some officers were granted cash advances in excess of the approved threshold of ₦200,000.00, in contravention of extant regulations. For example, an officer was paid the sum of ₦2,500,000.00 vide Payment Voucher No.

4061, dated 23rd August 2017 as cash advances in respect of Eid-El-Kabir celebration.

This may be a result of the failure of the Internal Control System of the University.

Risk

This could lead to mismanagement of funds meant for execution of projects and programmes.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to account for the sum of ₦115,251,814.27 (One hundred and fifteen million, two hundred and fifty-one thousand, eight hundred and fourteen-naira, twenty-seven kobo) irregularly granted, failing which sanction in line with FR 3118 should apply.

Issue 8: IRREGULAR PAYMENT OF HONORARIUM - ₦93,732,659.00

Financial Regulation 415 states “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”.

The audit observed that ₦93,732,659.00 (Ninety-three million, seven hundred and thirty-two thousand, six hundred and fifty-nine naira), was paid as Honorarium to officials of the University, against the Bursar’s advice. The Bursar had advised that Honorarium is paid to non-officials on professional service to the Agency.

Negligence of the extant section of the Financial Regulation above by the management of the University reveals weaknesses of the Internal Control System.

Risk

This negligence could lead to misapplication and loss of government funds.

Management’s response

No response was received from management as at the time our report.

Recommendation.

The Vice Chancellor is required to recover the sum of ₦93,732,659.00 (Ninety-three million, seven hundred and thirty-two thousand, six hundred and fifty-nine naira) from the affected officials or be sanction in line with Financial Regulation 3115 and Public Service Rules 030301(h).

Issue 9: ABUSE OF SITTING ALLOWANCE - ₦13,293,500.00

The Federal Circular Ref. No SWC/5/04/5.310/T/65 dated 8th April 2016 paragraph 2 stipulates that the Chief Executive Officers and other Public Servants on monthly salary who are Board members in their own Establishments are not entitled to sitting allowance. The circular also pegged the frequency of meeting and maximum number of allowances to four (4) in a year.

Audit observed that the sum of ₦13,293,500.00 (Thirteen million, two hundred and ninety-three thousand, five hundred naira) was paid as sitting allowance for emergency meetings of the Governing Council for only one day through 4 payment vouchers, in contravention of the above circular.

S/no	PV DATE	PV No	DESCRIPTIONS	AMOUNT	REMARKS
1	8/9/17	5209	OPE	4,612,000.00	ALLOWANCE
2	14/10/17	5212	SITTING	877,000.00	ALLOWANCE
3	14/10/17	5213	SITTING	1,986,500.00	ALLOWANCE
4	27/10/17	5218	SITTING	1,818,000.00	ALLOWANCE
TOTAL				13,293,500.00	

Audit is concerned that the payment of the allowance to the Governing Council by the University was misappropriation as well as a failure of management to acquaint itself with Government policies.

Risk

Failure to operate within the laid down policies and regulations could lead to misapplication of funds and waste of resources.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to recover the sum of ₦13,293,500.00 (Thirteen million, two hundred and ninety-three thousand, five hundred naira) or be sanctioned in line with FR 3106.

Issue 10: PAYMENTS WITHOUT PAYMENT VOUCHERS - ₦39,622,903.93

Financial Regulation 601 states "All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised".

The audit observed that 9 (nine) payments totalling ₦39,622,903.93 (Thirty-nine million, six hundred and twenty-two thousand, nine hundred and three naira, ninety-three kobo), were made for supply of diesel, payment of allowances, release of Direct Teaching and Laboratory Cost (DTLC) and bank charges without payment vouchers.

This anomaly was due to the failure of the management to ensure that internal control procedures are properly followed.

Risk

Non-compliance with the above Financial Regulation could lead to the circumvention of system checks and balances, full disclosure of financial transaction, loss of source documents and mismanagement of government funds.

Management's response

No response was received from management as at the time our report.

Recommendations

The Vice Chancellor is required to account for the sum of ₦39,622,903.93 (Thirty-nine million, six hundred and twenty-two thousand, nine hundred and three-naira, ninety-three kobo) and remit same to the Consolidated Revenue Fund, and evidence of remittance forwarded to the Public Accounts Committee of the National Assembly. Sanctions in line with FR 3106 and Public Service Rules 030301(d) should apply.

Issue 11: SPLITTING OF CONTRACT - ₦93,555,555.54

Section 24 (1) of the Public Procurement Act (PPA) and Financial Regulation 2921 provides that except as provided by this Act, all procurements of goods, works and services shall be by way of open Competitive Bidding. All Contractors/suppliers shall be subjected to the same level of playing ground. The Bureau of Public Procurement (BPP) in its approved revised threshold for service-wide application through circular reference No. SGF/OP/I/S.3/VIII/57 of 11th of March, 2009 stated that expenditures for goods by Parastatal Tenders Board should be between ₦2,500,000.00 and above but less than ₦50,000,000.00.

The audit observed that a contract for the supply of 11 Hyundai vehicles worth ₦93,555,555.54 (Ninety three million, five hundred and fifty five thousand, five hundred and fifty five naira, fifty four kobo) was split into three (3) and given to the same company, in contravention of the above provisions and to avoid the University's threshold. The following analysis is provided in the table below.

S/No	PV DATE	PV No	DESCRIPTION	AMOUNT	REMARKS
1	23/10/17	5509	I (One) Unit of Hyundai Accent (2016)	6,888,888.88	'No Objection cert.' not obtained
2	23/10/17	5510	5 (Five) Units of Hyundai Elantra 1.6LT	43,333,333.33	
3	10/12/17	5618	5 (Five) Units of Hyundai Elantra 1.6LT	43,333,333.33	
			TOTAL	93,555,555.54	

The split was a circumvention of the Tender's Board procedure, Financial Regulation 2921, and Public Procurement Act 24(1) by the management of the University.

Risk

This act could lead to misappropriation and uneconomical spending of public funds.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to explain the contract splitting in the sum of ₦93,555,555.54 (Ninety-three million, five hundred and fifty-five thousand, five hundred and fifty-five-naira, fifty-four kobo). Sanctions as provided by FR 3116 should apply.

Issue 12: CONTRACTS WITHOUT DUE PROCESS - ₦113,075,079.50

Financial Regulation 2921 (i) states "Except as exempted under the Procurement Act, all procurement of goods, works and services shall be by way of Open Competitive Bidding by which is meant that all contractors/suppliers shall be subjected to the same level playing ground. The format for submission of bids, the deadline for submission and the pre-determined criteria for evaluation shall not vary from one contractor/supplier to the other; they shall be the same."

Audit observed that the sum of ₦113,075,079.50 (One hundred and thirteen million, seventy-five thousand, seventy-nine-naira, fifty kobo) was paid through twenty-five (25) payment vouchers for supplies, painting, printing and bandwidth subscription between January and November 2017. Notable among the payment vouchers are payment for bandwidth subscription vide PV No 415 of 25/01/2017 and supply of Hiti cards printer vide PV No 3595 of 01/07/2017.

There was no evidence of compliance with due process in terms of competitive bidding, quotations, etc. in the award of the contracts to the firms to ensure transparency, probity, and accountability in the awards.

Risk

Non-compliance with due process in the award could result in awarding contracts to incompetent contractors, without value for money and at the expense of the general public and the University.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to account for the sum of ₦113,075,079.50 (One hundred and thirteen million, seventy-five thousand, seventy-nine-naira, fifty kobo) irregularly awarded contracts. Sanctions in accordance with FR 3117 (I) should apply.

Issue 13: NON-RECOVERY OF ADVANCE PAYMENT - ₦14,413,410.38

Financial Regulation 708 states that “On no account should payment be made for services not yet performed or for goods not yet supplied”.

Audit observed that Advance Payment (Mobilization Fee) in the sum of ₦30,186,946.13 (Thirty million, one hundred and eighty-six thousand, nine hundred and forty-six naira, and thirteen kobo) was made to a contractor from the contract sum of ₦202,237,723.73 (Two hundred and two million, two hundred and thirty-seven thousand, seven hundred and twenty-three naira, seventy-three kobo) for the construction of Academic Building Complex (lot 2), Complaint Building and Female Hostel (lot 2). However, the contract was later revoked and re-awarded to the lowest evaluated responsive bidder at the instance of the Bureau of Public Procurement. It was however noted that the value of work executed by the first contractor in the sum of ₦11,513,659.50 was reviewed upwards to ₦15,773,533.75 with the balance of the advance payment of ₦14,413,410.38 representing amount for work not done.

The above shows the risk of granting of mobilization fee for contracts without an Advance Payment Guarantee (APG) being received from the contractors.

Risk

The above practice could lead to loss of government funds without value for money.

Management's response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to recover the sum of ₦14,413,410.38 (Fourteen million, four hundred and thirteen thousand, four hundred and ten-naira, thirty-eight kobo). Sanctions in line with FR 3104 (i) & (iii).

The University is also required to ensure all advance payments to contractors are secured with Advance Payment Guarantees from a reputable bank.

Issue 14: STORE ITEMS NOT TAKEN ON LEDGER CHARGE -
₦163,914,940.00 —

Financial Regulation 2402(i) “The storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original Local Purchase Order (LPO).”

The audit observed that Store items valued at ₦163,914,940.00 (One hundred and sixty-three million, nine hundred and fourteen thousand, nine hundred and forty naira), procured in 2017 were not taken on ledger charge in the store ledgers and tally cards before they were said to be issued out. The Store Receipt Vouchers (SRV) and Store Issue Vouchers (SIV) were also not produced for review to confirm the receipt and issuance of the store items.

Non-availability of the store records implied that management was complacent with the provisions of the Financial Regulation stated above.

Risk

The items may not have been supplied. The action could distort the University’s Fixed Assets Register and could lead to waste or mismanagement of public funds by the University.

Management’s response

No response was received from management as at the time our report.

Recommendation

The Vice Chancellor is required to account and recover the sum of ₦163,914,940.00 (One hundred and sixty-three million nine hundred and fourteen thousand, nine hundred and forty naira). Sanctions in line with FR 3129 should apply.

Issue 15: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS

Financial Regulation 3210(v) makes it mandatory for Chief Executive Officer of each parastatals to submit both Audited Accounts and Management Report to the Auditor- General for the Federation.

Audit observed that the Audited Financial Statements of the College for the years 2016 and 2017 together with the Management Report for the same period are yet to be submitted to the Office of the Auditor-General for the Federation for his vetting and comments as at the time of this report.

Risks

Non-submission of Audited Financial Statements deprives the Auditor-General for the Federation from carrying out his constitutional duties of vetting and commenting on the accounts.

Management's response

There was no response from management as at the time of our report.

Recommendation

The Vice Chancellor is required to justify the lateness in submission and immediately submit the Audited Accounts for 2016 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

SECTION 7
REVENUE AND ECONOMIC
SECTOR AUDIT DEPARTMENT

REVENUE AND ECONOMIC SECTOR AUDIT DEPARTMENT

DEPARTMENT OF PETROLEUM RESOURCES (DPR)

Issue 1: UNEXPLAINED WITHDRAWALS FROM DPR SIGNATURE BONUS ACCOUNT WITH JPMORGAN CHASE BANK: US\$759,387,755.10

The Provision of Section 162(1) of the Constitution of the Federal Republic of Nigeria 1999 (as amended) states that “The Federation Shall maintain a special account to be called “the Federation Account” into which shall be paid all revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the Federation, the Nigerian Police Force, the Ministry or department of government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja”.

We observed during our audit that the sum of US\$469,387,755.10 was withdrawn from the Signature Bonus Account of the Department domiciled with JP Morgan Chase Bank between April 10th and April 30th 2015 and paid to an account called, "CBN AUTONOMOUS FEM ACCOUNT GARKI ABUJA NIGERIA", rather than being swept to the Federation account in line with the provision of the law.

Similarly, US\$290,000,000.00 was withdrawn from the Signature Bonus Account domiciled with JP Morgan Chase Bank in three tranches: July 7th, 2014 - \$100,000,000.00; February 19th 2015 - \$40,000,000.00; and May 8th 2015 - \$150,000,000.00, via Standard Chartered Bank to First Bank Nigeria, in favour of Petroleum Technology Development Fund (PTDF) with the description, "BEING FUNDS RELEASED TO PTDF FOR EXECUTION OF CRITICAL PROJECT" rather than being swept to Federation Account. These withdrawals from the Signature Bonus account are recognized in the books of the Department.

This infraction was due to the failure of the Director of the Department to strictly comply with the provisions of extant laws and regulations and not circumvent laid down procedures guiding the sweeping of revenues generated by MDAs to the CRF.

No explanation was provided on these withdrawals as the Department claimed that it has no control over withdrawal from the Signature Bonus Account, though it accounts for such withdrawals in its cash book.

Risks

The Department may engage in unauthorized movement of funds from its revenues and Government revenues may not be properly accounted for.

Management's response

There was no response from management as at the time of our report.

Recommendations

The Director DPR should produce the source of authority to the Public Accounts Committee of the National Assembly, authorizing the transfer of funds from the Signature Bonus Account to any other account other than to the Federation Account.

Furthermore, the Accountant-General of the Federation and the Honourable Minister of Finance should forward to the Public Accounts Committee of the National Assembly, the details of the utilization of the US\$759,387,755.10 withdrawn from the Signature Bonus Account.

FEDERAL MINISTRY OF FINANCE**Issue 1: RELEASES FROM SERVICE WIDE VOTE NOT PROPERLY ACCOUNTED FOR - ₦2,828,771,854.37**

Financial Regulation 601 states, "All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised."

During our audit, it was observed the sum of ₦2,885,772,493.27 was released to the Federal Ministry of Finance from the Service Wide Vote. This was to take care of estacodes and other allowances for representing the Federal Government in internationally organized annual board meetings, conferences and workshops including contribution to Organization for Petroleum Exporting Countries (OPEC). Of this amount, Payment vouchers were raised for the sum of ₦113,558,372.85 leaving the sum of ₦2,772,214,120.42 unaccounted for.

This infraction was due to the failure of the Permanent Secretary to seek approval from the appropriate authorities to incur the above expenditure which is seemingly unaccounted for.

Risk

The Ministry may carry out such unauthorized or unapproved expenditure that may lead to diversion of public funds for other purposes. It may also lead to mismanagement and underutilization of public funds.

Management's response

The Ministry's responded that, the sum of ₦2,828,771,854.37 for Nigeria's contribution to OPEC was released by Cash Management Department to Office of the Accountant General of the Federation and not to Federal Ministry of Finance. As a result, all enquiries for necessary supporting documents including evidence acknowledging such payment should be directed to OAGF.

With regards to the sum of ₦113,558,372.85 spent on annual board meetings, conferences and workshops, the sum of ₦57,000,638.90 was funded from the Service Wide Vote while the balance i.e. ₦56,557,733.95 was funded from the Ministry's 2017 budget. All the payments made are in line with the mandate of the Ministry and all necessary documents including the payment vouchers attached.

The Ministry's response addressed significantly all the queries raised on this issue except for the part where the sum of ₦2,828,771,854.37 released to them as Nigeria's contribution to OPEC remained unaccounted for.

Recommendation

The Accountant General of the Federation should be made to account for the sum of ₦2,828,771,854.37 paid to his office from the Cash Management Department of the Federal Ministry of Finance in respect of Nigeria's contribution to OPEC.

Issue 2: AWARD OF CONTRACT WITHOUT DUE PROCESS - ₦98,540,500.00

The Provision of Section 19 and 21 of the Public Procurement Act 2007 provide, in detail, the Procurement Implementation and the Procurement Planning activities. These activities are properly captured in the Ministerial Tenders Board minutes. These provisions are very clear on due process in procurement matters. Section 35(1) of the Public Procurement Act 2007 also prescribes payment of 15% mobilization fee on presentation of unconditional bank guarantee. Section 35(2) of the Public Procurement Act 2007 state that, "Once a mobilisation fee has been paid to any supplier or contractor, no further payment shall be made to the supplier or contractor without an Interim performance certificate issued in accordance with the contract agreement"

It was observed that a contract awarded on 17th May 2017, for the Design, Development and Deployment of National One Book Public Financial Management Solution did not comply with the various provisions of extant laws as follows:

- (a) Minutes of Ministerial Tenders Board was not produced to ascertain whether or not a contract awarded to a contractor for the sum of ₦98,540,500.00 followed due process.
- (b) 100% mobilization was paid to the contractor as against 15% in line with the Public Procurement Act. No unconditional bank guarantee was provided.
- (c) Payment for the contract was based on the recommendation of the Director Home Finance Department and not on performance certificate as prescribed by extant laws.
- (d) There was no evidence to show that the concerned officers of the Ministry were trained in accordance with the contract agreement.
- (e) The sum of ₦9,354,809.52 deducted as WHT and VAT was not supported by FIRS receipts evidencing tax payment.
- (f) The project was not budgeted for in the 2017 Appropriation Act, an indication of extra-budgetary expenditure.

This infraction was due to the failure of the Permanent Secretary to strictly adhere to the provisions of the Procurement Act and other relevant extant laws and regulations.

Risk

The Ministry may carry out unauthorized or extra-budgetary expenditures not provided for in the 2017 estimates at the detriment of legitimate expenditure items which were contained in the approved estimate.

Management's response

The Ministry responded that, the award of the contract followed due process as evidenced by the Ministerial Tenders Board Minutes attached with the relevant appendices. And that the WHT and VAT for the contract were deducted and remitted accordingly to FIRS as per the e-payment remittance form attached.

Auditor's evaluation

The Ministry's explanation did not satisfactorily address all the issues raised. Apart from attaching evidence of MTB's minutes and approval, other issues were not sufficiently addressed. The provision of Public Procurement Act on payment of mobilization fees and bank guarantee was breached. Payment for the contract was made once without any performance certificate. There was no evidence of trainings carried out attached. There was also no evidence of performance of the contract.

Recommendation

The Permanent Secretary is required to account for the sum of ₦98,540,500.00 spent on the project, failing which the amount should be refunded. Evidence of remittance should be forwarded to the Public Accounts Committee of the National Assembly.

Issue 3: FAILURE TO PRESENT PAYMENT VOUCHERS FOR AUDIT - ₦98,759,299.20

Financial Regulation 601 states, “All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.”

We observed during the audit for the period Jan – Dec. 2017, that, seven (7) payment vouchers for the sum of ₦98,759,299.20 were not presented for audit, in spite of series of reminders. This is in contravention of the provisions of the extant laws above.

This anomaly was due to the failure of the Permanent Secretary to build capacity and ensure that internal control procedures are in place and that schedule officers are properly supervised by their superiors to guard against violation of extant laws and regulations.

Risk

The Ministry may incur unauthorized or unapproved expenditures for which payment vouchers are not raised. Such expenditures may not have been incurred in the public interest as occurrence and completeness was not tested.

Management’s response

The response of the Ministry was that the payment vouchers were not missing but were raised and sent to the Office of the Accountant-General of the Federation for payment because the special fund meant for the Efficiency Department of the Ministry is domiciled in OAGF. All enquiries for the payment vouchers should be directed to OAGF.

Auditor’s evaluation

These payment vouchers were raised and duly entered in the Ministry's vote book. Therefore, the office where the account was domiciled is not material as the vote is being controlled by the Ministry. It is the responsibility of the Ministry of Finance to produce the vouchers for audit.

Recommendation

The Permanent Secretary is required to account for the sum of ₦98,759,299.20 to the Public Accounts Committee of the National Assembly. Sanctions in line with FR 3106 should apply.

Issue 4: UNSUBSTANTIATED PRE-RETIREMENT TRAINING EXPENSES - **₦28,002,340.00** —

Section 3106 of Financial Regulation states ‘A public officer who makes an irregular payment from public funds, shall be given 21 days’ notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule

Seven (7) memos (request) amounting to ₦28,002,340.00 were made simultaneously by various officers between 5th and 6th April 2017, for pre-retirement training expenditures and approval was granted on 17th July 2017 by the Permanent Secretary of the Ministry. Further audit scrutiny revealed the following:

- (a) The memos raised suggest contract splitting and may have been done to circumvent the approval threshold of the Permanent Secretary.
- (b) One of the consultants, merely gave a brief history of his consulting firm in his proposal and failed to quote any price as cost of the training while the Ministry the sum of ₦5,670,060.00 to the consultant.
- (c) Copies of the consultant’s proposal dated 17/01/2017 were made and used as part of supporting documents in all the seven approvals granted.
- (d) Request for payment from the consultant was dated 20/01/2017 while the first payment voucher in his favour was dated 13/01/2017 (7 days before his request).
- (e) The means through which the beneficiaries were paid was not made clear as no document evidencing that the officers mentioned in schedules attached were actually paid.

This infraction was due to the failure of the Permanent Secretary to adhere to the provisions of extant laws and regulations, on compliance with the procurement act guiding due process in contract award.

The Ministry may carry out activities in respect of award of contract that are not in line with the provisions of extant laws and regulations.

Management’s response

The Ministry responded that, due process was followed in conducting the training exercise because the Consultant, is on the list of Registered Consultants that work for the Ministry and that it is a reputable certified consultant that has carried out several training programmes in conjunction with the Ministry. Memos were raised by the Desk Officers and the amounts approved are within the Permanent Secretary’s approval threshold.

- (a) The sum approved and paid for the training was ₦24,708,090.00 and not ₦28,002,340.00 as stated in your report. It has been observed that item no. 3 on the table as presented in your report is a duplication of item no. 6. The details of the payments made are as attached.
- (b) The fact that the beneficiaries signed the attendance register is evidence that they were paid their entitlements. The payments were effected via the GIFMIS platform. The attendance register is attached.

Auditor's evaluation

The Ministry in their response failed to attach evidence of the following:

- (a) The proposal for the training submitted by the Consultant showing among other things how the cost for the training was arrived at.
- (b) Printout of the GIFMIS platform where the participants were paid individually for the trainings. The fact that attendance registers was attached in not enough evidence to show that the participants were actually paid.

The issue of contract split was not sufficiently addressed. The memos were for one item (pre-retirement) training, and so it is unclear why many desk officers were asked to raise memos rather than prepare a single memo and seek for the Ministry's Tenders Board approval.

Recommendation

The Permanent Secretary is required to account for the sum of ₦24,708,090.00. Sanctions in line with FR 3106 should apply.

Issue 5: NON-MAINTENANCE OF FIXED ASSET REGISTER

The Provisions of Financial Regulations Financial regulations 2209 and 2210 state that "Every item of plant shall be numbered in a series to be recorded in a register at the headquarters of a Ministry/extra-ministerial office and other arms of government concerned with the acquisition and issue of the plant. The appropriate series and number shall be inscribed on the equipment. The receipt of the plant ledger to be maintained by the officer in charge of the workshop or unit, and for fixed plant, the record shall show the location of the plant in use". FR 2208 further provides that, the term "plant" includes both fixed and movable items such as machines, engine, boilers, etc. FR 2216 and 2217 provide for the recording of Assets in a Master Inventory Record to certify their existence and the display inventory boards in all offices.

During the audit, for the period Jan – Dec 2017 the following observations were made:

- (a) The Ministry does not maintain a plant ledger to record both fixed and movable items.
- (b) Items of plant and furniture purchased directly by the Ministry or acquired from other establishments were not serially numbered.
- (c) The location of furniture and equipment within the office building were not recorded in a Master Inventory Record to certify their existence and furniture inventory boards were not displayed in all the offices.

This infraction was due to the failure of the Ministry to adhere to laid down procedures, especially regarding the maintenance of Government assets as prescribed by the provisions of extant laws and regulations.

Risk

The assets of the Ministry can be diverted to personal use when the records are not maintained.

Management's response

The Ministry responded that, a comprehensive inventory exercise for all the furniture and equipment in the Ministry was carried out in 2016. And that during the exercise, the furniture and equipment in every office were placed in the offices. However, due to the re-arrangement of offices to accommodate newly posted and promoted Officers in the subsequent years, there were movement of these items from one office to another and this rendered the inventory records invalid.

A fresh inventory exercise aimed at updating the records was on-going. Copies of the documents will be made available at the end of the exercise.

Auditor's evaluation

The Ministry did not attach evidence of maintaining plants/fixed asset registers, master inventory records or furniture inventory boards. There was no evidence to show that fixed asset registers exist.

Recommendation

The Permanent Secretary is required to justify to the Public Accounts Committee the failure of the Ministry to maintain adequate asset registers.

FINANCIAL REPORTING COUNCIL

Issue 1: ILLEGAL DIVERSION OF PUBLIC FUNDS - ₦720,000,000.00

The Provision of Head of Service Circular No. HCSF/428/S.1/120, dated 7th August, 2015 state that, “The President of the Federal Republic of Nigeria has approved the establishment and operation of Treasury Single Account for e-Collection of Government Receipts for all Federal MDAs with effect from the date of this circular” Circular No. HCSF/428/S.1/125, dated 4th September, 2015, further mandated all Ministries, Departments and Agencies (MDAs), to unflinching comply with the TSA policy of government on or before Tuesday 15th September 2015.

A follow up Circular No. TRY/A7&B7/2015/OAGF/CAD/026/VOL.11/240, dated 5th October, 2015 stated that “following the expiration of the September, 15th 2015 deadline for all MDAs to comply with the Presidential directive on the establishment and operation of Treasury Single Account/E-Collection scheme, it is expected that all accounts maintained and operated in the DMBs (Deposit Money Banks) by MDAs would have been closed and balances transferred to the Central Bank of Nigeria (CBN)”.

During the 2018 audit, it was observed that, the bank statement of the Council’s Zenith Bank account number 1012632878 for the period 03/11/2016-27/10/2017, had a balance of ₦755,048,280.94 as at 03/08/2017. From this amount, the Council invested the sum of ₦720,000,000.00 in Treasury Bill for a tenure of 92 days leaving a balance of ₦35,048,280.94. This was to be fully liquidated by November 2017. But contrary to this, the account was closed on 27th October 2017, with a transfer of only ₦34,481,280.91 to the Consolidated Revenue Fund (CFR), leaving the investment of ₦720,000,000.00 and interest accruing unaccounted for.

The contravention of this Presidential directive was due to the failure of the Executive Secretary to strictly adhere to the provisions of extant laws and regulations, in this case, gross violation of presidential directive without obtaining any form of exemption.

Risk

The Council may carry out activities that are in gross violation of extant rules and regulations which may lead to loss of government funds through misappropriation.

Management’s response

Management’s response was that the fund in question comprised donations from third parties for the Council’s IFRS Academy. At the introduction of TSA, the fund was still on investment. The investment matured in November 2017 and was transferred to the Council’s TSA Account. All funds belonging to the Council are domiciled with Central Bank of Nigeria (TSA).

The Council’s response did not address the issue raised. The bank statement for the transactions attached to their response contains no heading indicating the name of the account and other expected information. It also did not show where and when the fund was transferred to the CBN.

Recommendation

The Executive Secretary is required to:

- (i) Account for the sum of ₦720,000,000.00 and the interest accrued therein.
- (ii) Produce Zenith bank statement account number 1012632878 for the period (August to October 2017) to the Public Account Committee of the National Assembly for scrutiny.
- (iii) Produce a comprehensive CBN statement for November 2017 to the Public Account Committee of the National Assembly for scrutiny.

Issue 2:**UNREMITTED REVENUE/OPERATING SURPLUS
FOR 2017 - ₦104,975,043.80**

Section 22 of the Fiscal Responsibility Act 2007 states “each corporation shall establish a general reserve fund and shall allocate thereto at the end of each financial year, one-fifth of its operating surplus for the year. The balance of the operating surplus shall be paid to the Consolidated Revenue of the Federal Government, not later than one month following the statutory deadline for publishing each corporation’s accounts”.

We observed from our audit that, the sum of ₦847,775,136.00 (Eight hundred and fortyseven million, seven hundred and seventy five thousand, one hundred and thirty six naira) was posted as the amount of Internally Generated Revenue (IGR) from the Statement of Surplus or Deficit and other Comprehensive Income for the year ended 31st December, 2017. The Council got approval to spend the sum of ₦572,222,495.00 on personnel and administrative costs, leaving a balance of ₦275,552,661.00 as operating surplus for the year. There was no evidence to show that 80% of that amount had been transferred to CRF. Instead, treasury receipts relating to arrears of unpaid 80% operating surpluses were provided as evidence of transfer to CRF.

This infraction was due to the failure of the Executive Secretary to comply with the provision of the Fiscal Responsibility Act 2007 guiding the remittance of operating surplus by agencies of government.

Risk

The Council may carry out activities that are not in consonant of the law, resulting in gross infractions which may lead to loss of revenue to government in this circumstance and ultimately deny the citizens the much need infrastructure aimed at improving their standard of living.

Management's response

Management's response was that the sum of ₦115,467,085.00 was deducted at source from the Council's Account as part payment of Operating Surplus for 2017. The remaining balance will be paid on conclusion of ongoing reconciliation with OAGF regarding the Council's money mopped into Consolidated Revenue Fund (CRF) in

2015. Treasury Receipt No. 003071027 dated 12/02/2018 amounting to ₦115,467,085.00 was attached as evidence of direct remittance from source into the CRF for operating surplus.

Recommendation

The Executive Secretary is required to remit the sum of ₦104,975,043.80 being outstanding balance of operating surplus into the CRF and provide evidence of compliance to the Public Account Committee of the National Assembly. Sanctions in line with FR 3112 (ii) should apply.

Issue 3: LOSS OF PUBLIC FUND RESULTING FROM RENEWAL OF RENT AT L&CI BUILDING - ₦66,073,710.00

Financial Regulations 415, states that, "all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted"

It was observed that, on 21/11/16 the sum of ₦42,628,200.00 (Forty-two million, six hundred and twenty-eight thousand, two hundred naira) was paid as rent to Japaul Oil and Maritime Services for an office space at Japaul Building. ₦23,445,509.67 (Twenty three million, four hundred and forty five thousand, five hundred and nine naira, sixty seven kobo) was paid to Sola Oluseyi & Co, as legal and agency fee for the office space, making a total of ₦66,073,710.00 (Sixty six million, and seventy three thousand, seven hundred and ten naira) for two years ending 1/1/2019. The Council is yet to move into the building, twenty (20) months running with 4 months to its expiration.

This anomaly was due to the failure of the Executive Secretary to exercise due diligence in the application of public funds by ensuring that value is received for money expended.

Risk

The Council may carry out expenditure of such magnitude and yet fail to receive value. Huge sum of money was paid for rent by the Council, but failed to occupy the building, this amounts to waste of government resources.

Management's response

Management's response was that, upon the acquisition of the office accommodation at the Japaul House, there was need to give the property a face-lift including partitioning befitting of an office. However, there was change of Executive Secretary in 2017, which slowed the process of award of contract. Secondly, the Landlord was not willing to renew the tenancy agreement

after the expiration of the current agreement. The Management further remarked that, the Council is taking steps to utilize the building and secure a further lease from the Landlord.

Auditor's evaluation

The Council's response did not justify the expenditure made on rent while they failed to occupy the building.

Recommendation

The Executive Secretary is required to account for the sum of ₦66,073,710.00 by way of refund to the CRF. He should be sanctioned in line with provisions of FR 3109.

Issue 4: EXTRA BUDGETARY EXPENDITURE ON PERSONNEL COST – ₦258,589,479.00

Financial Regulation 301 states that, "the annual estimates and Appropriation Act are instruments used to limit and arrange annually the disbursement of funds of the Federal Government. No expenditure may be incurred except on the authority of warrant issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the estimate, until he has received an authority to do so in accordance with one of the following provisions in the Act, rules, and regulations. Any officer controlling a vote, or part thereof, who incurs expenditure without such authority does so on sole responsibility and will consequently, be held pecuniary responsible for his actions". The provision of Financial Regulation 417 equally state that, "Expenditure shall strictly be classified in accordance with the estimates, and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed"

We observed, from our audit, that the Council incurred the sum of ₦339,834,586.00 (Three hundred and thirty-nine million, eight hundred and thirty four thousand, five hundred and eighty six naira, as against ₦81,245,107.00 (Eighty one million, two hundred and forty five thousand, one hundred and seven naira) contained in the 2017 approved budget. This resulted in an extra budgetary expenditure of ₦258,589,479.00 (Two hundred and fifty-eight million, five hundred and eighty-nine thousand, four hundred and seventy-nine naira) as follows:

PERSONNEL COST:	BUDGET	ACTUAL	DIFFERENCE
	<u>₦</u>	<u>₦</u>	<u>₦</u>
	<u>81,245,107.00</u>	<u>339,834,556.00</u>	<u>258,589,479.00</u>

This non-compliance with the Appropriation Act was due to the failure of the Executive Secretary to seek approval for supplementary budget from the appropriate authorities, that is, through the Ministry of Finance and National Assembly.

Risk

If not checked, the Council may carry out unapproved or unbudgeted expenditure which can lead to diversion and misapplication of public funds for other purposes which are not beneficial to the citizens. Unapproved allowances might also have been paid by the Council.

Management's response

The Council responded that it had not in any way embarked on extra budgetary expenditure on personnel cost as contained in the Auditor-General's report. Council's approved Budget by the National Assembly was attached.

Auditor's evaluation

What was presented as the Council's approved budget did not show where the National Assembly approved additional funds for Personnel Cost. The budget performance attached cannot substitute for an approved budget from the National Assembly.

Recommendation

The Executive Secretary is required to account for the sum of ₦258,589,479.00 being extra budgetary personnel expenditure not approved by the National Assembly, and sanctions in line with the provisions of FR 3106 should apply.

**Issue 5: PAYMENT VOUCHERS WITHOUT INTERNAL AUDIT STAMP
AND DATES - ₦28,765,842.11**

The Provision of Financial Regulations 1705 state that "Head of Internal Audit unit in all Ministries/Extra-Ministerial offices and other arm of government shall ensure that 100% pre-payment audit of all checked and passed vouchers is carried out, and the vouchers forwarded under security schedule direct to appropriate Central Pay Office for payment" Section 1710 of the Financial Regulation explicitly state that "Internal Audit certification on payment vouchers and other accounting books and records examined shall be through the use of Internal Audit stamps. All Internal Audit stamps shall be issued by the Accountant-General and shall be regarded strictly as a security instrument"

During the audit, it was observed that sixty four (64) payment vouchers for the sum of ₦28,765,842.11 (Twenty eight million, seven hundred and sixty five thousand, eight hundred and forty two naira, eleven kobo) were raised and paid without the Internal Audit stamps and dates, in contravention with the provisions of extant laws and regulations.

This infraction was due to the failure of the Executive Secretary to strictly comply with the provisions of law and laid down procedures aimed at the strengthening the internal control system in government agencies. Payments arising from vouchers not preaudited cannot be accepted as judicious charge against public funds.

Risk

The Council could have carried out expenditures that are not in line with approved budget and procedures of government. Also, non-compliance with prepayment audit requirements can lead to a weak internal control system.

Management's response

The Council's response was that payments were made when the Internal Auditor was on leave and all the vouchers were brought to him on resumption, he sighted and certified the payment vouchers.

Auditor's evaluation

The response of the Council on this issue was not satisfactory. Government is a continuum and the absence of one officer should not make a unit or department to close shop.

Recommendation

The Executive Secretary is required to account for the sum of ₦28,765,842.11 to the Public Accounts Committee of the National Assembly, being payments made from vouchers not pre-audited, and sanctions in line with provisions of 3106 should apply.

Issue 6: CONTRACTS AWARDED WITHOUT EVIDENCE OF INDUSTRIAL TRAINING FUND AND NIGERIAN SOCIAL INSURANCE TRUST FUND REMITTANCES - ₦13,431,340.00

Treasury Circular No. SGF.OP/1/S.3/IX/358, dated 10/7/12, mandates any person or company with not less than five (5) staff or annual turnover of ₦50 million and above entering into business with government to remit 1% of its total annual payroll to the Industry Training Fund and the Nigerian Social Insurance Trust Fund.

During the audit, it was observed that the seven (7) companies entered into contracts with FRC without evidence of compliance with the above directives for which the sum of ₦13,431,340.00 was paid.

This anomaly was due mainly to the failure of the Executive Secretary to strictly comply with laid down procedures and the provisions of extant laws and regulations guiding the remittance of 1% of the total payroll of Company's under the guideline to the ITF and NSITF before awarding contracts to the company.

Risk

The Council may have awarded contracts to companies that were not fully compliant with the guideline thereby denying government the much-needed revenue that these companies would have paid to the relevant government agencies had the directive been followed.

Management's response

The Council's response was that it was not aware of the provisions of the Treasury Circular No. SGFOP/1/S.3/IX/358 dated 10/07/2012. However, it gave its commitment to be compliant going forward.

Auditor's evaluation

The response of the Council was deemed not satisfactory since ignorance is not an excuse in law.

Recommendation

The Executive Secretary is required to produce the Industrial Training Fund and Nigerian Social Insurance Trust Fund certificates of these seven companies qualifying them for contract award, otherwise refund the sum of ₦13,431,340.00 paid to them to the CRF. Evidence of compliance should be forwarded to the Public Accounts Committee of the National Assembly.

Issue 7: PAYMENT VOUCHERS WITHOUT SUPPORTING DOCUMENTS – ₦1,500,000.00

The Provision of Financial Regulations 603(1) states that "All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to enable them be checked without reference to any other documents and will invariably be supported by relevant documents such as local Purchase Orders, Invoices, Special letters of authority, etc."

During our audit, we observed that, two payment vouchers, 678/278 and 678/277, both dated 5/02/2017, for the sum of ₦1,500,000.00 (One million, five hundred thousand naira), approved in favour of a staff for logistics, inauguration of Council and for Media Coverage, was not accounted for. Apart from the approval memo for the payments, no single document was attached to show effective utilization of the funds.

This infraction is due to the failure of the Executive Secretary to strictly comply with the laid procedures and adherence the provisions of extant laws and regulations guiding payments for goods and services by government.

Risk

The Council may carry out payments with no supporting documents attached to the vouchers, thereby circumventing key provisions of the law. There is the possibility that such payments made may not have evidence of occurrence and completeness of the transactions. It is an indication of internal control weakness in the payment process of the Council.

Management's response

The response of the Council on this issue was not satisfactory. The attachments made did not show completeness of the transactions.

Recommendation

The Executive Secretary is required to provide evidence of completeness of these transactions, otherwise recover the sum of ₦1,500,000.00 from the affected staffer and refund to treasury. Evidence of remittance should be forwarded to the Public Accounts Committee of the National Assembly.

Issue 8: UNAUTHORIZED FOREIGN TRIP AND PAYMENT OF WARM CLOTHING ALLOWANCES - ₦960,980.00

The Provision of Circular Ref. HCSF/CSO/HRM/Pol.1402/1 dated 22nd January 2016, issued by the Head of the Civil Service of the Federation, states that, "Travelling abroad for any purpose at government expense by staff of MDAs without the prior approval of the Head of the Civil Service of the Federation has been cancelled." Also, the provisions of Public Service Rules (PSR) 130112, state that, "An officer who is required by Government to proceed to a foreign country on duty or an approved course of instruction will be eligible for a warm clothing allowance as may be specified in the extant circular" Warm Clothing Allowances is paid to officers travelling to cold or temperate regions of the World"

We observed from our audit that, four officers were directed to represent the Executive Secretary at an award: African Leaders of Integrity in Ghana. Two payment vouchers 8566/001 and 8569/006 dated 01/03/2017 and 11/04/17 respectively, for a cumulative sum of ₦960,980.00 (Nine hundred and sixty thousand, nine hundred and eighty naira), were raised and paid as air ticket and Warm Clothing Allowance for the trip. Approval from Head of Civil Service of the Federation for this foreign trip in line with the provision of the above circular was not sighted or attached.

This anomaly is due to the failure of the Executive Secretary to strictly comply with the provisions of extant circulars, in this case public officers entitled to warm clothing allowance when on an official trip abroad.

Risk

The Council may carry out such expenditures in gross violation of extant circulars which may undermine constituted authority and disregard for government policies on foreign trips and payment of warm clothing allowance.

Management's response

The Council responded that payment of Warm clothing allowance to the officers was on the understanding of the Public Service Rules (130112). This section did not specifically differentiate between Africa and other Continents but only reference to a foreign country.

Auditor's evaluation

The response of the Council on the payment of warm clothing allowance is satisfactory but the Council failed to provide the Head of Civil Service of the Federation approval to embark on the trip.

Recommendation

The Executive Secretary is required to account for the sum of ₦960,980.00 incurred on the journey without requisite approvals. Evidence of the recovery should be forwarded to the Public Accounts Committee of National Assembly. Sanctions in line with FR 3106 should apply.

INVESTMENTS & SECURITY TRIBUNAL**Issue 1:****NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS**

The Provision of Section 85 (2) of the Constitution of the Federal Republic of Nigerian (1999 as amended) states that “The public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on by the Auditor-General who shall submit his reports to the National Assembly; and for that purpose, the Auditor-General or any person authorized by him in that behalf shall have access to all books, records, returns and other documents relating to those accounts”

Financial Regulation 3210 (v) provides that, The Accounting Officers of MDAs shall submit both the Audited Accounts and Management Reports to the Auditor-General for the Federation not later than 31st May of the following year of Account.

We observed that the Tribunal did not submit its Audited Accounts for 2016 and 2017 with the corresponding Management Reports, to the Office of the Auditor-General for the Federation in line with the provision of the law.

This infraction was due to the inability of the Chairman to take full responsibility and ownership of strictly adhering to the provisions of extant laws and regulations as they relate to the submission of financial statements to the Auditor-General for the Federation.

Risk

Non-compliance with the submission of Audited Financial Statements deprives the office of the Auditor-General from carrying out his constitutional duties of commenting on the accounts. Also, those charged with governance are deprived of timely information on the Tribunal's performance and for decision making. To that extent, public funds spent by the IST for the accounting years 2016 and 2017 have not been accounted for.

Management's response

The response of Management was that the Tribunal's External Auditors and the Tribunal's Board were putting finishing touches to the 2016 Audited Financial Statements. Once they are done, the External Auditors will immediately commence the 2017 Audit of the Tribunal's Books of Account.

Auditor's evaluation

The response of the Investments & Security Tribunal did not address the issue raised. Financial Statements are meant to be prepared by the management of any agency at the end of every financial year for the purposes of audit.

Recommendation

The Chairman is required to justify the lateness in submission and immediately submit the Audited Accounts for 2016 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FRs 3210, 3123 and 3129 should apply.

Issue 2: EXTRA BUDGETARY EXPENDITURE - ₦17,802,535.94

The Provision of Financial Regulation 301 state that, "the annual estimates and Appropriation Act are instruments used to limit and arrange annually the disbursement of funds of the Federal Government. No expenditure may be incurred except on the authority of warrant issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the estimate, until he has received an authority to do so in accordance with one of the following provisions in the Act, rules, and regulations. Any officer controlling a vote, or part thereof, who incurs expenditure without such authority does so on sole responsibility and will consequently, be held pecuniary responsible for his actions". The provision of Financial Regulation 417 equally state that, "Expenditure shall strictly be classified in accordance with the estimates, and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed".

We observed that, the sum of ₦17,802,535.94 (Seventeen million, eight hundred and two thousand, five hundred and thirty-five-naira, ninety-four kobo) was paid as Journal/Newspaper allowance for staff. This expenditure incurred was not provided for in the Tribunal's 2017 budget to be funded from the Capital Market Development Fund. The allowances provided for are

robbing/clothing allowance, rent subsidy allowance, child education subsidy allowance and medical subsidy allowance.

This non-compliance with the Appropriation Act was due to the failure of the Chairman to seek approval for supplementary budget from the appropriate authorities, through the Ministry of Finance and National Assembly.

Risk

If not checked, the Tribunal may carry out unapproved or unbudgeted expenditure which may lead to diversion and misapplication of public funds for other purposes which may not be beneficial to the citizenry. Unapproved allowances might also have been paid by the Tribunal.

Management's response

The Tribunal responded that it had not in any way embarked on extra budgetary expenditure on personnel cost as contained in the Auditor-General's report. Council's approved Budget by the National Assembly was attached.

The payment of Journal / Newspaper allowance to Directorate staff was made from welfare overhead of the approved 2017 CMDF budget

Auditor's evaluation

The response of the Tribunal did not address the issue raised. Expenditure is to be incurred from the head which is voted for. All allowances of IST were budgeted for as personnel cost except for the Journal/Newspaper allowance. IST may have been paid under welfare simply because fund was available even though it was not budgeted for and approved.

Recommendation

The Chairman is required to account for the sum of ₦17,802,535.94, being unappropriated expenditure incurred on Journal/Newspaper allowances to staff as passed by the National Assembly. Sanctions in line with the provisions of FR 3106 should apply.

Issue 3: PAYMENT NOT ACCOUNTED FOR - ₦3,120,000.00

The Provision of Financial Regulation 2402 state that, "On all payments vouchers for the purchase of stores, except as provided in sub-section (ii) of this Regulation, the Storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipts voucher number and attaching the original copy of the store receipt voucher to the original" This provision emphasizes that all stores items must be certified and taken on store ledger charge.

We observed that, the sum of ₦3,120,000.00 paid vide PV No. IST/134/2017 of 5th December 2017 was made in favour of a contractor for the supply of Diesel to the Tribunal's head office.

The payments for these items were not supported with store receipt vouchers as evidence of actual receipt of the diesel. In the absence of this, it is difficult to ascertain that the items were actually purchased and put to use by the Tribunal, and whether such expenditures can be said to be a proper charge on public funds

This infraction was due to the failure of the Chairman to strictly comply with the provisions of extant laws and regulations, especially as it relates to the Procurement Act.

Risk

This can lead the Tribunal to engage in diversion of funds for other purpose and can lead to loss of store items purportedly purchased, which could lead loss of public funds.

Management's response

The response of the Tribunal was that they are in compliance with the Extant Rule on usage of SRV and that it is currently being implemented. Delivery note signed by the said contractor as an evidence of delivery of the Diesel was attached.

Auditor's evaluation

The response of the Tribunal did not address the issue raised. Relevant documents such as SRV or SIV were not attached to prove that the Tribunal received the supplies and to authenticate the transaction.

Recommendation

The Chairman is required to account for the stores items in the sum of ₦3,120,000.00, failing which a refund should be made to the CRF and evidence of remittance forwarded to the Public Accounts Committee of the National Assembly.

Issue 5: PAYMENT OF ESTACODE ABOVE THE APPROVED RATE

The Provision of Financial Regulation 1412 states: “(i) The Accounting Officer shall authorize and grant an estacode to an officer travelling either alone or as a member of a delegation on overseas tour at the prevailing rates at the time of the tour.

(ii) The following estacode shall be paid to Officers on Overseas tour:

(a) Minister/SGF/HOS. .	\$900 per diem
(b) Permanent Secretary. .	\$600 per diem
(c) Officer on G.L. 15-17. .	\$425 per diem
(d) Officer on G.L. 07-14. .	\$381 per diem
(e) Officer on G.L. 01-06. .	\$206 per diem

We observed that payments made to the Ag. Chairman & one other in respect of Estacode to attend training programme from 27th March-6th April 2017, was fully made on the 3rd of April 2017 via Payment Voucher No. IST/765/2017 based on the Financial Regulations (FR) approved rates. However, audit scrutiny revealed that a shortfall Payment was made vide Voucher IST/947/2017 dated 7/7/2017 to the tune of N3,234,000.00 was again claimed as estacode as shown below, thereby exceeding the approved rate for their categories.

NAME	RATE PAID PER DAY (\$)	PSR APPROVED RATE PER DAY (\$)	VARIANCE X 15 DAYS (\$)
Ag. Chairman	1,125	600	7,875
DD Home Finance	600	425	2,625
			\$10,500.00 xN308 N3,234,000.00

This infraction was due to the failure of the Chairman to strictly comply with provisions of extant laws and regulations, especially as they relate to approved rates of estacodes for public officers. These provisions are contained in the Public Service Rules, Financial Regulations, Treasury Circulars, etc.

Risk

The Tribunal may engage in unapproved payments of estacodes allowances to its Principal officers in violation of stipulated rates contained in both the Public Service Rule and Financial Regulation. This practice by the Tribunal, if not checked, may lead to loss through diversion of public funds.

Management's response

The Tribunal's response was that the Public Service Rule, section 13011 provides for extra two days Estacode for flying out to Asia and America and another two days for flying back. Reference was made to the section. The rate used for calculating the Estacode is the approved rate by the Board. The Tribunal's Board is empowered by section 283 sub (2) of the Investments and Securities Act, 2007 to determine and approve remunerations and allowances of staff of the Tribunal. Evidence of course attendance was attached. The shortfall in Estacode arises from difference between the service wide rate of 600 dollars and 425 dollars for the Ag. Chairman and Deputy Director respectively and 1,125 Dollars and 600 Dollars for the Ag. Chairman and Deputy Director respectively, in line with the approved rate.

Auditor's evaluation

The response of the Tribunal did not address the issue. Consequently, the action contravenes the provision of Financial Regulation 1412 (2) and Public Service Rule. Estacode rates are fixed by government for all government workers and therefore IST Board cannot unilaterally approve a different rate for its staff.

Recommendation

The Chairman is required to refund the sum of ₦3,234,000.00 being estacode amount paid in excess of the approved standard rates.

NATIONAL BUREAU OF STATISTICS (NBS)

Issue 1: NON-RECOGNITION AND DISCLOSURE OF REVENUE FROM DONATIONS IN THE FINANCIAL STATEMENT

IPSAS 23 classified transfers (whether cash or non-cash) such as grants, debt forgiveness, bequests, gifts, donations and goods and services in-kind as none change revenue transactions. IPSAS 23 requires entities to disclose, in their accounts, all transfers, showing separately major classes of transfer revenue.

The provision of the Statistics Act, 2007 Section 29 (1) and (2b-d) states that “the Bureau shall establish and maintain a Fund from which shall be defrayed all expenditure incurred by the Bureau. There shall be paid and credited to the Fund established pursuant to subsection (1) of this section – all monies raised for the purpose of the Bureau by way of gift, loan, grant-in-aid, testamentary disposition or otherwise; all subscriptions, fees and charges for services rendered or publications made by the Bureau; and all other assets that may, from time to time, accrue to the Bureau”.

It was observed that the NBS does not include revenue from non-exchange transactions such as donations from donor agencies in its financial statements and management accounts as against the requirement of the International Public Sector Accounting Standards (IPSAS) which Nigeria has fully adopted since 2016. A review of a signed monthly IPSAS Accrual Basis Compliant Trial Balance as at 31st December 2017 and the signed Financial Statements for the year ended 31st December 2017, showed that only revenues from the CRF (Subventions) were recognized. The sum of ₦277,521,724.40 was received from donors in the year 2017. The 2017 receipts were not disclosed either on the face of, or in the notes to the general-purpose financial statements for 2017.

This anomaly was due to the failure of the Statistician-General to comply with the provisions of International Public Sector Accounting Standards guiding the treatment of revenue from non-exchange transactions such as donations in its financial statements.

Risk

The Bureau may prepare its financial statements ignoring the provisions of IPSAS 23 and NBS Act, 2007, thereby undermining full reporting and disclosure of all sources of revenue including donations from donor agencies. This practice has the tendency of misleading the general public and other stakeholders of the Bureau’s financial statement.

Management's response

The Bureau responded that, in pursuance of its core mandate of ensuring generation of qualitative and reliable statistics in Nigeria, engages in collaborative Survey Projects with individuals, groups and organizations from both public and private sectors. Those individuals, groups and organizations usually sought the assistance of NBS to coordinate their statistics generation in certain areas of interest in Nigeria. Consequently, they do provide funds to NBS to help them carry out the necessary surveys they desired at no profit to NBS. Furthermore, the ownership of the Reports of such Surveys is purely that of the fund providers and not NBS. The funds (totaled ₦277,521,724.40) from Federal Ministry of Health, Federal Ministry of Communication, Standard Chartered Bank and National Primary Health Care Agency as mentioned in the audit report were not donations to NBS. Rather they were funds received by NBS, in the spirit of collaboration, to assist in carrying out related surveys on behalf of the said fund providers at no profit to NBS. Accounts are usually rendered to such fund providers as well as the submission of the Survey Reports to them. The only benefit that NBS derives from such collaboration is the capacity building of its human resource in those areas of surveys it helped to coordinate. From the foregoing, since no financial benefits or assets are transferred to NBS free by the individuals, groups, and organizations, to service its own cause directly, then such funds fall short of the contemplation of IPSAS 23 which deals with non-exchange transactions. IPSAS 23 states that, in a non-exchange transaction, an entity either receive value from another entity without directly giving approximately equal value in exchange or give value to another entity without directly receiving approximately equal value in exchange.

Auditor's evaluation

The NBS response did not provide evidence in the contrary to the fact that full reporting and disclosure of donated revenues should have been made in the financial statements. Based on IPSAS 23 and NBS Act, 2007. The Bureau is required to disclose all sources of their revenue in their financial statements. The fact that these funds were credited in the NBS bank accounts and spent there from makes it necessary for full disclosure to interested parties.

Recommendation

The Statistician-General is required to account for the sum of ₦277,521,724.40 and be further directed by the Public Accounts Committee to report all revenues including donations in the financial statements of the Bureau.

NATIONAL INSURANCE COMMISSION

Issue 1:

NON-APPROVAL OF THE PAYMENT OF SEVERANCE PACKAGES - ₦46,400,025.01.

The Provision of Pension Reform Act 2004, otherwise known as the Contribution Pension Scheme clearly defines the exit package of all Federal Government employees, where the employer and

employee contribute 12.5% of the emolument of the employee. Any other internal arrangement should be approved by the National Salaries, Income and Wages Commission and National Pension Commission (PENCOM).

We observed that, severance packages in the sum of ₦46,400,025.01 (Forty-six million, four hundred thousand and twenty-five-naira, one kobo) {₦41,241,520.00 and ₦5,158,505.00) were paid to two staff of the commission.

These were carried out on payment vouchers No. PMV1009259 and PMV1009047 respectively outside the approved contributory pension scheme as set out in the Pension Reform Act.

This infraction was due to the failure of the Commissioner of Insurance to strictly comply with the provision of extant laws in this case, the Pension Reform Act on the treatment of exit package for all Federal Government employees.

Risk

The Commission may carry out unauthorised expenditures in contravention of the Pension Reform Act 2004 with respect to the treatment of exit package of its employees which may lead to misapplication and loss of public funds.

Management's response

The Commission's response was that Payment of severance packages were based on Board Approval.

Auditor's evaluation

The response of the Commission did not address the issue raised. There was no evidence of Board Approval ratified by the National Salaries, Income and Wages Commission attached. The expenditure cannot be accepted as proper spending against public fund.

Recommendation

The Commissioner for Insurance is required to recover the sum of ₦46,400,025.01 being additional exit benefit granted to two retired officials of the Commission and remit same to the CRF. The evidence of remittance should be forwarded to the Public Accounts Committee of the National Assembly.

Issue 2: NON-PAYMENT OF 80% OPERATING SURPLUS TO THE CONSOLIDATED REVENUE FUND (CRF) - ₦1,054,893,055.20

The Provision of Section 22 of the Fiscal Responsibility Act 2007 state that "each corporation shall establish a general reserve fund and shall allocate thereto at the end of each financial year, one-fifth of its operating surplus for the year. The balance of the operating surplus shall be paid

to the Consolidated Revenue of the Federal Government, not later than one month following the statutory deadline for publishing each corporation's accounts".

We observed that in the year 2017 Audited Account, the Commission had a surplus of ₦1,318,616,319.00, 80% of which is ₦1,054,893,055.20. This amount ought to have been paid to the CRF as operating surplus in line with the provisions of the Fiscal Responsibility Act, 2007. There was no evidence to show that 80% was transferred to CRF.

This infraction was due to the failure of the Commissioner of Insurance to strictly comply with the provision of the Fiscal Responsibility Act 2007 guiding the remittance of operating surplus by agencies of government.

Risk

The Commission may carry out activities that are not in line with the law, resulting in misapplication of funds which may lead to loss of revenue to government and ultimately deny the Government funds for developmental projects aimed at improving the citizens' standard of living.

Management's response

The response of management was that the audit of 2017 Accounts was in progress as at the time of your inspection. Computation of amount due for transfer to CRF would be determined when the audit is concluded.

Auditor's evaluation

The response of the commission is noted. However, there is need for the Commission to remit the 80% of the Operating Surplus to the treasury as the audit ought to have been concluded by the time of the OAuGF audit in 2019.

Recommendation

The Commissioner of Insurance is required to remit the sum of ₦1,054,893,055.20 being Operating Surplus for 2017 accounts, into the CRF and provide evidence of compliance to the Public Account Committee of the National Assembly.

Issue 3: INCOME TAX EVASION FOR THE 2017 FINANCIAL YEAR - ₦225,837,920.45

Contrary to the Provision of Section 1(3) (a) and (c) of the Personal Income Tax Act 1993 (as amended), we observed the following in respect of Income tax payable by the staff of the Commission for the year ended 31st December 2017.

- (a) There were seventeen (17) allowances enjoyed by the staff of the Commission apart from the basic salary.
- (b) Only the Management staff and the directors are entitled to diesel and security allowances; while directorate cadre joins in benefiting from domestic, driver and fueling. Forty-one (41) drivers are entitled to Laundry allowance.
- (c) The remaining eleven (11) allowances: Transport, Housing/Rent, Utility, Dressing, Supervision, GSM, Tea, Education, Health, Meal and Furniture allowances are enjoyed by all the staff of the Commission.
- (d) From (a) above, Meal, Utility and Transport allowances are consolidated with the basic salary to calculate income tax (PAYE) of the staff.
- (e) The other fourteen (14) allowances are off payroll.
- (f) The sum of ₦724,122.79 (Seven hundred and twenty-four thousand, one hundred and twenty-two-naira, seventy-nine kobo) were averagely paid monthly as income tax for the year under review. Annually, the staff of the Commission is paying ₦8,689,473.48.
- (g) Based on our computation, the income tax payable by the staff of the Commission should be ₦19,543,949.49 monthly. Due to some off-payroll allowances enjoyed but not disclosed by the Management computation, the annual income tax is equivalent to ₦234,527,393.93.
- (h) The total income tax evaded by the staff of the Commission is the sum of ₦18,824,826.70 monthly and ₦225,837,920.45 annually.

It should be noted that the Commission categorizes three (3) allowances as consolidated with basic salary to arrive at the remitted income tax. All income including salary, wage, allowance, bonus, and others are subjected to tax as indicated in the Section 1 (3) (a) (b) and (c) of the Personal Income Tax Act 1993 (as amended).

This infraction was due to the failure of the Commissioner of insurance to strictly comply with the provision of extant laws especially as it relates to the improper computation of taxes in respect of employees of the Commission. This practice is tax evasion and must be discouraged.

Risk

The Commission may carry out such unpatriotic practice as tax evasion which may lead to loss of revenue to the relevant tax authorities.

Management's response

The response of Management was that the allowances as observed are part of the staff consolidated salary. The staggered payment structure was designed to achieve better cash management by staff.

Auditor's evaluation

The response did not deny the fact that all allowances earned by staff are part of the consolidated salary. NAICOM deliberately include only Meal, Utility and Transport allowances with the basic for tax purposes, while all other sizeable allowances were paid differently and not taxed. Audit remains concerned that this is an attempt to evade tax.

Recommendation

The Commissioner of Insurance is required to account for the sum of ₦225,837,920.45 and remit same to the FIRS being recalculated amount of PAYE evaded by the Commission in the period under review and present evidence of payment to the Public Accounts Committee of National Assembly.

PETROLEUM PRODUCT PRICING AND REGULATORY AGENCY (PPPRA)

Issue 1:

NON-REMITTANCE OF FEDERAL GOVERNMENT SHARE OF REVENUE - ₦42,377,803.07

Section 22(1) & (2) of the Fiscal Responsibility Act states, "Notwithstanding the provisions of any written law governing the corporation, each corporation shall establish a general reserve fund and shall allocate thereto at the end of each financial year, one fifth of its operating surplus for the year."

(2) "The balance of the operating surplus shall be paid to the Consolidated Revenue Fund of the Federal Government, not later than one month following the statutory deadline for publishing each corporation's accounts."

Furthermore, Treasury Circular with Reference number FMF/HMF/2016/1/2 also strengthens the remittance of 25% of the Agencies Internally Generated Revenue to the CRF.

During the audit of accounting records maintained by the Petroleum Product Pricing and Regulatory Agency (PPPRA), it was observed that the Agency generated the sum of ₦6,966,514,322.66 (Six billion, nine hundred and sixty-six million, five hundred and fourteen thousand, three hundred and twenty-two naira, sixty-six kobo) as Internally Generated Revenue (IGR) from Administrative charge, contract fee etc. for the accounting year 2017. The sum of ₦1,741,628,580.67 (One billion, seven hundred and forty-one million, six hundred and twenty-eight thousand, five hundred and eighty-naira, sixty-seven kobo) which represents 25% of the

IGR is due to be paid to the Consolidated Revenue Fund (CRF) Account of the Federal Government. Instead, the Agency paid ₦1,591,049,902.60 (One billion, five hundred and ninety-one million, forty nine thousand, nine hundred and two naira, sixty-kobo) into the Consolidated Revenue Fund (CRF) account leaving a balance of ₦150,578,678.07 (One hundred and fifty million, five hundred and seventy eight thousand, six hundred and seventy eight naira, seven kobo) as outstanding amount from the 25% due to the Federal government.

This infraction was due to the failure of the Executive Secretary to strictly comply with the provisions of extant laws and regulations, especially, as it relates to revenue, a very critical component of budget financing of the Federal Government.

Risk

The Agency may carry out unapproved activities of under remittance of its IGR to the CRF as prescribed by law. This violation of the law by the Agency may lead to loss of revenue meant for the three tiers of government, thereby inhibiting the capacity to effectively carry out the business of government. This action may also lead to the diversion and misappropriation of public funds.

Management's response

The Agency responded that, the said amount of ₦6,966,514,322.66 captured by the Audit Team as IGR Administrative Charge, contract fees collections, etc. is inclusive of ₦432,803,500.00 PEF (Management) Board's Bridging Allowance erroneously paid into the PPPRA TSA Account by four Oil Marketing companies. The PPPRA has remitted the sum of ₦432,803,500.00 to the PEF (Management) Board. If the wrong lodgement of ₦432,803,500.00 is deducted from the total IGR figure of ₦6,966,514,322.66, the actual IGR figure would be ₦6,533,710,822.66. Consequently, the 25% remittance due to the CRF account for the year 2017 ought to have been ₦1,633,227,705.67 as against ₦1,741,628,580.67 reported. When compared to the ₦1,591,049,902.60 remitted by the PPPRA, the outstanding unremitted 25% of IGR is ₦42,377,803.07 as against

₦150,578,678.07. However, the sum of ₦314,5435,785.49 was erroneously deducted at source by the OAGF for arrears of 25% which the PPPRA had paid and obtained receipt in 2016 (Appendix II) bringing the total remittances to the CRF by the Agency in 2017 to ₦1,905,595,688.77.

Auditor's evaluation

The response of the Agency did not fully address the issue raised. The recalculated outstanding 25% of unremitted IGR sum of ₦42,377,803.07 has not been cleared. The sum of ₦314,5435,785.49 deducted from the PPPRA's account at source was arrears of previous years' 25% unremitted outstanding and does not relate to the current year 2017 IGR as claimed.

Recommendation

The Executive Secretary is required to pay the outstanding sum of ₦42,377,803.07 being 25% unremitted IGR to the CRF and forward the evidence of payment to the Public Accounts Committee of the National Assembly. Sanctions in line with FR 3112 (ii) should apply.

Issue 2: IRREGULAR PAYMENT OF SUBSCRIPTION WITHOUT PAYMENT VOUCHERS - ₦200,670,992.36

Financial Regulation 601 states, “All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.”

Circular Ref No SGF/PS/CIR/625/1227 requires all Ministries Department and Agencies (MDA) of government entering into agreement on behalf of the Federal Government with foreign countries and their agencies to make reference to the Federal Ministry of Justice for necessary advice and vetting to x-ray all agreements which has financial political or social obligation on Nigeria which are of scientific or technological import that requires ratification.

We further observed that, the sum of ₦200,670,992.36 (Two hundred million, six hundred and seventy thousand, nine hundred and ninety-two-naira, thirty-six kobo) was paid to 2 companies Platts/McGraw International Financial and Informa UK Ltd as Subscription for intelligence gathering for the agency. No due process was followed in the engagement of these multinational companies as there was no evidence of contracts award and agreement. There was no payment voucher raised for the payments in contravention of Financial Regulation 601, as the CBN was only advised to make payment by transfer of funds in foreign currency on the prevailing market rate. The audit teams consider this open ticket operation as susceptible to financial manipulation as there was also no letter of advice from the Ministry of Justice in line with extant regulations.

This anomaly was due to the failure of the Executive Secretary to ensure that internal control procedures are properly followed.

Risk

The Agency may incur unauthorized or unapproved expenditures for which payment vouchers are not produced for audit in line with the provision of the law. Such expenditures may not have been incurred in the public interest.

Management's response

The Agency responded as follows:

- (a) The services rendered by PLATTS, Thompson Reuters, etc., are online patent right for data/information gathering such as Crude Oil/Product prices, Vessel Freight rates and tracking, etc. The Agency is allowed access to the site upon evidence of payment. In other words, payments are made upfront as soon as the Agency is invoiced for the next payment circle which is usually annual. Since the payments are in foreign currencies, the PPPRA

authorizes the CBN to effect such payments on its behalf and thereafter advises the Agency on the exchange rate used for the posting into our cashbook.

- (b) The signed contract agreements are forwarded herewith.
- (c) Due to the nature of the services rendered, it does not require the advice of the Federal Ministry of Justice.
- (d) The evidence of job executed is in the reports/data generated at the PPPRA which include daily update of the Agency's Pricing Template and Petroleum Products Vessel Monitoring from Loading Ports to Discharge Ports.
- (e) In view of (d) above, the funds expended be considered as expended.

Auditor's evaluation

The response of PPPRA was not satisfactory. They failed to attach evidence of due process in the selection of the companies as well as the contract award letters and agreements. They equally failed to adduce convincing reasons why they failed in seeking for the advice/input of the Federal Ministry of Justice before awarding the contracts. They contravened the provision of Financial Regulation 601 by not preparing payment vouchers for these payments.

Recommendation

The Executive Director is required to account for the sum of ₦200,670,992.36 and remit same to the CRF, and evidence of remittance forwarded to the Public Accounts Committee of the National Assembly. Sanctions in line with FR 3106 should apply.

Issue 3: ENGAGEMENT OF LEGAL CONSULTANTS WITHOUT **CONSENT OF THE ATTORNEY GENERAL OF THE FEDERATION -** **₦131,006,130.00**

The Provision of Federal Circular Ref. No SGF/PS/CIR/625/1 of 16th July 2003 provides that approval of the Honourable Attorney General of the Federation should be obtained before external Solicitors /Advocates are hired, and legal fees agreed upon by Ministries and their Parastatals/Agencies for any service rendered; and that claims for professional fees ,which are to be submitted to the Honourable Attorney General of the Federation for clearance and approval, should be accompanied by the relevant letter of instruction and a comprehensive report on the services rendered, supported by relevant copies of processed file(if any) on behalf of the Government

We observed that the sum of ₦131,006,130.00 (One hundred and thirty-one million, six thousand, one hundred and thirty naira) was paid to Messrs. Ahmed Uwais and Co (Legal Practitioners) and two others for legal consultancy services without the written consent of the Attorney General of the Federation in line with the provision of the law. In order to ensure

probity and accountability in the management of public's funds it is mandatory Attorney General of the Federation's approval prior to engagement and payment of external solicitors

This infraction was due to the failure of the Executive Secretary to comply with the provision of extant laws and regulations, especially as it relates to regulating excesses of MDAs with respect to expenditure on legal fees.

Risk

The Agency may carry out unauthorized payments for legal/solicitor fees in contravention with extant laws and regulations. This practice if not checked may lead to diversion funds and committing the Federal Government to contracts that may be not be in the interest of the country.

Management's response

No response was received from Management at the time of this report.

Recommendation

The Executive Secretary is required to account for the sum of ₦31,006,130.00 and remit same to the CRF.

Issue 4:

NON-COMPLIANCE WITH RECRUITMENT PROCEDURES

The provision of Section 3106 of the Financial Regulation States 'A public officer who makes an irregular payment from public funds, shall be given 21 days' notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule'. We observed that the sum of ₦63,203,529.36 (Sixty-three million, two hundred and three thousand, five hundred and twenty-nine-naira, thirty-six kobo) was paid to field and office staff in contravention of the provisions of extant laws abolishing the recruitment of temporary staff. The salaries of these staff were not subjected to tax and the basis of computing the amount was not stated on the voucher. This action is in contravention of government policy on casuals and temporary staff which has been outlawed.

This infraction was due to the failure of the Executive Secretary to comply with the provision of extant laws and regulations especially as it relates to the unauthorized recruitment of temporary staff which has outlawed by the Federal Government.

Risk

The Agency may carry out unapproved expenditure which may lead to diversion of public funds for other purposes. It may also lead to mismanagement and underutilization of public funds for the benefit of the citizens.

Management's response

The Agency responded that one of the identified lapses in the management of PSF Scheme in 2011 was the absence of PPPRA staff at the discharge facilities Nationwide all the time. As clearly stated in item 1.1 of the audit observation, the Agency was grossly understaffed, and Management took decision to retain some Corps members that served with the Agency as Ad-hoc Temporary (Field or Office Assistant) staff to fill the manpower gap. These Temporary Staff were however discharged in September 2017. The only categories of staff available beside the permanent staff are those professionals brought from Federal Ministry of Works to provide specialized maintenance services and the Nigerian Police. The Agency pays them stipend for working 24/7.

Auditor's evaluation

The response attached with a letter from the Board minutes is not sufficient to prove that the temporary staff have been disengaged and there was no justifiable explanation given for the payment made to the staff.

Recommendation

The Executive Secretary is required to provide evidence to the Public Accounts Committee (PAC) of National Assembly that the temporary staff have actually been discharged and in addition, refund all the taxes on the payment of their salaries which he failed to deduct and remit to the FIRS. Evidence of remittance should also be forwarded to the PAC.

Issue 5: WRONGFUL USE OF NON-PERSONAL ADVANCE TO CIRCUMVENT PROCUREMENT AND E-PAYMENT POLICIES - N35,522,018.50

Financial Regulation 2302(ii) states "On no account shall special imprest or cash advance be used in place of Local Purchase Order or Job Order of the procurement of stores locally."

Furthermore, the Provision of Treasury Circular No. TRY A25/B2/2009 of 24th March 2009, provides that all local procurement of stores and services costing above 200,000 shall only be made through the award of contract by local purchases order (LPO) or order.

We observed that the sum of N35,522,018.50 (Thirty-five million, five hundred and twenty-two thousand, eighteen naira, fifty kobo) was made to various staff of the agency as non-personal advances granted to them to effect payment on behalf of the office, for various services and other activities. This action is carried out to circumvent the guidelines of e-payment.

This infraction was due to the failure of the Executive Secretary to strictly comply with the provision of extant laws and regulations.

Risk

The uses of cash advances instead of following procurement guidelines may lead to misappropriation of public funds and/or poor value for money for the Government.

Management's response

The Agency responded as follows:

- (i) Most of the advances listed were for emergencies, Departmental imprests, Staff travelling expenses (DTA) and for maintenance works to enable the seconded technical staff from the Federal Ministry of Works carry out emergency repairs at Corporate Head Office Building.
- (ii) Outstanding/unretired cash advances in our records as at 31st January 2018 is ₦1,228,544.00.

Auditor's evaluation

There was no evidence attached to show that the outstanding cash advances have been retired.

Recommendation

The Executive Secretary is required to recover the outstanding cash advances from staff salaries, and forward evidence of recovery to the Public Accounts Committee of the National Assembly. Sanctions in line with FR 3124 should apply to all the affected staff.

PETROLEUM TRAINING INSTITUTE, EFFURUN**Issue 1: NON-PRESENTATION OF AUDITED FINANCIAL STATEMENTS**

The provision of Section 85 (3a) and (3b) of the Constitution of the Federal Republic of Nigeria (1999 as amended) states that "The Auditor-General shall provide such bodies as government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of National Assembly with: (a) (i) a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors, and (ii) guidelines on the level of fees to be paid to external auditors; and (b) Comment on their annual accounts and auditor's report thereon".

Financial Regulations 3210(v) specifically states that "The Chief Executive Officers of such bodies shall submit both the Audited Accounts and Management Report to the Auditor-General and the Accountant-General not later than 31st May of the following year of Account"

We observed that the Institute did not submit the Audited Accounts for the 2017 financial year to the Office of the Auditor-General for the Federation in line with the provision of the law.

This infraction was due to the inability of the Principal to take full responsibility and ownership of strictly adhering to the provisions of extant laws and regulations as they relate to the submission of financial statements to the Auditor-General for the Federation.

Risk

Non-compliance with the submission of Audited Financial Statements deprives the office of the Auditor-General from carrying out his constitutional duties of vetting and commenting on the accounts. Also, those charged with governance are striped of the timely information on the Institute's performance and for decision making.

Management's response

No response was received from management at the time of this report.

Recommendation

The Principal is required to submit the Audited Accounts for 2017 and the Domestic Report thereon in line with provision of the law, to the Public Accounts Committee of the National Assembly and provide copies to my Office.

Issue 2: VARIATION IN CONTRACT FOR REHABILITATION OF ACADEMIC BLOCK – ₦10,561,190.37

Financial Regulation 3103 states "A query on an unauthorized variation of contract(s) and procurement shall be answered within 21 days of issue. However, if it remains unanswered after the time limit and it affects the Accounting Officer, such failure shall be reported to the President. If it affects any other officer, appropriate sanction shall be imposed and the officer shall be removed from the duty schedule, dismissed and prosecuted."

We observed that the rehabilitation of Academic Blocks was split into ten (10) lots and awarded to various contractors and payments made in excess of what was awarded to the tune of ₦10,561,190.37 (Ten million, five hundred and sixty-one thousand, one hundred and ninety naira, thirty-seven kobo) without evidence of variation. The breakdown is as follows:

DATE	CONTRACTOR	CONTRACT SUM ₦	ACTUAL PAYMENT ₦	DIFFERENCE
26/02/2018	Nabat Global Concept Ltd	7,257,027.95	8,210,047.43	953,019.48

26/02/2018	Ausgo Industrial Ventures	7,996,367.85	9,844,868.05	1,848,500.40
26/02/2018	Scantex Agency Nig. Ltd	7,357,338.50	7,919,310.00	561,972.49
26/02/2018	Joe Rakpor Nig. Ltd	7,599,847.50	8,826,272.21	1,226,424.71
19/01/2018	Fezkees Limited	7,558,582.50	8,566,794.43	1,008,211.93
19/01/2018	Boke Wilson Nig. Ltd	7,686,945.00	8,597,95.86	910,960.86
26/02/2018	Desman Limited	8,600,000.05	9,459,460.61	859,460.56
26/02/2018	Tanget Construction	8,785,851.95	9,655,110.58	869,258.63
19/01/2018	Beggim Limited	6,896,862.50	7,625,053.75	728,191.25
19/01/2018	Danstel Project Nig.Ltd	6,250,492.05	7845682.11	1,595,190.06
	TOTAL	75,989,315.85	77,952,599.17	10,561,190.37

This infraction was due to the failure of the Principal to strictly comply with the provision of the law by seeking approval from the appropriate authorities for variation in respect of the above contracts. Due diligence was not followed in establishing the basis for the variations.

Risk

The Institute may carry out such unauthorized, unapproved, and unilateral granting of variations for contracts which may lead to misappropriation and loss of funds.

Management's response

There was No response from management.

Recommendation

The Principal is required to refund the sum of ₦10,561,190.37 (Ten million, five hundred and sixty-one thousand, one hundred and ninety-naira, thirty-seven kobo) to the CRF, and evidence of remittance forwarded to the Public Accounts Committee of the National Assembly.

Issue 3: EXTRA BUDGETARY EXPENDITURE ON PERSONNEL COST - ₦1,168,634,334.95

The Provision of Financial Regulation 301 state that, “the annual estimates and Appropriation Act are instruments used to limit and arrange annually the disbursement of funds of the Federal Government. No expenditure may be incurred except on the authority of warrant issued by the Minister of Finance. No expenditure may be incurred by any officer on any service, whether or not included in the estimate, until he has received an authority to do so in accordance with one of the following provisions in the Act, rules, and regulations. Any officer controlling a vote, or

part thereof, who incurs expenditure without such authority does so on sole responsibility and will consequently, be held pecuniary responsible for his actions”.

The provision of Financial Regulation 417 equally state that, “Expenditure shall strictly be classified in accordance with the estimates, and votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”

We however observed that, the sum of ₦13,046,227,589.00 (Thirteen billion and forty-six million, two hundred and twenty-seven thousand, five hundred and eighty-nine naira) was appropriated as personnel cost by the Institute in 2017. Out of this figure, the Federal Government subvention accounted for ₦7,502,692,281.66, while the Institute was expected to fund the balance of ₦5,543,535,307.38 from Internally Generated Revenue (IGR). By the end of financial year (January-December, 2017) actual expenditure from IGR to augment the personnel cost amounted to ₦6,712,169,642.29, thus bringing total expenditure on personnel cost to ₦14,214,861,923.95 (₦7,502,692,281.66 + ₦6,712,169,642.29) which resulted in extra-budgetary expenditure of ₦1,168,634,334.95 (₦14,214,861,923.95 - ₦13,046,227,589.00).

This non-compliance with the Appropriation Act was due to the failure of the Principal to seek approval for supplementary budget from the appropriate authorities. This could be achieved through the Ministry of Finance and National Assembly.

Risk

If not checked, the Institute may continue to carry out unapproved or unbudgeted expenditure which may lead to diversion and misapplication of public funds.

Management’s response

No response was received from Management at the time of this report.

Recommendation

The Principal is required to account for the sum of ₦1,168,634,334.95 being extrabudgetary personnel cost. Sanctions in line with the provisions of FR 3106 should apply.

Issue 4: CONTRACT SPLITTING - ₦75,989,315.65

Section 20(2)(e) of the public procurement act states “ensuring that no reduction of values or splitting of procurements is carried out such as to evade the use of the appropriate procurement method”.

Audit observed that the contract for the rehabilitation of Academic Blocks at the PTI was awarded to ten (10) different contractors at a total cost of ₦75,989,315.65. The dates of award were all in November 2017. While work is going on, Cleaning Services contract on the same site for the sum of ₦3,792,120.00 (Three million, seven hundred and ninety-two thousand, one

hundred and twenty naira) were split and awarded to four (4) contractors. Similarly, contracts for the maintenance of Lawns and Drainages were equally awarded to nine (9) different contractors at total contract sum of ₦2,006,113.65.

This anomaly was due to the failure of the Principal to adhere to the provisions of extant laws and regulations, especially as it relates compliance with the Procurement Act provisions and its guide on contract splitting.

Risk

Circumvention of procurement guidelines may lead to poor value for money and loss of public funds.

Management's response

No response was received from Management at the time of this report.

Recommendation

The Principal is required to account for the sum of ₦75,989,315.65 and sanctions in line with the provision of FR 3106 should apply.

Issue 5: UNACCOUNTED PAYMENT OF HONORARIUM FOR PART-TIME TEACHING - ₦15,137,400.00

The Provision of Section 415 of the Financial Regulation states 'The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted'.

We observed that, the School of Industrial and Continuing Education (SICE) generated the sum of ₦82,433,300.00 (Eighty-two million, four hundred and thirty-three thousand, three hundred naira), during 2016/17 academic session. An expenditure of ₦54,508,800.00 was incurred, resulting in a balance of ₦38,967,000.00. Furthermore, the sum of ₦23,829,600.00 was paid as honorarium, leaving a balance of ₦15,137,400.00 unaccounted for. This income was treated separately from the Institute's IGR and should be accounted for.

This infraction was due to the failure of the Principal to strictly adhere to the provisions of extant laws and regulations especially as they relate to the recognition and accountability of public funds.

Risk

Failure to account for and remit IGR properly may lead to misappropriation and loss of public funds.

Management's response

No response was received from the Auditee at the time of this report.

Recommendation

The Principal is required to account for the balance of ₦15,137,400.00. Sanctions in line with Financial Regulation 3115 should apply.

Issue 6: UNRETIRED ADVANCES - ₦10,517,972.00

Financial Regulation 1405 states, "Accounting Officers are responsible for ensuring the prompt repayment of all advances by instalments or otherwise."

We observed that seventy (70) payment vouchers for the sum of ₦10,517,972.00 were paid without supporting documents. We are unable to confirm whether or not such journeys were embarked upon.

This anomaly was due to the failure of the Principal to strictly comply with the provisions of extant laws and regulations which clearly provide retirement procedures in respect of advances collected for touring by officers of the Institute.

Risk

Failure to retire advances practice may lead to the misappropriation of public funds.

Management's response

No response from Management

Recommendation

The Principal is required to account for the sum of ₦10,517,972.00 and sanction the affected staff in line with the provisions of Financial Regulation 3124 should apply.

**REGIONAL CENTRE FOR INTERNATIONAL COMMERCIAL
ARBITRATION****Issue 1: NON-SUBMISSION OF AUDITED ACCOUNTS TO THE OFFICE OF
THE AUDITOR-GENERAL FOR THE FEDERATION**

The provision of Section 85 (3a) and (3b) of the Constitution of the Federal Republic of Nigeria (1999 as amended) states that "The Auditor-General shall provide such bodies as government statutory corporations, commissions, authorities, agencies, including all persons

and bodies established by an Act of National Assembly with: (a) (i) a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors, and (ii) guidelines on the level of fees to be paid to external auditors; and (b) Comment on their annual accounts and auditor's report thereon". Financial Regulations 3210(v) specifically states that "The Chief Executive Officers of such bodies shall submit both the Audited Accounts and Management Report to the Auditor-General and the Accountant-General not later than 31st May of the following year of Account"

We observed that the Regional Centre for International Commercial Arbitration, Lagos (RCICAL) has not submitted the Audited Accounts of the Centre to the Office of the Auditor-General for the Federation from inception to period ended 31st December 2017 in line with the provision of the law.

This infraction was due to the inability of the Executive Director/CEO to take full responsibility and ownership of strictly adhering to the provisions of extant laws and regulations as they relate to the submission of financial statements to the Auditor-General for the Federation.

Risk

Non-compliance with the submission of Audited Financial Statements deprives the office of the Auditor-General from carrying out his constitutional duties of vetting and commenting on the accounts. Also, those charged with governance are deprived of the timely information on the Centre's performance and for decision making.

Management's response

No response was received from the Agency at the time of this report.

Recommendation

The Executive Director/CEO is required to justify the lateness in submission and immediately submit the Audited Accounts for 2017 to date and the corresponding Management Letters/Reports in line with provision of the law. These submissions should be made to the Public Accounts Committee of the National Assembly and to the Auditor-General for the Federation. Sanctions in line with FR 3129 should apply.

Issue 2: POOR ACCOUNTING RECORDS AND DOCUMENTATION

Financial Regulation 802 provide that, "A Sub-Accounting Officer shall enter promptly into the cash book all sums of money received by him or paid by him as a public officer, supporting such entries by a receipt or payment voucher on the prescribed form. Receipt and payment vouchers shall be numbered consecutively, from No. 1 each month in the order in which the amounts are received or paid and will be entered into the cash book accordingly".

It was observed that the books of account of the Centre such as the cash book, asset register, and vote book, etc. were not properly maintained by the accounts department in line with the provision of the extant laws and regulations.

This anomaly was due to the failure of the Executive Director/CEO to strictly comply with the provisions of extant laws especially as it relates to the maintenance of accounting records, which is very crucial to accountability and transparency in government financial transactions.

Risk

Failure to keep proper accounting records may lead to loss of accountability for the use of public funds and enable the misapplication and/or misappropriation of funds.

Management's response

No response was received from management at time of this report.

Recommendation

The Executive Director/CEO is required to provide all necessary books of accounts prepared in the appropriate accounting format and present to the Public Accounts Committee of the National Assembly. Sanctions in line with the provisions of section Financial Regulation 3122 and 3123 should apply.

Issue 3: UNACCOUNTED PROCEEDS OF A MOTOR VEHICLE DISPOSED OF AT LESS THAN FAIR VALUE - ₦500,000.00

The Provision of Public Procurement Act 2007 Section 56 (1) states that “Before slating any public property for disposal, the accounting officer (whether acting in his own authority or at the direction of any superior or other authority) in charge of any public property set for disposal shall authorize the preparation of a valuation report for such property by an independent evaluator, or such professional with the appropriate competence to carry out the valuation.”

FR112 (1) further stipulates that “the accounting officer should ensure that any revenue collected are not spent, but remitted to the appropriate authorities promptly”

We observed that Mercedes Benz Jeep purchased by the Centre in 2015 was approved for disposal in 2018 and sold to an individual for ₦500,000.00 (Five hundred thousand naira only) which was paid in cash. The Centre did not comply with the requirement of carrying out the required valuation of the asset in line with the provision of the law. No evidence was provided to prove the remittance of the sales proceeds to the CRF.

This infraction was due to the failure of the Executive Director /CEO to strictly comply with the provision of extant laws and regulations, especially as it relates to the processes guiding the

disposal of assets of the Federal Government. The relevant provisions of the extant laws are clear on this.

Risk

The Regional Centre may have failed to achieve a fair value for the disposed asset, either through error or deliberately to divert public assets to private use. Furthermore, a failure to properly account for Government revenue may lead to the loss of public of funds.

Management's response

No response was received from Management at the time of this report.

Recommendation

The Executive Director /CEO is required to justify the failure to sell the disposed asset at its fair value. He/she should also recover and remit the sum of ₦500,000.00 to the CRF. Evidence of remittance should be forwarded to the Public Accounts Committee of the National Assembly. Sanctions in line with FR 3112 should apply.

Issue 4:

CONTRACT AWARDED WITHOUT FOLLOWING DUE PROCESS - ₦14,837,515.98

The Provision of Section 19 and 21 of the Public Procurement Act 2007 provide in detail the Procurement Implementation and the Procurement Planning activities which are properly captured in the Ministerial Tenders Board minutes. These provisions are very clear on due process in procurement matters.

We observed that the award of this contract did not follow due process. A notification of approval as a general service consultant for the repair/rehabilitation of office building preliminary works was given to a contractor without any competitive bidding or quotations as required by law. The contract sum was speculative in nature as no amount for this contract was mentioned but was said to be dependent on the sum released for preliminary works and related services in the 2017 capital budget. Government contracts cannot be speculatively awarded without approved budget, contract sum, and bill of quantities or quotations of jobs to be done. The sum of ₦14,837,515.98 (Fourteen million eight hundred and thirty-seven thousand, five hundred and fifteen-naira, ninety eight kobo) was eventually paid for this contract.

The relevant documents to ensure that due process was followed were not made available for scrutiny.

This infraction was due to the failure of the Executive Director/CEO to strictly adhere to the provisions of the Procurement Act and other relevant extant laws and regulations.

Risk

The award of contracts that are not compliant with the provisions of the Procurement may lead to poor value for money and/or misappropriation of public funds.

Management's response

No response was received from Management at the time of this report.

Recommendation

The Executive Director/CEO is required to justify the failure to follow procurement guidelines and account for the sum of ₦14,837,515.98 paid in respect of the contract awarded in contravention of procurement rules. Sanctions in line with FR 3106 should apply.

Issue 5:**PAYMENT WITHOUT RELEVANT SUPPORTING DOCUMENTS - ₦26,446,602.98**

The Provision of Financial Regulations 603(1) states that “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, as to enable them be checked without reference to any other documents and will invariably be supported by relevant documents such as local Purchase Orders, Invoices, Special letters of authority, etc.”

We observed that, specific relevant supporting documents were not attached to payment vouchers of the Centre for the sum of ₦26,446,602.98. Such expenses include, renovation of building, refund for guest house packing expenses, payment for security services, hiring of generator, electrical repair rewiring part payment etc. in contravention of extant laws and regulations. No evidence to support those items was supplied, or service rendered.

This infraction is due to the failure of the Executive Director/CEO to strictly comply with the laid procedures and adherence the provisions of extant laws and regulations guiding payments for goods and services by government.

Risk

Making payments with no specific supporting documents attached to vouchers circumvents internal control procedures and may indicate loss or misappropriation of public funds.

Management's response

No response was received from Management at the time of this report.

Recommendation

The Executive Director/CEO is hereby requested to account for the sum of ₦26,446,602.98. Sanctions in line with FR 3129 should apply.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA (SMEDAN)

Issue 1: UNSUBSTANTIATED PAYMENT OF CONDITIONAL GRANT TO MICRO ENTERPRISES - ₦762,730,000.00

The Provision of Financial Regulation 603 state that, “All vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported will relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc.”

We observed during the audit that, the sum of ₦762,730,000.00 was disbursed through various financial institutions to beneficiaries of Conditional Grant Scheme for Micro and Small Enterprises growth in the six (6) geopolitical zones. Benefiting States include; Benue, Katsina, Gombe, Akwa Ibom, Ebonyi and Oyo. Thirteen thousand, one hundred and sixty (13,160) micro enterprises were expected to benefit from the six (6) zones with regards to Federal Constituencies within the Six (6) pilot states. However, vital information such as names of micro enterprises, physical addresses, phone numbers, email and key contact persons was not made available for verification, in contravention of extant laws and regulations.

This infraction was due to the failure of the Director-General to strictly comply with extant laws and regulations, especially as it relates to providing vital information and attaching key supporting documents to payment vouchers.

Risk

The Agency may carry out expenditures without providing vital information and supporting documents thereby exposing the government to possibility of fraud and ultimately loss of funds.

Management’s response

The Agency responded that, the programme was carried out in one selected state in all the six (6) Geo-political zones across the country. A comprehensive list of the beneficiaries comprising name, nature of business, address, contact phone number and local government of origin has now been attached.

Auditor’s evaluation

The attachment made by SMEDAN in their response was for Akwa Ibom State alone.

The list from states in the other geo-political zones such as Katsina, Gombe, Ebonyi, Oyo and Benue which benefited from the scheme were not attached. Besides, the attachment made for Akwa Ibom did not contain the amounts disbursed to each of the beneficiaries and their

signatures showing completion of transaction. Their response therefore did not address adequately the audit issue raised.

Recommendation

The Director General is required to provide full list of the beneficiaries containing their location in the six pilot states i.e. names, amount disbursed, contact addresses, phone numbers, email addresses and signatures showing evidence of collection of this fund to the Public Accounts Committee of the National Assembly and the Office of the Auditor-General for the Federation. Otherwise he should account for the sum of ₦762,730,000.00 supposedly disbursed to the financial institutions on behalf of beneficiaries.

Issue 2: UNEXECUTED REHABILITATION WORK AT HEAD OFFICE, ADMIN BLOCK AND LAGOS OFFICE - ₦17,020,000.00

The Provision of Financial Regulation 3104 state that, “Where a contractor or a supplier who is paid mobilization fee for a job and fails to perform after collecting the fee, he shall be given 30days notice to refund the money failing which the mobilization fee shall be recovered enbloc from the contractor or supplier and such contractor shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution”

We observed that an internal memo requesting for the release of funds for the sum of ₦4,870,000 for the rehabilitation of the head office building in Abuja dated 04/05/2017 was approved and paid to a contractor vide P.V No. CP/114/2016. The work was later given to another contractor. It was revealed that no such work was carried out in the head office building and none of the materials purportedly purchased passed through store records.

A second internal memo requesting for the release of fund for the sum of ₦12,350,000 for the rehabilitation of the administrative block at the Industrial Development Centre, Idu Abuja and the Agency headquarters dated 03/05/2017 was approved and paid to the first contractor vide P.V no. CP/119/2016. Again, the work was later given to the second Contractor. None of the building materials (tiles, windows, doors etc.) purportedly purchased were recorded in the store records when checked. Valuation of work done on the three-bedroom flat building in IDC, Idu, had a value of ₦3,000,000 leaving an unaccounted balance of ₦9,350,000, since there was no evidence that the building materials were purchased and installed.

The sum of ₦2,800,000.00 was also paid through a payment voucher no. SMEDAN/CP/113/2016, dated 4th May 2017 as non-personal advance to an officer for rehabilitation of Lagos office, Matori Building Lagos. None of the building materials could be traced to the store at the time of inspection in August 2018. There were no Store Receipt Vouchers raised to confirm that the items were actually purchased and taken on store ledger charge.

This infraction was due to the failure of the Director-General to strictly comply with the provisions of the law as relates to the award and execution of contracts on behalf of government. The procurement act and other extant laws and regulations are very clear on laid down procedures on such issues.

Risk

The Agency may make payments for unexecuted contracts. This practice may cause an increase in unexecuted contracts for which payments have been made, resulting in a loss of public funds and poor value for the money expended.

Management's response

The Agency responded that, the rehabilitation works at Head Office and Lagos zonal office was actually carried out as evidenced by the technical report from Engineering, Technology & Innovation Department, who has the professional competence to supervise the job.

Auditor's evaluation

The appendix attached to support execution of the projects listed under this audit issue was a memo written on 10th April 2019 almost a month after the issuance of our management letter. A memo written by the Engineering Department in response to the audit query confirming that the jobs were carried out cannot be satisfactory evidence to show execution. The receipts for all the materials bought and the store receipt vouchers including pictorial evidence should have been provided. The expenditures therefore remained unaccounted for and Audit finds it difficult to accept the payments made as proper and legitimate charges against public funds.

Recommendation

The Director General is required to account for the sum of ₦17,020,000.00, broken down as follows: ₦4,870,000.00; ₦9,350,000.00 and ₦2,800,000.00. Sanctions in line with the provision of Financial Regulation 3104 should apply.

SECTION 8 AUDIT OF PARASTATALS / AGENCIES

BANK OF INDUSTRY

Issue 1: NON-REMITTANCE OF OPERATING SURPLUS - ₦46,236,341,600.00

Treasury Circular Reference No. TRY A10 & B10/2016 OAGF/CAD/026/V.111/101, dated 22nd November 2016 states in part “all Corporations, Agencies and Government-owned companies listed in the Schedule referred to in Section 21 of the Fiscal Responsibility Act, 2007 (as amended) including the additions by the Honourable Minister, Federal Ministry of Finance (FMF), shall pay 80 per cent (80%) of their Operating Surplus to the CRF, while 20 per cent (20%) will go to the General Fund of the Organization, so created for that purpose”. The Circular concluded by stating that “any question or further clarification required on the content of this Circular should be directed to the Office of the Accountant General of the Federation”.

Also, Part 1, section 3 and part IV, sections 21 and 22 of the Fiscal Responsibility Act, 2007 mandate all public sector entities to remit 80% of their operating surplus to the Federal Government.

Audit observed, from the review of the bank's financial statements, that the bank failed to remit the sum of ₦46,236,341,600.00, being 80% of the operating surplus of ₦57,795,420,000.00 realised by the Bank from years 2016 to 2018 into the Consolidated Revenue Fund of the Federal Government.

Risk

Unremitted Operating Surplus may result in a loss of revenue to the Federal Government which may adversely affect its ability to achieve planned economic growth and development. The sum may also be diverted for personal use.

Management's response

In their response, management claimed that the bank is exempted from paying operating surplus to the Federal Government, being a limited liability company incorporated under CAMA 2004 (as amended). They also claimed that the bank is licensed and regulated by the CBN and that it prepares its Financial Statements in line with IFRS.

Auditor's evaluation

No documents such as Certificate of Incorporation, Memorandum and Articles of Association was however tendered to support this claim. Also, management failed to tender any document to show that it sought clarification from the Office of the Accountant-General of the Federation as required in the Circular stated above.

The Bank of Industry was specifically mentioned in a Finance Circular, *Ref. No. FMF/HMF/2016/1*, dated 21st November 2016 issued by the Honourable Minister of Finance, as one of the agencies that must remit operating surplus after necessary adjustments.

It should also be noted that the Acting Chairman of the Fiscal Responsibility Commission, in a letter vide Reference No. FRC/529/T/39 dated 15th January, 2018, in response to the bank's complaint of its inclusion by the Honourable Minister of Finance as one of the agencies that must remit operating surplus mentioned that "However, it is pertinent to inform you that the Fiscal Responsibility Commission does not have the power to add or remove any Agency or Institution to/from the list on the schedule to the Act. The prerogative statutorily belongs exclusively to the Hon. Minister of Finance by virtue of the extant provision of the Act". The Bank neither sought any clarification from the Honourable Minister of Finance nor did it comply with the directive conveyed in the Circular issued by the Minister.

Recommendation

The Managing Director, is required to provide evidence of exemption obtained from the relevant authorities, failing which he should remit the outstanding operating surplus in the sum of ~~N~~46,236,341,600.00 for years 2016 to 2018 in line with extant circulars cited above plus the accrued interest (if any), otherwise sanctions stated in FR3112(i) and (ii) should apply.

Issue 2: DISBURSEMENT OF LOANS WITHOUT SUFFICIENT SUPPORTING DOCUMENTS - N4,668,105,127.60

FR 603 states that "All payment vouchers must be supported with relevant supporting documents".

Audit observed, from the examination of payment vouchers, that the Bank made certain loan disbursements amounting to N4,668,105,127.60 to 97 (Ninety-seven) beneficiaries between February 2017 and December 2018. It was further observed that these disbursements were made to the beneficiaries on the basis of just two documents - Availment Forms and Disbursement Requests.

Audit however, noted that the following documents which are expected to be attached to the payment vouchers were unavailable:

- (a) Particulars of the Collateral used as security
- (b) Bank Guarantee
- (c) Credit appraisal
- (d) Offer Letter

For example, a particular beneficiary received the sum of N1,500,000,000.00 vide payment voucher No.100716, dated 27th December 2018. While another beneficiary received the sum

of N1,105,000,000.00 vide Payment Voucher No. 095881, dated 20th September 2018, without relevant supporting documents attached to the payment vouchers.

Risk

- (a) Possibility of loans becoming non-performing as necessary safeguards may not have been observed
- (b) High risk of loss of public funds

Management's response

The bank responded that based on their operational and credit policy, loans are given after due scrutiny and adequate documentation.

Auditor's evaluation

The bank's response does not sufficiently address the issue raised as documents expected were never provided.

Recommendation

The Managing Director is required to justify the disbursement of the loans without adherence to credit management policy of the bank. Furthermore, evidence of proper documentation of the loan amounting to N4,668,105,127.60 (as stated above) should be provided and presented to the Public Accounts Committees of the National Assembly and the Auditor-General for the Federation, for confirmation. Otherwise, sanction stated in FR 3115 should apply.

Issue 3: PLACEMENT OF MANAGED FUND NOT TRACEABLE TO CASH BOOK - N100,000,000.00

Financial Regulations 715 states that "Sub-Accounting Officers must ensure that all sums paid direct into their bank accounts are brought to account in their cash books promptly."

Audit observed from the examination of payment voucher with Voucher No. 091250, dated 28th September 2018 that the Bank placed the sum of N100,000,000.00 managed funds with a deposit money bank as fixed deposit at an interest rate of 13% per annum.

This amount could not be traced to the Cash book and bank account statement of the bank to confirm the validity and authenticity of the transaction. Furthermore, no evidence such as debit or credit advice was tendered as a confirmation that the bank is the beneficiary of the purported placement.

Risk

There is the possibility that fund may have been diverted as there is no evidence to confirm that placement was made for the benefit of the Bank

Management's response

The bank responded that all managed funds are properly documented, and that each managed fund has its own external auditor who audits it annually.

Auditor's evaluation

The response did not adequately address the issue as documents to support this claim were not presented for confirmation.

Recommendation

The Managing Director is required to henceforth ensure that all managed funds that are placed under any terms must be properly documented. Also, the following documents relating to the ₦100,000,000.00 managed fund stated above should be provided to the Public Accounts Committees of the National Assembly and the Auditor-General for the Federation:

- (i) Excerpt of the cash book where the transaction was entered
- (ii) Bank statement from the recipient/third party bank relating to the transaction
- (iii) Debit or credit advice received from the bank as may be applicable
- (iv) Investment register where the placed fund was entered
- (v) Terms and conditions of placement

Otherwise, sanctions stated in FR 3106 and 3115 should apply.

**Issue 4: NON-COMPLIANCE WITH THE PROCUREMENT ACT IN
THE DISPOSAL OF PUBLIC PROPERTY - ₦4,516,314,000.00**

Part X, Sections 55 and 56 of the Public Procurement Act 2007 provide modalities for the disposal of public property which every disposing entity must comply with. During the audit, we reviewed the financial statements provided by the management of BOI for audit to ascertain that the Bank and its subsidiaries complied with the provisions of the Public Procurement Act 2007 (as referenced above) in the disposal of public property reported in the financial statements for the relevant years.

Audit observed that public properties totalling ₦4,516,314,000.00 were disposed by the Bank and its subsidiaries between 2016 and 2018. Documents relating to these disposals were not made available for audit; and there was no evidence that the bank and its subsidiaries complied with the provisions of the Public Procurement Act 2007 as they relate to disposal of public property. Furthermore, evidence of receipt of the proceeds from the sales of the properties was not provided for audit confirmation.

Risk

The bank's contravention with the above provision in the disposal of its properties may result in the following:

- (i) Possibility that assets disposed may not have yielded the most advantageous returns to the government.
- (ii) Disposal may not have been carried out at arms-length.
- (iii) Possible loss of revenue to the Federal Government

Management's response

The bank, in its response claimed that in accordance with operational policies and in pursuit of its mandates, it aligns its expenditure, control and procurement policies with the Public Procurement Act, 2007.

Auditor's evaluation

This claim cannot be satisfactorily accepted, going by the failure of the bank to comply with the provision of the Public Procurement Act, 2007 in the disposal of its properties.

Recommendation

Managing Director is required to provide evidence of compliance with the provisions of the Public Procurement Act, 2007 on Disposal of public assets or properties. Evidence of receipt of the proceeds from the sale of the properties should be forwarded to the Public Accounts Committee of the National Assembly and the Auditor-General for the Federation for confirmation, failing which the sum of ₦4,516,314,000.00 should be refunded to the Consolidated Revenue Fund. Otherwise, sanction stated in FR 3114 should apply.

**Issue 5: CONTINUOUS LOSS OF GOVERNMENT
INVESTMENT/EQUITY- ₦11,785,128,000.00**

From the analysis of the bank's financial statements for the years ended 2016, 2017 and 2018, audit observed that Profit After Tax for the three years were as follows:

YEAR	AMOUNT (₦)
2016	16,973,504,000.00
2017	22,737,679,000.00
2018	31,907,644,000.00

These reported profits notwithstanding, it was observed that government's investment in the bank has been declining as shown below:

YEAR	YEARLY LOSS OF INVESTMENT/EQUITY	(N=)
2016	5,034,818,000.00	
2017	5,110,801,000.00	
2018	1,639,509,000.00	
TOTAL	11,785,128,000.00	

It is expected that continuous increase in profit would result in increase in owners' equity, but the reverse is the case - Federal Government investment continues to decline.

It appears that this unusual trend may be attributable to poor performance of the subsidiaries (*documents relating to them were not made available for audit*) as this result is noticeable in the consolidated position of the Banks and its subsidiaries.

Risk

If this trend continues unchecked, it could result in the following:

- (i) Going concern status of the Bank may be threatened.
- (ii) Loss of public fund.
- (iii) Derailment of the Federal Government Industrial Development Policies and Programmes.

Management's response

All subsidiaries have now been reorganized and that they have all returned to profit making.

Auditor's evaluation

Management's response that all subsidiaries have now been reorganized and that they have all returned to profit making is not acceptable.

Recommendation

The Managing Director is required to provide explanation as to why the Government's equity is declining in value while the BoI Group declares profits after tax year-on-year, failing which sanction stated in FR 3115 should apply.

Issue 6: FAILURE TO SUBSTANTIATE ALLEGED REVOCATION OF LAND AT ASOKORO - N647,628,000.00

Section 5 (3b) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) states that "The executive powers vested in a State under subsection(2) of this section shall be so exercised as not to – (b) endanger any asset or investment of the Government of the Federation in that state;"

Audit observed that the title to a plot of land owned by the Bank, at Asokoro, Abuja was revoked by the Federal Capital Development Authority. The value of this plot of land as stated in the 2017

financial statements was ~~₦647,628,000.00~~. No document relating to this purported revocation or replacement of the revoked ownership of the land was provided for audit confirmation.

It is expected that a plot of land belonging to one government agency cannot be revoked by another government agency or another tier of government without providing sufficient grounds for such revocation, and the notice of revocation, ought to have been communicated to the agency that owns the land. No correspondence from Federal Capital Development Authority (FCDA) was made available for audit verification and confirmation. This raises doubt on the validity of the claim that the land which belonged to the Bank was revoked by FCDA.

It was further observed that the plot of land under reference was considered to be fully impaired as a result of the revocation, and its carrying value was removed from the assets of the Bank, thereby reducing public assets by that value.

Risk

Audit is concerned that the land may have been converted to private use under the guise of revocation. Also, it is possible that the land might have been sold and the proceeds not lodged into government coffers. Revoked land may have been compensated and converted for private use.

Management's response

The Bank responded that the revocation was not within its control.

Recommendation

The Managing Director is required to provide verifiable evidence of revocation of the land by FCDA, otherwise, the value of the asset should be reinstated into the Financial Statements of the BoI. Sanctions stated in FR 3129 should apply.

Issue 7: QUESTIONABLE WRITE DOWN OF VALUE OF 33 UNITS OF FLATS AT GWARIMPA - ~~₦1,560,167,000.00~~

International Accounting Standards (IAS) 36 seeks to ensure that an entity's assets are not carried at more than their recoverable amount. (i.e. the higher of fair value less cost of disposal and value-in-use).

Audit reviewed and analyzed the carrying amount of investment property available for sale by the Bank and its subsidiaries, and observed that in 2017 financial year, the value of 33 units of houses situated at Life Camp, Abuja which was carried as ~~₦3,752,556,000.00~~ was deemed to have been impaired to the tune of ~~₦1,560,167,000.00~~. This property which was previously held by one of the Bank's subsidiaries was transferred to the Bank in exchange for the liquidation of the debt owed by the subsidiary.

The management of BoI could not substantiate the reduction of the net realizable value of the 33 units of houses and the circumstances that resulted to its conclusion that the property was impaired. Furthermore, the amount owed by the subsidiary that warranted a drastic reduction in the net realizable value of the property in order to transfer it in exchange to the Bank was not disclosed. Additionally, the circumstances that necessitated giving loan to the subsidiary could not be substantiated.

Risk

Audit is concerned that the reduction in net realisable value may be a deliberate attempt to justify sale of the property below the initial carrying amount. It may also lead to possible loss of value of public property.

Management's response

The write down was in line with the IFRS.

Auditor's evaluation

This response however does not address the issue raised, which is to clearly justify the reduction in carrying value.

Recommendation

The Managing Director is required to provide concrete evidence that the assets were impaired which warranted the write-down, failing which he should account for the sum of ₦1,560,167,000.00. Furthermore, evidence of the indebtedness of the subsidiary to the Bank, including the circumstances that resulted in such indebtedness should be forwarded to the Public Accounts Committee of the National Assembly and Office of the Auditor-General for the Federation for confirmation. Otherwise, sanctions stated in FR 3129 should apply.

Issue 8: UNSUBSTANTIATED LOAN WRITTEN OFF - ₦247,991,000.00

Chapter 25 (FR 2515) of the Federal Government Financial Regulations provides the procedure for the write off of any loss regarding government funds.

Audit reviewed the loan portfolio of the Bank and observed that ₦247,991,000.00 of public funds, comprising of ₦61,399,000.00 in 2016; ₦30,833,000.00 in 2017 and ₦155,759,000.00 in 2018 which were given as loan to various beneficiaries has been written off without justification. The grounds for the write off were not disclosed and no documents regarding this write off were made available for audit scrutiny.

There was no evidence to show that the relevant authorities as outlined in the FR referenced above were informed before the write off.

Risk

This anomaly may result in loss of public funds as loans may be advanced to unqualified person(s), and this may ultimately affect the solvency of the bank.

Management's response

Management responded that loans are classified in accordance with CBN Prudential Guidelines. Furthermore, in line with the credit policy of the Bank, it is only the Board of Directors that has the authority to approve any loan write off.

Auditor's evaluation

This response is not acceptable on the grounds of the failure of the bank to follow the guidelines provided for in the Financial Regulations before writing off the loan.

Recommendation

The Managing Director is required to provide details of all loans that have been written off for audit confirmation. Such details should include but not limited to:

- (a) Loan amount
- (b) Name of borrower
- (c) Date of grant
- (d) Amount recovered so far
- (e) Maturity date
- (f) Interest abandoned
- (g) Reasons for write-off

Furthermore, payment vouchers and supporting documents relating to these loans should also be forwarded to the Public Accounts Committee and Office of the Auditor-General for the Federation, failing which the sum of ₦247,991,000.00 should be paid into the CRF of the Federal Government. Also, sanction stated in FR 3129 should apply

**NIGERIAN MARITIME ADMINISTRATION AND SAFETY AGENCY
(NIMASA)**

Issue 1: PAYMENT FOR SERVICE NOT RENDERED - ₦741,904,761.28

FR 708 states that; "On no account should payment be made for services not yet performed or for goods not yet supplied".

Also, FR 415 states that "The Federal Government all officers responsible for expenditure to exercise due economy. Money must be spent merely because it has been voted for."

Audit observed that the agency engaged the service of a legal firm through a letter with reference number NIMASA/DG/KP/2014/001, dated 24th January 2014 for the intelligence based tracking of global movement of Nigerian Hydro-Carbon and recovery of loss by the Federal Government of Nigeria in the sum of USD9.3billion between 2013 and 2014, with a start-off cost of USD5million and 5% of all sums recovered.

Payment instruction with reference number NIMASA/2007/DFS/WJ/5.500/VOL.11/341 dated April 2014 showed that the firm was paid the sum of \$4,523,809.52 (Four million five hundred and twenty three thousand eight hundred and nine dollar fifty two cents only) net as professional fees from Zenith Bank (UK) Dollar account. The naira equivalent of this amount was N741,904,761.28 at an exchange rate of N164 to a dollar as of that date. No evidence of recovery of either part or the entire sum of the 9.3 Billion US Dollars was presented as at the time of the Periodic Check in February 2018, despite the huge amount of money already paid to this effect.

It is instructive to note that details of the transaction leading to the loss of USD9.3billion to the Federal Government which only came to audit attention through the review of the letter from the agency to the legal firm so as to ascertain what could have transpired, resulting in such a huge loss were not presented for audit. Ordinarily, the firm should have deducted its fees from the amounts recovered for the FGN, and not receive fees in advance in lieu of the recoveries.

Risk

Audit is concerned that payments was made for service not rendered and this may be a deliberate attempt to divert government funds for personal use.

Recommendation

The Director-General is required to justify the payment for service not rendered, failing which the sum of N741,904,761.28 should be recovered from the legal firm and paid into the CRF, forwarding evidence of payment to the Public Account Committees of the National Assembly and to the Office of Auditor-General for the Federation for verification. Sanctions stated in FR 3104 should apply. He is also required to provide details of the transaction(s) leading to the loss of 9.3 Billion US Dollars for thorough scrutiny.

Issue 2: IRREGULARITIES IN CONTRACT AWARD (15% ADVANCE PAID) - N48,067,500.00

Section 24(1) public procurement Act 2007 states that “ Except as provided by this Act, all procurement of goods and services by all entities shall be conducted by open competitive bidden” Similarly, Financial Regulations 2921(i) states that” Except as exempted under the procurement Act, all procurement of goods, works and services shall be by way of open competitive bidden by which is meant that all contractor/ supplies shall be subject to the same level playing ground...”

Also, Section 35 (1) & (2) of the Public Procurement Act, 2007 states that “A mobilization fee of not more than 15% may be paid after producing an unconditional Bank Guarantee or Insurance bond before the award of contract.”

Audit observed the under listed irregularities in the award of contract in the sum of ₦320,450,000.00 for the removal of water hyacinth in Western Zone in the year 2016:

- i. There was no relevant contract agreement
- ii. There was no certificate of ‘No Objection’ from the Bureau of Public Procurement
- iii. There was no Federal Executive Council approval, Ministerial Tenders Board approval considering the fact that the contract sum is above the approval threshold of the of the Agency
- iv. There was no Advance Payment Guarantee (APG) for the 15% mobilization of ₦48,067,500 (Forty-eight million sixty-seven thousand five hundred naira only) paid to the company on 2nd May 2017, as required by the Public Procurement Act 2007

In the absence of these documents, it is difficult to accept the existence of the above contract and the genuineness of the payment made.

Risk

The contract may be fictitious, and the funds diverted for other uses.

Recommendation

The Director General is required to justify the payment of the sum of ₦48,067,500 in contravention of the above provisions, failing which the said amount should be recovered from the contractor and paid back to government chest. Also, sanction within FR 3117 should apply.

Issue 3: CONSULTANCY SERVICES PAID WITHOUT EVIDENCE OF PERFORMANCE - ₦115,970,941.87

FR 708 states, “On no account should payment be made for services not yet performed or goods not yet supplied.”

Audit observed that amounts totalling ₦115,970,941.87 (One hundred and fifteen million nine hundred and seventy thousand nine hundred and forty-one-naira eighty-seven kobo) were paid to some contractors for consultancy services. However, Job Completion Certificates and other relevant documents to prove that the services were actually rendered were not presented for audit.

Risk

There may be possible loss of government fund.

Recommendation

The Director-General is required to produce satisfactory evidence of job completion and reports, else the sum of ₦115,970,941.87 (One hundred and fifteen million nine hundred and seventy thousand nine hundred and forty one naira eighty seven kobo only) should be recovered from the Consultants and paid back to government coffers. In addition, sanction within FR 3104 should apply.

Issue 4: NON-RETIREMENT OF CASH ADVANCE - ₦25,490,028.00

Financial Regulations 1420 states that “It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered”

Audit observed that a total of ₦25,490,028.00 (Twenty-five million four hundred and ninety thousand twenty-eight naira only) granted as cash advance to staff remained unretired as of 31st May 2017.

Risk

Cases of unretired advances could result in misappropriation of public funds which may be diverted for personal use.

Recommendation

The Director-General is required to recover the sum of ₦25,490,028 from the beneficiaries and pay to the CRF, failing which sanctions stated in Financial Regulation 3118 and 3124 should apply.

Issue 5: CONVERSION OF OFFICIAL VEHICLE TO PERSONAL USE BY FORMER BOARD CHAIRMAN OF THE AGENCY - ₦22,500,000

Circular Reference No. 59515/S.22/T4/1/401, dated 25th August 1998 states in part that “no member, including a part-time chairman shall be allowed to retain an official vehicle for us on a permanent basis.”

Audit observed that, a brand new Lexus SUV with engine number 3UR3076622, Chassis number JTJNY7AX6B4058204 and Registration number US 993 KJA purchased in 2008 at a cost of ₦22,500,000 (Twenty two million five hundred thousand naira only) could not be sighted at the premises of the agency, during physical inspection of the Agency’s official vehicles. Further enquiries revealed that, a former Board Chairman of the Agency took away the car at the expiration of his tenure, without any document to prove that the vehicle was auctioned to him.

Risk

Loss of public assets by way of diversion for personal use.

Recommendation

The Director-General is required to recover the vehicle from the former board chairman, which should remain in the state and at the value it was as at the time it was taken away and provide evidence of recovery to the Public Accounts Committee of the National Assembly and to my office for confirmation. Failing which sanction stated in FR 3113 should apply.

Issue 6: NON-SUBMISSION OF AUDITED ACCOUNTS

Financial Regulation 3210(v) states that “The Chief Executive Officer shall submit both the Audited Accounts and Management Report to the Auditor-General and the Accountant-General not later than 31st May of the following year of Account”.

At the time of the audit in February 2018 the Agency was yet to submit to the Office of the Auditor-General for the Federation, its Audited Financial Statements for the period 2015 and 2016. These were subsequently received in 2019 along with the accounts for 2017, however the audited Financial Statements for 2018 and 2019 were yet to be received at the time of this report.

Risk

Audit is unable to vet the Annual Accounts and Management Report to the Public Accounts Committee of the National Assembly.

Recommendation

The Director General is required to justify the lateness in submission and immediately submit the Audited Accounts to date and the corresponding Management

Letters/Reports in line with provision of the law. These submissions should be made to the Auditor-General for the Federation, and the Public Accounts Committees of the National Assembly should be informed once this done. Sanctions in line with FR 3129 should apply.

NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF) ABUJA**Issue 1: IMPLEMENTATION OF UNAPPROVED SALARY STRUCTURE
N38,219,919,530.32**

The Federal Government policy on the determination or review of remuneration in the Federal Public Service requires that all decision to create a new remuneration structure, change any element of it or review existing rates for any establishments in the public service is subject to the approval of the Government through the National Salaries Income and Wages Commission.

Also, Federal Circular Ref No. SWC/S/04/S.167/216, dated 12th February, 2004 requires all Federal Government Parastatals and Agencies wishing to monetize their fringe benefits to submit the proposal package to the National Salaries Income and Wages Commission for necessary evaluation and approval before implementation

Moreover, paragraph “G” of FR 112 requires accounting officers to ensure prudence in the expenditure of public funds.

Audit observed that the Fund had been implementing a salary structure that is not approved by the National Salaries, Income and Wages Commission. As a result, irregular payment of ₦38,219,919,530.32 by way of personnel cost was made to the staff of the Fund from 2012 to 2017.

Risk

Implementation of unapproved salary structure may result in wastage of public funds, as remuneration may be higher than the productivity level of staff.

Recommendation

The Managing Director is required to provide the approval of the National Salaries, Income and Wages Commission for the implementation of the Fund’s salaries structure, failing which sanctions stated in FR 3106 should apply.

Issue 2: IRREGULAR PAYMENT OF UNAPPROVED ALLOWANCES - ₦1,872,200,771.67

Federal Circular Ref No. SWC/S/04/S.167/216, dated 12th February, 2004 requires all Federal Government Parastatals and Agencies wishing to monetize their fringe benefits to submit the proposal package to the National Salaries Income and Wages Commission for necessary evaluation and approval before implementation

Also, FR 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that a total of ₦1,872,200,771.67 was paid to both Management and staff of the Fund as “Management and other Allowances” for years 2013, 2014 & 2017, without evidence to prove that those allowances were approved by the National Salaries, Income and Wages Commission.

Review of the payment records showed that included in the amount was a sum of ₦69,000,000.00 paid to the Managing Director and the three other Executive Directors as “Executive Management Allowances for Housing, Furniture and Generator” in the year 2017,

apart from the monthly allowance they receive known as “Management Allowances”. This is an indication of a possible overpayment of allowances, which is sanctionable under FR3111.

Moreover, a sum of ₦125,056,671.70 was paid to staff of the Fund as arrears of Management allowances for 2017. Details of the benefitting staff such as their names, ranks, Grade Levels as well as the period that the arrears covered were not presented for audit.

Payment of this amount to staff outside of their salaries and regular allowances may also be intended to evade tax, as these allowances were not subjected to tax.

Risk

Payment of allowances such as these may be a way of deliberately syphoning public funds

Recommendation

The Managing Director is required to provide the approval of the National Salaries, Income and Wages Commission for the payment of those allowances, failing which recoveries should be made from the beneficiaries and paid back to the Consolidated Revenue Fund, with payment particulars forwarded to the Public Accounts Committees of the National Assembly and to my office for verification. Also, sanctions stated in FR 3106 and 3111 should apply.

Issue 3: TRANSFER OF FUNDS WITHOUT DETAILS - ₦17,158,883,034.69

FR 601 states that “All payment entries in the cashbook/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.”

Also, FR 709 states that “The Accountant-General and the Auditor-General or their representatives shall have the right of access to records of all bank accounts of all ministries, extra-ministerial offices and other arms of government and are entitled to any information they may require in connection with such accounts.

Audit observed from the Fund’s Statements of Account No. 1750011691 with Skye bank plc, for the period 1st January, 2013 to 20th December, 2013, and Statements of Account No.2001754610 with First Bank Plc for the period 7th January, 2013 to 28th February, 2013, that amounts totalling ₦17,158,883,034.69 were transferred to some persons and companies from these accounts. However, payment vouchers relating to the transfers together with their supporting documents were not provided for audit. Consequently, the purpose(s) for the transfers could not be authenticated.

Risk

Where funds are transferred without adequate records, there may be the possibility of diversion of such funds for personal use.

Recommendation

The Managing Director is required to account for the sum of ₦17,158,883,034.69, failing which the amount should be recovered and paid back to the CRF. Sanctions stated in FR 3115 should apply.

Issue 4: DIVERSION OF FUNDS INTO A COMMERCIAL BANK ACCOUNT NOT APPROVED BY THE ACCOUNTANT-GENERAL - ₦5,500,000,000.00

FR 701(i) states that “No official bank account shall be opened unless authorized by the Accountant-General. Each approved account shall be maintained under an official designation.”

Also, FR 713 states that “Personal money shall in no circumstances be paid into government bank account, nor public money be paid into a private bank account. An officer who pays public money into a private account shall be deemed to have done so with fraudulent intention.”

Audit of the Fund’s bank statements for the period under review revealed that contributions received from Federal Government in 2014, amounting to ₦5,500,000,000.00 were diverted to a Zenith Bank account number 1013938003, instead of the Skye Bank account number 1790122304 into which other contributions were paid, without providing any authority or any form of explanation for such diversion.

Audit further observed the following:

- A. The bank account was opened without the approval of the Accountant-General of the Federation, as no such approval was presented for audit.
- B. The new account was opened specifically for this purpose as seen in the bank statements where a first tranche of ₦2,750,000,000.00 was used in opening the account on the 29th of August 2014.
- C. Transfers were further made from the account to third parties, individuals and other NSITF accounts without payment vouchers and other supporting documents to authenticate such transfers. This puts doubt in the genuineness of all the transactions in the bank account.

Consequently, audit cannot accept such transactions without necessary evidence as legitimate charges against public funds.

Risk

The risk of fraudulent diversion of funds may be possible in this type of transaction.

Recommendation

The Managing Director is required to:

- i. Explain why Federal Government contribution in 2014 was diverted to a different account.
- ii. Provide the authority from the Accountant-General of the Federation for opening of the account.
- iii. Provide the payment vouchers and other documents supporting transfers from the account to other beneficiaries.

Otherwise, the sum of ₦5,500,000,000.00 and all accrued interest should be paid back to the CRF. Also, the bank account should be closed immediately. Sanctions stated in FR 3106 and 3115 should apply.

Issue 5: **TRANSFER OF FUNDS WITHOUT ADEQUATE
INFORMATION - ₦404,005,000.00**

FR 709 states that “The Accountant-General and the Auditor-General or their representatives shall have the right of access to records of all bank accounts of all ministries, extra-ministerial offices and other arms of government and are entitled to any information they may require in connection with such accounts.”

Audit observed that a sum of ₦504,220,000.00 was transferred from the Fund’s Investment E-Collection account to Capital Expenditure (CAPEX) Fund account. Reasons/purposes of the transfer, related documents and approval were not produced for audit. Further review of the records showed that the sum of ₦100,215,000.00, out of the total transfer of ₦504,220,000.00, was moved back to the Investment E-Collection account on the 13th September, 2017, leaving a balance of ₦404,005,000.00 still in the CAPEX account.

Risk

- a. Non-compliance with the provisions of extant regulations.
- b. Possibility of illegal and wrong transfers.
- c. Likelihood of fraud.

Recommendation

The Managing Director is required to account for the sum of ₦404,005,000.00 left in the CAPEX account, failing which sanctions within FR 3115 should apply.

Issue 6: UNAUTHORIZED INVESTMENTS WITHOUT ADEQUATE RECORDS - ₦2,212,515,971.00

FR 739 states that “Idle funds in the Bank Accounts of Ministries, Departments and Agencies shall only be invested in Treasury Bills in accordance with extant circulars.”

Audit observed, from the review of the Fund’s Budget Performance report for years 2016 and 2017 that amounts totalling ₦2,212,515,971.00 was invested as follows:

- ₦576,470,588.00 in Trust Fund Pensions in contravention of the above Regulation; and
- ₦1,636,045,383.00 in Government Bonds and Treasury Bills

It was further observed that, apart from the sum of ₦72,000,000.00 paid to Chapel Hilton/Trust Fund for additional units of sixty million ordinary shares of Trust Fund Pensions at ₦1.20 per share, vide Payment Voucher No. 05978, dated 18th April, 2017, other documents such as the board’s approval, investment certificates, units of bonds and Treasury Bills purchased as well as their price per unit, were not made available for audit.

Risk

Government funds may be diverted for private use.

Recommendation

The Managing Director is required to account for the sum of ₦2,212,515,971.00, failing which the said amount plus interests accrued therefrom should be paid back to the Federal Government purse. In addition, sanctions within FR 3115 should apply.

Issue 7: RETURNS ON INVESTMENTS NOT PROPERLY ACCOUNTED FOR - ₦93,932,011.14

Financial regulation 112(1f) stipulates that the Accounting Officer shall “Ensure accurate collection and accounting for all public moneys...”

An overview of Income from investment properties between 2015 and 2017 revealed the following:

- A. A sum of ₦313,210,000.00 was recorded as gross income due from investment properties but only ₦241,152,000.00 was received, thereby leaving ₦72,058,000.00 as outstanding rental income.
- B. While Mohammed & Co (An Estate Firm) spent 2.7% of gross rent received by it on incidental expenses, the Estate Unit of NSITF spent 18.7% of gross rent collected by the Unit on the same expenses. This is viewed as abnormal as expenses reportedly incurred

by Mohammed & Co. was far less than what was incurred by Estate Unit despite the fact that the amount collected by former was greater than the latter.

- C. Addition of both 10% Admin. charge and expenses incurred by Mohammed & Co. was less than the total expenses incurred by the Estate Unit.
- D. Documentary evidence to prove the genuineness of incidental expenses of N21,874,011.14, incurred by the Estate Unit of NSITF, was not made available for audit inspection.
- E. The annual average return on investment of 1% is considered too low in view of the fact that there were other investment opportunities that could have yielded better return on investment far above this rate. It would therefore appear that the investment was not subjected to proper evaluation before investment decisions were taken as investment evaluation based on sound appraisal techniques would have revealed that venturing in government bond and securities would have been more desirable.

Risk

- a. Possibility of waste of government funds as a result of duplication of functions.
- b. Under-disclosure of income generated from investment properties.

Recommendation

The Managing Director is requested to account for the outstanding rental income of ₦72,058,000.00 and provide documentary evidence to back up amount of ₦21,874,011.14 spent on incidental expenses by the Estate Unit. Failing which sanctions within FR 3112 & 3129 should apply.

Issue 8: UNDER-DEDUCTION OF PAY AS YOU EARN (PAYE) - ₦1,446,887,167.70

Financial Regulation 232 states that “If at any time, a Public Officer sustains a loss of Revenue due to negligence, he shall be liable to be surcharged for the amount involved.”

Audit observed from the examination of salaries payrolls for the period 1st January 2012 to 31st December 2017 that Pay As You Earn (PAYE) tax was grossly under deducted from staff salaries. A re-computation of the tax using template prescribed by Personal Income Tax (Amendment) Act, 2011 and comparing the result with actual tax deducted, from January to December 2017, revealed an under deduction of ₦1,446,887,167.70.

This act appears to be a way of evading tax whereby both the Federal and States governments are deprived of revenues.

Risk

Government may be deprived of revenue.

Recommendation

The Managing Director is required to justify the sum of ₦1,446,887,167.70, being underdeduction of PAYE for the period under review, otherwise the amount should be collected and remitted to the appropriate tax authorities with evidence of remittances forwarded to the Public Accounts Committees of the National Assembly and to my office for verification. In addition, sanctions provided for under Section 74(1) of Personal Income Tax (Amendment) Act, 2011 Should apply.

Issue 9: NON-REMITTANCE OF VALUE ADDED TAX (VAT) AND WITHHOLDING TAX (WHT) - ₦1,435,711,405.86

FR 234 (i) states that “It is mandatory for Accounting Officers to ensure full compliance with the dual role of making provisions for the value added tax (VAT) and withholding tax (WHT) on supply and services contract and actual remittance of same.”

Audit observed that VAT and WHT amounting to ₦1,435,711,405.86 were not deducted from payments made to some contractors in years 2012, 2013, 2014 and 2017, thereby depriving government of its legitimate revenue. Management attracts sanctions in line with Financial Regulations 234 ‘ii’ & ‘iii’ and 3112 (2009).

Risk

The above anomaly could result in loss of revenue to the government.

Recommendation

The Managing Director is required to recover the amount from the affected contractors, remit same to the appropriate tax authority and forward concrete evidence of recovery and remittance to the Public Accounts Committees of the National Assembly and to my office for verification, failing which sanctions stated in FR 234 (ii), (iii) and 3112 should apply.

Issue 10: UNREMITTED PAY AS YOU EARN (PAYE) DEDUCTIONS - ₦597,957,377.65

FR 235 states that “Deductions for VAT, WHT and PAYE shall be remitted to the Federal Inland Revenue at the same time the payee who are the subject of the deduction is paid.”

Audit observed that amounts totalling ₦597,957,377.65 were deducted from staff salaries as Pay As You Earn (PAYE) tax over the years, but not remitted to the appropriate tax authorities as at the time of audit in February 2017.

It should be noted that non-remittance of tax deductions deprives government of resources that would have been used for the provision of public goods and services.

Risk

This act is most likely to have deprived the government at both the federal and state levels of revenue. Also, the possibility of diversion of funds may not be ruled out.

Recommendation

The Managing Director is required to remit the sum of ₦597,957,377.65 to the appropriate tax authorities with evidence of remittances forwarded to the Public Accounts Committees of the National Assembly and to my office for verification. In addition, sanctions provided for under Section 74(1) of Personal Income Tax (Amendment) Act, 2011 Should apply.

Issue 11: PAYMENT VOUCHERS NOT PRESENTED - ₦6,889,132,015.65

FR 601 states that “All payment entries in the cashbook/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favour of the person or persons to whom the money is actually due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.”

Audit observed from the review of the Fund’s cash books for years 2012, 2013, 2014 and 2017 that payments totalling ₦6,889,132,015.65 were made to some persons and companies during the period covered. However, related payment vouchers together with their supporting documents were not produced for audit. This suggests that payment vouchers were not raised in effecting these payments.

Risk

This act may result in loss of government fund that may become impossible to trace.

Recommendation

The Managing Director is required to account for the sum of ₦6,889,132,015.65, failing which he should refund the amount to the CRF, forwarding evidence of payment to the Public Accounts Committees of the National Assembly and to my office for verification. Sanctions within FR 3106 should apply.

Issue 12: IRREGULARITY IN THE AWARD OF I.C.T RELATED CONTRACTS - N5,532,435,309.68

Section 24(1) of the Public Procurement Act, 2007 states that “Except as provided by this Act, all procurements of goods and works by all procuring entities shall be by way of open competitive bidding.”

Similarly, FR 2907(i) states that “In order to ensure transparency and accountability, achievement of value for money, economy and efficiency, and equity and fairness, all procurements falling within the Bureau’s thresholds shall be by way of Open Competitive Bidding.”

Audit observed that a sum of ~~N~~5,532,435,309.68 was paid to different contractors/consultants between 2012 and 2014 for various ICT related contracts/consultancies. The following irregularities were discovered:

- a. The Fund could not produce contract documents used in the award of the contracts/consultancy services like advertisements carried out in two (2) National Dailies; bid documents submitted, evidence of meeting eligibility requirements; bid evaluation report; memorandum presented to the Federal Executive Council (FEC) or Ministerial Tenders Board (MTB) on contracts/consultancies above the approval limit of the Parastatal Tenders Board (PTB), approval by the FEC or MTB as the case may be and the Needs Assessments for the procurements.
- b. 60% mobilization fee was paid to the contractors/consultants as against 15% stated in Public Procurement Act, 2007, and without submission of an advance payment guarantee from a reputable bank or Insurance Company, all in contravention of Section 35 of the Public Procurement Act, 2007.
- c. Some of the contracts were seen to have been duplicated. For instance, Signal House Consulting Ltd. which ordinarily ought to have been a consulting firm was awarded duplicated contracts for the supply of ICT equipment amounting to N1,129,516,864.00; and M/S Comfort Olu Eyitayo & Co was awarded two supply contracts amounting to N324,629,540.00 which were seen to have been duplicated.
- d. “Certificate of ‘No Objection’ to Contract Award” was not obtained from Bureau of Public Procurement (BPP) for the award of the ICT contracts.
- e. There was no Job Completion Certificates/Stores Received Vouchers (SRV) to confirm that they were satisfactorily executed, but these contracts were fully paid for.

Risk

Non-compliance with the provisions of extant circular and Procurement Act. Irregular payments from government funds.

Recommendation

The Managing Director is required to provide to justify the payment of the sum ₦5,532,435,309.68 for contracts awarded in contravention of the above provisions, failing which the amount should be recovered from the contractors and paid back to the CRF with evidence of payment forwarded to the Public Accounts Committees of the National Assembly and to my office for verification. Sanctions within FR 3117 should apply

**Issue 13: PAYMENT FOR CONTRACTS NOT SUPPORTED BY
RELEVANT DOCUMENTS - ₦1,399,524,563.21**

FR 601 states that “all payment entries in the cash book/accounts should be vouched for on one of the prescribed treasury forms; vouchers should be made out in favour of the person or persons to whom the money is actually due; and under no circumstances should payment be made for services for which a voucher has not been raised.”

Audit observed that between year 2013 and 2014, amounts totalling ₦1,399,524,563.21 were paid to different contractors/consultants for different services claimed to have been rendered. However, efforts made to get the contract documents and the payment details that would have assisted in knowing the type of services rendered and whether due process was followed in the award of the contracts, proved abortive.

These payments could not be accepted as legitimate charges against public funds as their genuineness was doubtful.

Risk

- a. Contracts may be awarded to incompetent contractors who may end up doing shoddy jobs
- b. Fictitious contracts may be awarded leading to possible diversion of public funds.

Recommendation

The Managing Director is required to account for the sum ₦1,399,524,563.21, otherwise, the amount should be recovered from the contractors and paid back to the CRF with evidence of payment forwarded to the Public Accounts Committees of the National Assembly and to my office for verification. Sanctions within FR 3106 and 3117 should apply.

Issue 14: CONTRACT SPLITTING - N290,414,287.30.

Financial Regulation 3125(i) list those offences under Public Procurement Act that shall attract various forms of sanctions. Financial Regulation 3125(i) (d) states that “splitting of tenders to enable the evasion of monetary threshold set.”

Audit observed that seven contracts were awarded, at a contract sum of N290,414,287.30 to four contractors for the procurement of nine units of utility motor vehicles for the Fund’s Offices in Abuja, Kano, and Enugu. The contracts were awarded on the 11th December 2017 and fully paid for on the 22nd December 2017. However, review of the contracts’ records revealed the following irregularities:

- A. There was no evidence of needs assessment carried out before the procurement of the utility vehicles, contrary to the provisions of Financial Regulations 2918 (a).
- B. The contracts were awarded on the 11th December 2017, whereas the Parastatal Tenders Board (PTB) meeting was held on the 14th December 2017, three days after the award.
- C. A case of split of contract was discovered as two contractors were awarded two and three contracts respectively, for the procurement of utility vehicles. The first contractor was awarded two contracts for the procurement of two Toyota Prado Jeeps worth N90,500,000.00, which is indicative of contract splitting.

Similarly, three contracts were awarded to the second contractor for the supply of five (5) units of Peugeot 508 Executive 1.6 Turbo Charge Engine Utility Vehicles to the Fund’s office in Abuja, amounting to N114, 914,287.30. These contracts should have been awarded as a single contract, subject to Ministerial Tenders Board approval before award, but it was split to circumvent procurement process.

- D. The motor vehicles acquired were not taken on store ledger charge and confirmed by the storekeeper, in contravention of FR 2402. Requests to physically sight the vehicles were also not honoured.

Risk

- a. Contracts may be awarded to incompetent contractors who may end up doing shoddy jobs
- b. Fictitious contracts may be awarded leading to possible diversion of public funds.

Recommendation

The Managing Director is required to provide justification for the splitting of contracts, otherwise, sanctions stated in FR 3106 and FR 3116 should apply.

Issue 15: IRREGULAR AWARD OF TRAINING CONTRACT - N250,000,000.00

Financial Regulation 2950(i) states “A Ministry, Extra-Ministerial Office or other arms of government shall call for expression of interest or Applications for pre-qualification from consultants where their services so required have been fully ascertained”.

Audit observed that contract for British Standards International (BSI) International Standards for Organization (ISO 27001) was awarded to a contractor on the 12th September 2013 at a contract sum of ₦250,000,000.00; without following due process. The scope of work was to develop, apply and train staff on BSI International Standards for Organizations (ISO 27001).

Efforts to access the contract file for review proved abortive as the Head of Procurement Unit claimed that he was new in the Unit and that such file was not in his custody. Further examination revealed the following irregularities:

- a. No evidence to show that due process was followed in the award of the contract as the following documents were not provided: advertisement in two (2) National dailies, bid documents/evidence of eligibility requirement and evaluation report by the Tenders Evaluation Committee.
- b. 10% Withholding tax (WHT) of ₦25,000,000.00 was not deducted from the payment; and although ₦12,500,000.00 (5% WHT) was reflected in the computation, only ₦2,500,000.00 was deducted in actual sense. It therefore means that outstanding WHT not deducted on the contract was ₦22,500,000.00 (₦25,000,000.00 – ₦2,500,000.00). Equally, there was no evidence of 5% VAT deduction of ₦12,500,000.00 on this transaction which was a loss of revenue to the government.
- c. Apart from the payment voucher No. 2098 of 14th December 2016 for ₦30,094,000.00, being the balance due to the Consultant, the previous payment vouchers raised and paid in 2014 were not produced for audit examination.

These infractions are management failure to comply with Due Process guidelines in the award of the Consultancy contracts.

Risk

Failure to adhere to laid down Rules and Regulations could lead to misapplication and misappropriation of government funds.

Recommendation

The Managing Director is required to:

- i. Justify the payment of N250,000,000 (Two hundred and fifty million naira) made for the Development, Application and Training of staff on BSI International Standards for Organizations (ISO 27001)

- ii. Justify the infractions mentioned in (a) to (c) above. Otherwise, sanctions in line with Financial Regulation 3126(i) and (ii) should apply.

Issue 16: CONTRACT PAYMENT WITHOUT EVIDENCE OF PERFORMANCE-N151,389,021.50

Financial Regulation 412 states in part “Where a contract involves supplies of goods or work done, there will be attached to the voucher a certificate that the payments are in accordance with the terms of the contract agreement, that as regards supplies, the articles have been received and, in the case of work, that it has been properly done. In the case of payment on account, no money will be claimed other than the cost of work certified to have been performed...”

Audit observed that the sum of N151,389,021.50 (one hundred and fifty one million three hundred and eighty nine thousand and twenty one naira fifty kobo) was paid in 2017 in respect of thirteen (13) contracts, but the payments were not supported by concrete evidence of job done such as Store Receipt Vouchers (SRVs), Certificates of performance, etc., as required in Financial Regulations 603.

Risk

Failure to keep and maintain records of government assets could lead to loss or conversion of government assets into private properties.

Recommendation

The Managing Director is required to account for the payment of N151,389,021.50 (one hundred and fifty-one million three hundred and eighty-nine thousand and twenty-one naira fifty kobo), failing which sanctions in line with FR 3104 should apply.

Issue 17: AWARD OF CONTRACT WITHOUT DUE PROCESS-N157,978,575.40

Section 24(1) of the Public Procurement Act states “Except as exempted under the Procurement Act, all procurement of goods, works and services shall be by way of Open Competitive Bidding.”

Audit observed that contract was awarded to a contractor at a contract sum of ₦157,978,575.40 on the 14th August, 2014, but the contract file containing documents which would have assisted in the evaluation of the contract with a view to knowing whether due process was followed in the award or not, was not produced for audit examination despite repeated demands for it. The following irregularities were further observed:

- (a) There was no record/document to show how the contract was initiated up to the approval. This showed that due process was not followed in the award of the contract.
- (b) Contract agreement between the Fund and the contractor was not presented for audit.
- (c) The level of work done before abandonment could not be ascertained. (d) Interim valuation breakdown, showing the level of work executed before payments, was not provided.

Risk

This could lead to poor execution of contract, waste, or loss of government resources.

Recommendation

The Managing Director is required to justify the payment of N157,978,575,40 (one hundred and fifty-seven million nine hundred and seventy-eight thousand five hundred and seventy-five naira forty kobo) for contracts awarded without following due process, failing which sanctions in line with Financial Regulation 3117.

Issue 18: IRREGULAR AWARD OF CONSULTANCY CONTRACT FOR PROCESSING AND REGULARISING OF TITLE DEEDS AND SURVEY PLANS – N120,000,000.00

Financial Regulation 2950(i) states “A Ministry, Extra-Ministerial Office or other arms of government shall call for expression of interest or Applications for pre-qualification from consultants where their services so required have been fully ascertained”.

Audit observed that contract was awarded to a legal consultant at a contract sum of N120,000,000.00, vide award letter referenced NSITF/REC/03/MY0-1/11/13 of 8th November 2013, with four (4) months completion period. The scope of service was to carry out processing and regularization of title deeds and survey plans of land at Era village Ota-Awori, Ijanikin, Badagary expressway, Lagos State in collaboration with the Lagos State Bureau of Lands. As of December 2017, a total of N114,000,000.00 had been paid to the consultant with the last payment of N6,000,000.00 through payment voucher No. 04935 of 12th December 2017.

Further examination, revealed the following:

- (a) There was no evidence that due process was followed in the engagement of the consultant as the NSITF failed to provide the contract documents. Equally, the Ministerial Tenders Board (MTB) approval for the award was also not produced since the amount involved was above their threshold.
- (b) NSITF could not justify the modalities for arriving at the consultancy fee without documentary evidence.
- (c) A mobilization fee of 60% was paid to the consultant without submission of bank guarantee in contravention of Section 35 (1) (a) of the Procurement Act, 2007 which stipulates that a

mobilization fee of not more than 15% may be paid to a supplier or contractor and must be supported by an unconditional bank guarantee or insurance bond issued by an Institution acceptable to the procuring entity.

(d) Relevant documents for the release of the 90% of the consultancy fee to the consultant were not produced for audit examination despite repeated demand for them.

(e) The duration of the consultancy service had since expired on the 7th March 2014 without the consultant completing the work he was engaged to do, and without any approval for the extension of the duration.

(f) The payment terms as stated in the award letter was violated. According to the award letter, after the payment of 60% mobilization fee of ₦72,000,000.00, the 40% balance of ₦48,000,000.00 was to be paid after completion and upon approval by the Management of NSITF. But as at the time of the audit in February 2018, the Fund could not produce the documents of the said land in which ₦120,000,000.00 was paid to the consultant to process, regularize the title deeds, and survey plans.

(g) A Contract of this magnitude was executed without a signed contract agreement by both parties.

Risk

Negligence or complacency in the management of government property is counterproductive and could lead to waste and loss of government assets.

Recommendation

The Managing Director is required to produce the relevant documents or recover the sum of ₦120,000,000.00 (one hundred and twenty million naira) failing which sanctions in line with Financial Regulation 3104 should apply.

Issue 19:

₦170,328,986.75

PAYMENT WITHOUT PROPER DOCUMENTATION -

The 1999 Constitution of the Federal Republic of Nigeria (as amended) Section 85 (2) states “The public accounts of the Federation and of all offices and Courts of the Federation shall be audited and reported on by the Auditor-General who shall submit his reports to the National Assembly; and for that purpose, the Auditor-General or any person authorised by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts”.

Audit observed that payment voucher No.4448 dated 19th April 2017 for ₦11,636,505.01 (eleven million six hundred and thirty six thousand five hundred and five naira one kobo) was raised in favour of a consultant, in respect of his engagement as a Consultant Quantity Surveyor to evaluate the level of works carried out on a construction where a contractor, entered into a Public Private Partnership (PPP) agreement with NSITF, to develop NSITF’s parcel of land at Plot 2586, Central Business Area, Abuja. The contract for the sum of ₦185,674,587.28 (one hundred and eighty-five million six hundred and seventy-four thousand five hundred and eighty seven

naira twenty eight kobo) was renegotiated down to N170,328,986.75 (one hundred and seventy million three hundred and twenty eight thousand nine hundred and eighty six naira seventy five kobo) by the consultant, which was paid in full.

Records and the break-down in respect of N170,328,986.75 paid to the contractor were not provided despite repeated requests.

Risk

Non-compliance with extant regulations could lead to misappropriation and misapplication of government resources.

Recommendation

The Managing Director is required to account for the sum of N170,328,986.75 (one hundred and seventy million three hundred and twenty eight thousand nine hundred and eighty six naira seventy five kobo) or recover the amount from the contractor and pay same to government treasury, failing which sanction stated within FR.

Issue 20: IRREGULAR CONTRACT PAYMENTS - ₦96,888,591.45

Financial Regulation 415 states “The Federal government requires all officers responsible for Expenditure to exercise due economy. Money must not be spent merely because it has been voted”.

Audit was constrained to review previous years’ transactions during this special audit, and observed that a contract for the supply of Power Systems (UPS & Inverters) was awarded at a contract sum of ₦96,888,591.45, vide award letter referenced NSITF/MD/LEG/CON/015 of 7th November, 2012 with four (4) weeks completion period. However, based on the provisions of the award letter, the following observations were made:

- (a) 60% mobilization fee was paid as against 15% allowed by Section 35 ‘1’ ‘a’ of the Public Procurement Act, 2007 and without submission of bank guarantee. (b) There was no evidence that the contractor trained designated staff of the Fund in the application of the products as contained in the award letter.
- (c) There was no evidence to show that the company provided maintenance services as well as periodic report of the progress of the project.

Furthermore, examination of invoice No. 0202 of 21st December 2012, submitted by the contractor, revealed that a sum of ₦6,800,000.00 was embedded in the Invoice and paid to the contractor for ‘under-listed items’ without detailed breakdown, showing how it was utilized.

Risk

Non-compliance with procurement and contract management rules could lead to loss of government resources.

Management's response

There was no response from management.

Recommendation

The Managing Director is required to justify the irregular payment of N96,888,591.45 (ninety-six million eight hundred and eighty-eight thousand five hundred and ninety-one naira forty-five kobo) failing which sanctions in line with Financial Regulation 3106 should apply.

Issue 21: AWARD OF CONTRACT WITHOUT DUE PROCESS -
N146,027,227.00

Financial Regulation 2921(i) states "Except as exempted under the Procurement Act, all procurement of goods, works and services shall be by way of Open Competitive Bidding by which is meant that all contractors/suppliers shall be subjected to the same level playing ground. The format for submission of bids, the deadline for submission and the pre-determined criteria for evaluation shall not vary from one contractor/supplier to the other; they shall be the same".

Audit observed that contract for the supply of twenty-two (22) motor vehicles was awarded at a contract sum of ~~N~~146,027,227.00, vide award letter referenced

NSITF/MD/CE/12 of 11th January 2013 with two (2) weeks completion period;

- 1 Unit of Range Rover Vogue 4 x 4 SUV	19,740,050.00
- 15 Units of Ford Ranger 4 x 4 Pick-up	87,750,000.00
- 6 Units of MG550 Saloon vehicles	24,960,000.00
- Delivery, Security, Sundry (Preliminaries)	6,623,500.00
5% VAT	6,953,677.00
TOTAL	<u>146,027,227.00</u>

Audit also observed that a sum of ~~N~~139,073,550.00 was paid to the contractor through payment voucher No. 02310 of 27th February 2013. However, necessary contract documents such as evidence of advertisement in two (2) National dailies, MTB's approval etc., were not produced for audit examination despite repeated request.

The following irregularities were further discovered:

- The contract was awarded without following necessary procurement procedures as spelt out in the Public Procurement Act, 2007.
- A sum of ~~N~~6,623,500.00 was included as cost of delivery, security, sundry (preliminaries) without detailed breakdown showing how the amount was utilized.

- c) It was stated in the payment voucher that only sixteen (16) vehicles were supplied to the Fund, whereas supporting documents reflected twenty-two (22) vehicles that were paid for. This put doubt on the genuineness of the transaction.
- d) There was no record of distribution/location of vehicles claimed to have been received in the store, vide SRV No. 0025 of 11th February 2013. Audit enquiry showed that the store officer was only called upon to sight some vehicles at the contractor's premises, but without the knowledge or information on how they were distributed.

Risk

This could lead to diversion, loss of resources and misappropriation.

Management's response

No Management's response was received at the time of this report.

Recommendation

The Managing Director is required to justify the payment of the sum of N146,027,227.00 (one hundred and forty-six million and twenty-seven thousand two hundred and twenty-seven naira) for contract awarded without Due Process, failing which sanctions in line with Financial Regulation 3106 should apply.

Issue 22: WITHOUT

AWARD OF CONTRACT FOR THE SUPPLY OF VEHICLE

BOARD'S APPROVAL - N48,300,000.00

Financial Regulation 415 states "The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted for."

Audit observed that the sum of N48,300,000.00 (forty-eight million three hundred thousand naira) was paid through payment voucher No. 05637 of 22nd December, 2017 to a contractor for the supply of one (1) unit of Toyota Prado VXL V6 7-S, 4.0L.

Scrutiny of the minutes of the Parastatal Tenders Board (PTB) meeting held on Wednesday, 29th November 2017, further revealed the following irregularities:

- a. The contractor was awarded a contract for the supply of toners and other ICT consumables to the head office of the Fund, vide award letter referenced NSITF/PROC/REC/HQ/PTB4/0066 of 11th December 2017. It was however, observed that the contractor instead, procured a Toyota Prado VXL V6 7-S 4.0 litres, a clear departure from the terms of the award letter.
- b. Audit is particularly concerned about a letter written by the Head, Procurement

Department, with reference No. NSITF/AC/PROC/5/S.II/922 dated 11th December, 2017 to the contractor informing him that the Fund “does not have a cool storage facility for the items ordered and instead, he should convert the contract for the supply of toners & other ICT consumables to the supply of the Prado Jeep.” Evidence of the Board’s approval to that effect was not presented for audit. Curiously, the two letters were transmitted to the contractor on the same day.

- c. There was no evidence that the contractor supplied the Prado Jeep as the Fund could not provide, evidence of delivery and Store Receipt Voucher (SRV) confirming that the item was supplied before payment was made.

Risk

This could lead to misapplication of government funds.

Management’s response

Management did not respond.

Recommendation

The Managing Director is required to recover the sum of N48,300,000.00 (forty-eight million three hundred thousand naira), failing which sanctions in line with Financial Regulation 3117 should apply.

Issue 23: PAYMENT FOR CONTRACT NOT EXECUTED - N35,911,260.00

Financial Regulation 412 states “Where a contract involves supplies of goods or work done, there will be attached to the voucher a certificate that the payments are in accordance with the terms of the contract agreement, that as regards supplies, the articles have been received and, in the case of work, that it has been properly done. In the case of payment on account, no money will be claimed other than the cost of work certified to have been performed...”

Audit observed that contract for the renewal of Annual IPMPLS/Internet services at seven locations of the Fund was awarded to a contractor at the cost of ₦35,911,260.00, vide award letter reference number NSITF/AC/MD/CE/TBC-Sundry-06/2017 dated 21st June, 2017; the contractor was fully paid via payment voucher number 1077 of 21st July, 2017. Review of the payment voucher and the bill for the contract revealed the following irregularities:

- a. There was no evidence of attachment of certificate of completion of the contract from any of the seven (7) locations required to be provided with the services, although the contractor had been fully paid; and,

- b. There was no breakdown of the twelve (12) units of components of the 23mbps internet services for the twelve (12) months & 23mbps of MPLS services for the twelve (12) months.

Risk

This could lead to loss of government resources and diversion of government properties to private use.

Management's response

Management did not respond.

Recommendation

The Managing Director is required to recover the sum of N35,911,260.00 (thirty five million nine hundred and eleven thousand two hundred and sixty naira) paid for unexecuted project, failing which sanctions in line with Financial Regulation 3104 (i),(ii) and (iii) should apply.

Issue 24: IRREGULAR CONTRACT PAYMENT - N32,282,803.15

Financial Regulation 415 states “The Federal government requires all officers responsible for Expenditure to exercise due economy. Money must not be spent merely because it has been voted”.

Audit observed that Contract for the renovation of Calabar office (external works) was awarded to a contractor at a contract sum of ₦23,999,909.63 through award letter referenced NSITF/MD/CE/12 of 11th January 2003. Further related documents revealed the following:

- a. There was no evidence that Due Process was followed in the contract award as tenders' documents were not provided for review.
- b. There was no detailed breakdown and approval of the provisional sum of N1,322,250.00 in the BOQs and contingency of N5,000,000.00 which was added to the contract value and paid to the contractor.
- c. From the payments made to the contractor, the following observations were further made:
 - i. The initial contract sum was increased by ₦8,282,893.52, from ₦23,999,909.63 to ₦32,282,803.15, but the Fund failed to provide the approval of the additional works claimed and detailed breakdown of the additional works.
 - ii. From the payment analysis given, advance payment of N7,199,972.88 (30%) was made to the contractor on the 26th February, 2013 without submission of

Advance Payment Guarantee (APG) and the advance payment was above the limit allowed by Section 35 '1' 'a' of the Procurement Act, 2007.

- d. The valuation breakdown of how the 2nd to 5th payments on the contract were arrived at (as reflected in the company's request for payment dated 8th August, 2016), before they were made, were not provided for review, contrary to the provision of Section 35 (2) of the Public Procurement Act, 2007 which states that "Once a mobilization fee has been paid to any supplier or contractor, no further payment shall be made to the supplier or contractor without an interim performance certificate issued in accordance with the contract agreement".

Risk

Improper and inadequate records could lead to misappropriation and inflation of figures.

Management's response

Management did not respond.

Recommendation

The Managing Director is required to justify the payment of N32,282,803.15 (thirty-two million two hundred and eighty-two thousand eight hundred and three naira fifteen kobo) paid for irregularly, failing which sanctions in line with Financial Regulation 3104 (i), (ii) and (iii) should apply.

Issue 25:

AWARD OF CONTRACT WITHOUT DUE PROCESS - N29,020,710.00

Section 24 (1) of the Public Procurement Act, 2007 states that "Except as provided by this Act, all procurement of goods and works by all procuring entities shall be conducted by open competitive bidding"

Audit observed that contract for interlocking of the interface between the Funds Annex and Head office building was awarded to a contractor at a contract sum of N24,211,560.00, vide award letter Ref. No. NSITF/AC/MD/TBC/Sundry A4/2017 of 17th

May, 2016. It was however, observed that documents such as advertisement in two (2) National dailies and Federal Tenders Journal, bid documents, Tenders Evaluation Committee report, Tenders Board deliberations and approval granted for the award of the contract to the preferred bidder, evidencing that due process was followed in the award were not presented for audit.

The contract agreement signed by both parties, before execution of the contract, was also not provided for review.

It was also observed that the contract sum was increased by ₦4,809,150.00 to ₦29,020,710.00, but the approval granted for the variation and detailed breakdown of the variation were not provided for audit.

15% mobilization fee of ₦3,631,734.00 was paid to the contractor without Advance Payment Guarantee (APG) as required by Section 35 '1' 'a' of Public Procurement Act, 2007, while subsequent payments were made without Interim Payment Certificate/Valuation reports in breach of Section 35 '2' of the same Procurement Act, 2007.

Risk

Award of contracts without due process could lead to misappropriation and misapplication of government funds.

Management's response

Management failed to respond.

Recommendation

The Managing Director is required to justify the payment of N29,020,710.00 (twenty-nine million and twenty thousand seven hundred and ten naira) paid irregularly, failing which sanction in line with Financial Regulation 3104 (i),(ii) and (iii) should apply.

Issue 26: IRREGULARITY IN AWARD OF CONTRACT - ₦19,394,277.06

Financial Regulation 2921(i) states "Except as exempted under the Procurement Act, all procurement of goods, works and services shall be by way of Open Competitive

Bidding by which is meant that all contractors/suppliers shall be subjected to the same level playing ground. The format for submission of bids, the deadline for submission and the pre-determined criteria for evaluation shall not vary from one contractor/supplier to the other; they shall be the same".

Audit observed that contract for Media/Branding of the Nigeria-Canada Investment conference held between 1st and 4th May, 2013 in Toronto, Canada was awarded to a contractor at a contract price of ₦19,394,277.06, through award letter referenced MD/CE/LE/Award/2013/2 of 24th April, 2013. Supporting documents show that the award was initiated by a memo written by AGM Corporate Affairs to the Managing Director/Chief Executive on media support for Nigeria-Canada Investment conference dated 24th April 2013. Approval for payment was given by the Board Chairman on the 24th July 2013, to be ratified by the Board; and base on this, amount of ₦19,394,277.06 was paid through payment voucher No. 08973 of 6th August 2013.

Furthermore, based on the documents reviewed and payment made, the following were discovered:

- i. The contractor was paid without deducting Value Added Tax of N969,711.53
- ii. The contract was awarded without the approval of the Parastatals Tenders Board (PTB) that has such power since the amount involved was above the approval threshold of the Chief Executive.
- iii. The ratification by the Board as mentioned in the memo was not produced for examination.

Risk

This could lead to waste of government resources as contract may be awarded to incompetent contractors.

Management's response

No response was received at the time of the report.

Recommendation

The Managing Director is required to justify the payment of N19,394,277.06 (nineteen million three hundred and ninety-four thousand two hundred and seventy-seven naira six kobo) for contract awarded without observing Due Process, failing which sanctions in line with Financial Regulation 3104 (i), (ii) and (iii) should apply.

Issue 27:

PAYMENT FOR CONSULTANCY WITHOUT RELEVANT SUPPORTING DOCUMENTS ATTACHED - N156,281,000.00

Financial Regulation 409 states "Where a serious irregularity in a voucher is established or suspected the officer controlling the vote shall immediately investigate and report the circumstances, inform the Police, if fraud is suspected, and take such other action as is necessary to remedy the error or to prevent re-occurrence. Where a loss of public fund is revealed, action shall be taken in accordance with chapter 25 of these Regulation. In the event of any unauthorised payment being made in consequence of an incorrect certificate or entry on a voucher the certifying officer or the sub-accounting officer as provided under Regulation 420 shall be held responsible and surcharged for the amount involved".

Audit observed that Payment voucher No. 1279 of 3rd February 2017 was raised in favour of a consultant for N18,085,400.00, as "outstanding indebtedness on consultancy service". Examination of the payment voucher, together with the supporting documents, revealed the following:

- i. Contract documents in respect of the sum of N156,281,000.00, approved to be paid to the company, were not produced for audit examination and as a result, audit could not ascertain how the consultancy fees and the reimbursable were arrived at.

- ii. Due process was not followed in the award in line with the provision of Public Procurement Act, 2007, as the process leading to the engagement of the consultant was not known and the transaction did not reveal the type of services rendered by the company.
- iii. Contract for the consultancy service was rendered without a contract agreement.
- iv. Payment documents in respect of previous payments totalling ₦122,567,500.00, made to the Consultant before the balance payment of ₦18,085,400.00, were not provided for audit examination.

Risk

This could lead to misappropriation and misapplication of government funds and properties.

Management's response

No response was received at the time of this report.

Recommendation

The Managing Director is required to account for the sum of N156,281,000.00 (one hundred and fifty-six million two hundred and eighty one thousand naira) paid without relevant supporting documents, failing which sanctions in line with 3104 (i), (ii) and (iii) should apply.

Issue 28:

IRREGULAR PAYMENTS TO THE BENEFIT OF LEGISLATORS - N12,000,000.00

Establishment Circular Ref. No.SGF.6/VIII/ dated 8th May ,2008. Titled NEED FOR STRICT ADHERENCE TO FINANCIAL REGULATIONS IN COOPERATION BETWEEN MDAs AND OTHER ARMS OF GOVERNMENT AND BETWEEN MDAs

PARASTATALS states in part “In the light of the recent revelations at the Federal Ministry of Health, all MDAs are hereby directed that the practice of MDAs initiating or acceding to requests for financial assistance or contributions to the National Assembly or its Committees to facilitate their activities, in particular in the carrying out of their oversight functions be immediately discontinued. MDAs are aware that every Arm of Government has its own budgetary allocation to fund their activities...”

Audit observed that contracts were awarded to two contractors for capacity building of Senate and House of Representative Committees on Employment, Labour and Productivity respectively, each at a cost of ₦6,000,000.00, vide payment voucher numbers 02033 and 02036 dated 5th October 2017, respectively. However, award letters for the two (2) contracts were not provided for examination.

Further scrutiny of the payment vouchers revealed that management made payments to the two contractors when there was no evidence that such trainings were executed.

Risk

This could lead to double expenditure for same services as well as misappropriation and misapplication of government funds.

Management's response

There was no response.

Recommendation

The Managing Director is required to justify the payment of the sum of ₦12,000,000.00 (twelve million naira) irregularly paid to the two (2) contractors for training of National Assembly Members, failing which sanctions in line with Financial Regulation 3104 should apply.

Issue 29: CONTRACT AWARD WITHOUT DUE PROCESS - ₦9,809,960.00

Financial Regulation 2921(i) states "Except as exempted under the Procurement Act, all procurement of goods, works and services shall be by way of Open Competitive Bidding by which is meant that all contractors/suppliers shall be subjected to the same level playing ground. The format for submission of bids, the deadline for submission and the pre-determined criteria for evaluation shall not vary from one contractor/supplier to the other; they shall be the same".

Audit observed that a contract was awarded to a contractor for repairs and installation at a contract sum of ₦9,809,960.00, vide award letter referenced NSITF/REC/ABJ/02 of 18th July 2017 with four (4) weeks completion period. Payment of the amount was made to the supplier through payment voucher No. 00497 of 22nd August 2017 and supported by SRV No. 0169 of 21st July 2017.

The following observations were made from available records:

- i. 10% WHT of ₦853,040.00 was added to the contract price which inflated the contract sum by the same amount.
- ii. Only 5% WHT of ₦490,498.00 was deducted from the contract sum. Whereas, in the job quotation submitted by the contractor, and the Evaluation Report by the Evaluation Committee, 10% withholding tax of ₦853,040.00 was added to the contract value. With this, the amount overpaid to the contractor was ₦362,254.00
- iii. From the financial bid report/recommendation of the Evaluation Committee, it was discovered that only one contractor bided for the job, in contravention of Section 24 (1) of the Public Procurement Act, 2007
- iv. Contract agreement was signed after execution of the contract. The agreement was signed on the 31st July 2017 while the items were already received in the store on 21st July 2017 vide SRV No. 0169, ten (10) days before signing the agreement.

Risk

This act could result in misappropriation and embezzlement.

Management's response

No response.

Recommendation

The Managing Director is required to justify the irregular award of contract amounting to ₦9,809,960.00, failing which sanctions in line with FR 3117 should apply.

Issue 30: IRREGULAR CONTRACT PAYMENT - ₦6,500,000.00

Financial Regulation 415 states "The Federal government requires all officer responsible for Expenditure to exercise due economy. Money must not be spent merely because it has been voted".

Audit observed that the Fund awarded to a contractor a contract for the production and development of a Standard Chart of Account at a contract sum of ₦6,500,000.00. However, it was observed that while a memo for the award was transmitted to the

Managing Director on March 26, 2014 the payment voucher for the first instalment of ₦3,250,000.00 vide payment voucher No. 02067 was raised on March 6, 2014, twenty days before approval of the award.

Further observations made from vouchers were:

- i. There was no evidence to show that due process was followed in the award of the contract as quotations submitted by the consultants were not produced for examination.
- ii. 50% mobilization fee of N3,250,000.00 was paid without submission of a Bank Guarantee by the contractor, in violation of Section 35 (i)(a) of the Public Procurement Act, 2007 which states that a mobilization fee of not more than 15% may be paid to a supplier or contractor and must be supported by an unconditional bank guarantee or insurance bond issued by an institution acceptable to the procuring entity.
- iii. 5% VAT of N325,000.00 and 5% WHT of N325,000.00 were not deducted and remitted to FIRS which resulted in loss of revenue by the government of N650,000.00.

Risk

Failure by the management to deduct and remit taxes due to government could lead to loss of revenue for the execution of Government projects.

Management's response

No response was received at the time of this report.

Recommendation

The Managing Director is required to justify the payment of N6,500,00.00 and (six million five hundred thousand naira) made without due process in contract award, and to also recover and remit the sum of N650,000.00 (six hundred and fifty thousand naira) to the appropriate Tax Authority, failing which sanctions in line with FR 3112 should apply.

Issue 31: NON-DEDUCTION OF WHT FROM THE PAYMENT OF CONTRACTORS N3, 219,98.00

Financial regulation 235 states that “deduction for VAT, WHT and PAYE should be remitted to the Federal Inland Revenue at the same time the payee who is the subject of the deduction is paid. “

Audit observed that contracts awarded to different contractors revealed that WHT totalling N3,219,298.00 was added to various contract sums. With this addition, the burden of WHT was shifted from the contractors to the Fund (NSITF) and it resulted in overpayment to the affected contractors as shown below:

S/N	Date	PV. No.	Details	Contract Sum N	5%VAT Added N	5%WHT Added N
1	11/9/17	01695	Replacement of fluorescent fittings with LED fittings at NSITF H/Q.	4,650,000	232,500	-
2	29/8/17	01367	Supply of photocopying machine & work tools for Executive Mgt. to NSITF H/Q.	4,231,000	192,318	192,318
3	4/10/17	02011	Supply of fireproof safety for NSITF office – Awka Branch (1 No.)	820,000	41,000	41,000
4	29/8/17	0363	Supply of office stationery to H/Q.	3,520,000	160,000	160,000

5	22/8/17	00497	Supply & installation of 32 amps' batteries (12V/200/100AH URLA Gaston batteries).	9,809,960	426,520	853,040
6	29/8/17	01354	Supply of Office Consumables to NSITF H/Q.	4,684,900	212,950	212,950
7	29/8/17	01357	Supply of Xerox & HP Toners to NSITF H/Q.	4,500,000	225,000	225,000
8	29/8/17	01366	Supply of customized files (Hard cover) to NSITF H/Q	2,491,280	113,240	113,240
9	29/8/17	01360	Supply of office furniture to NSITF H/Q.	4,282,850	194,775	194,775
10	29/8/17	01340	Supply of office equipment to NSITF H/Q.	3,957,800	179,900	179,900
11	Sept. 2014		Printing of Information Security Management System (ISMS) handbook	5,250,000	262,500	262,500
12	July 2014		Supply of Toyota Camry	9,861,500	493,075	493,075
13	July 2014		Supply of Ford Rangers XLT	5,830,000	291,500	291,500
		Total				3,219,298

Risk

The Non-compliance with the provisions of relevant tax laws could lead to Loss of Government revenue.

Recommendation

The Managing Director is required to recover the sum of ₦3,219,298.00 (Three Million Two Hundred and Nineteen Thousand Two Hundred and Ninety-Eight Naira Only from the contractors concerned, failing which FR 3112 should apply.

Issue 32:

**ENGAGEMENT AND PAYMENT OF LEGAL FEES
WITHOUT APPROVAL BY THE ATTORNEY-GENERAL
OF THE FEDERATION**
₦185, 000,000.00

The Federal Government Circular No. Ref: SGF/PS/CIR/625/I/1 of 16th July, 2003 requires the prior approval of the Attorney General of the Federation before the engagement of External Solicitors, and Advocates by Federal Government Ministries, Parastatals, and Departments, and payment of professional fees in respect of such services.

Audit observed that payment voucher number 05779 dated 11th December 2017 for ₦15,000,000.00 was paid to a contractor as part payment of outstanding legal fee of ₦185,000,000.00 charged in respect of Appeal Case No. CA/A/417/2011.

It was however, observed that the letter of engagement which authorised the firm to represent NSITF & HAGF, and the contract agreement executed were not presented for audit inspection. Also, the engagement of the firm and the associated legal charge were not cleared by the Attorney-General of the Federation in violation of the above circular.

Risk

Non-compliance with the provision of extant circulars on engagement and payment of external Solicitors may lead to wrong application of Government funds and making excessive professional fee charges

Recommendation

The Managing Director is required to explain the failure to provide concrete evidence of due process in the engagement of the solicitor, and to justify the legal fee of ₦185, 000,000.00, showing how it was arrived at, failing which sanctions within Financial Regulation 3106 should apply.

Issue 33:

**ENGAGEMENT OF EXTERNAL SOLICITORS WITHOUT
CLEARANCE /APPROVAL - ₦926,534,950:00**

The Federal Government Circular No. Ref: SGF/PS/CIR/625/I/1 of 16th July, 2003 requires the prior approval of the Attorney General of the Federation before the engagement of External Solicitors, and Advocates by Federal Government Ministries, Parastatals, and Departments, and payment of professional fees in respect of such services.

Audit observed that the fund engaged the services of External solicitors for various legal services, and this culminated into payment of the sum of ₦926,534,950.00 nine hundred twenty-six million five hundred and thirty-four thousand nine hundred and fifty naira only between 2012-

2014 & 2017. However, there was no documentary evidence to show that the Legal Firms were cleared by the HAGF as required by extant circular. Ref No. SGF/PS/CIR/625 dated 16 July 2003.

Risk

The non-compliance with the provision of extent circular on engagement and payment of external solicitors can lead to wrong application of Government Funds and payment of excessive legal charges

Recommendation

The Managing Director is required to explain the violation of extent circular on engagement of external legal solicitors and evidence that due process was follow failure which Financial regulation 3106 should apply

Issue 34: NON-REMITTANCE OF WITHHOLDING TAX AND VALUE ADDED TAX - N138,980,242.50

Financial regulation 235 stated that Deductions from VAT, WHT, and PAYE shall be remitted to the Federal Inland Revenue Service at same time the payee who is the subject of the deduction is paid.

Audit observed that amounts totalling ₦926,534,950.00 (Nine Hundred and Twenty-six Million Five Hundred Thirty-Four Thousand Nine Hundred and Fifty Naira Only) was paid to some legal practitioners in respect of legal services rendered to the Fund. There was no evidence to show that Value Added Tax and withholding tax amounting to ₦138,980,242.50 were remitted to the relevant tax authorities.

Risk

This could lead to loss of government funds to the tune of ₦138,980,242.50 as a result of non-deduction of the taxes WHT & VAT

Recommendation

The Managing Director is required to remit the sum of ₦138,980,242.50 to the relevant tax authorities, failure which sanctions within Financial Regulation 234 (ii) and (iii) should apply.

Issue 35 : IRREGULAR PAYMENT OF SUNDRY ACCRUALS – N528,598,711.00

Financial Regulation 415 stated that” The Federal government require all officer responsible for Expenditure to exercise due economy , money must not be spent merely because it has been voted.

Audit observed, from the review of the Fund's Budget Performance Reports for 2016 and 2017 that a total of ₦528,598,711.00 was spent on settlement of sundry accruals/unpaid expenses of previous years including VAT, WHT, Pension, etc. The amount was divided into ₦410,575,554.00 for 2016 and ₦118,023,157.00 for 2017.

Detailed breakdown of the figures, showing amount paid as VAT, WHT, Pension, etc., were not provided and this made it difficult to verify this claim.

Risk

Irregular payment from government funds could lead to diversion of public funds for purposes other than intended.

Recommendation

The Managing Director is required to account for the sum of ₦528,598,711.00 spent on settlement of sundry accruals/unpaid expenses without breakdown, failing which sanctions stated in FR 3106 should apply

Issue 36: IRREGULAR PAYMENT OF PUBLIC FUNDS TO BUREAUX DE CHANGE - ₦467,416,160:00

Financial Regulation 3106 stated that: "A Public officer who make an irregular payment from public Funds shall be given 21 days' notice to offer an explanation, where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be remove from the schedule".

Audit observed that the sum of ₦467,416,160.00 was paid to four (4) Bureaux De Change (BDC) in 2013 and 2014 as course fees or estacode allowances, instead of the consulting firms that organised the trainings, or the benefiting officers of Fund who were to undertake the international trainings. Moreover, evidence of contractual agreement between the Fund and the BDC was not provided for audit. In addition, there was no evidence to show that the amounts paid to the BDC, got to the ultimate beneficiaries.

Risk

This could lead to loss of Government funds by way of diversion.

Recommendation

The Managing Director is required to explain why payment of course fees and estacode allowance was made to the BDC instead of the consulting firms and staff who were purportedly to embark on the international travel for training, failing which the sum of ₦467,416,160.00

should be recovered and paid back to treasury. Also, sanctions stated in FR 3106 and 3115 should apply.

Issue 37: PAYMENT OF PUBLIC FUNDS TO TRAVEL AGENTS WITHOUT SUPPORTING DOCUMENTS - ₦84,184,110:00

Financial Regulation 415 stated that “The Federal government require all officer responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted

Audit observed that the sum of ₦84,184,110.00 was paid to a travel agent as air tickets in 2013 and 2014. The Fund failed to provide evidence of contractual agreement it had with the travel agent, despite the large sums involved. Also, copies of air tickets were not attached to the payment vouchers.

Audit further observed that statutory 10% withholding tax amounting to ₦8,418,411.00 was not deducted from the payment made to the travel agent.

Risk

Failure to adhere to regulations around public expenditure could lead to misappropriation, misapplication, or waste of Government Funds.

Recommendation

The Managing Director is required to account for the sum of ₦84,184,110.00 paid to the travel agent. He is also required to provide evidence of contractual agreement with the travel agent, failing which the amount should be recovered and paid back to Treasury. Also, sanctions stated in FR 3106 and 3115 should apply.

Issue 38: INTERNATIONAL TRAVEL WITHOUT APPROVAL - ₦180,839,076.13

Establishment Circular Ref. No. HCSF/CSO/HRM/POL1402/1 dated 22nd January 2015 states in part that “any ministry or Agency of Government embarking on foreign trips at government expenses must be approval by the secretary to the Government or Head of civil service of the federation.”

Audit observed that a total of ₦180,839,076.13 was paid to some officers of the Fund between January and December 2017 as Estacode allowances, air passage, return tickets, etc., to enable them embark on foreign trips.

However, the payments were not supported by approvals either by the Head of Civil Service of the Federation or by the Secretary to the Government of the Federation, as the case may be, in violation of the above quoted circular.

Risk

Payments for unauthorized foreign trips may result in waste of public funds.

Recommendation

The Managing Director is required to furnish the appropriate approvals for the trips as required under the above quoted circular failing which the amount should be recovered from the beneficiaries and paid back to treasury. In addition, sanctions stated in FR 3106 and 3115 should apply.

Issue 39:

IRREGULAR PAYMENT OF ESTACODE WITHOUT APPROVAL - ₦31,327,458.50

Establishment Circular Ref. No. HCSF/CSO/HRM/POL1402/1 dated 22nd January 2015 states in part that “any ministry or Agency of Government embarking on foreign trips at government expenses must be approval by the secretary to the Government or Head of civil service of the federation.”

Audit observed that a total of ₦31,327,458.50 was paid to four top management staff and their spouses as estacode allowances and air passages for vacation in various overseas countries without approval from appropriate authorities. Also, the criteria used in arriving at the amount was not known considering the disparity in the amounts paid to each of them.

Audit is particularly concerned as to why expenses in respect of family vacation, which ought to be a private matter, will be borne by public funds. This act is a clear violation of the provisions of Financial Regulations 415 which states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Risk

Payment on unauthorized foreign trips may lead to waste of public funds.

Recommendation

The Managing Director is required to recover the sum of ₦31,327,458.50 from the beneficiaries and pay same to treasury. Sanctions stated in FR 3106 and 3115 should apply.

Issue 40: DOUBTFUL PAYMENT OF REFUND TO A PENSION FUND ADMINISTRATOR - N100,000,000.00 —

Financial Regulations 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that the sum of ₦100, 000,000.00 was paid to a pension fund administrator (PFA) vide payment voucher number 01444 dated 13th December, 2012 as refund of deposit made in December 2010 towards the purchase of two of the Fund’s properties located at No. 1, Social Insurance Road, Kano, Kano State and No. 302, Port Harcourt-Aba Express way, Rivers State.

The payment was necessitated by a letter written by the PFA dated 23rd October 2012 demanding for the refund of the amount since the transaction could not be concluded. Evidence of initial deposit of the amount to justify the refund was however, not presented for audit. The transaction is therefore doubtful and difficult to be regarded as a legitimate charge against public funds.

Risk

This could result in loss of public funds by way of diversion.

Recommendation

The Managing Director is required to account for the sum of ₦100, 000,000.00, paid to the pension fund administrator, failing which the amount should be recovered and paid back to Treasury. Also, sanctions stated in FR 3106 should apply.

Issue 41: PAYMENT FOR INTERNATIONAL TRAVELS, ESTACODE AND ALLOWANCE WITHOUT SUPPORTING DOCUMENTS - N4,095,032.00 —

Establishment Circular Ref. No. HCSF/CSO/HRM/POL1402/1 dated 22nd January 2015 states in part that “any ministry or Agency of Government embarking on foreign trips at government expenses must be approval by the secretary to the Government or Head of civil service of the federation.”

Audit observed that the sum of ₦4,095,032.00 was paid to an officer of the Fund vide payment vouchers numbers 1075 and 00351 dated 21st and 26th July, 2017 respectively, for course fee, estacode allowance, air ticket and airport taxi to attend a pre-retirement workshop in Accra, Ghana from 8th to 18th August, 2017.

Review of related documents showed that there was a letter dated 6th July, 2017 from Compass Management Centre in which the Managing Director was requested to nominate personnel from

the Fund to attend the workshop, but details of course fee, number of days involved, actual venue of the workshop, organisers, etc., were not provided.

Moreover, the payment violates Head of Service of the Federation's circular Ref. No. HCSF/CSO/HRM/Pol.1402/1 dated 22nd January 2015 which restricts foreign trainings and international travels by Public Officers. The circular states that approval must be given by the Head of Civil Service of the Federation on the recommendation of the Committee set up to verify requests for essential and strategic cases where local trainings are not available and where foreign experts may not be available to be invited to conduct the trainings.

Risk

This act may lead to waste of public funds as well as Expenditure not in public interest.

Recommendation

The Managing Director is required to provide approval from appropriate authorities for embarking on the trip as required by the above quoted circular, failing which sanctions stated in FR 3106 should apply.

Issue 42: IRREGULAR CONVERSION OF FUND VEHICLE- ₦6,650,000.00

Establishment Circular reference number ECD/P/230 of 18th October 1996, prohibits Supervising Ministries from interfering in the finances of Parastatals under her.

Audit observed during the examination of motor vehicles' records and a follow up physical inspection that one (1no) Toyota Camry with registration number 10Q-79FG (RBC056PX) and chassis number JTNBF4FK603004331, acquired by NSITF in 2014 at the cost of ₦6,650,000.00 could not be produced for audit inspection on the excuse that the vehicle is retained by the Federal Ministry of Labour and Employment.

This practice is viewed as undue interference in the activities and operation of the Fund by the parent ministry in contravention of the Establishment Circular above which prohibits Supervising Ministries from interfering in the finances of Parastatals under her.

Risk

Non-compliance with provisions of extant circulars on non-interference could lead to conversion and ultimate loss of Government assets

Management's response

The response of management during exit briefing was that they have written to the Ministry for the retrieval of the vehicle.

Auditor's evaluation

The query stands until evidence of retrieval is produced for audit verification.

Recommendation

The Managing Director is required to ensure prompt retrieval of the vehicle to the pool of the Fund. Furthermore, requests for allocation of Fund vehicles to the Parent Ministry and non-staff of NSITF should henceforth not be entertained. Sanctions in line with FR 3129 should apply.

Issue 43: EXTRA BUDGETARY SPENDING - ₦28,400,000.00

Financial Regulations 313 states in part “The authority conveyed to the Accountant General and to officers controlling vote, by recurrent warrant is limited to the amounts provided under each subhead in the approved estimates...”

Audit observed that a Payment Voucher number 6540 dated 14/03/17 for ₦28,400,000.00 was raised in favour of a Staff as cash advance for Public Hearing on NSITF Act Amendment bill, 2016 and other pending labour bills at the National

Assembly. The payment was supported by the Ministry's letter Reference MLPS/NSITF/61/11 of 13th March 2017 which conveyed the financial implication of the Public Hearing to NSITF.

The following observations were made:

- The expenditure was not provided for in NSITF's budget for 2016. Therefore, the payment is regarded as extra budgetary expenditure.
- The amount was neither captured as cash advance in the records nor retired; hence, it has not been accounted for.
- Public Hearing organised by the National Assembly was supposed to have been fully funded by the National Assembly and not NSITF and there was no evidence to show that the amount was actually utilised for the reason stated above.

The payment was therefore irregular and unaccounted for.

Risk

Spending Government funds irregularly especially when the expenditure was not provided for in the budget could lead to loss of Government funds through diversion of public funds into private accounts.

Management's response

No response as at the time of this report.

Recommendation

The Managing Director is required to refund the sum of N28,400,000.00 extra budgetary spending made irregularly. Sanctions within FR 3106 should apply.

Issue 44: IRREGULAR PAYMENT OF CONTINGENCY - ₦11,950,000.00

Financial Regulations 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that two payments were made to a staff through PV. No.03660 of 28th June 2013 for ₦10,000,000.00 and PV. No.03666 of 2nd July, 2013 for ₦1,950,000.00 as honorarium and logistics for NSITF's participation in the joint public hearing on a Bill for an Act to Repeal the Pension Reform Act, (Act No.2), 2004 and Enact the Pension Reform Act, 2013.

(a) These payments had the following breakdown:

	₦
Passage for NSITF Invited Speaker	450,000.00
Honorarium for NSITF Invited Speakers – 3 Speakers	1,050,000.00
Logistics (production of copies of presenter's papers for NASS)	450,000.00
Contingency	<u>10,000,000.00</u>
Total	<u>11,950,000.00</u>

Examination of the payment vouchers revealed the following:

- (a) The Staff in question could not account for the sum of ₦10,000,000.00 paid as contingency.
- (b) Concrete evidence of disbursing a sum of ₦1,950,000.00 to the three (3) invited speakers as honorarium, passage, and logistics for the production of copies of presenter's papers for NASS were not provided to the audit team for examination.

Risk

Payment of Contingencies especially when no project is involved could lead to irregular conversion of funds

Management's response

No response as at the time of this report.

Recommendation

The Managing Director is required to recover the irregular contingency payment of ₦10,000,000.00 and account for the sum of N1,950,000.00 paid as honorarium and other logistics without evidence following which evidence of recovery should be forwarded for audit verification. Sanctions within FR 3106 and 3129 should apply.

Issue 45: UNDUE INTERFERENCE BY PARENT MINISTRY - ₦9,451,165.00

Establishment Circular reference number ECD/P/230 of 18th October 1996, prohibits Supervising Ministries from interfering in the finances of Parastatals under her.

Audit observed that the sum of ₦9,451,165.00 was paid to a staff through PV. No.3512 of 19/8/14 as estacode, air-ticket, and participation fees for the Hon. Minister of Labour & Productivity and four (4) other officers of the Ministry to attend the World Congress on Safety and Health at work 2014 in Frankfurt, Germany.

Summary of the expenditure for (Minister, Perm. Sec. and others):

	₦
(1) Estacode - \$20,432 x ₦ 174/\$	3,555,168.00
(2) Air-ticket	5,692,372.00
(3) Participation fee -Euro 1125xN225	<u>293,625.00</u>
TOTAL	<u>9,451,165.00</u>

The above payment was necessitated by the letter written by the Ministry on the 11th and 12th August, 2014 through the Director – Social Security of the Ministry who noted that NSITF has been sponsoring the programme in the recent past and that it was necessary for NSITF to sponsor the trip.

The following observations were made:

- a. The above payment constitutes undue interference in the finances of the NSITF by the Parent Ministry in contravention of the Establishment Circular above which prohibits Supervising Ministries from interfering in the finances of Parastatals under her.
- b. There was no evidence that the money was received by the beneficiaries from the staff in question.
- c. Apart from a name, the remaining four (4) beneficiaries were not mentioned, rather, designations were used.
- d. The computation of the air-ticket to arrive at ₦5,602,372.00 was wrong considering the amount stated on the memo by the staff payee which is provided below:
- e. Participation fee of ₦293,625.00 was not backed-up by evidence of payment such as receipt or other forms of acknowledgement.
- f. Additionally, there were no approval from appropriate authority to embark on foreign trip. The approval of Mr. President for the Hon. Minister, and Head of Service for other officers.

Risk

Doubtful travel transactions for beneficiaries paid into the account of a staff member may result in the diversion of public funds into private accounts.

Management's response

No response as at the time of this report.

Recommendation

The Managing Director is required to account for the sum of ₦9,451,165.00 collected on behalf of participants without evidence to show that the amount was actually paid to them failing which, the amount should be recovered and recovery particular forwarded for audit verification. Sanctions within FR 3106 and 3129 should apply.

Issue 46**₦11,334,249.00****PAYMENT FOR DOUBTFUL JOURNEY TO ALGIERS-**

Office of the Head of Service of the Federation (OHSF) Circular on the Restriction of Foreign trainings and International travels by Public servants with Ref. No. HCSF/CSO/HRM/Pol.1402/1 dated 22nd January 2015.

Establishment Circular Ref No: SGF.6/VIII dated 8th May 2008 on the need for strict adherence to financial regulations in cooperation between MDAs and other Arms of government and between MDA and their Parastatals

Audit observed that the sum of ₦11,334,249.00 was paid to a staff as Estacode and Air passage for participants at the 2nd Meeting of Specialized Technical Committee on Social Development, Labour and Employment said to be held at Algiers, Algeria, from 24th to 28th April, 2017 vide PV number 05995 of 18th April, 2017.

Detail of the payments as contained in the cash book are tabulated below:

DETAILS	PV/NO	BATCH NO.	Amount (₦)
Estacode and Air Ticket to Algeria	5995	1232/REM/17	2,073,383.00
Hon. Minister of Labour and Employment Estacode and Air Ticket to Algeria	5995	1232/REM/17	5,114,100.00
Estacode and Air Ticket to Algeria	5995	1232/REM/17	2,073,383.00
Estacode and Air Ticket to Algeria	5995	1232/REM/17	2,073,383.00
TOTAL			11,334,249.00

Review of the payment voucher showed the followings:

- i. There was no evidence of invitation for NSITF to attend the meeting purportedly held at Algiers, Algeria, from 24th to 28th April 2017.
- ii. There was also no evidence of approval from the Head of Civil Service of the Federation for the Officers to proceed on the international travel nor was there evidence of approval from Mr. President for the Hon. Minister of Labour and Employment to proceed on the International travel as required by the Office of the Head of Service of the Federation (OHSF) Circular on the Restriction of Foreign trainings and International travels by Public servants with Ref. No. HCSF/CSO/HRM/Pol.1402/1 dated 22nd January, 2015.
- iii. Moreover, the Federal Government Circular on the need for strict adherence to financial regulations in cooperation between MDAs and other Arms of government and between MDA and their Parastatals with Ref No: SGF.6/VIII dated 8th May, 2008 also prohibits the above act. iv. There was no evidence of actual disbursement of the sums to the beneficiaries as detailed in the table above.

Risk

Government funds may be diverted through irregular payments for journeys not made.

Recommendation

- a. The Managing Director is required to account for the total of ₦11,334,249.00 paid for journey not made, failing which the money should be recovered and recovery particulars forwarded for audit perusal. Sanctions in line with provisions of FR3106 should apply.

Issue 47: MINISTERIAL INTERFERENCE IN THE FUND'S FINANCES - ₦19,691,100.00 —

Establishment Circular reference number ECD/P/230 of 18th October 1996, prohibits Supervising Ministries from interfering in the finances of Parastatals under her.

Audit observed that the sum of ₦19,691,100.00 was paid to a staff of the Fund, vide PV number 3572 dated 18th April 2017, in respect of Outstanding Contribution to the International Social Security Association (ISSA) by the Ministry of Labour and Employment. This was necessitated via a letter ref. ML.DSS/CD/038/II/182 dated 8th March 2017 from the Ministry of Labour and Employment requesting NSITF to defray the amount on its behalf. The following additional observations were also made:

- a. Instead of paying directly to International Social Security Association (ISSA) or the Ministry, the payment was made to a staff of the Fund. The rationale for paying the money meant for ISSA to the staff was unclear.
- b. The Ministry's request is viewed as ministerial interference which the Federal Government forbids as stipulated in circular Ref. No: SGF.6/VIII dated 8th May 2008.
- c. There was no evidence that NSITF budgeted for the expenditure and that the staff paid the sum of ₦19,691,100.00 to ISSA.
- d.

Risk

Public funds may be irregularly used for purposes other than they were meant for.

Recommendation

The Managing Director is required to justify the approval and disbursement of the sum of ₦19,691,100.00 to the staff of the Fund without prior budgetary provision failing which, the sum should be recovered from him, and recovery particulars forwarded for verification. Sanctions within FR 3106 and 3129 should apply.

Issue 48:**DOUBTFUL PAYMENT OF OUT OF POCKET
EXPENSE CLAIMS - ₦4,420,684.00**

Financial Regulation 603(i) states that “all vouchers shall contain full particulars of each service, such as dates, numbers, quantities, distances and rates, as to enable them to be checked without reference to any other documents will invariably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets etc.”

Audit observed that a total of ₦4,420,684.00 was paid to two Board members of the Fund vide Payment Voucher No. 08235 of 26th August, 2013 as refund of Out of Pocket Expenses (OPE) incurred on estacode and return air tickets by the (2) two Board members who claimed to have attended ILO Conference in Geneva, Switzerland on 27th June, 2013 to 8th July, 2013.

However, the retirement voucher was not supported by documentary evidences of actual expenditure to substantiate their claims. It was also noted that the payment was necessitated by an urgent directive by the MD/CE dated 17th September, 2013, mandating the Assistant General Manager/Corporate Affairs to compute two (2) weeks estacode and air-ticket for the board members without any document to substantiate their attendance of the Conference in Geneva. In view of the lack of these documentary proofs, the payment could not be accepted as legitimate charge against public fund.

Risk

Payment for doubtful claims may affect expenditure on future transactions.

Management's response

The Fund claimed during exit conference that the beneficiaries were two old Board members and so the documents could not be retrieved

Auditor's evaluation

The response of the Management of NSITF to the query was not satisfactory. Being Board members does not preclude one from furnishing relevant documentary evidence for journeys purportedly embarked upon.

Recommendation

The Managing Director is required to recover the sum of ₦4,420,684.00 from the Board members concerned having failed to produce the documents requested for. Sanction in line with the provisions of FR 3106 should apply.

Issue 49: IRREGULAR REMOVAL OF CASH - ₦2,200,000.00

Financial Regulation 415 states “the federal Government requires all officer responsible for Expenditure to exercise due economy, Money must not be spent merely because it has been voted.”

Audit observed that Payment Voucher number 05611 dated 15/12/17 for ₦2,200,000.00 was raised in favour of a staff of the Trust Fund as cash advance in respect of invitation by the House of Representatives for Public Hearing on the investigation of the no remittance of NSTIF Contribution, on Monday December 18th, 2017.

The amount has the following breakdown:

	N
Publication	900,000
Correspondence(s)	500,000
Entertainment	450,000
Other logistics	350,000

However, it is believed that the payment was not necessary because the public hearing was organised and fully sponsored by the House of Representatives. The payment also was neither captured as cash advance nor retired in line with extant regulations. Therefore, the expenditure is considered to be unnecessary and could not be accepted as a proper charge against public fund.

Recommendation

The Managing Director is required to recover the sum of ₦2,200,000.00 cash irregularly removed and recovery details should be forwarded to the Public Accounts Committee of the National Assembly as well as the Office of the Auditor-General for the Federation for verification. Sanctions within FR 3115 should apply.

Issue 50: DOUBTFUL DISBURSEMENT OF FUND - ₦55,000,000.00

Financial Regulations 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that a Payment Voucher, number 04718 dated 24th November 2017 amounting to ₦55,000,000.00 was raised in favour of Nigeria Employers Consultative Assembly (NECA) for the financing of NSITF-NECA's budget for Safe Workplace Intervention Project. The following observations were made:

- There is no documentary evidence to show that the expenditure was provided for in the Fund's approved budget for 2017.
- Though, the Payment Voucher was raised in favour of NECA, it is not clear whether the payment was ultimately made to NECA or not as the bank schedule was not provided.
- The use for which the money was intended was not disclosed as the financed budget was neither attached to the PV nor made available for audit scrutiny.
- Justification for the expenditure was not provided as documentary evidence showing how the money was utilised was not disclosed even during exit conference.

In view of the foregoing, the genuineness of the payment is in doubt as it is not convincing that the expenditure was incurred in public interest and in line with laid down rules and regulations governing the disbursement of Public Fund.

Risk

Public funds (Pensions) may be irregularly diverted and disbursed for purposes outside the budget approved for the Trust fund

Recommendation

The Managing Director is required to justify the disbursement of ₦55,000,000.00 for unbudgeted project failing which the amount should be recovered while evidence of recovery forwarded for audit verification. Sanctions within FR 3106 should apply.

PRESIDENTIAL AMNESTY PROGRAMME, MAITAMA ABUJA

During the audit of Presidential Amnesty Programme, the following observations were made:

Issue 1:

PAYMENT IN VIOLATION OF E-PAYMENT POLICY-
₦324,969,190.00 AND ₦3,465,713,500.00 TOTALING-
₦3,790,682,690.00 —

Financial Regulations 613 in addition Treasury Circular No: TRY/AB/&BB/2008/OAGF/CAD/026/VOL.II/465 of 22nd October 2008 states that 'commencing from 1st January 2009 all payments, except where exemption has been granted, shall be made electronically and payment shall be made into individual beneficiary account.'

Audit observed that the sum of ₦324,969,190.00 (Three hundred and twenty-four million nine hundred and sixty-nine thousand one hundred and ninety naira only) was paid to some members of staff vide six (6) payment vouchers for hosting Ex-Agitators, 150 Leaders of Ex-Agitators, and logistics for various training etc in 2015 financial year. However, these vouchers and attached supporting documents revealed that the payments were made into single person's accounts on behalf of other beneficiaries' in contravention of the aforementioned provisions.

In the same vein, payment vouchers were raised and paid for the sum of ₦3,465,713,500.00 in the 2016 financial year as monthly stipends to ex-agitators in various camps. These payments were made without due recourse to the e-payment policy of the Federal Government where the amount should have been paid direct to the accounts of the beneficiaries.

Risk

This may lead to diversion of public fund for purposes other than intended.

Recommendation

The Special Adviser is required to explain and justify why payments of amounts totalling ₦3,790,682,690.00 were made into single person's accounts on behalf of other beneficiaries instead of individual payee accounts. The Special Advisor should also provide clear evidence that the amounts due to each beneficiary were received in full by the individuals, failing which sanctions in line with provisions of Financial Regulations 3106, 3127 and 3128 should apply.

Issue 2: PAYMENTS WITHOUT SUPPORTING DOCUMENTS - ₦236,859,000.00

Financial Regulation 603(i) required that, 'All vouchers shall contain full particulars of each service such as dates, number, quantities, distances and rate so as to enable them to be checked without reference to any other documents.'

Audit observed that Payment voucher No: OSAPNDOC-/848/15 for the sum of ₦136,930,500.00 (One hundred and thirty-six million nine hundred and thirty thousand five hundred naira only) dated 22/12/2015 was paid to a vendor without relevant supporting documents such as letter of agreement, cost of logistics, list of Niger Delta Youths beneficiaries for a purported training event on Automobile Manufacturing Maintenance etc and this contravened the above quoted Financial Regulation provision.

Furthermore, another contractor was paid via Payment voucher number No. OSAPND/OC-C/19/2019 dated 16th June 2017 in the sum of ₦99,928,500.00 (Ninety nine million nine hundred and twenty eight thousand five hundred naira only) was made to a contractor for the supply of agricultural equipment/starter-pack for empowerment of 100 delegates without relevant supporting documents like award letter, Store Receipt Vouchers (SRV) etc

Risk

Non-attachment of relevant documents to payment vouchers may enable irregular and double payment.

Recommendation

The Special Adviser is required to provide the relevant supporting documents, otherwise refund the sum of ₦236,859,000.00 to the Treasury and details of refund forwarded to National Assembly and the Office of the Auditor-General for the Federation. Sanction in line with Section 3106 of the Financial Regulation, should apply.

Issue 3: UNRETIRED CASH ADVANCES - ₦79,129,200.00

Financial Regulation 1420 which stipulates that, 'it is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully retired.'

Audit observed that amounts totalling ₦79,129,200.00 (Seventy-Nine million one hundred and twenty-nine thousand two hundred naira only) were granted as personal advances to eleven (11) Officers between January to May 2015 to carry out some services. The advances were given for the hosting of major stakeholders as part of regular engagement with them to avert possible crisis. The costs included hotel accommodation etc. The advances were not retired as at the time of audit inspection contrary to the FR provision quoted above.

Risk

Possible use of Government fund for purposes not intended and this may lead to loss of Government funds.

Management's response

Management responded that they had written to the officers concerned to retire the advances appropriately.

Recommendation

The Special Adviser is required to explain why the advances for the sum of ₦79,129,200.00 were not appropriately retired since 2015. He should recover the sum from the 11 officers and pay same to the Sub-treasurer of the Federation forwarding the payment particulars to the National Assembly and Office of the Auditor-General for the Federation. Sanctions in line with Section 3118 of FR should apply.

Issue 4: **VIOLATION OF PROCUREMENT PROCEDURES - ₦256,111,750.00**

Federal Government Treasury Circular No: TRY/A2FB2/2009/OAGF/CAD/0226 dated 24th March 2009 stipulates that, 'All Accounting Officers controlling expenditure are to ensure that all level procurement of stores and services costing above ₦200,000.00 shall be made through award of contract.

Audit observed that non-personal advances were granted to ten (10) officers in excess of the ₦200,000.00 threshold in 2015 financial year totalling ₦59,911,750.00 (Fifty-nine million nine hundred and eleven thousand seven hundred and fifty naira only) to carry out various services.

It was further observed that Cash advances in excess of ₦200,000.00 (Two hundred thousand naira only) were paid to various officers for providing services totalling ₦196,200,000.00 (One hundred and ninety-six million two hundred thousand naira only) which was supposed to have been contracted out.

In addition to being liable to diversion or misapplication, the granting of these advances instead of applying procurement rules also deprived Government of 5% Value Added Tax (VAT) and 5% Withholding Tax (WHT) totalling ₦25,611,175.00 (Twenty-Five million Six hundred and eleven thousand one hundred and seventy-five naira only).

Risk

Violation of procurement procedures may result in loss of funds, and jobs being carried out by incompetent persons and Government may not have value for money in the transaction.

Recommendation

The Special Adviser is required to justify the use of non-personal advance in place of procurement contracts. He/She should also account for the loss of revenue of ₦25,611,175.00 due to Government, otherwise sanctions in line with Financial Regulations 3117 & 3129 should apply.

Issue 5: **PAYMENT TO 3RD PARTY WITHOUT A CONTRACTUAL OBLIGATION - ₦225,770,274.00**

Financial Regulations 613 in addition Treasury Circular No: TRY/AB/BB/2008/OAGF/CAD/026/VOL.II/465 of 22nd October 2008 state that 'commencing from 1st January 2009 all payments, except where exemption has been granted, shall be made electronically and payment shall be made into individual beneficiary account.'

Audit observed that a payment voucher number: OSAPND/OC-C/224/15 dated 24th March 2015 was raised to make an irregular payment of ₦68,664,024.00 to another company other than the company mentioned in the award letter. There was no letter from the original company authorizing the payment to a 3rd party on a valid power of attorney.

It was further observed that a training academy was paid on four (4) different payment vouchers totalling ₦157,106,250.00 (One hundred and fifty seven million one hundred and six thousand two hundred and fifty naira only) between 2017 and 2018 for training of delegates on automobile manufacturing and maintenance without any contractual obligation such as letter of award and contract agreement. Further scrutiny of documents revealed that, all the supporting documents attached to the four (4) payment vouchers were in favour of another contractor without valid power of attorney or signed MoU between the parties.

Risk

Failure to apply appropriate controls around expenditure and procurement could lead to diversion of funds and double payment.

Recommendation

The Special Adviser is required to recover the sum of N225,770,274.00 from the wrong payees and remit to the Treasury, failing which sanctions in line with provisions of Financial Regulations 3127 and 3128 should apply.

Issue 6: PAYMENT WITHOUT REVALIDATED APPROVAL- ₦147,812,347.00

Financial Regulation 414 states that “the date of payment shall be the date of the record of the charge in the accounts, except as otherwise specifically authorised by the Accountant-General. under no circumstances shall anticipated savings be utilised for payments or be carried to a deposit or a suspense account. On the other hand, expenditure properly chargeable to the account of a given year must; as far as possible, be met within the year, and must not be deferred or placed in suspense for the purpose of avoiding an excess on the amount provided in the estimates which would otherwise lapse at the end of the financial year”.

Audit observed that three (3) payment vouchers totalling ₦147,812,347.00 (One hundred and forty-seven million eight hundred and twelve thousand naira only) were made in 2015 financial year for contract awarded in 2011 and 2013 financial year for training of delegates in vocational skills.

Further examination of the payment voucher and the attached documents revealed that the payments were made in 2015 without revalidation of the approvals. The payment for the contracts of the vocational skills seems not to have been paid within the year of execution and as such the budgeted amount for the vocational training should ordinarily have lapsed and returned to government coffers as at 31st December of the year as stipulated in Financial Regulation 413 (i) and provision for their payment should be made in the subsequent year’s budget.

Risk

There is the possibility of double payment as well as abandonment of programmes meant for execution in the current year's budget.

Recommendation

The Special Adviser is required to provide evidence of revalidation of approval and budget provision of the payment in year 2015, otherwise the sum of ₦147,812,347.00 should be recovered and remitted to treasury and evidence of recovery forwarded to the National Assembly and the Office of the Auditor-General for the Federation for verification. Also sanctions in line with FR 3106 should apply.

Issue 7: IRREGULAR AWARD OF CONTRACT - ₦75,282,900.00

Financial regulation 2922(iii) states that, 'a national competitive bidding shall be advertised on the board of the procuring entity, and in the procurement journal, at least six (6) weeks before the dateline for submission of bids.'

Audit observed that the sum of ₦75,282,900.00 (Seventy-five million two hundred and eighty-two thousand nine hundred naira only) was paid to a contractor for the supply of stationery.

Further scrutiny of the payment vouchers No; OSAPND/OC-C/87/2016 dated 28th December 2016 revealed that, the contract was awarded without due process as it was not subjected to competitive bidding, no letter of agreement signed etc, this action contravenes the FR quoted above.

Risk

Award of contract without due process suggests likely misappropriation of funds. There is also the possibility that correct specification of items would not be supplied and value for money not derived.

Recommendation

The Special Adviser is required to forward evidence that due process had been observed otherwise the sum of ₦75,282,900.00 (Seventy-five million two hundred and eighty-two thousand nine hundred naira only) should be recovered and paid to the Subtreasurer of the Federation and evidence of the payment be forwarded to the National Assembly and the Office of the Auditor-General for the Federation for verification. Sanctions within FR 3117 should apply.

Issue 8: AND

AWARD OF CONTRACTS TO INCOMPETENT CONTRACTORS

PAYMENT OF MOBILISATION FEE ABOVE THRESHOLD - N48,300,000.00 N45,990,000.00 AND N174,783,000.00

Part IV Section 16(6) of the Public Procurement Act 2007 requires that ‘companies eligible for contract award should possess the necessary professional and technical qualifications, financial capability, equipment and other relevant infrastructure etc’ and Section 35(1) of the Public Procurement Act 2007 provides that, all mobilization fees of not more than 15% supported by an unconditional bank guarantee or insurance bond issued by an institution acceptable to the procuring entity.

Audit observed that a contractor was awarded a contract for the sum of N48,300,000.00 (Forty-eight million three hundred thousand naira only) vide letter of award no.PRO/SAP&CAP/EXND/2016/026/C.022 dated 15th June 2016 for the empowerment/business set up for 20 delegates in Bayelsa, Delta and Ondo states. The sum of N14,490,000.00 (Fourteen million four hundred and nine thousand naira only) was paid to the contractor being 30% of the contract value vide payment voucher No: OSAPND/OC-C/924/2016 dated 31st December 2016. Further examination of the supporting documents attached to the payment voucher revealed that the business of the contractor which was Energy, oil and Gas did not align with the contract activities described in the contract award letter, and this is in contravention of the abovementioned Section of the Procurement Act 2007. This also cast doubt on the contract award procedure adopted by the Tenders’ Board.

Audit also observed that another contractor was paid via payment voucher No: OSAPND/OC-C/106/2016 dated 30th December 2016 and it was discovered that 50% mobilization fee of N45,990,000.00 (Forty-five million nine hundred and ninety thousand naira only) was paid for provision of Empowerment/Business set up for thirty (30) Niger Delta Youths in fish/poultry farming as against 15%. This contravened the abovementioned provisions.

In the same vein another a payment vouchers No: OSAPND/OC-C/279/2016 for the sum of N174,783,000.00 dated 6th march 2016 being 50% mobilisation fee was paid for Agricultural business empowerment, business set up mentorship and marketing for a batch of 100 PAP delegates in Delta State and this contravened the above mentioned Section of the Public Procurement Act.

Risk

Contracts may not be properly executed according to specifications/requirements, and value for money may not be derived.

Recommendation

The Special Adviser is required to provide justification for the award of contracts to unqualified contractors and also explain why 30% and 50% mobilisation fees were paid as against the required 15%, failing which sanctions as contained in FR 3117 should apply.

**Issue 9: PAYMENT OF MOBILIZATION FEE WITHOUT BANK GUARANTEE-
N14,931,000.00**

Section 35(i) of the Public Procurement Act 2007 requires that, ‘all mobilization fee of not more than 15% supported by an unconditional bank guarantee or insurance bond may be paid to suppliers or contractor.’

Examination of payment voucher No: OSAPND/OC-C/082/2017 of 3rd July 2017 for the sum of N14,931,000.00 (Fourteen million nine hundred and thirty-one thousand naira only) being 15% of the contract value for the provision of vocational training and empowerment/business set up for 24 Niger Delta youths at an Institute in Akwuke, Enugu State revealed that the payment of 15% mobilization was made without evidence of Bank Guarantee.

Risk

The above action expose public fund to avoidable risk of loss should the contractor decide to abandon the programme.

Recommendation

The Special Adviser is required to provide evidence of bank guarantee otherwise the sum of N14,931,000.00 (Fourteen million nine hundred and thirty-one thousand naira only) should be recovered from the contractor and evidence of recovery be forwarded to the National Assembly as well as the Office of the Auditor-General for the Federation for confirmation. Sanction in line with FR 3117 of should apply.

**Issue 10: PAYMENT TO A CONSULTANT FOR STAKEHOLDERS’
CONFERENCE - N87,917,500.00**

Financial Regulation 415 stipulate that ‘the Federal Government requires all officers responsible for expenditure to exercise due economy, Money must not be spent merely because it has been voted’.

Audit observed that a payment voucher No. OSAPND/OC-C/368/2017 dated 18th December 2017 for the sum of N87,917,500 (Eighty-seven million nine hundred and seventeen thousand five hundred naira only) was paid for the provision of consultancy service to organise the end of year conference for the stakeholders of the Niger Delta region. Further investigation revealed the following:

1. Date and venue of the conference not disclosed
2. List of the stakeholders that attended the conference not attached
3. The communique/report of the conference not sighted

4. No documentary evidence that the stakeholders conference was held

Risk

This could lead to misappropriation of public funds.

Recommendation

The Special Adviser is required to respond to the issues raised in 1 to 4 above, otherwise the sum of ₦87,917,500 (Seven million nine hundred and seventeen thousand five hundred naira only) should be recovered and paid to Treasury and evidence of recovery forwarded to National Assembly and the office of the Auditor General for the Federation for confirmation. In addition, sanctions in line with FR 3129 should apply.

MARITIME ACADEMY OF NIGERIA, ORON

During the periodic check of the Maritime Academy of Nigeria, Oron, the following observations were made:

Issue 1: IRREGULARITY IN AWARD OF CONTRACT - ₦835,245,115.00

Section 24(1) of the Public Procurement Act 2007 States that ‘Except as provided by this Act, all procurement of goods and works by all procuring entities shall be conducted by open competitive bidding’

Audit observed that fourteen (14) contractors were awarded various contracts by the Academy which were instantly sold out to 3rd parties after the award.

This practice runs contrary to provisions of the Public Procurement Act 2007, which outlines the procedure for the emergence of a contractor. Competitive bidding processes were contravened.

Risk

There is possibility that contract may not be executed according to specifications and value for money will not be derived.

Management’s response

No response from management as at the time of this report

Recommendation

The Rector is required to provide justification for the acceptance of contractors to which awards were not made, failing which sanctions within FR 3117 should apply.

Issue 2: DIVERSION OF PUBLIC FUNDS - ₦457,657,293.12

Financial Regulation 713 states that ‘personal money shall in no circumstances be paid into government public and bank account nor shall any public money be pay into a private bank account, officer who pay public money into a private account is deemed to have money to be done so with fraudulent intention’

Audit observed that the sum of ₦457,657,293.12 (Four hundred and fifty-seven million six hundred and fifty-seven thousand two hundred and ninety-three-naira twelve kobo only) released to the Academy on 13th December 2012 was irregularly diverted to UBA account number;1006476693. All efforts made by the Audit Team to sight the bank statement, supporting documents for utilization of the fund and other relevant details proved abortive.

Management’s response

No response from management as at the time of this report

Risk

Diversion of funds is illegal and deprives the Government of resources.

Recommendation

The Rector is required to recover the sum of ₦457, 657,293.12 (Four hundred and fiftyseven million six hundred and fifty-seven thousand two hundred and ninety-three-naira twelve kobo) irregularly diverted into a private account and furnish recovery particulars. Sanctions within FR 3106 should apply.

Issue 3: CONTRAVENTION OF E-PAYMENT POLICY - ₦608,267,431.98

Financial Regulation 631 states that ‘commencing 1st January 2009, all payment except where exemption has been granted shall be made through electronic payments.

Audit observed that the sum of ₦608,267,431.98 (Six hundred and eight million two hundred and sixty-seven thousand four hundred and thirty-one naira ninety-eight kobo only) was irregularly withdrawn from account number 02550040000037 with the United Bank for Africa (UBA) without stating the purpose of the withdrawal.

Management’s response

No response from management as at the time of this report

Risk

Diversion of public fund for purposes other than intended.

Recommendation

The Rector should recover the sum of ₦608, 267,431.98 (Six hundred and eight million two hundred and sixty-seven thousand four hundred and thirty-one-naira ninety-eight kobo only) irregularly withdrawn from account number 02550040000037 with the United Bank for Africa (UBA). Sanctions within which FR 3127 and 3128 should apply.

Issue 4:**CIRCUMVENTION OF PROCUREMENT PROCEDURES**
₦1,241,964,269.34

Federal Government Treasury Circular No: TRY/A2FB2/2009/OAGF/CAD/0226 dated 24th march 2009 which stipulates that, 'All Accounting Officers controlling expenditure are to ensure that all level procurement of stores and services costing above ₦200,000.00 shall be made through award of contract.

Audit observed that Non-personal Advances were granted to three hundred and thirty- two (332) officers totalling ₦1,241,964,269.34 (One Billion, two hundred and forty one Million, nine hundred and sixty four thousand, two hundred and sixty nine Naira, thirty four kobo) to carry out various services. In addition to circumventing procurement processes, these advances granted also deprived Government of 5% Value Added Tax (VAT) and 5% Withholding Tax (WHT) totalling ₦124,196,426.93.

Management's response

No response from management as at the time of this report

Risk

Failure to apply procurement rules could lead to misappropriation and loss of revenue to government.

Recommendation

The Rector is required to justify the granting of advances above the ₦200,000.00 threshold in the sum of ₦1,241,964,269.34 (One Billion, two hundred and forty-one Million, nine hundred and sixty-four thousand, two hundred and sixty nine Naira, thirty four kobo) failing which the sum should be recovered and recovery particulars forwarded for verification. Sanctions within FR 3106 should apply.

Issue 5: IMPROPER INVESTMENT OF PUBLIC FUNDS - ₦1,809,086,753.20

Treasury Circular reference number: TRYA5&B5/2009/OAGF/CAD/026/V/32 dated 19th June 2009 issued by the Accountant General of the Federation stipulates that public fund should be invested in government treasury bills and not on fixed deposits with commercial banks.

Audit observed that a total of ₦1,809,086,753.20 (One Billion eight hundred and nine eighty-six thousand seven hundred and fifty-three Naira twenty kobo) was placed on fixed deposit with commercial banks.

Risk

This could lead to loss of Government fund and possible diversion of funds.

Management's response

No response from management as at the time of this report

Recommendation

The Rector is required to explain the failure to follow Government investment directives and ensure full compliance. Evidence of compliance with the directives on the investment of public funds should be forwarded for audit verification. Sanctions within FR 3129 should apply.

Issue 6: UNRETIRED CASH ADVANCES - ₦548,174,607.00

Financial Regulation 1420 stipulates that, 'it is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully retired.'

Audit observed that amounts totalling ₦548,174,607.00 (Five hundred and forty-eight million one hundred and seventy-four thousand six hundred and seven naira only) were granted as personal advances to sixty (60) officers between January 2013 to 2017 financial years to carry out various services. The advances due for retirement at the time of the audits in 2017 were not yet retired.

Risk

Use of Government funds for purposes not intended and loss of Government funds.

Management's response

No response from management as at the time of this report

Recommendation

The Rector is required to ensure that outstanding advances amounting to ₦548,174,607.00 (Five hundred and forty-eight million one hundred and seventy-four thousand six hundred and seven

naira only) are retired immediately and evidence of retirement forwarded for verification, failing which sanctions within FR 3118 should apply.

Issue 7: FUNDS RELEASED BY NIMASA BUT NOT TRACED TO THE ACADEMY ACCOUNT - ₦80,137,005.00

Financial Regulation 715 states that ‘Sub –accounting officers must ensure that all sums paid direct into their bank account are brought to account in their cash book promptly’

Audit observed that a sum of ₦80,137,005.00 (Eighty million one hundred and thirtyseven thousand five naira only) was released to the Academy by NIMASA without any evidence that the money was received by the Academy as no details of the remittance could be traced to the accounts during audit inspection.

Management’s response

No response from management as at the time of this report

Risk

Failure to properly account for receipts could lead to diversion of public funds.

Recommendation

The Rector is required to account for the sum of ₦80,137,005.00 (Eighty million one hundred and thirty-seven thousand five naira only) and provide evidence of receipt and utilization otherwise the sum should be recovered failing which the provisions of FR 123(i) (c) and FR 3115.

Issue 8: PAYMENT FOR ITEMS NOT SUPPLIED - ₦254,540,000.00

Financial Regulation 708 states that ‘On no account should payment be made for service not yet performed or for goods not yet supplied’

Audit observed that a contract for the supply, installation and training of 360-degree full mission simulation system was granted to a contractor on 30th March 2012 at the cost of ₦254,540,000.00 (Two hundred and fifty-four million five hundred and forty thousand naira only). Enquiries revealed that, several items from the contract which were paid for were not supplied, installed, or taken on ledger charge.

Management’s response

No response from management as at the time of this report.

Risk

Possible loss of fund and payment for items not yet supplied.

Recommendation

The Rector is required to refund the sum of ₦254, 540,000.00 (Two hundred and fiftyfour million five hundred and forty thousand naira only) for contract not performed and sanctions within FR 3104 should apply.

Issue 9:**ADVANCES -****NON-RELEASE OF DOCUMENTS ON RETIREMENT OF****₦3,192,180.040.12**

Financial Regulation 603 state that 'All vouchers shall contain full particular of each services such as dates, numbers, quantities, distances and rates, as to enable them to check without reference to any other document will and variably be supported by relevant document such as local purchase order , invoice . special letter of authority time sheet etc'.

Audit observed that the Academy refused to release retirement documents for advances granted to officers totalling ₦3,192,180.040.12 (Three billion one hundred and ninetytwo million one hundred and eighty thousand forty-naira twelve kobo only) for the period under review. Audit is therefore concerned that the documents do not exist, and the funds have been diverted.

Risk

Failure to provide supporting documents to audit may indicate funds have been misappropriated or diverted.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Rector is required to immediately account for the sums advanced, failing which the amounts should be recovered from him/her and paid into the Treasury. Sanctions within FR 3106 should apply.

FEDERAL MORTGAGE BANK OF NIGERIA**Issue 1:****-****INTEREST WAIVER GRANTED WITHOUT BOARD APPROVAL****₦2,103,959,366.10**

The Bank's Policy and Procedures for interest waiver and adjustment require the approval of the Board of Directors before any waiver or credit adjustments can be granted.

Audit observed that the sum of ₦2,103,959,366.10, being accrued interest from five estate developers, was waived by the Bank's Operational Management without the approval of the

Board. Further examination revealed that from the amount, the sum of ₦812,570,825.29 was granted to three of the developers as credit adjustments. This was also not approved by the Board.

Risk

Possibility of connivance with the estate agents to commit fraud, thereby resulting in a loss of revenue to the government.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to justify why the sum of ₦2,103,959,366.10 was waived without approval of the Board or to recover the amount from the estate developers, otherwise, sanctions stated in FR3115 should apply.

Furthermore, this issue should be examined by the Economic and Financial Crimes Commission (EFCC) or the Independent Corrupt Practices and related offences Commission (ICPC).

Issue 2: OVERPAYMENT TO ESTATE DEVELOPERS - ₦2,135,743,261.20

Financial Regulation 415 states that “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that the sum of ₦9,913,331,400.57 was approved as disbursement to twenty-three Estate Developers for the delivery of 2,469 units of houses under the Estate Development Loan and Ministerial Pilot Housing Scheme Project. It was however observed that the Bank disbursed the sum of ₦12,049,074,661.77, resulting in an overpayment of the sum of ₦2,135,743,261.20. No justification for the overpayment was given neither was any approval presented to audit.

Risk

This may be indicative of misappropriation/diversion of public funds.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to provide the approval for the additional sum of ₦2,135,743,261.20 paid to the Developers or to recover the amount from the beneficiaries and pay back to the Bank, failing which sanctions stated within FR 3106 and 3115 should apply. The

Office of the Auditor-General for the Federation should be informed once the funds are recovered, and evidence of same should be provided for audit verification.

Issue 3: UNRECOVERED LOANS GRANTED TO ESTATE DEVELOPERS - N95bn –

Financial Regulations 232 states that “If at any time, a public officer sustains a loss of Revenue due to negligence, he shall be liable to be surcharged for the amount involved.”

Audit observed that the Bank made a loss of over N95 billion through projects loans granted to unqualified Estate Developers that lacked technical competence. It was further observed that the value of the collaterals used in securing the facilities were grossly inadequate.

Risk

Loss of revenue to the government, and possible connivance to defraud the bank.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to provide explanation for the unrecovered loan in the sum of over N95 billion and to the recover the amount from the beneficiaries, failing which sanctions stated in FR 232 should apply.

Issue 4: PAYMENT FOR ABANDONED LEGACY ESTATE PROJECT - N14,281,749,370.71

Financial Regulation 708 states, “On no account should money be paid for services not yet performed or for goods not yet supplied.”

Audit observed that the Bank awarded a contract for the construction of 963 units of residential building called Legacy Estate, with all the facilities and services of a modern urban setting at a contract price of N10,000,000,000.00. However, a total of N14,281,749,370.71 was disbursed to the contractor between 22nd November 2012 and 29th April 2013, thereby resulting in an overpayment of N4,281,749,370.71. No reason was provided for the additional payment; neither was any evidence of contract variation presented for audit.

Audit further observed, from physical inspection of the site on 7th July 2017, that the project had been abandoned since 2014, some months after payments were made, with less than 10% of

work done. Yet the bank did not only pay the full contract sum, the contractor was overpaid to the tune of ₦4,281,749,370.71, without any justification for the over-payment.

Risk

Waste of government fund and possibility of diversion of government funds.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦14,281,749,370.71 from the contractor, failing which sanctions stated within FR 3104 and FR 3105 should apply. The Office of the Auditor-General for the Federation should be informed once the funds are recovered, and evidence of same should be provided for audit verification.

Issue 5:

NON-RECOVERY OF OUTSTANDING TRAPPED FUND IN A DEFUNCT BANK - ₦142,206,368.30

Financial Regulation 324(i) states "All accounts or statements requesting payment to government of revenue due shall be sent out in advance and should show thereon the date by which payment ought to be made."

Also, Financial Regulations 222 states "Interest earned on bank accounts must be properly classified to the appropriate revenue head of Accounts and paid to the Consolidated Revenue Fund."

Audit observed that a sum of ₦500,000,000.00 belonging to Federal Mortgage Bank Nigeria had been trapped in a defunct bank since July 2013. While the Bank had been able to recover the sum of ₦357,793,631.70, the balance of ₦142,206,368.30 (exclusive of accrued interest) was yet to be recovered from the acquirer as of the time of audit in 2017. It was also observed that there was little evidence of efforts made by the Management to recover the balance from the acquirer.

Risk

Loss of fund to the Government and other stakeholders.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦142,206,368.30 and the accrued interests, failing which sanctions stated in FR 232 should apply. The Office of the Auditor-General for the Federation should be informed once the funds are recovered, and evidence of same should be provided for audit verification.

Issue 6: IRREGULAR AWARD OF CONTRACT - ₦3,045,391,531.97

Financial Regulations 2908 states that “Where there are existing thresholds, no moneys shall be drawn from the Consolidation Revenue Fund or any government account in respect of procurement falling above set thresholds. Such payment falling above threshold shall only be valid if a “Certificate of No-Objection” is obtained from the Bureau.”

Audit observed that a contract was awarded to a contractor in four phases at a total contract sum of ₦3,045,391,531.97. Audit however observed that the second, third and fourth phases of the contract were above the approval thresholds of the Bank.

It was also observed, from the examination of payment documents that the contractor was overpaid in the sum of ₦118,717,892.72 that resulted from irregular addition of 5% Withholding Tax in the Bill of Quantity on each of the four phases of the contract.

Audit further observed, from physical inspection of the site that a provision of ₦80, 000,000.00 was made and paid for the implementation of “Unified Access and Attendance System” but the device was not working according to specifications.

A sum of ₦644,040,000.00 was also provided in the Bill of Quantities for offshore training and other deliverables in the 3rd and 4th phases of the contract, but there was no evidence of execution, in contravention of Financial Regulations 708.

Risk

There could be misappropriation or other losses of government funds.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to account for the sum of ₦3,045,391,531.97 on contracts that were irregularly awarded, failing which sanctions stated in FR 3117 should apply.

Issue 7: NON-RECOVERY OF LOAN GRANTED TO FORMER DIRECTORS –N65,201,151.87

Financial Regulations 1405 states “Accounting Officers are responsible for prompt repayment of all advances by instalments or otherwise.”

Audit observed that a total of N65,201,151.87 paid to three former Executive Directors of the Bank as loan for the acquisition of properties while they were still in service in October 2011 remained outstanding as at the time of audit in 2017.

Risk

Loss of government funds by way of diversion.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of N65,201,151.87 from the affected Executive Directors, failing which sanctions stated in FR 3118 should apply. The Office of the Auditor-General for the Federation should be informed once the funds are recovered, and evidence of same should be provided for audit verification.

Issue 8: NON-RECOVERY OF LOANS GRANTED TO FORMER OFFICERS - N79,727,231.57

Financial Regulations 1405 states “Accounting Officers are responsible for prompt repayment of all advances by instalments or otherwise.”

Audit observed that a sum of N79,727,231.57 granted to former officers of the Bank as loans remained outstanding as at the time of audit in 2017. Audit enquiry revealed that no effort was made to recover the loans from the affected officers’ benefits or claims.

Risk

Loss of government funds by way of diversion.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦79,727,231.57 from the affected officers, failing which sanctions stated in FR 3118 should apply. The Office of the Auditor-General for the Federation should be informed once the funds are recovered, and evidence of same should be provided for audit verification.

Issue 9:

NON-RECOVERY OF ARREARS AND OUTSTANDING BALANCES OF FMBN LOANS TRAPPED IN PRIMARY MORTGAGE BANKS AND MICRO FINANCE BANK - ₦1,393,554,358.45

Audit observed that a total of ₦1,393,554,358.45 comprised of ₦1,079,148,240.58 and ₦314,406,117.87 granted as loans to six primary Mortgage Banks and a micro finance bank respectively remained outstanding as at the time of audit in 2017. Audit is particularly concerned as to the laxity of the Bank in making efforts towards the recovery of those loans many years after it was granted. It is also of concern to audit that the six Mortgage Banks have since been wound-up.

Risk

Loss of fund to the government.

Management's response

No response was received from management as at the time of this report .

Recommendation

The Managing Director is required to justify the refusal of the Bank to recover the sum of ₦1,393,554,358.45 granted as loans and to recover the amount from the beneficiaries and pay same to Treasury, failing which sanctions stated in FR 3112 should apply.

Issue 10:

OVER PAYMENT TO A CONSULTANT - ₦ 48,573,511.47

Financial Regulations 234(i) states "It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax(VAT) and Withholding Tax(WHT) due on supply and services contract and actual remittance of same."

Audit observed that a Consultant was awarded nine different contracts totalling ₦742,950,016.84 between December 2013 and December 2015. Payment documents, however, revealed a total payment of ₦791,523,528.31 to the contractor, resulting in overpayment of ₦48,573,511.47. Further examination revealed that the overpayment was due to casting errors, under deduction of taxes, etc.

Risk

Loss of revenue to the government in form of taxes under deducted

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦48,573,511.47 from the Consultant, otherwise sanctions stated in FR 234(ii) & (iii) should apply. The Office of the Auditor-General for the Federation should be informed once the funds are recovered, and evidence of same should be provided for audit verification.

Issue 11: NON-DEDUCTION OF STATUTORY VAT AND WHT - ₦97,194,684.96

Financial Regulations 234(i) states "It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax(VAT) and Withholding Tax(WHT) due on supply and services contract and actual remittance of same."

Audit observed that the Bank failed to deduct and remit Withholding (WHT) Tax and Value Added Tax (VAT) for the year 2015 and 2016 amounting to ₦97,194,648.96 on payments made to contractors for construction and consultancy services.

Risk

Possible diversion and misapplication of government revenue.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦97,194,648.96 from the beneficiaries and pay same to government coffers, otherwise, sanctions stated in FR 234(ii) & (iii) should apply.

Issue 12: NON-REMITTANCE OF 25% OF INTERNALLY GENERATED REVENUE ₦4,210,358,997.00

The Federal Ministry of Finance Circular No: BO/REV/12235/vii/201 dated 11th November 2011 that states in part "all Federal Agencies/Parastatals should limit their annual budgetary expenditure from Internally Generated Revenue to bit more than 75% of their gross revenue while the remaining 25% are to be remitted to the coffers of the Federal Government through Consolidated Revenue Fund (CRF).

Therefore, Heads of Agencies are to ensure prompt remittance of their operating surplus into Consolidated Revenue Fund as required by the provisions of the Fiscal Responsibility Act 2007”

Audit observed, from the review of the Bank’s prepared but yet unaudited accounts for years 2015 and 2016 that the Bank failed to remit the sum of N4,210,358,997.00 which represents 25% of the sum of N16,841,435,988.00 that was generated cumulatively in years 2015 and 2016.

Risk

Unremitted funds maybe misappropriated.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to remit the sum of N4,210,358,997.00, to government treasury, failing which sanctions provided in FR 3120 should apply.

Issue 13:

UNRECOVERED BALANCE OF THE MINISTERIAL PLOT HOUSING SCHEME (MPHC) AND OUTSTANDING ESTATE DEVELOPMENT LOAN GRANTED TO ESTATE DEVELOPER - N3,937,758,457.34

Financial Regulation 708 states, “On no account should money be paid for services not yet performed or for goods not yet supplied.”

Audit observed that the Board of Federal Mortgage Bank approved two loans of N1,842,297,220.00 and N1,781,280,000.00 to an Estate Developer on 26th May, 2011 for the construction of 270 mixed housing units of two and three bedroom flats at Aviation Village Estate, Sabon Lugbe, Abuja and on 7th August, 2014 for the construction of 300 units of houses at Cadastral E05 Kiyama District, Abuja respectively.

Audit examination however, revealed that the developer failed to deliver the projects. No justifiable reason was given as to why the contractor failed to execute the contract.

Risk

Government fund may be diverted for personal use.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦3,937,758,457.34 from the developer and pay same to the Consolidated Revenue Fund of the Federal Government, failing which sanctions stated in FR 3104 should apply.

Issue 14: NON-PERFORMING LOANS - ₦143,874,535,762.70

Financial Regulation 232 states that “If at any time, a Public Officer sustains a loss of Revenue due to negligence, he shall be liable to be surcharged for the amount involved.”

Periodic checks conducted at the Bank covered the period up to 31st December 2016. Audit observed, from the examination of loan recovery records, that the Bank’s total non-performing loans in respect of Primary Mortgage Banks (PMBs), EDL and MPHSC stood at ₦143,874,535,762.70 as of 31st December 2016. Audit further observed that the bank failed to institute more strategies for loan recovery and restructuring for easy collection.

Risk

Cases of non-performing loans may result in the loss of public funds. It may also hamper the operations of the bank.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to justify the failure of the Bank to recover the loans when they matured, thereby leading to them becoming non-performing. Also, sanctions stated in FR 232 and 3112 should apply.

Issue 15: UNUTILISED DISBURSEMENTS TO DEVELOPERS – ₦928,678,943.06

Financial Regulation 232 states that “If at any time, a Public Officer sustains a loss of Revenue due to negligence, he shall be liable to be surcharged for the amount involved.”

Audit observed, from the review of developers’ files and other relevant documents from January 2015 to December 2016 that Management approved loans totalling ₦4,084,375,408.84 in favour of five developers, out of which a total of ₦928,678,943.06 were disbursed. Further audit examination however revealed that the five developers did not have the required land titles as contained in the Bank’s loan policy before loans were granted. It was also observed that the developers were yet to mobilize to site as at the time of audit in 2017.

Risk

Possibility of the loan becoming non-performing.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦928,678,943.06 from the developers and pay same to government treasury, failing which sanctions stated in FR 3106 should apply.

Issue 16:**VIOLATION OF GOVERNMENT'S DIRECTIVE ON THE TRANSFER OF****COMMERCIAL BANK BALANCES TO TREASURY SINGLE ACCOUNT (TSA) - ₦977,278,655.07**

Establishment Circular No. HCSF/428/S.1/120, dated 7th August, 2015 states that, "The President of the Federal Republic of Nigeria has approved the establishment and operation of Treasury Single Account for e-Collection of Government Receipts for all Federal MDAs with effect from the date of this circular"

Also, Treasury Circular No. TRY/A7&B7/2015/OAGF/CAD/026/VOL.11/240, dated 5th October, 2015 states that "following the expiration of the September 15th 2015 deadline for all MDAs to comply with the Presidential directive on the establishment and operation of Treasury Single Account/E-Collection scheme, it is expected that all accounts maintained and operated in the DMBs (Deposit Money Banks) by MDAs would have been closed and balances transferred to the Central Bank of Nigeria (CBN)".

Audit observed, from the examination of the Bank's financial records, that the Bank is still operating accounts with eight Deposit Money Banks in contravention of the above quoted Circulars. The balances in those accounts as of 31st March 2016, stood at ₦977,278,655.07.

Risk

Possibility of diversion of funds. The failure to comply with the TSA Directive may also undermines the benefits expected from Government's cash management policy.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to justify the failure of the bank to comply with the Presidential directive as contained in the Circular quoted above. He is also required to immediately close those accounts and transfer the balances therein to the Treasury Single Accounts, otherwise sanctions stated in FR 3129 should apply.

Issue 17:

NHF LOANS GRANTED TO PRIMARY MORTGAGE BANK NOT REPAYED - ₦88,650,000.00

Financial Regulations 415 states “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted.”

Audit observed that the Bank, on approval of the Board, paid the sum of ₦149,350,000.00 to a primary mortgage bank in September 2014. The payment which was tagged Batch 24 was to be disbursed to fourteen applicants.

Audit however, observed that only the sum of ₦67,200,000.00 was disbursed to five beneficiaries, leaving a balance of ₦82,150,000.00 yet to be disbursed to the nine remaining applicants. Reasons as to why the balance were not disbursed to the remaining applicants were not provided for audit

Similarly, the sum of ₦6,510,000.00 was paid to a beneficiary through a primary mortgage bank who later rejected the money. It was however, observed that the primary mortgage bank is yet to return the money.

Risk

Possibility of diversion of funds for personal use.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦88,660,000.00 from the said Primary Mortgage Banks and ensure it is paid back into government coffers, otherwise sanctions stated in FR 3115 should apply.

**Issue 18: LOSS OF FUNDS TO A PRIMARY MORTGAGE BANK -
N27,000,000.00**

Financial Regulation 708 states, “On no account should money be paid for services not yet performed or for goods not yet supplied”

Audit observed that in 2009, the Bank approved a loan of ₦184,274,350.00 to a developer for the development of 75 units of houses, out of which the sum ₦125,747,079.00 was released to a primary mortgage bank for onward disbursement to the developer. However, only the sum of ₦98,747,079 was disbursed by the primary mortgage bank, as the balance of ₦27,000,000.00 was withheld by the primary mortgage bank without any justifiable reason for withholding the amount.

Audit also observed that the project site had since been abandoned without any concrete explanation provided.

Risk

Possibility of diversion of public funds for personal use.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to explain why the Primary Mortgage Bank withheld the sum of ₦27,000,000.00 meant for a developer, and to recover the amount from the Primary Mortgage Bank. He is also required to ensure that the developer returns to site or the contract be revoked and the sum of ₦98,747,079 so far paid should be recovered from the developer. Otherwise, sanctions stated in FR 3104 should apply.

**Issue 19: ABUSE OF DUE PROCESS AND EXCESSIVE
DISBURSEMENT OF NHF/FMB FUNDS TO NON-
PERFORMING DEVELOPERS - N1,541,732,448.24**

Financial Regulation 708 states, “On no account should money be paid for services not yet performed or for goods not yet supplied”

Audit observed that the Bank disbursed a total of ₦1,541,732,448.24 to three Estate Developers for construction of units of houses. It was however, observed that these developers have since abandoned the sites. The minimal construction work carried out was also found to be of poor quality when the Audit Team visited.

Risk

This could result in waste of public funds and in possible diversion of public funds.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦1,541,732,448.24 from the developers. He/She is also required to justify the engagement of non-competent developers by the Bank, otherwise, sanctions stated in FR 3104 and 3105 should apply. The Office of the Auditor-General for the Federation should be informed once the funds are recovered, and evidence of same should be provided for audit verification.

Issue 20: FAILURE TO COMPLY WITH LOAN AGREEMENT - ₦161,333,333.33

Financial Regulation 232 states that “If at any time, a Public Officer sustains a loss of Revenue due to negligence, he shall be liable to be surcharged for the amount involved.”

Audit observed that an Estate Developer secured an approval of project loan of ₦697,900,000.00 for the construction of 200 housing units in Ilorin, Kwara state, which were to be occupied by civil servants in the state. It was however, observed that the developer after accessing a sum of ₦161,333,333.33 claimed not to be able to build the types of houses as contained in the agreement and instead, built few luxury houses. Audit view this as a departure from the terms of the agreement, resulting in a breach of contract. It was also observed that the developer had since began the sale some of those houses to private individuals without recourse to the terms of the agreement.

Risk

The purpose for which the amount was released may not be achieved, thereby, resulting in waste of government resources.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦161,333,333.33 paid to the developer, along with the appropriate accrued interest, otherwise sanctions stated in FR 3129 should apply.

Furthermore, this issue should be examined by the Economic and Financial Crimes Commission (EFCC) or the Independent Corrupt Practices and related offences Commission (ICPC), to complement the Bank's efforts to recover the amounts paid to the developer.

Issue 21: PAYMENT FOR JOBS NOT COMPLETED - ₦1,404,712,245.00

Financial Regulation 708 states, “On no account should money be paid for services not yet performed or for goods not yet supplied”

Audit observed that the Bank disbursed a total of ₦1,404,712,245.00 to two Estate Developers between 2012 and 2016 for the construction of housing units called “FMBN Housing Estate”. Audit inspection of the sites however, revealed that the projects had been abandoned despite the financial commitment.

Risk

Possibility of diversion of public funds for personal use.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦1,404,712,245.00 and the accrued interest from the developers and pay same to the government treasury, otherwise sanctions stated in FR 3104 should apply.

**Issue 22: PAYMENT FOR HOUSING ESTATE NOT CONSTRUCTED
₦487,315,955.00**

Financial Regulation 708 states, “On no account should money be paid for services not yet performed or for goods not yet supplied”

Audit observed that the Bank disbursed the sum of ₦487,315,955.00 to a Developer within May and October 2012 for the construction of 114 units of houses. Physical inspection of the site in 2017 however, revealed that the contractor has not put up any structure on the site since the payment was made to him.

Risk

Possibility of diversion of public funds for personal use.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to recover the sum of ₦487,315,955.00 and the accrued interest from the developers and pay same to the government treasury, otherwise sanction stated in FR 3104 should apply.

Issue 23: **UNRECOVERED LOANS AND ACCUMULATED INTEREST ₦117,157,772,344.18**

Audit observed that loan facilities amounting to ₦117,157,772,344.18 granted to 195 Estate Developers (ED), Ministerial Pilot Housing Scheme (MPHSC), Primary Mortgage Banks (PMBs) and Home Renovation Loans (HRL) portfolio between 2003 to 31st December, 2016 are yet to be recovered by the Bank as at the time of audit in 2017.

Risk

Non-performing loans may result in the loss of public funds. They may also hamper the funding and operations of the bank.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to justify the failure of the Bank to recover loans amounting to ₦117,157,772,344.18. Also, sanctions stated in FR 232 and 3112 should apply.

Issue 24: **UNSUBSTANTIATED DEBIT BALANCE - ₦15,119,880,051.73**

Financial Regulations 715 states that "Sub-Accounting Officers must ensure that all sums paid direct into their bank accounts are brought to account in their cash books promptly."

Audit observed in 2017, while examining the Bank's internal audit report, that the sum of ₦15,119,880,051.73 being an outstanding unresolved debit balance stood in the Banks portfolio.

Risk

Error or fraud may go undetected

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to account for the sum ₦15,119,880,051.73 being a debit balance in the Bank's portfolio, otherwise, sanctions stated in FR3115 should apply.

Issue 25: **TRANSFER OF FUNDS TO UNKNOWN BENEFICIARY-~~₦1,000,000,000.00~~**

Financial Regulations 715 states that “Sub-Accounting Officers must ensure that all sums paid direct into their bank accounts are brought to account in their cash books promptly.”

Audit observed, from the examination of the Bank’s Statement of Account No. 1750017473 with Skye Bank Plc, that a sum of ₦1,000,000,000.00 was transferred from the account in October 2015 to an unknown destination. All efforts made to obtain an explanation for the transaction proved abortive.

Risk

This could result in diversion of public funds.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to account for the sum ₦1,000,000,000.00, otherwise, sanctions stated in FR 3115 should apply.

Issue 26: **MOVEMENT OF FUNDS TO UN-IDENTIFIED BENEFICIARIES ~~₦2,454,086,622.04~~**

Financial Regulations 715 states that “Sub-Accounting Officers must ensure that all sums paid direct into their bank accounts are brought to account in their cash books promptly.”

Audit observed, from the examination of the Bank’s Statement of Account No. 5600000648 with Heritage Bank Plc and Statement of Account No. 0009238340 with Sterling Bank Plc that a total of ₦2,454,086,622.04 were transferred to unknown beneficiary(s). The management of the Bank did not disclose the unidentified beneficiary(s) as at the time of writing this report.

Risk

This could result in diversion of public funds.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to account for the sum ₦2,454,086,622.04 and disclose the recipients of the funds, otherwise, sanctions stated in FR 3115 should apply.

Issue 27: MISSING FUNDS AND COLLECTIONS - ₦87,464,469.52

Financial Regulations 715 states that “Sub-Accounting Officers must ensure that all sums paid direct into their bank accounts are brought to account in their cash books promptly.”

Audit observed, during examination of the Skye Bank (1750017473) reconciliation statement, that the sum of ₦87,464,469.52, being collections recorded in the cash book/ general ledger in 2014 did not reflect in the bank statement. Audit could not trace the amount to the bank account even as at the time of migration to the Treasury Single Account.

Risk

Possibility of fraud by way of diversion of public funds for personal use.

Management’s response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to account for the sum ₦87,464,469.52, otherwise, sanctions stated in FR 3115 & 3129 should apply.

Issue 28: UNSUBSTANTIATED TRANSFER TO ACCOUNT NUMBER “70503” - ₦3,584,687,766.73

Financial Regulations 715 states that “Sub-Accounting Officers must ensure that all sums paid direct into their bank accounts are brought to account in their cash books promptly.”

Audit observed, from the examination of February, 2015 Reconciliation Statement of Eco Bank Plc with Account No. 11133000832 and the Bank’s cash book/general ledger, that the sum of ₦3,584,687,766.73 which reflected on the debit side of the bank statement did not reflect in the cash book/ general ledger. Audit further observed that this amount was transferred into account No “705073” on 5th February 2015. Details of this transaction were however, not presented for audit.

Risk

Possibility of fraud by way of diversion of public funds for personal use.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to account for the sum ₦3,584,687,766.73, otherwise, sanctions stated in FR 3115 & 3129 should apply.

Issue 29: ABANDONED COMPLETED PROJECT - ₦1,093,685,680.34

Financial Regulations 3109 states in part “An Accounting Officer or a Sub-Accounting who pays for the acquisition of asset(s) with public funds but fails to collect the asset(s) from the contractor/supplier, shall be given 21 days to recover the asset(s) from the contractor/supplier, failing which the officer shall be transferred to another schedule...”

Audit observed that Bank disbursed the sum of ₦1,093,685,680.34 to the Federal Housing Authority (FHA) for the construction of 251 units of houses in Obada-Oko, Ogun state. Audit however, observed that the project had since been completed as far back as 2005 but it was not handed over to the Bank. Physical inspection revealed that the said estate had since been taken over by illegal occupants.

Risk

Acts of this nature can lead to a waste of Government resources.

Management's response

No response was received from management as at the time of this report.

Recommendation

The Managing Director is required to justify the failure of the Bank to take over the project years after completion. He/She is also required to recover the properties from the illegal occupants and hand them to the intended occupants. Sanctions stated in FR 3109 and 3129 should apply.

NIGERIAN SHIPPERS COUNCIL

Issue 1: YEARS.

FAILURE TO RELEASE RECORDS FOR 2017 & 2018 FINANCIAL

Financial Regulation 110 states “By virtue of the responsibilities and functions of the Accountant-General and the Auditor-General or their representative shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and information relating to the accounts of all Federal Ministries/Extra-ministerial offices and other arms of Government or units. They shall also be entitled to require and receive from members of the Public Service. Such information, reports and explanations as they deem necessary for the proper performance of their functions.”

Audit observed that the under-listed records of the Council were not produced for auditing as at the time of the exit conference which was held on 3rd September 2019:

- i. Correspondence file(s) with supervising Ministry. ii.

- iv. Federal Character Commission’s approval for letter of No-Objection in respect of recruitments in 2017 and 2018.
- v. All relevant approvals in respect of remunerations and allowances of Council’s staff from the National Salaries, Incomes and Wages Commission.
- vi. Outstanding volumes of external auditor’s file (only volume (iv) was supplied for audit examination).
- vii. Last audited accounts of the Council and the Management letter. viii. Bank reconciliation Statements. ix. Trail Balance of the Council.
- x. General Ledger – 2018.
- xi. Vote Books for each of the Expenditure sub-head/account codes
- xii. 2017 advance retirement register.

Risk

Refusal to produce relevant records will prevent the Auditor-General from effectively auditing the Council.

Management's response

No Management's response as at the time of this report.

Recommendation

The Executive Secretary is required to justify why relevant records were not provided for audit. Sanctions in line with PSR 030402(w) should apply.

Issue 2: PAYMENT OF PROFESSIONAL FEES AND LEGAL SERVICES WITHOUT APPROVAL - ₦215,137,610.00

Establishment Circular referenced No. SGF/PS/CIR/625/I/1 of 16th July, 2003 state in parts “ prior approval of the Attorney General of the Federation must be obtained before the engagement of External Solicitors, and Advocates by Federal Government Ministries, Parastatals, and Departments, and payment of professional fees in respect of such services...”

Audit observed that contrary to above circular, the Council paid a sum of ₦215,137,610.00 (Two hundred and fifteen million, one hundred and thirty-seven thousand, six hundred and ten naira) as professional fees, legal and appearance fees without clearance from the Attorney-General and Minister of Justice.

Risk

Payments without seeking approvals from the appropriate authority could lead to mismanagement of public funds.

Recommendation

The Executive Secretary is required to justify the violation of the above Circular, failing which the sum of ₦215,137,610.00 should be recovered and sanctions in line with FR3106 should apply.

Issue 4: CONTRACT SPLITTING AND CIRCUMVENTION OF PROCUREMENT THRESHOLDS - ₦204,906,520.30

Public Procurement Act, 2007 Section 20 (2) (e) states “ensuring that no reduction of values or splitting of procurements is carried out such as to evade the use of the appropriate procurement methods...”

Audit observed that contracts awarded in the sum of ₦204,906,520.30 (two hundred and four million nine hundred and six thousand five hundred and twenty-naira thirty kobo), exceeded the threshold of the Council's Tenders Board.

The following were also observed:

- i. The contracts were awarded and paid for on the same date in 2017 with same items and specifications.
- ii. There was no advertisement for the jobs as required by PPA 2007.
- iii. Due process was not followed in the procurement processes against the provisions of Section 20 (1) of PPA 2007.

Risk

Contract splitting to circumvent approval thresholds and avoidance of procurement process, could lead to loss of Government revenue as well as poor job execution.

Management's response

No Management's response as at the time of this report

Recommendation

The Director -General is required to account for ₦204,906,520.30 (two hundred and four million nine hundred and six thousand five hundred and twenty-naira thirty kobo), spent in contravention of Sections (20)(1) and (21)(2)(e). Sanctions in line with FR 3116 and 3106 should apply.

Issue 5:

NON-DEDUCTION AND REMITTANCE OF TAXES - ₦4,896,483 YEAR 2017

Financial Regulation 234(1) states that "It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and service contracts and actual remittance of same". In addition, Financial Regulation 235 states "Deductions for WHT, VAT and PAYE shall be remitted to the Federal Inland Revenue at the same time the payee who is the subject of the deduction is paid".

Audit observed that the sum of ₦4,896,483.00 (four million eight hundred and ninety six thousand four hundred and eighty three naira) incurred in 2017 as tax liability was not remitted to the Federal Inland Revenue Service (FIRS) and Lagos State Board of Inland Revenue (LSBIR) as at September 2019.

Risk

Failure to deduct and remit taxes to the relevant authorities could lead to diversion and loss of Government revenue.

MANAGEMENT'S RESPONSE

No Management's response as at the time of this report.

Recommendation

The Executive Secretary is required to account for the sum of ₦4,896,483.00 (four million eight hundred and ninety-six thousand four hundred and eighty-three naira), failing which FR 3112(ii) should apply.

Issue 6: UNDER-REMITTANCE OF 2017 OPERATING SURPLUS - ₦1,178,884,985.40

Treasury Circular Ref No. TRY A10 & B10/2016 OAGF/CAD/026/V.III/101 dated 22nd November 2016 states in part C that ‘all Corporation, Agencies and Government-owned companies listed in the schedule referred to in section 21 of Fiscal Responsibility Act, 2007 including the additions by Honourable Minister, Federal Ministry of Finance, shall pay 80% of their operating surplus to CRF, while 20% will go to the General Reserve Fund of the Organization so created for the purpose’.

Audit observed that, the sum of ₦1,178,884,985.40 (one billion one hundred and seventy eight million eight hundred and eighty Four thousand nine hundred and eighty five naira forty kobo) being operating surplus of the Council for the year 2017, was not remitted to the Consolidated Revenue Fund account of the Federal Government.

Risk

This could deprive Government of revenues needed for the execution of projects and programmes.

Recommendation

The Executive Secretary is required to remit the sum of ₦1,178,884,985.40 (One billion one hundred and seventy-eight million eight hundred and eighty-four thousand nine hundred and eighty-five-naira forty kobo) to the CRF being the outstanding operating surplus, failing which sanctions in line with FR 3112 should apply.

Issue 7: PURCHASES OF STORES/FIXED ASSETS NOT TAKEN ON CHARGE- ₦37,934,000.00

Financial Regulation 2402(i) states, “all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of the Regulation, the Storekeeper must certify that the stores have been received and taken on charge in the stores ledger quoting the stores receipt voucher number and attaching the original copy of the store receipt voucher to the original L.P.O.”

Audit observed that the sum of ₦37,934,000.00 (Thirty-seven-million, nine hundred and thirty-four thousand naira) was released to officers for direct procurement of items that were not taken on charge.

Risk

Government could lose valuables and funds when management fails to keep and maintain proper records of its stores and assets.

Management’s response

No Management’s response as at the time of this report.

Recommendation

The Accounting officer is required to justify the payment of the sum of ₦37,934,000.00 (Thirty-seven million, nine hundred and thirty-four thousand naira), without evidence of such items being received into stores, failing which FR 3106 should apply.

Issue 8: INFLATION OF CONTRACT VALUE IN THE BOQ - ₦61,736,555.57

Financial Regulation 3102 states that “ 3102. (i) Any public officer who is alleged to be involved in the inflation of contract shall be allowed 5 days within which to respond to audit query addressed to him. Where the query involves an Accounting Officer, he shall be reported to Mr. President. In the case of any other officer, he shall be surcharged appropriately and removed from the duty schedule, dismissed, and prosecuted. (ii) Where the inflation of the contract involves the Tenders Board, all the members that approved the inflated contract shall be severally and collectively sanctioned.”

Audit observed that a contract with Ref. No. NSC/PROC/2017/IFT/LOT19/AWD dated 4th December 2017 for clearing, cutting, filling and removal of material from TTP project site, Lokoja, Kogi State, at a contract price of ₦93,784,152, with a completion period of 6 months was inflated to the tune of ₦15,584,226 (Fifteen million five hundred and eighty-four thousand two hundred and twenty six naira only), through inclusion of “Aesthetic value” stated in the BOQ.

Audit further observed that another contract for the sum of ₦248,860,000.05 (two hundred and forty eight million eight hundred and sixty thousand naira), with ref. No. NSC/PROC/2017/IFT/LOT18/AWD dated 4th December 2017) for the Rehabilitation of School in Zamfara State, Completion of Government Health Centre in Enugu State, Sinking of Borehole in Kogi State and Rehabilitation/Drilling Works in Government School in Kano State was inflated through the inclusion of VAT (twice), Education Tax and contingencies in the BOQ by ₦46,152,289.57.

Risk

Overpricing of contracts and contractual errors may lead to loss of Government funds.

Management’s response

No Management’s response as at the time of this report.

Recommendation

The Executive Secretary is required to recover the total of ₦61,736,555.57 (Sixty-one million, seven hundred and thirty-six thousand, five hundred and fifty-five Naira, fifty-seven Kobo), being the sum of ₦15,584,226 and ₦46,152,289.57 from the contractors and pay same to government treasury. Sanctions stated within FR 3102 should apply.

ACKNOWLEDGEMENT

I wish to express my profound gratitude and deep appreciation to all the members of staff of my Office, for their hard work and diligence during the period under review. This Report is a demonstration of their devotion to duty and support for the role of this Office. I also thank various development partners for their support, and in particular the Technical Advisory support received through the UK Department for International Development. I also thank all the MDAs audited who have co-operated with my Office in the performance of my statutory duties and in the compilation of this Report.

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